

EXECUTIVE SUMMARY

A. Introduction

A.1 Creation and Mandated Function

In the year 1803, the municipality of San Vicente was first established as a “pueblo” and “visita” of Talisay. The great saint San Vicente Ferrer of the Dominican Order was chosen as the town’s patron from whose honor the town was named after.

In the exercise of its executive functions embodied in Republic Act 7160, also known as the Local Government Code of the Philippines, the administration’s primary concern is to support the implementation of infrastructure development projects, social, health and economic services in line with the approved Annual Investment Plan of the 20% Development Fund.

The municipality aims to develop and capacitate the constituents through livelihood assistance to increase productivity in agriculture and effective delivery of quality basic services.

A.2 Financial Profile

The agency increased their local taxes for Calendar Year 2013 by ₱25,609.27 or 3% compared to last year’s income of ₱855,271.78. Also, there were increases in permit and licenses, service/business and other income resulting to total increase of ₱3,391,579.93.

Total appropriations for General Fund (GF) and Special Education Fund (SEF) were ₱34,432,520.96 and ₱328,998.30, respectively excluding the continuing appropriation. The same amounts for both funds were released as allotments with total expenses of ₱31,599,421.76 for GF and ₱168,019.00 for SEF.

Comparative financial condition for the last two years is as follows:

Account Name	CY 2013 (₱)	CY 2012 (₱)	Increase (Decrease)
Assets	26,762,610.57	25,295,167.68	1,467,442.89
Liabilities	9,327,347.18	8,966,935.01	360,412.17
Government Equity	17,435,263.39	16,328,232.97	1,107,030.42

B. Scope of the Audit

Financial and Compliance audit as well as Value for Money (VFM) audit were conducted on the accounts and operations of the Municipality of San Vicente. The audit covered the period from January 1 to December 31, 2013. Financial and compliance audit thrusts are Cash, Inventory, Property, Plant and Equipment, Expenses, KALAHI-CIDSS financial reporting system, Local Disaster Risk Reduction Management Fund and compliance with Tax Laws and Regulations. Our Value for Money Audit for CY 2013 is the 20% Development Fund.

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because the Cash in Bank account with an aggregate value of ₱4,080,296.05 cannot be validated and the agency submitted only the partial inventory reports for CY 2013.

D. Significant Observations and Recommendations

For the exceptions mentioned earlier, we recommend the submission of the required monthly BRS and remind the agency to submit the same promptly in succeeding months. Also, the Audit Team recommends that management expedite the complete physical count of existing properties and equipment duly reconciled with the accounting records. The Audit Team has discussed/communicated the findings and recommendations with the Auditee during the exit conference on April 11, 2014 held for the purpose and that the latter's comments are incorporated in the report, where appropriate.

The audit revealed the following other significant observations which are summarized below with the corresponding recommendations:

- 1. The agency maintains two bank accounts in the receipt and disposition of IRA releases totaling ₱32,420,033.00 during the period January 1, 2013 to December 31, 2013 contrary to Section 13 of NGAS, Vol. I for Local Government Units.**

We recommended that the new Municipal Mayor instructs the Municipal Treasurer to prepare a letter addressed to the DBM with the information that only the LBP Account No. 0412-1057-61 will be used in the transfer of IRA Fund to the municipality in order to avoid dual depository accounts related to the authorization over transfer of IRA fund.

- 2. A breakdown of accounting control was noted in the check disbursement process of the LGU because 194 vouchers totaling ₱3,985,096.85 were paid without complete documentations contrary to Section 61 of PD 1445, Section 44(c) of NGAS and COA Circular No. 2012-001.**

We recommended that management comply with the prescribed check disbursement process and required documentation for common government transactions in accordance with Section 44 (c) of NGAS and COA Circular No. 2012-001, respectively.

- 3. Absence of Journal Entry Vouchers (JEVs) attached to 397 disbursement vouchers amounting to ₱11,566,344.45 hindered the Audit Team in the verification of charges of every transaction and also a violation of the provision of Section 31 of the NGAS Vol. II.**

We recommended that management requires the Municipal Accountant to submit immediately to the Audit Team all JEVs for verification to determine the correctness of the transactions recorded for fair presentation of the agency's financial statements.

- 4. The LGU failed to transfer the unexpended balances of CYs 2012-2013 Local Disaster Risk Reduction and Mgt. Fund amounting to ₱1,734,722.57 to the Special Trust Fund contrary to Section 21 of RA 10121 and COA Circular No2012-002, which may adversely affect disaster risk reduction and management activities within the next five (5) years.**

We recommended that the Municipal Treasurer and the Municipal Accountant comply with the requirement of RA No. 10121 that the unexpended LDRRMF shall accrue to a special trust fund for the purpose of supporting DRRM activities within the next five (5) years guided by the accounting and reporting procedures under COA Circular No. 2012-002.

- 5. The LGU did not optimally utilize the seven (7) projects under the 20% Development Fund totaling P 961,107.00 appropriated out of the Annual IRA that could have attained desirable socio-economic development and environmental sustainability not in consonance with DILG and DBM Joint Memo Circular 2011-1.**

We recommended that the incumbent Municipal Mayor instructs the Municipal Development Council to monitor the program, project, activities in the municipal level to fully optimize the appropriated budget especially that of the Socio-Economic Development under the 20% Development Funds. Also, maximize the use of the environmental projects for resource protection/sustainability and climate change mitigation which are two among the priority programs of the government.

E. Status of Implementation of Prior Years' Audit Recommendations

Out of the twelve (12) recommendations offered in our prior years' audit reports, five (5) were fully implemented, six (6) were partially implemented while the remaining one (1) was not implemented as of December 31, 2013.