

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Kapatagan is a 4th class municipality located in the Province of Lanao del Sur, Autonomous Region in Muslim Mindanao. It has a total land area of 285.13km comprising of fifteen (15) Barangays under its territorial jurisdiction. It is headed by Honorable Mayor Nhazruddin B. Maglangit.

Like all other 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.

A financial and compliance audit was conducted on the accounts and transactions of the Municipality of Kapatagan, 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.

B. FINANCIAL HIGHLIGHTS

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	₱ 138,183,721.19	₱ 75,680,332.78	₱ 65,503,388.41	83%
Total Liabilities	49,764,121.59	41,675,580.30	8,088,541.29	19%
Total Equity	88,419,599.60	34,004,752.48	54,41,847.12	160%
Results of Operations				
Total Revenues	89,307,367.56	76,833,838.00	12,473,529.56	16%
Total Expenses	66,602,437.82	59,145,473.53	7,456,964.21	13%
Excess of Income Over Expenses	₱ 22,704,929.74	₱ 17,688,364.47	₱ 5,016,565.27	28%
Sources and Application of Funds				
Appropriations	₱ 89,788,728.00	₱ 76,935,483.16	₱ 12,853,244.84	17%
Allotments	89,307,368.56	76,546,006.00	12,761,362.56	17%
Obligations Incurred	89,307,368.56	58,695,753.93	30,611,614.63	52%

C. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of the presentation of the Financial Statements, as the validity and correctness of the Property, Plant and Equipment totaling ₱116,311,680.16 as of December 31, 2017 still could not be fully ascertained because of the inability of management to maintain updated property ledgers/records. The inadequacy of records did not allow us to apply alternative audit procedures.

D. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

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

- 1. The monthly Report on Sources and Utilization of Local Disaster Risk Reduction and Management Fund (LDRRMF) and other periodic reports/documents were not submitted to the Auditor's Office, a non-adherence to Item 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012 and COA Circular No. 2014-002 dated April 15, 2014.**

We recommended that Management require the Municipal DRRMO to submit to the Auditor's Office the monthly Report on Sources and Utilization of the LDRRMF, duly certified by the Municipal Accountant, as required under Item 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012.

- 2. The unexpended/ unobligated balance of the QRF and the DRRMF-MOOE was not transferred to the Special Trust Fund under the account "Trust Liability-DRRMF" in the Trust Fund books, contrary to Section 21 of Republic Act 10121 and COA Circular 2012-002 dated September 12, 2012.**

We recommended that Management require the Municipal Accountant and the MDRRMMO to establish the amount of unexpended/unobligated balance of the QRF and MOOE as of December 31, 2017 and facilitate the deposit and transfer to the trust fund bank account in compliance with R.A. No. 10121 and COA Circular No. 2012-002 dated September 12, 2012.

- 3. Copies of perfected contracts and purchase orders were not still furnished to the COA for financial, legal and technical review contrary to COA Circular No. 2009-001 dated February 12, 2009, thereby preventing timely review thereof.**

We recommended that management should furnish COA copy of any contract/ purchase order including all pertinent supporting documents within five (5) days after its perfection / approval / execution as required under COA Circular 2009-001 dated February 12, 2009.

4. **The required accomplishment report on the implementation of GAD programs/projects/activities was not submitted contrary to par. 4.8 of Joint Circular No. 2004-1 of the DBM and NEDA National Commission on the Role of Filipino Women, thus, the efficiency and effectiveness of its implementation were not established.**

We recommended that the Municipal Planning and Development Officer be directed to furnish the Auditor a copy of the Accomplishment Report for GAD showing the programs, projects and activities undertaken during the year.

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

Of the four (4) prior year's audit recommendations, one (1) was implemented; and three (3) were not implemented.