EXECUTIVE SUMMARY

Highlights of Financial Operations

a. Sources and Application of Funds

Total operating income of P60,968,865.90 was generated showing an increase of P2,563,336.66 or 4.39% from last year's income of P58,405,529.24 due to the increase in collection of local taxes and Internal Revenue Allotment.

Total operating expenses amounting to P54,127,607.05 has increased by P1,670,116.16 or 3.18% from last year's expenditures of P52,457,490.89 due to increase in expenses for maintenance and other operating expenses.

b. Appropriations

For the year, total appropriations amounting to P75,794,333.38 decreased by P10,291,919.72 or 11.96% compared to the previous year's appropriation of P86,086,253.10.

c. Obligations

The obligations for the year amounted to P64,193,430.35 showing a decrease of P18,460,416.18 or 22.33% as compared to prior year's obligation of P82,653,846.53.

d. Financial Ratios

	2013	2012	Increase/ (Decrease)
Current Ratio	2.03:1	2.24:1	(0.21)
Quick (Acid Test) Ratio	2.03:1	2.24:1	(0.21)
Debt Ratio	0.62:1	0.55:1	0.07
Debt-Equity Ratio	1.72:1	1.22:1	0.05
Net Working Capital	P41,107,555.59	P31,786,065.15	P9,321,490.44

Scope of Audit

A financial and compliance audit on the accounts and operations of the Municipality of Valladolid 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 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.

Auditor's Opinion on the Financial Statements

The auditor, taking exception on the effect of any adjustments which might have been made had the agency conducted physical inventory and submitted the inventory report of its property, plant and equipment as of December 31, 2013, or had the records allowed them to apply alternative procedures, rendered a qualified opinion on the accompanying consolidated financial statements as they present fairly in all material respects, the financial position of the Municipality of Valladolid 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

1. The validity and existence of Property, Plant and Equipment account amounting to P85,767,878.93 as of December 31, 2013 could not be ascertained due to the failure of the municipality to conduct physical inventory, contrary to the provisions of Section 490 of the Government Accounting and Auditing Manual (GAAM) Volume I, and Section 57 of the Manual on the New Government Accounting System for Local Government Units, Vol. II.

   We recommend that the Municipal Mayor create an inventory team to conduct a complete and detailed actual physical count of the agency's property, plant and equipment totaling ₱28,592,521.86 and render a report thereon in accordance with Section 490 of the Government Accounting Auditing Manual, Volume I.

2. Cash advances to Officers and Employees totaling P6,039,880.29 as of December 31, 2013 remain outstanding for failure of the accountable officials and employees to liquidate their cash advances within the prescribed periods, contrary to Section 5.1 and 5.8 of COA Circular No. 97-002.

   We recommend that –

   The Municipal Mayor and Accountant require the Accountable Officials and employees to submit their Liquidation Reports and supporting documents within the prescribed period for evaluation and see to it that laws, rules and regulations on the grant of cash advances are strictly complied.

   Demand/collection letters should also be sent to the accountable officials with long outstanding unliquidated cash advances.

3. The Municipal Accountant failed to submit the disbursement vouchers and payrolls on time for calendar year 2013 for post-audit purposes, in violation of the provisions of Section 107 of Presidential Decree 1445 and Article 218 of the Revised Penal Code, thus hamper the function of COA which is to examine and audit government transactions on a timely manner.

   We recommend that –

   1. The Municipal Accountant submit the disbursement vouchers and paid payrolls immediately to the Auditor's Office and all subsequent transactions within 10 days of each month after it has been recorded in the books of accounts pursuant to Section 107 of P.D. 1445, and

   2. The Municipal Mayor institute appropriate charges for Failure to Render Account under Article 218 of the Revised Penal Code against concerned accountable officer.

4. Trial Balances and other Financial Reports for calendar year 2013 were not submitted timely to the Commission on Audit, contrary to Section 70 & 73 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs) and Section 122 of Presidential Decree 1445, which resulted to the delay in the generation of audit reports.

   We recommend that –

   1. The Municipal Accountant submits all overdue financial reports. Henceforth, adhere strictly to the provisions of Section 70 & 73 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs) and Section 122 of Presidential Decree 1445.

   2. The Municipal Accountant ensures the timely submission of Financial Statements and its related financial reports as required by Section 70 & 73 of the Manual on the New Government Accounting System (NGAS for Local Government Units (LGUs).

   3. The Municipal Mayor imposes sanctions stated in Section 122 of Presidential Decree 1445 if non-submission becomes a constant practice by person's responsible.

5. The Municipal Accountant failed to prepare and submit the Monthly Bank Reconciliation Statements for all funds to the Office of the Auditor on time in violation of Section 74 of PD 1445 and COA Circular No. 96-011 dated October 2, 1996, hence the correctness of the balance of the cash in depository banks cannot be ascertained as of a certain date.

   We recommend that the Municipal Accountant prepare and cause the immediate submission to the office of the Auditor the Monthly Bank Reconciliation Statements of all depository accounts in all funds as of December, 31, 2012 for verification and in order to allow timely and accurate reporting, pursuant to COA Circular 96-011 and Section 74 of PD 1445, so that the imposition of sanction for non-compliance will be avoided.

6. The agency was not able to prepare the Gender and Development (GAD) Plan and Budget for CY 2013 as prescribed in Annex A of DBM-NEDA-NCRFW Joint Circular No. 2004-1 and updated under PCW-NEDA-DBM Joint Circular No. 2012-01.

   We recommend that the GAD Plan and Budget should be prepared annually in the format prescribed in Joint Circular No. 2012-01 so that all requirements set out in the Circular are satisfied.

Status of Implementation of Prior Years' Audit Recommendations

Of the nineteen (19) recommendations embodied in the 2012 Annual Audit Report, six (6) were implemented, seven (7) were partially implemented and six (6) were not implemented by the Municipality.