

EXECUTIVE SUMMARY

HIGHLIGHTS OF FINANCIAL OPERATION

A. SOURCE AND APPLICATION OF FUNDS

	2013	2012	Inc/Dec	%
INCOME:				
General Fund	71,694,336.67	63,281,294.15	8,413,042.52	13.29%
Special Education Fund	755,477.41	1,029,184.96	-273,707.55	-26.59%
Total	72,449,814.08	64,310,479.11	8,139,334.97	12.65%
EXPENSES:				
General Fund	62,340,785.10	54,726,555.76	7,614,229.34	13.91%
Special Education Fund	598,441.00	537,677.00	60,764.00	11.30%
Total	62,939,226.10	55,264,232.76	7,674,993.34	13.88%

B. APPROPRIATIONS, ALLOTMENTS, AND OBLIGATIONS

Expense Class	Appropriations	Allotments	Obligations
Personal Services	29,206,347.24	29,206,347.24	28,677,580.22
Maintenance and Other Operating Expenses	19,662,821.95	19,662,821.95	17,351,630.99
Capital Outlay	21,619,038.38	21,619,038.38	14,604,758.88
TOTAL	70,488,207.57	70,488,207.57	60,633,970.09

C. FINANCIAL RATIOS

	2013	2012	Inc/Dec
Current Ratio	1.30:1	1.67:1	(.37)
Debt Equity Ratio	0.69:1	0.45:1	0.24

The results of operation of the Municipality of Bugasong for the year then ended December 31, 2013 registered a gross income of P72, 449,814.08, higher by P8, 139,334.97 or 12.65% from last year's gross income of P64, 310, 479.11 mainly due to higher IRA.

Total expenses during the year posted at P62,939,226.10 or 13.88% higher than the last year's expenses of P55,264,232.76 mainly due to higher Personal Services by P3,373,479.04 (+9.72%) and higher MOOE by P4,301,515.30(+20.89%).

SCOPE OF AUDIT

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445, we conducted a Financial and Compliance audit on the accounts and operations of the Municipality of Bugasong, Antique for the year ended December 31, 2013. The audit consisted of review of operations, inspection of programs/projects, interview of concerned officials and employees, verification, recalculation, and analysis of accounts and other procedures considered necessary in the conduct of audit.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the consolidated financial statements as the existence and correctness of the recorded balance of the agency Property, Plant and Equipment accounts valued at P161, 807,952.53 could not be ascertained because the agency was not able to complete the conduct of physical inventory of its properties and the existing records did not allow application of alternative audit procedures.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. The Municipality failed to complete the conduct of physical inventory of its properties and submit the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) to Commission on Audit, contrary to Section 124, Volume I of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), thus correctness and existence of the Property, Plant and Equipment valued in the books at P161, 807,952.53 at year-end could not be ascertained.

We recommend that the Honorable Mayor oblige the Inventory Committee to conduct a complete count of the Municipality's PPE and to prepare and submit the report to the Accountant and Auditor concerned. Thereafter, the reconciliation of the accounting and the property records should be undertaken.

2. The Revenue Collection Clerk, Mr. Jose M. Bandiola, failed to submit the Report of Collection and Deposit (RCD) and remit the corresponding collections intact from December 18, 2012 to October 9, 2013 to the Municipal Treasurer within the reglementary period in violation of Section 29 of the Manual on the New Government Accounting System (NGAS), Volume 1, Section 69 of PD 1445 and Section 307 of R.A 7160 which resulted to a cash shortage of P909, 702.38 during the examination conducted last October 9, 2013.

We recommend that the Municipal Mayor require the Municipal Treasurer to adopt strict controls on cash management, monitor the collections and remittances of the collectors in accordance with the provisions of Section 29 of the Manual on the New Government Accounting System (NGAS), Volume 1 and to implement measures to ensure prompt reporting, remittances and deposit of collections in order to reflect the correct cash balances in the financial statements.

3. Cash advances granted to Municipal Officials and Employees for Official Travel were being used to liquidate the previous cash advances contrary Section 4 and Section 5 of COA Circular No. 97-002 dated February 10, 1997.

We recommend that the Local Chief Executive direct the Municipal Accountant and Municipal Treasurer to strictly adhere to the provisions of Section 4.1.7 and Section 5 of COA Circular No. 97-002 dated February 10, 1997.

4. Eighty One (81) LGU Bugasong employees' monthly net take home pay fall below the P4, 000 minimum requirement as provided for in Section 37 of Republic Act 10352 or the General Appropriations Act of 2013, thereby affecting employees' morale and focus towards work.

We recommend that the Municipal Mayor direct the personnel in charge of preparing the monthly payrolls to effect adjustments on deductions so that monthly net take home pay of all employees are not lower than the required minimum monthly net take home pay pursuant to the provisions of General Appropriations Act for the year. Likewise, inform the personnel concerned to make proper arrangements with the lending institutions for the adjustments made especially on employees' loan repayments.

5. Copy of Purchase Orders totaling P2,593,958.92 were not submitted to the Auditor's Office, contrary to Item 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009, thus prevented the Audit Team from making a timely review thereof.

We recommend that the General Services Officer submit the Purchase Order within the prescribed timeline to the Audit Team to allow a timely review of the same in conformity with the provision of COA Circular No. 2009-001 dated February 12, 2009.

6. The Municipality has not submitted the consolidated Annual Procurement Plan for CY 2013 in violation of Rule II of the revised Implementing Rules and Regulations of Republic Act 9184. Had there been a consolidated APP, procurement could have been meticulously and judiciously planned to promote economy and efficiency in the procurement process.

We recommend strict compliance to Rule II of the revised IRR of RA 9184. The BAC Secretariat should be directed to prepare a consolidated Annual Procurement

Plan in its prescribed form. To support the consolidated APP, we also recommend that the department heads be directed to prepare Project Procurement Management Plans (PPMPs) also in prescribed form.

7. Cash shortage of the Municipal Treasurer amounting to P655, 942.73 remains in the Cash in Vault account in violation of Annex A (Philippine Government Chart of Accounts – New Government Accounting System) of COA Circular No. 2004-008 dated September 20, 2004.

We recommend that the Municipal Accountant reclassify the amount of cash shortage from Cash in Vault account to Due from Officers and Employees account to avoid misrepresentation in the financial statements.

8. Had the Municipality implemented the development projects funded out of the 20% Internal Revenue Allotment (IRA), optimum utilization of all its resources in the achievement of common goal could have been attained at its program cost, further avoiding additional costs of materials and labor costs due to increase in prices.

We recommend that the Municipality of Bugasong should implement the development projects and fully utilize the amount appropriated out of the 20% IRA embodied in the annual investment program in accordance with the provisions of Sec. 287 of RA 7160 and the DILG – DBM Joint Memorandum Circular No. 2005-1 dated September 20, 2005 to ensure that the targeted beneficiaries could avail of the immediate benefits from such projects and avoid additional costs due to delayed implementation.

9. The mandatory appropriation for Gender and Development (GAD) Program of at least five percent (5%) of the annual budget was not provided adequately by the Municipality, contrary to Section 28 of General Appropriations Act (GAA) of CY 2013, and Executive Order No. 273 (Approving and Adopting the Philippine Plan for Gender-Responsive Development, 1995-2025) dated September 8, 1995 as implemented by DBM-NEDA-NCRFW Joint Circular No. 2004-1, thereby depriving the beneficiaries of the benefits derived from such program.

We recommend that management, through the Municipal GAD Council, strictly adhere to the provisions of DBM-NEDA-NCRFW Joint Circular No. 2004-1 dated April 5, 2004. Annual GAD Plan and Budget, as well as GAD Accomplishment Report should be prepared comprehensively. Implementation of GAD programs, projects and activities through proper planning, budgeting and monitoring, can contribute to poverty alleviation, the economic empowerment especially of marginalized women, the protection, promotion, and fulfillment of women's human rights, and the practice of gender-responsive governance in the Municipality.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the nineteen (19) recommendations enumerated in last year's Annual Audit Report, eight (8) were implemented, ten (10) were partially implemented and one (1) remain unimplemented.