

EXECUTIVE SUMMARY

INTRODUCTION

The **MUNICIPALITY OF PICONG**, Province of Lanao del Sur, was formerly known as Sultan Gumander by virtue of Presidential Decree No. 1135 dated May 4, 1972. It was renamed in 2006 pursuant to Muslim Mindanao Autonomy Act No. 175 dated December 16, 2004, which was ratified through a plebiscite conducted by the Commission of Elections on March 25, 2006.

Picong is a sixth class municipality which is politically subdivided into nineteen (19) Barangays. It has an approximate total land area of 280.00 square kilometers and a total population of 16,615 people according to 2015 census.

The municipality is under the leadership of Hon. Alinader M. Balindong as Municipal Mayor. It is supported by Municipal Vice Mayor, 8 municipal councilors and other heads of ten (10) municipal offices with one hundred fifteen (115) regular employees.

FINANCIAL HIGHLIGHTS

The financial highlights of the Municipality of Picong, Lanao del Sur, as of December 31, 2018 with comparative figures of 2017 are presented hereunder:

Particular	CY 2018	CY 2017	Increase/Decrease
Financial Condition			
Total Assets	₱ 86,795,741.28	₱ 86,318,110.25	₱ 477,631.03
Total Liabilities	23,966,606.16	33,802,033.36	(9,835,427.20)
Total Equity	₱ 62,829,135.12	₱ 52,516,076.89	₱ 10,313,058.23

Financial Performance			
Total Revenue	₱ 95,217,020.75	₱ 88,635,293.00	₱ 6,581,727.75
Total Expenses	84,903,962.52	80,620,339.58	4,283,622.94
Surplus (Deficit)	₱ 10,313,058.23	₱ 8,014,953.42	₱ 2,298,104.81

Sources and Application of Funds			
Particular	CY 2018	CY 2017	Increase/Decrease
Appropriations	₱ 98,716,425.53	₱ 91,776,199.02	₱ 6,940,226.51
Obligations Incurred	95,936,059.03	91,747,019.02	4,189,040.01
Balance	₱ 2,780,366.50	₱ 29,180.00	₱ 2,751,186.50

SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and transactions of Picong, Lanao del Sur for CY 2018. The audit was aimed at determining whether management presented fairly the financial statements of the municipality of Picong, Lanao del Sur, in adherence to the generally accepted accounting principles and whether prevailing laws, rules and regulations have been complied with.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Audit Team Leader rendered a qualified opinion on the financial statements due to the effect of no bank reconciliation statement for cash in bank accounts, incomplete physical inventory of the property, plant and equipment, incorrect accumulated and annual depreciation, and non-recognition of road network.

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

- 1. The non-preparation and non-submission of Bank Reconciliation Statement (BRS) for cash in bank accounts may render unreliable balances of account Cash in Bank – Local Currency Current Account of ₱2,357,907.15 as to correctness in non-compliance with Section 74 of Presidential Decree No. 1445 and Sections 3.1 and 3.2 of COA Circular No. 96-011, thus, it may affect the fair presentation of the cash accounts in the financial statements.**

We recommended that the Local Chief Executive direct the Accountant to secure the monthly bank statement from its authorized government depository bank (AGDB) for all their bank accounts maintained and then prepare the corresponding monthly bank reconciliation statements for each bank account in accordance with Section 74 of PD No. 1445 and Sections 3.1 and 3.2 of COA Circular No. 96-011.

- 2. The full existence of Property, Plant and Equipment (PPE) accounts totaling to ₱91.95 Million cannot be established due to partial inventory report on physical count of PPE submitted in partial compliance with applicable laws, rules and regulations on supply and property management in local government units, thus, its fair presentation in the financial statement may cast doubt.**

We recommended that the Local Chief Executive of the municipality to:

- a. Direct the Local Inventory Committee to continue the conduct of a physical inventory of all equipment belonging to their respective offices; and (2) then to submit a complete Annual Physical Inventory of all property under the agency control as of 31, December, on General Form (41) not later than 31 January of each year; and

- b. Direct the Municipal Accountant to maintain a subsidiary record particularly Property Ledger Cards (PLC) for property, plant and equipment accounts.
3. **Net overstatement of Property, Plant and Equipment (PPE) accounts by ₱591,640.42 due to incorrect usage of salvage/residual value in the computation of annual depreciation using the straight line method in non-compliance with Section 4 (par. o) of NGAS for LGU, Volume I, and PAG6 of PPSAS 17.**

We recommended that the Local Chief Executive should direct the Municipal Accountant to:

- a. Conduct depth review at least at each annual reporting date the residual value and the useful life of an asset upon recognition of depreciable amount of each lug's property, plant and equipment;
 - b. Take the necessary adjustments noted in the books of accounts by drawing a Journal Entry Voucher (JEV); and
 - c. If expectations differ from previous estimates, the change(s) be accounted for as a change in an accounting estimate in accordance with IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors.
4. **The not fully recognition of account "Road Network" totaling to ₱1,781,528.25 in the LGU books of accounts for calendar years 2016 - 2018 may understate the presentation of Property, Plant and Equipment (PPE) and Government Equity accounts by ₱301,528.25, respectively, in contrary to Item No. IX of COA Circular No. 2015-008.**

We recommended that the Local Chief Executive should enjoy the compliance with the requirements of the circular by undertaking the following by his concerned local officials, to wit:

- a. Municipal Accountant
 - i. Prepare the Journal Voucher to record the beginning balance of the local road network and its components in the general ledger and the Local Road Network Ledger Card, respectively;
 - ii. Support the JV with the Registry of Public Infrastructures for Roads, working paper on the distribution of costs for the road components, and working paper on the determination of the depreciated replacement cost for road components with no available cost per registry;
 - iii. Keep and maintain subsidiary records to roads and road components for every road network; and

- iv. Prepare a lapsing schedule for the computation of the depreciation for each component at the end of the year.
 - b. General Services Officer
 - i. Maintain a Local Road Inventory and Road Map; and
 - ii. Keep a complete Local Road Network Property Card for all roads and its Components.
 - c. Municipal Engineer
 - i. Provide the local accountant and the general series officer with the complete description and cost segregation of road components for road projects.
- 5. Unexpended/unobligated balance of Local Disaster Risk Reduction and Management Fund (LDRRMF) amounting to ₱357,001.29 is still remained under General Fund in contrary to Section 21 (3rd paragraph) of RA 10121 and Item 5.1.10 of COA Circular No. 2012-002, thus, the presentation of cash account is overstated and of liability account is understated in the financial position.**

We recommended that top management instruct:

- a. The Municipal Treasurer to issue a check with complete supporting documents for the fund transfer of unexpended LDRRM Fund from General Fund to Special Trust Fund, and
 - b. The Municipal Account to record the transfer of unexpended LDRRM Fund by drawing a Journal Entry Voucher taking the appropriate accounting entries under General and Trust Fund.
 - i. For General Fund books, debit the account Transfer of Unspent Current Year DRRM Funds to the Trust Funds (Account Code 5-02-15-010) and credit the account Cash in Bank – Local Currency Current Account (Account Code 1-01-02-010).
 - ii. While for Trust Fund books, debit the account Cash in Bank – Local Currency Current Account (Account Code 1-01-02-010) and credit the account Trust Liabilities – Disaster Risk Reduction and Management Fund (Account Code 2-04-01-020).
- 6. Non-preparation of Local Disaster Risk Reduction and Management (DRRM) Fund Investment Plan by the Local DRRM Officer is non-compliance with pertinent provisions of Republic Act No. 10121 and COA Circular No. 2012-002.**

We recommended that Management direct the Local Disaster Risk Reduction and Management Officer (LDDRMO) to prepare and submit Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) based on the LDRRM Plan and Budget approved by the LDDRM Council.

7. **The total suspension/disallowances/charges of the municipality is amounting to ₱179,537.50 as of December 31, 2018, which remained unsettled by the concerned responsible/liable persons in contrary to pertinent provision of COA Circular No. 2009-006 dated September 15, 2009.**

We recommended that the concerned municipal officials and employees who are determined as persons responsible/liable settle/comply immediately with the requirements of the subject of NS/ND/NC.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 7 prior year's audit recommendations embodied in the 2017 Annual Audit Report (AAR), 4 or 57.14 percent was partially implemented and 3 or 42.86 percent was not fully implemented.