EXECUTIVE SUMMARY

A. Introduction

The Municipality of Bansalan was created on September 18, 1952 by virtue of Executive Order No. 506. It was classified as a 4th class municipality on July 1, 1996. Since July 31, 2008, Bansalan has been classified as a 1st class municipality. It is composed of 25 barangays and spearheaded by the local chief executive Mayor Quirina T. Sarte with the support of Vice-Mayor Edwin G. Reyes and the nine (9) members of the Sangguniang Bayan. It has a total working force of 135 regular and 303 job order personnel.

Pursuant to RA No. 7160, otherwise known as the Local Government Code of 1991, the Municipality enjoys total autonomy in planning, managing and deciding its administrative, fiscal and developmental affairs in conformity with the national government thrust for sustainable social and economic growth.

The agency's vision is to become an agri-industrial town with its people actively participating and equitably sharing the fruits of development in an environment of peace and harmony even in the face of competition and diversity, while at the same time, giving due attention towards the maintenance of ecological balance for the attainment of genuine sustainable human development.

B. Audit Methodology

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was also incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of the accounts and operations of the Municipality.

C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the Municipality of Bansalan for CY 2018. The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, inspection and analysis of accounts, and such other procedures considered necessary.

D. Financial Highlights

The financial condition and results of operation of the Municipality as at December 31, 2018 with comparative figures for CY 2017 are summarized as follows:

Account	2018	2017	Increase (Decrease)	%
Assets	P 425,592,478.98	P362,956,981.45	P 62,635,497.53	17%
Liabilities	191,782,808.06	167,049,650.33	24,733,157.73	15%
Government Equity	233,809,670.92	195,907,331.12	37,902,339.80	19%
Gross Income	200,714,731.22	198,396,610.65	2,318,120.57	1%
Expenses	160,094,185.24	145,192,473.90	14,901,711.34	10%
Net Income	P 40,620,545.98	P 53,204,136.75	(P12,583,590.77)	(24%)

The gross income during CY 2018 had increased by 1% and in the same manner, the expenses increased by 10% compared to CY 2017. Relatively, the net income for the period ending December 31, 2018 had decreased by 24%.

Account	2018	2017	Increase (Decrease)	%
Appropriation	172,992,255.50	238,534,833.14	(65,542,577.64)	(27.5%)
Allotment	199,182,084.79	238,534,833.14	(39,352,748.35)	(16.5%)
Obligation	164,950,892.53	172,634,571.87	(7,683,679.34)	(4.5%)

Sources and Applications of Funds

Total cash inflows from operating, investing and financing activities totaled P301,447,895.19 which is P 17,511,358.94 higher than last year's P283,936,536.25. Total cash outflows for employees, PPE, loan amortization, other disbursements for said activities amounted to P292,490,499.69 which is 97% of the total cash inflows.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial position of the Municipality of Bansalan, Davao del Sur for the period ended December 31, 2018 owing to the following:

1. Uncertainty on the accuracy of reciprocal accounts - Due from/to Other Funds, Due from/to Special Accounts, and Due from/to Local Economic Enterprises due to the variances computed amounting to P8,742,186.87, P8,801,151.71 and P226,038.89, respectively;

2. Doubts on the actual existence of inventory account balances totaling P2,594,591.15 which remained non-moving throughout CY 2018; and

3. Unreliability of the subsidiary ledgers (SLs) maintained for three (3) projects under the Due to NGAs account in the amount of P756,882.14 arising from the discrepancies noted between the general ledger and the supporting records in disregard of the pertinent provisions in PD 1445.

F. Summary of Significant Observations and Recommendations

Presented in the below are the other significant audit observations noted and the recommendations suggested in the course of audit:

1. Drugs, medicines, medical supplies and furniture and fixtures transferred from the Department of Health in the amount of P439,149.96, as well as those transferred by the Provincial Health Office, were not recognized in the books of the Municipality, thus, the accuracy and completeness of the Inventory accounts balances cannot be ascertained.

   We recommended the Municipal Mayor to:

   a) In coordination with the Offices of the Municipal Accountant, the General Service and the Rural Health Unit to establish a procedural mechanism from the receipt of the delivery of the transferred assets from the Department of Health and the Provincial Health Unit up to the recording of these assets in the LGU's books.

   b) Require the RHU Administrator to furnish the Municipal Accounting Office with the Inventory Report of the Drugs, Medicines and Medical Supplies as at December 31, 2018 to facilitate the recording of the inventories on hand as of year-end.

   c) For items delivered by PHO, instruct the Accountant to coordinate with the PHO, PGSO and/or PAO to strictly indicate in their deliveries the unit price of inventory items to facilitate recording in the books and also, ensure that the delivery is duly approved.

2. The accuracy and completeness of the Advances from Officers and Employees account balance amounting to P850,243.69 cannot be ascertained due to unrecorded liquidation report amounting to P P446,340.00 as at December 31, 2018.

   We recommended the Municipal Mayor to direct the Municipal Accountant to re-assess the internal controls set in the Accounting Office and review the effectiveness of the accounting processes to address the congestion of documents at the Municipal Accountant's office. Also, we recommended that the liquidations

be immediately processed and recorded while ensuring that controls are still in place.

3. The Municipality continuously operates the Open Dump Site for the disposal of solid wastes materials contrary to Section 37 of RA 9003, thus, posing threat to public health and environment.

   We recommended the Municipal Mayor to direct MENRO personnel to hasten the completion of the Residual Containment Area to pursue the actual closure of the open dumpsite and proceed with the implementation of the solid waste management plan and programs.

   Also, we recommended to the Municipal Mayor to direct the personnel in the dump site to observe efficiency and proper sanitation in the conduct of operation of the dump site while waiting for the RCA to be finished and become operational.

   And lastly, we recommended to the Municipal Mayor to look into the viability of procuring a dump truck to be used solely for solid wastes collection and transport.

4. Unexpended Fund Transfer balances from National Government Agencies (NGAs) totaling P363,272.91 were not returned by the Municipality to the source agencies despite the fulfillment of their intended purposes contrary to COA Circular No. 94-013 dated December 13, 1994.

   We recommended the Municipal Mayor to direct the Municipal Accountant and the Municipal Treasurer to cause the return of the unexpended balances of completed projects to the Source Agencies, and/or direct the in-charge on the implementation of projects to prepare a letter request to transfer from the Trust Fund to the General Fund for the LGU's utilization and have it signed by the in-charge and the LCE.

   Henceforth, strictly adhere to the provisions in COA Circular No. 94-013 and COA Circular No. 2012-001 as mentioned above.

5. Programs and projects funded under the 20% development fund of the municipality amounting to P3.1 million and P8 million were not implemented and partially implemented, respectively, contrary to the provisions of DILG and DBM Joint Memo Circular No. 2017-1, thereby depriving the constituents of vital benefits due them.

   We recommended the Municipal Mayor to:

   a) Direct the Local Development Council (LDC) to re-evaluate and reassess the effectiveness and viability of giving financial assistance for development projects of the barangays instead of being the one to implement the

program/project since most of their identified projects have not been started or completed during the year. Likewise, consider that if the barangay implements the actual programs/projects in the 20% development fund, the municipality should be in full control of the implementation notwithstanding the deficiency observed in the liquidation of the financial assistance.

b) Order the Municipal Accountant to immediately process liquidation reports on financial assistance already submitted to her office as of February 28, 2019 to date, to cope-up with the shortfall in accomplishment for 2018. Timeline should be set to ensure commitment and accomplishment of task.

c) Instruct the Municipal Accountant to innovate her department by empowering her staff and the entire workforce of the accounting office. Maximize their potential and delegate tasks that are within their levels of authority to decongest documents that stay and remain with the Municipal Accountant for action.

d) Ensure development programs and projects be appropriately and clearly assigned to specific offices relevant to their mandated tasks and responsibilities.

e) Also, we recommended that appropriate offices to prepare an analysis on the adequacy and practicality of manpower complement and machineries as against the number of programs/projects administered by administration.

G. Summary of Total Suspensions, Disallowances and Charges as at Year-end

The reported audit suspension, disallowance and charge of the Municipality as at December 31, 2018 are recapitulated below:

Description	Beginning Balance 01/01/2018	This Period 01/01/2018 to 12/31/2018		Ending Balance 12/31/2018
		NS/ND/NC	NSSDC	
Notice of Suspension	P 0.00	P 0.00	P 0.00	P 0.00
Notice of Disallowance	11,560.00	0.00	2,700.00	8,860.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	**P 11,560.00**	**P 0.00**	**P 2,700.00**	**P 8,860.00**

H. Status of Implementation of Prior Years' Audit Recommendations

Out of 47 prior years' audit recommendations, 36 or 77% were implemented, 6 or 13% were partially implemented and 5 or 11% were not implemented.