

EXECUTIVE SUMMARY

I. Introduction

Founded in 1860 by Augustinian Recollect priest, Fr. Miguel Alvarez, Murcia is believed to have gotten its name from a town in Spain. During the Second World War, its municipal hall was used as a garrison by the Japanese, who were constantly attacked by guerillas who drove them out on April 21, 1945. It was named in the mountains of Murcia where a Free Negros Government was set up under Gov. Alfredo Montelibano, Sr.

The Municipality of Murcia is a 20-minute drive from Bacolod City by a private car. Public utility vehicles plying this route can reach the municipality in about the same time. Its famous landmarks include the Mambukal Resort, Bacolod Golf and Country Club and Pandanon Silos Mountain and River Resort.

The Municipality of Murcia is a first-class Municipality having a land area of 28,455 hectares and consisting of 23 barangays.

As of December 31, 2021, the Municipality had a total of 558 personnel comprised of: 160 regular, 11 co-terminus, 12 elected, 121 plantilla casual and 254 job order.

II. Highlights of Financial Operations

a. Sources and Application of Funds

For CY 2021, the Municipality realized a total income of ₱303,953,245.48 or an increase of ₱295,317,271.98 or 2.84% was due to the increase in the Tax Revenue, Service and Business Income, Shares, Grants and Donations and Other Income.

On the other hand, total expenditures amounted to ₱239,176,863.80, an increase of ₱3,089,313.07 or 1.29% compared to last year's expenditures of ₱236,087,550.73. The significant increase was due to increase in the Maintenance and Operating Expenses (MOOE) and Non-Cash Expenses for the current year.

b. Financial Ratios

	2021	2020	Increase (Decrease)
Current Ratio	1.63:1	1.43:1	0.20
Net Working Capital	₱119,873,294.26	₱83,816,511.10	₱36,056,783.16
Operating Income	0.21:1	0.20:1	0.01
Net Income	0.17	0.15	0.02
Return on Total Assets	0.08	0.08	-

III. Scope of the Audit

A financial and compliance audit had been undertaken, on a test basis on the accounts and operations of the Municipality of Murcia, Negros Occidental for the year ended December 31, 2021. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Municipality to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. A verification of the implementation of prior years' audit recommendations was also undertaken.

In compliance with the Unnumbered Memorandum dated October 15, 2020 issued by the Assistant Commissioner, Local Government Sector, this Commission, the following areas were set as the main focus of the audit:

1. Cash and Cash equivalents
2. Property, Plant and Equipment
3. Utilization of Local Disaster Risk Reduction Management Funds (LDRRMF)
4. Audit of COVID-19 Fund Receipt, Allocation and Utilization

Based on the Audit Team's assessment on Agency's accounts, the following areas were likewise covered during post audit:

1. Unliquidated Cash Advances
2. Personnel Service (PS) limitation
3. Compliance with tax laws
4. Compliance with the requirements of government agencies

IV. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the financial statements of the Municipality of Murcia for the year ended December 31, 2021 due to the exceptions as stated in the Independent Auditor's Report and as discussed in Part II of the report.

V. Significant Findings and Recommendations

- 1. The existence and reliability of Property, Plant and Equipment (PPE) balance, at cost of ₱399,344,422.66 as of December 31, 2021, excluding Construction in Progress (CIP) accounts, remained uncertain due non-conduct of one-time cleansing of PPE account balances contrary to the procedural guidelines under COA Circular No. 2020-006 dated January 31, 2020.**

We recommended that the Municipal Mayor:

- a) Direct the Inventory Team to follow the procedures in the conduct of one-time cleansing of PPE account balances by completing the preliminary activities ahead of the actual conduct of inventory taking;
- b) Instruct the Inventory Team to execute the planned activities/procedures in the approved PIP and complete the inventory taking and prepare the RPCPPE pursuant to Item 6.2.10 of COA Circular No. 2020-006 dated January 31, 2020; and
- c) Require the Property Officer to update its property records based on the result of the physical inventory and reconcile with the accounting records to come up with the reliable balances of PPE accounts pursuant to Item 5.12 of COA Circular No. 2020-006 dated January 31, 2020.

2. Advances for Officers and Employees and Advances for Payroll totaling ₱17,543,588.32 remain unsettled as of December 31, 2021 contrary to the provisions of Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002 dated February 10, 1997.

We recommended that the Municipal Mayor and/or the Municipal Accountant:

- a) Strictly require that cash advances shall be liquidated within the prescribed periods pursuant to Section 89 of PD No. 1445 and Item 5.1 of COA Circular No. 97-002 dated February 10, 1997. Otherwise, cause the withholding of salaries from those in the active service after the prescribed period has elapsed;
- b) Conduct periodic evaluation and validation of all unliquidated cash advances and file a request for write-off of for dormant cash advances which are outstanding for 10 years and over following the procedures under COA Circular No. 2016-005 dated December 19, 2016.

3. COVID-19 Projects, Programs and Activities (PPAs) were not initiated and identified in the CY 2021 Municipal Disaster Risk Reduction Management Fund Annual Investment Plan (MDRRMFAIP). Moreover, it did not identify projects charged to the unexpended previous years' LDRRMF balance contrary to Local Budget Circular No. 124 dated March 26, 2020.

We recommended that the Municipal Disaster Risk Reduction Management Council together with the Disaster Management Program Division Office Head shall formulate a comprehensive and integrated MDRRMFAIP with corresponding budget for COVID-19 related programs and activities, encompassing its four thematic areas with funding sources from the DRRMF unexpended balance or other possible sources. Further, identify implementation strategies to curtail the spread of the virus and to speed up the rehabilitation and recovery effort especially to those affected areas and sectors.

4. **The validity and propriety of the payment for COVID-19 Active Hazard Duty Pay (AHDP) and Special Risk Allowance (SRA) totaling P2,971,318.11 granted to 438 Municipal Health Workers (HWs) and Human Resources for Health (HRHs) were doubtful due to the absence of necessary documentation contrary to DBM-DOH Joint Circular (JC) Nos. 1 and 2 both dated November 25, 2020 and DBM-DOH JC No. 1 dated June 16, 2021.**

We recommended that the Municipal Accountant direct the Municipal Health Officer and all concerned offices to submit the lacking documents in connection with the payment of COVID-19 AHDP and SRA, such as the Authority or Office Order and DTR/Attendance Records or certification regarding the number of days that the frontline workers physically reported for work from September 15, 2020 to June 30, 2021, pursuant to DBM-DOH JC Nos. 1 and 2 dated November 25, 2020 and DBM-DOH JC No. 1 dated June 16, 2021.

5. **The appropriation and actual expenses of the Municipality for Personal Services (PS) for CY 2021 exceeded the 45% limitation set forth under Section 325(a) of Republic Act No. 7160, otherwise known as the Local Government Code of 1991 by P8,672,314.58 and P13,199,970.73, respectively.**

We recommended that the Municipal Mayor:

- a) Direct the Municipal Accountant and Municipal Budget Officer to ensure that the appropriations and actual expenses for Personal Services for one fiscal year shall not exceed the required 45% of the total annual income from regular sources realized by the Municipality in the next preceding fiscal year pursuant to Section 325(a) of RA No. 7160; and
- b) Exert effort in raising revenues to fund its additional PS costs while reducing its PS expenses by identifying and funding only PS items that are of priority concerns so that it can continue to allocate adequate funds for the implementation of other planned and development projects that are beneficial to its constituents.

Status of Implementation of Prior Years' Audit Recommendations

Of the 22 recommendations in prior years' audit report, four were implemented, 14 were partially implemented and four were not implemented at all.