

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Municipality of San Teodoro, Oriental Mindoro was created by virtue of Act No. 3498 dated December 8, 1928. It is a fourth class municipality composed of eight barangays.

Headed by Mayor Apollo A. Feraren, the Municipality's thrust for the year 2011 was focused on the development of agro-tourism industry and agriculture.

### **FINANCIALS HIGHLIGHTS**

For CY 2011, the Municipality has a total current legislative appropriation of ₱52,066,387.00 of which ₱45,439,948.38 was obligated and utilized during the year.

Year end Financial Statements disclosed the following information:

#### **A. Financial Condition**

Assets	₱ 140,577,552	₱ 129,486,522	₱ 11,091,030
Liabilities	10,191,270	51,603,931	(41,412,661)
Equity	130,386,282	77,882,590	52,503,691

#### **B. Results of Operation**

Total Income	59,649,115	55,820,960	3,828,155
Total Expenses	53,740,101	51,566,339	2,173,761
Net Income	₱ 5,909,014	₱ 4,254,620	₱ 1,654,394

### **SCOPE OF AUDIT**

Financial and compliance audits were conducted on the accounts and operations of the Municipality of San Teodoro for Calendar Year 2011. The audit was conducted to ascertain the fairness of presentation of the financial statements and compliance of the agency to laws, rules and regulations.

### **AUDIT OPINION ON THE FINANCIAL STATEMENTS**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the unreliable balance of Property, Plant and Equipment account of ₱117,886,977.51 brought by the continuous failure of the Acting General Services Officer to conduct physical inventory of property, reconcile the results of inventory-taking with accounting records and submit Inventory Report and understatement of Loans Payable accounts by ₱3,374,376.95 resulting from the inadvertent failure of the Municipal Accountant to record the loan releases as loans payable.

## **SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

For the exceptions cited, we recommended that the inventory committee allot priority time and attention in the physical inventory of the Municipality's property in CY 2012 in order to establish the property existence and correspondingly prepare the required inventory report and the Municipal Accountant establish the exact balance of unpaid loans from MDFO-DOF and effect the appropriate adjustment in the books at the earliest time possible.

In addition, the following is the summary of the other significant audit observations and recommendations in the audit of the Municipal Government of San Teodoro for the year 2011.

1. The Municipality did not provide depreciation in all of its depreciable Property, Plant and Equipment (PPE) valued at ₱38,493,429.00 contrary to the provision of Section 04.0, Volume I, of the NGAS Manual, resulting to overstatement and understatement of some affected accounts.

We reiterated our previous recommendation that extra efforts be exerted by the Accounting and Property sections to locate documents that would provide sufficient information necessary to enable the setting-up of depreciation on all depreciable PPE. For those properties which records are no longer available, an appraisal committee may be constituted to determine their appraised values and estimated remaining useful lives.

2. Completed Public Infrastructure (PI) projects totaling ₱73,155,495.34 was not transferred to Registry of Public Infrastructures contrary to Section 50 of the New Government Accounting System Manual, thereby, overstating the PPE and Government Equity accounts.

We recommended that the Municipal accountant secure an inventory of all completed Public Infrastructure projects and reconcile the same with the balance of Public Infrastructure accounts in the books. Effect the transfer of reconciled complete PI to the corresponding registries of Public Infrastructures by closing the PI accounts to the Government Equity.

\_\_\_\_\_The above observations and recommendations contained in the Report were discussed in an exit conference conducted on May 23, 2012 with concerned municipal officials and employees. Management view's were considered in the report, where appropriate.

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

Out of five ~~(5)~~ audit recommendations contained in the 2010 Annual Audit Report, two ~~(2)~~ were fully implemented and three ~~(3)~~ were not implemented by the Municipality.