

EXECUTIVE SUMMARY

A. Introduction

On July 4, 1945 the Philippines regained freedom after a law passed in the American Congress granting Philippine Independence. In 1953, Pagudpud, a former barrio of Bangui, was created as the town of Pagudpud under Executive Order No. 13 of 1953 by the then President Ramon Magsaysay. Despite the separation of Pagudpud and Burgos, from Bangui, this town continues to deal with its own economic and social problems while planning for the future.

The Municipality is under the leadership of Honorable Mayor Fidel A. Cimatu, Jr. assisted by the Hon. Vice Mayor Denton Lawrence G. Garvida and nine Sangguniang Bayan Members. The personnel complements composed of one co-terminus, 60 permanent, 17 casuals and 72 job orders or a total of 150 officials and employees as of December 31, 2017.

B. Highlights of Financial Information

The Municipality's Total Assets of ₱308,072,729.39, Liabilities of ₱121,939,645.30 and Government Equity of ₱186,133,084.10 registered an increase/decrease of 16.94%, 16.36% and 17.32% respectively if compared to the 2016 figures of Assets, Liabilities and Government Equity of ₱263,442,789.04, ₱104,788,510.32 and ₱158,654,278.72.

For the year 2017, the municipality generated a total income of ₱104,215,533.70 from all sources, of which ₱73,703,948.54 came from external sources in the form of Internal Revenue Allotment, Subsidy from Other Funds, Share from National Wealth and Income from Grants and Donations. This year's local income was ₱30,511,585.16 or 29.27% of the total income.

The Municipality's annual and supplemental budgets for calendar year 2017 (GF and SEF) provided an appropriation of ₱147,511,285.95 which was released for allotment and obligations incurred totaled ₱87,090,524.97 leaving an unobligated balance of ₱60,420,760.98.

C. Operational Highlights

For the Calendar Year 2017, the municipality's major objective was geared towards the excellent delivery of basic services to its constituents. To attain the socio-economic development of the agency, the following are among the significant programs and projects vis-a-vis accomplishments.

<u>Programs / Projects</u>	<u>Target</u>	<u>Percentage of Accomplishment</u>
• Construction of Single Lane Concrete Bridge at Farm to Market Road, Sitio Rayray, Brgy. Bacsil	₱ 2,037,368.66	100%
• Improvement of Municipal Plaza	4,189,055.35	100%
• Construction of Evacuation Center Phase II	2,993,347.12	100%
• Construction and Rehabilitation of Various Infrastructure Projects	1,693,599.84	100%
• Construction and Improvement of Various Infrastructure Projects- Sarungkar ti Barangay	954,968.94	100%

Other accomplishments are presented in Annex “A” of this report.

D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the Municipality of Bangui, Ilocos Norte for the Calendar Year 2017. The audit consisted of review of operating procedures, interview with concerned officials and employees, verification and confirmation, reconciliation and analysis of accounts, and such other procedures considered necessary.

The objectives of our audit were to evaluate the adequacy and effectiveness of the existing systems and procedures on the collections and remittances of revenues, evaluation of the internal control systems, the utilization of the LDRRMF and 5% Gender and Development. The audit also aimed at ascertaining the fairness and reliability of the financial position and results of operations of the municipality.

E. Auditor’s Opinion on the Financial Statement

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Bangui, Ilocos Norte for Calendar Year 2017 because the reliability and correctness of the reported Property, Plant and Equipment could not be ascertained due to non-reconciliation of the accounting records against the property records showing a difference of ₱106,469,891.01, the non-reconciliation of the reciprocal accounts Due from Other Funds and Due to Other Funds with a difference of ₱2,023,116.76 and the inaccurate balances of Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable accounts totaling ₱15,077.93 and ₱15,077.93, respectively.

F. Significant Observations and Recommendations

The comments and observations embodied in this report were discussed with concerned management officials and employees during the exit conference. Management’s comments are included in the report where appropriate.

1. The balances of the Property, Plant and Equipment account (excluding Infrastructure Assets and Construction in Progress) reflected in the accounting records compared with inventory reports submitted showed a difference of ₱106,469,891.01 due to failure of the Accounting Office and the Property/Supply Office to reconcile their records contrary to Section 124 of the Manual on the New Government Accounting System (NGAS) for LGUs, Vol. I and page 226 of the Manual on Property Custodianship, thereby the balances of the accounts at the end of the year could not be ascertained. Further, unserviceable properties totaling ₱1,202,745.15 were still carried in the books.

We recommended that:

- a. Reconciliation be immediately made by the Municipal Accountant and the Property/Supply Officer by comparing the inventory reports on the Property, Plant and Equipment with that of the accounting records to come up with an accurate report.
- b. Conduct a regular reconciliation of the accounting and property records to establish the correct balances of Property, Plant and Equipment. Reconcile the discrepancy between the amount per physical inventory and accounting records totaling ₱106,469,891.01
- c. All properties whether serviceable or unserviceable should be presented for physical count and inspection.
- d. Require the Property/Supply Officer to:
 - Prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) of the 45 items of unserviceable properties totaling ₱1,202,745.15 for disposal. This will be the basis of the Accounting Office to drop from the books.
 - Issue new Property Acknowledgement Receipt (PAR) or Acknowledgment Receipt for Equipment (old form) to all officials and employees accountable for properties and should be renewed every three (3) years.
 - Maintain Property Cards to monitor the receipts and issuances of Property, Plant and Equipment.
- e. Require the Accounting Office to:
 - Coordinate with the Property/Supply Officer for the reconciliation of records.
 - Drop from the books of the unserviceable property totaling P1,202,745.15 covered by Inventory and Inspection Report of Unserviceable Property and follow the procedures in the proper disposal of properties.

- Maintain PPE Ledger Cards to support the details of breakdown of the controlling accounts and to facilitate the reconciliation with the Property/Supply records.
 - Draw a JEV on the deficiencies noted in the process of reconciliation.
2. The reciprocal accounts Due from Other Funds and Due to Other Funds showed a difference of ₱2,023,116.76 which is not in conformity with Philippine Public Sector Accounting Standards (PPSAS) Chart of Accounts, thus rendering the year-end balances of the accounts unreliable.

We recommended the Municipal Accountant to identify the cause of this discrepancy or difference totalling P2,023,116.76 between the reciprocal accounts Due from Other Funds and Due to Other Funds and effect the necessary adjustments in the books.

3. The accuracy and reliability of the balances of Real Property Tax Receivable and Special Education Tax Receivable accounts as of December 31, 2017 totaling ₱15,077.93 and ₱15,077.93 respectively could not be ascertained due to the inability of the Accounting Department to fully establish the RPT and SET Receivables at the beginning of the year based on the Real Property Tax Account Register as required under Section 20 of the New Government Accounting System Manual for Local Government Units (LGUs), Volume I.

We recommended the Municipal Treasurer to prepare the Certified List of Real Property Taxpayers with the corresponding amount of RPT/SET due and collectible each year as basis in setting up the correct RPT/SET Receivables by the Municipal Accountant. The Municipal Accountant make proper coordination with the Municipal Treasurer and secure copies of the accomplished identified taxpayer cards as basis in posting the RPT/SET Receivable accounts to ensure that the respective accounts are accurately presented in the financial statements.

4. Unliquidated cash advances at year-end had a total balance of ₱97,534.42 due to non-compliance of COA Circular No. 97-002 dated February 10, 1997 which governs the granting, utilization and liquidation of cash advances.

We recommended the agency officials to strictly enforce of COA Circular No. 97-002 dated February 10, 1997 which governs the granting, utilization and liquidation of cash advances.

5. Share from Tobacco Excise Tax amounting to ₱10,131,003.00 was recorded as Due to NGAs under the General Fund contrary to Local Government Chart of Accounts thus, understates the income in the General Fund of the same amount which affects the fair presentation of the financial statements of the agency at year-end.

We recommended the Municipal Accountant to record the Share from Tobacco Excise Tax or RA 7171 as income in the General Fund to conform to the

accounting rules and in order to fairly present the financial statements of the agency at year-end.

Other comments and observations were discussed in Part II of the report.

G. Summary of Total Suspensions, Charges and Disallowances

In compliance with COA Circular No. 2009-006 dated September 15, 2009 which prescribes the Rules and Regulations on Settlement of Accounts, there were no audit suspensions and charges issued during the year. In addition to the unsettled disallowances of ₱1,225,500.00, audit disallowances issued during the year amounted to ₱6,771.00 or a total unsettled balance of disallowances of ₱1,232,271.00 as of December 31, 2017.

H. Status of Implementation of Prior Years' Recommendations

Of the 26 audit recommendations embodied in 2015 and 2016 Annual Audit Report, 15 were implemented, five were partially implemented and six were not implemented during the period.