

EXECUTIVE SUMMARY

A. Introduction

By virtue of Republic Act No. 9435 dated April 12, 2007, the Municipality of El Salvador was converted into a component city in the Province of Misamis Oriental. In November 2008, El Salvador lost its cityhood. On June 28, 2011, the Supreme Court directed the clerk of court to issue forthwith the entry of judgment on the cityhood of 16 municipalities, including El Salvador.

The City of El Salvador has a land area of 10,615 hectares or 106.15 square kilometers excluding the 3,016 hectares contested area being claimed by the Municipalities of Opoland Alubijid. It has 15 barangays and is classified as a 6th class city.

The City Government is headed by the Honorable Mayor Edgar S. Lignes, together with the Vice Mayor and 10 councilors. As of December 31, 2016, it has 21 offices, with personnel complement of 598, consisting of the following:

Elected	12
Regular	192
Job Order	393
Consultant	1

B. Financial Highlights (in thousands of pesos)

Financial Condition

As at December 31, 2016, the combined financial statements of the City showed the following amounts:

	2016	2015
Assets	675,169	458,142
Liabilities	69,806	50,235
Government Equity	605,363	407,907

Results of Operations

	2016	2015
Income	341,573	312,828
Expenses	229,205	164,596
Net Income/ (Loss)	112,368	124,444

Sources and Application of Funds

	2016	
	General Fund	Special Education Fund
Current Year:		
-Appropriations	₱ 389,034,090.00	₱ 17,450,344.00
-Allotments	389,034,090.00	17,450,344.00
-Obligations	259,896,181.00	12,281,217.00
Continuing:		
-Appropriations	125,745,312.00	3,630,000.00
-Allotments	125,745,312.00	3,630,000.00
-Obligations	45,089,623.00	1,377,049.00

C. Operational Highlights

For CY 2016, the City Accounting Office reported the completion of the following infrastructure projects:

	No.	Amount
Sports Complex lighting, drainage & fence		₱16,804,588.00
Barangay Development Program	2	791,666.00
Waterworks System -Barangay	9	5,886,189.00
Road Concreting/Local Access Road		12,360,574.00
City Park Development/lamp		1,038,393.00
National Child Development Center		1,981,026.00
Drainage System		1,094,849.00
Solar Drier		580,282.00
Motor Fence		<u>839,474.00</u>
		₱ 41,377,041.00
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D. Scope of the Audit

The audit covered the accounts and operations of the City Government of El Salvador for the period January 1 to December 31, 2016. The audit was undertaken to ascertain the fairness in the presentation of the financial statements and adherence with laws, rules and regulations, and whether programs, activities and projects were carried out in an economical, effective and efficient manner.

E. Audit Opinion on the Financial Statements

The Auditor rendered qualified opinion on the fairness of the presentation of the financial statements due to certain deficiencies as discussed in detail in Part II of the report. We were unable to obtain sufficient appropriate audit evidence and apply

alternative audit procedures on these deficiencies owing to the status of the agency's records. Consequently, we were unable to determine the adjustments necessary in the circumstances.

F. Significant Observations and Recommendations

1. The validity and accuracy of the Cash in Bank-Local Currency Current Account amounting to ₱262,148,516 could not be ascertained due to the delayed preparation and submission of the Bank Reconciliation Statements contrary to Section 74 of P.D. 1445 and COA Circular No. 96-011 dated October 2, 1996, thus the auditor is precluded in the timely verification of these statements.

We recommended that the City Accounting Office strictly observe COA Circular No. 96-011 dated October 2, 1996 by prioritizing the preparation and timely submission of the monthly bank reconciliation statements to the COA Auditor and to enroll in the on-line facility of the Banks for viewing and printing of accessed bank statements to facilitate preparation hereof.

2. Several Fund Transfers to the barangays amounting to P5,799,900.00 were recorded as Subsidy to and not Due from LGU, and no Memorandum of Agreement (MOA) was entered into by and between the city and the recipient barangays in the granting, utilization and liquidation thereof which contravened COA Circular Nos. 94-013 and 2015-009, dated December 13, 1994 and December 1, 2015, respectively, thus no accountability was imposed to the recipient barangays upon receipt of the funds and no basis in requiring the liquidation causing the reservations whether the fund transfers were utilized as intended.

We recommended that Management observe strictly the aforecited provisions of COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2015-009 dated December 1, 2015, pertaining to the granting, utilization and liquidation of funds transferred to Barangays as implementing agencies of barangay projects to impose accountability to the recipient barangays as well as monitor the proper utilization of the funds to the intended purpose.

3. Required water permit not obtained in various projects for the Water Supply System in all its barangays from the National Water Resource Board, contrary to Article 13 of PD 1067, which may compromise the environment if not properly regulated.

We recommended that Management, particularly the City Engineer:

1. Submit the requirements for the application of water permits to the National Water Resources Board for all the water system infrastructure projects; and
 2. Require the applicants of business permits to submit the necessary water permits, if the Water Code is applicable to them, prior to the granting of business permits.
4. Non-development of GAD Code, VAW desk not established and the DILG approved GAD Plan and Budget for CY 2016 did not include provision for Violence Against Women (VAW) desk to be established in all barangays, while the GAD Accomplishment Report for CY 2016 was not submitted to COA by the GAD Focal person contrary to PCW, DILG, DBM and NEDA Joint Circular No. 2013-01 and COA Circular No. 2014-01.

We recommended that the Management observe strictly the PCW, DILG, DBM and NEDA Joint Circular No. 2013-01 and COA Circular No. 2014-01 on the following GAD issues:

1. That the SangguniangPanglunsod formulate and pass the lgu GAD Code to be included in the GAD Plan and Budget (GPB);
 2. Establish and maintain a Violence against Women (VAW) desk to be included in the GPB;
 3. Stop the incurrence of GPB expenses for the Family Day Activity which are not client-focused; and
 4. Prepare and submit the GAD Accomplishment Report to the COA Audit Team on a timely basis.
5. Non-conduct of public bidding for the supply of fuel, oil and lubricants despite incurrence of expense in CY 2016 amounting to P5,349,003.00 in violation of Section 2 of RA 9184, hence, the LGU was deprived of availing the best offer and most economic return.

We recommended that Management observe strictly the IRR of R.A. 9184 and conduct public bidding in the selection of supplier for fuel, oil and lubricants in conformity with Section 2 of R.A. 9184.

6. The LGU granted donations as social pension to other Senior Citizens who were not listed in the DSWD payroll amounting to P4,641,000.00, hence casting doubt as to validity, legality and propriety of the accounts.

We recommended that Management:

1. For lack of legal basis, refrain from granting social pensions to senior citizens other than the DSWD payroll/listing funded by the said agency; and
2. Require that all persons/constituents in crises shall first go to the DSWD Office for evaluation as well as recommendation to the City Mayor, prior to the grant of cash assistance.

G. Status of Audit Suspension/s, Disallowance/s and Charge/s

As of December 31, 2016, the City has total outstanding balances pertaining to the notice of suspensions (NS) of ₱20,882,890.78 and notice of disallowances (ND) of ₱14,367,100.

H. Status of Prior Year's Audit Recommendations

Out of 16 audit recommendations embodied in the 2015 Annual Audit Report, ten (10) were fully implemented and six (6) were partially implemented.