

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of President Roxas was created on May 8, 1967 by virtue of Republic Act No. 4869. The bill seeking the creation of the municipality was first introduced in the House of Representatives on January 23, 1967 by Hon. Salipada K. Pendatun, representative of the province of Cotabato. It was then passed and approved in the House of the Senate on February 13, 1967.

President Roxas is a first class municipality which stretches over a land area of approximately 31,825 hectares that lies in the eastern part of Cotabato; bounded in the north by Bukidnon Province; in the west by the Municipalities of Carmen and Matalam; in the east by Municipality of Magpet and in the south by the City of Kidapawan. It is composed of twenty-five (25) barangays and a population of 50,001 people.

Pursuant to R.A. 7160, known as the Local Government Code of 1991, the Municipality, like other local government units, enjoys independence in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

OPERATIONAL HIGHLIGHTS

The municipality is mandated in R.A. 7160 to deliver essential services through the realization of its programs and projects, to enhance growth and development and to promote the maintenance of peace and order in the locality.

The highly energetic and dynamic Hon. Mayor Jaime H. Mahimpit heads the Municipal Government of Pres. Roxas. Vice-Mayor Noel C. Mallorca and the Sanggunian Members ably assist him.

Programs and projects of the municipality under the Economic Development Fund was 93% accomplished spending P20,863,706.55 out of its CY 2013 appropriation of P22,456,948.54. The significant development program and projects implemented/accomplished by the municipal government under the Economic Development Fund are shown as **Annex A** of this report.

HIGHLIGHTS OF FINANCIAL OPERATIONS

Sources of Fund

The Municipal Government of Pres. Roxas reported a consolidated operating income for the General and Special Education Fund of P125,929,002.30 for the year 2013 which is higher by P14,567,213.09 or 13% compared to that of last year which was P111,361,789.21. A comparative schedule is shown below:

Income	2013	2012	Increase (Decrease)	%
Local taxes	4,394,967.79	4,015,083.69	379,884.10	9.4%
Permits & Licenses	483,964.65	474,541.48	9,423.17	1.9%
Internal Revenue Allotment	111,783,726.00	100,516,834.00	11,266,892.00	11.2%
Service Income	3,895,134.96	1,109,856.21	2,785,278.75	250.9%
Business Income	3,025,573.74	4,595,179.97	(1,569,606.23)	(34.1%)
Other Income	2,345,635.16	650,293.86	1,695,341.30	260.7%
Total	125,929,002.30	111,361,789.21	14,567,213.09	13%

Appropriation & Obligations

Total current legislative appropriations during the year amounted to P137,688,518 consisting of P135,166,518 for the General Fund and P2,522,000 for the Special Education Fund. For CY 2013, the Municipality incurred obligations amounting to P124,791,359 consisting of P122,625,941 for the General Fund and P2,165,418 for the Special Education Fund. A comparative fund distribution is shown as follows:

Funds	Appropriations	Obligations	Balance
General Fund	135,166,518	122,625,941	12,540,577
Special Education Fund	2,522,000	2,165,418	356,582
Total	137,688,518	124,791,359	12,897,159

Statements of Appropriations, Allotments, Obligations and Balances for the General Fund and the Special Education Fund are attached as **Annexes B and C**.

Financial Condition

The Municipality's assets, liabilities and equity as of December 31, 2013 were ₱170,626,839.65, P85,535,878.31 and P85,090,961.34 respectively. This marked a decrease in assets, and Government Equity by 1.4 percent and 11.8% respectively percent while an increase in liability by 11% over that of last year. A comparative schedule is shown below:

	2013	2012	Increase (Decrease)	%
Assets	170,626,839.65	173,174,583.55	(2,547,743.90)	(1.4%)

Liabilities	69,911,132.02	63,420,774.61	6,490,357.41	10.2%
Deferred Credits	15,624,746.29	13,188,220.09	2,436,526.20	18.4%
Government Equity	85,090,961.34	96,565,588.85	(11,474,627.52)	(11.8%)

Financial ratios

Liquidity	Formula	2013	2012
Current Assets Ratio	Current Assets/ Current Liabilities	.99:1	1.40:1
Quick (Acid Test) Ratio	Current Assets less Inventory/Current Liabilities	.97.4:1	1.33:1
Net Working Capital	Current Assets less Current Liabilities	(806,777.95)	17,354,640.62

Financial Leverage

	Formula	2013	2012
Debt Ratio	Total Liabilities / Total Assets	.50:1	.44:1
Debt to Equity	Long Term Debt/ Government Equity	.15:1	.20:1

SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Pres. Roxas for the year ended December 31, 2013. Our audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the effects of the noted deficiencies in the balances of some accounts, as discussed in Part II of the report and summarized as follows:

1. Doubtful Property, Plant and Equipment account balance due to the absence of reconciliation between the accounting and property records, thus affecting the fair presentation of the said accounts in the financial statements.
2. Overstatement of Public Infrastructures and Government Equity accounts due to the non-transfer of completed projects to the Registry of Infrastructure.
3. Doubtful accuracy and reliability of the Due from Other Funds and Due to Other Funds accounts due to discrepancy between these reciprocal accounts.
4. Overstatement of the net income and the book value of the Property, Plant and Equipment due to non-provision of depreciation to some depreciable assets of the municipality.
5. Overstatement of the School Buildings and Government Equity accounts due to erroneous treatment of the LGU counterpart to national government infrastructure projects.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. The balance of P114,360,204 representing Property, Plant and Equipment accounts cannot be ascertained due to the absence of reconciliation between the accounting and property records, thus affecting the fair presentation of the said accounts in the financial statements.

Instruct the Municipal Accountant and the Designated Property Officer to effect the reconciliation of accounting, property records and the Physical Inventory Report using the required format. Require the Property Officer to prepare and maintain property records such as ledger cards, history cards with supporting documents such as Official Receipt, Purchase Order and acknowledgement Receipt for Equipment to determine the accountable officer. Create an Appraisal Committee who will determine the cost of properties not valued in the report, as basis for recording in the books of accounts.

2. Completed projects amounting to P2,936,044.17 were not transferred to the Registry of Public Infrastructures contrary to Section 4(n) of the NGAS Manual, Volume I, resulting to the overstatement of Public Infrastructures and Government Equity accounts.

Require the Municipal Accountant to: a) maintain Registries of Public Infrastructure and transfer completed infrastructure projects. b) extra efforts to identify the details of the prior years' Public Infrastructure account.

3. The failure to record depreciation expenses for depreciable assets amounting to P9,018,094.70 resulted to the overstatement of net income and the book value of the Property, Plant and Equipment of the LGU.

Require the Municipal Accountant to provide depreciation expense to the depreciable assets of the municipality and effect the necessary adjustment and correction in their books of accounts.

4. Discrepancies between the reciprocal accounts Due from and Due to Other Funds amounting to P7,688,384.00 indicated errors in recording transactions, thus the accuracy and reliability of its balances cannot be attested.

Require the Municipal Accountant to analyze/investigate the discrepancies and thereafter prepare the necessary adjusting journal entries.

5. Cash advances granted for travel and other specific time-bound undertaking amounting to P7,758,950 were still recorded as “Due from Officers and Employees” instead of “Advances to Officers and Employees” account contrary to COA Accounting Circular No. 2006-001.

Require the Municipal Accountant to make the necessary adjustments to reclassify the account “Due from Officers and Employees” to “Advances to Officers and Employees” pursuant to Accounting Circular No. 2006-001.

6. Erroneous accounting treatment of the LGU’s counterpart to national government infrastructure projects, resulted to the overstatement of the School Buildings and Government Equity accounts, thus affecting the fair presentation of the said accounts in the financial Statements.

Require the Municipal Accountant to verify/identify the accounts of the municipality’s counterpart for the TEEP. Prepare a Journal Entry Voucher reclassifying/adjusting the School Buildings and Government Equity accounts to reflect the correct balances.

7. Special accounts in the General Fund for Economic Enterprises were not separately maintained and reported in the financial statements, contrary to Sections 105, 106, 107 and 110 of NGAS for local government units, thus, important information for monitoring and decision making are not readily available.

Require the Municipal Accountant to set up special accounts for the General Fund Proper, 20% Development Fund and Economic Enterprises, maintain complete subsidiary ledgers, prepare and submit year-end trial balances and financial statements for each special accounts so that management may be adequately informed on the results of their operations.

8. Delayed implementation of projects amounting to P7,339,692.98 funded by National Government Agencies, the 20% Economic Development Fund and the Continuing Appropriation, deprived the intended beneficiaries of the benefits therefrom, contrary to program/projects’ objective.

Require the Municipal Engineer to fast track the implementation of the programs and projects out of the 20% Economic Development Fund and capital outlay, so that benefits that maybe derived of the projects could immediately be enjoyed/utilized by the constituents.

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT
RECOMMENDATIONS**

Out of the four (4) audit recommendations contained in the 2012 Annual Audit Report, two (2) were fully implemented and two (2) were not implemented and reiterated in Part II of this report.