

## EXECUTIVE SUMMARY

The Municipality of Sogod is a fourth (4<sup>th</sup>) class municipality which is located 60.30 kilometers from Cebu City in the northern part of the Province of Cebu. Its name was derived from the local Visayan dialect “Sinugdanan” which means in English word “beginning”. This was based on the natural phenomenon discovered by the early settlers that in the beach of Barangay Bawo, the white sand begin and extends to the north of the island while the dark begins and extends to the south. It is composed of 18 barangays, namely: Ampongol, Bagakay, Bagatayam, Bawo, Cabalawan, Cabangahan, Calumboyan, Dakit, Damolog, Ibabao, Liki, Lubo, Mohon, Nahus-an, Pansoy, Poblacion, Tabunok and Takay.

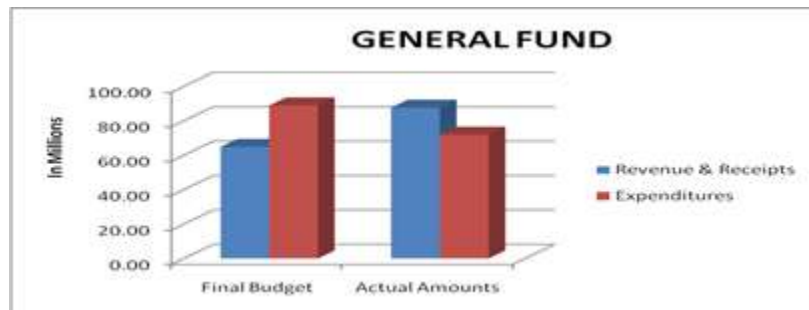
Pursuant to Republic Act 7160, otherwise known as the Local Government Code of 1991, the Municipality of Sogod like other local government units, enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs, in conformity with the national government’s thrust for sustainable social and economic growth. Significant programs/projects were implemented to generate growth and development in order to provide basic services to the people of Sogod.

### HIGHLIGHTS OF FINANCIAL OPERATIONS

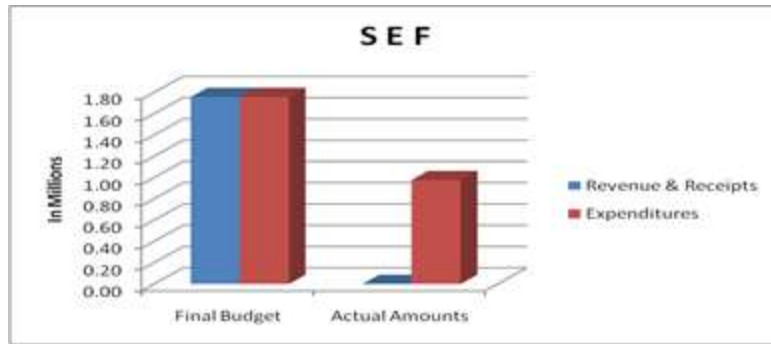
#### Statement of Comparison of Budget and Actual Amounts

The municipality’s comparison of the final budget and actual amounts for CY 2016 for the General and Special Education Fund is shown below:

General	Final Budget	Actual Amounts
Revenue & Receipts	64,835,835.72	87,625,042.73
Expenditures	88,903,004.54	71,916,136.93



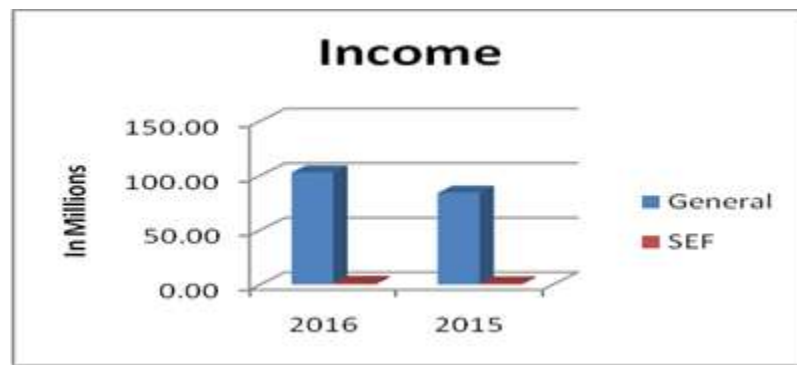
SEF	Final Budget	Actual Amounts
Revenue & Receipts	1,758,496.84	1,098,059.12,
Expenditures	1,758,496.84	977,414.39



### Income

During the year, the municipality realized a total income of ₱104,274,427.04 which was ₱19,030,664.72 or 22.32% higher than the ₱85,243,762.32 in CY 2015. Details of which are shown below:

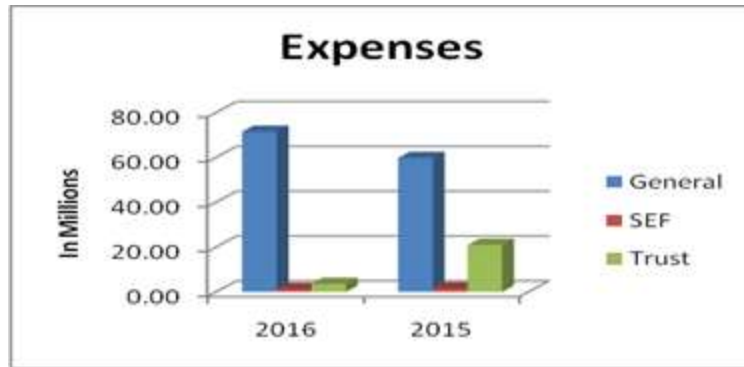
Fund	2016	2015	Increase (Decrease)	Percent
General	102,841,764.41	84,165,703.20	18,676,061.21	22.19
SEF	1,432,662.63	1,078,059.12	354,603.51	32.89
Total	104,274,427.04	85,243,762.32	19,030,664.72	22.32



### Expenses

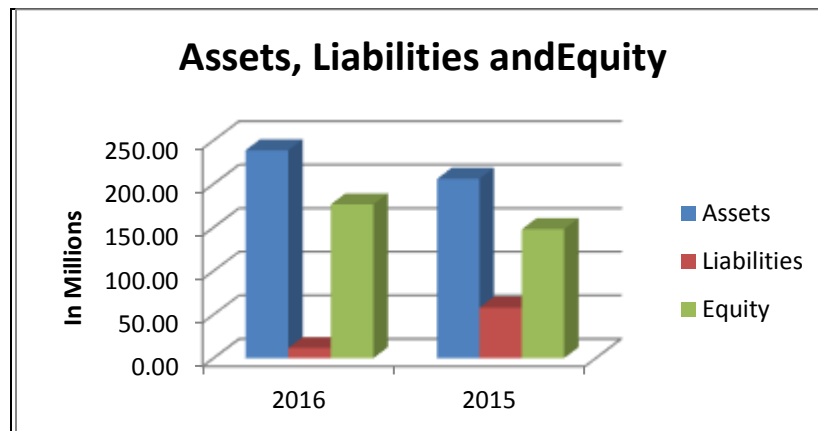
On the other hand, total operating expenses amounted to ₱76,322,502.99 or a decrease of ₱5,891,203.78 or 7.17% compared to the ₱82,392,178.46 in the previous year, as follow:

Fund	2016	2015	Increase (Decrease)	Percent
General	74,453,704.05	59,753,655.98	11,700,048.07	19.58
SEF	1,285,011.03	1,552,437.98	(267,426.96)	(17.23)
Trust	3,583,787.92	20,907,612.81	(17,323,824.89)	(82.86)
Total	76,322,502.99	82,213,706.78	(5,891,203.78)	(7.17)



The municipality's changes in its assets, liabilities and residual equity for the last two years were as follow:

Account	2016	2015	Increase (Decrease)	Percent
Assets	238,637,528.91	205,848,272.93	32,789,255.98	15.93
Liabilities	11,621,965.11	57,919,836.24	(46,297,871.13)	(79.93)
Equity	176,421,008.31	147,928,436.69	28,492,571.62	19.26



To accelerate the social and economic development of the municipality, projects were undertaken and completed during the year, in which some of them were validated, as shown below:

	Name of Project	Project Cost
1	Rehabilitation of 3 Classroom Building at Calumboyan Elementary School	537,396.50
2	Design and Build for Barangay Cabangahan Level III Waterworks	7,498,397.85
3	Repair/Rehabilitation of Barangay Damolog Community Stage	1,073,304.18
4	Construction of Legislative Building Phase I & II	5,961,345.45
5	Construction of Flood Control at Bagatayam River	1,989,963.01
6	Road Concreting of Bagakay - Sitio Dapdap Barangay Road	992,296.28
7	Road Concreting of Takay – San Vicente Barangay Road	992,296.28

8	Concreting of Lubo – Sitio Cansuhan Barangay Road	994,867.84
9	Concreting of Sitio Laray - Tabunok Barangay Road	1,121,627.45
10	Concreting of Sitio Sayongan – Bagakay Barangay Road	993,934.92
11	Repair/Rehabilitation of Tabunok Sports Complex	478,240.75
12	Repair/Rehabilitation of Poblacion Barangay Hall	479,667.56

## **SCOPE OF AUDIT**

An audit was conducted on the accounts and operations of the Municipality of Sogod for the calendar year ended December 31, 2016. The audit was made to ascertain on a test basis the propriety of disbursements, the reliability of financial reports and the adequacy of accounting records.

## **AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS**

The auditor rendered a qualified opinion on the financial statements because, the unreconciled 2015 balance of the Property, Plant and Equipment (PPE) in the amount of ₱79,020,136.44 was used as the beginning balance in the 2016 Trial Balance, thus the accuracy of the recorded PPE was doubtful.

## **SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

1. 20% Development Fund was underutilized in the amount of ₱5,225,658.12 or 34% which was not in consonance with the mandate of DILG – DBM Joint Memorandum Circular 2011-11, thus depriving the constituents of the LGU of the benefits that could have been derived thereof.

*We recommend that full implementation of projects funded out of the 20% Development Fund should be prioritized so that the constituents of the Municipality could derive the benefits from the intended projects.*

2. Financial assistance granted to the barangays totaling ₱1,160,000.00 were not supported with complete documentation and liquidation thereof were not required contrary to COA Circular No. 2012-001.

*We recommend that a MOA requiring liquidation report be executed between the LGU and implementing agency prior to fund release. Also the Municipal Accountant should certify that funds previously released to the requesting agency had been liquidated, verified and accounted for in the books. Further, that all disbursements for financial assistance be supported with complete documentation as prescribed under COA Circular No. 2012-001.*

3. The reliability of the reported Cash in Bank account as of December 31, 2016 totaling ₱50,537,592.14, cannot be ascertained due to the non-preparation/submission of Bank Reconciliation Statements (BRS as required under Section 74 of PD 1445 and COA Circular No. 96-011 dated October 2, 1996, thus reconciling items cannot be

identified and recorded to its appropriate and respective accounts for the fair presentation of the cash account in the financial statements.

*We recommend that the Accounting Unit should expedite the preparation and updating of the monthly Bank Reconciliation Statements to ascertain the correctness and existence of the Cash in Bank and effect the recording of and adjustments of the reconciling items to its appropriate and respective account for the fair presentation of the account in the financial statements.*

4. Despite the recommendation made during the previous audit, various expenses charged against the Special Education Fund totaling ₱27,097.27 were not among those specifically authorized under Section 1 of Republic Act No. 5447 and the priority listing provided in Section 100 and Section 272 of Republic Act (RA) 7160 otherwise known as the Local Government Code, and Joint Circular No. 01 series of 1998 of DECS, DBM and DILG.

*We again reiterate our recommendation that the Local School Board limit the utilization of the Special Education Fund to the programs and projects defined under Section 1 of Republic Act No. 5447 and the priority listing provided in Section 100 and Section 272 of Republic Act (RA) 7160 otherwise known as the Local Government Code, and Joint Circular No. 01 series of 1998 of DECS, DBM and DILG, in order to maximize the benefits that the public school students could avail under this fund.*

5. Procurement of spare parts for the repair and maintenance of government vehicles of the Municipality totaling P257,695.00 were split contrary to the pertinent provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act 9184, thus avoiding public bidding and depriving the Municipality of the most advantageous price available in the market.

*We recommend that local officials stop the practice of splitting requisition and adhere strictly to the provisions of the Procurement Law in order not to invalidate their procurement.*

## **SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

The balance of the disallowance and suspension as of December 31, 2016 in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) is ₱1,276,819.21.

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the twenty-seven (27) audit recommendations contained in the prior year's Annual Audit Report, six (6) were implemented, eighteen (18) were partially implemented and three (3) were not implemented.