

EXECUTIVE SUMMARY

Highlights of Financial Operation

Revenues of the municipality were derived from real property taxes, municipal business licenses, receipts from public market, utilities, hospital and other economic enterprises, permits, rentals and other fees. Interests from bank deposits also formed part of the total income. However, the municipal government depended largely on the Internal Revenue Allotment from the national government.

Current year's appropriation of P64,282,400.00 (Annex D) is P9,110,464.25 or 16.51% higher than last year's appropriation of P55,171,935.75. The amount of P9,986,704.80 was programmed for the 20% development fund.

Below is a breakdown by fund for appropriations, obligations and balances for the current year 2013:

	<u>Appropriations</u>	<u>Obligations</u>	<u>Balances</u>
General Fund	P64,233,400.00	P62,758,304.41	P1,475,095.59
Special Education Fund	<u>49,000.00</u>	<u>41,441.96</u>	<u>7,558.04</u>
Total	P64,282,400.00 =====	P62,799,746.37 =====	P1,482,653.63 =====

The financial and operational highlight of the municipality for the year 2013, with a comparison of the preceding year, is shown as follows:

	<u>2013</u>	<u>2012</u>	<u>Increase</u> <u>/(Decrease)</u>
INCOME			
Income other than IRA	P 15,608,126.86	P 11,267,232.43	4,340,894.43
Internal Revenue Allotment	<u>49,933,524.00</u>	<u>44,247,636.00</u>	<u>5,685,888.00</u>
Total Income	P <u>65,541,650.86</u>	P <u>55,514,868.43</u>	<u>P10,026,782.43</u>
EXPENSES			
Personal Services	P 32,621,406.38	P 28,943,830.75	3,677,575.63
Maintenance and Operating Expenses	29,336,492.87	23,660,751.89	5,675,740.98
Financial Expenses	2,116,408.15	1,681,815.06	434,593.09
Other Operating Expenses/Loss	-	-	-
Total Expenses	P <u>64,074,307.40</u>	P <u>54,286,397.70</u>	<u>P 9,787,909.70</u>
Net Income/(Loss)	P <u>1,467,343.46</u>	P <u>1,228,470.73</u>	P <u>238,872.73</u>

Assets	P 64,551,710.72	P 72,668,331.55	(8,116,620.83)
Less: Liabilities	<u>33,942,367.58</u>	<u>44,437,232.62</u>	<u>(10,494,865.04)</u>
Government Equity	P <u>30,609,343.14</u>	P <u>28,231,098.93</u>	<u>2,378,244.21</u>

Financial Ratios:

<u>Cash+Receivables</u>	<u>25,287,135.00</u>	<u>33,129,527.31</u>
Current Liabilities	15,408,971.03	15,181,169.53

Liquidity Ratio: 1.64 : 1 2.18 : 1 (0.54)

<u>Current Assets</u>	<u>26,287,913.49</u>	<u>33,686,856.87</u>
Current Liabilities	15,408,971.03	15,181,169.53

Current Ratio: 1.70 :1 2.21 :1 (0.51)

Based on the presented ratios, the municipality's capacity to pay its debts has noticeably decreased in CY 2013 with a decrease in liquidity ratio from 2.18:1 to 1.64:1 while the current ratio decreased from 2.21:1 to 1.70:1. Its total income of P65,541,650.86 has increased by P10,026,782.43 due to the increase in IRA and other sources which is 18.06% higher than the CY 2012 income of P55,514,868.43. On the other hand, total expenditures amounted to P64,074,307.40 is 18.03% higher or an increase of P9,787,909.70 over that of last year of P54,286,397.70. However, after considering the non-cash expenses such as depreciation, the overall result for the year ended December 31, 2013 is a net income amounting to P1,467,343.46.

SCOPE OF AUDIT

An audit was conducted on the accounts and operations of the municipality of San Miguel, Bohol for CY 2013. The audit consisted of review of operating procedures; interview with concerned government officials and employees; verification, reconciliation, and analysis of accounts and such other procedures considered necessary. It was aimed at ascertaining the propriety of disbursements and reliability of financial reports and determining whether the agency's operations had been conducted in accordance with laws, rules and regulations.

The audit 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 to ascertain the agency's effectiveness in determining whether desired results have been achieved and the programs have accomplished their purposes and objectives.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because financial assistance granted to barangays amounting to P1,020,030.00 for projects/programs and activities were not liquidated during the year and were erroneously recorded in the books as Accounts Payable instead of receivable account, thus resulted to the overstatement of the liability account and understatement of receivable account as well. Due to Other NGAs amounting to P2,018,181.43 were projects/programs which were not implemented or implemented but not yet liquidated and balances which were not returned to the concerned agencies that remained in the books of the agency resulted to the overstatement of the liability accounts. Further, cash advances for travels, special purposes and intelligence expenses amounting to P1,309,101.62 were not liquidated/settled during the year even if the purposes had been served, thereby overstating the assets and understating the expenses and exposing cash to misapplications.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the significant findings and corresponding recommendations:

1. Due to Other NGAs amounting to P2,018,181.43 were projects/programs which were not implemented or implemented but not yet liquidated and balances which were not returned to the concerned agencies that remained in the books of the agency contrary to COA Circular Nos. 2004-008 and 94-013 resulting to the overstatement of the liability accounts.

We recommend that management:

- a) Use the funds received in accordance with the project proposals on a timely manner to maximize the beneficial use of government projects;
 - b) Effect the proper liquidation of all implemented projects to the concerned agencies and remit the remaining balances of the funds after the completion of the project or seek authority from the issuing agency for the utilization of the excess funds.
2. Shopping was the regular mode of procurement used in the purchases of Medicines and Supplies totaling P1,403,617.48 instead of competitive bidding contrary to Section 10 of RA 9184 that resulted to purchases from two (2) favored suppliers, thus, transparency, economy and competitiveness in procurement were disregarded.

We recommend that Management:

- a) Require the Bids and Awards Committee (BAC) to use competitive bidding in the procurement of medicines, supplies and equipment for hospital use to get the most advantageous price of the items;

- b) Require the hospital administrator to prepare the list of supplies and submit to the BAC for inclusion in the Annual Procurement Plan (APP) of the municipality.
3. Cash Advances for travels, special purposes and intelligence expenses amounting to P1,309,101.62 were not liquidated/settled during the year even if the purposes had been served contrary to the provisions of COA Circular No. 97-002, Section 179(h) of the Government Accounting and Auditing Manual (GAAM) Volume 1 and COA Circular No. 2003-003 dated July 30, 2003, thereby overstating the assets and understating the expenses and exposing cash to misapplications.

We recommend that Management:

- a) Require the employees concerned to liquidate immediately all their unliquidated cash advances. Inform them also that failure to liquidate said cash advances may constitute valid cause for the withholding of their salaries and other claims due them;
 - b) Avoid additional cash advance without settlement/liquidation of the previous cash advance;
 - c) Follow up the liquidations of the cash advances for Intelligence Fund to COA Central Office until such time that credit advices will receive.
4. Unserviceable Properties amounting to P1,234,590.89 were still included in the Property, Plant and Equipment accounts in the books of the municipality and were not reclassified to Other Assets account for final disposal contrary to Section 140 of the New Government Accounting Manual for LGUs, Volume III and Section 79 of PD 1445, thus overstating the PPE account.

We recommend that Management:

- a) Require the Municipal Accountant to reclassify the unserviceable/damaged properties to Other Assets Account in the books of the municipality;
 - b) Require the Disposal/Inventory Committee to dispose immediately the unserviceable/damaged properties;
 - c) Require the Municipal Accountant to effect adjustments in the books based on the disposed properties.
5. Financial assistance granted to barangays amounting to P1,020,030.00 for projects/programs and activities were not liquidated during the year and were erroneously recorded in the books as Accounts Payable instead of receivable account, contrary to Section 141 of the New Government Accounting System (NGAS) for LGUs, Volume III, thus resulted to the overstatement of the liability account and understatement of receivable account as well.

We recommend that Management:

- a) Require the municipal accountant to use the proper account in recording the financial assistance to barangays as receivables as there were no liquidations submitted;
 - b) Effect the necessary adjustments in the books to correct the payable accounts and follow up the liquidations of these financial assistance.
6. Receivables amounting to P219,975.10 for more than 9 years remained unsettled in the books of accounts contrary to Section 37 of Presidential Decree 1445 and Section 64 of the Government Accounting and Auditing Manual(GAAM) Volume I, thus, collectibility and propriety of these accounts were doubtful.

We recommend that Management:

- a) Require the Municipal Accountant to send billings and/or demand letters to the individuals concerned who are still in the locality for possible collections;
 - b) If collection is futile for valid reasons, request authority from the Commission on Audit for the write off of these accounts;
 - c) Require the Municipal Accountant that for whatever result in the request for write off of the accounts, take the necessary adjustment in the books of the municipality.
7. Payments for Incidental Expenses and Meal Allowances granted to officials/employees on official travel during Benchmarking in Negros Oriental was not in accordance with the allowable benefits contrary to Section 6 of the Administrative Order No. 298, thus, incurring excess payments amounting to P30,038.00.

Recommendation

We recommend that Management require the municipal accountant to review the claims for incidental, meal and lodging allowances based on the arrival and departure from the official destination of the travelling employees to avoid incurrence of excess payments and wastage of government resources.

8. Payments for gasoline, oil and lubricants were not supported with properly accomplished driver's trip tickets, monthly reports of official travels and monthly reports of fuel consumption to substantiate the authenticity of the use of gasoline for official travels undertaken, contrary to COA Circular No. 77-61 dated September 26, 1977, thereby casting doubt as to the reasonableness and propriety of the total gasoline expenses recorded in the books.

We recommend that Management:

- a) Require the Municipal Accountant to verify and ascertain that payments for gasoline, oil and lubricants are duly supported with completely filled up driver's trip tickets for proper evaluation on the propriety and reasonableness of fuel consumption;
 - b) Direct the vehicle drivers concerned to completely fill up or indicate the following data or information on the Driver's Trip Ticket:
 - a. Vehicle Plate Number
 - b. Time of departure and arrival of the trip
 - c. Balance in Tank at the beginning and end of the trip
 - d. Distance Travelled
 - e. Odometer reading, if available
 - f. Litters of gasoline purchased and consumed for the trip
 - g. Place of Destination
 - h. Purpose of Travel
 - i. Name of Driver and Passengers and their respective signatures
 - c) Direct the vehicle drivers concerned to prepare and submit to the Auditor, on a monthly basis, the Monthly Report of Official Travels and the Monthly Report of Fuel Consumption for proper analysis, verification and the necessary audit action on fuel consumption.
9. Copies of contracts/purchase orders were not submitted for audit and verification within five (5) days from issuance contrary to COA Circulars 2009-001, 87-278, 89-299 and 96-010, which prevented the auditor from conducting review and evaluation of the terms and conditions of the contract at the most appropriate time and manner.

We recommend that Management:

- a) Copies of perfected contracts/purchase orders together with the supporting documents should be submitted to the auditor within five (5) days after issuance to give ample time for review, validation, possible inspection and for immediate communication by the auditor to the local officials of the deficiencies noted during the audit work;
- b) The copies to be furnished to the audit team should be separated from those being enclosed in the disbursement vouchers for post audit purposes.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS

Of the thirteen (13) prior years' audit recommendations embodied in the 2012 Annual Audit Report, two (2) were fully implemented, ten (10) were partially implemented and one (1) was not implemented during the year.