

## **EXECUTIVE SUMMARY**

### **Introduction**

Molave is a first-class Municipality in the Province of Zamboanga del Sur, Philippines. According to the 2010 census, it has a population of 48,939 people. The name "Molave" refers to the hard, strong and resilient tree that abounds in the place during the 1950s. It was created through the efforts of Congressman Juan Alano, as a daughter municipality of Aurora by Republic Act No. 286 on June 16, 1948.

Molave is located in the eastern part of the province of Zamboanga del Sur. It has a total land area of 21,685 hectares. Molave was designated as the new capital of the province of Zamboanga when it was created in June 16, 1948. Molave served as its capital until Zamboanga's division into Zamboanga del Norte and Zamboanga del Sur. Molave came under the Zamboanga del Sur with the town of Pagadian as its capital.

### **Audit objective**

The objectives of the audit are to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

### **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 incorporated.

### **Scope of audit**

A comprehensive audit was conducted on the accounts and operations of the Municipality of Molave, Province of Zamboanga del Sur for the calendar year 2021. 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, and analysis of accounts, and such other procedures considered necessary.

## Financial Highlights

The financial condition and results of operation of the LGU as at December 31, 2021 with comparative figures for 2020 are summarized as follows:

Accounts	2021	2020	Increase/ (Decrease)
Assets	1,119,715	971,591	148,124
Liabilities	237,096	202,811	34,285
Equity	882,619	768,780	113,839
Revenue	292,250	261,241	31,009
Personnel Services	97,304	85,699	11,605
Maintenance and Other Operating Expense (MOOE)	83,058	64,459	18,599
Financial Expenses	2,067	2,843	(776)
Non-Cash Expenses	27,732	20,261	7,471
Net Surplus/ (deficit)	77,745	97,190	(19,445)

## Independent auditor's report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the LGU as of December 31, 2021 due to the following:

1. Incomplete conduct of physical count of the municipality's Property, Plant and Equipment valued at ₱696,706,592.81 and non-reconciliation of the PPE accounts against the property and accounting records,
2. Incomplete conduct of physical count of the municipality's Inventory accounts valued at ₱5,802,725.74 and non-submission of Report on the Physical Count of Inventories;
3. Receivable accounts amounting to ₱1,891,322.55 remained long outstanding or dormant in the books for more than ten (10) years;
4. Long outstanding reconciling items in the Bank Reconciliation Statements (BRS) totaling ₱337,294.10 remained unadjusted in the books of accounts; and,
5. Disclosures of information in the Notes to Financial Statements for the Local Road Network were not in accordance with COA Circular No. 2015-008, thus limiting the information provided to the users of the financial statements.

## Significant audit observations and recommendations

In addition to the above-noted deficiencies, below are the significant audit observations and recommendations noted in the course of the audit:

1. Stale checks amounting to ₱107,271.51 remained outstanding as of December 31, 2021, thereby affecting the fairness of accounts' presentation in the financial statements.

We recommended the following:

- a. The Municipal Treasurer notify the payees of the stale checks, determine the status thereof, and take other possible actions such as cancellation or replacement of the subject checks; and,
  - b. The Municipal Accountant draw the necessary Journal Entry Voucher (JEV) to appropriately record the cancellation of the stale checks.
2. The existence, valuation and condition of the recorded balance of Road Network account and Government Equity in the financial statements cannot be ascertained due to the non-submission of the Report of Physical Count of Local Road Networks (RPCLRN) in its prescribed format, non-maintenance of Local Road Network Ledger Card and the non-preparation of the Local Road Map contrary to COA Circular No. 2015-008.

We recommended the following:

- a. The Inventory Committee conduct an inventory of the local roads under the jurisdiction of the Municipality and render a Report on the Physical Count of the Road Network System;
  - b. The General Services Officer:
    - Render a Report on Local Road Network and Road Map;
    - Regularly maintain and update the Registry of Public Infrastructures for Roads; and
    - Keep a complete Local Road Network Property Card for all roads and its components; and
  - c. The Municipal Accountant:
    - Update the Local Road Network Ledger Card;
    - Keep and maintain subsidiary records for roads and road components for every road network; and
    - Prepare a lapsing schedule for the computation of the depreciation for each of the depreciable component at the end of the year.
3. The status of ownership over the 11 parcels of land of the Municipality of Molave totaling ₱8,095,100.00 as of December 31, 2021 cannot be determined as records were not available while 2 parcels of land were not yet transferred in the name of the Municipality.

We recommended that the Municipal General Services Officer, in coordination with the Municipal Treasurer and the Municipal Assessor, provide the Municipal Accountant with a copy of the title of 11 parcels of land and/or obtain available documents relative to said parcels of land to determine the status of the same.

### Summary of total suspensions, disallowances and charges as of year-end

The reported audit suspensions, disallowances and charges of the LGU as of December 31, 2021 were as follows:

	<b>Beginning Balance (As of 1/1/2021)</b>	<b>This Period January 1 to December 31, 2021</b>		<b>Ending Balance (As of 12/31/21)</b>
		<b>NS/ND/NC</b>	<b>NSSDC</b>	
Notice of Suspensions	19,589,957.88	0.00	0.00	19,589,957.88
Notice of Disallowance	1,240,473.78	0.00	0.00	1,240,473.78
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	20,830,431.66	0.00	0.00	20,830,431.66

### Status of prior years' audit recommendations

Of the 43 audit recommendations contained in 2020 Annual Audit Report, 21 recommendations were fully implemented, and 22 were not implemented.



Republic of the Philippines  
**COMMISSION ON AUDIT**  
**Regional Office IX**  
Cabatangan Hills, Zamboanga City

## **INDEPENDENT AUDITOR'S REPORT**

**Hon. CYRIL REO A. GLEPA, M.D.**  
Municipal Mayor  
Municipality of Molave  
Province of Zamboanga del Sur

### *Report on the Audit of the Financial Statements*

#### ***Qualified Opinion***

We have audited the accompanying financial statements of the Municipality of Molave, Zamboanga del Sur which comprise the statement of financial position as at December 31, 2021, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality of Molave, Zamboanga del Sur as at December 31, 2021, and its financial performance, its cash flows and its comparison of budget and actual amounts for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

#### ***Basis for Qualified Opinion***

As discussed in Part II of the audit report:

- There is incomplete conduct of physical count of the municipality's Property, Plant and Equipment valued at ₱696,706,592.81 and non-reconciliation of the PPE accounts against the property and accounting records; Incomplete conduct of physical count of the municipality's Inventory accounts valued at ₱5,802,725.74 and non-submission of Report on the Physical Count of Inventories;
- Receivable accounts amounting to ₱1,891,322.55 remained long outstanding or dormant in the books for more than ten (10) years;
- Long outstanding reconciling items in the Bank Reconciliation Statements totaling ₱337,294.10 remained unadjusted in the books of accounts; and,
- Disclosures of information in the Notes to Financial Statements for the Local Road Network were not in accordance with COA Circular No. 2015-008, thus limiting the information provided to the users of the financial statements.

We conduct our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### ***Key Audit Matters***

Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

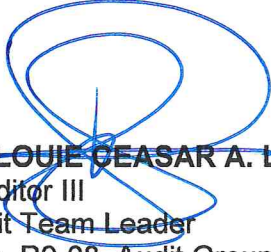
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the LGUs financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### **COMMISSION ON AUDIT**



**JANNO LOUIE CEASAR A. LUZON**

State Auditor III

OIC-Audit Team Leader

Team No. R9-08, Audit Group B, LGS

Provincial Satellite Auditing Office

Regional Center Complex, Balintawak, Pagadian City

March 31, 2022