

EXECUTIVE SUMMARY

A. INTRODUCTION

The Local Government Unit of San Jose is a fourth-class Municipality in the Province of Camarines Sur. It is composed of 29 barangays which are clustered into three (3): The Gulf Sector, the Rangas Sector and the Central Sector.

It is located at the southern part of the Province approximately 55 kilometers from Naga City and 45 kilometers from Pili, the capital town of the province.

Since the enactment of Republic Act 7160, San Jose like other local government units has enjoyed genuine independence in local governance which likewise allowed direction and determination to pursue its commitment to its constituents through continuous delivery of basic services for the attainment of sustainable social, educational and economic growth.

Audit Methodology and Scope of Audit

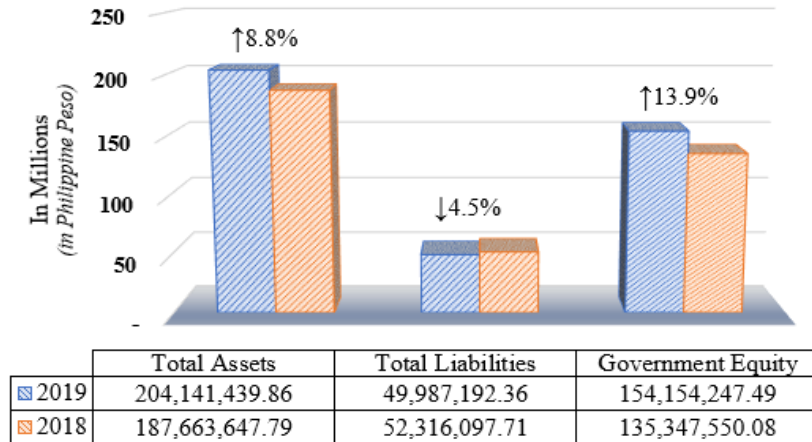
The Financial, Compliance and Value for Money (VFM) audits conducted covered the accounts and operations of the Municipality of San Jose for all Funds for the period from January 1 to December 31, 2019.

The audit was focused on the different audit thrusts/areas prescribed by the Local Government Sector of the Commission.

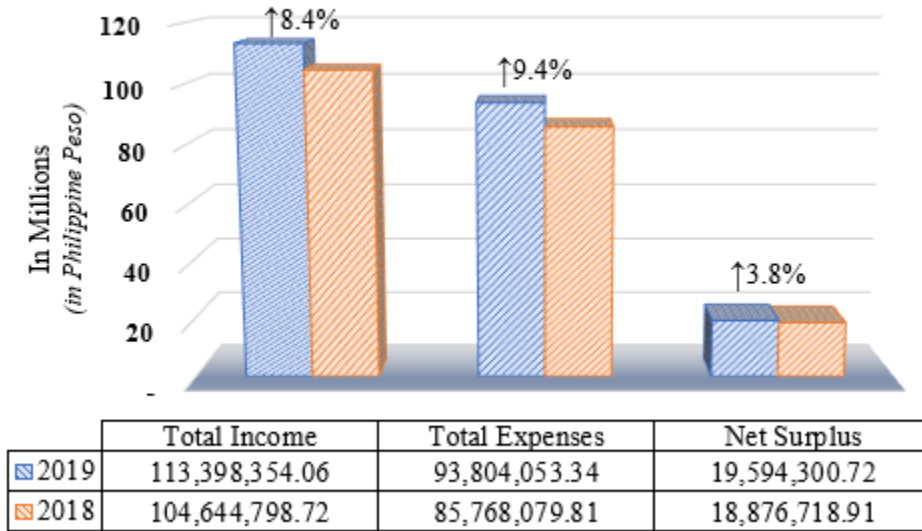
B. FINANCIAL HIGHLIGHTS

B.1 Financial Position and Performance

FINANCIAL POSITION



FINANCIAL PERFORMANCE



In the comparative figures of the municipality’s Financial Position in the previous page, the Total Assets and Government Equity both increased by ₱16,477,792.07 (8.8%) and ₱18,806,697.41 (13.9%), respectively; while the Total Liabilities decreased by ₱2,328,905.34 or 4.5% of the previous year’s balance.

On the other hand, review of the agency’s Financial Performance showed increase in the three components: Income, Expenses and Net Surplus. While their total income improved by ₱8,753,555.34 or 8.4% from last year’s revenues, the total expenses incurred by the municipality climbed by ₱ 8,035,973.53 or 9.4%. Ultimately, net surplus for the period grew by ₱717,581.81 or 3.8%.

B.2 Sources and Application of Funds

Particulars	In Philippine Peso			% of Increase/ (Decrease)
	2019	2018	Increase/ (Decrease)	
General Fund				
Allotments	118,624,563.11	107,947,223.00	10,677,340.11	9.9 %
Obligations	111,474,039.80	100,275,752.96	11,198,286.84	11.2%
Balance	7,150,523.31	7,671,470.04	(520,946.73)	(6.8) %
Special Education Fund				
Allotments	800,000.00	1,300,000.00	(500,000.00)	(38.5) %
Obligations	734,025.11	947,421.78	(213,396.67)	(22.5) %
Balance	65,974.89	352,578.22	(286,603.33)	(81.3) %

B.3 Major Programs/Projects/Activities undertaken in CY 2019

One of the major programs and projects implemented by the Municipality during the year was the Construction of Core Local Access Road at San Juan, San Jose, Camarines Sur costing ₱9,193,935.00.

C. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality due to: Property, Plant, and Equipment (PPE) valued in the books at ₱153.898 million cannot be ascertained due to the absence of updated PPE ledger cards, property cards, and the year-end physical inventory report; and acquired PPEs during the year amounting to ₱47.588 million were not recognized in the books. The inadequacy and unavailability of records pertaining to property, plant and equipment precluded the auditors from performing alternative audit procedures necessary to establish the correctness and accuracy of the year-end balances of said accounts.

D. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exceptions cited, we recommended that Management require to: require the Municipal Accountant to recognize in the books the ₱47.588 million unrecorded PPEs, and direct the Supply Officer to include the same in the inventory report and draw the necessary adjusting entries to correct the book value of assets not provided with depreciation, and classify recorded PPEs which are semi-expendable properties to appropriate inventory accounts.

We also recommended that Management direct the: (a) creation of Inventory Committee composed of regular employees who shall work full time in the conduct of physical inventory of PPE and prepare the RPCPPE and the Report on Local Road Network for a specific period of time; (b) MTO and Accounting Office to assign one personnel each to conduct reconciliation of records with the inventory report on a full time basis; (c) Municipal Accountant to prepare and maintain PPE Ledgers Cards, prepare lapsing schedule showing the computation of the depreciation of each component of the Road Network System account; and disclose the total Road Network System account in the Notes of Financial Statement;(d) MTO to prepare and maintain property cards including all roads and its components, and maintain local road inventory and road map; and (e) Municipal Engineer to provide the Municipal Accountant and the Municipal Treasurer with complete description and cost segregation of road components for road projects.

The Audit Team has communicated the observations and recommendations with the Auditee through the issuance of Audit Observation Memorandums (AOMs) and

discussed them with the Agency Officials during the exit conference conducted on June 16, 2020, and the latter's comments were incorporated in the report, where appropriate.

The following are the significant observations together with the corresponding recommendations:

1. The correctness of the cash in bank accounts totaling ₱27.705 million as of June 30, 2019 were not established due to failure of the Accounting Section to prepare the monthly Bank Reconciliation Statements (BRS) of its depository accounts as of June 30, 2019 contrary to COA Circular No. 96-011.

We recommended that Management:

- (a) direct the Municipal Accountant to immediately prepare and submit the required monthly Bank Reconciliation Statements (BRS) for these bank accounts as of December 31, 2019, and monthly thereafter;
 - (b) comply with the requirements of Treasury Circular 01-2017 and Department Circular No.001-2015 to maintain account with PNB otherwise close the accounts and transfer them to AGDB such as Land bank of the Philippines (LBP) or Development Bank of the Philippines (DBP); and
 - (c) Recoup the amount of ₱144,281.00 from the defunct Philippine Postal Savings Bank or file claim with Philippine Deposit Insurance Corporation.
2. Collections were not turned over daily and intact to the Liquidating Officer, contrary to Sections 26 and 31 of COA Circular No. 92-382 and Section 29 of the New Government Accounting System (NGAS) Manual for LGUs, Volume I, which resulted to accumulation of undeposited collections totaling to ₱4.183 million as of December 31, 2019, thus exposing funds to risk of loss or misuse.

We recommended that Management direct the Collectors to remit daily all collections to the Liquidating Officer; and the designated Liquidating Officer to remit to the Municipal Treasurer the cash turned over by the Collectors, to be deposited daily and intact or not later than the next banking day.

3. Cash Advances charged against the Intelligence Fund totaling ₱793,500.00 has been outstanding for four to nine years as of December 31, 2019 due to non-submission of liquidation reports, contrary to COA Circular No. 2003-003 as well as with DBM-DILG-DND-GCG-COA Joint Circular No. 2015-01, thus, failing to recognize expenses in the period to which they relate and resulting to overstatement of asset and equity accounts by the same amount.

We recommended that Management demand from the concerned Accountable Officers the submission of the liquidation reports, Credit Advice from COA ICFAU or a copy of the transmittal letter duly stamped received COA's ICFAU,

otherwise Notice of Suspension or Disallowance will be issued to the Accountable Officer.

4. Fund transfers from National Government Agencies (NGAs) totaling ₱1.7 million granted two years ago or earlier years remained unimplemented as of December 31, 2019, while the amount of ₱1.2989 million remain unreturned to the funding agency despite completion of the project, thereby overstating the liability account's balance by the same amount.

We recommended that Management make representation with the source national government agencies to facilitate the speedy implementation of the three unimplemented projects totaling ₱1.7 million, otherwise return the amount to the funding NGAs.

We also recommended that Management return the unused balances of all completed projects totaling ₱1.2989 million in accordance with COA Circular 94-013.

E. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

PARTICULARS	Balances as of 01/01/2019	CY 2019		Balances as of 12/31/19
		Issued	Settled	
Notice of Suspensions	₱435,750.00	0.00	0.00	₱435,750.00
Notice of Disallowances	0.00	0.00	0.00	0.00
Notice of Charges	0.00	0.00	0.00	0.00
Total	₱435,750.00	0.00	0.00	₱435,750.00

F. STATUS OF IMPLEMENTATION BY THE MUNICIPALITY OF PRIOR YEARS' AUDIT RECOMMENDATIONS

A review of the management action on our prior years' audit recommendations disclosed that out of twenty-eight (28) audit recommendations, four (4) were fully implemented, thirteen (13) were partially implemented and eleven (11) were not implemented by the Municipality as of December 31, 2019.

ERRATA				
Particulars	Date Published	Location/Page	As Published in the COA Website	Correction
Annual Audit Report on the Municipality of San Jose, Camarines Sur for the year ended December 31, 2019	July 23, 2020	Executive Summary, Page 5	See attached document with notation of "As Published"	See attached document with notation of "As Corrected"

Authorized by:


ATTY. JOEL S. ESTOLATAN
 Director IV

Date: September 10, 2019

As Corrected

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