

EXECUTIVE SUMMARY

Highlights of Financial Operations

For Calendar Year 2013, the Municipality generated a total income of P56,799,601.60 which is 12.69% higher than last year's collections of P50,403,249.34.

Total expenditures for Calendar Year 2013 of P41,572,090.04 showed an increase of P1,571,474.32 or 3.93% compared to last year's P40,000,615.72. The increase is associated with the increase in Personal Services from P25,253,013.33 to P26,357,221.68 and Maintenance and Operating Expenses from P14,697,193.44 to P15,206,521.13. Net income of P10,217,629.56 increased by P2,850,656.76 or 38.70% compared to last year's P7,366,972.80.

Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Lemery, 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

The Auditor rendered a qualified opinion on the fairness of presentation of the 2013 financial statements due to the possible effects of any adjustments that might have been made had the LGU conducted a physical inventory of its Property, Plant and Equipment.

Significant Findings and Recommendations

1. The Municipality failed to conduct physical count of its property, plant and equipment amounting to P37,277,730.49 and prepare the corresponding Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2013 in violation of Section 124 of the Manual on the New Government Accounting System (NGAS), for Local Government Units, (LGUs), Volume I, thus rendering the existence and validity of the accounts doubtful.

We recommended that the Municipal Mayor create an Inventory Committee to conduct physical inventory of PPE and prepare the corresponding report after having reconciled with the accounting records to come up with the correct account balances in the financial statements.

2. The Municipal Treasurer failed to remit to the Bureau of Internal Revenue (BIR) creditable value-added tax withheld on payments to suppliers of P469,900.38 within the reglementary period in violation of Section 114 of Republic Act (RA) No. 8424 and BIR Revenue Regulation No. 2-98, thereby depriving the national government of the use of the funds.

We recommended that the Municipal Treasurer be directed to strictly remit all taxes withheld from suppliers of goods and services within ten (10) days following the end of the month the withholding was made as stipulated under BIR Regulation 2-98 and Section 114 of RA No. 8424.

3. Cash amounting to ₱ 1,215,875.19 remain on hand as of December 31, 2013, since collections were not deposited daily and intact in violation of Section 32 of the Manual on the New Government Accounting System (NGAS), for Local Government Units (LGUs), Volume I, thus resulting in undue accumulation of cash at risk of improper use and/or possible loss.

We recommended that the Municipal Treasurer should deposit immediately and intact all collections with the authorized depositories daily or not later than the next banking day pursuant to Section 32 of the Manual on the NGAS for LGUs, Volume I.

4. The Municipal Accountant failed to submit to the Auditor the Bank Reconciliation Statements (BRS) with the paid checks and original copies of the Debit and Credit Memos contrary to the provisions of COA Circular No. 96-011, dated October 2, 1996, and Section 74 of Presidential Decree (PD)No. 1445, thus casting doubts on the correctness of the Cash in Bank, Local Currency Account.

We recommended that the Chief Executive directs the Municipal Accountant to submit to the Auditor the BRS on a monthly basis, within ten (10) days after receipt of the Bank Statements. We further recommended that the Municipal Accountant secures the print out or snap shot of the bank statements as an alternative procedure in preparing the bank reconciliation statement on time.

5. Cash Advances granted to Officers and Employees amounting to P3,601,279.89 remained unliquidated as of year-end contrary to the provisions of Section 89 of P.D. No. 1445 and COA Circular Nos. 96-004 and 97-002, thus exposing government funds to risk of misappropriation/misapplication.

We recommended that the Local Chief Executive and the Municipal Accountant should refrain from granting additional cash advances unless previous cash advances are first settled and proper accounting thereof are made. Demand letters should be sent to concerned officials and employees to liquidate immediately their cash advances.

We also recommended for the imposition of appropriate sanctions for the unjustified failure of the concerned officials and employees to liquidate their cash advances.

6. Expenses incurred for the payment of wages of janitor and laborers, labor for the repairs and improvement of school facilities, food allowance and other purchases in the total amount of P371,178.00 were charged to the Special Education Fund (SEF), in violation of Republic Act Nos. 5447 and 7160.

We recommended that the Local Chief Executive and other approving authority should stop the practice of charging to the SEF, expenditures not within the scope of R.A. Nos. 5447 and 7160.

7. Hazard Pay and Subsistence Allowance were paid to an employee who is on Maternity Leave contrary to the provisions of the Department of Budget and Management (DBM) and Department of Health (DOH) Joint Circular No. 1, s. 2012.

We recommended that Rules and Regulations on the Grant of Compensation-Related Magna Carta Benefits to Public Health Workers (PHWs) be strictly observed in the granting of Hazard Pay and Subsistence Allowance to the RHU Personnel.

We also recommended that the Local Chief Executive directs the employee concerned to refund the amount received pertaining to the hazard pay and subsistence allowance during her maternity leave of absence.

8. The Municipal Government of Lemery, Iloilo granted its officials and employees a total amount of P1,765,920.00 as productivity enhancement incentive for calendar year 2013 contrary to Budget Circular No. 2013-3 dated November 21, 2013.

We recommended that management cause the refund of the excess of the 2013 PEI in the total amount of P1,341,420.00.

Summary of Implementation of Audit Recommendations

Of the eleven (11) recommendations embodied in the Prior Years' Annual Audit Report, three (3) were partially implemented and eight (8) were not implemented.