

## EXECUTIVE SUMMARY

### 1. INTRODUCTION:

The Municipality of Upi was created by virtue of the Republic Act No. 1248 on June 10, 1955. Prior to the formation of its 12 barangays into an independent municipality known as municipality of Datu Blah Sinsuat on October 3, 2006. The municipality has 35 barangays, with a total land area of 89,610 hectares and a population of 51,141. The remaining twenty three (23) Barangays are located in the upper mountainous area of the Municipality. Total land area after the separation of the twelve (12) Barangays is 74,295 hectares and the recently released NSO conducted census showed a population of 51,650. The Municipality is now classified as a 1st class municipality by virtue of Memorandum Circular No. 01-M(43-d)-08 dated June 17, 2010. We conducted financial and compliance audit on the accounts and operations of the Municipality of Upi, Maguindanao for Calendar Year ending December 31, 2014. Our examination was made in accordance with generally accepted and prescribed auditing standards and accordingly included such other auditing procedures as it was necessary. The scope of our audit covered the General Fund, Special Educational Fund and Trust Fund from January 1, 2018 to December 31, 2018.

### 2. FINANCIAL HIGHLIGHTS

A.) During the year, the total assets of the Municipality of UPI, Maguindanao was increased by ₱67,043,210.64 or 27%, its total liabilities was increased by ₱ 3,747,889.64 or 12% and its equity was increased by ₱65,350,321.00 or 30% ,total income for during the year amounting to ₱287,592,560.23 was increased by ₱66,427,349.34or 30% as compared with the previous year's income of ₱221,165,210.89, total expenditures amounting to ₱210,814,477.02 which was ₱35,872,914.93 higher than the preceding year of ₱174,941,562.09 and the surplus during the year amounting ₱ 113,466,985.25 was increased by ₱ 76,304,455.00 or 205% as compared to previous year's surplus ₱37,162,530.25 to as shown below

PARTICULARS	2018	2017	INCREASE (DECREASE)	PERCENTAGE
Assets	₱312,176,615.66	₱245,133,405.02	₱67,043,210.64	27%
Liabilities	34,629,638.74	30,881,749.10	3,747,889.64	12%
Equity	279,601,976.92	214,251,655.92	65,350,321.00	30%
Total Income	287,592,560.23	221,165,210.89	66,427,349.34	30%
Total Expenses	210,814,477.02	174,941,562.09	35,872,914.93	20%
Surplus (Deficit)	113,466,985.25	37,162,530.25	76,304,455.00	205%

B.) Appropriation for CY 2018 amounting to ₱238,693,400.00 which was higher than the preceding year of ₱24,395,155.00 or 11%, its allotment was ₱257,793,400.00 which was higher by 15% and its obligation was higher than the preceding year of ₱19,967,253.22 or 9% as shown below:

<b>Particular Amounts</b>	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	<b>Percentage</b>
Appropriation	₱238,693,400.00	₱ 214,298,245.00	₱ 24,395,155.00	11 %
Allotment	₱257,793,400.00	₱ 222,996,642.00	₱ 34,796,758.00	15 %
Obligation	₱ 225,725,253.22	₱ 205,758,000.00	₱ 19,967,253.22	9%

### **3. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

A **qualified opinion** was rendered on the fairness of the presentation of the financial statements of the Municipality of Upi, Maguindanao as of December 31, 2018, due to the deficiencies presented in Section D of this report.

#### **4. Summary of Significant Observations and Recommendations**

**1. The amount released for OFW Employment Assistance Program of the Municipal Government from CY 2018 was not properly managed, which deprived other deserving beneficiaries to avail of the program and that the total loan receivables of ₱ 3,407,140.46 were not collected from delinquent borrowers.**

- a. The granting of loans shall be suspended until the Receivable from OFWs will be collected;
- b. Standard/criteria shall be set to serve as basis for the grants of OFW loan assistance program beneficiaries if the loans will be granted again;
- c. Strict compliance with the set standards for the pre-qualification of recipients/beneficiaries must be observed;
- d. The municipality must create an Oversight/Monitoring/Performance Evaluation Committees to assure that the objectives of the program will be attained;
- e. The municipality should adopt measures to assure the repayments of these loans such as sending notices or demand letters to delinquent ones and file appropriate case, if any, for the non payment by the delinquent OFWs.

- f. The Municipal Government should prepare monthly reports pertaining to loans granted, collections made, as well as delinquencies.
- g. The Municipal Government must also prepare an updated report on delinquent beneficiaries and intensify collections for the loans granted to beneficiaries of the program. The municipality should adopt measures to assure the repayments of these loans such as sending notices or demand letters to delinquent ones; and
- h. Provide appropriate tools for easy and effective reports preparation.

**2. Real Property Tax Receivable amounting to ₱2,216,526.80 in the General Fund and Special Education Tax Receivable amounting to ₱ 319,970.55 in the Special Education Fund remained uncollected, pursuant to Section 57 of the Presidential Decree No. 464, otherwise known as the Real Property Tax Code, Section 4 of the Republic Act ( RA) No. 5447, otherwise known as An Act creating a Special Education Fund and Section 470 (d) (1) of the Republic Act (RA) No, 7160, otherwise known as Local Government Code of 1991.**

We recommend to the Local Chief Executive (LCE) to instruct the Municipal Treasurer and the Municipal Accountant the following:

Real Property Tax Receivables

- a. Abide to Section 57 of the Presidential Decree (PD) No. 464, otherwise known as the Real Property Tax Code.
- b Conduct tax drives/ campaigns to every communities in the Municipality
- c Extra effort to collect the Real Property Tax (RPT)
- d Recommend to its Sanggunian Bayan to legislate an ordinance that would provide tax incentives to the real property owners who would pay early.

**3. Management failed to remit on time the premiums due to BIR, GSIS, PAG - IBIG, and PHILHEALTH as of December 31, 2018 in compliance to COA Memo No. 97-036.**

We recommend that all deductions such as Due to BIR/ PAGI- IBIG/GSIS and PHILHEALTH withheld from the salaries of employees be remitted on time to avoid penalties, surcharges, and other charges We also require the agency to submit strong justification why they cannot remit on the time frame required.

**4. During the year, disbursements amounting to ₱ 506,218.46 were suspended in audit, and had been settled at the year end.**

Enforce immediate settlement of the audit suspensions totaling ₱ 506,218.46 in accordance with Section 9.1 of COA Circular No. 94-001 dated January 20, 1994. Henceforth, ensure that government auditing rules and regulations are strictly complied with before processing claims/effecting payments to minimize suspensions and disallowances in audit.

The Municipal Accountant should inform all persons responsible and/or liable about the suspensions on their claim and require them to submit the necessary **documents** and/or justification as required in the Notice of Suspensions with a period of ninety (90) days from receipt of the notices; otherwise the suspension shall mature into disallowance.

5. **The account Construction in Progress - Infrastructure Asset amounting to ₱ 16,059,383.70** cannot be verified due to the absence of subsidiary ledgers, records and information to validate its existence pursuant to Section 6 paragraph g of Government Accounting Manual for NGAS Vol. 1.

**The LGU should submit the subsidiary ledgers, data and information pertaining to the account pursuant to the above stated guidelines to validate the accuracy of its existence.**

6. **Priority projects funded out of the 20% Utilization of its Internal Revenue Allotment (IRA) with an allotted budget of ₱ 43,984,915.00 were partially implemented and on-going in compliance to Section 287 of RA 7160.**

1. Require the implementing offices to exert diligent efforts to implement the identified development projects in line with the DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011, to ensure that the intended beneficiaries are not deprived of the benefits that they should have enjoyed.

2. Enjoin offices concerned to evaluate whether the projects and programs are implementable, otherwise revert to other more important with significant impact projects to the constituents or beneficiaries.

3. Require those involved in the formulation, development and implementation of programs/projects to faithfully discharge their functions and responsibilities as provided in the Local Government Code and the Joint Circular as above mentioned for maximum benefit.

7. **The management had utilized ₱11,934,670.00 or 5 % of its total appropriation for the implementation of Gender and Development (GAD) program/project in accordance with the guidelines pursuant to Section 37 (A.I.C) of the Republic Act (RA) No. 9710, otherwise known as the Magna Carta of Women of 2009.**

We commend the management to their compliance to submit the Annual GAD Plan and Budget showing the details of programs and projects of the 5% GAD fund in the total budget appropriations.

- 8. The management implemented the 5% of the total budgets for CY 2018 for Local Disaster Risk Reduction and Management Fund (LDRRMF) and the stand -by-fund of thirty percent (30%) for relief and recovery programs pursuant to Section 21 of the Republic Act (RA) No. 10121, otherwise known as an Act Strengthening the Philippine Disaster Risk Reduction Management System, providing for the National Disaster Risk and Management Plan, appropriating funds thereof and other purposes and Section 5.1.5 of the Commission on Audit (COA) Circular No. 2012-002 dated September 12, 2012.**

We commend the Management for the implementation of the Local Disaster Risk Reduction and Management Fund for CY 2018 on the five percent (5%) of the total budget and thirty percent (30%) for Quick Response Fund (QRF) in accordance with Section 21 of the Republic Act (RA) No. 10121, otheriwise known as an Act strengthening the Philippine Disaster Risk Reduction Management System, providing for the National Disaster Risk and Reduction and Management Plan, appropriating funds thereof and other purposes and Section 5.1.5 of the Commission on Audit (COA) Circular No. 2012-002 dated September 12, 2012.

#### **5. Summary of Total Suspensions, Disallowances and Charges as of Year End**

**As of year-end, the Office of the Auditor issued Notice of Suspension totaling to ₱ 506,218.46 and were all settled at the end of the quarter.**

- 6. Statement on the quantity/number of implemented, partially implemented and not implemented in the current year for the unimplemented prior years audit recommendations.**

**Of the four (4) audit recommendations, four (4) was implemented**