

## EXECUTIVE SUMMMARY

### A. INTRODUCTION

The town of Mahatao was originally named San Carlos de Mahatao in November, 1798 by then Assistant Governor Don Miguel de Amo in honor of the Patron Saint San Carlos Borromeo. In March 1901, the Municipality of Mahatao was officially established by virtue of Act 2711, otherwise known as the Revised Administrative Code of the Philippines.

The Municipal Government as a local government unit is mandated and assumed to build its own capabilities for self-governance and to develop self-reliant community which is the very essence of local autonomy and the meaning of devolution of powers and autonomy.

An economically progressive Mahateños through the promotion of sustainable tourism committed to cultural and environmental conservation and human resource empowerment.

### B. HIGHLIGHTS OF FINANCIAL INFORMATION

Presented below are the financial position and sources of funds, appropriations and obligations of the Municipality for the year 2019 and 2018.

	<b>2019</b>	<b>2018</b>
Assets	82,778,022.79	70,154,748.66
Liabilities	27,455,970.76	31,767,333.19
Government Equity	55,322,052.03	38,387,415.47
Income	45,121,065.83	32,376,183.75
Expenses	33,710,926.04	31,853,106.43
Appropriations	42,836,466.42	34,460,149.00
Obligations	31,454,081.23	28,428,528.50

### C. SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Mahatao for the period ended December 31, 2019. The audit was aimed at ascertaining the propriety of disbursements, the reliability of financial reports and the adequacy of accounting books and records. Likewise, the audit was conducted to identify the practices that require compliance with laws, rules and regulations for the purpose of recommending measures to correct them.

## **D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

The Auditor rendered an unmodified opinion as to the fairness of presentation of the financial statements as of December 31, 2019.

## **E. SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

- 1. Disbursements in the total amount of P449,735.00 were not authorized to be funded from the 20% Development Fund contrary to Items, 3.0, 4.6 and 5 of DILG and DBM Joint Memorandum Circular No. 2017-1, thus the purpose of the fund was not fully attained.**

We recommended that the Municipal Mayor, through the Municipal Planning and Development Coordinator, shall see to it that programs and activities identified in their AIP should only include expenditures that are allowed by existing rules and regulations. As provided in Section 5.0 of the above-mentioned joint memorandum circular, it is the responsibility of the Local Chief Executive to ensure that the 20% DF is optimally utilized for its purpose and that necessary sanctions shall be imposed in case violations were made whether willfully or through negligence.

- 2. Physical inventory of the Municipality's fixed assets under Property, Plant and Equipment (PPE) amounting to P19,401,585.85 had not been conducted as of December 31, 2019 due to the non-creation of inventory committee contrary to Section 156 of COA Circular No. 92-386 dated October 20, 1992, thus the required reconciliation between the General Services Office's records and the Accounting Office' reports could not be made.**

We recommended that the Local Chief Executive create inventory committee consisting of three (3) members to conduct annual physical count of PPEs owned by the municipality as prescribed in the provisions of the COA circular stated above. Likewise, a report should be prepared after the undertaking of which a copy be furnished the Office of the Auditor.

We also recommended that thereafter, records between the GSO and the accounting office be reconciled. If any discrepancies exist, it should be immediately verified and adjusted to ensure fairness of account presentation in the financial statements. Also, obsolete/unserviceable assets and those no longer used by the Municipality should be reported and a request for disposal be forwarded to COA for proper action.

- 3. Office Equipment and other equipment with a net book value of P191,214.85 are carried in the books of accounts of the Municipal Government, instead of these being transferred to the Elementary Schools/Department of Education, which is contrary to International Public Sector Accounting Standards 17 – Property and Equipment.**

We recommended that the Local Chief Executive require the Municipal Accountant to transfer to the agencies concerned the book value of all properties being used and operated by agencies other than the Local Government Unit of Mahatao to conform with IPSAS 17 – Property, Plant and Equipment. The Accounting Office should draw the necessary Journal Entry Voucher to derecognize the PPE transferred to other agencies and furnish a copy of the JEV, together with the Inventory Listing, to the recipient agencies in order for those agencies to record the same in their books of accounts.

4. **The Municipality did not establish a GAD Monitoring and Evaluation (M&E) Team, hence, affecting the effective and efficient implementation of GAD plans and programs contrary to Items 3.4 and 5.1 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01.**

We recommended that the LCE establish a GAD Monitoring and Evaluation System as required under Items 3.4 and 5.1 of PCW-DILD-DBM-NEDA Joint Memorandum Circular No. 2013.01. The Team shall regularly convene in order that it may be able to effectively perform its functions in accordance with the JMC.

5. **The Cash in Bank – Local Currency - Current Account balance of the three (3) funds in the aggregate amount of P55,025,737.95 are not reliable due to the non-preparation of monthly bank reconciliation statement contrary to Section 74 of PD No. 1445 and Item 3.2 of COA Circular No. 96-011 dated October 2, 1996.**

We recommended that the Accounting Office regularly and promptly prepare the BRS for all the bank accounts of the Municipality. Necessary adjusting entries should be recorded after proper analysis and verification of reconciling items appearing in the bank reconciliation statement.

#### **F. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATION**

Of the twelve (12) recommendations incorporated in the 2018 AAR, two (2) were fully implemented, seven (7) were partially implemented and three (3) were not implemented.