

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Poona Piagapo, Lanao del Norte was created by virtue of Presidential Decree No. 916 dated March 31, 1976. It is classified as 4th class municipality and composed of twenty-six (26) barangays. The municipality had an aggregate land area of 26,007 hectares with farming and business as major source of income and livelihood. It is an agricultural community with corn and coconut plantations as major products.

Under Republic Act No. 7160, otherwise known as Local Government Code of 1991, the municipality like other local government units enjoys total independence in managing, deciding, organizing and planning its own administrative, fiscal and developmental affairs in conformity with national government thrust for sustainable social and economic growth.

Its mission is to build a just, humane and prosperous community of self-reliant and empowered people to achieve state of well-being for the municipality. It will ensure that people are given equitable access to resources, basic services and economic opportunities.

The Municipality of Poona Piagapo, Province of Lanao del Norte is envisioned to evolve as a globally competitive agri-industrial community of God-fearing, ecology conscious, culturally diverse people working together in peace and harmony to achieve prosperity.

B. FINANCIAL HIGHLIGHTS

The municipality's assets, liabilities and equity as of December 31, 2018 were P191,689,091.72, P57,442,421.34 and P134,246,670.38, respectively. These correspondingly increased / (decreased) by 0.95%, (16.17%) and 10.63%, respectively, over that of last year.

	2018	2017	Increase / (decrease)	% over last year
Assets	191,689,091.72	189,876,448.51	1,812,643.21	0.95%
Liabilities	57,442,421.34	68,523,721.22	(11,081,299.88)	-16.17%
Government Equity	134,246,670.38	121,352,727.29	12,893,943.09	10.63%

C. OPERATIONAL HIGHLIGHTS

The Auditee's results of expenses over income amounted to P13,287,740.03, which decreased by P2,180,339.86 compared with last year's P15,468,079.89.

	2018	2017	Increase / (decrease)	% over last year
Revenue	108,986,908.38	105,328,356.38	3,658,552.00	3.47%
Expenses	95,699,168.35	89,860,276.49	5,838,891.86	6.50%
Income	13,287,740.03	15,468,079.89	(2,180,339.86)	-14.10%

In CY 2018, the Municipality of Pantar generated total actual revenue of ₱68,383,080.00. These were all used as intended for the operation of the LGU's development and programs.

D. SCOPE OF THE AUDIT

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 1445, we conducted financial and compliance audit on the accounts and operations of the Municipality of Poona-Piagapo, Lanao del Norte for the year ended December 31, 2018, with particular emphasis on the verification, on a test basis, of (a) the propriety and validity of the agency's expenditures and revenues, and (b) the level of assurance that may be placed on management assertions on the financial statements.

The audit was aimed to determine whether the auditee has complied with applicable laws and auditing principles, standards and requirements and whether it has controlled and utilized its resources in the pursuit of its programs, projects and activities.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing and accordingly included such tests of the accounting records and other related documents and evaluation of the design and operating effectiveness of the controls and such other procedures, as necessary, in the audit.

E. INDEPENDENT AUDITOR'S REPORT

Our audit was conducted in accordance with Philippine Public Sector Standards on Auditing and we believe that it provides reasonable basis for the results of audit.

The Audit Team rendered a qualified opinion on the fairness of the presentations of the financial statements of the Auditee as of December 31, 2018.

There is reason to believe that the financial statements are not free of material misstatement/s and were not prepared in accordance with applicable laws, rules and regulations and not in conformity with generally accepted state accounting principles because of the deficiencies noted in the audit.

F. COMMENTS AND OBSERVATIONS

1. The reliability and validity of the Property, Plant and Equipment account balance of ₱186M as of December 31, 2018 cannot be ascertained due to the failure of the auditee to conduct periodic physical inventory taking, in violation of COA Circulars and New Government Accounting System, Volume I.

We have recommended the following:

- a. The Local Chief Executive should create an appraisal / inventory committee to conduct an actual physical inventory taking of all properties, plant and equipment headed by the General Services Officer to be witness by any representative of the Commission On Audit.
 - b. The General Service Officer should maintain stock cards of each property, plant and equipment bearing property number while the Municipal Accountant should maintain a subsidiary ledger card on each equipment.
 - c. Identify unserviceable properties and prepare an Inspection and Inventory Report for disposal.
 - d. The Municipal Accountant should prepare necessary adjustments on the deficiencies noted in the course of inventory taking and make reconciliation with inventory report, stock cards and subsidiary ledgers.
 - e. The Municipal Administrator should update the list of properties that need to be insured and submit the list to the GSIS.
 - f. Provide budget for the insurance premium of properties identified to be insured especially building to protect the interest of the government.
 - g. Municipal Budget Officer to include in the supplemental budget an additional allocation of fidelity bond in order that the property officer can apply for a bond.
2. Municipality's expenditures amounting to ₱79,388,623.29 were paid out of the cash advance of the Disbursing Officer designate, due to unstable political crisis in the Municipality, in violation to provisions of COA Circular No. 97-002.

We have recommended the following:

- a. The Municipal Treasurer should stop the practice of using cash advance to pay the operating expenses of the Municipality.
 - b. Limit cash advances to the specific purpose of which the cash advance was drawn.
 - c. All disbursement should be issued with check direct to the name of the payees, concerned employees, suppliers and etc.
 - d. For procurement of goods and infrastructure, processing should be done on the procedures as mandated by Republic Act 9184.
 - e. Disbursement through reimbursement are strongly discouraged except travelling expenses.
3. The Municipal Government is unduly exposing itself to security risks with its manual payroll system involving payments of employee's salaries and benefits with an average of ₱6,615,718.61 as monthly cash advances of the Municipal Treasurer which is not anymore in conformity with Section 124 of P.D. 1445 and as safe as the automated banking system or ATM.

We have recommended to the Local Chief Executive if possible, to facilitate the adoption of Payroll-thru-bank system, which is a much safer scheme that precludes hold-ups and similar incidents involving payrolls, and promotes operational efficiency.

4. Accountable forms were not issued in strict numerical sequence contrary to Section 73 of the Government Accounting and Auditing Manual Volume I.

We have recommended to the Municipal Treasurer the following:

- a. All accountable forms should be issued in strict numerical sequence to account the issuances of accountable forms in sequence and facilitate reconciliation.
- b. Require the municipal accountant to review carefully the collections remitted by the Cashier to prevent the possible commission of irregularities thereby protecting the interest of the agency.

5. Laxity of the Municipal Treasurer in handling accountable forms is contrary to Section 101 of P.D. 1445 posing a great risk / loss to the LGU.

We have recommended to the Municipal Treasurer the following:

- a. To verify the Report of Collections and Deposits; check the Statement of Accountable Forms as to initial balances on hand, receipts, issues and the ending balances on hand; make a physical count of accountable forms remaining in the custody of collector and check the same against new balances on hand column. Accountable forms shall be issued only to those accountable officers who have religiously and completely remitted their collections in compliance with the provisions of Section 30 of the Manual on NGAS Volume I.
- b. The treasurer/designated officer accountable for receipts, stamps and other accountable forms in their possession or in the hands of deputies and other employees entrusted therewith shall keep adequate permanent record books and contain all the information as set forth in Sec. 95 of the Government Accounting and Auditing Manual (GAAM) Volume I.

6. The municipal treasurer failed to prepare and submit consolidated monthly reports of accountability for accountable forms with and without money value. Thus, accurate balances could not immediately establish.

We have recommended the following:

- a. Municipal Treasurer to adhere strictly with the regulation to ensure effective performance on the task assigned and submit monthly report of collections and report of accountable forms and turnover the used accountable forms. And used and issued accountable forms in sequence.
- b. Exert effort to locate the unrepresented accountable forms.
- c. Submit an affidavit of loss of the accountable forms and properly notify all concerned parties of such loss by way of notice of loss and publication.

7. There was a delay in the remittances of collections of the Accountable Officers to the Municipal Treasurer for almost ten (10) months. This was discovered during the period covered by the cash examination in violation to Section 69 of PD 1445 and Section 29 of the LGU-NGAS, Vol. 1, thus exposing the government funds to risks of loss, possible misuse and/or misappropriation.

We have recommended the following to the Municipal Treasurer:

- a. To remit/deposit intact daily all collections to the treasury of the agency to protect the funds of the government.
 - b. To diligently update their cashbooks daily and to maintain an Excel format of their cashbooks to minimize, if not avoid, errors on the total collections to be deposited.
 - c. Designate a Liquidating Officer in order to strictly monitor the collections and deposits of the Collecting Officers in order that the Municipal Treasurer to focus on the disbursements only.
8. Disbursement Vouchers and its supporting documents of all general fund, trust fund and special education fund covering the period January to December 2018 were not submitted within the prescribed period, contrary to Section 122 of P.D. 1445 and COA Circular No. 95-006, thus, preventing the conduct of timely audit and prejudices the interest of the Local Government Unit and defeated the purpose of providing important financial information to the users of the financial statements.

We have recommended the following:

- a. The concerned accountable offices to submit monthly the required reports and not to accumulate them on a lump sum basis so that from time to time, the audit team can update on the financial status of the Municipality.
 - b. We also require the national offices such as the DA, DILG, DSWD, DOLE and other offices to secure liquidation reports before transferring additional funds to the said LGU in order not to delay the implementation of their programs and projects and to avoid the possible misappropriation or losses or projects not implemented especially during transition period.
9. The management failed to receive the Land Bank of the Philippines (LBP) bank statements due to post-office arrangement, thus, Cash in bank account for the trust fund accounts cannot be ascertained due to non-preparation of Bank Reconciliation Statement which is contrary to Sec. 74 of PD 1445 thereby affecting the accuracy of cash in bank account balance in the financial position of the agency.

We have recommended the following:

- a. The Municipal Mayor to arrange a new mode of delivery of the bank statements to the Municipality either by pick-up by an authorized personnel or by registered mail.
- b. The Municipal Accountant to prepare and submit bank reconciliation statements monthly for all the funds of the Municipality.
- c. She should prepare necessary adjusting entries for bank charges, interest income and stale checks to bring the cash in bank account in its correct balance.
- d. She should prepare a letter informing the servicing bank of the wrong postings they made if any and secure copies of debit memos to validate those amounts debited by the bank without any corresponding entries in the books.

- e. The Local Chief Executive and the Municipal Treasurer as signatories of the bank accounts of the Municipality should authorize the Municipal Accountant to enroll online access of their accounts so that bank statements could readily be available at any time.
 - f. Give utmost priority and close supervision in the preparation of monthly Bank Reconciliation Statements to ensure timely submission.
 - g. Direct management to augment the work force assigned in the Accounting Office to facilitate timely recording and preparation of reports.
10. The Local Government Unit failed to establish collectible Real Property Tax and Special Education Fund for the CY 2016 - 2018 due to the failure of the management to develop a comprehensive program to intensify tax collection and the vacancy of the position for Municipal Assessor.

We have recommended to:

- a. Local Chief Executive to give emphasis on the collection of the delinquent real property taxes by applying the administrative remedies against delinquent taxpayers as provided for under the Local Government Code.
 - b. Management filling up the vacant position of municipal assessor in order to prepare and submit the estimated real property tax collectibles and updating the record on tax assessment.
11. Disbursement vouchers appropriated for the operation of the sanggunian was not approved by the Municipal Vice Mayor because he was not bonded contrary to Section 39 of COA Circular No. 92-382 dated July 3, 1992, thus independence from the executive and legislative is not guaranteed.

We have recommended the following:

- a. The Municipal Vice Mayor to apply for a fidelity bond, approved the disbursement vouchers for the appropriation of the sanggunian only and shall be allowed to countersigned in the check drawn.
 - b. Issue resolution authorizing the Municipal Vice Mayor and the Municipal Treasurer as the recognize signatory of their check disbursement for the Office of the Vice Mayor and Sanggunian Bayan.
 - c. The Municipal Budget Officer to compute the monthly appropriation of the office of the Vice Mayor and Sangguniang Bayan Members to be transferred to the Account of the general fund – vice mayor appropriation.
12. The Annual Procurement Plan was not prepared in relation to current budgeting, as basis in the procurement of goods, supplies and materials, in violation of the provision of Section 7 of Republic Act No. 9184; hence, acquisition of supplies were not efficiently, effectively and economically managed.

We have recommended the following:

- a. All end-users of the LGU should to its Department Head the needed office supplies and materials.

- b. Each department of the LGU should submit a Project Procurement Management Plan to the BAC Secretariat depending on the budget.
 - c. The BAC Secretariat to consolidate the PPMP of the different department for consolidation to the Annual Procurement Plan which will be the legal basis of the LGU procurement of goods, supplies and materials.
13. Non-maintenance of Subsidiary Ledgers (SL) for inventory accounts contrary to Section 12 of the MNGAS Volume II.

We have recommended the following:

- a. The Supply Officer / General Service Officer to submit the Report of Supplies and Materials Issued (RSMI) to the accounting division;
 - b. The GSO and Accountant should maintain subsidiary ledgers for the inventory accounts;
 - c. Strictly comply with the provision of Section 12 of MNGAS, Volume II and Section 114 of PD 1445; and
 - d. Request the LCE to augment personnel in the Accounting Office.
14. Registries of funds / appropriations / allotments and obligations / utilization for each fund were not maintained by the Municipal Budget Officer due to unstable personnel contrary to Item No. 2 of COA Circular No. 2005-001 dated February 28, 2005.

We have recommended the following:

- a. The Local Chief Executive should train a regular and permanent employee as the Municipal Budget Officer.
 - b. Recommend her to attend training that involved budgeting.
 - c. The Municipal Budget Officer should maintain the required registries of funds / appropriations / allotments and obligations and utilization in order to avoid juggling of funds and for internal control purposes. Also, to facilitate the realization of the programs / projects / activities embodied in the Approved Annual Budget.
 - d. Strict adherence to the provision of laws, rules and regulations.
15. Money value equivalent to the earned leave credits of LGU personnel were not recorded in the books of accounts disregarding COA Circular No. 2015-009 which prescribes the Revised Chart of Accounts for Local Government Units.

We have recommended to the Human Resource Officer furnishing the Accounting office with a copy of Schedule of Earned Leave Credits for all LGU personnel with money value as basis by the Accounting Office to record the leave accruals. Meantime, that budget was not yet provided, just disclosed it in the Notes to Financial Statements.

16. No GAD committee created, no Gender and Development plan and accomplishment report were submitted by the agency in violation of the provisions

of Republic Act No. 10352 and PCW-NEDA-DBM Joint Circular No. 2012-01, thereby resulting to minimal attainment of the purpose for which the fund was established and depriving the intended beneficiaries on the benefit of the program.

We have recommended the following:

- a. The Municipal Mayor to create a GAD committee.
 - b. We also have recommended to the GAD Focal person to attend seminar on GAD mainstreaming and to ensure that activities identified as GAD are in conformity with the provisions under Philippine Commission on Women (PCW), NEDA and DBM Joint Circular No. 12-01 that is to respect, protect and fulfill the rights of woman at the socio-cultural, economic and political spheres.
 - c. Further, incorporate the approved GAD plan/budget in the budget proposal for CY 2018 and onwards to ensure that the cost of implementing the GAD activities is part of the approved budget and that at least 5% of the total agency appropriations as authorized under the annual GAA, shall correspond to the activities supporting the GAD.
 - d. The Department Heads to identify the GAD related expenditures in their existing LGU Budget and Plan to be incorporated in the GAD Plan.
17. Implementation of the projects under the 20% Development fund were by administration instead of contract as provided in the provision of RA 9184; thus, government funds were not properly safeguarded.

We have recommended to the Bids and Award Committee to comply the guidelines under RA 9184 to arrive at an efficient and effective project implementation. Correct all the deficiencies noted for adequate management operation for the interest of a good governance.

18. Monthly Report on Sources and Utilization of Disaster Risk Reduction and Management Fund was not prepared, contrary to the provisions of COA Circular No. 2012-002 dated September 12, 2012 on the accounting and reporting guidelines on the utilization of the Local Disaster Risk Reduction Management Fund, thereby affecting the reliability of financial information on disaster funds being reported by the Municipality due to unawareness of the concerned officials on the circular.

We have recommended the following:

- a. Local Chief Executive to direct the Municipal DRRM Officer to prepare monthly Report on the Utilization of DRRM Fund, certified correct by the Accountant.
 - b. The Municipal Accountant to submit to the COA on or before the 15th day after the end of each month.
19. Solid waste management plan of the municipality was not submitted as mandated under RA 9003.

We have recommended to the management for executive action:

- a. Creation of the Municipal Solid Waste Management Board in accordance with the provision of law;
 - b. The plan should be reviewed and updated as required by law to ensure its sustainability, relevance and effectiveness;
 - c. Campaigns should be collaborated with the barangay officials concerned; and
 - d. Continued and stricter implementation of waste segregation, and thorough collection of waste based on set schedules.
20. Management failed to prepare Special Education Fund Budget in violation to Section 7 of Republic Act No. 5447 and incurred no amount for the SEF projects, thus, the local school board failed to use the fund depriving the beneficiaries.

We have recommended the following:

- a. The Local School Board to prepare a budget for Special Education Fund and make deliberations in accordance with the guidelines.
- b. The proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the local school board.

The comments and observations were discussed with concerned management officials and staff last February 12, 2019, and the management's comments were incorporated in the report.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We made a follow-up on the action taken by the management of Municipality of Poona-Piagapo, Lanao del Norte to implement the recommendation on prior years and noted the following:

Status of Implementation	No. of Recommendation
1. Full implementation	4
2. Partial implementation	0
3. Non-implementation	13

The audit recommendations not implemented and partially implemented are reiterated in this Annual Audit Report for CY 2018 due to materiality and relevance. The results of the validation of the implementation of prior year's recommendations are presented in Part III.