

EXECUTIVE SUMMARY

Highlights of Financial Operations

For calendar year (CY) 2013, the municipality reported a total income of ₱44,434,552.82, which is 24.28% or ₱8,681,544.49 higher than last year's ₱35,753,008.33. Total expenditures for CY 2013 was ₱ 32,823,632.93 compared to last year's ₱30,702,201.95 which is higher by 6.91% or ₱2,121,430.98.

Scope of Audit

The audit covered the accounts and operations of the Municipality of San Rafael, Province of Iloilo for the year ended December 31, 2013. The audit was conducted to determine the reliability of the LGU's accounts in order to express an opinion on the fairness of presentation of the financial statements as well as to determine whether or not the LGU's transactions were made in accordance with existing laws, rules and regulations.

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the CY 2013 financial statements due to the failure of the municipality to conduct physical count of its Property, Plant and Equipment, thus the actual existence and correctness of the account balances of the pertinent accounts cannot be ascertained.

Significant Findings and Recommendations

1. The municipality failed to conduct physical inventory of all its properties and to submit the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) to the auditor contrary to Section 124, Volume I and Section 57, Volume II of the Manual on the New Government Accounting System (NGAS) for Local Government Units, thus rendering uncertain the existence and correctness of the Property, Plant and Equipment (PPE) accounts totaling to ₱35,226,801.81.

We recommended that the Local Chief Executive should direct the Inventory Committee to conduct physical inventory of all the municipality's properties and to reconcile the results thereof with the accounting records to ascertain the correctness and existence of the reported balances in the financial statements.

We also recommended that the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) should be prepared and submitted to the Auditor pursuant to Section 124, Volume I and Section 57, Volume II of the Manual on the NGAS for LGUs.

2. The municipality failed to submit the accounting/financial reports within the prescribed period contrary to Sections 100 and 122 of P.D. 1445, COA Circular 95-006 and Sections 70 and 72 of the Manual on the New Government Accounting System for LGUs, Volume I, thus resulting to the delay in the audit of financial transactions and/or accounts.

We recommended that the Local Chief Executive should direct the Municipal Accountant and/or Municipal Treasurer to observe strictly the provisions of Sections 100 and 122 of P.D. 1445, COA Circular 95-006 and Sections 70 and 72 of the Manual on the New Government Accounting System for LGUs, Volume I, by submitting the financial reports/accounts together with all the supporting documents to the Auditor within the prescribed period.

We also recommended that the Local Chief Executive should provide additional staff to the Municipal Accountant and Municipal Treasurer to assist them in the preparation of financial reports and supporting documents.

3. The Consolidated Report of Accountability for Accountable Forms (CRAAF) and the individual Report of Accountability for Accountable Forms of collectors and other accountable officers are not submitted by the Municipal Treasurer to the Auditor contrary to Sections 50 and 51 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume II, hence reconciliation of accountable forms received and issued could not be readily established.

We recommended that the Municipal Treasurer should submit the Consolidated Report of Accountability for Accountable Forms (CRAAF) to the Auditor not later than the fifth (5th) day of the ensuing month pursuant to Sections 50 and 51 of the Manual on the NGAS for LGUs, Volume II.

We also recommended that the Municipal Treasurer should require the collectors and other accountable officers to submit their individual Report of Accountability for Accountable Forms at the end of the month as basis for the preparation and submission of the CRAAF.

4. The Reports on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF) are not submitted monthly by the Municipal Disaster Risk Reduction and Management Officer (MDRRMO), contrary to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, thus hindered the timely verification of the

correctness and proper utilization of the Municipal Disaster Risk Reduction and Management Fund.

We recommended that the Local Chief Executive should direct the Municipal Disaster Risk Reduction and Management Officer to submit to the COA Auditor the Reports 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 and Management Council (MDRRMC) and Local Development Council (LDC).

5. Cash in Vault as of December 31, 2013 totaling ₱ 4,831,255.88 remain undeposited, contrary to the provisions of Section 32 of the Manual on the New Government Accounting System for Local Government Units, Volume I, thus exposing government funds to possible loss or misapplication.

We recommended that the Local Chief Executive should direct the Municipal Treasurer to deposit all her collections intact with the authorized depository bank daily or not later than the next banking day as required under Section 32 of the Manual on the New Government Accounting System for LGUs, Volume I.

6. Cash advances amounting to ₱8,014,479.20 remain outstanding as of December 31, 2013 contrary to Section 89 of P.D. 1445 and COA Circular Nos. 97-002, 96-004 and 2012-004, thereby overstating the asset account and understating the concerned expense accounts and exposing the funds to risk of misapplication.

We recommended that the Local Chief Executive should direct the concerned municipal officials and employees to liquidate and/or refund immediately their unused cash advances pursuant to the provisions of Section 89 of P.D. 1445, COA Circular 97-002 dated February 10, 1997, and COA Circular 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.

We also recommended that the Local Chief Executive should instruct the Municipal Treasurer/Disbursing Officer to withhold payment of their salaries until they have complied with the requirement.

Further, we recommended that no additional cash advances shall be granted to any official or employee unless the previous cash advance has been liquidated as provided under the above-cited provisions of law and regulations of COA.

7. The municipality failed to submit copies of contracts/purchase orders with their supporting documents to the Auditor within five (5) working days from the execution/issuance thereof and the Auditor is not notified of deliveries of procured items, contrary to Sections 3.1.1, 3.1.2 and 3.2.1 of COA Circular No. 2009-001

dated February 12, 2009 and Section A.2 of COA Circular No. 96-010 dated August 15, 1996, thereby hindering the timely review and evaluation thereof.

We recommended that the Local Chief Executive should direct the employees concerned to observe strictly the provisions of Sections 3.1.1, 3.1.2 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009 and Section A.2 of COA Circular No. 96-010 dated August 15, 1996 by submitting a copy of all contracts and purchase orders within five (5) working days from its execution and notify the Auditor of the time and date of the scheduled deliveries within twenty-four (24) hours from the acceptance of such deliveries.

8. Monthly Report of Fuel Consumption and Report of Official Travels were not submitted to the Auditor, contrary to the Manual on Audit for Fuel Consumption of Government Motor Vehicles prescribed in COA Circular No. 77-61 dated September 26, 1977, thus the reasonableness of gasoline, oil and lubricants consumed for CY 2013 totaling ₱231,169.72 could not be ascertained.

We recommended that the Local Chief Executive should direct the employees concerned to submit the Monthly Reports of Fuel Consumption and Reports of Official Travels in accordance with the provisions of COA Circular No. 77-61 dated September 26, 1977 for effective control of gasoline, oil and lubricant expenditures.

We also recommended that all Driver's Trip Tickets should be accomplished properly to prove the correctness/accuracy of the fuel consumed.

Status of Implementation of Prior Year's Audit Recommendations

Of the five (5) audit recommendations contained in the prior year's Annual Audit Report, one (1) was fully implemented, three (3) were partially implemented, and one (1) was not implemented.