

# EXECUTIVE SUMMARY

## INTRODUCTION

### Creation and Mandated Function of the Auditee

The original name of the municipality was derived from the native tongue “mandaoon” which means a landmark. From a mere barrio of Milagros, it became an independent municipality thru the passage into law of Executive Order No. 224 signed on July 18, 1949 by the late president of the Philippines Elpidio Quirino.

As a local government unit, the main concern of the municipal government is to enhance progress through the implementation of various sustainable programs and projects consistent with the development needs of the municipality, to deliver speedy basic, regular and direct services to the constituents and to provide for an effective and efficient public governance of its resources and inhabitants.

### Operational Highlights

For Calendar Year 2013, the Municipality of Mandaon is under the able leadership of Honorable Mayor Kristine Salve Estipona-Hao.

In line with the objectives of the Municipal Government of Mandaon as well as to accelerate its social and economic development, presented in Annex III are the major programs/projects implemented by the agency for calendar year 2013.

### Highlights of Financial Operation

For CY 2013, the estimated income of the Municipality of Mandaon for the General Fund totalled ₱81,043,314.00. No estimated income for Special Education Fund.

Object	2013	2012	Increase/(Decrease)
General Fund			
Local Taxes	1,190,000.00	815,000.00	375,000.00
Permits and Licenses	560,000.00	330,000.00	230,000.00
Service Income	2,150,000.00	1,740,000.00	410,000.00
Business Income	350,000.00	110,000.00	240,000.00
Other Income	76,793,314.00	67,137,005.00	9,656,309.00
<b>Total</b>	<b>81,043,314.00</b>	<b>70,132,005.00</b>	<b>10,911,309.00</b>

Out of the estimated income under the General Fund, the LGU was able to collect the amount of ₱78,680,318.00 showing an increase of ₱10,035,168.80 or 13.08% over last year’s income of ₱68,645,149.20. No estimated income was provided for Special Education Fund.

Source of Income	2013	2012	Increase/(Decrease)
General Fund			
Local Taxes	₱ 400,613.17	₱ 530,292.59	₱ (129,679.42)
Permits and Licenses	224,495.70	328,560.00	(104,064.30)
Service Income	259,474.00	368,760.25	(109,286.25)
Business Income	108,025.00	37,500.00	70,525.00
Other Income	77,577,512.94	67,217,877.61	10,359,635.33
<b>Sub-Total</b>	<b>₱ 78,570,120.81</b>	<b>₱ 68,482,990.45</b>	<b>₱ 10,087,130.36</b>
Special Education Fund			
Local Taxes	₱ 108,748.05	₱ 157,539.63	₱ (48,791.58)
Other Income	1,449.14	4,619.12	(3,169.98)
<b>Sub-Total</b>	<b>₱ 110,197.19</b>	<b>₱ 162,158.75</b>	<b>₱ (51,961.56)</b>
<b>Total</b>	<b>₱ 78,680,318.00</b>	<b>₱ 68,645,149.20</b>	<b>₱ 10,035,168.80</b>

For Calendar Year (CY) 2013, the appropriations of the Municipality of Mandaon for the General and Special Education Funds totalled P95,913,611.39.

Object	2013	2012	Increase/(Decrease)
Current Appropriations:			
General Fund	₱ 81,043,314.00	₱ 69,382,005.00	₱ 11,661,309.00
Special Education Fund	471,000.00	465,000.00	6,000.00
<b>Sub-Total</b>	<b>₱ 81,514,314.00</b>	<b>₱ 69,847,005.00</b>	<b>₱ 11,667,309.00</b>
Continuing Appropriations			
General Fund	₱ 14,399,297.39	₱ 12,373,764.88	₱ 2,025,532.51
Special Education Fund	-	-	-
<b>Sub-Total</b>	<b>₱ 14,399,297.39</b>	<b>₱ 12,373,764.88</b>	<b>₱ 2,025,532.51</b>
<b>Total</b>	<b>₱ 95,913,611.39</b>	<b>₱ 82,220,769.88</b>	<b>13,692,841.51</b>

The total obligations incurred amounted to P69,829,905.58.

Object	2013	2012	Increase/(Decrease)
Current Obligations			
General Fund	₱ 69,575,055.58	₱ 58,818,978.77	₱ 10,756,076.81
Special Education Fund	254,850.00	266,500.00	(11,650.00)
<b>Sub-Total</b>	<b>₱ 69,829,905.58</b>	<b>₱ 59,085,478.77</b>	<b>₱ 10,744,426.81</b>
Continuing Obligations			
General Fund	₱ 8,712,602.95	₱ 6,464,930.95	₱ 2,247,672.00
Special Education Fund	-	-	-
<b>Sub-Total</b>	<b>₱ 8,712,602.95</b>	<b>₱ 6,464,930.95</b>	<b>₱ 2,247,672.00</b>
<b>Total</b>	<b>₱ 78,542,508.53</b>	<b>₱ 65,550,409.72</b>	<b>₱ 12,992,098.81</b>

The total assets of the agency was ₱164,682,796.62 showing an increase of ₱21,577,880.59 or 15.08% over the last year's total assets of ₱143,104,916.03. On the other hand, its total liabilities was ₱41,174,496.31 which posted an increase of ₱4,559,532.51 or 12.45% against the CY 2012 liabilities of ₱36,614,963.80 and the government equity which increased from ₱106,489,902.23 to ₱123,508,300.31.

## **SCOPE OF THE AUDIT**

The audit covered the accounts and operations of the Municipality of Mandaon for fiscal year ended December 31, 2013. The objectives of the financial and compliance audit which we focused on the following accounts namely: cash, receivables, inventories, PPE, liabilities, SEF utilization, fund transfers, etc., were to determine the reliability of the LGU's financial statements as well as to determine whether or not the LGU's transactions were made in accordance with existing laws, rules and regulations.

A Value for Money Audit was likewise conducted on the implementation of the Water System Project funded out from the assistance granted by the National Government Agency-Department of Health (DOH).

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

The Auditor rendered a disclaimer opinion on the fairness of presentation of the financial statements because the reported balances of the Cash in Bank accounts in the amount of ₱44,536,201.36 were unreliable due to the failure to prepare and submit the monthly bank reconciliation statements causing us difficulty in the verification of cash in bank accounts as of a given date. Several accounts for assets and liabilities totaling ₱76,863,068.06 and ₱4,012,714.41, respectively, were not supported with subsidiary ledgers. In addition, the accuracy of the recorded Property, Plant and Equipment worth ₱51,415,469.37 could not be ascertained since Management failed to conduct inventory of all its properties and submit the inventory reports as of year-end. Other alternative procedures to determine the accuracy of the reported figures could not be undertaken due to the absence of property and subsidiary ledger cards and other relevant records.

## **SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

For the exceptions mentioned earlier, the Auditor recommends the preparation and submission of monthly bank reconciliation statements, prepare/keep updated subsidiary records to support the controlling accounts in the general ledger and conduct complete physical inventory of all its properties duly reconciled with the accounting records.

Moreover, the following are other notable observations and recommendations:

1. Laxity in the granting of cash advances resulted in the accumulation of unliquidated cash advances of Cash Disbursing Officer totaling ₱15,485,919.08 as of December 31, 2013 in violation of Section 89 of Presidential Decree No. 1445 and COA Circular No. 97-002, thus exposing the funds to possible loss or misuse.

*We recommended to require the Municipal Treasurer to immediately settle all cash advances supported with complete documentation. Desist from granting excessive cash advances to the Municipal Treasurer for payroll fund. Adhere strictly to the guidelines on the grant, utilization and liquidation of cash advances prescribed under COA Circular No. 97-002.*

2. The municipality failed to remit in full to the Bureau of Internal Revenue (BIR) the monthly taxes deducted and withheld from employees compensation and suppliers/contractors in violation of Revenue Regulation No. 2-98 dated April 17, 1998 thus resulted in the accumulation of unremitted taxes at the end of the year totaling P2,085,342.74. Also, an additional amount payable to BIR of P517,119.11 representing surcharges and interests was noted due to failure to remit said taxes within the prescribed period.

*Require the Municipal Treasurer and the Municipal Accountant to immediately remit the balance of taxes withheld as of December 31, 2013. Strict adherence to Revenue Regulation No. 2-98 relative to the prompt remittance of taxes withheld is required.*

3. The Construction of Barangay Poblacion Waterworks System funded out from the National Government Agency-Department of Health (DOH) was not completed within the period specified in the Contract of Agreement, thus depriving the intended beneficiaries of the immediate benefits to be derived from it had this project been completed as scheduled.

*Considering the longer period of time that has passed which is more than a year from the targeted date of its completion on May 15, 2013, it is suggested that management take the speedy resolution for the completion of the project so that the targeted recipients could really enjoy the immediate use and benefits that may be derived therefrom.*

## **IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Evaluation of the actions taken by the management of prior year's audit recommendations showed that out of eight (8) recommendations, three (3) were partially implemented, while five (5) remained unimplemented.