

## EXECUTIVE SUMMARY

### Highlights of Financial Operations

For calendar year 2013, the municipality generated a total income of ₱ 82,309,642.13 which is 11.70% higher than last year's collections of ₱73,687,284.52. This was due to the increase in the receipt of IRA in the amount of ₱7,808,508.00 or 14.92% higher from previous year's IRA of ₱52,349,640.00. Likewise, Local Taxes also increased by ₱1,199,977.53 or 15.98% compared with last year's collection of ₱ 7,511,199.32, Business Income by ₱ 127,346.84 or 1.17% from previous year's ₱ 10,929,988.48 and Service Income by ₱ 115,860.16 or 6.25%. Other Income decreased by ₱550,937.42 or 86.23% from previous years ₱ 638,886.22 and Permits and Licenses by ₱ 78,397.50 or 19.37% (see Annex 1.a.5).

Total expenditures for Calendar Year 2013 amounted to ₱ 79,521,341.41 an increase of ₱ 7,823,686.51 or 10.91% compared to last year's ₱ 71,697,654.90. This was attributed to a significant increase in personal services of ₱ 10,421,177.72 or 29.22%. Net income increased by ₱ 568,326.27 or 63.15% compared with last year's ₱-899,957.62.

Current ratio increased by 0.22 from 0.88:1 of CY 2012 to 1.10:1 of the current year. The increase was due to the increase in current assets from ₱9,838,052.19 of the previous year to ₱ 11,971,041.42 of the current year. The increase in current assets amounted to ₱2,132,989.23 which is 21.68% higher than the previous year.

### Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Estancia, Iloilo 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 presentation of the financial statements.

### Auditor's Opinion on the Financial Statements

In our opinion, except for the municipality's failure to conduct physical inventory, provide for accumulated depreciation and submit a Report on the Physical Count of Property, Plant and Equipment amounting to ₱39,690,314.66, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of Estancia, Province of Iloilo as of December 31, 2013 and the results of its operations and cash flows for the period then ended in conformity with generally accepted accounting principles.

## **Significant Findings and Recommendations**

### **Financial and Compliance Audit**

1. Physical inventory of Property, Plant and Equipment (PPE) was not conducted by the agency and the corresponding Report on the Physical Count of Property, Plant and Equipment was not submitted contrary to Section 124 of the Manual on the New Government Accounting System (NGAS) for Local Government Units, Volume I, thus, the correctness, existence and reliability of the PPE Accounts as presented in the financial statements cannot be ascertained.

We recommended that the Municipal Mayor should create an inventory Committee to conduct physical inventory of property, plant and equipment annually to prove their existence, determine the condition and update the valuation. The required physical inventory report should be reconciled with the general ledger and copy should be submitted to the office of the auditor.

We further recommended that the Property, Plant and Equipment Ledger Card (PPLEC) for each category of property, plant and equipment which shall record acquisition, description, custody, estimated useful life, rate of depreciation, disposal and other obligations incurred should be maintained.

2. Late submission of disbursement vouchers, receipts and reports for all funds showed non-compliance with Sections 6.04 and 6.05 of COA Circular No. 95-006 dated May 18, 1995 resulting to delayed audit of the accounts of the Municipality.

We recommended that the Municipal Treasurer and Accountant shall coordinate to submit timely the accounts and the required documents/reports of the Municipality to facilitate the audit and/ or verification of its financial transactions and operations.

3. The Municipality failed to provide depreciation for its Property, Plant and Equipment (PPE) amounting to P39,690,314.66 in violation of Section 04.o of the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I, resulting to the overstatement of PPE Accounts.

We recommended that the municipality should provide depreciation for all Property, Plant and Equipment to reflect the true value of the assets and increase reliability of the Financial Statements.

4. Cash in Vault totaling P820,759.72 as of December 31, 2013 remain undeposited contrary to Section 2.1 of COA Circular No. 97-002 dated February 10, 1997 and Section 32 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I.

We recommended that the Local Chief Executive directs the Municipal Treasurer to deposit all collections intact with the authorized depository bank daily or not later than the next banking day as required under existing regulations of the Commission on Audit.

5. Failure of the Municipal Disaster Risk Reduction and Management Officer (MDRRMO) to submit a monthly Report on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF), contrary to the provision of COA Circular No. 2012-002 dated September 12, 2012, hindered the timely verification of the correctness and proper utilization of the Municipal Disaster Risk Reduction and Management Fund for CY 2013.

We recommended that the Local Chief Executive strictly adhere with the provision of Item 5.1.5 of COA Circular 2012-002 dated September 12, 2012 and must submit regularly to the COA Audit Team the monthly Report on Sources and Utilization of the Municipal Disaster Risk Reduction and Management Fund on or before the 15th day after the end of each month through the Municipal Disaster Risk Reduction Management Council (MDRRMC) and the Local Development Council (LCD).

6. The Municipality failed to submit copy of contracts, Memoranda of Agreement, Consultancy/Service, Loan Agreements, Purchase/Letter/Job Orders and other forms of contract to the Auditor contrary to COA Circular No. 2009-001 dated February 12, 2009, thereby precluding initial review and evaluation of transactions.

We recommended that a copy of any contract, letter order, job order or purchase order, irrespective of amount, and all its supporting documents be submitted to the Auditor concerned within five (5) working days from issuance thereof.

7. The Municipal Accountant failed to prepare and submit to the Auditor the Bank Reconciliation Statements (BRS) contrary to Sections 3.2, 3.3 and 3.4 of COA Circular No. 96-011 dated October 2, 1996 thus, casting doubt on the correctness of the Cash in Bank, Local Currency Current Account (111).

We recommended that the Chief Executive directs the Municipal Accountant to submit the Bank Reconciliation Statement to the Auditor concerned on a monthly basis within ten (10) days upon receipt of the Bank Statement. We further recommended that the Municipal Accountant must secure the print out or snap shot of the bank statements as an alternative procedure in preparing the bank reconciliation statement on time.

8. Failure of the Municipal Treasurer and other accountable officers to prepare the Report of Accountability for Accountable Forms (RAAF), contrary to Sections 50 and 51 of the Manual on the New Government Accounting System for LGUs, Volume II, renders monitoring and verification of their accountability difficult.

We recommended that all collectors should prepare the RAAF at the end of each month to facilitate review by the Municipal Treasurer as to initial balances, receipts, issuances and ending balances, on hand. The Municipal Treasurer should consolidate the reports of all the collectors in the CRAAF which should be submitted to the Auditor for review and verification.

9. The Municipality failed to prepare a Consolidated Annual Procurement Plan, contrary to Section 7, Rule II of Republic Act. No. 9184 or the Government Procurement Reform Act, hence, justification as to the need of the procured items and the implementation of projects was not established.

We recommended that each office shall prepare a Project Procurement Management Plan (PPMP) that should include only those procurements which are crucial to the efficient discharge of each office's function. The PPMP should then be submitted to the procuring entity's Budget Office for evaluation and if warranted, for inclusion in the procuring entity's budget proposal for approval by the Head of the Procuring Entity. The BAC Secretariat will review and consolidate the PPMPs into the proposed APP of the Municipality.

10. The monthly net take home pay of some employees was lower than P4,000.00 contrary to the provisions of Section 37 of RA No. 10352 or the General Appropriations Act of 2013.

We recommended that the Municipal Accountant strictly implement Section 37 of RA No. 10352 with the deductions in its order of preference, and the minimum net monthly take home pay for ensuing years pursuant to the General Provisions of the particular year's GAA.

11. The municipality disbursed from the Special Education Fund various expenses totaling P191,092.44 which are not among those authorized and/or enumerated under Section 1 of Republic Act No. 5447, thereby depriving its usage for the programs and activities beneficial to the school children in the municipality.

We recommended that the Local School Board (LSB) should prepare the SEF budget and disburse funds from it in accordance with the provisions of Republic Act No. 5447.

We also recommended that the LSB should focus the utilization of SEF in providing adequate facilities and resources in the delivery of quality education by public elementary and secondary schools in the municipality.

### **Status of Implementation of Prior Year's Audit Recommendations**

Of the seven (7) audit recommendations embodied in the previous years' Annual Audit Reports, two (2) were implemented, another two (2) were partially implemented and the remaining three (3) were not implemented.