

EXECUTIVE SUMMARY

Introduction

Siruma is a fifth class municipality composed of 22 barangays. It is a coastal town and was created as a municipality in March 1919 by an act passed by the United States Congress. It has a total land area of 13,668 hectares. Siruma's western shore faces San Miguel Bay, one of the richest fishing grounds in the Philippines. On its eastern shores, it faces the open Pacific Ocean with its powdery white beaches. It is accessible from Naga City by land (4-6 hours due to rough road) and sea (2 hours excluding waiting time – weather permitting). The inaccessibility due to neglect of the basic infrastructure leading to the municipality is the main reason for its underdevelopment despite its tourism potential and abundant fisheries/aquatic resources.

Like any other local government unit, it enjoys local autonomy pursuant to Republic Act No. 7160. It exercises total independence in managing, deciding and planning its own administrative, fiscal and social growth and economic development in line with the thrust of the national government.

Highlights on Financial Operations

Particulars	2013	2012	Increase (Decrease)
Actual Income	P 45,728,431.04	P 42,343,119.98	P 3,385,311.06
Appropriations	P 51,340,276.91	P 44,662,916.99	6,677,359.92
Expenditures	P 32,532,968.14	P 36,761,677.03	(4,228,708.89)
Assets	P 46,604,851.07	P 39,603,541.07	7,001,310.00
Liabilities	P (16,060.34)	P 2,782,559.44	(2,798,619.78)
Government Equity	P 46,359,408.53	P 36,820,981.63	9,538,426.90

Scope of Audit

A Financial and Compliance Audit was conducted on the accounts, transactions and operations for all funds of the Municipality of Siruma for the period January to December 31, 2013. The audit consisted of the review of operating procedures, interviews with concerned government officials and employees on reconciliation; substantive testing of accounts and such other procedures deemed necessary under the circumstances on areas of Cash, Cash Advances, Job Order Contract, Trust Liabilities and other accounts with significant changes.

State Auditor's Report on the Financial Statements

The Auditor rendered a disclaimer of opinion on the financial statements taken as a whole for failure of management to submit its accounts and reports on time to the Audit Team. The Team was not able to perform other alternative procedures to determine the

validity, existence and correctness of the reported balances in the LGU's financial statements as of December 31, 2013.

Summary of Significant Audit Findings and Recommendation:

- 1. Cash in Bank - Local Currency, Current Account totaling P16,868,371.90 as of December 31, 2013 was rendered unreliable due to non-submission of the Bank Reconciliation Statements contrary to Section 2 of COA Circular 96-011.**

We recommended that the Municipal Accountant facilitate the preparation /submission of the required Bank Reconciliation Statements every month and end of the year as mandated to render the Cash in Bank account reliable.

- 2. Cash Disbursing Officer account under the General Fund as of December 31, 2013 in the amount of P1,488,170.79 could not be ascertained because liquidation of cash advances granted to the Municipal Treasurer in payment of benefits, salaries and wages of the employees and various activities of the Municipality of Siruma, Camarines Sur for the months of June 2013 to December 2013 in the amount of P10,451,084.44 were not submitted to COA, thus precluding the review and examination thereof.**

We recommended that the Municipal Treasurer immediately submits their liquidation reports pertaining to the cash advances granted to them.

We also recommended that Management strictly observe the provisions on the submission of reports in the ensuing operations to eliminate doubts on the regularity and propriety of the transactions.

- 3. Cash advances in CY 2011 and prior years amounting to P 477,916.86 remained unliquidated as of December 31, 2013 in violation of Section 89 of PD 1445 resulting in the overstatement of the Advances to Officers and Employees account and understatement of the corresponding expense accounts for the same amount due to non submission of liquidation documents.**

We recommended that the Honorable Mayor require concerned officials and employees of the Municipality to settle their unliquidated cash advances and instruct the Accountant to book up settlements immediately for a fair presentation of the affected accounts in the financial statements.

Also, it is recommended to send demand letters and institute appropriate sanction/s, if warranted, against accountable officers who failed to settle their respective accounts. Require officers and employees strict adherence to rules and regulations on cash advances.

- 4. Loans Receivable-Others (126) in the amount of P430,000.00 under the 20% Economic Development Fund intended for livelihood program remained uncollected as of December 31, 2013 contrary to the provisions embodied in the contracts of agreement, thus depriving other constituents of the beneficial use of such fund.**

We recommended that the municipality should conduct client evaluation and set criteria in identifying loan beneficiaries and provide technical assistance to loan recipients upon release of funds. It is also recommended to conduct information drive on the: obligations, expectations and benefits of loan repayment as well as the sanction if no payment is made.

We further recommended that officers concerned in the implementations of the program should monitor, step up more efforts for its collection and send demand letters to loan beneficiaries to compel them to pay their obligations.

Also, we recommended that the Accounting Office maintains individual ledger cards for each borrower to easily keep track payments made and monitor delinquencies. Henceforth, draw contracts of agreement with terms that are properly determined and duly notarized to ensure enforceability of its provisions.

- 5. Procurements in the amount of P542,151.19 for the months of June 2013 to December 2013 of the Municipality of Siruma, Camarines Sur were paid despite deficient and insufficient supporting documents in violation of Section 4 of PD 1445, thereby casting doubts as to the validity, regularity and propriety of the transactions.**

We recommended that Management submits immediately the required supporting documents to comply with the aforementioned law, rules and regulations otherwise the audit team will be compelled to issue suspension/disallowance on said transactions.

The Accountant should also exercise prudence in the review of supporting documents of transactions before payment.

- 6. Phases of activities in the procurement process were not given sufficient processing time resulting to overlapping of procedures and missing important details in the supporting documents in violation of Section 4(6) of Presidential Decree No. 1445 and COA Circular No. 2012-001.**

We recommended that the Municipality give attention to the basic regulations/requirements and exert effort in the documentation when procuring goods and services. We also recommended that no claims should be processed if not supported with complete supporting papers.

The basic requirements/procedures in the procurement of goods are, but not limited to, the following:

- 1. Inclusion of the project/activity in the Annual Procurement Program or Amendment thereto;*
- 2. Purchase Request from office/department needing the goods/service, duly signed dated;*
- 3. Posting of Request for Price Quotation/Advertisement (RPQ) of Goods to be procured within seven (7) days in any conspicuous place in the premises of the municipality;*
- 4. Submission of RPQ to at least three (3) from bonafide suppliers, with deadline for submission indicated;*
- 5. Abstract of Canvass, duly signed and dated;*
- 6. BAC Resolution recommending approval as to mode of procurement, award and approval of the Municipal Mayor;*
- 7. Notice of Award to lowest complying supplier and acceptance;*
- 8. Purchase Order (PO) indicating the date of delivery and submitted to COA within five (5) days from perfection of PO;*
- 9. Acceptance and Inspection Report together with Delivery Receipt, notify COA with 24 hours of delivery*
- 10. Preparation of payment voucher of the municipality, including check;*
- 11. Receipt of the LGU of Sales Invoice, signed Voucher, acknowledgement check receipt.*

- 7. The municipality failed to submit within the reglementary period the Collection/Deposit Vouchers, Check and Cash Disbursement Vouchers, Liquidation Vouchers, together with supporting documents and its Journals contrary to Section 7.2.1 (a) of the Rules and Regulations on the Settlement of Accounts precluding the timely review of such documents to determine the accuracy and correctness of the ending balances of accounts in the financial accounts.**

We recommended that the Municipal Accountant submits the monthly accounts, supporting documents and the covering journals within the reglementary period to allow us reasonable time to review the accounts to determine its propriety/correctness.

We also recommended that the Honorable Mayor must see to it that the required accounts, financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission.

- 8. No Contract of Services or Memorandum of Agreement (MOA) or Job Order were executed between the Local Government of Siruma and the individual employee hired on a job order status, thereby propriety of the payment made of their wages could not be determined.**

We recommended that Contracts of Services or Memorandum of Agreement (MOA) or Job Orders are prepared between the Local Government of Siruma and the individual employee hired on a job order status.

- 9. Original copies of Disbursement Voucher and its Supporting Documents representing final payment for the Construction of Water System (Phase I-at Brgys. San Ramon & Salvacion) amounting to P1,077,525.50 and at Siruma Municipal Hospital in the amount of P552,962.66 were not submitted to COA contrary to Section 39 (1) P.D. 1445, Section 9.1.1 of COA Circular 12-001 and the Memorandum Agreement of the DOH-RV and the LGU of Siruma thereby veracity and completeness of the projects could not be ascertained.**

We recommended that original copies of disbursement vouchers and its supporting documents be submitted to COA for evaluation. Also, ensure that the Certificate of Completion and Certificate of Acceptance issued by the DOH-RSE are attached to establish the completeness of the project.

- 10. The Municipality has no comprehensive Solid Waste Management Plan in force as required under the Implementing Rules and Regulations of R.A. 9003 otherwise known as the “Philippine Ecological Solid Waste Management Act of 2000”, thus protection of public health and environment is not ensured.**

It is recommended that the Municipal Solid Waste Management Board be created to formulate the Municipal Solid Waste Management Plan as to its sustainability, viability, effectiveness and relevance in relation to local and international developments in the field of solid waste management;

For long-term goal, create a study group through the Municipal Solid Waste Management Board for the feasibility of proposals for franchise or build-operate-transfer agreement with duly recognized institutions pursuant to RA 6967, to provide either exclusive or non-exclusive authority for the collection, transfer, storage, processing, recycling or disposal of municipal solid waste;

The MSWMB should coordinate and assist all barangays in solid waste management, such as waste segregation, sorting, recovery, recycling and composting at their respective Material Recovery Facility (MRF). Provide suitable storage metal containers with cover for biodegradable, recyclable and residual wastes in strategic places of residential areas, schools, commercial and market site to facilitate the collection of solid wastes by the garbage service trucks; and

Create a study committee to determine the reasonable rates to be imposed on business establishments for garbage fees.

- 11. Provisions for Depreciation and Accumulated Depreciation for Calendar Year 2013 were deficient by P2,246,617.40, thus understating the overall expenses and overstating the PPE and Retained Earnings account by the same amount contrary to COA Circular 2003-007 dated December 11, 2003.**

We recommended that Depreciation should be provided for CY 2013 charged to Prior Years adjustment account for the expired portion and to Depreciation expense for the unexpired portion and the current year depreciation.

- 12. The General Service Office failed to maintain Property Card for all types of Property Plant and Equipment purchased by the municipality in CY 2013; Acknowledgement Receipt for Equipment (ARE) of PPE transferred by the GSO to its employee/requisitioning office were not issued, contrary to Annex 37, 34 of NGAS thereby accountability of the assets could not be easily determined.**

We recommended that the General Service Office maintains the use of Property Cards for each type of PPE for proper control, to know the historical data of the PPE which can be useful in future decision making of the LGU, transfer the data in case of change in personnel as well as corroborate property records with the Accounting Department.

We also recommended that transfers of PPE to end-user/requisitioning office should be covered by the Acknowledgement Receipt for Equipment to ensure accountability and responsibility from its holder.

- 13. Purchase of drugs and medicines in the amount of P234,930.44 was not in accordance with the procedures and guidelines provided under Executive Order No. 49 dated January 21, 1993 and Administrative Order No. 163 series of 2002, thus defeating the objectives of the government to provide safe, effective and quality drugs and medicines at affordable price.**

We recommended that Management submits immediately the required supporting documents to comply with the aforementioned rules and regulations otherwise the audit team will be compelled to issue disallowance on said transactions.

The Accountant should also exercise prudence in the review of supporting documents of transactions before its payment.

Status of Implementation of Prior Year's Audit Recommendations

Out of fifteen (15) prior year's audit recommendations, three (3) were fully implemented, six (6) were partially implemented and another six (6) were not implemented.