

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Banguingui (Tongkil), Sulu was created by virtue of Republic Act No. 2711 dated March 3, 1917. Its powers and mandates are embodied in Republic Act No. 7160 or otherwise known as the Local Government Code of 1991. This municipality is expected to exercise powers necessary for its efficient and effective governance, and those which are essential to the promotion of the general welfare and provision of basic services and facilities within their respective territorial jurisdictions.

This municipality is a 4th class municipality consisting of 14 barangays. It is headed by Honorable Mayor Whajid I. Sahidulla assisted by Honorable Vice Mayor Hji. Yasher K. Imbah and 9 Sangguniang Bayan Members

B. Scope of Audit

A comprehensive financial and compliance audit was conducted on the accounts and operations of the Municipality of Banguingui (Tongkil), Sulu for the period ending December 31, 2018. Our audit focused on areas under 20% Development Fund, GAD Fund, LDRRM Fund and other major accounts in the General Fund with great emphasis on proper accounting and utilization of government funds and resources as well as extent of agency's compliance to prescribed rules and regulations. Our audit includes examining on a test basis, evidence supporting the amount and disclosures in the financial statements. It also included assessing the accounting principles used and review of significant estimates made by the management as well as evaluating the overall financial statements presentation.

C. Financial Highlights

Presented below are comparative analysis relative to the financial condition, sources and application of funds including appropriation, allotments and obligations for the last two years:

Name of Account	2018	2017	Increase/(Decrease)
Assets	142,811,965.88	60,228,328.35	82,583,637.53
Liabilities	53,153,931.42	319,229.85	52,834,701.57
Government Equity	89,658,034.46	59,909,098.50	29,748,935.96
Income	102,046,534.47	94,896,796.92	7,149,737.55
Expenses	67,216,409.44	72,604,826.60	(5,388,417.16)

	2018	2017	Increase/(Decrease)
Appropriation	112,201,761.79	96,958,411.00	15,243,350.79
Allotments	112,201,761.79	96,958,411.00	15,243,350.79
Obligations	106,426,911.95	86,321,476.97	20,105,434.98

D. Audit Opinion on the Financial Statements

A qualified opinion was rendered in view of the unreliable Property, Plant and Equipment account balances in the Statement of Financial Position due to the following: a) Non-recording of agency's owned lots in the books of accounts b) Uncertain ownership of several parcels of land, c) Non validation and inspection of completed projects under Local Development Fund.

E. Significant Findings and Recommendations

- 1. Reliability of the Property, Plant and Equipment account has remained doubtful due to non-recording of agency's owned lots in the books of accounts. Moreover, these parcels of land are likewise having uncertain ownership contrary to section 58 of P.D. 1445.**

Recommendation:

Make necessary journal entries to record all parcels of land owned by the municipality under Land Account – General Fund books following the prescribed valuation in PPSAS 17 to be able to correct understatement of PPE account balance in the Financial Statements.

Identify those lots recorded in the books without the required legal documents of ownership as those should be properly disclosed in the notes to Financial Statements.

Concerned officials shall continue to work on the titling of the afore-mentioned lots to be able to provide proof of ownership and so the interest of the municipality on the properties is secured, and likewise, ensures the legitimacy of recording in the books.

Appropriate enough funds for the titling or securing proof of ownership of these parcels of land.

Provide us details of the land account recorded in the books including copy of its updated Subsidiary Ledger (SL).

- 2. The municipality did not implement regulations on environmental laws as required under R.A. No. 9003, the Ecological Solid Waste Management Act of 2000, hence, a systematic, comprehensive and ecological waste management were not established.**

Recommendation:

Formulate Solid Waste Management (SWM) Plan and have it approved by the National Solid Waste Management Commission to ensure that programs, projects and activities included in the afore-mentioned plan are in accordance with the National Solid Waste Management Framework.

Complete required documentation/data on Solid Waste Management and submit copy to COA immediately afterwards.

Solid waste management programs/projects must align with the approved SWM Plan. Any deviation from the said plan could be a ground for disallowance in audit.

Fully comply with the Solid Waste Management Act of 2000 and other regulations pertaining thereto to be able to have a systematic and comprehensive ecological waste management program.

- 3. Considerable delays in the submission of transaction documents for audit and the inability of the municipality to properly document Local Development Fund expenditures has affected the timely validation and inspection of agency's completed projects.**

Recommendation:

Instruction shall be given to concerned officials to complete the required documentation for 20% Development Fund and submit the same to COA immediately thereafter and so technical documentation can be forwarded to COA inspectorate team for the necessary inspection and validation.

Discontinue processing of claims and payments for Local Development Projects without the required pre-implementation requirements and other technical documents so as to avoid audit suspensions and disallowances.

- 4. Expenditures charged to LDRRM fund were not properly documented, hence, resulted to audit suspensions aggregating to P3,199,086.16 which remained unsettled as of this reporting date.**

Recommendation:

Compliance with the required laws, rules and regulations on LDRRM is enjoined to avoid sanction that may be imposed for violating thereof.

Submit LDRRM disbursement vouchers with complete and appropriate supporting documents as well as settle audit suspensions within the required timeframe to facilitate completion of our audit on said fund.

Utilize LDRRM Fund in accordance with the required regulations to avoid disallowance in audit.

- 5. Budgeted amount for GAD related programs, projects and activities was not maximized leaving an unutilized amount of P1,050,000.00 as at year-end. Moreover, weak documentation of the GAD related transactions has likewise noted in audit, hence, resulted to audit suspensions totaling to P2,774,813.21.**

Recommendation:

The management shall always formulate GAD Plan with great consideration on proper planning and compliance to various GAD policies and regulations.

Assigned qualified personnel to handle GAD related undertakings so as to ensure effective and efficient implementation.

Require GAD focal point to properly document implementation of GAD programs and activities and submit all the required documentation to the Municipal accountant immediately after program implementation to be able to meet the required timeframe of submission and facilitate completion of audit.

Maximize implementation of the budgeted amount for GAD related programs and projects to be able to meet its 5% minimum requirement.

Settle all audit suspensions on or before the lapse of the 90 day period of settlement, otherwise, a notice of disallowance shall be issued.

- 6. Validity; propriety and completeness of the recorded transactions could not be immediately ascertained due to delays in the submission of transaction documents for audit not in consonance with section 347 of RA No. 7160 and sections 43(4), 100 and 122 of P.D. 1445, hence, adversely affect the conduct of audit and timely communication of audit results.**

Recommendation:

Review and adopt systematic procedures in the processing of claims/disbursements that will provide a check and balance of functions and accountabilities.

Assigned qualified and efficient staff to assist the present workforce in accounting unit and in other agency's key offices so that reports can be prepared promptly and within deadlines.

Require payees to submit the required documentation before payment is made.

Strictly comply with the prescribed timeframe on the submission of accounts and financial reports to avoid sanctions that may be imposed for violating thereof as required under section 127 of P.D. 1445.

F. Status of Implementation of Prior Year's Audit Recommendations

There are fourteen (14) prior year's audit recommendations and its status of implementation are as follows:

Fully Implemented	-	5
Partially Implemented	-	7
Not Implemented	-	2