

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Tabuan Lasa, Province of Basilan was carved out from the mother municipality of Sumisip by virtue of Muslim Autonomy Act. No. 187 of the Fifth (5th) Legislative Assembly on July 10, 2007.

Tabuan Lasa is an Island Municipality with 11 component barangays. The name is an acronym of the four islands that comprises the municipality namely: Tapiantanah, the largest among the four the four. Bubuan, Lanawan and Saluping. The first appointed and currently the Chief Executive of the Municipality is Hon. Muctar Y. Junaid, Al Haz with Hon. Abadia M. Abdulgani as the Vice-Mayor.

With the enactment of the Local Government Code of 1991 (RA 7160), the Municipality of Tabuan Lasa, like any other government unit, now enjoys autonomy in planning, managing and deciding its own administrative, fiscal and development affairs in conformity with the national thrusts for sustainable economic growth.

B. HIGHLIGHTS OF FINANCIAL INFORMATION

The financial highlights of the Municipality of Tabuan Lasa for CY 2017 with comparative figures for CY 2016 are as follows:

Types of Account	2017	2016	Increase (Decrease)	Percentage
Assets	42,471,800.31	41,063,028.13	1,408,772.18	3%
Liabilities	36,195,688.38	30,821,170.49	5,374,517.89	17%
Government Equity	6,276,111.93	10,241,857.64	(3,965,745.71)	(39%)
Income	69,515,103.37	61,072,485.15	8,442,618.22	14%
Expenses	73,480,849.08	60,739,718.28	12,741,130.80	21%

The main increase in the total assets and liabilities can be attributable to the increase in Construction in Progress account in the Trust Fund which are funded by the National Government Agencies, particularly, the Department of Public Works and Highways (DPWH)-ARMM and National Housing Authority. These are intended for road concreting as well as housing projects which is the LGU's on-going project for CY 2017. Major decrease in government equity can be attributable to the increase in expense accounts such as Employee Costs (Personal Services), Repairs and Maintenance as well as Other Maintenance and Operating Expenses during CY 2017.

The Municipality of Tabuan Lasa, Basilan Province, received an Internal Revenue Allotment amounting to P68,301,747.00. Moreover, the Municipality's total appropriations for CY 2017 amounted to P80,228,747.00.

C. SCOPE OF AUDIT

The audit was aimed to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) determine compliance of management with the laws, rules and regulations on the pre-identified audit thrusts/areas and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior year's audit recommendation.

The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of the concerned officials and employees, verification, reconciliation, analysis of accounts, and such other procedures considered necessary.

D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Tabuan Lasa due to the effects of the deficiencies noted on the balances of some accounts, as summarized in the succeeding paragraphs, viz:

1. *The existence, valuation, and accuracy of the balance of the Property, Plant and Equipment amounting to P40,998,753.52 or 96.53% of the total assets could not be ascertained due to: (a) non-conduct of inventory count for CY 2017; and (b) inadequacies of subsidiary records and property ledger cards.*
2. *The recorded balances of Inventory accounts amounting to P223,295.25 at year-end is unreliable, and their existence and completeness could not be fully determined due to (a) non conduct of physical count of inventories; and (b) stock ledger card and stock cards were not maintained in violation of Section 124, Volume I of the Manual on the New Government Accounting System (MNGAS) and Sections 119 and 120 of the same manual.*
3. *Failure of the Municipal Accountant to prepare and submit monthly Bank Reconciliation Statements (BRS) together with the paid checks and original copies of debit/credit memos within the prescribed period. Likewise, the Annual (CY 2017) Bank Reconciliation Statement submitted by the Municipal Government was not prepared for all bank accounts.*
4. *Disbursements and/or liquidations of the Municipality of Tabuan Lasa, on fund transfers of National Government Agencies were not supported with the copies of Memorandum of Agreement or Trust Agreement in violation of Item 3.2.1 of COA Circular No. 2012-001 dated June 14, 2012.*
5. *Despite the disclosure of the utilization and unexpended balances of the LGU's DRRM fund in the Notes to Financial Statements, no trust liability was recognized in the face of the financial statements of the Municipal Government. Such inconsistency is violative of Section 111 (2) of PD 1445 and may often result to misleading information disclosed in the financial statements. Likewise, the Municipal Government failed to maintain its ledger for its Trust-Liability account.*

6. *The Municipal Government failed to comply with the following requirements set forth in Presidential Decree No. 477 dated June 3, 1974 as well as RA 7160 otherwise known as the Local Government Code: (1) to maintain a separate fund for its Special Education Fund; and (2) no Municipal School Board was established in the Municipality of Tabuan Lasa.*

F. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. *The existence, valuation, and accuracy of the balance of the Property, Plant and Equipment amounting to P40,998,753.52 or 96.53% of the total assets could not be ascertained due to: (a) non-conduct of inventory count for CY 2017; and (b) inadequacies of subsidiary records and property ledger cards.*

We recommended the Management to:

- a. Adhere to the existing laws, rules and regulations in the supply and property management for LGUs and to prepare specific policies/procedures applicable to their setting to serve as a guide to concerned personnel in the discharge of their duties and responsibilities.
 - b. Create an Inventory and Disposal Committee who shall be responsible to conduct a complete physical inventory count, annually, as required; A separate inventory report shall be prepared for unserviceable PPE which do not contribute to the economic activity of the Municipality. Derecognize unserviceable properties in the books and facilitate disposal of these properties in accordance with Section 79 of PD No. 1445.
 - c. The General Services Officer or the Municipal Treasurer shall likewise maintain stock cards property plant and equipment to account for the receipt and disposition of the same. The balance per property card should always reconcile with the ledger cards of the accounting unit.
 - d. The Accounting Office should maintain the prescribed PPELC which should be reconciled with the RPCPPE to establish correctness of the PPE accounts appearing in the LGU financial statements.
2. *The recorded balances of Inventory accounts amounting to P223,295.25 at year-end is unreliable, and their existence and completeness could not be fully determined due to (a) non conduct of physical count of inventories; and (b) stock ledger card and stock cards were not maintained in violation of Section 124, Volume I of the Manual on the New Government Accounting System (MNGAS) and Sections 119 and 120 of the same manual.*
- a. Create an Inventory Committee to undertake the physical count of inventory items as of June 30 and December 31 of each year; to prepare the Report of

the Physical Count of Inventories (RCPI) by inventory account name and distribute the same as prescribed; to reconcile said report with the records of the Municipal Accountant; and to submit to the Office of the Auditor the duplicate copy of the RCPI not later than July 31 and January 31 of each year.

- b. Instruct the General Services Officer (GSO) or the Municipal Treasurer as the case may be and the Municipal Accountant to maintain updated Stock Cards and Supply Ledger Cards and regularly reconcile records to detect discrepancies and effect immediate corrections; and for the GSO or Municipal Treasurer to prepare and submit the monthly RSMIs to the Municipal Accountant.

3. ***Failure of the Municipal Accountant to prepare and submit monthly Bank Reconciliation Statements (BRS) together with the paid checks and original copies of debit/credit memos within the prescribed period. Likewise, the Annual (CY 2017) Bank Reconciliation Statement submitted by the Municipal Government was not prepared for all bank accounts.***

We recommend that the head of agency shall instruct the Accountant to prepare the Bank Reconciliation Statement (BRS) on a monthly basis in accordance with COA Circular No. 96-011 dated October 2, 1996 for auditor's immediate review and verification and to facilitate the immediate preparation of the necessary correction/adjusting entries for any discrepancies or errors or other reconciling items requiring corrections in order to reflect the correct balance of cash accounts in the financial statements. Also, bank reconciliation statements must be made for all bank accounts of the Municipality.

4. ***Disbursements and/or liquidations of the Municipality of Tabuan Lasa, on fund transfers of National Government Agencies were not supported with the copies of Memorandum of Agreement or Trust Agreement in violation of Item 3.2.1 of COA Circular No. 2012-001 dated June 14, 2012.***

We recommended that the Management furnish the Audit Team with the copies of Memorandum of Agreement (MOA)/Trust Agreement on all funds transferred by the National Government Agencies (NGAs) as provided for in item 3.2.1 of COA Circular No. 2012 to evaluate whether the funds were utilized within the specified purpose.

5. ***Despite the disclosure of the utilization and unexpended balances of the LGU's DRRM fund in the Notes to Financial Statements, no trust liability was recognized in the face of the financial statements of the Municipal Government. Such inconsistency is violative of Section 111 (2) of PD 1445 and may often result to misleading information disclosed in the financial statements. Likewise, the Municipal Government failed to maintain its ledger for its Trust-Liability account.***

1. Direct the Municipal Accountant to set aside as Subsidy to Other Funds and transfer prior years' unexpended/unobligated balance of the LDRRMF from the General Fund to the Trust Fund books using the account "Trust Liability-DRRM as well as to maintain a Subsidiary Ledger for "Trust Liability-DRRM".
 2. Direct the Municipal Budget Officer to maintain records of the appropriation, corresponding expenditures and balances of the LDRRMF.
- 6. *The Municipality failed to discuss in the Notes to the Financial Statements the Reconciliation between Actual and Budgeted Amounts contrary to Annex F of COA Circular 2016-004 dated September 30, 2016 and Philippine Public Sector Accounting Standards (IPSAS) 24***

We recommended that the management exercise utmost diligence in the performance of their duties and responsibilities concerning the preparation and reporting of financial information and discuss in the Notes to Financial Statements the Reconciliation between Actual and Budgeted Amounts.

- 7. *The CY 2017 Local Disaster Risk Reduction Management Fund (LDRRMF) is not in compliant with the R.A. No. 10121 regarding the following: (1) organization and maintenance of LDRRM Office and (2) prescribed allocation of not less than five percent (5%) from the estimated revenue from its regular sources. Likewise, the Report on Sources and Utilization of Disaster Risk Reduction Management Fund (DRRMF) was not submitted within 15th day after the end of each month to the COA Auditor contrary to COA Circular No. 2012-002 dated September 12, 2012***

We recommended that the management -:

- (1) Organize and maintain a Municipal Disaster Risk Reduction and Management Office (LDRRMO) in compliance with R.A. No. 10121.
 - (2) Adhere to the rules and regulations set forth in R.A. No. 10121 in setting aside of at least 5% DRRM fund from its estimated revenue from regular sources;
 - (3) Require the LDRRM Officer to submit the Monthly Report on Sources and Utilization of DRRMF within 15th day after the end of each month.
- 8. *Year-end financial statements were not submitted to the Office of the Auditor on or before February 14 as provided under COA Circular 2010-001 dated March 2, 2010 and COA Circular 2015-002 dated March 9, 2015, thus, verification, validation and audit of the accounts were not completely undertaken.***

We recommended that the Local Chief Executive supervise and see to it that concerned officials prepare and submit these financial statements together with other relevant documents regularly pursuant to the stated regulations to enable the Auditor to verify, validate and audit the accounts thoroughly and promptly. Further, non-submission of these reports shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of this Commission as provided in Section 122 paragraph 2 of PD 1445.

9. Financial Reports, disbursement vouchers, report of disbursements, report of collections and deposits and reports of checks issued were not submitted within the prescribed period contrary to the existing rules and regulations, thus, hindering the timely audit and verification of accounts.

- (1) Require the Municipal Treasurer to submit the Report of Checks Issued and Report of Collections and Deposits daily to the Accounting Office pursuant to Section 55 on the Manual of NGAS and to facilitate submission to the Office of the Auditor within the prescribed period;
- (2) Instruct the Municipal Accountant to record entries in the Journals on a daily basis or as soon as the financial documents are submitted by the Municipal Treasurer's Office to prevent delay in the preparation of the financial statements; and
- (3) Require the Municipal Accountant to submit financial reports, disbursement vouchers and supporting documents within the prescribed period.

10. The Municipal Treasurer and all Revenue Collectors designated under the Municipal Treasurer's Office failed to regularly submit the Consolidated Report of Accountability for Accountable Forms (CRAAF) and Monthly Report of Accountability for Accountable Forms (MRAAF), respectively, contrary to Sections 50 and 51, Volume II of the Manual on the New Government Accounting System (MNGAS) for LGUs

We recommended that the Municipal Mayor requires all Revenue Collectors prepare and submit the RAAF to the Municipal Treasurer so the latter can prepare the CRAAF and submit the monthly reports of accountability for accountable forms in the prescribed form provided in the Manual for NGAS for LGUs and submit the same not later than 5th day of the ensuing month to the COA Audit Team.

11. Non-inclusion of "soft projects" in the Projects/Programs/Activities (PPA) Report submitted by the LGU to the Office of the Auditor contrary to COA Circular 2013-004 dated January 30, 2013.

We recommended that the Management direct the personnel assigned to prepare the quarterly PPA reports to include non-infrastructure projects in compliance with COA Circular 2013-004.

12. No Ten (10)-year Solid Waste Management Plan has been prepared by the LGU therefore efficient disposal and management of the municipality's solid wastes is not assured. Likewise, the no Municipal Solid Waste Management Board was created contrary to the provision of Section 12 of RA 9003.

We recommended that the Management:

1. Prepare its 10-year Ecological Solid Waste Management Plan which is in compliant with the requirements and provisions set forth in RA 9003
2. Implement such plan to ensure efficient disposal of municipality's solid waste
3. Create a Municipal Solid Waste Management Board as required by RA 9003

13. The Municipal Government failed to comply with the following requirements set forth in Presidential Decree No. 477 dated June 3, 1974 as well as RA 7160 otherwise known as the Local Government Code: (1) to maintain a separate fund for its Special Education Fund; and (2) no Municipal School Board was established in the Municipality of Tabuan Lasa

We recommended that the Management:

- (1) Require the accountant to maintain a Special Education Fund exclusively for the collection annual tax of one percent (1%) on the assessed value of real property; and
- (2) Lead in the creation of the Local School Board which shall be responsible for the creation of the budget and disbursement of funds provided in RA 5447.

14. The CY 2017 Gender and Development (GAD) is in compliant in the allocation of at least five percent (5%) of its total budget as mandated in Section 2, paragraph 3 of the Joint Circular (JC) No. 2012-01 of the PCW, NEDA, and DBM. However, only P2,541,663.00 out of P4,541,663.34 total amount budgeted was utilized.

We recommended that the management exercise the efficient and effective use of its GAD fund and resources so the beneficiaries may fully enjoy the benefits which may derive therefrom.

G. SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

The cumulative result of the Statement of Audit Suspensions, Disallowances and Charges as of December 31, 2017 is summarized below:

NS/ND/NC	Beginning Balance as of January 1, 2017	This Period		Ending Balance as of December 31, 2017
		NS/ND/NC	NSSDC	
Notice of Suspension	142,000.00	-	142,000.00	-
Notice of Disallowance	-	-	-	-
Notice of Charge	-	-	-	-
Total	-	-	-	-

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

Out of the eighteen (18) unimplemented recommendations contained in our previous years' Annual Audit Report (AAR), ten (10) out of eighteen (18) were fully implemented, one (1) was partially implemented and seven (7) remained unimplemented.