

EXECUTIVE SUMMARY

Introduction

The Municipality of Magdalena was founded on January 18, 1820 under the name Magdalena de Ambling thru proclamation of Governor General Don Mariano Fernandez de Folgeras. Magdalena is a fourth-class Municipality with 24 barangays under its jurisdiction.

Organizational Structure

The organizational structure of the Municipality is as follows:

a. Key officials

Municipal Mayor	Hon. David O. Aventurado, Jr.
Vice-Mayor	Hon. Pedro C. Bucal
Members of the Sanggunian	Hon. Leovino T. Porcioncula Hon. Laurito P. Ibañez Hon. Mark Jhon Palomique Hon. Ariel M. Ungco, Jr. Hon. Romel P. Lerum Hon. Ron Vincent B. Zaguirre Hon. Mary Grace B. Reodica Hon. Maximo B. Sotomayor Hon. Orlando P. Ayag Hon. Mark Joshua B. Sietereales
Municipal Treasurer	Antonio T. Cabantog
Municipal Budget Officer	Marvy V. Hermano
Municipal Accountant	Hegina S. Dela Cruz

b. No. of Personnel Complement

Permanent	75
Casual	<u>7</u>
Total	<u>82</u>

Audit Objectives

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Scope of Audit

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Magdalena for CY 2019. The audit consisted of interviews with concerned local officials and employees, tracing account balances through the accounting system, verification of disbursements with underlying documents, inspection, analysis and reconciliation of accounts and such other procedures considered necessary.

The audit was conducted to ascertain the propriety of financial transactions and compliance with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the account balances in the financial statements.

Financial Highlights

For Calendar Year (CY) 2019, the Municipal Government has a total current appropriation of ₱120,876,777.52 from its General Fund (GF) and Special Education Fund (SEF) amounting to ₱118,476,777.52 and ₱2,400,000.00, respectively. The Municipality also has Continuing Appropriation of ₱5,084,755.57 and ₱60,000.00 for GF and SEF, respectively.

Out of the Municipality's current appropriations of ₱120,876,777.52, obligations incurred for the GF and SEF amounted to ₱94,233,798.89 and ₱1,776,607.47, respectively, or a total of ₱96,010,406.36, while only ₱3,269,753.06 for GF were obligated for the Continuing Appropriation. The revenue of the Municipal Government for all funds amounted to ₱106,132,086.28.

The total assets, liabilities, equity, income and expenses for CY 2019 of the Municipal Government compared with that of the preceding year are as follows:

	2019	2018	Increase (decrease)
Assets	₱ 198,635,355.58	₱ 192,315,745.52	₱ 6,319,610.06
Liabilities	40,805,980.29	38,437,339.29	2,368,641.00
Equity	157,829,375.29	153,878,406.23	3,950,969.06

Results of Operations:

	2019	2018	Increase (decrease)
Revenue	₱ 106,132,086.28	₱ 98,016,836.01	₱ 8,115,250.27
Expenses			
Personal Services	46,172,015.68	42,381,007.33	3,791,008.35
MOOE	45,381,589.23	38,517,753.58	6,863,835.65
Non-Cash Expenses	9,240,941.51	7,205,223.68	2,035,717.83
Transfer, Assistance and Subsidy	(629,105.90)	409,193.85	(1,038,299.75)
Other Operating Income	8,322.33	1,570.00	6,752.33
Surplus (Deficit) for the Period	₱ 4,716,756.29	₱ 10,323,615.27	₱(5,606,858.98)

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following:

1. The validity, accuracy and existence of Property, Plant and Equipment (PPE) accounts amounting to ₱102,211,045.72 is doubtful due to the inability of the Municipal General Services Officer (MGSO) to prepare the complete Report on the Physical Count of

Property, Plant and Equipment (RPCPPE) and reconcile the same with accounting records, contrary to Sections 124 and 114 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I, thereby affecting the fair presentation of PPE in the financial statements.

2. The balances of Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable and the corresponding Deferred RPT/SET Income both totaling P6,049,436.22 were doubtful due to unreconciled variance of P6,639,544.76 between the records of Municipal Treasury and Accounting Office, contrary to Section 20 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I, and Sections 233 and 235 of Republic Act (RA) No. 7160, thus affecting the fair presentation of both accounts in the financial statements.
3. The Loans Receivable – Others totaling P5,477,579.66 have been long overdue and dormant aging from one year to almost 37 years and yet no allowance for impairment was provided, contrary to Paragraphs 67 and 72 of the International Public Sector Accounting Standards (IPSAS) 29, thus casting doubt on the reliability of reported balance of the account in the financial statements. Moreover, request to write-off the account due to its non-collectability was not initiated, contrary to COA Circular No. 2016-005.
4. The outstanding loan balance of P4,000,000.00 from the President's Social Fund has been dormant in the books for more than 14 years, contrary to Paragraphs 27 and 29 of International Public Sector Accounting Standards (IPSASs) 1, thereby affecting the fair presentation of the account in the financial statements.
5. The Municipal Accountant was not able to fully disclose the information on the Local Roads Asset Management System totaling P24,674,508.85 due to the inability of the Municipal Engineer to provide a complete description of road components for road projects as prescribed under COA Circular No. 2015-008, thus the Municipality's Local Road Network account was not fairly presented in the financial statements.
6. Perpetual Inventory Method was not adopted in accounting for the receipts and issuance of supplies and materials totaling P3,948,792.74 for Calendar Year 2019, contrary to Sections 114 and 121 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I, and physical inventory of unused supplies was not conducted, contrary to Section 124 of the same Manual, thus, affected the determination of the cost of inventory items still on hand.
7. The accuracy and correctness of the reciprocal account balances of Due to/from Local Government Units (LGUs) account is doubtful due to variance of P41,562.58 and P834,805.47 between the balances recorded by the Municipality and Province of Laguna, contrary to COA Circular No. 2015-002, thereby affecting the fair presentation of the accounts' balance in the financial statements.

For the exceptions cited above, we recommended that the Municipal Mayor direct the:

1. Municipal General Services Officer (MGSO) and Municipal Accountant to:
 - prepare a complete RPCPPE and to submit a copy thereof to the Audit Team not later than January 31 of each year; and

- reconcile their records as basis for the latter to prepare the necessary adjusting entries, if warranted;
2. Municipal Accountant to reconcile the RPT/SET Receivables accounts with the Municipal Treasurer's List of RPT/SET Delinquencies and make necessary adjustments, to present fairly the accounts' balance in the financial statements;
 3. Municipal Accountant to assess the collectability of the long outstanding receivables and set-up the corresponding Allowance for Impairment in the books of accounts; and if collectability is futile, request to write-off the receivables in accordance with the provisions of COA Circular No. 2016-005;
 4. Municipal Budget Officer, Municipal Accountant and Municipal Treasurer to exert all efforts to come up with all the possible remedies to enforce settlement of the loan for a fair presentation of the account in the financial statements;
 5. Municipal Engineer to provide the Municipal Accountant with the complete description and cost segregation of road components for road projects to facilitate the proper disclosure of the road network system in the Notes to Financial Statements;
 6. Municipal Accountant and MGSO to:
 - adopt the Perpetual Inventory Method in accounting for the receipts and issuances of supplies, in compliance with Sections 114 and 121 of MNGAS for LGUs, Volume I; record the issuances thereof based on the Summary of Supplies and Materials Issued (SSMI) submitted by the Supply Officer; and maintain the supplies ledger cards for each supplies and materials for reconciliation with the stock cards of the Supply Officer; and
 - prepare and submit the Summary of Supplies and Materials Issued (SSMI) together with the original copy of the Requisition and Issue Slips to the Municipal Accountant on a weekly basis; maintain stock cards; and conduct physical count of supplies at least every semester and prepare and submit the Report on the Physical Count of Inventories (RPCI) to the Office of the Auditor not later than July 31 and January 31 for the first and second semesters respectively, to report the physical count of supplies by type of inventory; and
 7. Municipal Accountant to coordinate with the Provincial Accountant to address the variance in the reciprocal accounts Due to/from LGUs and make the necessary adjustments to ensure that the balances of the accounts are in agreement.

The other significant observations and recommendations are the following:

1. The Municipality's Local Disaster Risk Reduction and Management Fund (LDRRMF) unexpended balances from the previous years totaling ₱3,202,410.91 were not included in the LDRRMF Investment Plan (LDRRMFIP) for Calendar Year (CY) 2019, contrary to Sections 4.4 and 5.1.3 of the COA Circular No. 2012-002, hence the allocation of funds for LDRRMF could not be properly presented, monitored and analyzed.

We recommended that the Municipal Mayor instruct the LDRRM Officer to include the unexpended balances totaling ₱3,202,410.91 of the LDRRMF from the previous years in the preparation of the LDRRMFIP for CY 2019 using the prescribed format in compliance with Sections 4.4 and 5.1.12 of the Circular No. 2012-002.

2. The Municipality was able to fully implement eight out of 26 planned programs, projects and activities (PPAs) funded under 20 percent Development Fund (DF). However, 18 PPAs with appropriated amount of ₱12,760,000.00 were either partially and not implemented, contrary to Item 2.3 and Section 5 of the Joint Memorandum Circular (JMC) No. 2017-1 of the Department of the Interior and Local Government (DILG) and the Department of Budget and Management (DBM). Moreover, the appropriated amount for DF is deficient by ₱595,530.34, which is not in accordance with 2.1 of the same JMC, thus depriving the constituents of the maximum benefits from full utilization of the fund for developmental projects.

We recommended that the Municipal Mayor and other concerned officials :

- allocate at least 20 percent of the Internal Revenue Allotment for developmental projects;
 - effectively plan the priority development programs, projects and activities to be included in the Annual Investment Plan by considering its feasibility, necessity and availability of fund; and
 - maximize the utilization of the 20 per cent Development Fund budget to help achieve the desirable socio-economic development and environmental outcomes of the Municipality.
3. The Municipality's Annual Gender and Development (GAD) Accomplishment Report was not supported with documents required under Section 4.1.C.8 of Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01, thus affecting the validation of the reported accomplishment against the planned programs and issued policies and assessment of the impact on GAD objectives.

We recommended that the Municipal Mayor require the GAD Focal Person to submit the required attachments of the Municipality's Annual Accomplishment Report as provided under Section 4.1.C.8 of PCW-DILG-DBM-NEDA JMC No. 2013-01, such as: (a) brief summary of the reported program or project; (b) copies of reported policy issuances; (c) results of Harmonized Gender and Development Guidelines (HGDG) tests; and (d) actions taken by the LGU on the COA audit findings and recommendations.

Summary of Total Suspension, Disallowances and Charges as of year-end

The Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2019 showed no audit suspension, disallowance and charge.

Status of Implementation of Prior Year's Audit Recommendations

Out of 15 audit recommendations embodied in the Calendar Year 2018 Annual Audit Report, five were fully implemented and six were partially implemented and four were not implemented by the Municipal Government of Magdalena, Laguna.