

## EXECUTIVE SUMMARY

### HIGHLIGHTS ON THE FINANCIAL OPERATION

To cope with the current year's operation, the municipality appropriated P62,856,040.00 for the General Fund and P800,000.00 for the Special Education Fund. (Annex D and D1).

For calendar year 2013, the municipality was able to generate revenues of P62,981,164.92. Actual income during the year showed an increase of P2,764,751.44 or 5% compared with that of last year's P60,216,413.48, as shown below:

	<b>2013</b>	<b>2012</b>	<b>Increase/ (Decrease)</b>	<b>%</b>
Local Taxes	P2,795,116.67	P3,502,869.33	(P 707,752.66)	(20%)
Permits and Licenses	778,236.77	579,295.59	198,941.18	34%
Service Income	882,320.36	709,752.94	172,567.42	24%
Business Income	4,953,518.81	4,621,337.91	332,180.90	7%
Other Income	53,571,972.31	50,803,157.71	2,768,814.60	5%
<b>Total</b>	<b>P62,981,164.92</b>	<b>P60,216,413.48</b>	<b>P2,764,751.44</b>	<b>5%</b>

On the other hand, total expenditures incurred during the year for all funds amounted to P52,965,233.32 or an increase of P1,637,481.20 or 3% compared with last year's P51,327,752.12, as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>Increase/ (Decrease)</u></b>	<b><u>%</u></b>
Personal Services	P32,538,983.38	P 33,346,756.38	(P807,773.00)	(2%)
Maint. & Other Operating Expenses	20,426,249.94	17,980,995.74	2,445,254.20	14%
Financial Expenses	0	0	0	0
<b>Total</b>	<b>P 52,965,233.32</b>	<b>P51,327,752.12</b>	<b>P 1,637,481.20</b>	<b>3%</b>

The municipality has a current ratio of 4.24:1 during the year. It has substantial assets to meet its current liabilities. However, it showed an increase of 1.97 or 87% compared with last year's 2.27:1, as shown in the next page:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

<u>2013</u>	<u>2012</u>	Increase % Increase (Decrease)(Decrease)
P17,485,354.86	P16,686,876.76	
-----	-----	= 4.24:1      = 2.27:1      1.9787%
P4,120,702.32	====P7,345,848.01	====      =      =      =

**SCOPE OF AUDIT**

An audit was conducted on the accounts and operations of the Municipality of Candijay, Bohol for Calendar Year 2013. The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency with 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. It was also aimed to review managerial efficiency with the end in view of eliminating waste and promoting efficient use of public funds and resources and the ascertainment of the agency’s effectiveness by determining whether desired results have been achieved.

**AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS**

The auditor rendered an adverse opinion on the financial statements as of December 31, 2013 as the substantial accumulated cash advances granted to officers and employees amounting to P4,622,359.99 remained unliquidated, misstated the affected asset and expense account balances as of year end. Moreover, several book and bank reconciling items remained unadjusted rendering the Cash in Bank balance of P6,597,990.46 inaccurate and unreliable. Further, the juggling of funds occurred in the General Fund amounting to P1,019,320.16 and overdraft in operations of the Special Education Fund of P456,692.37 which greatly affected the financial position of the municipality.

**SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

1. The granting, utilization and liquidation of cash advances of the LGU personnel were not properly controlled and monitored, thus accumulating substantial unliquidated amount of P4,622,359.99 for all funds, ranging from P1,000.00 to P722,658.07 from 1 year to more than 10 years despite previous recommendations made contrary to COA Circular No. 96-004 COA Circulars No. 97-002, thus overstating the assets and understating the expenses account.

We recommend that management to:

- a. Require the officials/employees concerned to submit liquidation documents of their outstanding cash advances. In case of failure to do so, withhold any claim/payment of these personnel concerned without prejudice to the filing of appropriate charges against them as prescribed in COA Memorandum No. 2004-014.

- b. Require strict compliance with the provisions of COA Circular No. 97-002 and 96-004 in the granting, utilization and liquidation of cash advances. Grant additional cash advances only when the previous one have been fully liquidated.
2. Reconciling items amounting to P 1,318,359.75 and P2,251,261.11, as additions to and deductions from the cash in bank balance have accumulated for more than 4 years and remained unadjusted due to the failure of the municipal accountant to record/take-up adjustments in the books, resulting in the overstatement of the cash in bank account by P932,901.36 hence, the accuracy of the financial position of the municipality at year end is doubtful.

We recommend that management direct the Municipal Accountant to exert extra effort to trace, verify and reconcile the book and bank balances of the Cash-in-Bank accounts to arrive at a corrected balance. Copies of bank debit and credit memoranda should be secured from the depository bank to support the entries that will be prepared to adjust or correct the accounts. Documentation from the bank should be persistently secured to serve as basis for the adjustments/corrections and recording of charges made by the bank on the municipal accounts. A journal voucher shall be prepared for all reconciling items to effect adjustment thereof.

3. Management failed to exercise fiscal restraints in the disbursements of funds contrary to Section 158 of GAAM Volume I, resulting in an overdraft in operations in the Special Education Fund amounting to P456,692.37 as of year- end.

We recommend that management:

- a. Require the Municipal Budget Officer and the Municipal Accountant to monitor and control disbursements of the funds by not exceeding fifty (50%) of the uncollected estimated revenue in addition to the actual collections, provided, however, that no cash overdraft in any local fund shall be incurred at the end of the year.
  - b. Observe strictly the provision of Section 158 of GAAM, Volume I in the disbursement of funds to preclude incurrence of overdraft.
- 4 General Fund transactions totaling P1,019,320.16 without cash back up were deliberately paid against the Special Education Fund hence, the Municipal Treasurer unlawfully transfer funds from the IRA received in the 2<sup>nd</sup> quarter to the SEF to cover-up said disbursements which is deemed unauthorized and without legal basis contrary to Sec. 305 (a) and 306 of RA 7160.

We recommend that management:

- a. Instruct the Municipal Treasurer to refrain from paying claims without cash available for that purpose.

- b. Require the Municipal Treasurer and Municipal Accountant to update and reconcile items regularly to determine the correct balances in the books and bank.
  - c. Transfer of funds should be duly authorized and supported with a resolution or ordinance.
5. Share of Capitation Fund amounting to P147,350.00 was granted to three (3) municipal officials of the LGU without any legal basis contrary to Section 3.1 of COA Circular 85-55A and Section 4.5 of DBM Budget Circular No. 16 that constitutes irregular and illegal disbursements that lead to loss of government funds.

We recommend that management:

- a. Immediately discontinue the grant of the share of the capitation fund due to the absence of specific provisions of law/legal basis.
  - b. Cause the immediate refund of the capitation fund given to the three (3) municipal officials upon receipt of the Notice of Disallowance.
6. The Municipal Treasurer failed to prepare daily the Report of Checks Issued (RCI) for all checks released for each fund and to maintain the check register as provided for in Section 43 and 44(i) of NGAS Vol. 1 hence, check issuances are not monitored /controlled thus, overdraft and juggling of funds occurred in the General and Special Education Fund cash in bank accounts which resulted in bank charges in the total amount of P67,162.71 contrary to Section 105 (2) of P.D. 1445 to the disadvantage of the LGU.
- a. Instruct the Municipal Treasurer to record the checks in the report of checks issued daily and to keep and maintain a check register where all checks drawn for the day are immediately recorded in chronological sequence and where the rightful claimants are required to acknowledge receipt of the check in the check register as a tool of controlling the issuance of checks and detecting possible irregularities and avoiding possible claim disputes.
  - b. Require the Municipal Treasurer to record regularly and update the balances in the books and in the banks.
  - c. Refrain from issuing checks without cash back-up.
  - d. The municipal treasurer shall bear the service charges imposed by the bank in pursuant to Section 105 of PD1445.
7. Collections received by the collectors were not remitted, turned-over regularly and not deposited intact by the Municipal Treasurer hence, accumulated in his possession for 10 days or more than 1 month contrary to Section 32 of NGAS Manual and exposes government funds to risk of loss or misappropriation.

We recommend that the Municipal Treasurer deposit all his collections intact with the authorized depository bank daily or on the next banking day pursuant to Section 32 of the New Government Accounting System Manual, Volume I to avoid exposure of public funds to the risk of loss or misappropriation.

8. Lack of proper verification by the Municipal Accountant on actual ledger balances before effecting payment resulted in the existence of abnormal subsidiary ledger balances of the Due to GSIS, Due to Pag-ibig and Other Payables account of P68,674.84, P82,701.80 and P147,513.46, respectively, an indication of over-remittance of premiums or loan payments resulting to unavailability of funds to pay for other liability accounts.

We recommend that management:

- a. Require the municipal accountant to carefully check and verify the monthly remittance list to FCB, CFI, Quedancor, and CBB those premiums and loan amortizations deducted from the payroll of each employee.
- b. Further, require the municipal accountant to be cautious on the abnormal balances in the ledger, focusing in particular the liability accounts.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the thirty eight (38) audit recommendations embodied in the Annual Audit Report for CY 2012 and prior years, five (5) were implemented, twenty six(26)were partially implemented and seven (7) were not implemented during the year.