

Executive Summary

Introduction

1. The Municipality of Buluan, Province of Maguidanao, was created on April 9, 1936, by then President Manuel L. Quezon issued Executive Order NO. 66, Sec. 40 of Administrative Code, with land area of sixty nine thousand nine hundred fifty eight (69,958) hectares, and composed of twenty three (23) barangays. It belongs to the second congressional district and 4th class municipality.

2. A financial and compliance audit was conducted on the accounts and operations of the Municipality of Buluan, Province of Maguidanao for Calendar Year ended 2017. We conducted our audit in accordance with laws, COA, Philippine Public Sector Accounting Standard (PPSAS) and INTOSAI standards and applicable generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

3. Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements on General Fund, Special Education Fund and Trust Fund as of December 31, 2017.

Financial Highlights of Operations

4. For Calendar Year 2017, the total assets of the Municipal Government of Buluan, Maguidanao was higher by ₱ 6,864 (In Thousands of Pesos) or 8.12%, its total liabilities was lower by ₱ 1,443 (In Thousands of Pesos) or 9.22% and its equity was higher by ₱ 8,307 (In Thousands of Pesos) or 12.05% as shown below:

Particular	CY 2017 (In Thousands of Pesos)	CY 2016 (In Thousands of Pesos)	Increase (Decrease)	Percentage
Assets	₱ 91,447	₱ 84,583	₱ 6,864	8.12%
Liabilities	₱ 14,210	₱ 15,653	(₱ 1,443)	(9.22%)
Equity	₱ 77,237	₱ 68,930	₱ 8,307	12.05%

5. The municipality's total income during the year amounted to ₱ 168,115 (In Thousands of Pesos) was higher by ₱ 19,978 or 13.49% as compared with the previous year's income of ₱ 148,137 (In Thousands of Pesos) as shown on the next page:

Revenue	CY 2017 (In Thousands of Pesos)	CY 2016 (In Thousands of Pesos)	Increase (Decrease)	Percentage
Tax Revenue	₱ 9,098	₱ 19,394	(₱ 10,296)	(53.09%)
Share from Internal Revenue Collection	143,010	115,386	27,624	23.94%
Other Share from National Taxes	-	-	-	-
Service and Business Income	7,607	1,276	6,331	496.16%
Shares, Grants and Donation	8,400	7,000	1,400	20%
Gain	-	-	-	-
Other Income	-	-	-	-
Total Revenue	<u>₱ 168,115</u>	<u>₱ 148,137</u>	<u>₱ 19,978</u>	<u>13.49%</u>

6. Current year's total expenditures amounted to ₱ 164,879 (In Thousands of Pesos) was higher by ₱ 18,608 (In Thousands of Pesos) or 12.72% than the preceding year of ₱ 146,271 (In Thousands of Pesos) as shown below:

Expenditure	CY 2017 (In Thousands of Pesos)	CY 2016 (In Thousands of Pesos)	Increase (Decrease)	Percentage
Personnel Services	₱ 42,184	₱ 36,649	₱ 5,535	15.10%
MOOE	121,934	108,546	13,388	12.33%
Non-Cash Expense		2	(2)	(100.00%)
Financial Expenses	761	1,074	(₱ 313)	(29.14%)

Total Expenses	<u>₱ 164.879</u>	<u>₱ 146.271</u>	<u>₱ 18.608</u>	<u>12.72%</u>
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7. For CY 2017, the appropriation was ₱ 167,227,766.00 with the allotment of ₱ 167,227,766.00 and obligation of ₱ 163,221,513.99.

Auditor's Opinion on the Financial Statements

8. The auditor rendered a qualified opinion on the fairness of the financial statements of the Municipality of Buluan, Maguindanao as of December 31, 2017, except (1) Cash and Cash Equivalent Account totaling to ₱ 11,631,695.93 in the Statement of Financial Position as of December 31, 2017 could not be ascertained because the management failed to submit the Cashbook – LGU (Annex E – 8), Monthly Bank Reconciliation Statements, Bank Statements, Original Paid Checks, Credit / Debit Memos and Subsidiary Ledgers for cash examination, contrary to Section 100 of the Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines. (2) Property Plant, and Equipment Account totaling to ₱ 76,505,537.52 in the Consolidated Statement of Financial Position as of December 31, 2017 was overstated because the management failed to depreciate the Other Land Improvement Account of ₱ 384,054.60, the Road Networks Account of ₱ 33,536,824.13 and the School Buildings Account of ₱ 10,585,997.99, contrary to Section 59 of the Philippine Public Sector Accounting Standards (PPSAS) No. 17 – Property, Plant, and Equipment and Section 1(2) of Commission on Audit (COA) Circular No. 2015-008 dated November 23, 2015.

9. The Office of the Auditor audited the transactions of the Municipality of Buluan, Maguindanao. The significant observations and its corresponding recommendations are as follows:

Observations	Recommendations
1. Cash and Cash Equivalents Account of ₱ 11,631,695.93 in the Consolidated Statement of Financial Position as of December 31, 2017 could not be ascertained because the management failed to submit the Cashbook – LGU (Annex E – 8), Monthly Bank Reconciliation Statements, Bank Statements, Original Paid Checks, Credit / Debit Memos and Subsidiary Ledgers for cash examination, contrary to Section 100 of the Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the	1. We recommend to the Local Chief Executive (LCE) to direct the following municipal officials to comply with Section 100 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines: 45.1 Municipal Treasurer (Accountable Officer) 45.1.1 Cashbook 45.2 Municipal Accountant 45.2.1 Monthly Bank Reconciliation Statements 45.2.2 Bank Statements

Philippines.	45.2.3 Original Paid Checks 45.2.4 Credit / Debit Memos 45.2.5 Subsidiary Ledgers
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Observations	Recommendations
<p>2. Receivable Account of ₱ 3,310,220.79 in the Consolidated Statement of Financial Position for CY 2017 was overstated because the management failed to collect the Real Property Tax of ₱ 1,991,482.37 and also transfer the amount of ₱ 1,318,738.42 of the General Fund to the Special Education Fund, in violation to Section 6 of the Commission on Audit (COA) Circular No. 92-382 and Section 272 of the Republic Act (RA) No. 7160.</p>	<p>2. We recommend to the Local Chief Executive (LCE) to direct the following personnel:</p> <p>53.1 Municipal Treasurer</p> <p>53.1.1 Adhere to Section 6 of the COA Circular No. 32-382 that provides the collection of the Real Property Taxes shall be the responsibility of the city or Municipal Treasurer concerned.</p> <p>53.1.2 To exert extra effort to collect the Real Property Tax through tax campaign / drive and demand letters.</p> <p>53.1.3 To collect the Real Property Tax of ₱ 1,991,482.37.</p> <p>53.2 Municipal Accountant</p> <p>53.2.1 Abide to Section 272 of the Republic Act (RA) No. 7160, which it provides that the proceeds from the additional one percent (1%) on real property occurring to the Special Education fund (SEF) shall be automatically released to the local school boards, provided, that in case of provision, the proceeds shall be divided equally between the provincial and municipal school boards. Provided, however, that the proceeds shall be allocated for the operation and maintenance of the public schools construction and repair of school buildings, facilities and equipment, educational research purchase of goods and periodicals, and sports development as determined and approved by the local school board.</p> <p>53.2.2 Transfer to the account of the Special Education Fund the amount of ₱ 1,318,738.42 from the General Fund.</p>

Observations	Recommendations
<p>3. Property Plant, and Equipment Account of ₱ 76,505,537.52 as of December 31, 2017 in the Consolidated Statement of Financial Position for CY 2017 was overstated because the management failed to depreciate the Other Land Improvement Account of ₱ 384,054.60, the Road Networks Account of ₱ 33,536,824.13 and the School Buildings Account of ₱ 10,585,997.99, contrary to Section 59 of the Philippine Public Sector Accounting Standards (PPSAS) No. 17 – Property, Plant, and Equipment and Section 1(2) of Commission on Audit (COA) Circular No. 2015-008 dated November 23, 2015.</p>	<p>3. We recommend to the Local Chief Executive (LCE) to instruct the Municipal Accountant to provide for depreciation on the Other Land Improvement Account of ₱ 384,054.60, Road Networks Account of ₱ 33,536,824.13 and School Buildings Account of ₱ 10,585,997.99, pursuant to Section 59 of the Philippine Public Sector Accounting Standards (PPSAS) No. 17 – Property, Plant and Equipment and Section 1 (2) of Commission on Audit (COA) Circular No. 2015-008 dated November 23, 2015.</p>
<p>4. The Management failed to submit the Notes to Financial Statements for the CY 2017, in violation to Section 2.1 and 4.1 of COA Circular Letter No. 2010-001 dated March 2, 2010.</p>	<p>4. We recommend to the Management to submit the necessary Notes to Financial Statements, in accordance with Section 2.1 and 4.1 of COA Circular Letter No. 2010-001 dated March 2, 2010.</p>
<p>5. Inter-Agency Payables Account totaling to ₱ 2,191,828.75 was overstated by ₱ 269,922.51 because the management failed to remit to the Government Service Insurance System (GSIS) and Home Development Mutual Fund (HDMF) amounting to ₱ 202,956.25 and ₱ 66,966.26, respectively, in violation to Section 3.4 Rule III of the Implementing Rules and Regulation (IRR) of the Republic Act No. 8291, otherwise known as GSIS Act of 1997 and Section 3 of the Implementing Rules and Regulations (IRR) of Republic Act No. 9679, otherwise known as the Home Development Mutual Fund of 2009 on PAGIBIG.</p>	<p>5. We recommend the Local Chief Executive (LCE) to direct the accountable officer to remit the ₱ 202,956.25 to the GSIS and ₱ 66,966.26 to the Home Development Mutual Fund (HDMF) for December 31, 2017, in accordance with the Section 3.4 Rule III of the Implementing Rules and Regulation (IRR) of the Republic Act No. 8291, otherwise known as GSIS Act of 1997 and Section 3 of the Implementing Rules and Regulations (IRR) of Republic Act No. 9679, otherwise known as the Home Development Mutual Fund of 2009 on PAGIBIG.</p>

Observations	Recommendations
<p>6. The Municipality of Buluan, Maguindanao failed to submit its Annual Investment Plan (AIP) for Calendar Year 2017, in contrary to Section 305(g) of the Republic Act (RA) No. 7160, otherwise known as the Local Government Code of 1991.</p> <p>7. The Management failed to submit its Local Council for the Protection of Children, in violation to Section 15 of the Republic Act (RA) No. 9344, otherwise known as the Juvenile and Welfare Act of 2006 and II.2.a, II.8.a, II.8.e, II.8.g and II.8.k of the DILG Memorandum No. 2012-120 dated July 4, 2012.</p>	<p>6. We recommend to the Management to submit its Annual Investment Plan for the CY 2017 to the audit team, in accordance with Section 305(g) of the Republic Act (RA) No. 7160, otherwise known as the Local Government Code of 1991.</p> <p>7. We recommend to the Management to submit the Local Council for the Protection of Children to the audit team.</p>

Summary of Total Suspensions, Disallowances and Charges as of Year End

10. Notice of Suspensions issued totals to ₱ 4,360,780.00. All were settled during the year.

Statement of Implemented, Partially Implemented and Unimplemented Audit Recommendations

11. Of the ten (10) audit recommendations, one (1) were implemented and four (4) were partially implemented.