

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Tagoloan is a 3rd class municipality located on the north-east part of the Lanao del Norte. The Total land area of the municipality is approximately 8.187 hectares lot. According to the 2015 census, it has a population of 13,253 people. It was created by virtue of Republic Act 5822 in June 1969. It has seven barangays namely Kiazar, Darimbang, Dimayon, Inagongan, Malimbato, Dalamas, and Panalawan.

Like other local government units, the municipality enjoys genuine and meaningful local autonomy to enable it to attain its fullest development as self-reliant community and make it more effective partners in the attainment of national goals.

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipal Government of Tagoloan, Lanao Del Norte for the period January 1 to December 31, 2018. The audit was undertaken to ascertain the fairness in the presentation of the financial statements and adherence with laws, rules and regulations.

B. Financial Highlights

The municipal government's assets, liabilities and residual equity and results of income and expenses for CY 2018 with comparative figures for PY 2017 are as follows:

	CY 2017	CY 2018	Increase/ (Decrease)	%
Assets	31,598,141	81,830,099	50,291,248	61%
Liabilities	1,014,454	48,629,858	47,615,404	98%
Equity	30,583,687	33,200,241	2,616,554	8%
Revenue	56,537,351	68,216,703	11,679,352	17%
Expenses	77,052,878	65,694,975	(11,357,903)	(15%)
Net Income	404,614	2,521,728	2,117,114	84%

In CY 2018, the Municipality of Tagoloan, LDN generated total income of P2,117,114 exhibiting a remarkable increase by 84% of its previous income in CY 2017. These were all intended for the operation of the LGU's development and programs. In support of development plans, programs, projects and activities of the municipality, the following is the application of funds to wit:

The municipal government's appropriation, allotments, and obligations for the CY 2018 with comparative figures for CY 2017 are as follows:

	CY 2017	CY2018	Increase/Decrease	%
Appropriation	56,518,142	60,603,132	4,084,990	7%
Allotment	56,518,142	60,603,102	4,084,960	7%
Obligation	56,518,149	55,498,453	(1,019,696)	(2%)
Unobligated	-	5,104,649	5,104,649	100.00%

C. Independent Auditor's Report.

We rendered a modified - disclaimer of opinion on the Financial Statements of the Municipality of Tagoloan, Lanao Del Norte for the period January 1 to December 31, 2018, mainly due to the audit limitations set by the following deficiencies:

- a) The failure of the Municipality to prepare and submit monthly Bank Reconciliation Statements and the delayed submission of the Bank Statements. Thus, the correctness and reliability of the Cash in Bank cannot be ascertained and verified;
- b) The Municipality was not able to submit the reports of their transactions such as Disbursement Vouchers; Report of Collections and Deposits; Report of Disbursements; Report of Checks Issued; Report of Accountability of Accountable Forms; Report on Physical Count of Property, Plant, and Equipment; Report on Physical Count on Inventories; Monthly Trial Balances; and Quarterly Financial Statements. Thus, validity, regularity, legality, and occurrence of disbursements and collections as well as accuracy, existence, and ownership of Cash and Property, Plant, and Equipment could not be determined and established;
- c) The failure of the Municipality to submit Journal Entry Vouchers in the disbursements, thus, reliability, accuracy, and completeness of income and expense accounts could not be established;
- d) Non-maintenance of Subsidiary Ledgers (SL) for inventory and property accounts, thus, the reliability, accuracy, and completeness of such controlling accounts could not be reconciled and verified;
- e) The Failure of the Municipality to timely submit approved budgets and maintain Registries of Funds/Appropriation/Allotments and Obligations/Utilization, thus reliability, accuracy, existence, and completeness of SAOB was not established; and
- f) The failure of the Municipality to submit copies of perfected contracts, thus auditorial, legal, and technical review/evaluation, as well as inspection could not conducted.

D. Summary of Significant Findings and Recommendations.

1. The correctness and reliability of the Cash in Bank - Local Currency in the amount of P968,960 remained to be unverified due to the failure of the agency to prepare and submit monthly Bank Reconciliation Statements contrary to Section 74 of PD 1445 and COA Circular No. 96-11.

We have recommended the following to the Local Chief Executive:

- a) Direct the Municipal Accountant Designate to prepare and submit the monthly Bank Reconciliation Statements in adherence to Section 74 of PD 1445 and COA Circular No. 96-11. Also require her to get the monthly bank statements from the depository bank promptly and regularly.
 - b) Direct the Municipal Treasurer to reconcile his cashbooks entries with that from the accounting records at least quarterly.
 - c) Direct the Municipal Treasurer to enroll the bank accounts to on-line e-access in the Land Bank of the Philippines/Development Bank of the Philippines/Philippine National Bank and grant access to the Municipal Accountant in order that she can view immediately the balances on line and can possibly print the balances of accounts of the LGU.
2. The reliability, existence, and validity of the Property, Plant and Equipment account balance of P80,605,855 as of December 31, 2018 cannot be ascertained due to the failure of the General Services Officer / Municipal Treasurer to conduct periodic physical inventory taking, in violation of COA Circulars and New Government Accounting System, Volume I.

We have recommended the following to the Local Chief Executive:

- a) Direct the General Services Officer (GSO) / Municipal Treasurer to conduct Inventory.
- b) Create an appraisal / inventory committee to conduct actual physical inventory taking of all properties, plant and equipment.
- c) Direct the Municipal Accountant Designate to:
 - i. Make necessary adjustments on the records for deficiencies noted in the course of inventory taking and in the reconciliation of the inventory report with the subsidiary ledgers;
 - ii. After physical count and report of PPE's are completed, prepare and maintain a subsidiary ledger card on each equipment and should bear a Property Number; and
 - iii. Provide residual value in computing the depreciation.

- d) Direct the Administrative Officer to update the list of properties that needs to be insured and submit the same to GSIS. This will guarantee that all properties are adequately covered by insurance in order to protect the interest of the government. For lost / damaged properties without covering insurance, liability therefore should devolve upon the parties responsible.
3. The Municipal Accountant Designate did not recognize its Local Roads Networks in the Books of accounts contrary to COA Circular No. 2015-008 dated November 25, 2015, thereby understating the Municipality's asset and equity accounts.

We have recommended the following to the Local Chief Executive:

- a) Direct the Municipal Accountant to record and transfer the Local Road Networks from the Public Infrastructure Registry to the books of accounts in compliance with COA Circular No. 2015-008.
 - b) Direct the Municipal Engineer and Municipal Accountant Designate to revisit the map of the municipality's local road networks and determine the proper cost for each local road through thorough review of records.
 - c) Direct the General Services Officer/Municipal Treasurer to conduct Inventory of Roads.
4. The Municipal Treasurer failed to prepare and submit consolidated monthly Reports of Accountability for Accountable Forms, with and without money value and turnover the used accountable forms, contrary to Section 50 and 51, Volume II, Manual on the NGAS for LGUs. Thus accuracy, completeness and existence of the receipts, issuances and balances of accountable forms cannot be easily established.

We have recommended to the Local Chief Executive to direct the Municipal Treasurer to:

- a) Adhere strictly with the regulation to ensure effective performance on the task assigned:
 - b) Submit monthly report of collections and report of accountable forms;
 - c) Turnover the used and issued accountable forms in sequence.
5. The Municipal Accountant Designate was not able to submit the reports of their transactions and financial statements on the required periods prescribed under existing laws, contrary to various COA rules and regulations, thus hindering the conduct of post-audit.

We have recommended to the Local Chief Executive to direct the Municipal Accountant Designate to submit the above-mentioned reports within the prescribed

timetable so that timely post-audit of transactions could be made and verification of the same could be facilitated.

6. No Journal Entry Vouchers were prepared and attached to the individual Disbursement Vouchers contrary to section 43 and section 46, Volume 1, of the Manual of the New Government Accounting System. Thus, it could not be ascertained if all the financial transactions were fully taken up in the books of accounts of the Municipality.

We have recommended to the Local Chief Executive to exert more effort in appointing a Certified Public Accountant that could monitor and record the financial transactions of the municipality. Meantime, require the Municipal Accountant Designate and the bookkeeper to make a separate journal entry vouchers for each financial transactions.

7. Non-maintenance of Subsidiary Ledgers (SL) for inventory and property accounts contrary to Section 12 of the MNGAS Volume II. Thus, hindering post-audit.

We have recommended to the Local Chief Executive to direct the Supply Officer to submit the Report of Supplies and Materials Issued (RSMI) to the accounting division; maintain Subsidiary Ledgers for the inventory accounts; and to strictly comply with the provision of Section 12 of MNGAS, Volume II and Section 114 of PD 1445.

8. Registries of funds / appropriations / allotments and obligations / utilization for each fund were not maintained by the Municipal Budget Office, in contrary to Item No. 2 of COA Circular No. 2005-001 dated Feb. 28, 2005.

We have recommended the following to the Local Chief Executive:

- a) Direct the Municipal Budget Officer to maintain the required registries of funds / appropriations / allotments and obligations / utilization in order to avoid juggling of funds and for internal control purposes. Also, to facilitate the realization of the programs / projects / activities embodied in the Approved Annual Budget.
 - b) Direct the Municipal Treasurer and Municipal Accountant Designate to provide the Municipal Budget Officer the necessary documents needed in preparing, recording, and maintaining the registries.
9. The Local Government Unit failed to establish an estimate of collectible Real Property Tax and Special Education Fund for the CY 2018 due to the failure of the management to develop a comprehensive program to intensify tax collection.

We have recommended the following to the Local Chief Executive:

- a) Direct the Municipal Treasurer to give emphasis on the collection of the delinquent real property taxes by applying the administrative remedies against delinquent taxpayers as provided for under the Local Government Code.

- b) Hire additional employee assigned in the office of the assessor, otherwise, require the concerned employee to render overtime in order to prepare and submit the estimated real property tax collectibles.
10. The Bids and Awards Committee (BAC) Secretariat failed to submit the copies of contracts in the total amount of P17,728,556 to the Office of the Audit Team Leader, contrary to COA Circular No. 2009-001 dated February 12, 2009, thus compromising timely contract review.

We have recommended to the Local Chief Executive to direct the BAC Secretariat and Municipal Engineer to submit all perfected contracts together with all the documents forming part thereof, as well as documents required in Annexes of said circular, to the audit team in order to facilitate timely auditorial and legal review as well as technical review by the COA.

11. Approval of Disbursement Vouchers appropriated for the operation of the Sanggunian Bayan were approved by the Municipal Mayor and not by the Municipal Vice Mayor, contrary to Section 39 of COA Circular No. 92-382.

We have recommended to the Municipal Vice Mayor to apply for the fidelity bond, approved the disbursement vouchers for the appropriation of the Sanggunian Bayan and shall be allowed to countersigned in the check draw.

12. The Municipal Government failed to transfer the unexpended balance of the LDRRM fund in the amount of P909,047 for CY 2018 to a Special Trust Fund solely for the purpose of supporting disaster risk reduction and management activities of the LDRRMC in violation of COA Circular No. 2012-002 dated September 12, 2012, thereby exposing the said funds to possible misapplication.

We have recommended the following courses of actions to the Local Chief Executive:

- a) Direct the management to set up a Special Trust Fund and transfer the correct amount to the said trust fund account all unexpended / unobligated balance of the Quick Response Fund (QRF) and the Local Disaster Risk Reduction Management Fund-MOOE yearly.
- b) Maintain separate Subsidiary Ledgers for transfers of agency's unutilized DRRM to the special trust fund by year of transfer including receipts from National and Local agencies and other sources to adequately support the Municipal's Programs, Projects and Activities intended for Disaster Preparedness, Prevention and Mitigation.
- c) Maintain separate Registry of Appropriations, Allotments and Obligations (RAAO) for:
 - i. Quick Response Fund (QRF)

- ii. MOOE, and
- iii. Capital Outlay (CO)

13. The position for the three (3) staff responsible for the administration and training, research and planning, and operations and warning in the Municipal Disaster Risk Reduction and Management (MDRRM) Office were not duly created in the Plantilla for personnel.

We have recommended to the Local Chief Executive that the position for the three (3) staff responsible for the administration and training, research and planning, and operations and warning be established in the regular Plantilla item, in accordance with NDRRMC, DILG, DBM, CSC Joint Memorandum Circular No. 2014-1 dated April 4, 2014.

14. The Municipal Accountant Designate failed to prepare and submit to the Office of the Auditor the Monthly Report of Sources and Utilization of Disaster Risk Reduction Management Fund for CY 2017 in violation of COA Circular No. 2012-002.

We have recommended to the Local Chief Executive to direct the Municipal Accountant Designate to prepare and submit a monthly report on the sources and utilization of the MDRRMF to COA on or before the 15th day after the end of each month pursuant to COA Circular No. 2012-002 dated September 12, 2012, for verification/audit purposes.

15. Solid waste management plan of the municipality still subject for approval as mandated under RA 9003.

We have recommended the following actions to the Local Chief Executive:

- a) The plan should be reviewed and updated as required by law to ensure its sustainability, relevance and effectiveness;
- b) Campaigns should be collaborated with the barangay officials concerned;
- c) Continued and stricter implementation of waste segregation, and thorough collection of waste based on set schedules; and
- d) Provide budget for the purchase of sanitary landfill.

16. Management failed to prepare Special Education Fund (SEF) Budget in violation to Section 7 of RA No. 5447 and incurred no amount for the SEF projects, thus, the local school board failed to use the fund depriving the beneficiaries.

We have recommended to the Local School Board to prepare and submit Annual SEF Budget. The proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment,

educational research, purchase of books and periodicals, and sports development as determined and approved by the local school board pursuant to DEPED-DBM-DILG Joint Circular No. 1 series 2017.

17. Nineteen (19) unfilled Plantilla position remained to be vacant, thus, regular delivery of services of the municipality was not attained at its maximum.

We have recommended the following to the Local Chief Executive:

- a) Fill out the vacant positions, as prescribed in Section 443 of RA 7160 and in accordance with existing guidelines and rules and regulations of the Civil Service Commission, for more effective administration of the said offices which in turn will benefit the Municipality as a whole.
- b) Give priority and immediately hire a full pledged Municipal Accountant, a CPA to occupy the mandatory position of the LGU. Advertise the immediate hiring of a CPA for the position of the Municipal Accountant giving priority residents of the municipality.
- c) Submit explanation/justification of the deferment / non-hiring of a CPA which is a mandatory position of the LGU of which is attributed to the breakdown on internal control and the failure to submit accurate/complete reports for the year.
- d) Direct the Municipal Human Resource Officer to publish the vacancy and if no willing and qualified applicant, recommend for the temporary appointment of the available applicant.

E. Summary of Suspensions, Disallowances, and Charges for CY 2018.

For the calendar year 2018, the Audit Team will issue appropriate Notice of Suspensions and/or Disallowances as may be warranted from the audit findings contained in this Annual Audit Report. Below is the summary of Notice of Suspensions, Disallowances and Charges issued to the Municipality of Tagoloan, Lana Del Norte:

	Beginning Balance	Issuances (CY2018)	Settlement (CY2018)	Ending Balance
Notice of Suspension	8,310,606	-0-	-0-	8,310,606
Notice of Disallowance	-0-	-0-	-0-	-0-
Notice of Charge	-0-	-0-	-0-	-0-
Total	8,310,606	-0-	-0-	8,310,606

The suspensions are the expenses incurred by the elected officials but failed to submit their Designation as special disbursing officer. The Municipal Accountant Designate is retrieving the required documents to be submitted to the audit team.

F. Status of Implementation of Prior Year's Audit Recommendations.

Out of the eighteen (18) audit recommendations embodied in the previous years Annual Audit Report, one (1) was implemented, one (1) was partially implemented, and sixteen (16) were not implemented as discussed in Part III of this report. The following table illustrates the same:

Status of Previous Year Recommendations		
Implemented	1	6%
Partially Implemented	1	6%
Not Implemented	16	88%
Total	18	100%