

EXECUTIVE SUMMARY

Highlights of Financial Operations

a. Sources and Application of Funds

Total operating income of P84,933,355.52 was generated showing an increase of P9,015,540.85 or 11.88% from last year's income of P75,917,814.67.

Total operating expenses amounting to P63,866,784.15 has increased by P5,373,516.61 or 9.19% from last year's expenditures of P58,493,267.54. Subsidies amounting to P9,360,691.57 increased by P167,224.76 or 1.81% as compared to last year's which amounted to P9,193,466.81.

b. Appropriations

For the year, total appropriations (including continuing appropriations) amounting to P116,870,7013.03 has increased in the amount of P 17,618,130.80 or 17.75% as compared to the previous year's appropriation of P 99,253,468.64.

c. Obligations

Total obligations for the year amounted to P88,269,819.20 showing a decrease of P4,983,649.44 or 5.34% as compared to prior year's obligations of P 93,253,268.64.

d. Financial ratios

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Current Ratio	3.76:1	3:74:1	0.02
Quick (Acid Test) Ratio	1.30:1	1.54:1	(0.24)
Debt Ratio	0.57:1	0.54:1	0.03
Debt-to-Equity Ratio	1.34:1	1.14:1	0.20
LT Debt-to-Equity Ratio	0.0033:1	0.0030:1	0.0003
Interest Coverage Ratio	-	-	-
Net Working Capital	P100,711,831.03	P101,636,576.44	P(924,745.41)

Scope of the Audit

A financial and compliance audit on the accounts and operations of the Municipality of Pontevedra was conducted for the year ended December 31, 2013. The audit was conducted to ascertain the propriety of financial transactions and compliance of the local government unit (LGU) 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 of the financial statements.

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

Auditor's Opinion of the Financial Statements

The auditor, taking consideration on the effect of any adjustments which might have been made had the local government unit conducted a physical inventory of all its Inventories and Property Plant and Equipment as of December 31, 2013, rendered a qualified opinion on the accompanying financial statements as they present fairly in material respects, the financial position of the Municipality of Pontevedra as of December 31, 2013 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Significant Findings and Recommendations

Financial and Compliance

- 1. The municipality failed to submit the Report of the Physical Count of Property, Plant and Equipment (RPCPPE) for property, plant and equipment amounting to P 65,468,934.42 which is contrary to Section 124 of the Manual on the New Government Accounting System (NGAS) Manual for LGUs, Volume I.**

We recommend that the Municipal Mayor creates an Inventory Committee to conduct the physical count of the municipal's property, plant and equipment, prepare and submit the RPCPPE. The results thereon shall be reconciled with the records of the accounting in compliance with Section 124 of the NGAS Manual for LGUs, Volume I.

- 2. Municipality of Pontevedra failed to submit to the Office of the Auditor the disbursement vouchers, receipts and their supporting documents as well as monthly trial balances and quarterly financial reports within the reglementary period contrary to COA Circular No. 2009-006 and Section 70 of the Manual on the New Government Accounting System (NGAS) – LGU, Volume I, hindering the audit of financial transactions on time and depriving the financial users of the necessary information useful in evaluating the financial condition and the results of agency's operations.**

We recommend that Municipal Accountant submit the disbursement vouchers, receipts and their supporting documents as well as trial balances and required interim report within the reglementary period set forth under COA Circular No. 2009-006

dated September 15, 2009 and pertinent provisions in the Manual on NGAS for LGUs, Vol. I to allow prompt verification and updated information.

- 3. The Municipality failed to prepare and submit the monthly Bank Reconciliation Statements for all funds to the Office of the Auditor in violation of Section 74 of Presidential Decree No. 1445 and Commission on Audit Circular No. 96-011 dated October 2, 1996.**

We recommend that the Municipal Accountant prepare and immediately submit to the Office of the Auditor the monthly Bank Reconciliation Statements of all depository accounts for January 2006 to December 2013 for verification pursuant to COA Circular No. 96-011 and Section 74 of PD 1445.

- 4. Cash advances as of December 31, 2013 amounting to P1,359,109.88 are not fully liquidated at the end of each year in violation of Civil Service Commission (CSC) Resolution No. 040676 dated June 17, 2004 and pertinent provisions of COA Circular No. 97-002 dated February 10, 1997.**

We recommend that management exerts effective efforts to immediately liquidate cash advances totaling P1,359,109.88 pursuant to CSC Resolution No. 040676.

- 5. The Municipality of Pontevedra has not submitted copies of contracts and supporting documents for Calendar Year 2013 within the prescribed period contrary to the provisions of Commission on Audit (COA) Circular No. 2009-001 dated February 12, 2009**

We recommend that Municipality of Pontevedra submit copies of contracts, variation orders and its supporting documents to the Office of the Auditor within five (5) days from the execution of the contract as well as approved variation orders by the appropriate official/s in strict accordance with the provisions of Commission on Audit Circular Nos. 76-34, 87-278, 96-010 and 2009-001, and COA Memoranda Nos. 91-704 and 2005-027.

- 6. Driver's Trip Tickets are not properly accomplished while the Monthly Report of Official Travel and the Monthly Report of Fuel Consumption are not prepared and submitted to the Auditor in contrary to the provisions of COA Circular No. 77-61 dated September 26, 1977.**

We recommend that the designated officer ensures that Driver's Trips Tickets completely accomplished before the approval.

At the end of each month, designated drivers must prepare the Monthly Report of Official Travels summarizing, in chronological order, the trips they made for the month for each vehicle. Duly approved reports shall be compiled into one and

submitted to the Office of the Auditor thru the City Accountant together with the original documents.

Moreover, the Monthly Report of Fuel Consumption shall be prepared by the designated department and submitted to the Auditor following the same manner of submission stated in the preceding paragraph.

- 7. Unpaid gasoline expenses incurred during CY 2012 were booked as paid expenses in CY 2013 resulting to a misrepresentation of Cash in Bank, Due to BIR, and Accounts Payable accounts as of December 31, 2012 in the amounts of ₱ 602,834.47, ₱ 34,122.75, and ₱ 636,957.22, respectively.**

We recommend that the Municipal Accountant draw a Journal Accounting Entry (JEV) to correct the affected accounts, with the following entry:

Adjusting entry (Year 2013):

Account No.	Account Name	Debit	Credit
111	Cash in Bank	602,834.47	
412-14	Due to BIR – VAT	34,122.75	
401	Accounts Payable		636,957.22
Total		636,957.22	636,957.22

The Municipal Accountant and other department heads should also review any effect of this error, assess the extent of its effect, and take necessary actions as remedy. It is also recommended that the Municipal Accountant carefully verify the journal entries before posting them in the Municipality’s books.

- 8. Special Education Fund (SEF) was charged with expenses amounting to ₱ 703,220.72 which were not included under Section 272 of Republic Act (R.A.) 7160 and Department of Education, Culture and Sports (DECS), now the Department of Education (DepEd)–Department of Budget and Management (DBM)-Department of Interior and Local Government (DILG) Joint Circular No. 01 s 1988 dated April 14, 1988.**

We recommend that the Local School Board refrain from charging non-related expenses to the Special Education Fund and strictly adhere to the regulations on the Prioritization of Expenses charged against SEF as provided under Section 272 of RA 7160 and Section 4 of DECS-DBM-DILG Joint Circular No. 01 s. 1998 dated April 14, 1998.

- 9. The Municipality of Pontevedra failed to comply strictly with the provisions on the Full Disclosure Policy pursuant to DILG Memorandum Circular No. 2010-83 dated August 31, 2010 and DILG Memorandum Circular No. 2011-134 dated September 19, 2011: thus, transparency, accountability and good local governance cannot be achieved.**

We recommend that Municipality increase the posting area to three (3) conspicuous places and complete the documents/data/information to be posted to completely adhere to the full disclosure policy pursuant to DILG Memorandum Circular No. 2010-83 dated August 31, 2010 and DILG Memorandum Circular No. 2011-134 dated September 19, 2011.

Value for Money

10. The Municipality of Pontevedra failed to comply strictly with the guidelines on the utilization of the 20% component of the Annual Internal Revenue Allotment for Development Projects pursuant to Section 4.0 of Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Circular No. 2011-1 dated April 13, 2011.

We recommend that the Local Chief Executive and Municipal Budget Officer consider only programs and projects covered under Section 3.0 of DILG – DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011 in the utilization of the 20% development fund.

Further, we recommend that the Municipal Planning and Development Coordinator, as specified in Section 476 (b)(4) of R.A. 7160, regularly monitor the development projects to ensure the efficient and effective implementation thereof.

We also recommend that funds allocated for non-related expenditures, be reprogrammed to other priority projects, activities and programs identified in the Development and Investment Plan.

11. Continuing appropriations for the 20% Development Fund amounting to P5,176,062.45 for Calendar Years 2004 until 2011 remains unutilized.

We recommend that the Municipal Budget Officer thoroughly examine projects in the continuing appropriations at year-end, especially those that remained unobligated. Representation to the Local Chief Executive shall be made that appropriations no longer needed will be recommended for immediate reversion to unappropriated surplus of the General Fund for appropriation to programs and projects that conform with the guidelines set in DILG-DBM Joint Memorandum Circular No. 2011-1.

Disaster and Risk Reduction Management Fund

12. The Municipality of Pontevedra failed to comply strictly with the guidelines on the utilization of the Local Disaster Risk Reduction and Management Fund (LDRRMF) pursuant to COA Circular No. 2012-002 dated September 12, 2012 and DILG Memorandum Circular No. 2012-073 dated April 17, 2012.

We recommend that Municipality of Pontevedra strictly observe the guidelines on the utilization of the Local Disaster Risk Reduction and Management Fund (LDRRMF) pursuant to COA Circular No. 2012-002 dated September 12, 2012 and DILG Memorandum Circular No. 2013-073 dated April 17, 2012.

- 13. The Municipal Accountant failed to transfer the unexpended balance of Mitigation Funds totaling ₱ 1,496,545.70 contrary to COA Circular No. 2012-002 dated September 12, 2012, thus, understating the Trust Liability and Cash account in the Trust Fund books.**

We recommended that the Municipal Accountant make the necessary adjusting entries to transfer the unexpended balance of the Local Disaster Risk Reduction Management Fund (LDRRMF) amounting to ₱ 1,496,545.70 in strict compliance with COA Circular No. 20012-002 dated September 12, 2012.

Status of Implementation of Prior Year's Audit Recommendations

Of the 21 recommendations embodied in the previous year's report, three (3) had been implemented; eight (8), partially implemented; and ten (10) were not implemented. Some of the recommendations not yet implemented were reiterated in this year's report.