

## EXECUTIVE SUMMARY

### Introduction

The Municipality of Bubong, was created as a regular municipality on June 25, 1963 by virtue of Executive Order No. 42 issued by the President of the Philippines. It was carved out from the old Municipality of Ditsa-an Ragain, which was divided into three municipalities, namely: Bubong, Buadipuso Buntong, and Ditsa-an Ragain. Since then, a series of laws, policies and regulations governed its operation as a separate and distinct municipality.

It is a 2nd class municipality belonging to the 1st congressional district in the Province of Lanao del Sur. It has a land area of more or less 79,850 (Hectares), and is considered one of the largest municipalities in the entire province. It has 36 barangays with a total population of 22,336 according to the 2015 census.

The enactment of Republic Act No. 1 of 7160, otherwise known as the “Local Government Code of 1991”, conferred upon the municipality, just like other local government units, the right to manage, decide and plan its own administrative, fiscal and development affairs in conformity with the national government’s thrust for sustainable socio-economic growth.

### Financial Highlights

The financial profile of the Municipality of Bubong for the year ended December 31, 2020 with comparative figures for calendar year 2019 is shown hereunder:

Particular	CY 2020	CY 2019	Increase (Decrease)
<b><i>Financial Position</i></b>			
Total Assets	₱ 153,393,008.21	₱ 128,474,703.89	₱ 24,918,304.32
Total Liabilities	348,093.12	348,093.12	0.00
Government Equity	153,044,915.09	128,126,610.77	24,918,304.32
<b><i>Financial Condition</i></b>			
Revenue	226,975,990.08	201,891,237.25	25,084,752.83
Expenses	215,798,485.22	161,454,156.55	54,344,328.67
Transfers, Assistance and Subsidy ( <i>net</i> )	13,740,799.46	95,910.40	13,644,889.06
Surplus (Deficit)	₱ 24,918,304.32	₱ 40,532,991.10	₱ (15,614,686.78)

## Scope of Audit

A financial and compliance audit was conducted on the accounts and transactions of the Municipality of Bubong for the year ended December 31, 2020. The audit was aimed at determining whether management presented fairly the financial statements of the municipality, in adherence to the generally accepted accounting principles and whether prevailing laws, rules and regulations have been complied with.

## Auditor's Opinion on the Financial Statements

The Audit Leader rendered a qualified opinion on the financial statements due to unreliability of the Local Road Network account in the total amount of ₱31,428,754.64.

## Summary of Audit Observations and Recommendations

- 1. Of the ₱ 41,323,411.04 reported infrastructure account as at December 31, 2020, 76% or ₱31,428,754.64 of which pertains to unwarranted Road Networks Account contrary to COA Circular No. 2015-008, dated November 23, 2015.**

We reiterated our previous year's recommendation that the Local Chief Executive (LCE):

- a) Instruct the Inventory Committee to conduct immediately an extensive inventory of the road network system under the Municipality's jurisdiction and prepare a report thereon; and
  - b) Require the Municipal Accountant and the GSO to religiously update their respective records for roads and road components and make at least a reconciliation of records once a year.
- 2. Unreliable balance infrastructure accounts totaling ₱ 41,323,411.04 due to non-recognition of corresponding depreciation expenses contrary to International Public Sector Accounting Standards (IPSAS 17), and COA Circular No. 2015-008 dated November 23, 2015 particularly for local road networks.**

We recommended that the Local Chief Executive:

- a) Cause the immediate tracing of the initial recognition of the infrastructure assets and compute the depreciation thereof based on the latest estimated useful life of assets provided by the Commission;
- b) Instruct the Municipal Accountant to take up corresponding prior years' adjustment in the books to be closed to the Government Equity account; and

- c) Henceforth, ensure that the Municipal Accountant recognizes depreciation expense of all PPE accounts.
3. **Indispensable Property, Plant and Equipment Ledger Cards (PPELC), and property cards (PC) were not religiously maintained by the accounting, and general services office (GSO), respectively, coupled with non-submission of Report on Physical Count of Property, Plant, and Equipment (RPCPPE) as prescribed by the Manual of New Government Accounting System (MNGAS) for Local Government Units (LGUs) induced substantial doubt on the veracity and existence of the property, plant and equipment (PPE) account amounting to ₱ 149,309,632.92.**

We recommended that the Local Chief Executive (LCE), strictly:

- a) Mandate the Accountant and GSO to promptly and meticulously post the acquisition of PPE to the respective ledger cards and property cards upon receipt of the source documents and keep and maintain the same in accordance with the provisions of the Manual; and
  - b) Mandate the Inventory Committee to conduct an annual detailed physical count of all PPEs as of a specific date and submit the RPCPPE to the audit team not later than January 31, of each year.
4. **Copies of the Municipality's approved supplemental budget and approved supplemental annual investment program (AIP) pertaining to the BGCM as specified in DBM Local Budget Circulars (LBCs) No. 124 and 125 dated March 26, 2020 and April 7, 2020, respectively, were not forwarded to the audit team for thorough evaluation on propriety of implemented of COVID-19-related programs, projects, and activities (PPAs).**

We recommended that the Local Chief Executive (LCE) cause the immediate submission of both the approved supplemental budget and supplemental AIP to the audit team to facilitate assessment on the validity and appropriateness of PPAs implemented.

5. **Posting and reporting requirements relative to the BGCM programs, projects, and activities (PPAs) were poorly complied, contrary to Sections 4.1 to 4.4 of the DBM Local Budget Circular (LBC) No. 125 dated April 7, 2020.**

We recommended that the Local Chief Executive direct the Local Finance Committee:

- a) To submit certified true copies of certifications of posting requirements by the BAC Secretariat relative to the BGCM PPA procurements; and

- b) To immediately submit the lacking monthly reports on the BGCM fund utilization and status of implementation of PPAs.
6. **Payments on hazard pay and service risk allowance (SRA) amounting to ₱1.5Million and ₱500,000.00, respectively were not supported with proper and complete documentation contrary to COA Circular 2012-001 dated June 14, 2012, eliciting doubt on the propriety of the amounts paid to each frontline public health worker.**

We recommended among others that the Local Chief Executive strictly direct the concerned personnel to submit the lacking supporting documents for evaluation by the audit team. Please see Part II of this report for the full recommendation on this observation.

7. **Various inventory and supplies totaling ₱ 33,670,909.00 procured during the year were immediately distributed to end-users and treated as outright expenses without coursing through respective inventory accounts as prescribed by the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs).**

We recommended that the Local Chief Executive:

- a) Direct the Accountant to record all regular procurements of supplies in their respective inventory accounts, record the same as expense when issuance thereof takes place, and maintain the appropriate ledgers; and
  - b) Direct the General Services Officer to religiously maintain the necessary inventory and supplies' stock cards and reconcile it with the Accounting records on a regular basis.
8. **The Municipality's appropriation on LDRRMF for CY 2020 was not in accordance with Republic Act (RA) 10121 and COA Circular 2012-002 dated September 12, 2012.**

We recommended that the Local Chief Executive, ensure that appropriations on budgetary requirements, such as the LDRRMF are strictly complied with and in accordance with the law before approval of the ordinance.

9. **The accounting and reporting guidelines on utilization of LDRRMF as prescribed in COA Circular 2012-002 dated September 12, 2012 were inadequately complied by the Municipality eliciting considerable uncertainty on the fairness of the financial statements.**

We recommended among others that the Local Chief Executive instruct the regular submission of the report on sources and utilization not later than the 15<sup>th</sup> day after each month. Please see Part II for the full recommendation on this observation.

10. **Validity of procured materials and supplies could not be verified due to non-submission of Annual Procurement Plan (APP), Supplemental APP, if any, and supporting Project Procurement Management Plans (PPMPs) thereof contrary to Section 7 Rule II of the Revised Implementing Rules and Regulations (RIRR) of RA 9184.**

We recommended that the Local Chief Executive cause the immediate submission of the duly approved APP and PPMPs to the audit team for evaluation;

11. **Continuous granting of cash advances to the Treasurer despite delayed and incomplete liquidation thereof contrary to Section 89 of PD 1445 and COA Circular 97-002 dated February 10, 1997.**

We recommended that the Local Chief Executive:

- a) Instruct the Accountant to faithfully inspect and review records whether the previous cash advances have been liquidated and properly accounted for prior to the granting of the succeeding cash advance;
- b) Instruct the Accountant that after verification that are no cash advances pending liquidation, issue a certification thereof prior to the granting of succeeding cash advance; and
- c) Instruct the Treasurer religiously liquidate the cash advance within the prescribed period and in accordance with the rules and regulations provided by the Commission.

### **Summary of Suspensions, Disallowances, and Charges**

Suspensions in the total amount of ₱ 9,607,061.27 were outstanding at January 1, 2020. ₱ 9,425,956.51 of which were settled during the first quarter of CY 2020 leaving a balance of ₱ 181,104.76 at December 31, 2020.

### **Status of Prior Year's Audit Recommendations**

Of the 32 prior years' audit recommendations, 24 were fully implemented, 4 were partially implemented, and 4 still not implemented as of report date.