



*by: Provincial Internal Audit Office*

# INTERNAL AUDIT REPORT

**PROVINCIAL ACCOUNTANT'S  
OFFICE (PAccO)**



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Report No. : 03  
Report Date : October 6, 2011



## INTRODUCTION

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In compliance with the approved Annual Audit Plan, a compliance audit has been performed for the Provincial Accountant's Office (PAccO).

Under Republic Act 7160, otherwise known as the Local Government Code of 1991, the Provincial Accountant shall take charge of both Accounting and Internal Audit Services of the Local Government concern.

The PAccO is a department within the Provincial Government of Bohol tasked to ensure timely and accurate submission of financial reports to the Provincial Governor and to the Sangguniang Panlalawigan concerned in order to apprise them on the financial condition of the province. It is also tasked to maintain registries of appropriations, allotments and obligations and ensure prompt submission of monthly remittance reports for GSIS, HDMF, and BIR. It also acts as custodian and depository of financial records to all treasury operations of the Provincial Government as well as other routine office and personnel records.

The Provincial Accountant's Office prepares monthly, quarterly, and annual financial statement of the province for use by the Governor, Sangguniang Panlalawigan, Commission on Audit, Department of Finance, and other national and local agencies. It aims to provide information covering past operations and present conditions; provide a basis for guidance for future operations, provide for control of the acts of public bodies and officers in the receipt, disposition and utilization of funds and property, and report on the financial position and the results of operation of government agencies for the information of all persons concerned.

In our report, we identified and highlighted those potential weaknesses that become apparent as a result of our audit engagement. We obtained comments from the auditee's appropriate staff on each audit findings and asked the management to provide action plans that detail the likely timetable for the implementation of our recommendations.

The audit was undertaken during the period August 5-31, 2011.



## **OBJECTIVE**

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The audit objectives of this financial and operations audit done by PIAO, as stated on PIAO's approved Annual Audit Plan, were:

- To check whether the documents received are properly logged
- To understand the process in claiming payments and proper indexing
  - To assess internal controls in relation to the storage of financial documents
  - To identify and assess the causes of double payment of claims

## **SCOPE**

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The audit covered operation and financial audit of PAccO. In order to evaluate the operations of PAccO and to assess the fairness of presentation of accounts and amounts in the financial reports, our audit procedures included:

- Initial meeting and discussion with PAccO
- Study the process flow of PAccO and interview management staff and employees to obtain adequate understanding on the organizational structure, processes and procedures, and roles and responsibilities of personnel.
- Examination of records and documents to ascertain complete and proper recording of transactions
- Check insufficient data of collection in ORs issued and check the completeness of the details of the issued Ors.
- Check the structure of the Bookkeeping Division.
- Identify Audit Observation Memoranda (AOM) for the year 2010 and check the action taken by the office.
- Identify AOM routed to PAccO not attributable to their operations
- Check the causes of difficulty in document retrieval and eventual loss of supporting documents.
- Test the accuracy of posting of claims in the system

The audit engagement was conducted in strict compliance with the generally accepted government auditing standards.



## **EXECUTIVE SUMMARY**

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This report provides an evaluation of the operations of the Provincial Accountant's Office relative to the major risks identified in the risk assessment report. To assess the risk areas, the PIAO conducted a combination of compliance and operation audit. Multiple sources of information and data were used to test the office operations. However, the audit did not include the output generated by the Electronic National Government Accounting System (E-NGAS) as the auditors lack the necessary skills and knowledge of the said system. To ensure sufficient and representative audit coverage, random sampling were undertaken on related documents.

Overall, the examination disclosed that there are several areas of operations in the Provincial Accountant's Office that warrants improvement in order to minimize if not eliminate potential risks. However, it is noteworthy to mention that the PAccO management reviews operations regularly in order to ensure that control deficiencies were detected and corrected immediately. The major findings are summarized as follows:

### **COA SUSPENSION/DISALLOWANCES**

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The Commission on Audit issued thirty-two (32) Audit Observation Memoranda for the year 2010, of which 15 are attributed to the operation of Provincial Accountant's Office. Based on the evaluation, all the AOM's were routed to the Provincial Accountant's Office including those not within its responsibility causing delays in taking up actions of the recommendations and findings by the office concern. With regards to the 15 AOM's for PAccO, all were managed and acted upon though some of the actions taken were only partial compliance.

### **CONTROL AND VALIDATION OF CLAIMS**

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There were 3,929 claims tested in the Financial Transaction Tracking System (FITTSYS) to ascertain accuracy of posting of claims. Upon examination, it was found that 36 claims were double posted in the system. Also, the verification revealed that that



there were claims with no P.O number, catering contract number and job/order request number.

### DIFFICULTY OF DOCUMENT RETRIEVAL AND EVENTUAL LOSS OF SUPPORTING DOCUMENTS

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There are three (3) storage room maintained by the office, one inside the Administrative Division and two storage rooms near the entrance door of PACCO. Based on the observations of the auditors, the area of the storage room is inadequate since large number of financial documents were stored every day for filing and eventual submission to the Commission on Audit (COA). During the inspection, filing of financial documents in the storage room was not in order due to lack of space.

In the control of access to documents, it was observed that the office allowed non-liaisons to follow up claims, most especially on payrolls. This is one of the factors that could lead to loss of financial documents.

During the exit conference, the PaccO management conformed to all findings and recommendations. In fact, some of the recommendations were already implemented.