

# EXECUTIVE SUMMARY

## INTRODUCTION

### General Agency Profile

The Municipality of Magsaysay, Magsaysay, Lanao del Norte is located in the interior part of the Province of Lanao del Norte and can be reached via Municipality of Tubod. It was created into municipal district on March 22, 1960 by the virtue of Executive order No. 389 and was later declared municipality on December 10, 1965 by virtue of Executive Order Number 219. A part of Magsaysay was then made a resettlement area by virtue of Proclamation No. 659. The municipalities of Tangkal and Kolambugan were part of this proclamation area. Magsaysay was named in honor of the late President Ramon Magsaysay. It is headed by the Municipal Mayor Hon. Haironi D. Omar.

The Municipality of Magsaysay comprises 24 barangays and has a land area of 15,182.53 hectares, about 60% of which are agricultural areas. The major crops produced are coconut, corn, and other fruits. Its terrain is largely rolling and of high elevation, thus, there was a need for judicious land management practices.

Like other local government units, the Municipality hopefully enjoys genuine and meaningful local autonomy to enable it to attain its fullest development as self-reliant community and make it more effective partner in the attainment of national goals.

### Organizational Set – up

Mayor	Hon. Azisah S. Omar
Vice-Mayor	Hon. Wilson S. Erediano
SB Members :	Hon. Charles S. Yongco
	Hon. Edison P. Yurong
	Hon. Haron B. Omar Jr.
	Hon. Jabbar M. Omar
	Hon. Dionesio G. Pantillo
	Hon. Usodan O. Buanding
	Hon. Roselito B. Oyog
	Hon. Wilma P. Añana
ABC President	Hon. Dariday D.Obinay

The following are the Municipality’s Head of Offices:

Macaoraw S.Deripuson	Municipal Treasurer – OIC/ Municipal Assessor
Julieta M. Bustillo	Municipal Budget Officer-OIC
Zoraida M. Dowa	Municipal Accountant - OIC
Serijadi O. Umpa	Municipal Administrator
Efernando Opay	Municipal Civil Registrar
Allyn O. Mancia	Municipal Social Welfare & Development Head
Engr. Alexander O. Lala	Municipal Planning & Development Coordinator
Rodney B. De Guzman	Municipal Engineer

Audit Methodology

The Integrated Results Risk-Based Audit (IRRBA) approach was used in the audit of Municipality’s revenues and expenditures to focus on the outputs and outcomes of public expenditures.

Scope of the Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Magsaysay, Magsaysay, Lanao del Norte for the year ended December 31, 2016. The audit was focused on cash advances of employees, local disaster risk reduction management fund, solid waste management/environmental compliance, government projects under bottom-up budgeting and other external sources, development fund, and the agency’s compliance with applicable laws, rules and regulations. The audit was made on a sampling basis or test of transactions.

**HIGHLIGHTS OF FINANCIAL OPERATION**

The comparative financial profile of the Municipality for Calendar Year 2016 and 2015 showed the following:

	<b>2016</b>	<b>2015</b>	<b>Increase / (Decrease)</b>	<b>% over last year</b>
Assets	36,077,212	37,072,327	(995,115)	(27%)
Liabilities	22,743,599	28,052,310	(5,308,711)	(19%)
Government Equity	13,333,613	9,020,017	4,313,596	48%
Revenue	60,753,846	60,770,556	(16,710)	(27%)
Expenses	64,090,249	55,266,281	8,823,968	16%
Income	4,313,596	5,504,275	(1,190,678)	(22%)

Out of the total revenue of P60.75M, the amount of P65.3M was attributed to Internal Revenue Allotment (IRA). These were all used as intended for the operation of the Municipality's development and programs.

Moreover, the comparative appropriation/allotment/obligation for Calendar Years 2016 and 2015 showed the following:

	2016	2015	Increase /	% over
			(Decrease)	last year
Appropriation	66,732,293	60,838,425	5,893,868	10%
Allotment	66,732,293	60,838,425	5,893,868	10%
Obligation	54,977,892	58,254,277	(3,276,386)	(6%)
Allotment Balance	11,754,402	2,584,148	9,170,254	355%

### SOURCES AND APPROPRIATION OF FUNDS

FUND	2016	2015	Increase (Decrease)	Percentage
General Fund	P68,152,949	P60,431,247	7,721,702	13%
Special Education Fund	887,948	339,309	548,638	162%

### OPERATIONAL HIGHLIGHTS

For Calendar Year 2016, the status of implementation of the Program/Project/Activity (PPA) funded from the 20% Development Fund is as follows:

PPA	Appropriations	Accomplishment (%)	
		Physical	Financial
<b>ECONOMIC DEVELOPMENT</b>			
1. BUB/GPBP LGU Counterpart			
a. Concreting of Brgy. Somiorang Access Road	P 600,000		
b. Construction of Municipal Evacuation Center	500,000		
c. Construction/Repair of 3 Day Care Centers (Brgys. Lumbac, Durianon & Daan Campo)	150,000		

2. Spot Concreting Poblacion to Lemoncret Access Road	1,683,669		
3. Kalahi/NCDDP Cycle 2 Counterparts	1,200,000		
4. National Funded Counterpart a. Construction of Lumbac Rural Water System	1,500,000		
5. Concreting of Municipal Streets: a. Quirino St. (130 m. x 5 m.) b. Gomez St. (100 m. x 5 m.) c. Rizal St. (130 m. x 5 m.) d. Jacinto St. Ext. (70 m. x 5 m.) e. Rizal Avenue (80 m. x 5 m.)	810,000 625,000 810,000 455,000 500,000		
6. Debt Servicing	640,000	100%	100%
7. Purchase 1 unit Backhoe (.3 cubic m. bucket size)	2,500,000		
8. Riprapping of RCPC at Quezon St.	60,000		
<b>SOCIAL SERVICES</b>			
1. Completion of Multi Purpose Hall	300,000	100%	100%
2. Rehabilitation of Brgy. Multi-Purpose Hall: a. Brgy. Baguiguicon b. Brgy. Babasalon c. Brgy. Panggao d. Brgy. Lawigadatu e. Brgy. Poblacion f. Brgy. Lubo g. Brgy. Pelingkingan h. Brgy. Daan Campo i. Brgy. Malabaogan j. Brgy. Tipaan k. Brgy. Lemoncret l. Brgy. Tambacon m. Brgy. Ilihan n. Brgy. Somiorang o. Brgy. Lower Caningag p. Brgy. Upper Caningag	20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000 20,000	100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%	100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100%
<b>ENVIRONMENTAL SERVICE</b>			
1. Reforestration	300,000		
2. Garbage Disposal	100,000		

TOTAL	<u>P13,053,669</u>		
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**INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

The Auditor rendered a qualified opinion on the fairness presentation of the financial statements for Calendar Year 2016 due to the absence of inventory-taking of Property, Plant and Equipment of P20,576,036 which casted doubt on the reliability of the account, the insufficiency of documentary requirements and other deficiencies noted on the agency’s various projects, and the unliquidated cash advances of P949,372 which bloated the asset account and understated the related expense account.

**SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

The following are the other deficiencies noted, with the corresponding recommendations:

1. Outstanding Cash Advances of P949,372 remained unliquidated due to failure of the management to adhere strictly to the provisions of Section 89 of PD 1445, COA Circular 97-002 and COA Circular No. 2012-004.

We recommended the Local Chief Executive to require the Municipal Accountant to:

- a. Implement the “No Liquidation, No Cash Advance” policy. Discontinue the practice of granting new cash advances to disbursing officer and/or officers and employees while there are still unliquidated cash advances;
  - b. Require the officials and employees concerned to turn or refund immediately to the collecting officer any cash advance which was no longer needed or had not been used immediately;
  - c. Monitor closely the immediate liquidation of all cash advances; and
  - d. Deduct on a staggered basis an appropriate and reasonable amount from the monthly salary of concerned officers and employees the unliquidated cash advances; and
2. Non-designation of a property custodian resulted to ineffective property and supply management, and the reliability and accuracy of the Property, Plant and Equipment with net book value of P20.6M could not be ascertained.

We recommended to the Management the following measures for a fair presentation of the Municipality’s financial statements:

- a.) Designate a property officer/custodian;
  - b.) Direct the designated property officer to conduct physical inventory taking of all property, plant and equipment of the Municipality;
  - c.) Maintain Acknowledgment Receipt of Equipment (ARE) on all equipment;
  - d.) Prepare and reconcile the Inventory Report with the Accounting Record to present fairly the PPE account in the financial statement; and
  - e.) Investigate any discrepancy or loss and immediately report the same to the COA for appropriate action.
3. There were provisions in the Republic Act 9003 – “An Act Providing for an Ecological Solid Waste Management Program” which were not implemented by the Municipality.

We recommended the Local Chief Executive the following actions:

- a. Implementation of the plan for the safe and sanitary management of solid waste;
  - b. Review and update every year of the plan by the Municipal Solid Waste Management Board as required by law to ensure its sustainability, relevance and effectiveness;
  - c. Collaboration of campaigns with the barangay officials concerned;
  - d. Strict implementation shall be continued on waste segregation, and thorough collection of waste based on set schedules; and
  - e. Conversion of the open dumpsite to a controlled dump site.
4. The accuracy and validity of the Cash in Bank account totaling P9.8M could not be ascertained due to non-submission of the Bank Reconciliation Statement contrary to the provision of Section 3.2 of COA Circular No. 96-011.

We recommended to the Local Chief Executive to require the municipal accountant to prepare and submit promptly the said bank reconciliation statements to COA.

5. Absence of a separate depository account for special trust fund on the unexpended amount of Local Disaster Risk Reduction Management Fund in the amount of P1,925,554 may endanger or jeopardize the purpose for which the fund was appropriated.

We recommended the Municipal Mayor to supervise the creation of a separate special trust fund bank account for any unexpended balance of LDRRM fund in accordance with Republic Act 101211. Also, it was recommended to deposit any unexpended balance of DRRMF in its special depository account.

6. There were procedural deficiencies in the procurement of goods and services and implementation of projects under the Bottom-Up Budgeting (BUB) and trust funds with a project cost totaling P36.7M, in violation of Republic Act No. 9184 and its Implementing Rules and Regulations (IRR).

We recommended the management to strictly adhere to the provisions of RA 9184 and its IRR in all stages of the procurement of goods and services and implementation of projects to achieve transparency, efficiency and economy in the procurement process. Also, we recommended the management to submit all the required documents for projects implemented by administration to proceed with the auditorial and technical review.

These observations and recommendations were discussed with the management and their comments were incorporated in this Report, where appropriate.

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

Of the seven (7) audit recommendations contained in the CY 2015 Annual Audit Report, two (2) were partially implemented and five (5) remained unimplemented.

The impact of management's implementation on the audit recommendations serves as preventive measures and gives improvement opportunities on their operations. Further, some audit observations needs to be reiterated in this Annual Audit Report for CY 2016 due to materiality and relevance. The results of the validation of the implementation of prior year's recommendations are presented in Part III of this report.