

EXECUTIVE SUMMARY

A. Introduction

1. Since the creation of the Municipality of Mainit on January 1, 1931 by virtue of Executive Order No. 39 and thru the enactment of Republic Act 7160, the Municipality enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the national government's thrust for sustainable social and economic growth.
2. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
3. The audit was conducted on the operations and financial transactions of the Municipality of Mainit for Calendar Year 2018 with a view of ascertaining the correctness of income, the propriety and legality of expenditures, the accuracy of the accounts and the reliability of the financial reports, as well as the economy, efficiency and effectiveness of government programs. The audit consisted of the verification, reconciliation and analysis of accounts and such other procedures considered necessary.

B. Financial Highlights

4. Comparative Financial Position and Results of Operations

Particulars	2018	2017	Increase/ (Decrease)
Assets	303,496,055.73	278,013,650.56	25,482,405.17
Liabilities	88,066,578.87	92,328,906.00	(4,262,327.13)
Government Equity	215,429,476.86	185,684,744.56	29,744,732.30
Income	115,539,325.02	112,927,528.28	2,611,796.74
Operating Expenses	88,427,700.11	79,564,262.05	8,863,438.06
Income from Current Operations	27,111,624.91	33,363,266.23	(6,251,641.32)

5. Comparative Sources and Application of Funds

Particulars	2018	2017	Increase/ (Decrease)
Appropriations	116,977,776.00	107,944,145.00	24,679,159.81
Allotment	116,977,776.00	107,944,145.00	24,488,159.81
Obligations	116,975,647.78	91,491,719.78	306,811.04
Funds received from other agencies (Due to NGAs/LGUs/GOCCs)	34,836,866.51	35,850,355.76	(1,013,489.25)
Funds transferred to other agencies (Due from NGAs/LGUs and Subsidy to LGUs)	2,265,212.49	1,515,322.49	749,890.00

C. Audit Opinion

6. The auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Mainit for CY 2018 due to the effect of any adjustments that might have been as follows:
 - 6.1. Year-end physical inventory of Property, Plant and Equipment (PPE) was not conducted, PPE Property Cards were not maintained and PPE Ledger Cards were not updated contrary to Sections 124 and 114 of the NGAS Manual for LGUs, Volume I. Thus, the correctness, completeness and reliability of the PPE account balance of P179,913,409.19 could not be ascertained and their existence could not be established.
 - 6.2. The accuracy of the Cash in Bank – Local Currency, Current Account balance in the Trust Fund could not be ascertained due to the unadjusted reconciling items of stale checks amounting to P367,814.19, inconsistent with Section 59 of NGAS Volume I, thereby affecting the fair presentation of the cash account in the financial statements as of year-end.

D. Summary of Significant Observations and Recommendations

7. For the above-mentioned audit observations, which have caused the issuance of a qualified opinion, we recommend the following:
 - 7.1. We recommended that management (a) effect the Executive Order No. 015 Series of 2016 to conduct physical inventory of all PPEs and submit the inventory report to the Municipal Accountant for reconciliation with the accounting records, as well as updating of PPE Ledger Cards; (b) direct the GSO to maintain Property Cards and observe tagging of the property accordingly; and (c) furnish the Auditor copies of the inventory report and result of reconciliation between accounting records, inventory and GSO records.
 - 7.2. We recommended that management instruct the Municipal Accountant to effect necessary adjustments on the reconciling items by preparing a Journal Entry Voucher (JEV) using the appropriate accounts.
8. The other audit observations and recommendations are discussed in the attached report, the most significant of which, are as follows:
 - 8.1. Monthly Reports on the Sources and Utilization of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for CY 2018 were not submitted to the Auditor by the Local Disaster Risk Reduction and Management Council (LDRRMC) and Local Development Council (LDC) due to the failure of the Municipal Accountant to prepare, certify and submit the same to LDRRMO, contrary to Section 5.1.2, 5.1.3.2 and Section 5.5.5 of COA Circular No. 2012-002 dated September 12, 2012, thereby precluding the auditor from verifying the propriety of charges against the funds.

We recommended that management direct the concerned officers to submit Report on Sources and Utilization of DRRMF, prepared and certified correct by the Municipal Accountant as provided in the prescribed format, on or before the 15th day after the end of each month, through the LDRRMC and LDC to the Office of the Auditor.

- 8.2. The Municipality's Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP) did not include programs/projects/activities (PPAs) that would be charged against the Special Trust Fund (STF) contrary to Sections 5.1.2 and 5.1.15 of COA Circular No. 2012-002 dated September 12, 2012, thus accomplishment of goals/targets of the municipality regarding disaster risk reduction management could not be fully maximized.

We recommended that the Municipal Risk Reduction and Management Council to include in the LDRRMFIP the PPAs to be funded from STF in compliance with the provisions of COA Circular No. 2012-002 dated September 12, 2012.

- 8.3. Actual implementation of Gender and Development (GAD) programs, projects and activities could not be evaluated because of the Accomplishment Report were not submitted to the Office of the Auditor, contrary to Item V of COA Circular No. 2014-001 dated March 18, 2014, thereby precluded the Auditor from determining whether the implementation of programs/projects/activities was in accordance with the GAD Plan and Budget.

We recommended that the GAD Focal Point to strictly adhere to Item V of COA Circular No. 2014-001 dated March 18, 2014 for the timely submission of the said report to the Office of the Auditor.

- 8.4. The programs, projects and activities of Local Council for the Protection of Children (LCPC) amounting to P1,169,777.76 for CY 2018 could not be validated whether it was utilized accordingly as provided in Section 15 of RA 9344 and DILG Memorandum Circular No. 2012-120 dated July 4, 2012 due to absence of utilization and accomplishment report, thereby precluded the Auditor from easily determining whether the utilization of the fund was in accordance with identified PPAs.

We recommended that management advise the LCPC Focal Person to (i) ensure strict compliance with the preparation of utilization and accomplishment report rendering adequate and reliable information on the status of implementation of LCPCs programs, projects and activities vis-à-vis the plans geared toward the protection and welfare of the target number of children in the locality and (ii) submit immediately the utilization and accomplishment report to the Office of the Auditor for review and validation.

- 8.5. Splitting in the procurement of goods totaling P106,000.00 was resorted to avoid public bidding contrary to Sections 10 and 54.1 of the Revised Implementing Rules and Regulations (IRR) of RA 9184 and COA Circular No. 76-41. Instead, the Municipality adopted the shopping mode of

procurement even without the recommendation of the BAC to the Local Chief Executive for approval contrary to Sections 52 and 48.1 of the same IRR. Hence, the transactions are deemed illegal and no assurance that the most advantageous price was availed of.

We recommended that management stop the practice of splitting of purchases because it is strictly prohibited by law. Base the procurement on the approved Procurement Plan to avoid splitting of transactions and use appropriate mode of procurement. Further, require the BAC to review the purchase request for quotation and purchase orders if completely and properly filled up before award to the lowest bidder is made. Moreover, direct the Municipal Accountant to check and review the completeness of the supporting documents and of the required information therein.

- 8.6. Copies of perfected contracts and its supporting documents for procurement of goods were not submitted to the Auditor, contrary to COA Circular No. 2009-001 dated February 12, 2009, thus precluding the Auditor from conducting timely review of the contracts and inspection of delivered items.

We recommended that the Bids and Awards Committee to strictly comply with the requirements on the submission of the perfected contracts and its supporting documents on the procurement of goods as provided in COA Circular No. 2009-001.

- 8.7. The non-inclusion of checks as one of the accountable forms without money value in the preparation of Report of Accountability for Accountable Forms (RAAF) and Consolidated Report of Accountability for Accountable Forms (CRAAF) rendered the report incomplete, contravened Section 24 of COA Circular No. 92-382, thus difficulty in determining and reconciling actual accountability of the accountable officer of the accountable forms.

We recommended that management instruct the accountable officers to (i) include the checks in the preparation of the Report of Accountability for Accountable Forms (RAAF), as well as, the Consolidated Report of Accountability for Accountable Forms (CRAAF); and (ii) submit to the Office of the Auditor not later than the fifth day of the ensuing month.

- 8.8. Payment for Year-end Activity and Christmas Party Cash Gift to elective officials, regular and casual employees, and trainees totaling P199,500.00 in December 2018 which has no legal basis, in violation of DBM Circular Letter No. 2003-10 dated October 17, 2003, thereby resulting to unauthorized or illegal use of public funds.

We recommended that management (i) direct all the concerned officials/employees and trainees to refund the payment; (ii) instruct the Municipal Accountant to deduct the same from their claims; and (iii) refrain from recurring the same error and adhere to the law in the granting of benefits.

- 8.9. Five identified projects under the 20 percent Development Fund for CY 2018 were not implemented during the year totaling P3,800,000.00 and five identified projects in CY 2017 totaling P1,863,471.46 remained unimplemented, thereby the desirable socio-economic development in the Municipality was not fully attained.

We recommended that management conduct intense planning on the immediate implementation and prioritization of development projects that are feasible in order to optimize the utilization of the 20 percent Development Fund in order to attain ultimately the desirable socio-economic development and environmental management outcome of the Municipality.

E. Summary of Total Suspensions, Disallowances and Charges

9. There were no audit suspensions and disallowances issued in CY 2018. The balances of P17,991,108.74 for suspensions and P4,760,347.06 for disallowances remained unsettled contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

F. Statement of the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.

10. Out of the 15 audit recommendations in CY 2017 AAR, seven were fully implemented, seven were partially implemented and one was not implemented. Also, included herein are 28 CYs 2013-2016 AAR recommendations that were not fully implemented as of December 31, 2018. Their status of implementation in CY 2018 was nine fully implemented, 17 partially implemented and two still not implemented.