

EXECUTIVE SUMMARY

The Municipality of Madridejos was created as a separate municipality from Bantayan on January 2, 1917. It is located 135 kms. north from Cebu City and comprise approximately 24,142,293 hectares of land area. It has 14 barangays, 10 of which are located along coastal areas, hence, fishing is the main livelihood of the majority of the population. The present population of the municipality was reported at 34,905 at the end of 2010.

The LGU is envisioned to be socio-economically viable geared towards becoming the agro-marine capital of Central Visayas through the protection and conservation of environmental resources where people have equitable access to health, education and livelihood program steered by good governance all for the glory of God Almighty.

The LGU was awarded the Seal of Good Housekeeping in 2012 and lately in 2015. This was due to the concerted effort of the municipal employees, department heads and municipal officials headed by its dynamic former mayor, Hon. Salvador S. Dela Fuente.

HIGHLIGHTS OF FINANCIAL OPERATIONS

During the year, the Municipality realized a total income of ₱98,945,505.37 compared to 2015 of ₱90,925,723.39, or an increase of ₱8,019,781.98 or 8.82%, arising from the increase in Internal Revenue Allotment, tax revenue, service and business income and other income as shown in Figure 1.

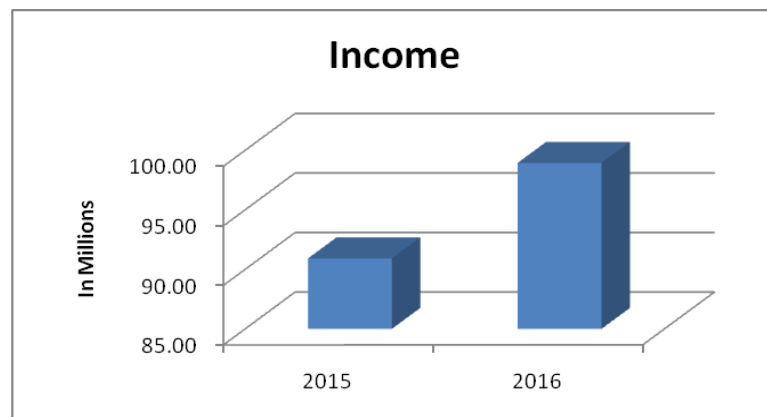


Figure 1

On the other hand, Figure 2 shows total operating expenses amounted to ₱99,121,427.21 showing a net increase of ₱14,668,780.26 or 17.37% compared to last year's expenses of ₱84,452,646.95. They are broken down as follows:

	2016	2015	Increase (Decrease)
Personal Services	₱41,125,555.79	₱36,908,628.75	₱4,216,927.04
MOOE	58,007,371.42	44,145,002.33	13,862,369.09
Financial Expenses	(11,500.00)	10,410.00	(21,910.00)
Non-cash Expenses	0.00	3,388,605.87	(3,388,605.87)
TOTAL	₱99,121,427.21	₱84,452,646.95	₱14,668,780.26

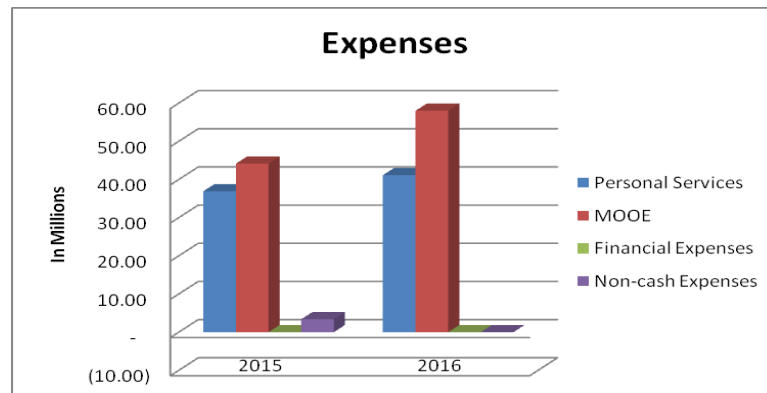


Figure 2

The municipality's assets, liabilities and residual equity as of December 31, 2016 were ₱118,435,410.99, ₱52,146,332.67, ₱66,289,078.32, respectively, which correspondingly increased (decreased) by 12.99%, 50.12% and (5.41%) as shown in Figure 3.

	2016	2015	Increase	In %
Assets	₱118,435,410.99	₱104,814,908.73	₱13,620,502.26	12.99
Liabilities	52,146,332.67	34,737,040.95	17,409,291.72	50.12
Government Equity	66,289,078.32	70,077,867.78	(3,788,789.46)	(5.41)

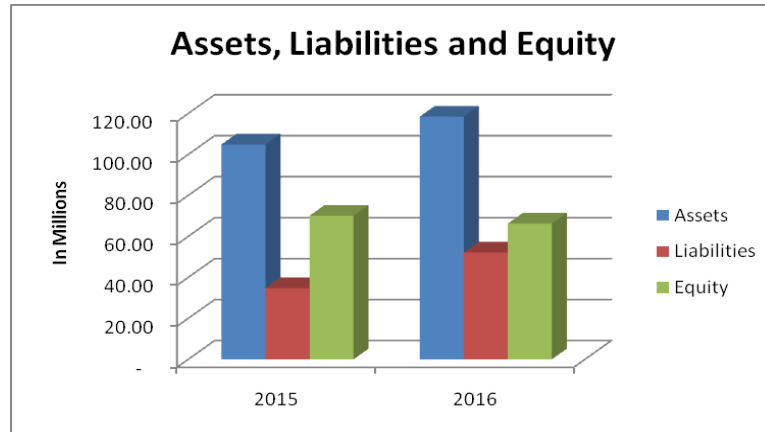


Figure 3

Total budget appropriations during the year for the General Fund (GF) and Special Education Fund (SEF) amounting to ₱109,692,232.26 and ₱543,141.21, respectively, and total actual expenditures of ₱97,052,921.86 and ₱2,068,505.35 with remaining (deficit) amounts of ₱12,639,310.40 and (₱1,525,364.14), respectively, are shown in Figures 4-1 and 4-2 and in the Statement of Comparison of Budget and Actual Amounts which is summarized below.

Particulars	Budget Appropriations		Actual		Difference – Final Budget and Actual	
	GF	SEF	GF	SEF	GF	SEF
Beginning Balance	0.00	0.00	0.00	0.00	0.00	0.00
Revenue and Receipts	<u>93,492,070.00</u>	<u>500,000.00</u>	<u>98,402,364.16</u>	<u>543,141.21</u>	<u>4,910,294.16</u>	<u>43,141.21</u>
Total Available Resources	<u>93,492,070.00</u>	<u>500,000.00</u>	<u>98,402,364.16</u>	<u>543,141.21</u>	<u>4,910,294.16</u>	<u>43,141.21</u>
Current Expenditures	109,692,232.26	543,141.21	97,052,921.86	2,068,505.35	12,639,310.40	(1,525,364.14)
Continuing Appropriations	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>109,692,232.26</u>	<u>543,141.21</u>	<u>97,052,921.86</u>	<u>2,068,505.35</u>	<u>12,639,310.40</u>	<u>(1,525,364.14)</u>

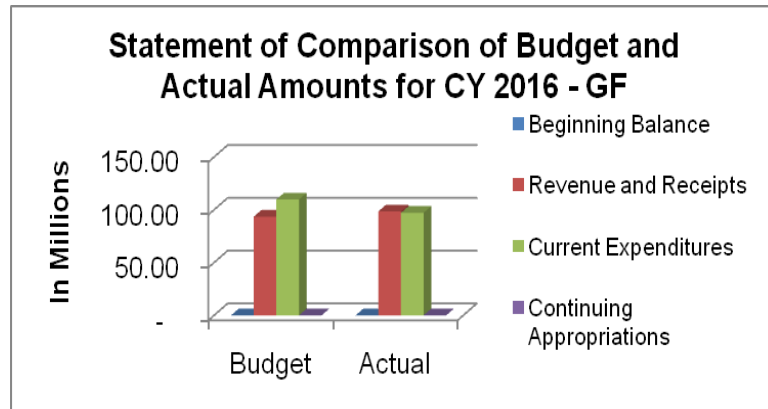


Figure 4-1

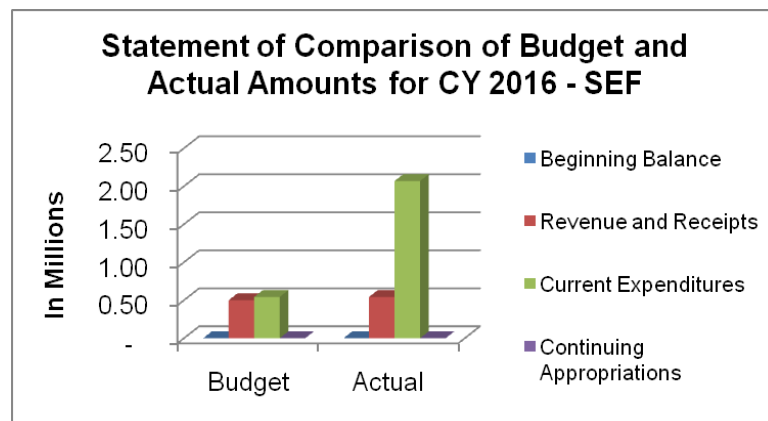


Figure 5-2

SCOPE OF AUDIT

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipality of Madrideojos for the calendar year ended December 31, 2016. The audit was conducted to determine the reliability of the LGU’s accounts in order to express an opinion on the fairness of presentation of the financial statements as well as to determine whether or not the LGU’s transactions were made in accordance with existing laws, rules and regulations.

AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the financial statements since the correctness and validity of Property, Plant and Equipment accounts amounting to ₱87,591,472.36 could not be ascertained due to the non-

preparation and submission of updated inventory reports and the non-reconciliation of inventory reports with the accounting records. Inadequacy of the records did not permit us to apply adequate alternative audit procedures.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS:

- 1. The Municipal Accountant's Office failed to submit the revised and complete year-end Financial Statements (FS) and Trial Balances for the Calendar Year 2016 contrary to Section 41(2)(3) of P.D. 1445.**

We recommend for an immediate submission of the revised and complete FS and Trial Balance pursuant to Section 41(2) of P.D. 1445.

We further recommend that continued failure on the part of the officials concerned to submit the reports mentioned shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission by virtue of Section 41(3) of P.D. 1445.

- 2. Proper Accounting and implementation of the Bottom-Up Budgeting (BuB) Projects in the amount of ₱27,500,000.00 funded by DA, DILG, DOH, DSWD, DOLE and LGSF could not be established due to the absence of Memorandum of Agreement (MOA) and Special Allotment Release Order (SARO) in violation to COA Circular No. 94-013 dated December 13, 1994 and DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 6 dated February 27, 2015.**

We recommend that Management submit the Memorandum of Agreement (MOA) duly executed by and between the Municipality of Madridejos, Cebu and the DA, DILG, DOH, DSWD, DOLE and LGSF and Special Allotment Release Order (SARO) to determine the standards of implementation of the different projects and whether the BuB projects were implemented in accordance with such standards.

- 3. Advances for Officers and Employees account balance as of December 31, 2016 amounting to ₱9,605,394.84 could not be ascertained due to inaccurate entries in the books of accounts rendering the financial reports unreliable contrary to Section 112 Chapter 2 Title III of PD 1445.**

We recommend that Management immediately reconcile the material variances between the records and reports and general and subsidiary ledgers. Carry forward previous years' balances of officers and employees to the current year and that the amount forwarded should be equal.

We also recommend that Management conduct trainings and re-orientation of accounting staff regarding the basic process, established standards, rules and regulations of the accounting system in the public sector.

- 4. The Municipality did not conduct physical inventory count and did not prepare and submit updated inventory reports that should reconcile with accounting records thereby rendering the Property, Plant and Equipment account balances as of December 31, 2016 totaling to ₱87,591,472.36 doubtful in violation of Section 124 of the NGAS Manual, Volume I.**

We recommend that the General Services Officer/Municipal Treasurer conduct a complete physical count of properties and submit to the Auditor an updated inventory report on the physical count of the properties not later than January 31 of each year pursuant to Section 124 of the NGAS Manual, Volume I.

We also recommend that Management assign permanent personnel to give priority in the reconciliation of the records pursuant to Section 114 of NGAS Manual, Volume I.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

During the year, out of the forty-four (44) audit recommendations contained in our prior years' Annual Audit Report, thirteen (13) were fully implemented, fourteen (14) were partially implemented and seventeen (17) were not implemented.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

For the year 2016, there were issued notices of suspension and disallowance to the Municipality of Madridejos in the total amount of ₱1,628,462.00 for the transactions in CY 2014 and 2015. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed a total amount of ₱2,182,705.56 as of December 31, 2016.