

EXECUTIVESUMMARY

A. INTRODUCTION

The town of Prieto Diaz was once a Barrio called “Visita” of the old Municipality of Bacon (now Bacon District of Sorsogon). The town was given its present name in honor of the two Bicolano martyrs, Father Gabriel Prieto and Severino Diaz when it became independent from the Municipality of Bacon on October 12, 1903 by virtue of Act No. 940 of the Philippine Commission. Prieto Diaz was the only town organized after Sorsogon became a Province on October 17, 1894.

A fifth (5th) class Municipality, Prieto Diaz is composed of 23 barangays. Its incumbent Municipal Mayor is the Honorable Jocelyn Y. Lelis.

B. FINANCIAL HIGHLIGHTS

The Municipality of Prieto Diaz has a total assets of P40,499,954.36, which is 12% higher than the previous year, amounting to P36,053,375.78. Property, Plant and Equipment likewise increased from P10,611,303.74 to P11,726,415.41.

Liabilities increased by P3,800,694.52 or from P12,653,009.94 to P16,453,704.46 for Calendar Years (CYs) 2011 and 2012, respectively. Government Equity also increased from P23,400,365.84 to P24,046,249.90.

As of December 31, 2012, a total income of P39,805,477.57 was realized, showing a decrease of P1,242,543.01, compared to the previous year’s income of P41,048,020.58. Conversely, expenses increased by P3,684,616.52, or from P35,867,218.74 to P39,551,835.26, for CYs 2011 and 2012, respectively.

C. OPERATIONAL HIGHLIGHTS

Sources of Funds – The General Fund budget for CY 2012 was sourced mainly from Internal Revenue Allotment (IRA). Other sources included local revenues such as business taxes, community taxes, and real property/special education taxes, permits and licenses, service income and miscellaneous income, which, however, were minimal. No loan was contracted during the year. The Special Education Fund Budget was sourced mainly from the one percent special education tax levied pursuant to Section 235 of the Local Government Code.

Appropriations – Total appropriations under the General Fund and Special Education Fund amounted to P45,265,507.32 and P314,816.07, respectively.

Obligations – Total expenditures under the General Fund and Special Education Fund amounted to P39,816,424.93 and P235,901.25, respectively.

D. SCOPE OF AUDIT

The audit covered the accounts and operations of the Municipality of Prieto Diaz for the CY 2012. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements because of the failure of the Municipality to provide depreciation on some depreciable assets aggregating P5,726,168.02, resulting in the overstatement of Property, Plant and Equipment and the understatement of Government Equity. Likewise, the validity of the Receivable accounts was doubtful caused by the absence of the duly certified list of taxpayers from the Municipal Treasurer showing the amount due and collectible from them at the beginning of the year.

F. SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS

The audit disclosed the following significant findings and recommendations:

1. Real Property and Special Education Tax Receivables were not set-up at the beginning of the year, contrary to Section 20, Volume 1 of NGAS, for LGUs thereby, casting doubts on the reliability of the Municipality's receivables amounting to P2,020,238.08 at the end of the year. This was compounded by the inability of the Accounting Department to maintain subsidiary ledgers to support the balances.

We recommended that the Municipal Treasurer furnish the Municipal Accountant with a duly certified list of taxpayers showing the amount due and collectible at the beginning of the year in order to present a reliable and/or correct RPT/SET Receivable accounts. Once submitted, direct the Municipal Accountant to make the necessary correcting/adjusting entries based on the certified list, to reflect the correct RPT/SET Receivables. With the actual collectibles established, collection efforts may be geared up to increase funding source of the Municipality.

Henceforth, strictly comply with the provision of Section 20, Volume I of NGAS.

2. Completed infrastructure projects on April 2010 were not closed to Government Equity at the end of the year and recorded in the Registry of Public Infrastructures account, resulting in the understatement of Government Equity and the overstatement of Roads, Highways and Bridges, and Plazas, Parks and Monuments accounts.

We recommended that necessary adjustments be made to reflect the fair presentation of the financial statements.

3. Non-provision of depreciation for several assets totaling P5,726,168.02 resulted in the overstatement of the Property, Plant and Equipment account amounting to P282,878.95 and the understatement of Depreciation expense for the same amount, as of December 31, 2012.

We recommended that depreciation expense be periodically provided for all depreciable assets of the Municipality, pursuant to the provisions of Section 4(o), Vol. I of the Manual on NGAS for LGUs.

Likewise, make the necessary adjustment to reflect the depreciation/accumulated depreciation as of December 31, 2012.

4. The programs/projects/activities embodied in the Municipality's 20% Development Fund were not properly planned and its implementation, though 80% accomplished, were not properly monitored resulting in zero accomplishment of 12 activities, five (5) of which were re-aligned thereby, depriving its constituents of the possible benefits that could have been derived therefrom.

We recommended that the Municipal Mayor, members of the Local Development Council, the Municipal Planning and Development Officer and all Municipal employees and staff concerned exert efforts for the proper planning, regular monitoring and full implementation of the programs/projects/activities embodied in the 20% Development Fund.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the ten (10) prior years' audit recommendations offered to Management, seven (7) were fully implemented and three (3) were partially implemented.