

EXECUTIVE SUMMARY

INTRODUCTION

Bacolod is a coastal municipality in the 1st district of Province of Lanao del Norte and is a 4th class municipality composed of 16 barangays, five of which are predominantly Muslim.

The municipal government was organized on July 23, 1956, by virtue of R.A. 1415, signed and approved sometime in May 10, 1956, by the late President Ramon Magsaysay. The creation of the Municipality of Bacolod was sponsored by then Congressman Domocao Alonto, when Lanao Province was not yet divided into two (2) with Kolambugan as its mother municipality. It started to operate sometime in July 23, 1956 with the late Nolan J. Antonio as the first Mayor.

It is endowed with rich natural resources. The Pagayawan Waterfalls is known for its vast potentials to generate electricity that can cater not only the Province of Lanao del Norte, but also with its three (3) neighboring provinces.

The Local government with the help of its people is determined to achieve its vision for a developed and environment friendly municipality where they can live peacefully and enjoy a sustainable economic progress and ably guided by a dynamic local leadership.

FINANCIAL HIGHLIGHTS

As of December 31, 2016, the consolidated financial condition and results of operations of the Municipality of Bacolod showed the following:

Particulars	CY 2016	CY 2015	Increase/(Decrease)	
			Amount	Percent
Assets	P 54,628,818	P 75,854,225	(21,225,407)	-27.98%
Liabilities	10,520,739	33,839,560	(23,318,820)	-68.91%
Equity	44,108,079	42,014,665	2,093,414	4.98%
Income	73,161,701	66,691,397	6,470,304	9.70%
Expenses	68,337,467	62,247,673	6,089,794	9.78%

SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and transactions of the Municipality of Bacolod, Lanao del Norte for the period January 1, 2016 to December 31, 2016 specifically on the following thrusts: a) Fund Transfers; b) 20% Development Fund; c) Local Disaster Risk Reduction Management Fund; d) Solid Waste

Management/Environmental Compliance; e) Special Education Fund; f) Procurement; and g) Citizen Participatory Audit. The audit was aimed to verify the level of assurance that may be placed on management's assertions on the financial statements; recommend agency improvement opportunities; and determine the extent of implementation of prior year's audit recommendations.

The audit was conducted with the use of applicable rules, regulations and policies as the criteria and standards; the examination, on a test basis, of the evidences supporting the amounts and disclosures in the financial statements; the assessments of the accounting principles used and the review of the significant estimates made by management, and the evaluation of the over-all financial statement presentation.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements as of December 31, 2016 due to cash overdraft of P1,961,636; unliquidated cash advances of P71,375; and unreliability of Property, Plant and Equipment account amounting to P45,245,637 attributable to failure to conduct complete physical inventory and absence of Report on the Physical Count of Property, Plant and Equipment (RPCPPE).

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The following are the significant observations and recommendations in the audit of the Municipality of Bacolod, Lanao del Norte for the Calendar Year 2016.

1. Cash overdraft of P1,961,636 was incurred as of December 31, 2016, contrary to Section 337 of RA 7160; thus, the Municipality may not enjoy good credit standing to potential creditors.

We have recommended the following:

- a.) The Municipal Treasurer's Office should intensify its effort to collect sufficient funds in the succeeding year to cover the cash overdraft.
- b.) The Local Chief Executive should adopt austerity measures to avoid incurrence of cash overdraft in its future operations.
- c.) Municipal Treasurer and Municipal Accountant to regularly remit all trust liabilities to the agencies concerned to avoid utilization of such funds for other purposes.

- d.) The Municipal Accountant should analyzed and determine the cause/s of the abnormal balances of some trust liability accounts and make the necessary adjustments to establish the correct balance of accounts.
2. Cash Advances granted to its official and employees totaling P71,375 remained unliquidated at year end, contrary to Section 89 of Presidential Decree 1445 and COA Circular No. 97-002 , which resulted to overstatement of asset account and understated the expense account.

We recommended the Municipal Accountant to comply with and observe strictly to the provision of COA Circular No. 97-002. If the cash advances remain outstanding for more than a month after the completing its purpose, demand letters should be sent out requiring the officials/employees to submit an accounting or liquidation thereof within seventy-two (72) hours. Otherwise, the whole amount should be deducted from his/her salary.

3. Subsidiary Ledgers were not maintained for Cash-Collecting Officers account contrary to Section 111 of PD 1445 and Section 12 of the MNGAS Volume II, thus reconciliation and validity of the account could not be readily established.

We recommended the following:

- a.) Direct the Municipal Accountant to maintain Subsidiary Ledgers for each Revenue Collectors.
- b.) Require the Revenue Collectors to submit their Report of Collections and Deposits to the accounting division individually.
4. Reliability, validity and existence of Property Plant and Equipment account in the amount of P45,245,637 could not be ascertained due to failure to conduct complete physical inventory, and non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) contrary to Section 156 of COA Circular No. 92-386, Section C.3 Chapter V of the Manual on Property Custodianship and Section 124 of the New Government Accounting System (NGAS) Manual.

We have recommended the following:

- a.) The Local Chief Executive should create an Inventory Committee to conduct complete physical inventory count of all PPE and submit Report on the Physical Count of Property, Plant and Equipment (RPCPPE).
- b.) Instruct the General Services Officer/Supply Officer and the Municipal Accountant to regularly reconcile their records and review the composition of the PPE account to come up with an accurate Property, Plant and Equipment account balance.

5. The General Services Office and the Accounting Office are not maintaining Stock and Property Cards and Supplies, and Property, Plant and Equipment Ledger Cards, respectively, thus validity, correctness of the Inventory and Property, Plant and Equipment accounts remained unreliable at year end.

We recommended that the General Services Officer and the Municipal Accountant should maintain Stock and Property Cards and Supplies and Property, Plant and Equipment Ledger Cards, respectively, pursuant to paragraphs 3 and 4, Section 114, Chapter 7, Volume 1 of the National Government Accounting Manual for Local Government Units. The required records shall also be the basis by the General Services Office for its reconciliation with the actual physical inventory.

6. The Management failed to submit the official receipts, disbursement vouchers and Bank Reconciliation Statements within the reglementary period prescribed in Section 122 of P.D. 1445, thus the completeness and accuracy of account balances reported in the trial balance could not be determined.

We have recommended the following:

- a.) The Municipal Accountant to strictly adhere to the prescribed time frame for the submission of monthly and quarterly reports as well as transmitting all receipts and disbursement records with complete supporting documents to the Office of the Auditor.
 - b.) The Municipal Accountant to closely coordinate with the Municipal Treasurer for the latter to submit immediately the required reports within the prescribed period, and to facilitate the recording of the transactions in the books of accounts.
7. Investment Plan and Report on Sources and Utilization of DRRMF were not prepared and submitted on or before the 15th day of each month in violation to Section 21 of RA 10121 and the accounting and reporting guidelines set forth under COA Circular No. 2012-002, thus timely review and evaluation could not be made.

We recommended to require the following:

- a.) Direct the Municipal Treasurer and Municipal Accountant to transfer the unexpended balance of LDRRMC Fund to a Special Trust Fund in the Trust Fund account solely for the purpose of supporting disaster risk reduction and management activities of the LDRRMC's within the next five (5) years pursuant to Section 21 of RA 10121 and COA Circular No.2012-002.

- b.) Require the LDRRMC to incorporate the programs, projects and activities of the unexpended LDRRMF to the Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP) which is prepared annually.
 - c.) Instruct the Local Disaster Risk Management Officer and Municipal Accountant to submit the required reports under COA Circular NO. 2012-002, such as the LDRRMFIP (Annex A) and the Report on Utilization of DRRMF using the Annex B Format should be prepared and submitted to the agencies stated above for compliance.
8. The 2016 annual appropriations for Gender and Development (GAD) which is mandated to be at least 5% of the total Annual Budget could not be immediately determine due to the absence of GAD Plan and Budgets (GPB), contrary to the provisions of Executive Order No. 273, RA Nos. 7192 and 7160 where updated guidelines were provided under the Joint Circular No. 2012-001 of Department of Budget and Management(DBM), National Economic and Development Authority(NEDA) and Philippine Commission on Women (PCW).

We recommended to require the LGU GAD Focal Point (GFP) to submit timely the GAD Accomplishment Report as illustrated under Annexes of the PCW-DILG-DBM-NEDA Joint Circular No. 20013-01.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2016, the municipality has a total Notice of Suspension (NS) of P179,561 and no Notice of Disallowance issued by the previous Audit Team.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of eight (8) audit recommendations embodied in the Calendar Year 2015 Annual Audit Report, five (5) were fully implemented, two (2) were partially implemented and one (1) was not implemented and is reiterated for the current year.

Management is enjoined to faithfully comply with the recommendations cited in the Annual Audit Reports in order to improve the system and avoid the recurrence of problems. These shall all be expected to be contributing to the sound fiscal administration of governmental functions that rests primarily in the management itself.