

EXECUTIVE SUMMARY

FINANCIAL PROFILE

For the year 2013, the Municipality of Dimasalang projected a total income of ₱63,300,270.00 from the General Fund and Special Education Fund to be collected from various sources such as Tax Revenues, Fees and Charges and Shares from Internal Revenue Allotment (IRA).

The total income generated from the General and Special Education Funds totaled to ₱59,939,407.25 showing an increase of ₱7,425,726.81 or 14.14% compared to the preceding year's income of ₱52,513,680.44 presented as follows:

Revenue Share	2013	2012	Increase/(Decrease)
Local Taxes	₱ 1,153,503.28	₱ 1,199,649.19	₱ (46,145.91)
Permit and Licenses	241,956.99	259,593.43	(17,636.44)
Service Income	207,300.00	214,151.70	(6,851.70)
Business Income	4,207,253.51	3,899,804.78	307,448.73
Other Income	54,129,393.47	46,940,481.34	7,188,912.13
Total	₱ 59,939,407.25	₱ 52,513,680.44	₱ 7,425,726.81

A total appropriations of ₱63,300,270.00 was provided in support of the agency's programs, projects and activities derived from its estimated income during the calendar year 2013, details is presented hereunder:

Personal Services	MOOE	Capital Outlay	Financial Expenses
₱ 27,298,811.92	₱ 22,194,063.47	₱ 9,823,000.00	₱ 3,984,394.61

The obligations incurred for its operation during the year based on the Statement of Appropriations, Allotments and Obligations both for General and Special Education Funds submitted by the Municipal Budget Officer amounted to ₱55,901,607.77, registering an increase of ₱5,275,333.98 or 10.42% over that of the preceding year's obligations of ₱50,626,273.79 as shown below.

Object of Expenditures	2013	2012	Increase/(Decrease)
Personal Services	₱ 27,156,327.61	₱ 24,560,057.54	₱ 2,596,270.07
MOOE	19,707,405.75	17,481,468.69	2,225,937.06
Capital Outlay	5,053,479.80	4,359,394.65	694,085.15
Financial Expenses	3,984,394.61	4,225,352.91	(240,958.30)
Total	₱ 55,901,607.77	₱ 50,626,273.79	₱ 5,275,333.98

SCOPE OF AUDIT

A financial and compliance audit was conducted in the review of financial transactions for all funds of the Municipality for Fiscal Year ended December 31, 2013. However, the Municipality did not conduct physical count of its Inventories and Property, Plant and Equipment amounting to ₱23,727,159.10 which comprises 20.01% of the total assets as of December 31, 2013. Further, due to delayed submission of official receipts amounting to ₱7,362,871.50 which were submitted April 16, 2014, paid disbursement vouchers/payrolls amounting to ₱43,580,658.78 which were submitted only last April 30, 2014 and non-submission of the remaining paid disbursement vouchers/payrolls amounting to ₱40,833,917.42 for the calendar year 2013, precluded us of the timely review/post audit of the transactions.

Our audit was focused on the following areas:

1. Cash Accounts
2. Cash Advances
3. Inventory
4. Property, Plant and Equipment
5. Real Property Tax
6. Submission of Accounts
7. Submission of POs/Contracts
8. Local Disaster Risk Reduction and Management Fund (LDRRMF)
9. Gender and Development (GAD)
10. 20% Development Fund

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a disclaimer of opinion on the financial statements due to failure of the agency to conduct physical count of its Inventories and Property, Plant and Equipment amounting to ₱23,727,159.10 as of December 31, 2013, which rendered the account balances unreliable. Further, the Municipality failed to submit official receipts and paid disbursement vouchers/payrolls totaling ₱91,777,447.70, of which ₱40,833,917.42 were still not submitted as of this writing. The inadequacy of its records did not permit us to apply alternative procedures to determine the validity and propriety of these accounts.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exceptions mentioned above, the auditor recommends the submission of the unsubmitted disbursement vouchers/payrolls and to conduct a complete physical inventory of all its properties duly reconciled with the accounting records.

Moreover, the following are the other significant observations and the corresponding recommendations.

Financial and Compliance Audit

1. **The existence of huge Cash in Vault in the possession of Accountable Officers as of year-end contrary to Sections 31(c) and 32 of the Manual on the New Government Accounting System (NGAS) deprived the local government unit of the timely utilization of available cash resources and may possibly result to misuse/misapplication of cash.**

It is recommended requiring all collectors to turn-over daily and intact all their collections for the day to the Liquidating Officer/Municipal Treasurer and deposit intact all collections daily or the next banking day to authorized depository bank pursuant to Sections 31 (c) and 32 of the Manual on the New Government Accounting System.

He should likewise closely monitor the turn-over/remittances of collecting clerks to prevent possible misuse/misapplication of cash.

2. **The accuracy, validity and reliability of the Cash in Bank balance amounting to ₱13,378,964.77 as of December 31, 2013 is doubtful due to the failure of the Municipal Accountant to prepare and submit the Monthly Bank Reconciliation Statement contrary to Section 74 of Presidential Decree No. 1445 and COA Circular No. 96-011 dated October 2, 1996.**

Require the Municipal Treasurer and Municipal Accountant to immediately reconcile the balance of the Cash in Bank account to immediately disclose the cash balance of the Municipal Treasurer. Likewise, instruct the Municipal Accountant to prepare the monthly Bank Reconciliation Statements for all depository accounts within the prescribed period provided in COA Circular No. 96-011 and to prepare the corresponding Journal Entry Voucher (JEV) to effect any adjustments found during the process of reconciliation in order to determine the correctness of the cash in bank balance appearing in the financial statements.

3. **The continuous non-adherence to prescribed rules and regulations governing the grant, use and liquidation of cash advances despite final notice and demand for its full settlement as per COA Circular No. 2012-004 dated November 28, 2012 resulted to the accumulation of cash advances amounting to ₱21,312,830.13 as of December 31, 2013 contrary to the provisions of Section 89 of Presidential Decree No. 1445 and COA Circular Nos. 97-002 and 96-004.**

We recommended requiring the Municipal Officials and Employees to immediately settle their accounts as of December 31, 2013. Further, require the Municipal Accountant to closely monitor and follow-up the immediate settlement of the

overdue cash advances and desist from granting the same without complete supporting documents. Strict adherence to the provisions of Section 89 of Presidential Decree No. 1445 relative to the rules and regulations on cash advances is required.

4. **Some of the programs/projects/activities in the GAD Budget were not in accordance with PCW, NEDA, DBM Joint Circular No. 2012-01, thus attainment of GAD objectives to address gender issues and concerns within the respective agency mandate were not assured.**

We recommended that Management comply with the general provisions of the Annual General Appropriations Act as well as the guidelines of PCW/NEDA/DBM Joint Circular No. 2012-01 relative to the Preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment and ensure that GAD activities are implemented in accordance with the approved GAD Plan, utilizing the funds allotted therefore to address gender issues within the agency in accordance with its mandate.

Value For Money Audit

5. **The municipality failed to implement as planned several programs, projects and activities funded from out of the 20% Development Fund despite the availability of fund, thereby endangering the LGUs objective to enhance the socio-economic condition of its constituents.**

We recommended that management undertake measures to ensure that the Programs/Projects/Activities funded out of the 20% Development Fund are fully implemented as planned to enhance the socio-economic condition of its constituents.

STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the ten (10) audit recommendations during the previous year (2012), three (3) were fully implemented, five (5) were partially implemented and the remaining two (2) remained unimplemented as of year-end.