

## **EXECUTIVE SUMMARY**

### **A. AGENCY BACKGROUND**

Municipality of San Fernando is one of the thirty-five municipalities of the Province of Camarines Sur, located along Daang Maharlika traversing Manila and the Bicol Region. Lying Southwest of Naga City, San Fernando is seven and a half kilometers away or just about ten minutes travel time from the City and accessible to all land transportation.

The Grace God King of Spain officially made the recognition of the pueblo of San Fernando, Camarines Sur, on October 2, 1810 during the reign of the sovereign Lord Ferdinand VII under Charles IV. The first Captain of the Pueblo of San Fernando was Jacinto Felipe Clemente.

The Municipality of San Fernando, Camarines Sur is envisioned to have a sustainable agro-industrial center and tourism destination in Camarines Sur, with God-loving, self-reliant, healthy, peaceful and empowered community living in an economically competitive modern and ecologically-balanced environment, guided by accountable, transparent and gender responsive governance.

Their mission is to implement sustainable development programs, projects, activities, deliver effective, efficient and transparent public services, enforce policies, maximize revenue generation, rationalize resources allocation and utilization

Like other local government units, it enjoys the genuine local autonomy to enable it to attain its fullest development as self-reliant community and effective partner in the attainment of the national goals.

### **B. MAJOR ACCOMPLISHMENTS**

For the year under review, the municipal administration lined up significant programs and projects to accelerate its economic development and improve the quality of life of the people. Post-audit of financial transactions was made on a test basis; however, time constraint deterred validation and verification as to conformance to specifications and as to the existence of some of the projects.

The following are the significant programs and projects undertaken by the municipal government for calendar year 2013:

<b>Programs/Projects/Activity</b>	<b>Cost</b>	<b>% of Completion</b>
1.Road concreting-Daculang Tubig-Marangi FMR ( Daculang Tubig Section)	P992,96.50	100%
2.Road Concreting-Tagpocol-Pinamasagan FMR (Tagpocol Section )	P992,793.75	100%
3. Rip-rapping of eroded portion of Bocal-Daculang Tubig FMR (Daculang Tubig Section )	P992,668.98	100%
4.Rehabilitation/Improvement of Market Stalls-Poblacion, San Fernando, Camarines Sur.	P1,489,798.16	100%
5.Completion of 2 Storey Building (Market Site)	P1,490,161.92	100%
6.Construction of 3-Storey Administrative Building	P 6,963,427.00	On-going

The details of the completed projects of the local government for calendar year 2013 is found in submitted report of the Municipal Engineer marked as Annex “ A”.

### **C. FINANCIAL HIGHLIGHTS**

#### **I – Comparative Financial Position**

Particulars	CY 2013	CY 2012	Increase (Decrease)	
			Amount	%
Assets	P158,072,643.62	P146,941,580.01	P11,131,063.61	7.6
Liabilities	36,972,204.55	34,958,670.72	2,013,533.83	5.75
Government Equity	121,100,439.07	111,982,909.29	9,117,529.78	8.14

#### **II – Comparative Sources and Application of Funds**

Particulars	CY 2013	CY 2012	Increase (Decrease)	
			Amount	%
Internal Revenue Allotment	P 55,400,421.00	P 47,842,628.00	P 7,557,793.00	15.79
Local Taxes	1,836,049.30	2,243,750.39	(407,701.09)	(18.17)
Permits and Licenses	297,626.03	281,188.74	16,437.29	5.84
Service Income	188,110.00	171,575.00	16,535.00	9.63

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Service Income	188,110.00	171,575.00	16,535.00	9.63
Business Income	1,066,265.00	1,169,132.70	(102,867.70)	(8.79)
Other Income	480,001.78	730,986.75	(250,984.97)	(34.33)
<b>Total Income</b>	<b>P 59,268,473.11</b>	<b>P 52,439,261.58</b>	<b>P 6,829,211.53</b>	<b>13.02</b>
Personal Services	27,371,259.78	24,204,463.68	3,166,796.10	13.08
Maintenance and Other Operating Expenses	11,249,981.28	13,919,050.18	(2,669,068.90)	(19.17)
Financial Expenses	2,000.00	10,600.00	(8,600.00)	(81.13)
<b>Total Expenses</b>	<b>P38,623,241.06</b>	<b>P 38,134,113.86</b>	<b>P497,722.20</b>	<b>1.30</b>
<b>Operating Income</b>	<b>P20,645,232.05</b>	<b>P14,315,747.72</b>	<b>P6,331,484.33</b>	<b>44.22</b>
Subsidies and Donations	2,347,140.00	652,984.66	1,694,155.34	2.59
<b>Net Income</b>	<b>P18,298,092.05</b>	<b>P 14,440,596.38</b>	<b>P3,857,495.67</b>	<b>26.71</b>

#### D. SCOPE OF AUDIT

A financial and compliance and value for money audit were conducted on the operations of the Municipality of San Fernando, Camarines Sur for Calendar Year ended December 31, 2013. The audit included, but not limited to, the analysis of financial and accounting records, determination of the validity and propriety of the agency's transactions. The audit thrust for calendar year 2013 are the following: Cash accounts, Revenue, Special Education Fund, Priority Development Fund (PDAF), Credit Financing, Gender and Development (GAD), Job Order (JO)/Contractual and 20% Economic Development Fund, Solid Waste Management and Procurement..

#### E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements for the year 2013 in view of the doubtful validity of the Property, Plant and Equipment account of P74,105,321.84 due to the failure of the agency to conduct a complete physical count and subsequently submit an inventory report. Likewise, Land valued at P2,824,105.05 were untitled or unrecorded in the books. The inadequacy of its records did not permit us to apply adequate alternative procedures to determine the fairness of presentation of these accounts.

## F. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

For the exception cited above, the Auditor recommended the submission of complete physical inventory report to the Auditor. In addition, the following are the other significant findings and the corresponding recommendations.

1. The Municipal Treasurer failed to reconcile the monthly cashbook balances with the books of accounts being maintained by the Municipal Accountant, thus, resulting to the delayed completion of the audit of the cash and cash accounts under the custody of the Municipal Treasurer. This practice is not in consonance with the provisions in COA Handbook on Cash Management.

*We recommended that the Municipal Treasurer should reconcile the cash book balance of the cash-in-vault and cash-in-bank account with the balance in the books of accounts maintained at the Accounting Office at least at the end of each quarter.*

2. Supplementary revenue could have been generated had the Municipal Treasurer's Office exerted more effort to collect the long outstanding Loan Receivables amounting to P715,767.02 from various livelihood programs of the Local Government Unit under the General Fund and KKK ad Livelihood Loans under the Trust Fund.

*We recommended the following:*

- a. *The Municipal Treasurer exerts more effort to collect the receivables by sending collection letters to the named creditors specially those still living and with capacity to pay.*
  - b. *With the help of the MSWO, MAO, conduct a thorough verification and validation of creditors who are already deceased and incapacitated to pay.*
  - c. *Request for write-off of accounts receivables from concerned government agency in order to reflect the actual/correct loan receivables of the municipality.*
3. Unserviceable properties due for disposal or condemnation in the total amount of P2,883,500.00 were still carried in the books of accounts since the local government was not able to dispose these properties in accordance with Sections 162, 165, and 167 of COA Circular No, 92-386 dated October 20, 1992 and Section 379 of Republic Act 7160, resulting in the overstatement of the Property, Plant and Equipment accounts by the same amount of P2,883,500.00 .

*We recommended to the Honorable Mayor to require the GSO-designate/ Municipal Treasurer to initiate the disposal of unserviceable properties in*

*accordance with COA Circular 92-386 dated October 20, 1992 and the corresponding cost or value be dropped from the books of accounts to reflect the correct value of Property, Plant and Equipment.*

4. Due to incomplete documentation and improper valuation, land acquired thru purchase or donation remained either unrecorded in the book or untitled in the name of the agency resulting to the understatement of the account Land apart from exposing subject lot to risk of future claims by private individuals to the disadvantage of the government.

*We recommended that the Municipal Assessor exert effort to locate all necessary documents for land which were donated and acquired thru purchase and pursue the titling of the properties in the name of the municipality to confirm its ownership.*

*We also recommended that the Municipal Assessor and Municipal Accountant should reconcile their records in order to identify which of the land are not included in the list and make the necessary adjusting entries to reflect the correct value of the land in the financial statements.*

5. The Local Disaster Risk Reduction Management Officer (LDRRMO) of the Municipality of San Fernando, Camarines Sur failed to submit the report on the utilization of LDRRMF and other dedicated disaster risk reduction and management resources to the local Commission on Audit as required under Section 12.c.21 of Republic Act No. 101211 dated May 27, 2010.

*We recommended to the Honorable Mayor to require the MDRRMO to prepare the plan and submit the report of utilization of the LDRRMF as required under Section 12.c.21 of RA No. 101211.*

6. The municipality could have delivered optimum benefits to its constituents had the Aid to Barangays in the amount of P3,300,000.00 was fully implemented during the year in accordance with the programs/projects under the 20% Economic Development Fund.

*We recommended to the Honorable Mayor the following:*

- a. *During the preparation of the Economic Development Plan, require the Punong Barangays to submit the priority project for inclusion in the 20% EDF of the municipality.*
- b. *Require the Municipal Engineer to prepare the necessary Program of Work (POW) of the priority projects of the barangay after the approval of the 20% EDF to ensure immediate implementation of the project.*
- c. *If possible, the project should be implemented by the municipality in order not to hamper its implementation and completion during the year.*

7. The Management of San Fernando, Camarines Sur failed to fully implement and enforce the provisions of R.A. No. 9003, otherwise known as the Philippine Ecological Solid Waste Management Act of 2000, in view of the failure to prepare a plan for the safe and sanitary management of solid wastes generated in areas under its geographic and political coverage, thus, failing to ensure the protection of the environment and the health and safety of the constituents.

*With the above observations, we recommended the following:*

- a. *Implementation of an Ecological Waste Management Program with a zero waste goal;*
  - b. *Fill-up the vacant position of Environment Management Specialist II under the Office of the Mayor so that compliance with RA 9003 will be given importance.*
  - c. *Require the Municipal Waste Management Board to prepare, submit and implement a plan for the safe and sanitary management of solid waste generation in areas under its geographic and political coverage. The plan shall be subjected to the approval of the National Solid Waste Management Commission (NSWMC) and shall be consistent with the national framework and in accordance with the Act and of the policies set by the NSWMC.*
  - d. *Require the the IEC Team for Ecological Solid Waste Management Program to conduct trainings and information campaign to households, business and commercial establishments and institution on the proper segregation/disposal of their wastes.*
  - e. *The Local Government of San Fernando, Camarines Sur is requested to provide sufficient appropriations for Solid Waste Management Program.*
8. The Municipality of San Fernando, Camarines Sur failed to provide appropriation for the Gender and Development (GAD) in its annual budget, contrary to the mandate of Joint circular No. 2004-1 of DBM, NEDA and National Commission on the Role of Filipino Women.

*We recommended that municipal official concerned prepare a GAD plan addressing gender issues and provide a budget, at least five (5%) of the annual General Fund appropriations, to finance the PPAs in the GAD plan. If the budget is incorporated or streamlined in other offices of the LGU, the appropriation should be marked as GAD related activities for proper identification and monitoring.*

*We also recommended that the Social Welfare Development Officer, as the GAD Focal person to prepare GAD plan and submit the required accomplishment report, if any, as required under the same circular..*

9. The Municipal Budget Officer failed to observe the use of proper assignment of appropriate account codes for Personal Services, MOOE and Capital Outlay in the preparation of the Annual Budget, thus, not consistent with the revised Philippine Government Chart of Accounts (New Government Accounting System) COA Circular No. 2003-001 dated June 17, 2003 as amended by COA Circular No. 2004-008 dated September 20, 2004.

*We recommended to the Honorable Mayor to require his Municipal Budget Officer to use the proper account code as provided for under COA Circular No. 2003-001 dated June 17, 2003 as amended by COA Circular No. 2004-008 dated September 20, 2004 in the preparation of the Annual Budget of the municipality.*

10. Honorarium of various government officials/employees amounting to ₱108,500.00 was erroneously charged to Other Professional Services (799) account contrary to COA Circular No. 2004-008 dated September 20, 2004, resulting to overstatement of Other Professional Services account and understating the Honoraria (720) account.

*We recommended to the Honorable Mayor to require his Municipal Accountant to use the correct account code for each object of expenditures in accordance with COA Circular No. 2004-008.*

*Likewise, the Municipal Accountant is required to draw necessary adjusting entries to reflect the correct transactions of the municipality.*

11. Municipal official granted excessive Productivity Enhancement Incentive (PEI) to its officers and employees at P25,000.00 and P20,000.00, respectively in excess of the maximum allowable amount of P5,000.00 per employee as stipulated under Budget Circular No. 2013-3 dated November 21, 2013, thus, resulting to irregular and excessive disbursements in the total amount of P936,000.00.

*We respectfully recommended to the concerned municipal officials to be more vigilant in the implementation of laws, rules and regulations and exercise due diligence of a good father of a family in the disbursement of government funds to avoid suspension or disallowance in audit of financial transactions.*

*We also recommended that all municipal officials and employees who were paid PEI in excess of what is allowed by law to refund the amount of the excess payment.*

12. The employees of the Municipal Health Office (MHO) of San Fernando, Camarines Sur were regularly paid their Hazard Pay without the required proof of actual exposure to hazards and hardships, contrary to Section 7.1 and 7.2 of DBM and DOH Joint Circular No. 1 dated November 29, 2012, thus, may be suspended in audit.

*We recommended to the Municipal Accountant to require PHWs to submit proof of actual exposure to specific health hazards and occupational risks in accordance with Section 7.1.1 and 7.1.2 of JC No. 1, in order to substantiate their monthly claim of Hazard Pay equivalent to 25% of their basic pay.*

*We also recommended to the Municipal Accountant to require the PHWs to indicate their monthly salary in the DVs/payroll in order to facilitate audit /computation of their claims.*

13. The Bids and Award Committee (BAC) of LGU-San Fernando, Camarines Sur failed to post the Notice of Award, Notice to Proceed and the approved contract in the PhilGEPS, contrary to Section 37.1.6 and 37.4.2 of the Revised Implementing Rules and Regulations of Republic Act No. 9184.

*We recommended that Bids and Award Committee (BAC) should post the Notice of Award, Notice to proceed and approved contract in the PhilGEPS as required under the above-stated Sections in order to avoid suspension or disallowance of the transactions.*

14. The municipality did not render/submit accounts/vouchers for the months of October to December 2013 amounting to P26,577,583.47, contrary to the provisions of COA Circular No. 94-001, in pursuant to Section 122 of PD 1445 and RA 7160. As a result, validity, legality, existence or occurrence of transactions could not be established hence, may be suspended or disallowed in audit.

*We recommended that the Municipal Treasurer should submit within five (5) days after the end of each month, reports of collections and/or disbursements and other required reports to the Municipal Accountant for recording in the books of accounts as prescribed in Section 7 of COA Circular No. 94-001.*

*We also recommended that the Municipal Mayor should require the Municipal Accountant to immediately submit the unsubmitted accounts and strictly observe the provisions of COA Circular No. 94-001 and Section 122 of PD 1445 and Section 347 of RA 7160, to avoid unwanted adverse action for failure to submit accounts.*

15. Liquidation Vouchers for cash advances amounting to ₱676,462.00 were not submitted to the Auditor contrary to Section 5.3 of COA Circular No. 97-002



dated February 10, 1997 regarding the rules and regulations on the granting, utilization and liquidation of cash advances, thus, casting doubt on the reliability of the year-end balance of P94,480.08 of the account Due from Officers and Employees as of December 31, 2013.

*We recommended to the Honorable Mayor to require his Municipal Accountant to submit the liquidation vouchers for cash advance for travel within the prescribed period as provided for under Section 5.3 of COA Circular No. 97-002, the rules and regulations in granting, utilization and liquidation of cash advances.*

16. The municipality failed to prepare Construction in Progress Ledger Card (CIPLC) for each on-going infrastructure projects, contrary to Section 16, Volume II of the New Government Accounting System Manual for Local Government Units, thus, valuation, status and existence of Construction and Progress totaling P17,137,503.55 as of December 31, 2013 is of doubtful validity.

*We recommended to the Honorable Mayor to require the following concerned officials to:*

- a. *The Municipal Accountant to prepare and maintain Construction in Progress Ledger Cards (CIPLC) for each on going infrastructure projects.*
- b. *The Municipal Engineer to prepare and submit to the Accounting Office a Monthly Status Report of Projects Undertaken to facilitate the recording of infrastructure costs to appropriate and respective CIPLC, copy furnished the Auditor.*
- c. *The General Service Officer/the Municipal Treasurer whose powers and duties requires her to take custody of and be accountable for all properties, real or personal owned by the municipality should validate existence of the on-going infrastructure projects to attest to the correctness of the accounting records.*

17. The Municipal Accountant erroneously debited to Repair and Maintenance of Motor Vehicle (841) the payment for government vehicle insurance of P45,057.63, instead to Prepaid Insurance (178), contrary to Section 57 of the New Government Accounting System (NGAS) Volume I and COA Circular 2004-008 dated September 20, 2004, thereby, understating asset and income, respectively.

*We recommended that the Municipal Accountant should thoroughly review the nature and classification of every transaction before drawing the journal entries in order to avoid erroneous recording of accounts.*

*Likewise, the Municipal Accountant is required to draw the necessary adjusting entries to correct the error and submit the adjusting journal entry to the Audit Team for review.*

18. Officials of the municipality with assigned government motor vehicle were granted Transportation Allowance (TA), contrary to Section 8.2.1 Local Budget Circular No. 103 dated May 1, 2013.

*We recommended that the grant of Transportation Allowance (TA) to officials with assigned government transportation and to those who actually uses government transportation in the actual performance of their duties and responsibilities of their position be stopped as required under the above-stated regulation.*

*Further, the Municipal Mayor and Municipal Vice-Mayor is required to refund the Transportation Allowance (TA) for the months of January-December 31, 2013 in the amount of P67,500.00 and P25,500.00, respectively.*

The foregoing statements together with the other findings and recommendations contained in this report were discussed with the concerned municipal officials and employees during the exit conference. Management views and reactions were considered in this report where appropriate.

#### G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATION

A review of management's actions on our previous year's audit recommendations disclosed that out of the fourteen (14) audit recommendations, five (5) were implemented, seven (7) was partially implemented and two (2) was not implemented.