

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Sto. Domingo, Albay is a fourth class municipality located at the southeastern tip of Luzon mainland and part of the First Congressional District of the Province of Albay. It has a total land area of 47,287 sq km and is one of the smallest among the 15 towns in Albay. It has 23 barangays.

FINANCIAL HIGHLIGHTS

The Municipality of Sto. Domingo, Albay maintains accounts for the General Fund, Special Education Fund and Trust Fund.

The financial profile of the City for CY 2013, with corresponding figures for CY 2012 is shown below:

I. Comparative Financial Position

Particular	<u>2013</u>	<u>2012</u>	Increase (Decrease)	%
Assets	P 209,500,051.65	219,128,318.30	P (9,628,266.65)	(4.39%)
Liabilities	46,821,485.08	66,838,548.75	(20,017,063.67)	(29.95%)
Government Equity	162,678,566.57	152,289,769.55	10,388,797.02	6.82%

II. Comparative Sources and Application of Funds

Particular	CY 2013	CY 2012	Increase/ Decrease	%
Local taxes	P 4,649,614.43	P 2,039,399.05	P 2,610,215.38	127.99%
Internal Revenue Allotment	53,113,516.03	47,116,040.00	5,997,476.03	12.73%
Permits and Licenses	1,956,642.43	2,034,475.58	(77,833.15)	(3.83%)
Service Income	916,903.63	987,576.35	(70,672.72)	(7.16%)
Business Income	3,893,877.75	3,900,392.00	(6,514.25)	(0.17%)
Other Income	694,242.96	468,689.97	225,552.99	48.12%
Total Income	65,224,797.23	56,546,572.95	8,678,224.28	15.35%
Personal Services	27,167,516.55	21,407,495.01	5,760,021.54	26.91%
MOOE	24,470,616.27	26,858,422.60	(2,387,806.33)	(8.89%)
Financial Expenses	134,004.43	436,037.48	(302,033.05)	(69.27%)
Subsidies and Donation	803,500.00	1,156,500.00	(353,000.00)	(30.52%)
Total Expenses	52,575,637.25	49,858,455.09	2,717,182.16	5.45%
Excess of Income Over Expenses	12,649,159.98	6,688,117.86	5,961,042.12	89.13%

SCOPE OF AUDIT

A Financial and Compliance Audit for CY 2013 was conducted to determine the fairness of the presentation of the agency's financial statements, as well as compliance with existing laws, rules and regulations. We likewise conducted a Value for Money Audit on the General Fund, Special Education Fund (SEF) and Trust Funds to determine the efficiency on the utilization of these Funds.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The agency failed to conduct, as in the past years, the physical inventory of its properties, plant and equipment and submit a Report on the Physical Count of Property, Plant and Equipment (RPCPPE), contrary to Section 124 of the New Government Accounting System (NGAS) Manual for Local Government Units Volume I, and Section 490 (a) of the Government Accounting and Auditing Manual (GAAM), Volume I, thus, the existence, validity and propriety of the PPE accounts valued at P84,505,149.97, which constitute 40.34 percent of the total assets of P209,500,041.65 could not be ascertained and relied upon.

In our opinion, except for the effects and the possible effects of the matters described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with generally accepted state accounting principles.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

- 1. The RPT and SET Receivables recorded in the books of the municipality for CY 2013 were not supported with a list showing the name of the taxpayers and the amount due and collectible for the year, contrary to Section 20 of the New Government Accounting System (NGAS) for Local Government Units, Volume I, thus, casting doubt on the propriety of the receivables established at the beginning of the year.**

We recommended that the Municipal Mayor should require:

- 1. The Municipal Assessor to prepare and submit to the Municipal Treasurer on or before the thirty-first(31st) day of December each year, an assessment roll containing a list of all persons whose real properties have been newly assessed or reassessed and values of such properties;*
- 2. The Municipal Treasurer furnish the Chief Accountant at the beginning of the year a duly certified list showing the name of taxpayers and the amount due*

and collectible for the year to ensure a realistic estimate of RPT and SET due and collectible during the year; and

3. *The Municipal Accountant to draw a JEV to record the debit to Real Property Tax Receivable/Special Education Tax Receivable and crediting to Deferred Real Property Tax Income/Deferred Special Education Tax Income, based on the listing submitted by the Municipal Treasurer.*
2. **The agency failed to conduct, as in the past years, the physical inventory of its properties, plant and equipment and submit a Report on the Physical Count of Property, Plant and Equipment (RPCPPE), contrary to Section 124 of the New Government Accounting System (NGAS) Manual for Local Government Units Volume I, and Section 490 (a) of the Government Accounting and Auditing Manual (GAAM), Volume I, thus, the existence, validity and propriety of the PPE accounts valued at P84,505,149.97, which constitute 40.34 percent of the total assets of P209,500,041.65 could not be ascertained and relied upon.**

We recommended that:

1. *the Inventory Committee conduct an annual physical count of all properties, of the LGU and cause the preparation and submission of the Report of the Physical Count of Property, Plant and Equipment to the Audit Team for verification ; and*
2. *The Municipal Accountant and Treasurer maintain and/or update their respective subsidiary ledgers and property records and conduct periodic reconciliation to bring their records into agreement.*
3. **The completed infrastructure and reforestation projects amounting to P50,529,842.79 and P1,825,595.44, respectively, were not closed to the Government Equity account and transferred to the Registry of Public Infrastructure and Registry of Reforestration due to the failure of the Municipal Accountant to comply with Section 50 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units, Volume I and Sections 111(2) and 112 of P.D. 1445, thereby resulting in the overstatement of the PPE accounts and the Government Equity account as of December 31, 2013.**

We recommended that the Municipal Accountant:

- a. *Effect the recommended adjusting journal entries to close the completed Infrastructure Infrastructure and Reforestration Projects to the Government Equity account.*
- b. *Transfer and record the record the completed Public Infrastructure/Reforestration Projects in the appropriate Registry of Public Infrastructure (RPI) and Registry of Reforestration Projects.*

4. **Depreciable Property Plant and Equipment amounting to ₱ 53,504,999.37 were recorded under the Books of the Trust Fund of the agency and its Depreciation amounting to ₱ 2,358,658.84 was also recorded as a deduction from the Government Equity- Trust Fund Account, as of December 31, 2013 contrary to Sec. 104 of the New Government Accounting System (NGAS) Vol. I, thus, misstated the balances of the assets and government equity accounts recorded under the fund; and understated the expenses accounts in the Statement of Income and Expenses of the municipality as of December 31, 2013.**

We recommended that the Municipal Accountant effect the recommended adjusting journal entries to transfer the Property, Plant and Equipment recorded under the Trust Fund to the General Fund Account and record the depreciation in the appropriate account under the Statement of Income and Expenses

5. **The existence, validity and propriety of the Accounts Payable in the General and Special Education Funds amounting to P5,575,945.80 and P314,019.84, respectively, which are two (2) years to five (5) years old and for which no claim has been filed as of December 31, 2013, were not reverted to the unappropriated surplus, contrary to Section 98 of Presidential Decree No. 1445, thereby resulting in the overstatement of the liabilities accounts and the fair presentation of the accounts in the financial statements.**

We recommended that the Municipal Accountant review the validity of the recorded Accounts Payable which are outstanding for more than two (2) to six (6) years. Where possible, confirm from creditors the propriety and validity of these accounts and if established to have no valid claims against the Municipality, cause the reversion of the accounts to the unappropriated surplus

6. **Seven (7) barangay kagawads were hired by the Municipal Government as job order employees, contrary to Section 7, Article IX-B of the 1987 Philippine Constitution, thus, may result to division of their attention and efforts among many positions of responsibility which may result in inefficiency and/or haphazardness in the delivery of public services.**

We recommended that Management stop the practice of hiring barangay officials as job orders/temporary employees of the Municipality pursuant to Section 7, Article IX-B of the Philippine Constitution so as not to compromise the efficient delivery of public service as elected public officials.

7. **Procured food commodities amounting P1,203,275.00 charged against the Quick Response Fund exceeded the amount appropriated for the purpose due to failure of the LGU to follow the budgetary limits contained in the Annual Budget and Annual Investment Plan for Calendar Year 2013 for the Quick Response Fund, contrary to Sec. 4(1) of Presidential Decree (PD) 1445 and Section 21 of Republic**

Act No. 10121, thus, resulting to excess disbursement amounting to P452,975.00 and depleting the LDRRMF intended for Preparedness and Mitigation purposes.

We recommended that:

- (a) Management ensure that the expenditures paid out of the LDRRMF are within the appropriation authorized in their Annual Budget and Annual Investment Plan;*
- (b) Management hasten the full implementation of their prioritized programs/activities as embodied in their LDRRMFIP to provide the intended beneficiaries with the potential benefits of such programs/projects/activities; and*
- (c) The Accountant strengthen her review process to ensure that all claims against government funds are supported with complete documentation to avoid suspensions and/or disallowances in audit.*

8. The monthly Reports on the Sources and Utilization of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for CY 2013 were not submitted to the Auditor by the Local Disaster Risk Reduction and Management Officer (LDRRMO) thru the Local Disaster Risk Reduction and Management Council (LDRRMC) and Local Development Council (LDC) due to the failure of the Municipal Accountant to prepare, certify and submit the same to the LDRRMO, contrary to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, thereby precluding the Auditor from verifying the propriety of the charges against the funds.

We recommended that:

- 1. The Municipal Accountant prepare and certify correct the Monthly Report on the Sources and Utilization of the DRRMF using the format prescribed in Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012 and submit the same to the Local Disaster Risk Reduction and Management Officer (LDRRMO); and*
- 2. The Local Disaster Risk Reduction and Management Officer (LDRRMO) submit the said report on or before the 15th day after the end of each month through the LDRRMC and Local Development Council (LDC) to the Auditor concerned for verification.*

9. The opening of bids for two infrastructure projects with aggregate contract cost of ₱ 23,632,762.89 were conducted at later dates than the dates specified in the bidding documents without issuing and posting in the PhilGEPS a supplemental/bid bulletin within the prescribed period, contrary to Sections 3,

22.5.2, 22.5.3 and 29 of the Revised IRR of RA 9184, thus casts doubt on the transparency of the bidding process and may have breached the integrity and confidentiality of the submitted bids.

We recommended that the Mayor should require the BAC Chairman to strictly adhere and follow the schedule of procurement activities as specified in the bidding documents; issue supplemental bid bulletins in accordance with the timeline set under Section 22.5.2 of the Revised IRR of RA 9184; and post any supplemental bid bulletin in the PhilGEPS website in accordance with Section 22.5.3 of the IRR of RA 9184.

- 10. The BAC did not invite a representative each from the National Associations of Constructors duly recognized by the Construction Industry Authority of the Philippines for the procurement of infrastructure projects and Philippine Chamber of Commerce and Industry for their procurement of goods, to sit as observer in all stages of the procurement process, contrary to Section 13.1 of the Revised IRR of RA 9184, thus, defeats the transparency principle of the procurement law.**

We recommended that the BAC should invite a representative from a national association of constructors duly recognized by the Construction Industry Authority of the Philippines (CIAP) and from the chamber-member of the Philippine Chamber of Commerce and Industry in case of procurement of infrastructure projects and goods, respectively. Henceforth, invite at least three observers in all stages of the procurement to enhance transparency in the process.

- 11. The BAC failed to post the Notice of Award, Notice to Proceed and Contract in the PhilGEPS website, contrary, to Section 37.1.6 and Section 37.4.2 of the Revised IRR of RA 9184, thus, defeats the transparency principle of the procurement law.**

We recommended that the BAC, through the BAC Secretariat should post the Notice of Award, Notice to Proceed and approved Contract in the PhilGEPS website pursuant to Sections 37.1.6 and 37.4.2 of the Revised IRR of RA 9184.

- 12. The technical specifications of the dumptruck was not specified in the Project Procurement Management Plan (PPMP), Purchase Request, Approved Budget for the Contract, Bidding Documents, Purchase Order and Sales Invoice, contrary to Section 17.2 of the Revised Implementing Rules and Regulations (RIRR) of RA 9184, thus, the reasonableness of the price of the procured dumptruck may not have been thoroughly evaluated by the BAC and considered most advantageous to the procuring local government unit.**

We recommended and enjoined all concerned to specify the minimum requirements or specifications required to meet the needs of the procuring agency in the bidding documents, ABC, PPMP, Purchase Request and Purchase Order in full compliance with Section 17.2 of the (RIRR) of RA 9184.

- 13. The unutilized Priority Development Assistance Funds (PDAF) amounting to P10,875,735.70 as of December 31, 2013 were not reverted to the unappropriated surplus of the General Fund of the National Government and remitted to the National Treasury, contrary to the ruling of the Supreme Court under G.R. Nos. 208566, 208493 & 209251, all dated November 10, 2013, thus, depriving the National Government from utilizing the same to other priority development programs/projects.**

We recommended that the Management immediately cause the reversion of all unutilized PDAF amounting to P10,875,735.70 to the General Fund of the National Government and its remittance to the National Treasury in full compliance with the Supreme Court ruling on the matter.

- 14. GAD Focal Point failed to submit the CY 2013 GAD Plan to the National Commission on the Role of the Filipino Women (NCRFW) and Department of Budget and Management and the corresponding Accomplishment Report, hence, there is no assurance that the programs/activities included in the LGU's GAD Plan have addressed the gender issues and women empowerment in accordance with R.A. 7192 and the Philippine Plan for Gender-Responsive Development (PPGD) for 1995 – 2025.**

We recommended that the GAD Focal Point/Person shall:

- 1. Submit the LGU's GAD Plan to the DBM and NCRFW for review and approval to ensure that the programs/projects/activities reflected thereat are in accordance with the existing regulations and guidelines on GAD. Likewise, GAD Focal Point/Person shall furnish the NCRFW and other regulating offices GAD Accomplishment Report for its monitoring purposes.*
 - 2. Ensure/monitor that the planned activities as indicated in the GAD Plan be fully implemented within its time frame and desired output accomplished.*
 - 3. The Accomplishment Report should be prepared and submitted in accordance with the GAD Plan.*
 - 4. The GAD Focal Point attend trainings/seminars on GAD.*
- 15. The Local School Board failed to efficiently utilize the Special Education Fund amounting to P1,998,140.00 through the implementation of programs/projects/activities which are responsive to the priority expenditures of the Fund pursuant to DECS-DBM-DILG Joint Circular No. 01 and RA 7160, thus, depriving the school children from advanced educational development.**

We recommended that the Local School Board:

- 1. Cause the early preparation of the annual budget for SEF consistent with the priority expenditures provided in Section 272 of Local Government Code and DECS-DBM-DILG Joint Circular No. 01 to ensure the timely implementation of its programs/projects/ activities for the period;*
 - 2. Ensure that its annual SEF budget provides an equitable distribution of the fund among the priority areas identified in DECS-DBM-DILG Joint Circular No. 01 in order that the Fund's objectives are achieved; and*
 - 3. The Municipal Accountant and Budget Officer regularly reconcile their records for accurate/correct reporting of balances of accounts in the financial statements.*
- 16. Three (3) Development Projects under the 20% Local Development Fund for CY 2013 costing P950,000.00 were not implemented and eight (8) projects were partially implemented with unutilized funds amounting to P2,861,484.80 as of year- end in contravention of DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011, thus, contributing to the non-attainment by the Municipality of its development goals and depriving its constituents of the benefits that could be derived therefrom. Also, construction of DRRM Rescue Team Station amounting to P353,919.00 was implemented and charged to the 20% Development Fund, however, this project is not included in the Annual Investment Plan of the Municipality for the 20% EDF nor LDRRMF; and two (2) projects implemented under EDF with a project cost of P2,479,616.00 exceeded its approved budget of P2,100,000.00 thus, depleting the EDF and non-implementation of other projects.**

We recommended that:

- 1. The Programs/Projects identified in the AIP be fully implemented to ensure the extension of benefits to the communities for the timely completion of development projects;*
- 2. Management ensure that only those projects included in the AIP are charged to the EDF, otherwise, supplemental budget should be prepared and submitted;*
- 3. The BAC see to it that the project cost should not exceed the appropriated amount reflected in the AIP; and*
- 4. The Office of the Municipal Engineering cause the submission to the Auditor a copy of the Accomplishment Report for the 20% EDF for CY 2013, including those funded by the continuing appropriations of the fund, for monitoring and record purposes.*

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 17 prior year's audit recommendations, eight (8) or 47 percent were implemented, another eight (8) or 47 percent were partially implemented and one (1) or six (6) percent was not implemented by management.