

EXECUTIVE SUMMARY

Introduction

The Municipality of San Jorge is a fourth (4th) class municipality in the Province of Samar. A financial and compliance audit was conducted in its accounts and operations for the calendar year 2016. The audit was aimed to ascertain the propriety and validity of disbursements and receipts, and to obtain reasonable assurance about whether the financial statements are free from material misstatements. The audit consisted of post-audit of transactions, review of operating procedures, interview with concerned municipal officials and employees, verification and analysis of accounts, and such other procedures considered necessary under the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Financial Highlights

The municipality's total assets, liabilities, equity, income and expenses for current and previous years' are as follows:

Particulars	CY 2016	CY 2015
Assets	₱ 86,209,549.98	₱ 81,190,688.77
Liabilities	19,456,345.21	32,219,426.42
Equity	66,753,204.77	48,971,262.35
Income	80,894,056.76	71,053,699.63
Expenses	69,926,627.34	55,063,556.97

Its appropriation/allotment/obligation for current and previous years are as follows:

Particulars	CY 2016	CY 2015
Appropriation/Allotment	₱ 77,625,789.00	₱ 61,476,481.00
Obligation	67,374,245.01	59,268,427.21

Auditor's Opinion

The Auditor rendered a qualified opinion on the LGU's financial statements for CY 2016 because the: (a) balances of some line items in the Statement of Cash Flows do not reconcile with the account details in the Notes to Financial Statements and no cross-referencing was made for the line items in the Statement of Comparison of Budget and Actual Amounts to any related information in the Notes to Combined Financial Statements; (b) depreciable assets totaling ₱27,433,707.61 were not provided with an

allowance for deprecation and (c) accuracy of Property, Plant and Equipment accounts for CY 2015 with a carrying amount of ₱15,253,965.44 which increased to ₱21,844,799.26 in CY 2016 could not be ascertained due to the discrepancies between the physical and book inventories amounting to ₱9,459,964.29.

Summary of Significant Observations and Recommendations –

1. Programs, projects and activities totaling ₱3,205,976.80 were appropriated from the 20% Development Fund even if they are not eligible for funding out of the same fund, of which ₱1,061,980.62 was already utilized, contrary to DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011, thus depriving the constituents of the benefits from the fund.

We recommend for the strict observance of the guidelines on the appropriation and utilization of the 20% Development Fund as provided for in DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

2. Procurement of six (6) infrastructure projects and goods totaling P1,338,436.47 and P909,339.04, respectively were awarded through a negotiated procurement by reason of two (2) failed biddings without substantially undertaking the procurement process outlined in the Revised IRR of RA 9184, thus principle of competitiveness, economy and efficiency may not have been achieved in the procurement.

We recommend that the management strictly adhere to the processes outlined in the Revised IRR of RA 9184 in the procurement of infrastructure and goods through negotiations.

3. Purchases of medicines amounting to ₱909,339.04 were not supported with a certification of the requisitioning official that the drug products being procured fall within and conform with the Philippine National Drug Formulary (PNDF), Volume I, current edition, contrary to Executive Order No. 49 dated January 21, 1993 and Administrative Order (AO) No. 163 of the Department of Health dated October 16, 2002, thus, there is no guarantee that the medicines requisitioned and procured by the Municipality are of proven quality and safety and necessary in meeting the health needs of its constituents.

We recommend that all requests for the procurement of medicines should be supported with a certification signed by the requisitioning officer that the drug products being requisitioned or procured fall within and conform with PNDF, Volume I, current edition. If the drug to be requisitioned/procured is not included in PNDF, the purchase of drug should be supported with the written approval of the head of National Drug

Policy Office as provided for in EO No. 49 dated January 21, 1993 and AO No. 163 of DOH dated October 16, 2002.

4. Expenditures totaling ₱850,765.19 which are not related to disaster risk management activities and incurred in FY 2015 respectively, were charged to LDRRMF contrary to COA Circular No. 2012-002 dated September 12, 2012, NDRRMC-DILG-DBM Joint Memorandum Circular No. 2014-1 dated April 4, 2014 and Section 119 of PD 1445, thus the needs of the municipality in times of disasters may not be addressed due to meager funds.

We recommend that Management limit the use of the LDRRM Fund to disaster related activities as provided for in COA Circular No. 2012-002 dated September 12, 2012 and NDRRMC-DILG-DBM Joint Memorandum Circular No. 2014-1 dated April 4, 2014.

5. Utilization of Special Education Fund (SEF) amounting to ₱75,800.00 or 61% of the total expenditures was directed mainly on sports development activities without giving equal priority to other projects/programs/activities enumerated in Republic Act No. 7160 and DECS-DBM-DILG Joint Memorandum Circular No. 1 Series of 1998, thus said fund was not fully utilized in accordance with the purpose for which it was created.

We recommend that the Local School Board include as topmost priority the improvement of educational facilities and other priority programs/projects/activities enumerated in DECS-DBM-DILG Joint Memorandum Circular No. 1 Series of 1998 and maximize its implementation to ensure that the desired benefits are obtained by a greater number of intended beneficiaries.

6. The implementation of the Municipal Solid Waste Management Program was not as effective as some household do not segregate solid wastes, while some of their wastes were collected even if not segregated, contrary to Republic Act No. 9003, thus negating the key issue on the practice of segregation at source.

We recommend that management intensify the information and dissemination campaign on proper solid waste management so that the Municipality's constituents will be fully aware of the benefits derived from the program.

7. The Municipality's Personnel Services (PS) expenditures for calendar year 2016 exceeded the PS limitation by ₱6,807,630.02 in violation of Section 325 (a) of Republic Act 7160, thus depriving the municipality of substantial funds for more development projects and other services to its constituents.

We recommend that the Municipal Budget Officer be required to strictly observe the 55% Personnel Services limitation in the preparation of the annual budget as required in Section 325 (a) of RA 7160. The Municipal Mayor being the Local Chief Executive should always be guided by the conditions of the agency's annual and supplemental budgets to ensure that the budgeting requirements were completely complied with.

8. Cash advances for confidential fund totaling ₱1,330,000.00 were granted without its pertinent supporting documents and its covering disbursement vouchers were submitted three (3) to five (5) months after the release of the respective checks, contrary to Sections 6.1.5, 6.1.7, 6.1.8.3, and 6.1.8.4 of COA, DBM, DILG, GCC, and DND Joint Circular No. 2015-01 dated January 8, 2015.

We recommend for the submission of the documents called for in COA, DBM, DILG, GCC, and DND Joint Circular No. 2015-01 dated January 8, 2015 to support the cash advances for the confidential fund. Henceforth, strictly comply with the timeframe for the submission of DV with the complete supporting documents as provided for in the Joint Circular.

Compliance with Tax Laws

Management complied with existing BIR Regulations. All taxes withheld from employees compensation, suppliers and contractors were remitted to the BIR within the reglementary period.

Summary of Audit Suspensions, Disallowances and Charges (SASDC)

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality as of December 31, 2016 was ₱3,528,554.13 based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by this Commission.

Status of Implementation of Prior Years' Audit Recommendations

Of the nineteen (19) audit recommendations contained in the 2015 and prior years' Annual Audit Reports, four (4) were implemented, eleven (11) were partially implemented and four (4) were not acted upon by management.