

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Aloran was created by virtue of Executive Order No. 67 which took effect on January 1, 1917.

It is situated in the northern part of the Province of Misamis Occidental with total land area of 15,880 hectares and a total population of 23,237 distributed over 38 component barangays.

The incumbent mayor of the Municipality is Honorable Junipher A. Roa who was elected as Municipal Mayor on May 9, 2016.

Together with the Sangguniang Bayan, Mayor Roa actively discharges functions as the Local Chief Executive of the municipality particularly in strengthening community involvement, developing livelihood programs/projects, promoting health and safety, preserving peace and order, providing comfort and improving morale of its constituents.

B. Highlights of Financial Operations

Financial Position

As of December 31, 2016, the combined financial position of the Municipality of Aloran, excluding Barangays, showed a total assets of ₱184,100,629 total liabilities ₱45,958,541, which includes deferred credits of ₱226,089, and equity of ₱138,142,088, respectively:

	2016	2015
Assets	184,100,629	167,699,898
Liabilities	45,958,541	35,349,178
Government Equity	138,142,088	132,350,720

Financial Performance

The municipality derived its revenue for CY 2016 from real property tax, special education tax, permits and licenses, business and service income, share from internal revenue allotment and other sources totaling ₱88,137,903 while expenses incurred went up to ₱82,345,335 indicating a surplus of ₱5,792,568 for the period.

	2016	2015
Total Revenue	88,137,903	79,317,557
Total Expenses	82,345,335	64,760,043
Surplus (Deficit)	5,792,568	14,557,514

Cash Flows

The Statement of Condensed Cash Flows showed aggregate inflows and outflows of ₱136,012,906 and ₱147,803,755, respectively. Balance in cash at the end of CY 2016 was ₱27,992,822.

	2016	2015
Cash on Hand, beginning of the year	39,783,671	18,966,690
Add: Total Cash Inflows	136,012,906	117,337,870
Total Cash Available	175,796,577	136,304,560
Less: Total Cash Outflows	147,803,755	96,520,888
Cash on Hand, end of the year	27,992,822	39,783,672

C. Operational Highlights

For the Calendar Year 2016, the following are the Major Programs/Activities/Projects accomplished by the LGU:

Name of Project	Location	Appropriation	Status/Implementing Agency
1. Expansion /Improvement of AWASS	Aloran, Mis. Occ.	10,450,000.00	on going/by contract (MLGU/DILG)
2. Rehabilitation/ Improvement of Dalisay- Palayan Hanging	Dalisay	600,000.00	Completed /by contract (DILG)
3. Concreting of Barangay Ibabao (270m)	Ibabao	1,807,830.00	Completed /by contract (DILG)
4. Construction of Aloran Water System Level III Water System	Tubod	8,800,000.00	on going/by contract (MLGU/DILG)
5. Concreting of Tubod - Mitazan FMR	Tubod - Mitazan	1,732,500.00	Completed /by contract
6. Rehab/Improvement of Pelong FMR (to dumpsite)	Pelong, Aloran	1,200,000.00	Completed/by contract
7. Concreting of Zamora - Culpan Prov'l Road.	Zamora - Culpan	2,000,000.00	Completed/by contract
8. Concreting of Tuburan FMR	Tuburan	2,000,000.00	On going/by contract (MLGU - DPWH)
9. Concreting of Maular FMR	Maular	2,000,000.00	completed implemented by DPWH
10. Construction of Aloran Trade High School Building	Labo	8,235,000.00	Completed/implemented by DPWH
11. Concreting of Dalisay Access Road	Dalisay	600,000.00	Completed/BUB
12. Concreting of ibabao Access Road	Ibabao	3,400,000.00	Completed/BUB
13. Rehab./Improvement of Lawa-an FMR	Lawa-an	1,000,000.00	completed
14. Rehabilitation/ Improvement of Dalisay- Palayan Hanging footbridge	Dalisay-Palayan	550,000.00	Completed /by Admin (DILG)
15. Construction of Aloran Water System Level-III (lot-I & lot-2)	Aloran	8,800,000.00	On going/by contract (MLGU/DILG)
16. Construction of Aloran Water System Phase-2	Aloran	10,450,000.00	On going/by contract (MLGU/DILG)
17. Construction of 26-Duplex Housing units in NHA-Aloran res. Proj. (52 lots)	Aloran	6,240,000.00	On going/by contract (MLGU/DILG)
18. Construction of Standard Municipal Police Station	Dalisay	5,000,000.00	Completed/by contract
19. Construction of Municipal Garage/Motorpool Bldg.	Dalisay	500,000.00	Completed/by contract
20. Construction of Brgy. Lumbayao Health Center	Lumbayao	300,000.00	Completed/by contract

D. Scope of Audit

The audit covered the accounts and operations of the Municipal Government of Aloran for the period January 2016 to December 31, 2016.

The audit was undertaken to ascertain the fairness in the presentation of the financial statements and adherence of the municipality with laws, rules, and regulations, and whether programs, activities and projects were carried out in an economical, effective and efficient manner.

E. Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Aloran, Misamis Occidental for the year ended December 31, 2016 for reasons stated and discussed in Part II of the report.

F. Significant Findings and Recommendations

1. The Municipality entered into contract with various suppliers in the amount of ₱1,548,053 without the back-up appropriation at the time it was perfected in violation with Section 85 of PD 1445 thereby casting doubts on the propriety and validity of the transactions and consequently reducing the CY Appropriation for current year's operation.

We recommended to Management that contracts/Purchase Orders should not be entered into without the back-up appropriation. Thus, the LGU should first present the Purchase Request to the Municipal Budget Officer for obligation before the procurement shall be undertaken; claims relating to the budget year shall be obligated out of that year's budget. Moreover, the Municipality should spend within its budget and should avoid incurring expenses beyond the limits; and the Municipal Treasurer should not certify as to the availability of funds if no funds were really available for the purpose.

2. Property, Plant and Equipment account totaling ₱143,398,377 cannot be validated due to non-submission of the Report of Physical Count of Property, Plant and Equipment (RPCPPE) and non-maintenance of Stock/Property Cards and Supplies/Property and Equipment Ledger Cards inconsistent with Chapter 3, Paragraph 3.2, 3.21 and 3.26 of The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and Paragraph 27 and 29 of the Philippine Public Sector Accounting Standards (PPSAS) 1. Thus, affecting the comparability, verifiability, accuracy and fairness of presentation of the Financial Statements, as well as, the existence and serviceability of some items of PPEs.

We recommended to Management that:

Actual physical inventory-taking of the properties should be undertaken and Report on the Physical Count of Property Plant and Equipment (RPCPPE) be prepared and submitted;

Require the Municipal Treasurer and Municipal Accountant to maintain Property Cards, Property, Plant and Equipment Ledger Cards for each category of assets, and Real Property Ledger Cards for land; and

Require them further to conduct periodic reconciliation of the ledger card balances in order to achieve accuracy and fair presentation of the financial statements.

3. Failure to set up depreciation on certain Property, Plant and Equipment accounts amounting to ₱6,352,429 in violation under Philippine Public Sector Accounting Standards (PPSAS) No. 17, PAG3 to PAG6 was not provided on the Property, Plant and Equipment used by the agency in its operation thus, overstating its asset account and understating its expense account.

We recommended to management to require the Municipal Accountant to adhere PPSAS No. 17 in order to achieve accuracy and fair presentation of the financial statements.

Summary of Total Suspensions, Disallowances and Charges

The table below shows the status of suspensions, disallowances and charges as of December 31, 2016.

	Balance as of Dec. 31, 2015	Issued in CY 2016	Settled in CY 2016	Balance as of Dec. 31, 2016
Notice of Suspension	7,217,443.28	1,384,872.70	2,943,514.60	5,658,801.38
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	7,217,443.28	1,384,872.70	2,943,514.60	₱5,658,801.38

Status of Implementation of Prior Year's Audit Recommendations

Out of the eleven (11) audit recommendations embodied in the Annual Audit Report of 2015, ten (10) were fully implemented and the other one(1) was not implemented and thus, reiterated in this report.