

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Hadji Mohammad Ajul is one of the four newly created municipalities in Basilan Province by virtue of Muslim Autonomous Region Act. (MAA) No. 193, dated December 20, 2005 of the Regional Legislative Assembly of Autonomous Region in Muslim Mindanao. Its operations started on January 02, 2007. It is a 6th class municipality and is consist of 20,250 hectares of land area. The present mayor is. Hon. Ibrahim H.S Ballaho

The municipality has 11 component barangays under its area of jurisdiction. It serves primarily as the linkage between the government and the local residents for the delivery of basic service and effective administration of all constituents in the most remote barangays within the municipality.

HIGHLIGHTS OF FINANCIAL INFORMATION

The financial highlights of the Municipality of Hadji Mohammad Ajul for CY 2020 with comparative figures for CY 2019 are as follows:

| Types of Account | 2020 | 2019 | Increase (Decrease) | Percentage |
|-------------------|---------------|--------------|------------------------|------------|
| Assets | 4,373,984.02 | 333,260.86 | 4,040,723.16 | 92.38% |
| Liabilities | 1,456,319.24 | - | 1,456,319.24 | 100.00% |
| Government Equity | 2,917,664.78 | 333,260.86 | 2,584,403.92 | 88.58% |
| Income | 90,370,511.46 | 1,503,375.00 | 88,867,136.46 | 98.34% |
| Expenses | 87,786,107.54 | 1,188,375.00 | 86,597,732.54 | 98.65% |

Major increase in the LGU's income can be attributable receipt of Internal Revenue Allotment for CY2020 amounting to ₱90,213,638.00. And an increase in the Expenses can be attributable to an increase in Employee Costs (Personal Services), Repairs and Maintenance as well as Other Maintenance and Operating Expenses during CY 2020.

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.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality due to the effects of the deficiencies noted on the balances of some accounts, as discussed in detail in the Independent Auditor's Report.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

- 1. The Cash in Bank account in the total amount of ₱2,427,296.52 in the book of accounts is unreliable due to failure of the Municipality to prepare and submit Bank Reconciliation Statements of depository accounts.***

We recommended that the Municipal Accountant to prepare and submit promptly the bank reconciliation statements monthly for all the funds of the Municipality and to prepare the necessary adjusting entries for bank charges, interest income and staled checks to bring back the cash in bank account in its corrected balance.

- 2. The accuracy, validity and reliability of the reported balance of the Construction in Progress account of Trust Fund amounting to ₱75,411,796.03 could not be relied upon due to unsupported ending balance.***

We recommended that the LGU Chief shall instruct the concerned heads of the accounting and property departments to account for the beginning balances of the CIP Accounts by submitting subsidiary records and to maintain a CIP Ledger card for each project and per fund cluster.

- 3. The existence, validity and correctness of the balance of the account PPE as at year-end amounting to ₱810,687.50 is doubtful and could not be ascertained due to the following: (a) Management's failure to conduct annual physical inventory and (b) inadequacies of subsidiary records and property ledger cards inconsistent with Section 124, Volume I and Section 45, Volume II of NGAs Manual for LGU.***

We recommended that the Local Chief Executive shall create an Inventory Committee to undertake the physical count of all the PPE. We further recommend that the management should prepare and submit the Report on Physical Count of Property, Plant and Equipment as required in Section 124, Volume 1 of the Manual on NGAs for LGUs and Section 45, Volume II of the NGAs Manual for LGU.

- 4. Posting and reporting requirement under Local Budget Circular (LBC)125, was not faithfully adhered to, thus, depriving constituents of access to basic information necessary for a well-informed public opinion.***

We recommended the Management to strictly comply with the guidelines of the LBC, likewise full disclosure policy of the government must be adhered. We recommend further to submit a written explanation on the above audit observation.

5. ***Delayed submission of the approved BGCM budget and non-submission of its revised Annual Procurement Plan (APP) for BGCM PPA's, precluded the Auditor from conducting timely audit of the BGCM's transactions in the Agency's books of accounts.***

We recommended that the Management strictly adhere with the provision of RA 7160, RA 9184 and LBC 125 in the preparation and submission of the supplemental budget and revised annual procurement plan (APP).

6. ***Special account was not maintained for the Bayanihan Grant in accordance with Section 3.7 of the Local Budget Circular (LBC) 125 and Section 107 of MNGAS for LGUs, thus, monitoring/tracking of the utilization is difficult and cast doubt as to the accuracy of the ending balance of the grant.***

We recommended the Management to comply with Section 3.7 of Local Budget Circular (LBC) 125, Section 313 of RA 7160 and Section 107 of MNGAS in taking up the Bayanihan Grant and submit to the Office of the Auditor its subsidiary ledger.

7. ***Disbursements and/or liquidations of the Municipality of Al-Barka, on fund transfers of the National Government Agencies amounting to ₱75,470,950.81 were not supported with copies of Memorandum of Agreement in violation of item 3.1.2 and Item 3.1.3 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.

8. ***Incomplete supporting documents in various disbursements and/or documents submitted is neither signed by the respective appropriate officers which results in doubt of the transaction claimed in the document, which tantamount to a violation of Section 4.6 of PD 1445 Claims against government funds shall be supported with complete documentation and COA Circular No. 2012-001 on Documentary Requirements for common government transactions.***

We recommended that the Municipal Accountant ensures that the documentary requirements of all claims are complete before affixing his signature in Box A of the Disbursement Voucher.

9. ***Management has not fully institutionalized Gender and Development (GAD) and failed to submit accomplished report pursuant to PCW-NEDA-DBM Joint Circular No. 2012-001 and EO No. 273.***

We recommended that the Management furnish the Auditor a copy of the CY2020 GAD Plan and Accomplishment Report for GAD showing the programs, projects and

activities undertaken during the year. We further recommend that for CY 2021, the GAD Plan and Budget should be submitted immediately to the Audit Team and that GAD Quarterly Accomplishment Report should also be submitted within the prescribed period.

10. The Municipal Government was not able to submit the reports of their transaction and financial statements on the required periods prescribed under existing laws, contrary to various COA rules and regulations.

We recommended that the Local Chief Executive to direct the Accountant to submit the above-mentioned reports within the prescribed timetables so that timely post-audit of transaction could be made and verification of the same could be facilitated.

11. The Statement of Comparison of Budget and Actual Amounts (SCBAA) was not submitted to COA for audit in violation of Philippine Application Guidance (PAG) 4 of the Philippine Public Sector Accounting Standard (PPSAS) 24.

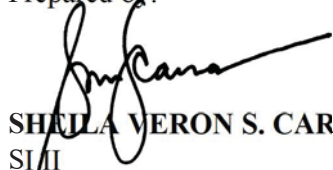
We recommended that the Municipal Budget Officer and the Municipal Accountant prepare SCBAA as of December 31, 2020 and submit to COA. We further recommended that for CY 2021, the SCBAA should be submitted immediately to the Audit Team for review

STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

Out of the six (6) recommendations contained in our previous years' Annual Audit Report (AAR), one (1) has been implemented while one (1) was partially implemented and four (4) remained unimplemented.


| ERRATUM | | | | |
|---|-----------------|----------------|--|--|
| Particulars | Date Published | Location/ Page | As Published in the COA Website | Correction |
| Municipality of Hadji Mohammad Ajul, Basilan | August 13, 2021 | | | |
| a. Executive Summary - SIPYAR | | Page iv | <p>STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS</p> <p>Out of the six (6) recommendations contained in our previous years' Annual Audit Report (AAR), one (1) has been implemented while one (1) was partially implemented and four (4) remained unimplemented.</p> | <p>STATUS OF IMPELMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS</p> <p>Out of the six (6) recommendations contained in our previous years' Annual Audit Report (AAR), two (2) was partially implemented and four (4) remained unimplemented).</p> |
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Date: September 09, 2021