

EXECUTIVE SUMMARY

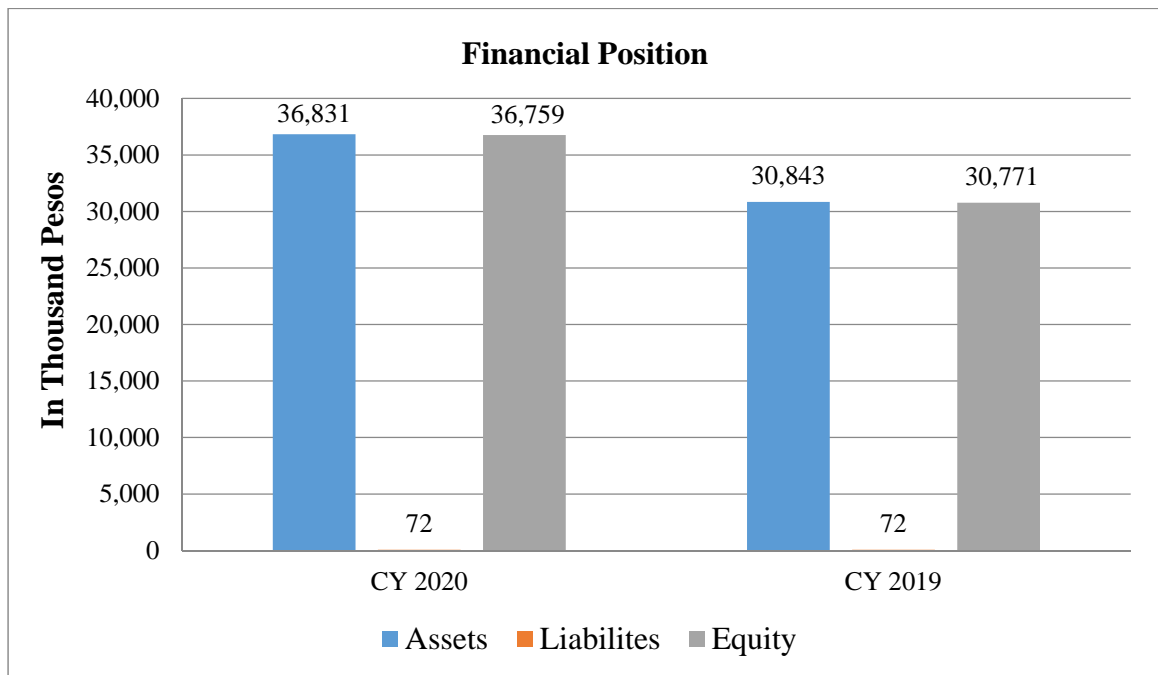
Introduction

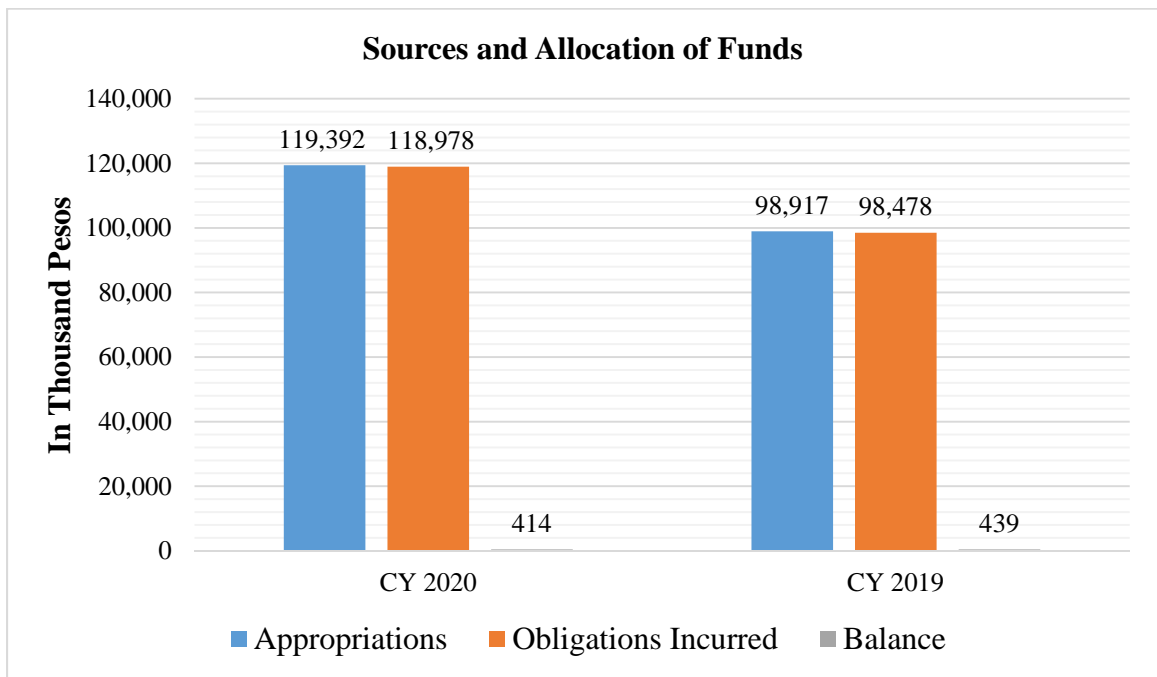
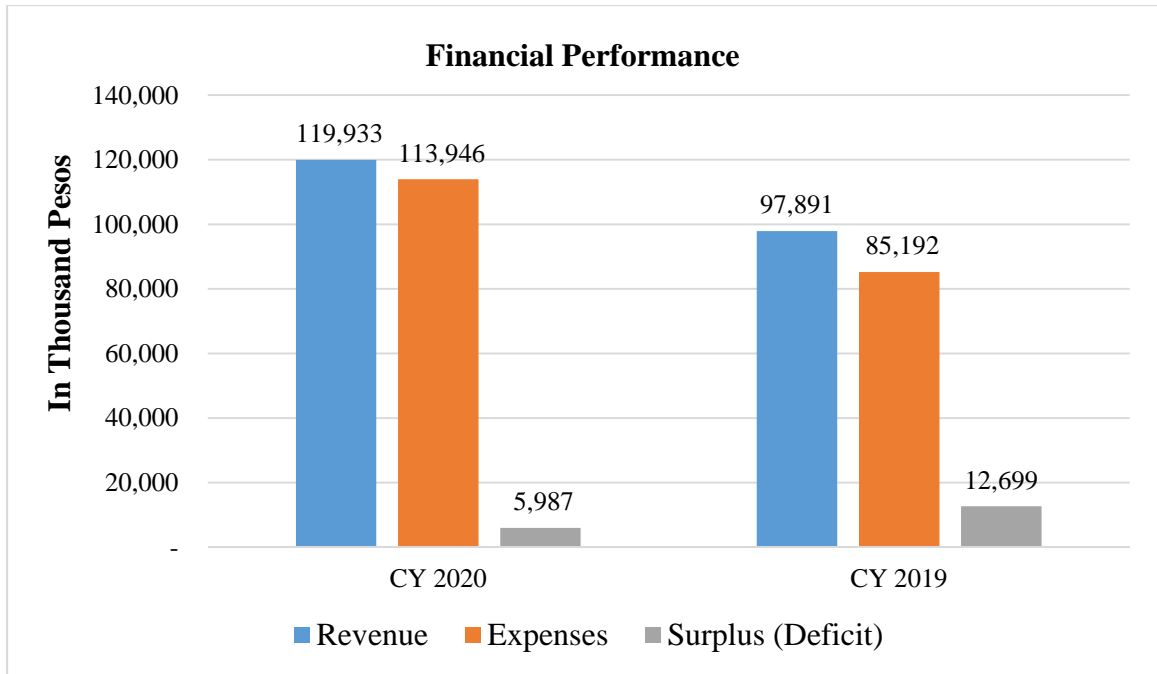
The Municipality of Tugaya, Province of Lanao del Sur, was created by virtue of Executive Order No. 42 dated June 25, 1963. It is a 5th class municipality and politically subdivided into 23 barangays with total land area of 155.10 square kilometres and total population of 23,814 people according to 2015 census.

The municipality is under the leadership of Hon. Al-Fattah N. Pacalna as Municipal Mayor. It is supported by municipal vice-mayor, eight (8) municipal councilors and other heads of 10 municipal offices with 55 regular personnel.

Financial Highlights

The financial highlights of the Municipality of Tugaya, Lanao del Sur, as of December 31, 2020 with comparative figures of 2019 are presented hereunder:





Scope of Audit

A financial and compliance audit was conducted on the accounts and transactions of Municipality of Tugaya, Lanao del Sur, for calendar year 2020. The audit was aimed at determining whether management presented fairly the financial statements of the

Municipality in adherence to the International Standard of Supreme Audit Institution (ISSAIs) and whether prevailing laws, rules and regulations have been complied with.

Independent Auditor's Report on the Financial Statements

The Audit Team Leader rendered a qualified opinion on the financial statements due to the effects of:

1. Doubtful existence, completeness and condition of all property, plant and equipment (PPE) accounts with net book value of ₱36.630 million because of partial conduct of physical count on some properties totaling ₱10.046 million book value; and
2. Unrecognized depreciation expenses of ₱1,233,239.54 for CY 2020 and prior years for some items of property, plant and equipment (PPE) with total book value of ₱14,836,676.00.

Summary of Significant Audit Observations and Recommendations

1. **The existence, completeness and condition of all property, plant and equipment (PPE) accounts of the Municipality with net book value of ₱36.630 million for all funds cannot be ascertained due to partial conduct of physical count on some properties totaling ₱10.046 million book value by the Inventory Committee in compliance with Section 124, Volume I of New Government Accounting System (NGAS) Manual for Local Government Units (LGUs) and Item No. 5.1 of COA Circular No. 2020-006, thus, cast doubt on the fair presentation of the said accounts in the financial statements.**

We recommended that the Inventory Committee shall continue the physical count of all PPE items taking into consideration the prescribed procedural guidelines for inventory taking as provided in COA Circular No. 2020-006, to wit:

- a. Use the inventory working papers provided by the General Service Office (GSO) as basis for inventory taking activities, taking into consideration the capitalization threshold of ₱15,000.00;
- b. Record/document the daily physical count in a standard Inventory Count Form (ICF), which shall be used as the basis in the preparation of the RPCPPE after the physical count;
- c. Tag all PPE items counted with new property stickers containing the information provided by the said Circular;

- d. State clearly in the ICF the PPEs' condition, found at station and not found during the physical count which described as "non-existing" or "missing", as well as other relevant information of each PPE; and
 - e. Prepare the RPCPPE upon completion of the physical count.
2. **Inventory taking by the Inventory Committee to PPE items totaling of ₱10,046,602.00 may have been done inefficiently and ineffectively due to non-preparation of Physical Inventory Plan (PIP) prior to its partial conduct of physical count in contrary to Item No. 5.9 of COA Circular No. 2020-006.**

We recommended that Inventory Committee shall prepare the Physical Inventory Plan (PIP) prior to its inventory taking in order to ensure that all planned inventory activities/procedures are efficiently and effectively performed by the Committee members.

3. **Depreciation expenses of ₱1,233,239.54 for CY 2020 and prior years was not set-up for some items of property, plant and equipment (PPE) with total book value of ₱14,836,676.00, in contrary to paragraphs 13, 59, 64 and 66 of International Public Sector Accounting Standard (IPSAS) 17, thus, it may overstate the asset and understate the expense accounts.**

We recommended that Management require the accountant to compute, recognize and record in the books of accounts the depreciation of the affected PPE accounts by drawing a journal voucher and update/post the same in its corresponding Journals and Ledgers.

4. **No special account in the general fund (SAGF) was created for the Bayanihan Grant to Cities and Municipalities (BGCM) fund received by the Municipality amounting to ₱9,130,065.00 in contrary to Sections 313 of RA 7160, 105, Volume I of New Government Accounting System (NGAS) Manual for Local Government Units (LGUs) and Item No. 3.7 (2nd paragraph) of DBM LBC No. 125, thus, adequate information regarding the receipt and utilization of funds may not be easily monitored/tracked.**

We recommended that Management create a separate special account in the General Fund (SAGF) for the BGCM Fund through an ordinance by the local sangguniang pursuant to Section 313 of RA No. 7160 for purposes of easy monitoring/tracking of the utilization of the allocation thereof.

5. **Non-preparation and/or non-submission of monthly and separate year-end post-closing trial balance and related financial statements for the receipts and utilization of Bayanihan Grant to Cities and Municipalities (BGCM) fund received by the Municipality amounting to ₱9,130,065.00 in contrary to Section 110, Volume I of NGAS Manual for LGUs and Item No. 4.2 of DBM**

LBC No. 125, thus, proper classification and recognition of assets and expenses accounts may not be correctly taken up in the books of accounts.

We recommended that Management prepare:

- a. A monthly report on BGCM fund utilization and status of implementation of PPAs in pursuant to DBM Local Budget Circular No. 125; and
- b. A separate post-closing trial balance and financial statements for BGCM Fund as special account for General Fund, which contains the summary of transactions for the year as integral part of the schedules of the General Fund trial balance for purposes of proper recording in the books of accounts in pursuant to Section 110, Volume I of NGAS Manual for LGUs.

Summary of Total Suspensions, Disallowances and Charges

The total suspensions, disallowances and charges of the municipality amounted to ₱0.00, ₱36,036.00, and ₱0.00, respectively, as of December 31, 2020. The total disallowances remained unsettled by the concerned responsible/liable persons in contrary to pertinent provision of COA Circular No. 2009-006 dated September 15, 2009.

Status of Implementation of Prior Years' Audit Recommendations

Of the 18 prior years' audit recommendations embodied in the 2019 Annual Audit Report (AAR), six (6) or 33.33 per cent were fully implemented, four (4) or 22.22 per cent were partially implemented, and eight (8) or 44.45 per cent were not implemented.