

## EXECUTIVE SUMMARY

The town of Pamplona, Camarines Sur was created in the year 1817. Its first inhabitants lived in the sitio of Patong along the banks of the Bikol River. When the Spaniards came and landed at Pasacao, they established their community in the sitio of Quitang. Attracted by the newcomers, earlier inhabitants approached and befriended with the Spaniards. They soon decided to build a town on the present site which they called Pamplona, a province in Spain where the Spaniards came from.

It belongs to a 4th class municipality with seventeen (17) barangays under its mantle.

The Municipality enjoys complete independence in managing, deciding and planning its own administrative, fiscal and socio-economic development programs, in line with the thrust of the national government.

### A. Highlights of Financial Operation

For Calendar Year (CY) 2013, the appropriations of the Municipality of Pamplona for the General Fund and Special Education Funds totaled ₱90,335,007.05. Obligations charged against these appropriations amounted to ₱66,244,289.34.

<u>Fund</u>	<u>Appropriation</u>	<u>Obligations</u>
General Fund	₱89,785,007.05	₱65,736,832.93
Special Education Fund	550,000.00	507,456.41
<b>Total</b>	<b>₱90,335,007.05</b>	<b>₱66,244,289.34</b>
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The operating income of ₱59,366,801.11, collected during the year was sourced from the following:

Particulars	General Fund	Special Education Fund	Total
Local Taxes	₱ 998,920.71	₱238,814.55	₱ 1,237,735.26
Internal Revenue Allotment	56,713,366.00		56,713,366.00
Permit and Licenses	430,994.29		430,994.29
Service Income	395,943.61		395,943.61
Business Income	646,924.53		646,924.53
Other Income	180,651.97	4,394.16	185,046.13
<b>Total Operating Income</b>	<b>₱59,366,801.11</b>	<b>₱243,208.71</b>	<b>₱59,610,009.82</b>

The municipality's assets, liabilities, equity and income for CY 2013 were ₱91,863,994.80, ₱31,317,419.89, ₱60,546,574.91 and ₱59,610,009.82, respectively. The Financial Statement per Fund is shown as Annexes A – I.

## **B. Positive Findings**

### **1. Outstanding Legal Cases and Final and Executory Decisions on Legal Cases**

It is worthy to note, the municipality was never been involved in any legal cases be it administrative, civil or criminal.

### **2. Seal of Good Housekeeping**

The Municipality of Pamplona is a recipient of the Seal of Good Housekeeping (Annex J) for successfully meeting the requirements of the full disclosure policy and proven to have no disclaimer or adverse audit findings by the Commission on Audit in CY 2012.

### **3. Compliance with Full Disclosure Policy**

The LGU of Pamplona has substantially complied with DILG Memorandum Circulars No. 2011-08 and 2010-083 dated August 31, 2010, treating on the full disclosure of Local Budget and Finances, and Bids and Public Offerings.

### **4. Compliance with Tax laws and regulation**

Withholding taxes on compensation and government money payments were remitted within the period prescribed under Revenue Regulation (RR) No. 2-98, as amended, thus accorded the national government of the immediate use of said funds and avoiding unnecessary sanctions imposed by that Office on delinquent tax payers.

### **5. Audit of funds and activities for Gender and Development (GAD)**

Due to the Local Chief Executive good supervision, with the cooperation and concerted efforts of the concerned municipal officials involved, the Agency had submitted a sufficient annual GAD Plan and Budget and adequate GAD accomplishment report for 2013, in accordance with Items 2 and 5a of the Joint Memorandum Circular No. 2001-01 issued by the DILG, DBM and NCRFW, resulting, to the effective implementation and monitoring of the GAD Plan and providing appropriate evaluation of GAD related projects/programs and activities by the concerned officials, thereby submitting promptly the GAD accomplishment report to the DILG Municipal Office.

## **SCOPE OF AUDIT**

A financial and compliance audit was conducted on a test basis on the financial transactions of the Municipality of Pamplona, Camarines Sur for the period from January 1 to May 31, 2013 only. The Auditor was not able to review/post audit transactions for the rest of the months, since all disbursement vouchers as well as payrolls for the entire year were submitted late. Further, it was very hard for a lone member of a team to audit the transactions of three (3) municipalities including its barangays not to mention her attendance to various malversation cases as a result of her audit.

## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

The auditor rendered a qualified opinion of the fairness of the presentation of the financial statements as of December 31, 2013 as the validity, existence and correctness of the recorded Plant, Property and Equipment valued in the books at ₱27,455,221.38 and its Inventories valued at ₱401,127.20 or approximately 30% of total assets, were not ascertained for failure of the agency to complete the conduct of physical inventory and existing records do not allow application of alternative procedures. Further, accounts were not submitted within the prescribed period to the Office of the Auditor, thus prohibiting complete review and examination thereof.

## **SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

For the exception cited above, we recommend the completion of the physical inventory and prompt submission of accounts to the Office of the Auditor to facilitate early review and examination of transactions. Moreover, the following are the significant findings and the corresponding recommendations, which were discussed with agency officials during our exit conference.

### **I - FINANCIAL AND COMPLIANCE AUDIT**

1. Out of the balance of cash advances of ₱609,497.19 as of December 31, 2013 which were not liquidated within the prescribed period, ₱152,695.00 were granted without first settling or a proper accounting thereof was made of the previous cash advance contrary to Sections 5.1 and 4.1.2 of COA Circular No. 97-002, respectively, resulting in the overstatement of the receivable account and understatement of the corresponding expense account for the same amount.

*Due to partial compliance of the audit recommendation made by the agency we reiterate our recommendation for the Office of the Municipal Accountant to ensure strict compliance with Sections 4.1.2; 5.1 and 5.8 of COA Circular No. 97-002 and Sec. 14 of EO No. 298, otherwise, we firmly suggest that the following actions be taken by management:*

- a. *Withholding of salaries or deduction from salaries/allowances should be made for those who failed to liquidate their cash advances within the prescribed period.*
  - b. *The full liquidation of all cash advances at the end of the year should be demanded.*
  - c. *Strict enforcement of laws, rules and regulations on the grant and liquidation of cash advances to avoid accumulation of unliquidated cash advances.*
  - d. *Stop the practice of granting additional cash advances to any officials/employees unless and until the previous cash advances are first settled or a proper accounting thereof is made.*
2. The management has approved the request for monetization of accumulated leave credits of their employees exceeding the 30 days in a year limitation totaling to ₱1,378,155.14, contrary to Section 22 of the Omnibus Rules on Leave. They further approved request for 50 percent or more of their accumulated leave credits without valid and justifiable reasons or no reasons at all violating Section 23 of the same rule.

*We recommended that the approval of monetization of leave credits should adhere strictly to the Guidelines stated under the Omnibus Rules on Leave.*

3. The Cash Disbursing Officer failed to reconcile her daily cashbook balance at least quarterly with the accounting records as required under Sec. 181 (c) of the Government Accounting and Auditing Manual (GAAM), Vol. 1, thus precluded the prompt detection of errors in recording in the amount of ₱28,323.48.

*We recommended that the Municipal Mayor require the Disbursing Officer to strictly observe the guidelines in the proper handling, custody and disposition of cashbook to readily determine her accountability and correct errors in recording cash transactions at the earliest time possible. Further, she should see to it that reconciliation is made between the balance shown in the Cashbook/Report of Disbursements of the Disbursing Officer and the balance found in the books of the LGU kept by the accounting section which is the Subsidiary Ledger and the General Ledger.*

4. The designated Disbursing Officer who handled more than ₱1 million municipal funds was inadequately bonded, in violation of Section 305(f) of RA No.7160 and Treasury Circular No. 02-2009, thus, the amount of Fidelity Fund to answer for any defalcations, shortages and unrelieved losses in the accounts of the disbursing officer will likewise be inadequate.

*We recommended that the designated Disbursing Officer should file an Application with the Bureau of Treasury to increase her bond, in accordance with Section 305(f) of RA No. 7160 and Treasury Circular No. 02-2009. The Municipal Mayor should see to it that cash advances are granted only to a disbursing officer who is properly and adequately bonded.*

## **II - STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

<b>Particulars</b>	<b>Balance as of Jan. 1, 2013</b>	<b>CY 2013</b>		<b>Balance as of Dec. 31, 2013</b>
		<b>Issued</b>	<b>Settled</b>	
Suspensions	₱154,321.80	0.00	₱104,136.00	₱50,185.80
Disallowances	7,080.00			₱7,080.00
Charges				
<b>Total</b>	<b>₱161,401.80</b>	<b>0.00</b>	<b>₱104,136.00</b>	<b>₱57,265.80</b>

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 24 prior years' audit recommendations embodied in the 2012, 2011 and 2010 Annual Audit Reports, 18 were fully implemented, four (4) were partially implemented and two (2) were not acted upon by the management.