

EXECUTIVE SUMMARY

1. Introduction

The Municipality of Datu Montawal, Maguindanao was created by virtue of Muslim Mindanao Act No. 95 dated January 18, 2000. It is newly created Municipality composed of 11 barangays separated from the Municipality of Pagalungan. It contains an area of 31.74 square kilometers. It is a 6th class municipality belonging to the Second (2nd) Congressional District of Maguindanao.

The municipality envisioned that they be economically, politically, socially and progressive community under self-reliant and sustainable development. The municipality mandates are development of infrastructure in the locality, extending technical assistance to the farmers in order to uplift agricultural income, redistribution of land, education and organization of beneficiaries and the delivery of support services, credit, infrastructure, technology, post-harvest marketing facilities.

A financial and compliance audit were conducted on the accounts and operations of the Municipal Government of Datu Montawal for calendar year ended December 31, 2017. The audit included the verification of the accounts in the financial statements based on the generally accepted auditing standards and evaluation of compliance with government accounting and auditing laws, rules and regulations. An evaluation as to whether efficiency, economy and effectiveness in the operation of the province was also observed.

2. Financial Highlights

The municipality of Datu Montawal receives its share in the Internal Revenue Allotment from the Local Finance, Development of Budget and Management Office amounted to P79,551,825.00 for CY 2017 which is administered as a General Fund. It also maintains Trust Fund and Special Education Fund where grants and donations coming from other line agencies and political leaders were deposited in a separate government depository bank. Collection such as Community Taxes, Permit Fees, Registration Fees, Clearance and Certification Fees were recorded under the General Fund using the Cash Method of Accounting.

Presented Below is the summary of the assets, liabilities and government equity of the Audited Agency, for calendar year 2017 are as follows:

	General Fund	S.E.F.	Trust Fund	Consolidated
Assets	P105,374,459.37	P 181,138.55	P 18,183,800.21	P 123,739,398.13
Liabilities	84,852,372.03	131,364.86	0.00	84,972,322.75
Gov't Equity	P20,522,087.34	P 49,773.69	P 18,183,800.21	P 38,755,661.24

On the other hand, it had generated a total income of P9,707,584.93, broken down as follows:

	General Fund	S.E.F.	Consolidated
Gross Income	P 88,467,098.85	P 119,522.84	P 88,586,621.69
Total Expenses	78,791,236.76	87,800.00	78,879,036.76
Net Income	P 9,675,862.09	P 31,722.84	P 9,707,584.93

3. Auditor's Opinion on the Financial Statements

A qualified opinion was rendered on the fairness of the presentation of financial statements, the financial position of the Municipality of Datu Montawal, Maguindanao as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in conformity with applicable generally accepted accounting principles due to the effect of Management's failure to conduct physical inventory of its Property, Plant, and Equipment which rendered the accuracy, validity and existence of the amount presented of the Financial Statements unreliable amounting to P101,412,262.19.

4. Summary of Significant Findings and Recommendations

Financial and Compliance

A. The Procurement Monitoring Report (PMR) was not prepared by the Bids and Awards Committee (BAC) to report procurement activities undertaken and status of project implementation contrary to the provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184.

It was recommended and the management agreed to prepare the prescribed procurement monitoring report that would represent all procurement monitoring activities for each semester and submit the same to the GPPB pursuant to Section 12.2 of the 2016 Revised IRR of RA No. 9184, copy furnished the Office of the Auditor.

B. Physical inventory was not yet conducted of the existing Property, Plant and Equipment, and no Report on the Physical Count of PPE (RPCPPE) was submitted thereby the accuracy of the PPE balance totaling P101,412,262.19 (Combined) is uncertain.

Require the Municipal General Services Officer to conduct physical inventory of all its properties and prepare the Report on the Physical Count of PPE (RPCPPE) and to coordinate with the Accounting Office for the reconciliation of the records.

C. The Municipality DID NOT apply the convenience, economy, safety and facility of the LBP's Payroll services thru automatic credit to the employees' individual ATM accounts, thus, may deprive the employees of the early enjoyment of the benefits thereof and exposing funds in the custody of the cashier to risk of possible loss/misapplication.

We recommend that management avail of the services provided by the LBP through an Automated Teller Machine (ATM) for payment of salaries to its permanent employees as well as casual and job order personnel in order to promote operational efficiency as well as strengthened internal control on cash and to avoid further the risk of possible loss/misapplication.

D. Though accomplishment report were submitted, utilization of the Local Disaster Risk Reduction and Management Fund (Calamity Fund) could not be properly verified and remained doubtful due to non-submission of its related disbursement vouchers and liquidation reports as well as Sangguniang Bayan Resolution on the declaration of the occurrence of a Calamity the Calendar Year 2017 in violation of RA 10121,12.24.

We recommend that the management shall require the Sangguniang Bayan to await the LDRRMO Resolution based on the Annual LDRRMO Plan and budgets before the Sangguniang Bayan Resolution was made declaring the calamity occurrence within the municipality.

We further recommend that the management should submit report of LDRRMF and the utilization of LDRRMF to the Office of the Auditor.

E. The Agency has not prepared the set of books which are required to be maintained by each LGU, in contrary to Chapter 2, Section 4 of The New Government Accounting System Manual for Local Government Units.

We recommended that the Municipal Accountant and the Municipal Treasurer shall spearhead in the setting-up of these books of accounts which are vital in maintenance of the accounts to ensure the proper recording of transactions and reliability of the reports.

Furthermore, that these financial records shall be made accessible at reasonable hours to the Auditor or his authorized representatives when deemed necessary.

Compliance with Tax Laws and GSIS Laws

For CY 2017, the LGU complied with the Bureau of Internal Revenue (BIR) Regulations and of the Government Service Insurance System (GSIS) law by regularly withholding taxes from the employees’ salaries and wages and deducting the mandatory deductions from employees’ GSIS life and retirement insurance premium and remitting the same to BIR and GSIS.

5. Status of Audit Suspensions, Disallowances and Charges

The audit suspensions, disallowances and charges for CY 2017 are as follows:

	Beg. Balance, Oct. 1, 2017	Issued	Settled	Ending Balance, Dec. 31, 2017
Notice of Suspension	P 0.00	P 467,700.00	P 0.00	P 467,700.00
Notice of Disallowance	-	-	-	-
Notice of Charge				

6. Status of Implementation of Prior Year’s Audit Recommendations

No. of Audit Recommendations	9
Implemented	5
Partially Implemented	2
Not Implemented	2