

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 is 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

An audit was conducted on the accounts and operations of the Municipality of Molave, Province of Zamboanga del Sur for the calendar year 2023. The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, confirmation, inspection, 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, 2023 with comparative figures for 2022 are summarized as follows:

Accounts	2023	2022	Increase/ (Decrease)
Assets	1,454,487	1,233,983	220,504
Liabilities	456,458	268,556	187,902

Accounts	2023	2022	Increase/ (Decrease)
Equity	998,029	965,427	32,602
Revenue	320,192	343,073	(22,881)
Personnel Services	110,230	113,238	(3,008)
Maintenance and Other Operating Expense (MOOE)	112,800	95,898	16,902
Financial Expenses	13,342	3,142	10,200
Non-Cash Expenses	49,702	32,677	17,025
Net Surplus/ (deficit)	28,819	91,511	(62,692)

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, 2023 due to the following:

1. Discrepancy of ₱436.475 million of the municipality's Property, Plant and Equipment balances due to the non-reconciliation of the PPE accounts against the property and accounting records;
2. Unserviceable properties costing ₱18.706 million remain undisposed and are still carried in the books at year-end;
3. Incomplete conduct of physical count of the municipality's Inventory accounts valued at ₱12.734 million and non-submission of Report on the Physical Count of Inventories; and,
4. Receivable accounts amounting to ₱1.485 million remained long outstanding or dormant in the books for more than ten (10) years.

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. Water System Receivables under the Accounts Receivable account totaling ₱3.747 million could not be identified in a timely manner due to lack of subsidiary ledgers and schedules and incomplete generation of information/records of the Molave Water System Software Program (MWSSP) which is not in accordance with financial statement's assertions on Existence, Valuation, Rights and Obligations, as stated in Section 10 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs) and COA Circular No. 2016-005, thus, affecting the validity and collection of the claims and rendering the reliability of the accounts in the financial statements doubtful.

We reiterated the following recommendations:

- a. The Waterworks Superintendent, in coordination with the Municipal Accountant, propose the updating of the MWSSP in order for the system to generate, on a timely manner, the total collection made during a given period. Likewise, the system should be able to also generate, system-wide,

reconciliations between the billings made during the period vis-à-vis the collections made with details on the current bills and past due balances;

- b. The Municipal Accountant be given access on the MWSSP for purposes of monitoring and verification of the waterworks billing, collections and balances; and,
 - c. The Municipal Accountant, together with the Waterworks Superintendent, provide for the breakdown of the receivable account totaling ₱3.747 million for recording and monitoring purposes.
2. The status of ownership over the 10 parcels of land of the Municipality of Molave totaling ₱3.425 million as of December 31, 2023 cannot be determined as records were not available while 2 parcels of land were not yet transferred in the name of the Municipality.

We recommend that the Municipal General Services Officer, in coordination with the Municipal Treasurer and the Municipal Assessor, to provide the Municipal Accountant with a copy of the title of 10 parcels of land and/or obtain available documents relative to said parcels of land to determine the status of the same.

3. Accounting and reporting guidelines on the local road asset management system were not completely complied with by the Municipality, contrary to the provisions of COA Circular No. 2015-008, thereby affecting the fair presentation of the Road Networks account with a net book value of ₱215.923 million.

We recommended that the Municipal Mayor require the following:

- a) The Municipal GSO reconcile their reports with the records of the Municipal Accountant and effect the necessary adjusting entries; and,
- b) The Municipal Accountant prepare a lapsing schedule for the computation of the depreciation for each of the depreciable component at the end of the year.

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, 2023 were as follows:

	Beginning Balance (As of 1/1/2023)	This Period January 1 to December 31, 2023		Ending Balance (As of 12/31/23)
		NS/ND/NC	NSSDC	
Notice of Suspensions	19,838,466.77	0.00	248,508.89	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	
Total	21,078,940.55		248,508.89	20,830,431.66

Status of prior years' audit recommendations

Of the 45 audit recommendations contained in 2023 Annual Audit Report, 17 recommendations were implemented, and 28 were unimplemented.



REPUBLIC OF THE PHILIPPINES
Commission on Audit
REGIONAL OFFICE NO. 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

Qualified Opinion

We have audited the financial statements of the Municipality of Molave, Zamboanga del Sur, which comprise the statement of financial position as at December 31, 2023, 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, 2023, and its financial performance, its cash flows and its statement of 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:

- Discrepancy of ₱436.475 million of the municipality's Property, Plant and Equipment balances due to the non-reconciliation of the PPE accounts against the property and accounting records;
- Unserviceable properties costing ₱11.114 million remain undisposed and are still carried in the books at year-end;
- Incomplete conduct of physical count of the municipality's Inventory accounts valued at ₱12.734 million and non-submission of Report on the Physical Count of Inventories; and,
- Receivable accounts amounting to ₱1.485 million remained long outstanding or dormant in the books for more than ten (10) years.

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

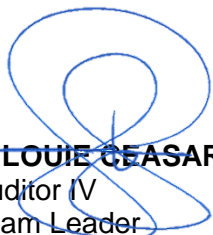
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are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

Those charged with governance are responsible for overseeing the LGU's 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 CESAR A. LUZON

State Auditor IV

Audit Team Leader

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

Provincial Satellite Auditing Office

Regional Center Complex, Balintawak, Pagadian City

April 30, 2024