

## EXECUTIVE SUMMARY

### HIGHLIGHTS OF FINANCIAL OPERATION

#### a. Sources and Application of Funds

Actual operating income realized during the year amounting to P132,138,103.25 is P8,736,853.84 or 7.08% higher than last year's income of P123,401,249.41. Revenue sources of the municipality were derived from real property taxes, receipts from public market and slaughterhouse, rentals, permits and other fees. Out of the total income collected, P109,927,776.20 or 83.19% was sourced from the Internal Revenue Allotment and P22,210,327.05 or 16.81% represented income from other sources consist of the following:

Tax Revenue	P13,968,697.99
Permits and Licenses	1,495,821.28
Business and Service Income	6,637,296.66
Other Income	<u>108,511.12</u>
Total	<u>P22,210,327.05</u>

#### b. Appropriations

Current year's appropriation for all funds of P132,806,754.23 (Annex D) is P11,803,278.79 or 9.75% higher than last year's appropriation of P121,003,475.44. The amount of P19,593,826.00 was programmed for the 20% development fund.

Continuing appropriations amounted to P35,423.75 of which no obligation was incurred (Annex E).

#### c. Obligations

The total obligations incurred during the year of P126,235,852.42, pertains only to the current appropriations.

Total operating expenditures incurred during the year of P 121,010,331.68 is P10,162,872.95 or 9.16% higher than last year's expenses of P110,847,458.73. These expenditures represent 91.09 % of the total current and continuing appropriations of P132,842,177.98.

Breakdown of expenses and its percentage to total appropriation follows:

	<u>Expenses</u>	<u>Percentage</u>
Personal Services	P59,477,177.25	44.77 %
Maintenance and Other Operating Expenses	51,878,278.58	39.05 %
Financial Expenses	<u>910,467.06</u>	<u>.68 %</u>
Total	P112,265,922.89	84.50 %
Add: Subsidies	<u>8,744,408.79</u>	<u>6.59%</u>
	P 121,010,331.68	91.09%
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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	P132,806,754.23	P126,235,852.42	P6,570,901.81
Special Education Fund	<u>35,423.75</u>	<u>                    </u>	<u>35,423.75</u>
T o t a l	P132,842,177.98	P126,235,852.42	P6,606,325.56
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The municipality’s assets, liabilities, and government equity as of December 31, 2013 were P113,893,684.14, P33,952,830.15 and P79,940,853.99, respectively. Total assets was increased by P8,011,180.69 or 7.56% of last year’s P105,882,503.45 due to the increased in the Internal Revenue Allotment received during the year. The liabilities was decreased by P2,047,933.55 or 5.68% over that of last year’s P36,001,763.70 and the government equity was increased by P10,060,114.24 or 14.39% of last year’s P69,880,739.75. The municipality has substantial assets to meet its current liabilities with a current ratio of 1.57:1 and a quick ratio of 1.56:1, shown as follows:

<u>Current Assets</u>	=	<u>P38,195,838.04</u>	=	1.57 :1
Current Liabilities		P24,249,407.18		
 <u>Current Assets-Inventories</u>	 =	 <u>P38,195,838.04-P414,012.88</u>	 =	 1.56 :1
Current Liabilities		P24,249,407.18		

## **SCOPE OF AUDIT**

An audit was conducted on the accounts and operations of the Municipality of Ubay, Bohol for CY 2013. The audit consisted of review of the 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 by 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 since the unserviceable assets and assets no longer needed amounting to P3,079,014.75 of the municipality were not acted upon and still part of its Property, Plant and Equipment as Other Assets Account. Cash Advances for travels, other purposes and intelligence expenses amounting to P1,524,454.88 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. Further, Breeding Stocks/Work/Other Animals amounting to P471,000.25 recorded in the books of the municipality for a long time were not supported with complete records, thus its existence could not be ascertained.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

The following summarizes the significant findings and recommendations:

1. Unserviceable assets and assets no longer needed amounting to P3,079,014.75 of the municipality were not acted upon in accordance to Section 79 of Presidential Decree (PD)1445, thus remain in the books as part of its Property Plant and Equipment during the year as Other Assets Account.

### **Recommendations**

We recommend to the local officials concerned to transfer those assets located in the different barangays to the barangays concerned for them to maintain the properties;

We recommend to the disposal/inventory committee to evaluate the assets declared to be valueless or valuable and take appropriate action for its proper disposal/sale;

We also recommend to the municipal accountant to take necessary adjustments in the books after disposal/reclassification of the properties.

2. Cash Advances for travels, other purposes and intelligence expenses amounting to P1,524,454.88 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.

#### Recommendations

Inform and require the employees concerned to liquidate immediately all their unliquidated cash advances. Issue memoranda for the withholding of their salaries and any other claims due them in case no liquidation/settlement made from the concerned employees;

Avoid additional cash advance without settlement/liquidation of the previous cash advance;

Submit immediately the liquidation report of the cash advance for Intelligence Fund to COA Central Office and have constant follow up until such time that credit advice will be received and copy furnished this Office for monitoring.

3. The Breeding Stocks/Work/Other Animals amounting to P 471,000.25 recorded in the books of the municipality for a long time were not supported with complete records contrary to Section 487 (d) of the Government Accounting and Auditing Manual (GAAM) Volume I, thus its existence could not be ascertained.

#### Recommendations

We recommend management to coordinate with the Municipal Agricultural Officer (MAO) this municipality for possible inventory listings of these properties;

We recommend to the inventory committee that based on the inventory listings furnished by MAO conduct the head count of the stocks;

We recommend also to the municipal accountant that based on the result of the head count necessary adjustment in the books should be undertaken.

4. Payments for salary loans of officials and employees amounting to P401,241.30 were directly deducted from the cash in bank account of the municipality instead of paying it by checks based on the amount withheld from salaries contrary to Section 37 of the New Government Accounting System (NGAS) Volume I for Local Government Units, thus, correctness of the amounts directly deducted in the account of the municipality by the bank and the amounts withheld from salaries of officials and employees as payments of the loans could not be ascertained.

#### Recommendations

We recommend the municipal accountant to prepare the necessary disbursement vouchers with the remittance lists of employees in the payments of salary loans and review the transactions based on the amounts withheld in the payroll from the salaries of the employees concerned to ascertain the correctness of the amounts to be paid;

Likewise, officials concerned should advise the bank to discontinue the direct deduction of salary loans to the cash in bank account of the municipality to prevent possible errors and loss of funds.

5. Obligations of prior year amounting to P290,568.71 were paid in the current year's appropriation contrary to Section 141 of the Government Accounting and Auditing Manual (GAAM) Volume I, which might result in the non-realization of some programs, projects and activities planned during the year for lack of funds.

We recommend management to:

Require the budget officer to properly monitor the appropriations for the obligations incurred by the municipality in order to realize all the programs, projects and activities planned during the budget year and the municipal treasurer to strictly observe the availability of funds in every transactions;

Require the municipal accountant to record all unpaid transactions during the year to Accounts Payable for proper control and monitoring.

6. Financial Assistance granted to different barangays, municipalities and other entities for implementation of various programs/activities amounting to P84,500.00 were not acknowledge received by an Official Receipts contrary to Section 69 of the Government Accounting and Auditing Manual (GAAM) Volume I and Section 29 of the New Government Accounting System (NGAS) Manual Volume I for Local Government Units, thus, usage of funds for which its was granted could not be assured.

## Recommendation

We recommend the municipal treasurer to demand official receipts in acknowledgement of the financial assistance granted to barangays, municipalities and other entities to safeguard the limited resources of the government and to realize the programs and activities for which the fund was granted.

7. Claims for travel expenses of officials and employees were granted excessively in accordance to Section 164 of the Government Accounting and Auditing Manual (GAAM) Volume I, thus, claims were in excess of P 62,804.00 to what is usual or proper.

## Recommendations

We recommend that the travelling employees and the reviewer/processor of the vouchers for travel should limit the allowances based on its entitlement to avoid excess claims;

It is further recommended that the municipal accountant should review carefully the travel claims to avoid unnecessary expenses and wastage of funds.

8. Disbursements of the Petty Cash Fund was not maintained under the imprest system contrary to Section 48 of the New Government Accounting System (NGAS) Manual Volume I for Local Government Units, thus, replenishments were made on cash advances in various amounts ranging from P20,000.00, P30,000.00 and P40,000.00 depending on the quantity of vouchers to be paid instead of preparing the replenishment vouchers based on the actual expenses as a control mechanism of not exceeding the ceiling amount.

## Recommendations

We recommend to the municipal accountant to maintain the Petty Cash Fund under the imprest system, set up the fund at the beginning of the year in a specific ceiling amount and to prepare the ALOBS for recording in the RAAO. Upon liquidation of the fund at the end of the year, the ALOBs setting up the fund at the beginning of the year shall be cancelled and another ALOBs shall be prepared taking up the liquidation and recorded in the RAAO based on the actual expenses.

We recommend also to the disbursing officer to prepare disbursement vouchers for each replenishment of the actual expenses during the year supported by a list/summary of PCVs, the PCVs and its supporting documents. At the end of the year the unused cash shall be returned to the Treasurer who shall issue an Official Receipt to acknowledge the refund.

9. Several disbursement vouchers were not certified by the Municipal Treasurer as to funds available contrary to Section 38(3) of the New Government Accounting System (NGAS) Manual Volume I, thus, availability of funds for the said transactions could not be ascertained.

#### Recommendation

We recommend the municipal treasurer to certify all disbursement vouchers as to funds available to establish proper control in the utilization of funds in order to realize all the programs and activities as planned during the year.

10. Preparation of payrolls for salaries and wages of employees and remittances of obligations for the employees to the different agencies were prepared by one department contrary to Section 50 of the Government Accounting and Auditing Manual (GAAM) Volume III, thus check and balance does not exist.

#### Recommendations

We recommend to management that preparation of payrolls for salaries of employees should be done by the Human Resource Management Department to check attendance/tardiness of employees for deductions in the payrolls;

We recommend also that preparation of the remittances shall be done in the accounting department to ensure that what is deducted in the payroll of the employees salaries are the one remitted to the different agencies and by so doing effective check and balance exists.

11. Had the 20% development fund amounting to P3,527,456.55 been fully utilized on its programmed projects as mandated under Joint Circular No. 2011-1 of the Department of Interior and Local Government (DILG) and the Department of Budget and Management (DBM), the benefits could have been delivered to the people and the possibility to increase its income out of the projects could have been realized by the municipality.

#### Recommendation

We recommend to management that programmed projects of the 20% development fund during the year should be fully implemented in order to realize its purpose for the benefits of the people and to increase income to augment the limited resources of the municipality.

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

Of the seventy one (71) audit recommendations embodied in the 2012 Annual Audit Report, thirty (30) were implemented, twenty five (25) were partially implemented and sixteen (16) were not implemented during the year.