

EXECUTIVE SUMMARY

HIGHLIGHTS OF FINANCIAL OPERATIONS

Sources and Utilization of Funds (ANNEX I)

Allotment	P 9,072,389,000.00
Obligation	9,072,389,000.00
Balance	-

SCOPE OF AUDIT

Financial and compliance audit was conducted on the CY 2008 accounts and operations of the Regional Autonomous Government composed of the Office of the Regional Governor, ARMM and twenty-three (23) line agencies. Some of the auditors applied comprehensive audit while the rest applied the Risk Based Audit Approach particularly the random sampling in our Test of Controls and Test of Details. The purpose was to ascertain the propriety, fairness and the reliability of the financial statements whether applicable laws, rules and regulations were complied and maintained.

MAJOR ACCOMPLISHMENTS

The Regional Autonomous Government, Autonomous Region in Muslim Mindanao had several impact projects which were widely spread out to the entire region for CY 2008 as shown below:

a. Regional Impact Projects	P 176,675,000.00
1. Construction of Farm to Market Road	P 98,365,000.00
2. Construction of LMP Building	1,910,000.00
3. Construction of PLC Building	1,910,000.00
4. Construction of SK Building	1,910,000.00
5. Construction of Multi Purpose Building	58,732,500.00
6. Construction/Improvement of Gymnasium	1,432,500.00
7. Construction of Municipal Building	955,000.00
8. Construction of Health Center	2,865,000.00
9. Construction of Public Market	3,820,000.00
10. Construction of Two Storey 5 classroom Sch. Bldg.	4,775,000.00

b. Provincial Impact Projects	P	205,325,000.00
1. Construction of Farm to Market Road	P	54,912,500.00
2. Construction of Various MPB, Provincial		12,415,000.00
3. Construction of Terminal Building		2,865,000.00
4. Construction of Multi-Purpose Building		92,157,500.00
5. Construction/Improvement of Gymnasium		1,910,000.00
6. Construction of Provincial Capitol Building		9,550,000.00
7. Construction of 1 unit 2 cl School Building		1,910,000.00
8. Construction/Improvement of Municipal Building		955,000.00
9. Repair improvement of Municipal Hall		955,000.00
10. Construction of Municipal Plaza with stage		955,000.00
11. Widening of City Roads and Drainage		2,865,000.00
12. Construction of Culvert Drainage System		3,820,000.00
13. Construction of Wet Market		5,730,000.00
14. Construction of Slaughter House		4,775,000.00
15. Construction of City Govt.Center Perimeter Fence		4,775,000.00
16. Construction of Lamitan City Muslim Memorial Park Road		4,775,000.00

c. District Impact Projects	P	238,046,588.00
1. Construction of Multi-Purpose Building	P	14,026,105.00
2. Rehab Barangay Road		171,876,573.00
3. Construction of Gymnasium		4,204,650.00
4. Construction of Public Market		334,250.00
5. Construction of Farm to Market Road		18,839,905.00
6. Repair and Improvement FMR		13,772,180.00
7. Regravelling of Road		4,958,330.00
8. Renovation of School Stage		955,000.00
9. Construction of Basketball Court		573,000.00
10. Construction of Waiting Shed		286,500.00
11. Renovation of Town Plaza		477,500.00
12. Construction of Road		3,537,940.00
13. Concreting of Road		2,856,000.00
14. Construction of Cultural Center		1,348,655.00

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

Except for the effect of any adjustments which might have been made, had the Property, Plant and Equipment appropriately valued as of December 31, 2008 or had the record allowed us to apply alternative procedures, the accompanying statements present fairly the financial position of the Regional Autonomous Government, ARMM as of December 31, 2008 and the results of its operation and its cash flows for the year then ended in accordance with applicable generally accepted accounting principles.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

FINANCIAL AUDIT

Finding No. 1

Cash, Disbursing Officers (103) of P 3,287,182.60 remained unliquidated as of December 31, 2008 in violation of Sections 89, 100 and 107 of the Presidential Decree No. 1445 otherwise known as the State Audit Code of the Philippines.

Recommendation

We strictly recommend the management of the different agencies concerned the following:

Commission on Higher Education-ARMM, Department of Interior and Local Government-ARMM, Department of Environment and Natural Resources-ARMM and Department of Health-ARMM

1. Require the Accountant to find ways and means to retrieve the pertinent disbursement vouchers, payrolls and other related documents and have it submitted to the Auditors' Offices for post-audit.

Department of Labor and Employment-ARMM

1. Require the Accountant to update the Subsidiary Ledger of the Cash Account to determine the responsibility of the unliquidated amount totaling P 182,703.82.

2. Submit the liquidation report as required in the CY 2006 AAR and effect the necessary journal entry to correct the balances of the account. If the amount remains unaccounted and the accountable officer involved is no longer in the service, the same amount should be debited to account Due from Officer and Employees until such time that this account shall be accounted in order to present fair financial statements.

Department of Social Welfare and Development-ARMM

1. Strict compliance with the provision of Section 89 of PD 1445 which provides that:

“ No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official,

or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”

2. The management should monitor closely the immediate liquidation of all outstanding cash advances. Send demand letters if necessary.

Finding No. 2

The accuracy of the Cash in Bank-Local Currency Current Account (111) balance of P 464,378,346.58 cannot be ascertained because management failed to prepare updated Bank Reconciliation Statement as of December 31, 2008 contrary to the provision of Section 74 of the Presidential Decree No. 1445 otherwise known as the State Audit Code of the Philippines.

Recommendation

We highly recommend the following managements:

Department of Education-ARMM

1. Strict adherence to the provision of Section 74 of the PD No. 1445 otherwise known as the State Audit Code of the Philippines which provides that:

“ At the end of each month, depositories shall report to the agency head, in such form as he may direct the condition of the agency account standing on their books. The head of the agency shall see to it a reconciliation is made between the balance shown in the reports and the balance found in the book of the agency.”

2. An updated Monthly Bank Reconciliation Statement should be submitted in order for us to verify the accuracy of the cash in bank account balances.

Department of Environment and Natural Resources-ARMM

1. Make a strong representation with the Regional Governor to issue written authority to direct ARMM line agencies depository banks to provide the auditor concerned a copy of the bank statement from time to time.

Department of Science and Technology-ARMM

1. The Agency Head should coordinate and write the Land Bank of the Philippines for the immediate release of the aforementioned bank statements.

2. Upon receipt of those bank statements, the Accountant should immediately prepare and submit them to the Office of the Auditor for verification and examination.

Finding No. 3

Prepayment of Traveling Expenses of P 25,183,917.08 remained to be unliquidated as of December 31, 2008 in violation of Section 89 of the Presidential Decree No.1445 otherwise known as the State Audit Code of the Philippines.

Recommendation

We strictly recommend the management of the Regional Autonomous Government to direct the Head of the different line agencies the following:

1. Strict adherence to the provision of Section 89 of the Presidential Decree No. 1445 otherwise known as the State Audit Code of the Philippines which states that:

“ No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official, or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”

2. Require all concerned officers and employees to liquidate immediately the cash advances as soon as the purpose for which it was given has been served.:

Finding No. 4

Property, Plant and Equipment as of December 31, 2008 amounting to P 54,129,933.89 net of depreciation cannot be ascertained when the management failed to reconcile with the Physical Inventory Report and to conduct physical inventory contrary to Section 4.3 of COA Circular No. 97-005 dated July 10, 1997 and Section 43, Volume I of the Manual on the New Government Accounting System (NGAS).

Recommendation

We firmly recommend the management the following:

1. The Office of the Regional Governor-ARMM should seek the assistance from the assessor's offices for their technical skills to cost the land and building properties located in Cotabato City, Zamboanga City, Maguindanao Province and Marawi City.

2. To ensure the accuracy of the PPE account, the Accounting Office and the Property Office of the Department of Trade and Industry-ARMM and required them to maintain the appropriate records and documents and shall be reconciled regularly pursuant to NGAS Manual. The Accountant is directed to record all additions or

reductions in the PPE account either purchase, disposal or condemnation and submission of the inventory reports.

**STATUS OF IMPLEMENTATION OF PRIOR
YEARS' AUDIT RECOMMENDATIONS**

Of the twenty (20) audit recommendations, two(2) were implemented. However, ten (10) were partially implemented.