

EXECUTIVE SUMMARY

Introduction

Magsaysay is a third class municipality in the Province of Occidental Mindoro. The Municipality was created under Republic Act No. 5459 on April 3, 1969 and was named after the late President Ramon Magsaysay. Based on the 2015 census, it has a population of 36,016. It is politically subdivided into 12 barangays occupying a land area of 29,670 hectares.

The Municipality is headed by the Municipal Mayor, Hon. Eleonor B. Fajardo, MD. The Sangguniang Bayan is headed by Hon. Vice-Mayor Cesar M. Tria, Jr.

The audit was conducted in accordance with Philippine Public Sector Standards of Auditing.

A comprehensive audit was conducted on the accounts and operations of the Municipal Government of Magsaysay, Occidental Mindoro for Calendar Year 2016. The audit was conducted (a) to ascertain the fairness of the presentation of the financial statements; (b) compliance of the agency with laws, rules and regulations as well as the economical, efficient and effective utilization of resources; (c) recommend agency improvement, opportunities; and (d) determine the extent of implementation of prior years audit recommendations.

Financial Highlights

The Municipality's financial position, financial performance and sources and application of funds for Calendar Year 2016 with comparative figures for 2015 follow:

	2016	2015	Increase (Decrease)
Financial Position			
Assets	₱ 131,072,205	₱ 106,003,701	₱ 25,068,504
Liabilities	65,894,502	51,685,441	14,209,061
Equity	65,177,704	54,318,260	10,859,444
Financial Performance			
Income	123,638,402	106,433,822	17,204,580
Expenses	112,774,399	93,543,697	19,230,702
Surplus (Deficit)	10,864,003	12,890,125	(2,026,122)
Sources and Application of Funds			
Appropriations	109,087,638	96,892,373	12,195,265
Obligations	100,382,625	92,047,789	8,334,836
Balances	8,705,013	4,844,584	3,860,429

Audit Opinion on the Financial Statements

The Audit Team Leader rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Magsaysay because (a) the Property, Plant and Equipment totaling ₱87,690,620.27 did not reconcile with the inventory report, showing a material difference of ₱57,342,074.39 rendering the year-end PPE account balance doubtful; and (b) the validity of Accounts Payable balance of ₱5,392,041.61 as of December 31, 2016 is doubtful due to the presence of dormant, long outstanding payables of ₱3,047,981.66 without pertinent documents to substantiate the regularity and existence of the obligations.

For the exceptions cited above, we recommended that the Management:

- a) direct the Inventory Team to conduct complete physical count of all PPE and require the Municipal Accountant and General Services Officer to maintain updated PPE ledger cards and property cards, respectively, to facilitate its reconciliation with the RPCPPE. Should there be any discrepancy between these records, the same should be properly examined to facilitate adjustment of the affected PPE account balances for its fair presentation in the Statement of Financial Position; and
- b) instruct the Municipal Accountant to (a) conduct a thorough review of long outstanding accounts payable and revert to the general fund all dormant and long outstanding payables/balances of accounts aged two to fifteen years, if warranted; and (b) ensure that no obligation is booked unless the same is founded on a valid claim that is supported by sufficient evidence and documentation.

Summary of Significant Observations and Recommendations

The following are the other significant observations and recommendations in the audit of the Municipality of Magsaysay for the year 2016:

1. Unliquidated cash advances increased from ₱3,299,428.08 to ₱3,418,110.62 as of year-end for failure of the Municipality to observe the rules and regulations pertaining to its grant, utilization and liquidation. Cash advances of ₱3,140,413.48 which have been outstanding for more than five years were still presented as current assets in the financial statements.

We recommended that the:

- a. Municipal Mayor enjoin compliance with the provisions of COA Circular No. 97-002 and other existing rules and regulation on the proper grant, utilization and liquidation of cash advances; and

- b. Municipal Accountant (a) issue demand letter to those accountable officers with unliquidated cash advances beyond the reglementary period of liquidation, otherwise, withhold their salaries to enforce liquidation of their cash advances; and (b) present the long outstanding cash advances in the financial statements as part of non-current assets in compliance with PPSAS 1, Paragraph 76 and for its fair presentation in the financial statements.
2. Medicines totaling ₱400,016.55 were procured through repeat order despite non-compliance with Republic Act (RA) No. 9184 and its Implementing Rules and Regulations (IRR).

We recommended that the Bids and Awards Committee comply strictly with the requirements of RA No. 9184 and its IRR to promote fair competition, efficiency and regularity in the procurement process. Should the need to resort to other mode of procurement, always see to it that the conditions set forth under the IRR are properly met.

3. Non-consolidation of procurement needs and non-observance of the procurement process resulted in the acquisition of goods without the benefit of competitive bidding.

We recommended that the Management ensure that all procurements are meticulously and judiciously planned and that the Bids and Award Committee strictly observe the pertinent provisions of the Revised IRR of RA No. 9184 in the conduct of competitive bidding to promote efficiency and economy in the procurement of goods.

4. Procurement of goods and services were made without the benefit of fair competition and were paid thru reimbursement basis due to lack of procurement planning.

We recommended for meticulous and judicious procurement planning to forestall emergency purchases. Management was also advised to ensure that all procurements pass through the regular mode of procurement to promote fair competition. We also recommended to stop the practice of payment through reimbursement to officials and employees when direct payment to suppliers is possible.

5. The Municipality failed to provide one percent (1%) of their Internal Revenue Allotment (IRA) for Child Protection Program pursuant to Republic Act (RA) No. 9344 or the Juvenile Justice and Welfare Act of 2006.

We recommended that the Municipality allocate 1% of their annual IRA for child protection program as required under RA No. 9344 and to create their LCPC and formulate and implement a comprehensive plan specifically to strengthen and develop the needs of the children in the Municipality.

6. Reports on the sources and utilization of the Local Disaster Risk Reduction Management (LDRRM) Fund were not submitted on or before the 15th day after the end of the month by the MDRRM Officer. Also, disbursements made were not in accordance with RA No. 10121.

We recommended that the MDRRM Officer strictly comply with the requirements of COA Circular No, 2012-002 dated September 12, 2012 for the preparation and submission of the utilization report of LDRRM Fund to the Auditor every 15th day of each month for timely review and verification.

We also recommended that Management utilize the LDRRM Fund solely for disaster risk reduction and management activities pursuant to RA No. 10121.

7. The 20% Development Fund was not efficiently utilized as expenditures charged against the Fund do not directly contribute to the attainment of desirable socio-economic development and environmental management outcomes and priority projects under the 20% Development Fund were not specifically identified in the Annual Investment Program of the Municipality for CY 2016.

We recommended that the Municipal Planning and Development Coordinator ensure that the programs, projects and activities under the 20% Development Fund are specifically itemized to facilitate proper monitoring and evaluation. Identify, first and foremost, the programs and projects that must be prioritized for inclusion and consideration in the Annual Investment Plan. For those which are inconsistent with the governing rules and regulations, initiate amendments to address the needs of the constituents.

8. Expenses charged against the Special Education Fund were not among those explicitly authorized under certain provisions of RA No. 5447, thus the Fund was not fully utilized to carry out the mandate of the education sector.

We recommended that the Local School Board and the Management utilize the SEF for priority activities that contribute to the attainment of its objectives in compliance with Section 1 of RA 5447.

9. The Municipality's GAD Plan and Budget (GPB) was not submitted to the DILG for review and approval, thus GAD responsiveness of the programs and projects undertaken during the year could not be assessed.

We recommended that the Management synchronize the preparation of the GAD Plan and Budget with the planning and budgeting calendar to enable its timely submission to the PPDO to ensure its alignment with the priorities of the Province and to the DILG for review and approval before its incorporation in the annual budget.

The above findings and recommendations were earlier communicated to the Management through the issuance of Audit Observation Memorandum and were discussed with officials and staff during the exit conference conducted on May 24, 2017. Management's views and reactions were considered in the report, where appropriate.

Summary of Suspensions, Disallowances and Charges

Total audit suspensions and disallowances as at year-end amounted to ₱11,359,052.22 and ₱7,843.00, respectively.

Status of Implementation of Prior Year's Audit Recommendations

Of the twelve prior year's audit recommendations embodied in the CY 2015 Annual Audit Report, five were fully implemented, five were partially implemented and two were not implemented by the Management.