

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Linamon is the smallest municipality in the Province of Lanao del Norte, with an area of 2,318.794 hectares and a total population of 3,051 families based on 2005 MBNS survey. It was created on January 13, 1960 under the Executive Order No. 371 signed by then President Carlos P. Garcia. The Municipality is composed of eight (8) barangays.

The Municipality's mission is to pursue a responsive, rational and integrated development strategy for the total upliftment of our community through optimum – utilization of human, natural and material resources.

The Municipality's vision is a progressive and sustainable agri-industrial and tourism center, excelling in good governance where residents have a sense of well-being and are morally upright, educated, self-reliant, gender responsive, environment friendly and community-oriented towards equity and justice.

The Municipality is headed by the Municipal Mayor Randy J. Macapil as the Local Chief Executive, and Hon. Rachele Vienn P. Abudiente as the Vice-Mayor. The Sangguniang Bayan, composed of nine (9) Sangguniang members, is the local legislative branch of the municipality. It is responsible for passing ordinances and resolutions for the administration of a municipality.

B. FINANCIAL HIGHLIGHTS

The municipality's assets, liabilities and equity as of December 31, 2018 were ₱ 129,221,212, ₱ 40,186,567, and ₱ 89,034,645, respectively. These correspondingly increased/decreased by 3%, -25% and 3%, respectively, over that of last year.

The Auditee's net income was ₱ 5,346,372 which decreased by 11% in the amount of ₱ 670,533, compared with last year's ₱ 6,016,905.

C. OPERATIONAL HIGHLIGHTS

In CY 2018, the Municipality of Linamon generated total revenue of ₱83,005,308 or 99.64% of the estimated total revenue for 2018 Budget Year. A total of ₱67,331,853 was incurred as intended for the operation of the LGU's development and programs. Details are shown below:

Expenditures	Amount	%
General Public Services	₱ 35,114,431	52.2%
Health, Nutrition and Population Control	5,027,335	7.5%
Social Services and Social Welfare	1,166,380	1.7%
Economic Services	8,670,601	12.9%

20% Development Fund	7,564,526	11.2%
5% LDRRMF	2,480,045	3.7%
Allocation for Senior Citizens and PWD	254,706	0.4%
Others	7,053,830	10.5%
Total	₱ 67,331,853	100%

D. SCOPE OF THE AUDIT

The audit covered the accounts and operations of the Municipality for the period January 1 to December 31, 2018. The objectives of the audit are to (a) determine the level of assurance that may be placed on management's assertions on the financial statements; (b) verify the propriety of financial transaction and on a limited extent, determine the level of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendation.

The audit focused on cash, receivables, properties, liabilities, equity and revenues inclusive of real property tax as well as 20% development fund, programs and projects which was conducted on a test basis.

E. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Audit Team rendered a qualified opinion on the fairness of the presentations of the financial statements of the Auditee as of December 31, 2018. There is a reason to believe that the financial statements are not free of material misstatement/s and were not prepared in accordance with applicable laws, rules and regulations and not in conformity with generally accepted state accounting principles because of the enumerated exceptions as discussed in Part II of this report.

F. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

- 1. Cash in bank account in the total amount of ₱49,492,593.77 cannot be ascertained due to delayed submission of Bank Reconciliation Statement for CY 2018 which is contrary to Sec. 74 of PD 1445 and COA Circular No. 96-011, thereby affecting the accuracy of cash in bank account balance in the financial position of the agency.**

We have recommended the following:

- 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. And submit it to the office of the Audit Team for its timely review.
- The Local Chief Executive and the Municipal Treasurer as signatories of the bank accounts of the Municipality to authorize the Municipal Accountant to

enroll on e-access of their accounts so that bank statements could readily be available at any time.

- c. Request from the Local Chief Executive additional personnel in the Accounting Office to augment the workforce to facilitate the timely recording and preparation of financial reports.

2. **The correctness, reliability and existence of the Property, Plant and Equipment (PPE) account amounting to ₱108,623,097.11 as of December 31, 2018 cannot be ascertained due to unfinished reconciliation of the accounting and property records in violation of Section 2 of P.D. 1445 which affected the fair presentation of the PPE accounts in the financial statements.**

We have recommended the following:

- a. The appraisal / inventory committee to conduct an actual physical inventory taking of all properties, plant and equipment headed by the General Services Officer to be witness by any representative of the Commission on Audit.
- b. The General Service Officer should maintain stock cards of each property, plant and equipment bearing property number while the Municipal Accountant should maintain a subsidiary ledger card on each equipment.
- c. Identify unserviceable properties and prepare an Inspection and Inventory Report for disposal.
- d. The Municipal Accountant should prepare necessary adjustments on the deficiencies noted in the course of inventory taking and make reconciliation with inventory report, stock cards and subsidiary ledgers.
- e. The Municipal Administrator should update the list of properties that need to be insured and submit the list to the GSIS.
- f. Provide budget for the insurance premium of properties identified to be insured especially building to protect the interest of the government.

3. **Procurement of IT equipment, inks, computer accessories and others totaling ₱692,403.78 was made on a piecemeal basis thru shopping as alternative mode of procurement, thus the Municipality has not availed of savings in terms of lowest price possible on bulk purchases contrary to the provisions of RA 9184.**

We have recommended the management the following:

- a. Instruct the BAC to use the Approved Annual Procurement Plan (APP) as basis in the consolidation of the procurement of similar items through competitive bidding, when applicable, instead of resorting to purchase per requisition basis through shopping method to save cost, time and efforts and in compliance with the requirements of RA 9184 and its IRR, and
- b. To prepare APP in the form prescribed by GPPB wherein the mode of procurement for every items are indicated.

4. **Payments for repair and maintenance including spare parts of motor vehicles of the Municipality in the total amount of ₱211,863.00 were not supported with adequate supporting documents as required in Section 4.6 of PD 1445 and COA Circular 2012-001 dated June 14, 2012, thereby casting doubt as to its validity and propriety.**

We have recommended to the General Services Officer to comply strictly with the preparation of required reports enumerated in Section 4.6 of PD 1445 and COA Circular 2012-001 dated June 14, 2012.

5. **Disbursement vouchers for CY 2018 were not submitted within the prescribed period, contrary to Section 122 of the PD 1445 and Section 7.2.1 (a) of COA Circular No. 2009-006, thus, preventing the conduct of timely audit.**

We have recommended the following:

- a. The Municipal Treasurer and Municipal Accountant to establish effective measures to avoid further delays on the submission of financial reports and disbursement vouchers including its supporting documents in order to facilitate timely audit of transactions, in consonance with the deadline for the submission of the said documents set in Section 7.2.1 (a) of COA Circular No. 2009-006.
 - b. If funds are available and sufficient, the Local Chief Executive to hire additional employee, otherwise, require the concerned employee to render overtime to ensure timely submission of the required reports and documents.
6. **Cash advance was granted to the accountable officer even if previous cash advance was not liquidated in violation of Section 89 of P.D 1445 and COA Circular No. 97-002 resulting to huge accumulation of unliquidated cash advance totaling ₱104,360.42 as of December 31, 2018.**

We have recommended the management to:

- a. Discontinue the practice of granting new cash advances to officers/employees with unliquidated cash advances.
 - b. Demand the Accountable Officer (AO) to liquidate her cash advance pursuant to COA Circular No. 1997-002 and/or submit justification for non-liquidation, otherwise, the Local Chief Executive shall cause or order the withholding of the payment of any money due the AO.
7. **The Accountable Officer whose cash advance for operating expenses balance of ₱104,360.42 as of December 31, 2018 was not covered with fidelity bond in violation of Section 101 of PD 1445 and Treasury Order No. 01-95 and Section 305 (f) R.A. No. 7160, thus government interest is not protected in case of loss and other fortuitous events.**

We have recommended to the Local Chief Executive the following:

- a. Instruct the GSO-Designate to apply another bond with the Bureau of Treasury as Special Disbursing Officer to cover her cash advances for operating expenses.
- b. Direct the Municipal Budget Officer to provide budget for the payment of bond premium.

8. **Status Reports of Unliquidated Cash Advances, Fund Transfers and other Receivables for the two semesters of CY 2018 were not accomplished and submitted to COA Office, thus, the Audit Team was not able to submit the same to the Office of the Regional Director pursuant to COA Memorandum No. 2017-010 dated May 15, 2017.**

We have recommended to the Municipal Accountant to accomplish and “certified correct” the Status Reports of Unliquidated Cash Advances, Fund Transfers and other Receivables in prescribed formats as shown in Annex A to Annex D of COA Memorandum no. 2017-010, in order the Audit Team will be able to submit the same to the Office of the Regional Director within thirty (30) days after the end of each semester.

9. **Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP) for the CY 2018 did not include the 30% QRF lump sum allocation, projects charged to the DRRMF-Capital Outlay (CO), and the list of projects and activities charged to the unexpended LDRRMF of previous years, as provided in Section 5.1.2 and 5.1.15 of COA Circular No. 2012-002. In addition, Monthly Report on Sources and Utilization of LDRRMF was not submitted within the prescribed period. Thus, monitoring and evaluation of the implementation of disaster risk reduction management projects/ activities/programs and status of the LDRRMF was delayed.**

We have recommended to the Local Chief Executive the following:

- a. Require the LDRRM Officer to incorporate in the LDRRMFIP the 30% Quick Response Fund (QRF) lump sum amount, 70% allocation for disaster mitigation, prevention and preparedness with details as to projects and activities to be funded, and the list of projects/program/activities chargeable to the unexpended LDRRMF from previous years, in compliance with COA Circular No. 2012-002 dated September 12, 2012, and
- b. To submit the Monthly Report on Sources and Utilization of LDRRMF using the prescribed format (*Annex B of COA Circular No. 2012-002*) on or before the 15th day after the end of each month through the LDRRMC and Local Development Council (LDC) to the Audit Team. The report shall be prepared and certified correct by the Municipal Accountant.

10. **Allotment of ₱9,852,083.43 for twenty two (22) projects/activities/programs (PAPs) under 20% Development Fund-CY 2018 was not optimally utilized as ten (10) PAPs remained unimplemented and twelve (12) PAPs were partially implemented at year end, thus, timely delivery of services to intended beneficiaries was not achieved, contrary the purpose of the fund as provided in Section 287 of Republic Act (RA) No. 7160.**

We have recommended the management to improve the utilization of its allotments through timely implementation of programs and projects so as not to delay the completion and availability of the projects/activities/programs for public use, i.e. to attain desirable socio-economic and environmental outcomes for the intended beneficiaries.

11. **Land survey and titling of school sites allotment totalling to ₱222,370.26, of which ₱100,000.00 was from preceding year's allotment, under Special Education Fund (SEF) had a very low utilization rate of four percent (4%) as of September 30, 2018, resulting to idle funds that could have been allocated to more pressing school-related projects, activities, programs (PAPs), thus, SEF funds was not efficiently and effectively managed.**

We have recommended the Local School Board the following:

- a. To include in the SEF Budget only those considered priority expenditures in order to fully maximize the use of Special Education Fund.
- b. To review and monitor regularly the status of implementation of programmed projects, activities, or programs in order to get the full benefits that could be derived therefrom within the year, as targeted/planned.
- c. To include ECCD program in SEF budget pursuant to Sec. Section 4.1.7 DEPED, DBM, DILG Joint Circular (JC) No. 1, s. 2017.

We have discussed the foregoing observations and recommendations with the Municipal Officials in an exit conference conducted on February 20, 2019 and their comments were incorporated in the report, where appropriate.

G. STATEMENT OF AUDIT SUSPENSION, DISALLOWANCES AND CHARGES

In CY 2018, no Notice of Suspension, Disallowance and Charges was issued to the management.

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the twenty three (23) audit recommendations contained in the Annual Audit Report for CY 2017, five (5) were implemented, fourteen (14) were partially implemented while four (4) were not implemented.

The impact of management's implementation on the audit recommendations serves as preventive measures and gives improvement opportunities on their operations. Further, some audit observations needs to be reiterated in this Annual Audit Report for CY 2018 due to materiality and relevance. The results of the validation of the implementation of prior year's recommendations are presented in Part III of this report.