

## **EXECUTIVE SUMMARY**

### **Highlights of Financial Operations**

For the Calendar Year 2013, despite the catastrophic typhoon (Yolanda) that hit the locality, the Municipality of Dueñas generated a total income of ₱64,290,842.74 which is 11.13% higher than last year's collections of ₱57,849,771.97. This is generally attributed to the increases in the collection of local taxes, permits and licenses, business income and Internal Revenue Allotment (IRA). The LGU's IRA collections for the year amounted to ₱57,041,021.00 or a significant increase of 12.37% compared to last year's collections of ₱50,761,040.00.

Total expenditures for Calendar Year 2013 amounted to ₱56,224,122.70 an increase of ₱7,999,694.78 or 16.59 % compared to last year's ₱48,224,427.92. Net Income of ₱8,019,720.04 has decreased by ₱1,558,624.01 or 16.27% compared to last year's ₱9,578,344.05.

The LGU's CY 2013 current ratio is 2.25 : 1, slightly higher by 0.32 : 1 than last year's 1.93 : 1 ratio, signifying that its financial liquidity is within the ideal condition. Hence, the LGU has generated sufficient cash to pay its current obligations as they mature.

### **Scope of Audit**

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

### **Auditor's Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the failure of the agency to conduct actual count/inventory of its remaining Property, Plant and Equipment valued in the books at ₱28,738,914.60.

## Significant Findings and Recommendations

### I. Financial and Compliance Audit

1. Of the total ₱104,576,581.66 value of Property, Plant and Equipment (PPE) accounts at year end, ₱75,837,667.06 had been physically counted and reported, leaving a balance of ₱28,738,914.60 of physical inventory unaccounted, contrary to Section 119, 120 and 124 of Manual on the New Government Accounting System(MNGAS) for Local Government Units (LGUs), Volume I; thus, rendering the existence and correctness of the said unaccounted Property, Plant and Equipment doubtful.

We recommend that the Local Chief Executive take the following course of action:

1. Direct the Inventory Committee to complete the physical count of the remaining Property, Plant and Equipment valued in the LGU's books of accounts totaling ₱28,738,914.60 in consonance with Section 124 of Manual on the New Government Accounting System for Local Government Units, Volume I.
  2. Instruct the Supply Officer and the Municipal Accountant to prepare the property and ledger cards, respectively, and to reconcile the postings/records of their PPE cards thereon..
2. Overpayment of CY 2013 Social Pension to indigent senior citizens who ceased as pensioners by reason of death during the year amounted to ₱9,500.00, contrary to Item IV (8) and V of Department of Social Welfare and Development (DSWD) Administrative Order No. 15, Series 2010 which implements in part Republic Act (R.A.) 9994 or the "Expanded Senior Citizens Act of 2010"; thus, depriving other qualified indigent senior citizens of the program's benefits and further defeating its purpose.

We recommend that the overpayment of social pension amounting to ₱9,500.00 be refunded to the appropriate Trust Fund of the LGU for future beneficiaries who would replace the deceased ones.

We recommend further that close monitoring of the qualification/status of each beneficiary be made every month to avoid undue payment of claims under the LGU's and DSWD's Social Pension program for indigent senior citizens.

3. Procurements of medical equipment totalling ₱54,839.00 were recorded in the books of account by debiting the account Medical, Dental and Laboratory Supplies Expenses – 760, instead of Medical, Dental and Laboratory Equipment – 233 contrary to Annex A of COA Circular No. 2003-001, dated June 17, 2013 and Item 2.0 of COA Circular 2005-002, dated April 14, 2005; thus, overstating the same expense account and understating the related asset and Government Equity accounts in the financial statements and posing problems in the proper safekeeping and storage of said equipment.

We recommend that the Municipal Accountant reclassify the erroneous recording in the LGU's book of accounts by making the following correcting entries:

If the books are not yet closed

Medical, Dental and Laboratory Equipment	P 54,839.00	
Medical, Dental and Laboratory Supplies Expenses		P 54,839.00

To record reclassification of accounts pertinent to the procurement of medical equipment directly expensed, paid under check No. 978184 dated 4/22/13.

If the books are already closed

Medical, Dental and Laboratory Equipment	P 54,839.00	
Prior Year's Adjustments		P 54,839.00

To record reclassification of accounts pertinent to the procurement of medical equipment directly expensed, paid under check No. 978184 dated 4/22/13.

We recommend further that Acknowledgment Receipts for Equipment (AREs) be issued to the requisitioning LGU employees/personnel in order to facilitate proper safekeeping and accountability thereof.

4. Failure of the Municipal Disaster Risk Reduction and Management Officer (MDRRMO) to submit monthly Report on Sources and Utilization of Disaster Risk Reduction Management Fund (DRRMF), contrary to the provision of COA Circular 2012-002, prevented the timely verification of the correctness and proper utilization of the Municipal Disaster Risk Reduction Fund for CY 2013.

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

5. Several driver's trip tickets to support the disbursements for fuel, oil and lubricants were neither properly accomplished nor serially numbered, and the required Monthly Reports of Fuel Consumption and of Official Travels were not submitted to the Auditor contrary to the provisions of COA Circular No. 77-61, dated September 26, 1977; thus, the reasonableness of fuel, oil and lubricants consumed for CY 2013 totaling ₱2,897,384.75 could not be established.

We recommend that the Local Chief Executive direct the Supply Officer of the Municipality to submit the Monthly Reports of Fuel Consumption and

Official Travels and ensure that the driver's trip tickets are serially numbered and properly accomplished.

6. Several employees were allowed a monthly net take home pay of less than ₱4,000.00 contrary to Section 37 of the General Appropriations Act (GAA) of 2013, thereby, reducing their financial capacity to a level lower than the optimal amount generally determined by law and may hamper their working efficiency in the LGU by doing other jobs to generate extra income.

We recommend that LGU management institute measures that would bring the monthly net take home pay to the minimum amount of ₱4,000.00 as set by Section 37 of the General Appropriations Act of 2013. This may include prioritizing in the payrolls those deductions and contributions mandated by law and ensuring full payment of certain loans before allowing concerned employees to secure new ones.

7. Essential supporting documents of paid Disbursement Vouchers were not all stamped/marked "PAID" contrary to Sections 123 and 124 of Presidential Decree No. 1445, thus, indicating weak internal control over disbursements.

We recommend that the Local Chief Executive require the Disbursing Officer to stamp/mark "PAID" not only on the Disbursement Vouchers, but also on all of their supporting documents pursuant to sound internal controls over disbursements.

8. Prior year's cash advances totaling ₱112,680.00 remained unliquidated as of June 30, 2013 contrary to the pertinent provisions of COA Circular 2012-001, dated November 28, 2012 and COA Circular 97-002, dated February 10, 1997, resulting in the misstatements of affected accounts in the financial statements and exposing cash in the custody of officials concerned to possible misappropriation or loss.

We recommend that LGU management demand immediate liquidation of the outstanding cash advances and direct all officials and employees concerned/responsible in the granting, utilization and liquidation of cash advances to observe strictly the provisions of Sec. 89 of P.D. 1445 and COA Circular No. 2012-004, dated November 28, 2012, to avoid accumulation of unliquidated cash advances and to attain a fair presentation of the relevant accounts in the financial statements.

9. Delayed submission of quarterly trial balances within ten days after each quarter and delayed submission of interim financial statements within the reglementary period contrary to Section 450 of the GAAM, Volume II and Section 73 of the New Government Accounting Systems Manual for LGUs, Volume I, respectively, resulted in the delayed review of Financial Statements, as well as, delayed submission of the Interim Audit Report.

We recommend that the Municipal Accountant regularly update the recording and posting of transactions and to submit quarterly trial balances within ten days after the end of each quarter, as well as, to promptly submit interim reports pursuant to Section 450 of the GAAM, Volume II and Section 73 of the New Government Accounting Systems Manual for LGUs, Volume I, respectively, for timely review of the financial statements and preparation of the audit report.

### **Summary of Implementation of Prior Years' Audit Recommendations**

Of the six (6) recommendations embodied in Prior Years' Annual Audit Reports, two (2) were implemented, while the other four (4) were partially implemented.