

## EXECUTIVE SUMMARY

### INTRODUCTION:

The Province of Maguindanao was created by virtue of Presidential Decree No. 341 dated November 22, 1973. Originally, it is one of the four (4) provinces comprising the Autonomous Region in Muslim Mindanao (ARMM) pursuant to Republic Act No. 6734. However, at present, ARMM are composed of six (6) provinces, with the inclusion of the Provinces of Basilan and recently, Shariff Kabunsuan in the latter part of CY 2006, pursuant to Muslim Mindanao Act No. 201 which was signed into law in September 2006 by Honorable Datu Zaldy Puti Uy Ampatuan, Regional Governor of ARMM. It must be noted that Shariff Kabunsuan which was composed of ten (10) Municipalities, was created from the Mother Province of Maguindanao.

Pursuant to Muslim Mindanao Act No. 25, otherwise known as the Local Government Code of the Autonomous Region in Muslim Mindanao, the Province of Maguindanao was granted administrative and fiscal autonomy in managing, planning and programming of its own administrative fiscal and development affairs of the local government thrust for sustainable, social and economic growth.

Presently, the provincial government was under the leadership of Hon. Governor Datu Andal S. Ampatuan Sr., Al Haj, Vice Governor Datu Sajid Islam U. Ampatuan and twelve (12) member of the Sangguniang Panlalawigan with administrative support of 337 permanent personnel, 55 Cotermimus, 139 Contractuals, and 114 casuals or a total working force of 645 employees.

### HIGHLIGHTS OF FINANCIAL OPERATION:

For calendar year 2008, the Province of Maguindanao had generated a total income of P 541,723,873.60 out of the estimated income of P 483,497,857.00 thereby exceeding the target by P 58,226,016.60 under General Fund.

General Fund approved appropriation/allotment of P 541,336,476.27, the agency had obligated/expended P 541,336,476.27, thereby leaving a zero balance.

The source of income are as follows:

|                 | General Fund    | S.E.F       | Total           |
|-----------------|-----------------|-------------|-----------------|
| Local Taxes     | P 182,377.85    | P 21,916.77 | P 204,294.62    |
| Service Income  | 0.00            | 0.00        | 0.00            |
| Business Income | 1,501,866.17    | 0.00        | 1,501,866.17    |
| Other Income    | 540,039,629.58  | 0.00        | 540,039,629.58  |
| Total           | P541,723,873.60 | P 21,916.77 | P541,745,790.37 |

## **SCOPE OF THE AUDIT**

A Financial and Compliance Audit as well as Value for Money Audit has been made on the accounts of the Provincial Government of Maguindanao for the period of January to December 2008. The audit was made in accordance with generally accepted auditing procedures necessary under the circumstances and included examination of financial transactions, accounts and reports, ascertaining compliance with laws, rules and regulations and budgetary requirements as well as adherence to prescribed policies and procedures.

## **AUDITOR'S OPINION IN THE ON THE FINANCIAL STATEMENTS:**

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Provincial Government of Maguindanao, as of December 31, 2008, due to the non preparation of Bank Reconciliation Statements, on all funds, by the Office of the Provincial Accountant. Thus, the validity, existence and correctness of the Cash in Bank, Local Currency, Current Account totaling to P107,268,451.94 cannot be ascertained. The accuracy, validity and existence of the Property, Plant and Equipment, valued at P 345,227,725.51 in the consolidated balance sheet, cannot also be ascertained, due to the inadequacy of information contained in the Year End Inventory Report submitted by the Office of the Provincial General Services. Alternative audit procedures cannot be employed as the property ledger cards at the Provincial General Services office were not regularly maintained and updated.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS:**

For the Year ended December 31, 2008 the following are the significant findings that affect the financial operations of the agency and rendered the necessary recommendations after discussing with management.

### **Financial and Compliance:**

1. Audit Suspensions issued to management totaled to P2,778,219.33 covering the transactions for the period January 1, 2008 to March 31, 2008.

The Provincial Accountant should enforce the immediate settlement of the Notice of Suspensions totaling to P2,778,219.33, by requiring the employees concerned to comply with the requirements needed, in order to avoid the maturity of same into disallowances within a reglementary period of ninety (90) days, pursuant to Sec. 82 of P.D. No. 1445.

2. The validity, existence and correctness of the Cash in Bank – LCCA amounting to P107,268,451.94 cannot be ascertained, due to the inability of the Office of the Provincial Accountant to prepare the Bank Reconciliation Statement for the whole year, in violation to COA Circular No 96-011.

The Provincial Accountant should painstakingly prepare the monthly Bank Reconciliation Statements on all funds, pursuant to COA Circular No. 96-011 dated October 2, 1996, in order to render validity and reliability on the Cash in Bank, Local Currency, Current Accounts totaling to P 107,268,451.94, and submit the BRS to the Office of the Auditor within the prescribed period, for review and verification.

3. The accuracy, validity and existence of the Property, Plant and Equipment valued in the Balance Sheets at a total amount of P345,227,725.51 cannot be ascertained, due to the absence of Unit Value for all items in the submitted Year End Inventory Report by the Provincial General Services Office.

The Office of the Provincial General Services should update all the individual property ledger cards for all items acquired or disposed of by the Agency during the year. The information contained in the Report on Physical Count of Property Plant and Equipment (RPCPPE) should be properly filled up as prescribed under the NGAS. Any discrepancies between the physical count and the property cards should be reconciled and verified and adjustments shall be made on the latter. The original copy of the physical inventory report shall be submitted to the accounting office to effect any adjustments in the property, plant and equipment ledger cards and the general ledgers for any discrepancies and for the computation of depreciations, in case of acquisition or disposal.

4. An outstanding payables due to different government agencies such as BIR, GSIS, PAG-IBIG and PHILHEALTH totaling to P 7,088,625.70 remained unsettled as at year-end, in violation to Section 6 (a) of PD 1146.

The Provincial Accountant and the Provincial Treasurer should remit promptly the taxes withheld from the employees and supplier/s to the BIR and monthly premiums, contributions and loan repayments to the GSIS, PAG-IBIG, and PHILHEALTH in the total amount of P7,088,625.70, as prescribed under BIR regulations and Section 6 (a) of PD 1146, so that the employees can avail regularly on the benefits and privileges offered by the said government agencies. Supplemental budget to cover said unpaid obligations, whenever allowable under existing laws, rules and regulations, can likewise be an option..

5. Supplies and materials procured by the auditee totaling to P4,532,553.00 were charged outright to an Office Supplies Expenses account, instead of recording it to an inventory account, in violation to the New Government Accounting System (NGAS).

The Provincial Accountant should record the supplies and materials acquisitions of the auditee using the perpetual Inventory Method as required under the New Government Accounting System (NGAS). This is done by debiting the Office Supplies Inventory Account for all receipts of supplies and materials. Any issuances of supplies and materials should be made thru a report to be submitted

on a monthly basis to the accounting office by the supplies and materials unit of the Provincial General Service Office. In which case the entry should be a debit to Office Supplies Expense and a credit to Office Supplies Inventory.

**Value for Money Audit:**

**Favorable Observation:**

The Province of Maguindanao were able to complete 100% the 34 items of different projects funded from the twenty percent (20%) Economic Development Fund.

**Finding and Recommendation:**

1. Due to the non submission of the Calendar Year (CY) 2008 Annual Investment Plan (AIP) of the Auditee by the Provincial Planning Development Office, we were not able to ascertain the relevance and necessity of the project in terms of the overall Annual Investment Plan and on the priorities and needs of the constituents through the Local Development Council.

The Provincial Planning Development Office should prepare the Annual Investment Plan of the Auditee on time, in order to ascertain the relevance and necessity of the projects in terms of the AIP and on the priorities and needs of the constituents through the Local Development Council, and whether the approved projects were among the identified priorities of the LGU based on the objectives set. Copy of the AIP should be furnished the Office of the Auditor, for our reference and guidance in the conduct of the VFM audit, and for rendering appropriate advisory services to management on time.

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

Our Annual Audit Report on the Auditee financial statements for calendar year 2007 reported seven (7) significant findings with corresponding recommendations. Out of the seven (7) findings, four (4) were partially implemented and three (3) were not implemented. The three (3) unimplemented findings were reiterated on our current report due to materiality and significance. These are finding numbers 2 and 3 for Financial and Compliance Audit and finding number 1 on Value for Money Audit (VFM).