

EXECUTIVE SUMMARY

Introduction

The **Municipality of Madalum** in the province of Lanao del Sur was created under Executive Order No. 42 dated June 26, 1963. It consists of 37 barangays with an estimated population of 23,000, and its inhabitants belong to the Maranao tribe mostly believers in Islam. It was classified as 3rd class income municipality with an area of 498.39 km².

The Municipality is under the administrative supervision of the Bangsamoro Autonomous Region in Muslim Mindanao by Republic Act 11054 dated July 24, 2017, An Act Providing for the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao, repealing for the Purpose Republic Act No. 6734, Entitled "An Act Providing for An Organic Act for the Autonomous Region in Muslim Mindanao,".

It is under the new leadership of **Hon. Omeraidah S. Mindalano**, the recently elected Municipal Mayor, is supported by the municipal vice mayor, eight (8) municipal councilors, and other heads of municipal offices with 67 regular personnel.

The Municipality of Madalum, Lanao del Sur is like other local government units enjoy total independence in managing, deciding, and planning its own administrative, fiscal, and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

Financial Highlights

The financial highlights of the Municipality of Madalum, as of December 31, 2021, with comparative figures for the calendar year 2020 are presented hereunder:

Particular	2021	2020	Increase/ (Decrease)
<i>Financial Condition</i>			
Total Asset	₱ 116,346,044.28	₱ 115,898,640.04	₱ 447,404.24
Total Liabilities	2,619,497.04	2,410,954.84	208,542.20
Total Equity	116,346,044.28	115,898,640.04	447,404.24
<i>Financial Performance</i>			
Total Revenue	₱ 184,469,335.00	₱ 171,644,582.00	₱ 12,824,753.00
Total Expenses	182,875,166.00	178,367,445.67	4,507,720.33
Surplus (Deficit)	₱ 170,168.40	₱ 7,570,001.33	₱ (7,399,832.93)

Scope of Audit

A financial and compliance audit was conducted on the accounts and transactions of the Municipality of Madalum, Lanao del Sur for CY 2021. The audit was aimed at determining whether Management presented fairly the financial statements in adherence to the generally accepted accounting principles and whether the prevailing laws, rules, and regulations have been complied with.

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements owing to the unreliability of the validity and existence of PPE accounts due to Management's inability to conduct the mandatory physical count.

Summary of Significant Observations and Recommendations

- 1. Unreliability of the propriety and existence of the Property, Plant, and Equipment (PPE) accounts with a netbook value amounting to ₱113,912,532.88 due to non-conduct of the actual physical count, non-submission of Report of Physical Count of PPE (RCPPE) and other lapses in recording PPE.**

We recommended that the Local Chief Executive:

- a) Permanently appoint a competent General Services Officer/Property Officer who shall be responsible for the PPE-related functions and records;
 - b) Direct the conduct of a thorough and complete physical count of all properties of the Municipality; and
 - c) Require the submission of a complete report on the Physical Count of Property, Plant, and Equipment (RCPPE).
- 2. The manner of recording, handling, and issuance of procured welfare goods, medicines, and other expendable supplies was not in accordance with Sections 114 and 119 of the NGAS Manual for LGUS resulting in a possible loss, wasted, and misappropriated inventories.**

Thus, we recommended that the Local Chief Executive mandate:

- a) The Accounting Office to record and account for the purchase of welfare goods, medicines, and other supplies and materials in a perpetual inventory method;

- b) The GSO and Accounting Office to implement internal control measures to ensure that inventories are safeguarded from possible wastage and misappropriation; and
- c) The GSO to diligently prepare, maintain and update inventory records, forms, and reports, and consequently reconcile such with the ledgers of the Accounting Office.

3. Cash advances for salaries and other current operational expenses, insufficiently supported with documents, amounting to ₱52,087,814.27 were granted to personnel without proper bonding and designation in violation of certain provisions of COA Circular No. 97-002 dated February 10, 1997, and PD No. 1445 could result to loss inappropriate use of funds.

We recommended that the Honorable Mayor strictly mandate:

- a) That cash advances be strictly granted only to permanent, properly bonded, and officially designated Accountable Officer and/or Special Disbursing Officer;
- b) The designation of a duly bonded Special Disbursing Officer that could perform the necessary functions during exigent circumstances in which the Accountable Officer may not be available;
- c) That before the approval of payment of cash advances, the Accountant ensures that applicable supporting documents such as approved payroll for payment of salaries/wages, approved budget estimate on current operating expenses, etc. are complete;
- d) That cash advances are strictly monitored, liquidated, and reported as soon as the purpose for which it was given has been served.

4. The required content, frequency, and distribution of financial reports and statement as provided in Sections 121 (paragraph 1) and 122 of Presidential Decree No. (PD) 1445 were not faithfully observed by the concerned LGU officials during their preparation and submission to Auditor, thus, the completeness and accuracy of financial recording of transactions could have been affected.

Thus, we recommended that the LCE mandate the concerned officials to faithfully observe the following courses of action in the preparation and submission of the financial reports and statements, viz:

- a) Strictly adopt the prescribed templates provided in the NGAS Manual for LGU, Volumes I and II;

- b) Strictly indicate the necessary information and data on the financial reports/statement such as detailed description, unit measure, report number, and/or remarks; and
 - c) Strictly reproduce the required number of copies, for each type of report, and furnish the same to the concerned offices.
- 5. Delayed remittances of GSIS, HDMF, PhilHealth, and BIR deductions/contributions contrary to the prescribed period of payments as provided by the respective laws, rules, and regulations.**

We recommended that the Municipal Accountant and the Municipal Treasurer must affect a deduction of accurate mandatory contributions to GSIS, PhilHealth, Pag-ibig, and withheld taxes and further remit them within the prescribed period of remittances. The prior year's accounts must be reconciled, confirmed, and remitted, if not, then initiate the applicable alternative action on that matter.

Summary of Suspensions, Disallowances, and Charges

Notices of Suspension amounting to ₱7,189,005.84 remain outstanding as of December 31, 2021.

Status of Implementation of Prior Year's Audit Recommendations

Of the 38 prior years' audit recommendations, 10 were fully implemented, 12 were partially implemented, and 16 were not implemented as of the report date.

ERRATUM

Particulars	Date Published	Location/ Page	As Published in the COA Website	Correction
MUNICIPALITY OF MADALUM	JUNE 27, 2022			
a. Executive Summary - SIPYAR		Page iv	Status of Implementation of Prior Year's Audit Recommendations Of the 38 audit recommendations, 10 were fully implemented, 12 were partially implemented, and 16 were not implemented as of the report date.	Status of Implementation of Prior Year's Audit Recommendations Of the 48 audit recommendations contained in 2020 and prior years' Annual Audit Reports, 13 were fully implemented, 11 were partially implemented, and 24 were still not implemented.

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AUG 23 2022

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