

EXECUTIVE SUMMARY

FINANCIAL PROFILE

For the year 2013, the Municipality of San Pascual projected a total income of P83,286,878.00 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 P91,758,871.23 showing an increase of P11,657,088.48 or 14.55% compared to the preceding year's income of P80,101,782.75 presented as follows:

Revenue Share	2013	2012	Increase/(Decrease)
Local Taxes	P 1,791,631.11	P 1,775,211.83	P 16,419.28
Permit and Licenses	590,105.02	801,064.00	(210,958.98)
Service Income	207,797.40	60,296.00	147,501.40
Business Income	7,618,594.51	5,713,061.61	1,905,532.90
Other Income	81,550,743.19	71,752,149.31	9,798,593.88
Total	P 91,758,871.23	P 80,101,782.75	P 11,657,088.48

A total appropriations of P93,174,462.76 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
P 35,297,572.26	P 41,867,906.26	P 14,668,984.24	P 1,340,000.00

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 P69,345,786.87, registering an increase of P2,378,058.23 or 3.55% over that of the preceding year's obligations of P66,967,728.64 as shown below.

Object of Expenditures	2013	2012	Increase/(Decrease)
Personal Services	P 34,629,456.80	P 32,374,969.58	P 2,254,487.22
MOOE	30,479,063.50	33,488,267.18	(3,009,203.68)
Capital Outlay	3,397,922.00	265,148.00	3,132,774.69
Financial Expenses	839,343.88	839,343.88	-
Total	P 69,345,786.18	P 66,967,728.64	P 2,378,058.23

SCOPE OF AUDIT

We have conducted a financial and compliance audit on the transactions and operations of the Municipality of San Pascual for calendar year 2013 to determine the propriety and validity of disbursements, the reliability of the accounts as presented in the financial statements and whether fiscal responsibility that rests directly with the agency head had been properly discharged. However, due to non-submission of several paid vouchers with an aggregate amount of P10,884,795.93, as discussed in Part II of this report, we were not able to post audit the said transactions.

Our audit was focused on the following areas:

1. Cash Advances
2. Accounts Receivable
3. RPT/SET Receivables
4. Property, Plant and Equipment
5. Intelligence and Confidential Funds
6. Submission of Accounts
7. Supporting Documents
8. Unutilized Priority Development Assistance Fund
9. 20% Development Fund

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the failure of the agency to conduct of physical count and submit inventory report of its Property, Plant and Equipment valued in the books at P27,386,109.49 as of year-end. Further, the accuracy and reliability of the account balances pertaining to the unsubmitted paid vouchers amounting to P10,884,795.93 could not be determined due to failure to present the same during the audit period. The inadequacy of its records and supporting documents did not permit us to apply adequate alternative procedures to determine the validity and propriety of these accounts.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exception mentioned above, require the Municipal Treasurer to conduct and submit a report thereon to the Office of the Auditor and to strictly adhere to the submission of accounts to the Office of the Auditor. The following are the significant observations and the corresponding recommendations.

Favorable Observation

1. **The Municipal Government was a recipient of Seal of Good Housekeeping Bronze Award for CY 2013 in recognition of the Municipality's performance in valuing the fundamentals of good governance essential in local public administration and development.**

We commend the management's continued commitment to aggressively elevate and institutionalize the principles of performance, accountability, transparency and participation pursuant to DILG Memorandum Circular No. 2012-78.

Financial and Compliance Audit

- 2. Cash advances granted to LGU officials and employees amounting to P1,689,447.67 have remained unliquidated as of December 31, 2013, contrary to Section 89 of Presidential Decree No. 1445, Section 1.2 of COA Circular No. 2012-001 and Section 8 of COA Circular No. 97-002, thereby exposing government resources to possible risks of misapplication or loss.**

We reiterate our previous year's audit recommendation not to grant additional cash advance to any official or employee unless the previous cash advance granted/ given to him is first settled or liquidated. Issue Demand Letters to the concerned officials and employees for the immediate settlement of outstanding cash advances. Also, initiate appropriate legal action against those erring accountable officers and employees for continued non-compliance of the existing laws and regulation, if warranted.

- 3. Validity and existence of accounts receivables classified under Loans Receivables – Others, Due from NGAs, Due from LGUs and Due from Other Funds amounting to P7,031,388.16 cannot be ascertained because documents to support the claims were no longer available and these accounts had remained outstanding in the books for more than three (3) years.**

We recommend that the OIC – Municipal Accountant exert extra effort to locate the supporting documents to prove the validity of these claims and enforce collection thereof. Further, when no longer collectible, request for authority to write-off these accounts receivables from the books of accounts.

- 4. Management failed to set-up the Real Property Tax Receivables and Special Education Tax Receivables at the beginning of the year contrary to Sections 246 & 248 of R.A. 7160 and Section 20 of New Government Accounting System for Local Government Units, Volume 1.**

We recommend that the agency strictly comply with the proper procedure and accounting treatment in the recording of Real Property Tax and Special Education Tax as prescribed under Sections 246 & 248 of R.A. 7160 and Section 20 of New Government Accounting System for Local Government Units, Volume 1.

The accounting entry to set-up Real Property Tax and Special Education Tax Receivables:

<i>Real Property Tax Receivable</i>	XX	
<i>Deferred Real Property Tax Income</i>		XX
<i>Special Education Tax Receivable</i>	XX	
<i>Deferred Special Education Tax Income</i>		XX

5. **Payments chargeable against the Confidential and Intelligence Funds were made directly to various suppliers/creditors, hence, liquidation reports were not submitted to the COA Chairman contrary to COA Circular No. 2003-003 dated July 30, 2003.**

We recommend that the Local Chief Executive and OIC - Municipal Accountant comply with the requirements for the grant, utilization and liquidation of intelligence and confidential funds as prescribed under COA Circular No. 2003-003 dated July 30, 2003.

6. **The Management still failed to fully utilize the P500,000.00 Priority Development Assistance Fund (PDAF) received from Senator Francis “Chiz” Escudero contrary to the provisions of Section 2 of P.D. 1445, thus, depriving the intended beneficiaries of the benefits due them.**

We recommend that the Municipality, as administrator of the fund, evaluate the needs for this unexpended PDAF balance and if found no longer needed cause the immediate return of the unutilized fund to the national government.

Value For Money Audit

7. **Management failed to implement as planned several programmed projects and activities chargeable against the 20% Development Fund despite the availability of funds thus, deprived the targeted beneficiaries of the economic benefits that could be derived therefrom had the projects been implemented.**

We recommend to make sure that the programmed projects and activities chargeable against the 20% Development Fund are implemented as planned to enhance the socio-economic development of the municipality and its constituents. Strict observance of timetable for the implementation of specific phase of activities to be undertaken will aid the agency in prioritizing activities to be implemented given the available resources for that period to achieve results.

The aforesaid audit observations and recommendations were discussed with the management during the exit conference and we are pleased to note their positive views and reactions. Their Comments thereon were incorporated in the report where appropriate.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the eight (8) audit recommendations during the previous year (2012), one (1) was fully implemented, six (6) were partially implemented and one (1) was unimplemented as of year-end.