

EXECUTIVE SUMMARY

HIGHLIGHTS OF FINANCIAL OPERATION

A. SOURCES AND APPLICATION OF FUNDS

INCOME

	2013	2012	Increase/(Decrease)	%
General Fund	948,051,170.05	893,002,179.75	55,048,990.30	6.16
SEF	10,507,113.65	12,482,527.17	(1,975,413.52)	(15.83)
Total Income	958,558,283.70	905,484,706.92	53,073,576.78	5.86

EXPENDITURES

	2013	2012	Increase/(Decrease)	%
General Fund	829,226,935.58	723,803,273.39	105,423,662.19	14.57
SEF	9,536,969.93	12,464,481.71	(2,927,511.78)	(23.49)
Total Expenditures	838,763,905.51	736,267,755.10	102,496,150.41	13.92

APPROPRIATIONS

	2013	2012	Increase/(Decrease)
General Fund	925,663,008.38	870,002,870.36	55,660,138.02
SEF	10,400,000.00	12,750,000.00	(2,350,000.00)
Total Appropriation	936,063,008.38	882,752,870.36	53,310,138.02

OBLIGATIONS

	2013	2012	Increase/(Decrease)
General Fund	896,198,459.46	834,667,927.06	61,530,532.40
SEF	10,388,761.50	11,735,001.00	(1,346,239.50)
Total Obligations	906,587,220.96	846,402,928.06	60,184,292.90

FINANCIAL RATIOS

	2013	2012	Increase/(Decrease)
Current Ratio	0.86:1	1:1.41	(.55)
Debt Equity Ratio	0.66:1	1:1.43	(.77)

B. SCOPE OF AUDIT

A financial and compliance audit on the accounts and operations of the Province of Capiz was conducted for the year ended December 31, 2013. The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports as well as the fairness of the presentation in the financial statements.

A value for money audit was also conducted to determine if the agency's programs/projects/activities and/or management of its resources was carried out economically, efficiently and effectively.

C. STATE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the Consolidated Financial Statements due to the effects of the audit observations discussed in Part 2 of this report and the unreconciled beginning balances with significant amounts which have been existing for the past years as disclosed in the Notes to the Financial Statements.

D. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the significant findings of audit and the corresponding recommendations:

1. Stale checks totaling P6,111,723.06 which have been long outstanding are still appearing in the bank reconciliation statements contrary to Section 59 of the Manual on the National Government Accounting System (NGAS) for the Local Government Units (LGUs), Volume I, thus affecting the correctness of the recorded cash balance in the books of the Province.

We recommend that the Management require the Provincial Treasurer and the Provincial Accountant to prepare and effect the necessary adjustments in their respective books of accounts in accordance with Section 59 of the Manual on NGAS for LGUs, Volume I. Likewise, in order to avoid or lessen the incurrence of stale checks, require the Provincial Treasurer to *send a written notice to the payee of the existence of the check at least one month after its issuance or even shorter, if possible.*

2. Collections of field collectors were not turned over intact to the Liquidating Officer/Cashier at the Provincial Treasurer's Office contrary to Sections 29 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I. Delays incurred ranged from 1 to 11 days. This exposes the collection to possible misuse/misappropriation/theft or robbery.

We recommend that Management should:

- a. Direct the collectors/tellers to turn over their collections to the Liquidating Officer/Cashier intact daily as required;
 - b. Require the accountable officers to adhere strictly with the provisions of Section 29, Vol. 1 of the Manual on NGAS for LGUs so as not to expose government funds to the risk of loss through theft/robbery or misuse/misappropriation.
3. Petty Cash Fund was used for the purchase of inventory items intended for sale, various construction materials and other regular expenses, contrary to Sections 3.1 and 4.3.2 of COA Circular No. 97-002 dated February 10, 1997 and Section 48 of the Manual on the NGAS for LGUs, Volume I.

We recommend that Management direct the accountable officers/petty cash custodians to stop the practice of using Petty Cash Fund to pay regular expenses like telephone bills, purchase of inventory items for sale and construction materials for repairs and maintenance.

4. Inability of management to enforce full liquidation of long outstanding cash advances despite the final demand for settlement by the Commission of those outstanding as of December 31, 2011 under COA Circular No. 2012-004 resulted in the existence of balance as of December 31, 2013 of P2,830,512.31. Only a mere 10.78 % or P358,449.29 decrease from CY 2012 balance of P3,324,893.45 was attained. This resulted in the understatement of expenses in the period for which it was incurred and overstatement of income for the same period, thus affecting the financial statement.

We recommend the following:

- a. Direct the Provincial Treasurer and Provincial Accountant to withhold payment of the salary and other emoluments due the personnel in active service;
- b. Instruct the Provincial Accountant to ensure that officials and employees with outstanding cash advances will not be granted travel claims either through a cash advance or reimbursement basis unless they have settled their outstanding balances.
- c. Request for the write-off and/or adjustment of account balances for Accountable Officers who have already died and those who have absconded but with unliquidated cash advances in accordance with the provisions under

COA Circular No. 97-001 dated February 5, 1997. The request should be duly supported by the following:

- c.1 List of available records and extent of validation made on the accounts; and
 - c.2 Certification and reasons why the details of accounts/records/documents cannot be located.
5. Cash Disbursing Officers did not fully liquidate at the end of the year, the cash advances granted during the year, contrary to Sections 4.4.2, 5.7 and 5.8 of COA Circular No. 97-002 dated February 10, 1997, thereby exposing government fund to possible misuse.

We recommend that Management limit the amount of cash advance based on the needs of the office and/or based on historical records, for a two-month requirements. Any excesses should be refunded immediately. Likewise, at the end of the year, Management should see to it that any unliquidated balances of cash advance granted shall have been fully liquidated. This is to prevent further accumulation of unliquidated cash advances.

6. The construction/concreting of various roads totalling P21,735,026.00 were not related to disaster risk reduction management activities/programs as contemplated in Section 21 of Republic Act (RA) 101211 and Section 5 of NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.

We recommend that Management ensures that all programs., projects and activities included in the PDRRMFIP should be in accordance with those required to be funded out of the Local Disaster Risk Reduction and Management Fund under the provisions of RA No. 10121 and the NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.

7. The Pakyaw contracts for the implementation of infrastructure projects by administration for the Local Disaster Risk Reduction and Management Fund (LDRRMF) of the Province of Capiz included procurement of materials contrary to the Government Procurement Policy Board GPPB Guidelines for the Implementation of Infrastructure Projects by Administration.

We recommend that Management ensure that the implementation of infrastructure projects by administration employing the pakyaw system be in conformity with the provisions of RA 9184 and its IRR and existing GPPB guidelines. Likewise, we recommend that Management require the Office of the Provincial Engineer to submit the Program of Works of all the infrastructure projects under the calamity fund as well as the corresponding plans and specifications for technical inspection and evaluation purposes.

8. Procurement of various supplies and materials for use of the Office of the Congressman Antonio del Rosario amounting to P3, 663,793.00 were charged against the PDAF for 1st District of Capiz intended as financial assistance to fund priority programs and projects, thus depriving the intended beneficiaries of the said assistance. This is not in accordance with PDAF Menu and purpose per SARO and NCA.

We recommend that management strictly utilize the trust funds on the identified programs and projects indicated in the SARO or NCA released by the Department of Budget and Management.

9. Priority Development Assistance Fund (PDAF) received by the Province in the amount of P1,077,000.00, intended to fund priority programs and projects, remained unutilized, thus depriving intended beneficiaries of the benefits that could have been derived thereof.

We recommend that Management require the Provincial Treasurer to return the unutilized funds to the Bureau of Treasury (BTr) by issuance of a Check and duly receipted by the BTr.

10. Inspection of the multi-cabs procured by the Province out of the P40,000,000.00 Development Acceleration Program (DAP) per SAROs No. BMB-G-000002201 and BMB-G-11-01676 disclosed various deficiencies.

- 10.1 Seventy-six (76) units of multi cabs released bear private plate numbers contrary to paragraph V (4) of COA Circular No. 77-61 dated September 26, 1977, thus, renders the ownership of these vehicles doubtful.

We recommend that Management:

- a.) Require the Provincial Accountant to facilitate the transfer through donation of the said multi cabs to various barangays;
- b.) Require the Provincial General Services Officer to release the copies of the original Official Receipts/Certificates of Registration to barangay beneficiaries and disseminate the procedure on how to process the renewal of the units assigned to their barangays;
- c.) Instruct the GSO to facilitate the issuance of government plate.

- 10.2 Twenty one (21) units were released to beneficiaries without proof of receipt and Acknowledgement Receipt for Equipment (ARE) contrary to Sec. 42 of the Manual on NGAS, for LGUs, Vol. II, thus, the recipients cannot be readily identified.

We recommend that Management cause the retrieval of the missing Acknowledgement Receipt for Equipment (ARE) and locate the unaccounted unit in order to identify the personnel accountable thereof.

- 10.3 Twelve (12) units remained undistributed/unutilized and were kept in an open area at ESLA, Roxas City thereby defeating the purpose of the assistance granted and exposing the said units to deterioration through wear and tear.

We recommend that Management require the Provincial General Services Officer to hasten the distribution of the unutilized/undistributed units in order to avoid further damage brought by continuous exposure to rain and sunlight. In case, there are no interested takers, determine a qualified recipient, other than barangay officials, who could benefit from these vehicles. Likewise, verify why a unit which was already released was still found at ESLA, Roxas City. Meanwhile, devise necessary measure to secure and protect these units from further greater damage and deterioration.

11. The financial assistance given to some beneficiaries did not conform with the implementing guidelines of the Provincial Social Welfare and Development Office (PSWDO) resulting to improper assessment of subjects/beneficiaries and inequitable distribution of financial assistance to indigents or those who are very poor or near poor people of the Province of Capiz.

We recommend the following:

- a. Require the PSWDO to strictly and consistently follow the implementing guidelines they have formulated/promulgated in the granting of financial assistance. Subjects referred by government officials/offices should be assessed/based on the guidelines and should be granted only if they are qualified and have complied with the documentary requirements.
- b. The responsibility to determine the amount of assistance should be based on the professional judgement and fair and proper assessment of the PSWDO. Marginal/sticky notes on the amounts to be given should be avoided or do away with.
- c. Direct the PSWDO to make and maintain data bank for the indigents, poor or near-poor families certified and submitted by the Municipal Social Welfare and Development Offices of the municipalities and the city of the Province of Capiz duly validated by the personnel of the PSWDO.
- d. Require the PSWDO to observe fair and equitable rate of assistance to be given to the indigents/beneficiaries. Ensure that the claimants/beneficiaries are given within the limits set forth in the implementing guidelines, except in

extreme cases and the subject of assistance has no financial capability or whatever properties to support themselves.

- e. Grant financial assistance of more than three thousand (P3,000.00) directly to the beneficiary/claimant through the issuance of check. If possible, for payment of hospital bills, the check should be in the name of the hospital to ensure payment thereof.
 - f. Include the Certificate of Residency issued by the Punong Barangay as one of the documentary requirements in AICS application to ensure that the bonafide residents of Capiz are given priority in giving of assistance.
 - g. Require an authorization letter with photocopy of valid two IDs from the subject when he/she cannot personally process and claim the financial assistance. These two valid IDs be made as an additional documentary requirement.
 - h. Direct the PSWDO to implement full compliance on the documentary requirements be in original or authenticated copy.
12. Failure of the Provincial Treasurer to submit to the Provincial Accountant paid disbursement vouchers for CY 2013 amounting to P11,118,280.01 resulted in the inability of the latter to record the transactions in the books of accounts of the Province. Thus, the balances per books of the account “Cash-in Bank” and the corresponding expense accounts were overstated and understated, respectively, casting doubt on the validity of balances of the affected accounts in the financial statements as of December 31, 2013.

We recommend that:

- a. The Provincial Treasurer be required to submit all paid disbursement vouchers (DVs) and the supporting documents to the Provincial Accountant to ensure complete recording of the transactions in the books of the Province. The original copies of the DVs and supporting documents shall be submitted to the COA Auditor for post audit;
- b. The Provincial Treasurer’s Office (PTO) be required in compliance with the Manual on NGAS for LGUs to prepare the Report of Checks Issued (RCI) daily to be distributed as follows:

Original- COA Auditor through the Provincial Accountant’s Office together with the supporting documents (DVs/PCV, Payroll, etc.)

2nd Copy – Accounting Office

3rd Copy – PTO’s file

One RCI shall be prepared for each bank account and it shall be the basis for the preparation of Journal Entry Voucher (JEV). Also, the RCI shall be prepared chronologically including cancelled/voided checks.

- c. Releasing of checks be assigned to regular/permanent and responsible personnel of the PTO/Cashier's Office to pinpoint responsibility and avoid the risk of loss of check/documents.
13. Unserviceable medical equipment valued in the books at P9,385,255.75 located at various government hospitals, remained undisposed as at year-end, contrary to existing laws, rules and regulations on disposal of unserviceable property, resulting to their continued deterioration and decline in value as well as loss of possible income from disposal.

We recommend that Management comply with the pertinent provisions of PD 1445, the Manual on the NGAS for LGUs, Volume 1, Executive Order 888 and COA Circular No. 89-296 on the disposal of the said unserviceable medical equipment to prevent their continued deterioration and decline in value leading to loss of possible income from disposal.

Likewise, we recommend that management direct the Provincial Accountant to evaluate the Inventory and Inspection Report of Unserviceable Property (IIRUP) and use the report as a basis for reclassification of Obsolete and Unserviceable Assets, as well as Assets No Longer Used by the Agency to the "Other Assets" account, as required under existing rules and regulation. Upon disposal of the property, the properly accomplished original copy of the IIRUP shall be the basis for dropping the property from the books of accounts.

14. Procurement of various supplies and materials, motor vehicles and equipment, which ranged from P25,000.00 to P420,900.00, in the aggregate amount of P8.8 million were made on reimbursement basis in violation of the pertinent provisions of R.A. No. 9184, otherwise known as the Government Procurement Reform Act. These were also not supported with complete documentation as required under existing laws, rules and regulations.
 - 14.1 Procurement of supplies and materials, vehicles and equipment ranging from P25,000 to P420,900 each transaction or a total of P8.8 million, were done on reimbursement basis in the name of various officials/employees of the provincial government in violation of the above law/regulations.
 - 14.2 Poor and/or improper/lack of procurement planning resulted in reimbursement of procurements made which ultimately resulted in splitting in violation of the pertinent provision of the revised IRR of RA 9184.
 - 14.3 The need for the office/IT Equipment and motor vehicles procured through reimbursement could not be easily established not only because the manner

of procurement was in violation of the above provisions of the revised IRR of RA 9184, but also, it was not within the approved APP containing the items to be procured.

- 14.4 Cost of supplies and materials, spare parts and labor for repair and maintenance of various Brgy. Roads, motor vehicles and equipment amounting to P2,221,406.25 were paid through claims for reimbursement of various officials and employees of the Provincial Government. This does not reflect efficient management of the activities and functions of the PGSO and the PEO having jurisdiction over the same on the one hand, while violating pertinent provisions of RA 9184 and its revised IRR on the other.
- 14.5 Internal control on fuel consumption needs improvement. Fuel, oil and lubricants amounting to P460,355.68 paid through reimbursement was in violation of pertinent provision of RA 9184 and its revised IRR. Likewise, this did not give the official/employee in charge of monitoring fuel consumption to check on the necessity of the volume of purchase while taking into consideration the budget and the purpose for which the fuel shall be used.
- 14.6 Propriety of payment for reimbursement of claims amounting to P560,575.45 charged against “Other Maintenance and Other Operating Expenses” was not established due to failure to follow the requirements provided in RA 9184.
- 14.7 The claims for reimbursement amounting to P 8,752,779.04 were not supported with complete documents.
- 14.8 Payment of claims for reimbursement particularly on procurement transactions resulted in opportunity loss to the Government in terms of foregone withholding taxes (VAT, contractor’s tax, percentage tax, etc.) amounting to at least P 390,647.59.

To address the deficiencies noted, the team recommend the following courses of actions:

1. The PGSO should prepare the Provincial Government’s Annual Procurement Plan (APP) based on the requirements submitted by each Offices and submit the APP for approval of the Provincial Governor. The manner of procurement should be so stated in the APP. Any change in the method/mode/manner of procurement should be deliberated by the BAC and submitted to the Provincial Governor for approval;
2. Strictly adhere with the provisions of RA 9184 and its revised IRR;

3. Based on the APP schedule the procurement to be made to avoid out-of-stock situations;
 4. Limit payment for reimbursement only to those done in pursuance with the provisions of RA 9184, particularly in times of emergency;
 5. Payment of claims should be supported with complete documentation as required under existing law, rules and regulations;
 6. Strengthen internal control over procurement activities;
 7. Record in the books of accounts particularly the IT/Office Equipment Procured and issuance must be evidenced by the ARE as required in the Manual of NGAS for LGUs;
 8. Monitor fuel consumption of each department/offices to avoid excessive purchases. Prepare and submit the monthly report on fuel consumption as required.
 9. Require the submission of proof of taxes not withheld by the Province amounting to P390, 647.59 had been remitted by the supplier or creditor to the BIR. Otherwise the same shall be disallowed in audit.
 10. Require the Provincial accountant to withhold taxes due the government in accordance with the BIR regulations.
15. The Province incurred a total of P8, 430,176.14 in consultancy services for the payment of consultants for tasks that were inherent in the duties and responsibilities of its manpower. Moreover, the procurement of these consultancy services were not in accordance with the mandates of RA 9184 or the Government Procurement Law and its Revised Implementing Rules and Regulations (IRR).

We recommend that Management limit the hiring of consultants for services and expertise that could not be provided by existing manpower of the Province and should be in accordance with the provisions of Annex "B" of the Revised IRR of RA 9184. Ensure that consultants procured will perform functions stipulated clearly in the contract of services.

Likewise, hospitals in need of medical services due to lack of regular plantilla positions may employ contractual services instead of consultants. Such services shall be clearly stipulated in the contract of services.

Strictly comply with the General Principles on Consulting Services (Annex B) of the Revised IRR of RA 9184 in the procurement of consulting services. Deliverables should be clearly stipulated in the contract.

16. Various medical equipment totaling P5, 150,500.00 procured from CY 2008 to CY 2012 remained unutilized as of December 31, 2013, for a period ranging from five months to three years, depriving the intended beneficiaries of better health services. The amount spent for these idle equipment could have been utilized to purchase other urgently needed medical equipment to ensure better health facilities and services for the Province' constituents.

We recommend the following:

- a. Direct the officials concerned to meticulously and judiciously plan all procurement of medical equipment;
- b. Direct the CHO/RHUs to participate and get involved at the initial stage of procurement planning preparation or at the amended draft plan stage up to the time of implementation. Require the procurement officer of all the district hospitals and Rural Health Units to determine their needs for medical equipment and submit their purchase request to the Provincial Procurement Office for consideration in the Provincial Government Annual Procurement Plan; and
- c. Solicit at all of the stages mentioned-above, observations and suggestions of concerned persons within the specified timeframes, to ensure the utilization and adaptability of health equipment as well as minimize the possibility of deterioration and/or obsolescence of the medical equipment.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the nine (9) audit recommendations embodied in the 2012 Annual Audit Report, eight (8) were partially implemented and the one (1), remain not implemented, hence, were reiterated in Part II of the report.