

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Paglat was created out of four (4) barangays and formerly four (4) sitios of the municipality of General Salipada K. Pendatun of the Province of Maguindanao on July 9, 2001 by virtue of Muslim Mindanao Autonomy Act No. 112. The Act was signed by then Autonomous Region in Muslim Mindanao (ARMM) Regional Governor Nur P. Misuari.

The Municipality is bounded between the Municipality of Gen. Salipada K. Pendatun on the West, Datu Paglas on the East, Paglat on the North, and Pandag on the South. In the Northeast are the Municipality of Tulunan and Mlang and on the Southwest is the Municipality of President Quirino of Sultan Kudarat.

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Paglat 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 municipality were also observed.

B. FINANCIAL HIGHLIGHTS

The Municipality of Paglat receives its share in the Internal Revenue Allotment from the Local Finance, Department of Budget and Management Office amounted to P59,995,158.00 for CY 2017 which is administered as a General Fund. It also maintains Trust Fund and SEF where grants and donations coming from other line agencies and political leaders were deposited in a separate government depository bank. Collections such as Community Taxes, Permit Fees, Registration Fees, and Clearance and Certification Fees were recorded under the General Fund using the cash method of Accounting.

Presented below is a comparative analysis relative to the financial condition of the Audited Agency, showing the results of operations for the last two years' breakdown as follows:

Account	2016	2017	Increase (Decrease)
Assets	26,478,556.10	72,287,093.04	45,808,536.94
Liabilities	2,384,951.92	41,827,451.57	39,442,499.65
Government Equity	24,093,604.18	30,459,641.47	6,366,037.29
Income	48,555,460.50	60,248,264.45	11,692,803.95

Internal Revenue Allotment (IRA)	48,235,975.00	59,995,158.00	11,759,183.00
Expenses	42,504,693.87	53,882,227.17	11,377,533.30
Net Income (Loss) from Operations	6,050,766.63	6,366,037.29	315,270.66

C. AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

A *qualified opinion* was rendered on the fairness of the presentation of financial statements of the Municipality of Paglat, Maguindanao as of December 31, 2017 resulting from Management’s failure to prepare and submit Bank Reconciliation Statement which rendered the accuracy, validity, and existence of the Cash and Cash Equivalents presented on the Financial Statements unreliable amounting to P47,230,902.65, in contrary to Section 74 of PD 1445.

D. SUMMARY OF AUDIT OBSERVATIONS AND RECOMMENDATIONS

Part I – Favorable Comments

1. Compliance with Tax 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.

2. On the conduct of Cash Examination

Cash Examination was conducted on the cash and accounts of Ms. Mary Jane Guiama, Disbursing Officer, and Mr. Antonio R. Ruslin, OIC Municipal Treasurer, covering the period from September 2016 to September 2017. Upon verification of their cashbooks, we found out that all transactions were properly recorded, disbursed, liquidated, and found no cash shortages/overages.

3. On the LGU’s Programs and Projects Implemented

We commend the LGU on proper utilization of its funds which provided great value to its constituents. During the CY 2017, the LGU was able to expand and made more functional its Municipal Hall that results to a more efficient and effective service provision to the people of Paglat.

The LGU was also able to rehabilitate various farm-to-market roads that give vast opportunities to the constituents of the Municipality.

Various programs were also conducted during the year which included repairs/construction of evacuation centers, provision of medical and food supplies, and others such as medical, dental, and livelihood assistance programs.

Part II - Financial and Compliance Audit

- 1. 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.**

Recommendation:

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

- 2. Management failed to furnish the Office of the Auditor approved Annual Procurement Plan for the CY 2017, thus giving ambivalent on the latter of the actual preparation and approval of the Annual Procurement Plan for the CY 2017, which makes all procurement doubtful as to its legality contrary to Article II, Section 7 of RA 9184 otherwise known as Government Procurement Reform Act.**

Recommendation:

It hereby required that the Head of the Municipal General Services Office to prepare and furnished the Auditor the Annual Procurement Plan for the Local Government of Paglat, Maguindanao in accordance with the provision of the Government Procurement Reform Act.

- 3. The Management failed to observe the perpetual inventory method in recording its supplies and materials as provided under Section 114, Volume 1 of the Manual on the New Government Accounting System (NGAS) and likewise failed to conduct physical count of its inventories.**

Recommendation:

We recommend that the LGU should adopt the perpetual inventory method in recording procurement of supplies. Moreover, the Accounting and Supply Offices should revisit the NGAS Manual which details the procedures in

monitoring, controlling, and recording of acquisition and disposal of inventory.

- 4. Monthly Bank Reconciliation Statements were not prepared and submitted casting doubt on the accuracy of the cash in bank balance as shown in the cash book and in the summary of funds received and disbursed contrary to Section 74 of PD 1445.**

Recommendation:

The Municipal Accountant should submit the Report of Disbursement, at the lower portion of the Report of Disbursement (RD) is a summary of the cash transactions for the month. It contains the beginning balance, total cash received by the agency, total disbursements and the ending cash in bank balance.

We recommended that the Bookkeeper/Accounting Clerk be instructed to prepare the monthly Bank Reconciliation Statement to properly monitor the Cash in Bank Balance.

- 5. We have examined the documents submitted by the Management of LGU Paglat and we have noticed that we have not received any report relative LGU’s Environmental Solid Waste Management programs which may be used as our criteria for examining these programs.**

Recommendation:

The Management shall make sure that the business entities which the LGU is transacting with are duly registered with the BIR to avoid difficulties in withholding taxes; withhold all creditable taxes upon payment of goods and services to the suppliers in order to assure additional income for the government; and remit the same taxes withheld to the BIR on or before the prescribed deadline of filing of remittances

E. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES AS OF DECEMBER 31, 2017

	Beginning Balance	NS/ND/NC	NSSDC	Ending Balance
Notice of Suspension	-0-	-0-		-0-
Notice of Disallowance	-0-	-0-		-0-
Notice of Charge	-0-	-0-		-0-
TOTAL	-0-	-0-		-0-

F. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

No. of Audit Recommendations	4
Implemented	1
Partially Implemented	2
Not Implemented	1