

EXECUTIVE SUMMARY

Introduction

A. Highlights of Financial Operations

I. SOURCES AND APPLICATION OF FUNDS

INCOME

	2013	2012	Increase(Decrease)	%
General Fund	59,394,739.53	53,978,158.58	5,416,580.95	10.03
Special Education Fund	447,356.24	438,474.88	8,881.36	2.02
Total Income	59,842,095.77	54,416,633.46	5,425,462.31	9.97

EXPENDITURES

	2013	2012	Increase(Decrease)	%
General Fund	48,424,828.94	42,697,633.37	5,727,195.57	13.41
Special Education Fund	721,703.83	902,634.21	(180,930.38)	(20.04)
Total Expenditures	49,146,532.77	43,600,267.58	5,546,265.19	12.72

II. APPROPRIATIONS/ALLOTMENTS/OBLIGATIONS

	Appropriations	Allotments	Obligations
Personal Services	32,574,627.92	32,574,627.92	28,636,091.56
Maintenance and Other Operating Expenses	17,045,383.83	17,045,383.83	13,277,182.27
Capital outlay	8,641,509.80	8,641,509.80	3,885,392.10

III. FINANCIAL RATIOS

	2013	2012
Current Ratio	3.47:1	4.47:1
Debt Equity Ratio	36:1	39:1

A. SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Malinao for the Calendar Year 2013. The audit consisted of review of operating procedures, inspection of the Municipal's programs and projects on a test basis, interviews of concerned government officials and employees, verification, reconciliation, and analysis of accounts, and such other procedures considered necessary under the circumstances. The audit aims to ascertain the fairness and reliability of the Municipality's financial position and results of operation. Further, it aims to check the validity and propriety of transactions.

Ocular inspection and validation of the municipal projects for the CY 2013 on a selective basis was conducted. Infrastructure projects reported were inspected and revealed that the same were found actually existing and have been accomplished in accordance with the contracts and approved program of works.

B. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the financial statements as of December 31, 2013 due to the agency's failure to conduct physical inventory of its PPE and to submit a RPCPPE which should be reconciled with the accounting records.

C. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Findings and observations on the audit conducted with the corresponding recommendations as of December 31, 2013 are summarized as follows:

1. The non-preparation and non-submission of a monthly Report on Sources and Utilization of the Local Disaster Risk Reduction Management Fund (LDRRMF) contrary to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012 have constrained the auditors to a timely audit of its sources and corresponding expenditures.

We recommend that management should strictly comply with the reporting requirement on the fund utilization pursuant to COA Circular No. 2012-002 dated September 12, 2012. In particular, the Municipal Accountant should prepare the required monthly report and the same shall be submitted to this Office by the Local Disaster Risk Reduction Management Office (MRRMO) on or before the 15th day after the end of each month through the LDRRMC and Local Development Council (LDC).

2. Copies of government contracts for infrastructure projects were not submitted to the office of the Auditor within five (5) working days upon approval together with the supporting documents for review as required under COA Circular No. 2009-002 dated May 18, 2009 and COA Memorandum No. 2005-027 dated February 28, 2005 as amended.

We recommend that management should submit copies of contracts to the office of the auditor with five (5) working days from their perfection together with supporting documentary requirements for the review and evaluation on the technical aspects.

3. Assistance to Individuals in Crisis Situation (AICS) totaling P454,250.00 granted by the Municipality of Malinao, Aklan were not properly regulated to harmonize with the DSWD Administrative Order No. 5 series of 2008 which resulted to inequitable allocation of financial assistance to its constituents.

We recommend that the management should formulate implementing guidelines to regulate the financial aid or assistance granted to various individuals in crisis situation. Explicitly, an executive order to that effect should be issued by the Municipal Mayor to harmonize with the Administrative Order No. 5 series of 2008 of the DSWD and at the same time, to avoid the inequitable allocation of financial aid or assistance to the constituents of the municipality. (*See Annex C*)

4. The existence, propriety and correctness of the balances of Property, Plant and Equipment (PPE) totaling ₱ 29,309,156.22 could not be ascertained due to the failure of the management to conduct physical inventory of the account and to prepare the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as required in Section 124 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I. Thus, affecting the fair presentation of the PPE accounts in the financial statements.

We recommend that the local Chief Executive shall create an Inventory Committee to undertake the physical inventory of all the PPE of the municipality. Likewise, we recommend that management should prepare and submit the Report on Physical Count of Property, Plant and Equipment as required in Section 124 of the Manual on the NGAS for LGUs, Volume I.

Henceforth, the General Services Officer and the Municipal Accountant should exert extra effort to update and reconcile their records regularly. Any discrepancies should be investigated and necessary adjustments should be made to come up with a complete and accurate balance of PPE accounts in the financial statements.

E. SUMMARY OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the twelve (12) audit recommendations embodied in the 2012 Annual Audit Report, two (2) were implemented and ten (10) were partially implemented.