

EXECUTIVE SUMMARY

Introduction

Bula is one of the 35 towns in the Province of Camarines Sur. Bula, belongs to the Fifth District of Camarines Sur. It has a total land area of 19,040.6950 hectares. It is composed of thirty three (33) barangays and has a total population of 68,410 based on 2012 CBMS Survey. As of 2013, the registered voter is 35,104. Bula is a second class municipality with Internal Revenue Allotment (IRA) of ₱ 94,562,429.00 for this year.

Its vision by the year 2018 is that the municipality as the bamboo industry center in Southern Luzon, a showcase municipality in agriculture and eco-tourism destination in the province with God-loving, empowered and disaster-resilient citizenry; enjoying a globally competitive economy in a ecologically-balanced, adequate and functional environment; guided by dynamic and committed leadership.

The economic enterprises being operated by the agency are the Bula Municipal Waterworks System, Public Market and the Centralized Public Terminal.

FINANCIAL HIGHLIGHTS

I – Comparative Financial Position

PARTICULARS	CY 2013	CY 2012	INCREASE (DECREASE)	
			AMOUNT	%
Assets	₱ 149,929,637.84	₱ 105,080,250.03	₱ 44,849,387.81	42.68
Liabilities	65,732,170.50	34,693,978.64	31,038,191.86	89.46
Government Equity	84,197,467.34	70,386,271.39	13,811,195.95	19.62

II – Comparative Sources and Application of Funds

PARTICULARS	CY 2013	CY 2012	INCREASE (DECREASE)	
			AMOUNT	%
Internal Revenue Allotment	₱ 94,562,429.00	₱ 81,481,374.00	₱ 13,081,055.00	6.22
Local Taxes	3,263,872.03	3,576,043.39	(312,171.36)	(11.45)
Permits and Licenses	1,023,451.39	916,963.69	106,487.70	8.61
Service Income	1,416,918.70	1,473,853.87	(56,935.17)	25.88
Business Income	6,010,688.75	6,550,311.09	(539,622.34)	12.13
Other Income	1,128,977.54	4,306,569.38	(3,177,591.84)	(1.35)
Total Income	₱ 107,406,337.41	₱ 98,305,115.42	₱ 9,101,221.99	10.80
Personal Services	46,976,076.93	39,418,476.61		
Maintenance and Other Operating Expenses	42,182,782.19	45,690,182.42	(3,507,400.23)	(13.02)
Financial Expenses	2,188,029.73	2,549,388.26	(361,358.53)	(7.05)
Total Expenses	₱ 91,346,888.85	₱ 87,658,047.29	₱ 3,688,841.56	23.76
Operating Income	₱ 107,406,337.41	₱ 98,305,115.42	₱ 9,101,221.99	10.80
Subsidies and Donations	3,180,063.82	3,815,931.49	(635,867.67)	(6.00)
Net Income	₱ 16,059,457.56	₱ 10,647,068.13	₱ 5,412,389.43	1.96

SCOPE OF THE AUDIT

We conducted a financial and compliance audit on the accounts and operations of the Municipality of Bula, Camarines Sur for the year ended December 31, 2013. We conducted our audit in accordance with laws, COA and INTOSAI Standards and applicable generally accepted auditing standards, which are directed towards improving the discharge of its fiscal administration.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because the existence, reliability and accuracy of the recorded Property, Plant and Equipment (PPE) totaling ₱ 61,083,677.97 as of December 31, 2013 cannot be ascertained due to the failure of the Municipality of Bula to conduct the mandatory physical inventory taking for CY 2013. The inadequacy of its records did not permit us to apply adequate alternative procedures to determine the accuracy of these accounts.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATION

- 1. Cash advances with outstanding balance of ₱ 687,801.95 representing Cash Disbursing Officer (103) and Due from Officers and Employees (123) amounting to ₱ 349,127.98 and ₱ 338,673.97 respectively, remained unliquidated at the end of the year, in violation of Section 4.1.2 and 4.1.3 and 5.8 of COA Circular No. 97-002 thus raising doubts on the propriety and regularity of the grant and use of the same.**

We recommended that immediate liquidation or refund of the cash advances be made by the accountable officials and employees; otherwise the same shall constitute a ground for the withholding of payment of any money due to officials and employees concerned.

- 2. Property, Plant and Equipment accounts amounting to ₱ 61,083,677.97 were unreliable due to failure of the management to conduct the Physical Count of Property, Plant and Equipment and non-submission of the physical inventory report and non-reconciliation of accounting and property records contrary to Section 124 NGAS Manual, Volume 1 and Section 490 of Government Accounting and Auditing Manual, thus correctness and existence of the Property, Plant & Equipment at the year end could not be ascertained.**

We recommended that management require the inventory committee to regularly conduct the physical inventory-taking of all agency properties and to prepare and submit the report on the physical count of Property, Plant and Equipment to the Accounting and Auditor concerned. Thereafter, the reconciliations of the accounting and the property records should be undertaken.

20% Economic Development Fund

- 3. The Municipality disbursed only ₱ 3,150,372.39 or 16.66% out of its Economic Development Fund of ₱ 18,912,437.79 thus depriving the intended beneficiaries of its benefits.**
 - Establishment or rehabilitation of productivity enhancement Center for out-of-school youths, women, minors, displaced families, indigenous people, differently-abled persons and older persons;
 - Establishment or rehabilitation of Manpower Development Center;
 - Construction or rehabilitation of health centers, rural health unit or hospital, and purchase of medical equipment;
 - Construction or rehabilitation of a local government-owned potable water supply system;
 - Installation of street lighting system;
 - Preservation of cultural/historical sites;
 - Other programs or projects of similar nature.

We recommended that the Municipality should implement fully its economic development projects thereby benefiting the intended beneficiaries of the fund.

- 4. Delayed submission of municipal accounts and mandatory financial records and reports for calendar year 2013, precluded the Auditor of a timely audit/verifications of the accounts and financial reports, errors (if any) cannot be detected and corrected at earlier time, thus, affecting the propriety of the reported account balances as of December 31, 2013.**

We recommended that the Municipal Mayor require his Municipal Accountant to submit monthly the financial reports together with the Disbursement Vouchers and its supporting documents to the Audit Team within the time fixed by law to afford the timely evaluation and review of the financial transactions of the LGU.

- 5. Funds for Gender and Development (GAD) projects and activities were specifically provided in the annual budget of the Municipality's every department and the corresponding annual accomplishment report was submitted to concerned agencies, pursuant to the provisions of Joint Circular No. 2004-001, thereby has basis for agency performance review of GAD related PPAs.**

In the review of the Annual Budget for Calendar Year 2013, the GAD Activities were included in its programs, projects and activities of every office departments. The GAD focal point has submitted accomplishment report on the implementation of the GAD activities, thereby has basis for monitoring and for agency performance review.

The GAD Focal Point is commended for the preparation and submission of the required reports as prescribed. We encourage her to keep up the good work.

- 6. The Local Disaster Risk Reduction Management Officer (LDRRMO) of the Municipality of Bula, Camarines Sur prepared and submitted the report on the utilization of LDRRMF and other dedicated disaster risk reduction and management resources to the Audit Team as required under Section 12.c.21 of Republic Act No. 1012011 dated May 27, 2010.**

The Local Disaster Risk Reduction Management Officer (LDRRMO) is commended for the preparation and submission of the required reports as prescribed. We encourage him to keep up the good work.

- 7. The total outstanding loan balance of ₱ 19,650,893.57 and the statement of debt service (Annex L) as of December 31, 2013 was posted in compliance to DILG MC NO. 2011-08 dated January 13, 2011. See (Annex L) for the Individual Loan Profile.**
- 8. The Municipality was able to post the transactions and documents required under Department of Interior and Local Government (DILG) Memorandum**

Circular No. 2010-83, as amended by Memorandum Circular No. 2011-134, thereby has complied with the mandate of full disclosure of Local Budget and Finances, and Bids and Public Offering.

We commended the officials and employees of the Municipality for said award. Keep up the good work.

- 9. The Municipality has substantially complied with tax law and revenue regulations promulgated by the Bureau of Internal Revenue (BIR) relative to the withholding of income taxes of employees and other taxes due from contractors and supplies dealing business with the Municipality.**

Keep up the good work in the proper withholding and timely remittance of taxes to the BIR in order to contribute to the over-all objective of increasing the IRA share.

- 10. The Municipality has implemented projects / activities funded from funds received from other government agencies totaling ₱ 25,386,031.15 (Annex P) thereby benefiting the intended beneficiaries of the projects/activities.**

We commended the officials and staff of the Municipality for the job well done.

Keep up the good work for the benefits of the Municipality's clientele.

- 11. The Municipality has paid employees hired as job order through payroll supported by individual appointment, daily time record and individual accomplishment report thereby propriety of the transactions could be determined. (Annex Q)**

Keep up the good work to establish validity of the transactions.

- 12. The Municipality has faithfully remitted the employees GSIS contributions and loan amortizations, thereby maintaining the good credit standing of its employees.**

Review of the remittances to the GSIS for the month of January, 2014 showed that the Municipality has remitted to the GSIS on January 6, 2014 the amount of ₱ 659,115.10 (Annex R) out of the ₱ 666,628.91 due to GSIS as of December 31, 2013 representing its employees GSIS contribution and loan amortization, thereby maintaining the good credit standing of its employees.

We commended the officials and employees for the job well done.

- 13. Suspension, Disallowances and Charges**

The total audit suspension, disallowances and charges of various transactions as of December 31, 2013 is ₱ 1,367,885.47, based on the Notice of Suspension (NS) / Notice of Disallowances (ND) / Notice of Charges (NC) issued by this Commission, as summarized.

		Ending Balance (December 31, 2013)
Notice of Suspension	₱	1,367,885.47
Notice of Disallowance		0.00
Notice of Charge		0.00
TOTAL	₱	1,367,885.47

FAVORABLE FINDINGS

We commended the management efforts in remitting promptly the taxes withheld from employees, suppliers and contractors and the life and retirement insurance premiums and loans payables to GSIS, HDMF (Pag-Ibig), Phil health and other GOCCs. Moreover, the Municipality had complied with the terms of its long-term loan and DILG Memorandum Circular Nos. 2010-08 and 2011-134. Likewise, GAD activities were implemented pursuant to Joint Circular No. 2004-1 of DBM, NEDA and National Commission on the Role of Filipino Women (NCRFW)

The aforementioned observations and recommendations were discussed with concerned officials during the exit conference held for the purpose. Management views and reactions were considered in this report, where it is deemed appropriate.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the seven (7) audit recommendations as contained in the Annual Audit Report for calendar year 2012, two (2) were fully implemented, four (4) were partially implemented, and one (1) was not implemented.