

EXECUTIVE SUMMARY

A financial, compliance and value for money audit was conducted on the accounts and operations of the Municipality of Maddela, Quirino for the year ended December 31, 2017. The audit aimed to verify the level of assurance that maybe placed on management assertions on the financial statements, compliance with rules and regulations and determine whether its financial resources were managed economically and efficiently.

A. FINANCIAL HIGHLIGHTS

The financial highlights of the Municipality of Maddela for CY 2017 as compared to the figures of CY 2016, are summarized as follows:

Particulars	2017	2016	Increase (Decrease)	
			Amount	%
Financial Condition				
Total Asset	405,067,096.96	340,787,291.44	64,279,805.52	19 %
Total Liabilities	133,841,487.11	124,832,021.10	9,009,466.01	7 %
Total Equity	271,225,609.85	215,955,270.34	55,270,033.95	26 %
Results of Operation				
Total Revenues	233,675,650.53	205,519,355.53	28,156,295.00	14 %
Total Expense	180,099,622.98	154,955,533.08	25,144,089.90	16 %
Net Income	53,576,027.55	50,563,822.45	3,012,205.10	6 %
Sources of Application of Funds				
Appropriation/ Allotment				
Current	234,733,765.44	213,473,987.86	21,259,777.58	10 %
Continuing	59,565,254.33	41,757,907.33	17,807,347.00	43 %
Obligations				
Current	185,705,986.37	160,364,634.12	25,341,352.25	16%
Continuing	20,724,261.64	15,145,842.86	5,578,418.78	37%
Balances				
Current	49,027,779.07	53,109,353.74	(4,081,574.67)	8%
Continuing	38,80,992.69	26,612,064.97	12,228,927.72	46%

B. OPERATIONAL HIGHLIGHTS

For the year 2017, the Municipality sustained its major accomplishments in the areas of infrastructure development, health, social, education and agriculture projects.

In view of these, the Municipal Government of Maddela received various awards and citations during the year such as:

<i>Awards / Citations</i>	<i>Nature of the Award</i>
Plaque of Recognition	Outstanding PABASA sa Nutrition Award (National Award) – Philippine Association of Nutrition Inc., August 11, 2017
Plaque of Recognition	Outstanding Implementer of PABASA Nutrisyon – PGO-Provincial Nutrition Committee, September 8, 2017
Plaque of Recognition	Outstanding Municipality in the Nutrition Program Implementation –PGO-Provincial Nutrition Committee, September 8, 2017
Certificate of Recognition	Providing Quality TB Care in celebration of Lung month 2017-Department of Health –Regional Office II, September 13, 2017
Certificate of Recognition	For untiring commitment and efforts in the implementation of the different health programs in attainment of the Sustainable Development Goals on Health- Department of Health –Regional Office II, December 15, 2017
Certificate of Recognition	Best Dressed Booth Agro-OTOP Trade Fair – DTI (PGO), September 10, 2017

Among the notable implemented and completed infrastructure projects in 2017 are the following:

Project Name	Total Cost	Source of Fund	Status
Improvement of RHU Building 20% Development Fund (1 st Floor)	₱ 1,673,396.44	20% Development Fund	100% Completed
Construction of LDRRMO Disaster Operation Central Multi-Purpose Building (Phase I)	2,989,996.80	5 % LDRRM Fund	100% Completed
Gravelling of SWIP Access Road, Balligui, Maddela, Quirino	508,242.88	20% Development Fund	100% Completed
Gravelling of SWIP Access Road- Don Jaime, San Salvador, Maddela, Quirino	556,111.48	20% Development Fund	100% Completed
Construction of LDRRMO Disaster	3,469,556.92	20%	100%

Operation Central Multi-Purpose Building (Phase II)		Development Fund & 5% LDRRM Fund	Completed
Construction of Drainage Canal along Boulevard Avenue	2,929,887.17	20% Development Fund	100% Completed
Illumination of Municipal Park	929,088.80	20% Development Fund	100% Completed
Riprapping of Eastern Side of Balligui High School	342,000.00	20% Development Fund	100% Completed
Concreting of Ylanan Street	1,993,303.08	LGSF/ADM (DILG)	100% Completed
Installation of Deep Well Water System, San Pedro, Maddela, Quirino	998,702.07	LGSF/ADM (DILG)	100% Completed

C. SCOPE OF AUDIT

The audit covered the period January 1 to December 31, 2017 which was focused on the 2016 Audit Instructions per LGS Memorandum dated October 12, 2017. Identified audit areas were looked into and the Team conducted the audit through employment of audit techniques and procedures deemed necessary under the circumstances including validation of reported accomplishments.

D. AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the following reasons, namely:

1. Property, plant and equipment balances of ₱ 248,130,429.80 are doubtful; and
2. Understatement of inventory accounts because of the recording as outright expenses of all procured supplies totalling ₱5,588,792.86 during the year.

E. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. Collections amounting to ₱206,787.00 were not remitted and deposited intact as of December 31, 2017, which is contrary to Paragraph 1 of Section 69 of the Presidential Decree (PD) No. 1445, thus, exposing the funds to possible misuse or loss through misappropriation.

We recommended that the Municipal Mayor instruct the Municipal Treasurer and the liquidating officer deposit all collections in order to prevent misappropriation, theft and loss of funds. Impose administrative sanctions if warranted.

2. Cash advances to officers and employees granted in the current and previous years in the amount of ₱11,623,879.34 as at year-end remained unsettled or unliquidated contrary to Section 89 of PD 1445, resulting to the accumulation thereof.

We recommended the Municipal Accountant to issue final demand letters to all active officials and employees with outstanding balances and suspend their salaries, if warranted. A request for authority to write-off the cash advances of deceased employees, separated from service and those whose whereabouts are no longer known should be prepared and submitted to COA. Strict adherence to the provisions of COA Circular Nos. 97-002 and 2012-004 is enjoined.

3. The existence and correctness of the Property, Plant and Equipment balance amounting to ₱248,130,429.80 cannot be ascertained due to the failure of the municipality to conduct annual physical count in accordance with Section 156 of COA Circular 92-386 thus affecting the reliability of the PPE accounts in the financial statements.

We reiterated the previous years' audit recommendations that management conduct actual inventory of all properties owned by the LGU and the corresponding report be prepared and submitted to comply with COA Circular No. 92-386. The inventory report prepared by the GSO should reconcile with accounting records and necessary adjustments should be made to present a reliable balance in the financial statements.

4. The procured medicines, supplies and medical equipment amounting to ₱5,588,792.86 were directly charged to expense account upon purchase contrary to Philippine Public Sector Accounting Standard (PPSAS) 12 resulting to overstatement and understatement of related expense, equipment and inventory accounts.

We recommended that management comply with the provisions of PPSAS 12 relative to the proper recognition and recording of inventories to present a reliable balance in the financial statements.

5. Completed project funded by national government agencies totaling ₱1,993,303.08 were not reported and recognized in the books of account which is not compliant with the standard set in Philippine Public Sector Accounting Standard (PPSAS) No. 17 on Property, Plant and Equipment, in so doing, the related asset, income and government equity accounts were understated at year-end.

We recommended that the Municipal Accountant in coordination with the Municipal Planning and Development Officer and General Services Officer endeavor to identify all completed and on-going projects funded by other national government agencies for the proper recognition in the books of accounts of the Municipality.

6. The Municipality is compliant with Section 287 of RA 7160 and DBM-DILG JMC No. 2017-1 on the allocation and utilization of the 20% Development Fund. However,

several programs, projects and activities costing ₱ 33,957,759.76 from the current and prior year appropriations were not undertaken/implemented as of December 31, 2017, thus depriving the constituents of its expected services and benefits had these projects been fully implemented.

We recommended that Management strictly monitor and fast track the implementation and completion of all the LGU's programs, projects and activities funded under the 20% Development Fund to immediately serve the intended purpose or use thereof to the constituents. We also recommend the Municipal Officials adhere to the guidelines set under Joint Memorandum Circular No. 2017-01 dated February 22, 2017 of the DILG and DBM in the utilization of 20% Development Fund to ensure its optimal utilization.

7. Operating/administrative expenses amounting to ₱ 291,820.00 were charged against the 20% development fund contrary to the provisions of DILG and DBM Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017.

We recommended that management stop charging administrative/operating expenses under the 20% development fund. Adherence to the provisions of DILG and DBM Joint MC 2017-1 is highly enjoined.

F. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the twenty two (22) audit recommendations embodied in the 2016 Annual Audit Report, seven (7) were fully implemented, nine (9) were partially implemented and six (6) were not implemented.