

EXECUTIVE SUMMARY

A. INTRODUCTION

The MUNICIPALITY OF DITSA-AN RAMAIN, Province of Lanao del Sur, was created by virtue of PD 109 dated February 14, 1977. It is a 3rd class Municipality consisting of 34 Barangays pursuant to Executive order No.42. The municipality is under the administrative supervision of the Autonomous Region in Muslim Mindanao (ARMM) since November 1989, pursuant to R.A. No. 6734, dated June 08,1989, known as the"Organic Act of ARMM".

Hon. Saidamen H.A. Adiong along with the Hon. Vice Mayor and eight (8) Municipal Councilors run the Municipal Government of Ditsa-an Ramin. The Municipal Government has ten (10) offices manned by 94 personnel working hand in hand with elected officials in order to achieve and deliver the basic social economic, legislative and administrative services to the public.

Like all other local government units, the Municipal Government is the political arm of the state through which constitutional mandate is being exercised and is responsible for being in direct contact with its constituents. Also, it 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.

The audit covered the financial transactions of the Municipality of Ditsaan Ramin, Lanao del Sur for calendar year 2017.

B. HIGHLIGHTS OF FINANCIAL OPERATIONS

The financial profile of the municipality for the year 2017 with comparative figures for 2016 is shown below:

Particular	CY 2017	CY 2016	Increase / (Decrease)	
			Amount	%
Financial Condition				
Total Assets	₱ 34,104,572.03	₱ 38,134,442.17	₱ (4,029,870.14)	10.57
Total Liabilities	6,562,098.64	7,068,633.68	(506,535.04)	7.17
Total Equity	27,542,473.39	31,065,808.49	(3,523,335.10)	11.34

The operating income of the Municipality for the year 2017 with comparative figures for 2016 is shown below:

Particular	CY 2017	CY 2016
Income		
Internal Revenue Collections	₱ 109,554,132.00	₱ 95,887,246.00
Other share from National Tax Collections	0.00	106,775.94
Real Property Tax	169,004.85	367,262.92
Special Education Tax	23,818.55	
Business Tax	46,884.48	66,034.50
Permit Fees	23,071.00	4,750.00
Registration Fees	59,190.39	2,120.00
Registration Plates, Tags & Stickers Fees	0.00	0.00
Clearance and Certification Fees	62,360.82	2,135.00
Total Operating Income	₱ 109,914,643.54	₱ 96,528,140.09
Expenses		
Personal Expenses	46,692,242.10	43,138,866.18
MOOE	62,430,803.68	48,104,583.32
Financial Expenses	118,732.11	
Non-Cash Expenses	2,364,459.96	2,564,821.40
Total Operating Expenses	₱ 111,606,237.85	₱ 93,808,270.90
Income from Operations	(1,691,594.31)	2,719,869.19
Subsidy to LGUs	(660,000.00)	(293,704.83)
Subsidy to Other Funds	(962,815.00)	
Net Income	₱ (3,314,409.31)	₱ 2,173,233.92

The Municipal Government of Ditsaan Ramin, Lanao del Sur, operates mainly on its annual share from the Internal Revenue Collection coming from the National Government. For the Fiscal Year 2017, they have collected a very minimal amount of

taxes, fees and other local revenues due to limited number of business establishments therein.

During the year, the Municipality received a total appropriation of ₱110,414,197.00 and incurred a total obligations of ₱ 108,714,836.67.

C. SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and transactions of the Municipality of Ditsa-an Ragain, Lanao del Sur for the Calendar Year 2017, on a test basis, to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements are free of material misstatements, (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

D. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the effects of the noted deficiencies on the balances of some accounts as discussed in detail in Part II of this report.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

The following are the summary of significant audit findings and recommendations in the audit of the accounts and operations of the Municipality for the year 2017:

1. The Municipal Accountant failed to submit the Bank Reconciliation Statements together original copies of the Debit and Credit Memos to the Auditor within the prescribed period contrary to the provisions of Section 74 of P.D. 1445 and COA Circular No. 96-011, thus correctness and reliability of the Cash in Bank -LCCA of P 788,339.44 as of December 31, 2017 could not be ascertained.

We recommended that the Local Chief Executive (LCE) direct the Municipal Accountant to prepare and submit the BRS and its supporting documents monthly to the Auditor, within ten days after receipt of the Bank Statements in compliance with the Section 74 of PD 1445 and COA Circular 96-011 dated October 2,1996.

2. Year-end physical count was not conducted for the account of Property, Plant and Equipment (PPE) with a Balance of ₱ 32,852,722.87 and PPE Ledger Cards and Acknowledgement Receipt for Equipment were not maintained contrary to Section 2 of Presidential Decree 124 and 114 of NGAS Manual for LGU's, Volume I and Section 2 of Presidential Decree No. 1445. The correctness and validity of the PPE account could not be ascertained and their existence could not be established.

We recommended that Management create the Inventory Committee composed of at least three (3) officials to conduct complete physical count of all properties owned by the Municipality and prepare a report thereon in accordance with Section 124 and 114 of NGAS Manual for LGUs. .

We also recommended that the LCE direct Municipal Accountant and Municipal Treasurer maintain PPE Ledger Cards and Acknowledgement Receipt for Equipment (ARE), respectively in compliance to Section 114 of same Manual.

3. Report of Collections and Deposits (RCD) for funds received/collected by the Municipality during the year under audit, totaling P 360,511.54 were not submitted to the Audit Team.

We recommended that the Municipal Treasurer strictly observe the issuance of official receipt to each payor as proof of acknowledgement of receipt of payment and ensure that the Report of Collection and Deposits is prepared showing the details of payors and the ORs in compliance with the Section 68 paragraph 1 of PD 1445. Thereafter, the said RCDs should be submitted to the Auditor regularly.

4. The sound ecological solid waste management systems is not in place and defined in the locality due to absence of constituted Municipality Solid Waste Management (SWM) Boards in contrary to Section 2 (par. 2), Rule VIII and Section 1, Rule VI of IRR of RA 5447.

We encouraged and urged the Local Chief Executive to establish a sound ecological solid waste management systems and constitute the Municipality Solid Waste Management (SWM) Boards in pursuant to Section 2 (par. 2) Rule VIII and Section 1, Rule VI of IRR of RA 5447.

5. The GSIS, Philhealth contributions and taxes withheld for CY 2017 by the Municipality of Ditsa-an Raman from its personnel amounted to P2,038,072.63, P215,700.00, and P1,501,254.13 were faithfully remitted to GSIS, Philhealth and BIR, respectively. However, not all personnel has GSIS, PhilHealth and taxes withheld from their salaries in violation of Section 6 and 7 of Republic Act No. 8291, Title II, Chapter XIII, Section 80 of National Internal Revenue Code (NIRC) the rules and regulations on withholding tax.

We recommended that Management strictly implement the mandatory deductions pertaining to GSIS, Philhealth and withholding tax for personnel and remitting the same on time on time in compliance with the above-cited provisions of laws and regulations.

6. The employees of Municipality of Ditsa-an Raman were not members of PAG-IBIG in violation to RA 9679 or the Home Development Mutual Fund Law of 2009, otherwise

known as PAG-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund.

We recommended that:

a. The Municipality of Ditsa-an Ragain employees require all its employees to file their membership to PAG-IBIG; and

b. After the membership of the employees, the Municipal Accountant and Municipal Treasurer should deduct the mandatory PAG-IBIG contribution and promptly remit monthly contributions together with Agency share to the said Fund.

7. The 20% development fund were utilized and disbursed mostly for programs and projects for economic development with less priority on social development and environment management programs, thus, the utmost attainment of desirable socio-economic development and environment outcomes may not be achieved.

We recommended that the Management widen the allocation of utilization of 20% development fund to the three priority programs and projects such as social development, economic development and environment management.

F. Status of Suspensions, Disallowances and Charges

As of **December 31, 2017**, Notice of Suspensions has an unsettled balance of **₱1,300,078.58**, and zero balances for Notice of Disallowances and Notice of Charges.

Particular	Balance Beg. as of Jan. 1, 2017	Issued from Jan.1 to Dec. 31, 2017	Settled from Jan. 1 to Dec. 31, 2017	Balance End of Dec.31, 2017
Notice of Suspension	₱1,223,732.00	₱750,478.58.00	₱674,132.00	₱1,300,078.58
Notice of Disallowance	P0.00	P0.00	P0.00	P0.00
Notice of Charge	P0.00	P0.00	P0.00	P0.00
Total	₱1,223,732.00	₱750,478.58	₱674,132.00	₱1,300,078.58

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the seven (7) prior year's audit recommendations, Four (4) were partially implemented, and Three (3) was not implemented.