

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Tangcal, Lanao del Norte was created as a municipality with the passage of Republic Act 1573 on June 23, 1957. It was classified as sixth (6th) class municipality with eighteen (18) component barangays. It has a land area of 10,324,445 hectares with an estimated population of 9,351.

Like other local government units, the municipality enjoys genuine and meaningful local autonomy to enable it to attain its fullest development as self-reliant community and make it more effective partners in the attainment of national goals.

The Municipality is headed by the Municipal Mayor Hon. Fatima M. Tomawis.

Organizational Set – up

The Municipality is headed by the municipal mayor. Below are the elected officials.

Mayor	Fatima Mutia - Tomawis
Vice-Mayor	Dardagan M. Maliawao
SB Members	Abdany C. Buanding
	Cayamura M. Mangilala
	Junaid T. Usman
	Michael M. Diragon
	Mocamad L. Gagaso
	Dimatimpos A. Tomarompong
	Cabsaran B. Sangcad
	Zaalica D. Macondara
	Abalos M. Macondara

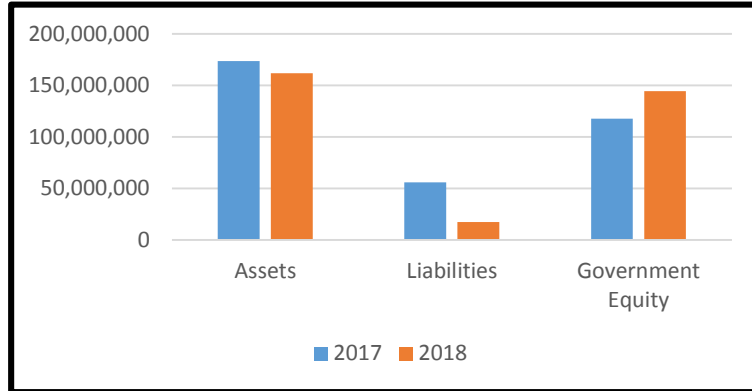
The following are the Municipality's Head of Offices:

Treasurer	Matingca M. Sedic
Accountant/Assessor	Macasamat M. Mapandi
Planning Development Coordinator	Mohammad Macaangcos
Budget Officer	Wilma M. Abubacar
Engineer	Mangontawar S. Andamama
Agriculturist	Amer M. Hanafi
Health Officer	Sittie Nadjiya M. Mapandi
Cooperative Officer	Nur Asiah T. Mangca
Social Welfare & Development Officer	Aisah M. Liawao

B. FINANCIAL HIGHLIGHTS

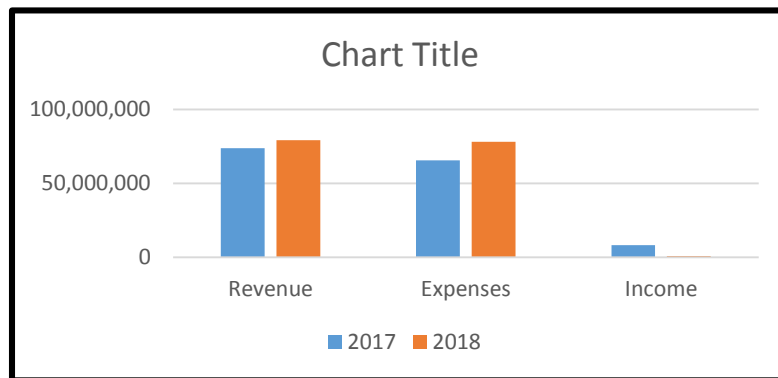
The comparative financial profile of the Municipality for Calendar Year 2018 and 2017 showed the following:

I. Financial Position



	2018	2017	Increase / (Decrease)	% over Last year
Assets	161,927,666	173,578,111	-11,650,445	-7%
Liabilities	17,434,881	55,788,416	-38,353,535	-69%
Government Equity	144,492,785	117,789,695	26,703,090	23%

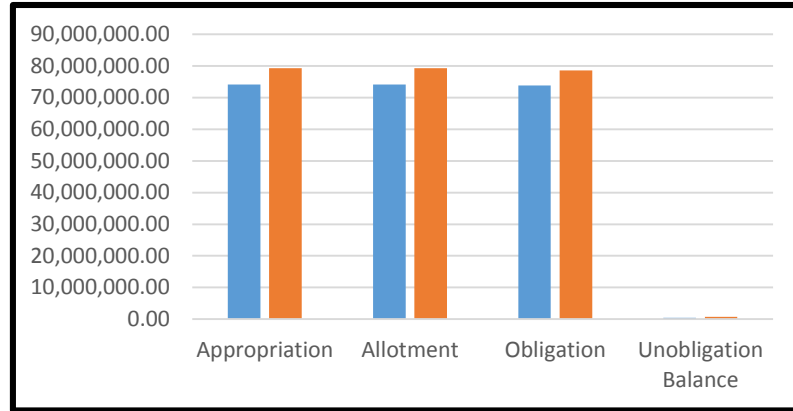
II. Financial Performance



	2018	2017	Increase / (Decrease)	% over Last year
Revenue	79,166,110	73,915,041	5,251,069	7%
Expenses	78,237,609	65,685,684	12,551,925	19%
Income	928,501	8,229,357	-7,300,856	-89%

III. Appropriations, Allotments and Obligations

Moreover, the comparative appropriation/allotment/obligation for Calendar Years 2018 and 2017 showed the following:



	2018	2017	Increase /	% over
			(Decrease)	last year
Appropriation	79,336,399.00	74,182,247.17	5,154,152	7%
Allotment	79,336,399.00	74,182,247.17	5,154,152	7%
Obligation	78,634,472.61	73,801,947.16	4,832,525	7%
Unobligation Balance	701,926.39	380,300.01	321,626	85%

C. SCOPE OF THE AUDIT

The audit covered the accounts and operations of the Municipality for the period January 1 to December 31, 2018. The objectives of the audit are to (a) determine the level of assurance that may be placed on management's assertions on the financial statements; (b) verify the propriety of financial transaction and on a limited extent, determine the level of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendation.

The audit focused on cash, cash advances, properties, as well as 20% development fund, programs and projects which were conducted on a test basis based on the documents and reports submitted by the agency.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness presentation of the financial statements for Calendar Year 2018.

There is a reason to believe that the financial statements are not free of material misstatements 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 following exceptions as discussed in Part II of this report:

1. Cash in bank account amounting to P 8,979,059 cannot be ascertained due to non-submission of Bank Reconciliation Statements.
2. Property, Plant and Equipment (PPE) account amounting to ₱151,768,095.87 cannot be ascertained due to failure of agency to conduct physical inventory.
3. Receivable and Payable accounts totaling ₱2,789,117.69 remained dormant.

E. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the summary of other significant findings and recommendations, to wit:

1. Collections were held by the Revenue Collectors and Municipal Treasurer to a maximum of six (6) months and were not remitted intact in violation of Section 69 of Presidential Decree No. 1445 and Section 28 of COA Circular No. 92-382 exposing the funds to possible misappropriation and/or possible external risks.
 - *Require all the Revenue Collectors to turn over his/her collections intact and daily to the Municipal Treasurer and the Municipal Treasurer to deposit intact and all her collections at the bank in the frequency required under existing regulation.*
 - *Direct the Municipal Treasurer to be vigilant in supervising and closely monitoring the collections and remittances of Revenue Collectors.*
2. The Municipal Accountant failed to establish Real Property Tax/Special Education Tax (RPT/SET) Receivables at the beginning of the year contrary to Section 20, Volume I of the NGAS Manual for LGUs, thereby, resulting to understatement of the receivable accounts and their corresponding Deferred RPT/SET income accounts.
 - *Instruct the Municipal Accountant to establish Real Property Tax/Special Education Tax receivable and deferred income at the beginning of the year as required under Section 20, Volume 1 of NGAS Manual by using the Municipal Treasurer's Office's certified list of taxpayers showing the amount due for the year.*
 - *Require the Municipal Accountant to review, analyze and prepare adjusting entries necessary to correct the affected accounts.*

3. The government share of the LGU employees for HDMF (Pag-IBIG) - were found to be excessive in violation of the IRR of RA 9679 HDMF Law of 2009, thereby, incurring unnecessary expenses.
 - *Strictly comply with the provision of RA 9679 in observing the maximum limit of PAG-IBIG contribution government share at P100 per month per official/employee.*
 - *Make representation with the HDMF/Pag-IBIG to offset the excess contribution as against the future remittances of the LGU.*
4. The municipality still incurs significant delay in the submission of disbursement vouchers, trial balances, financial statements complete with supporting schedules and other reports contrary to COA Circular 2009-006 dated September 15, 2009 thereby affecting the timely review, verification and audit of accounts as to the propriety of the financial transactions and compliance of the agency to prescribed rules and regulations.
 - *Direct the Municipal Accountant to submit immediately all lacking reports, disbursement vouchers together with its supporting documents and ensure to strictly adhere with the required time frame for the submission of accounts.*
 - *Instruct the Municipal Accountant to approve and process only those disbursement vouchers supported with complete and valid documentations and approvals.*
 - *Advise the Local Chief Executive to augment the working force under the Accounting Office with great consideration on the competency and qualification.*
5. Contracts for infrastructure projects amounting to P27.8 Million were not submitted to the Auditor within five (5) days from execution is in violation of paragraph 3.1.1 of COA Circular No.2009-001 dated February 12, 2009, thereby affecting generation of timely and relevant audit results.
 - *Require the BAC Secretariat to submit to COA the approved contracts together with its supporting papers for the said perfected projects for COA's review; and to submit prospective all contracts within 5 days upon its perfection in accordance with COA Circular 2009-001.*
 - *Advise management headed by the Local Chief Executive to revisit the internal control policies over LGU operations to identify and address these recurring lapses over submission of contracts.*
6. Contractors' claims for infrastructure projects totaling P16.7 Million were paid despite the absence of complete documentation contrary to Section 4(6) of PD 1445

and Paragraph 9.1 and sub-paragraph 9.1.1 of COA Circular No. 2012-001 dated June 14, 2012, thereby, affecting the regularity of the transactions.

- *Direct the Municipal Accountant to submit lacking documents as shown in Annex A for each claim not later than January 30, 2019;*
- *Require the Municipal Accountant to ensure that disbursement vouchers are always supported with complete documents enumerated under Paragraph 9 and 9.1.1 of COA Circular No. 2012-001.*

7. The budget for Local Council for the Protection of Children (LCPC) Fund included an appropriation of P113,364 for MOOE wanting identification of any specific purpose/activity which runs counter to those programs, projects or activities identified in Section 15 of Republic Act 9344 and DILG Memorandum Circular 2012-120 dated July 4, 2012 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.

Direct the Local Chief Executive to ensure that programs, projects and activities are responsive to the needs of the children and pursuant to those identified in the Local Development Plan for Children (LDPC).

8. Absence of an approved Solid Waste Management Plan by the National Solid Waste Management Commission and non-operational Materials Recovery Facility contrary to Sections 16 of RA 9003 depriving the constituents of a systematic and comprehensive program that would better ensure protection of public health and environment.

- *Direct the Local Chief Executive/Chairman of the Solid Waste Management Board to initiate a written representation to follow up the approval of the agency's Solid Waste Management Plan.*
- *Require the Municipal Budget Officer and Municipal Planning and Development Coordinator to ensure that only activities that partakes the nature of investment or capital expenditure are included in 20% Development Fund.*
- *Direct the Local Chief Executive to initiate the immediate conversion of the open dumpsite into a controlled dumpsite.*

9. The responsiveness of activities under Gender and Development (GAD) amounting to P3,966,820.00 cannot be ascertained due to failure of management to conduct gender mainstreaming, gender analysis/gender assessment and sex-disaggregated data information which shall serve as the basis in establishing (GAD) programs and activities which is contrary to JMC 2013- 01 of PCW-DILG-DBM-NEDA resulting to uncertainty if the purpose and benefits for which the fund was established can be achieved.

Direct the Local Chief Executive to instruct the GAD Focal Person to conduct gender mainstreaming to identify the appropriate activities responsive to the needs of the LGU constituents; to prepare GAD Plan and Budget using the prescribed format under JMC 2013- 01 of PCW-DILG-DBM-NEDA, and; to ensure that activities identified as GAD are in conformity with the provisions under JMC 2013-01 of Philippine Commission on Women (PCW), NEDA and DBM.

These observations and recommendations were discussed with the management and their comments were incorporated in the Report, where appropriate.

F. STATEMENT OF AUDIT SUSPENSION, DISALLOWANCES AND CHARGES

The Audit Team has issued six (6) Notice of Suspension with total amount of P262,854.81 for CY 2018. Other disbursement vouchers with noted deficiencies or lacking documents were returned to the Municipal Accountant for their compliance.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of eighteen (18) audit recommendations contained in the CY 2017 Annual Audit Report, four (4) were fully implemented, twelve (12) were partially implemented while two (2) remained unimplemented.

The impact of management's implementation on the audit recommendations serves as preventive measures and gives improvement opportunities on their operations. Further, some audit observations needs to be 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 of this report.