

## EXECUTIVE SUMMARY

### INTRODUCTION

The Municipality of Bani was a recipient of the “*Seal of Good Housekeeping*” for LGUs awarded by the DILG in CY 2012. The award was in line with the DILG’s commitment to aggressively scale up interventions to elevate the practice of governance that values transparency, participation and performance into an institutionalized status. Likewise, the LGU was conferred with the “*Seal of Child Friendly Local Governance*” by the National Council for the Welfare of Women for CY 2014 and 2015.

Bani was founded on March 18, 1769 which used to be part of the province of Zambales. In May 1903, it was transferred to Pangasinan together with the towns of Agno, Alaminos, Anda, Bolinao, Burgos, Dasol, Infanta and Mabini. The original name of the town was San Simon. Bani’s name came from a tree where the image of Immaculate Conception, Patron Saint of San Simon was found.

Bani is composed of 27 barangays with a total population of 50,306 based on 2010 census. It is a second class municipality located in the western part of Pangasinan, 14 kilometers away from the City of Alaminos with a land area of 19,243 hectares. It is ably headed by Hon. Cothera Gwen P. Yamamoto as the Local Chief Executive and Hon. Vice-Mayor Filipina C. Rivera as the Presiding Officer of the legislative body and supported by 11 municipal officials, 55 permanent employees, two co-terminus employees, 47 casuals, eight consultants and 248 job order employees as of December 31, 2016.

### HIGHLIGHTS OF FINANCIAL INFORMATION

The following comparative data show the financial condition, results of operation, sources and application of funds during the years 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Assets	₱ 184,798,465.09	₱ 142,786,356.19	₱ 42,012,108.90
Liabilities	54,969,899.77	54,688,733.15	281,166.62
Government Equity	129,828,565.32	88,097,623.04	41,730,942.28
Income	145,192,998.72	124,020,885.87	21,172,112.85
Expenses	125,301,774.70	120,206,860.00	22,403,108.78
Appropriations	163,828,898.31	129,412,498.38	34,416,399.93
Obligations	136,768,817.52	114,452,884.19	22,315,933.33
Balances of Appropriations	27,060,080.79	14,959,614.19	12,100,466.60

## OPERATIONAL HIGHLIGHTS

To promote the social and economic development and delivery of basic services, the following were among the significant programs and projects undertaken by the municipality for the year 2017, to wit:

Plans and Targets	Accomplishments	Status
<b>I. Engineering Services:</b>		
1. Evacuation Center	Construction of the municipal evacuation center	100%
2. Rehabilitation of TLDC	Rehabilitation of Technological Livelihood and Development Center	60%
3. Construction of 2-storey Pasalubong Center	Construction of 2-storey building to showcase various local goods and products	15%
4. Construction of footbridge at Sitio Manggas, Barangay Poblacion	Construction of footbridge for barangay constituents	33%
<b>II. Agricultural Services:</b>		
1. Provision of technical assistance and subsidy for rice program	Provided assistance for 5,492 hectares for 6,000 farmers	100%
2. Livestock deworming	Served 1,000 farmers	100%
3. Animal treatment and castration	Served 150 farmers	100%
<b>III. Health Services:</b>		
1. Mobile Blood Donation Program	Conducted 3 blood donations and collected 156 bags	100%
2. Screening of newborn at the birthing facility	Completed 300 birth screening	100%
3. Operation Tuli	Assisted 423 boys	100%
<b>IV. Social Welfare Services:</b>		
1. Educational/ Medical and Burial Financial Assistance Program	1,317 beneficiaries assisted	100%
2. Supplementary Feeding Program	1,450 day care children monitored	100%
3. Social Pension for Senior Citizens	1,762 beneficiaries reached	100%

## SCOPE OF AUDIT

The audit covered the operations of the Municipality of Bani for the year ended December 31, 2017. The types of audit employed consisted of financial, compliance and performance audit to ascertain the fairness and reliability of the financial position and results of operation for the year then ended.

## **STATE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

A qualified opinion was rendered on the fairness of presentation of the financial statements of the Municipality of Bani for the year ended December 31, 2017 due to non-maintenance of complete inventory records and documents and non-conduct of complete physical count of the agency's fixed assets with a net book value of ₱95,310,358.96, misclassified PPE account totaling ₱144,341.55 and unreliable accumulated depreciation amounting ₱30,893,158.25 due to management's failure to provide a complete and detailed schedule of depreciation. In addition, Trust Liabilities-DRRMF account (2-04-01-020) balance of ₱5,740,517.53 under the Trust Fund were doubtful due to various deficiencies uncovered in audit, thus balance reflected in the financial statements at year-end could not be ascertained. Due to inadequacy of records, we were not able to apply other alternative audit procedures to check the accuracy, validity and existence of these accounts.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

Summarized below are the significant audit findings and the corresponding recommendations which were discussed with management during the exit conference. Management comments were included in the report where appropriate.

1. Accuracy, existence and validity of Property, Plant and Equipment (PPE) account with net book value of ₱95,310,358.96 as of December 31, 2017 could not be ascertained due to the following:
  - a) Non-maintenance of complete inventory records and documents and absence of a Report on the Physical Count of PPE contrary to Sections 119, 120 and 124 of the Manual on NGAS for LGUs.
  - b) PPE accounts totaling ₱144,341.55 were not properly classified to the its proper accounts, thus affecting the accuracy of the year-end balances in the financial statements.
  - c) Accumulated Depreciation in the amount of ₱30,893,158.25 could not be relied upon because of management's failure to provide a complete and detailed schedule of depreciation under the General Fund and SEF as required under PPSAS No. 17. Furthermore, the required five percent (5%) residual value of fully depreciated assets cannot be verified as prescribed under Section III (11) of COA Circular No. 2015-008 dated November 25, 2015 due to the same reason.
  - d) Non-recognition of various municipal roads under Local Road Network account and non-preparation of Report on the Physical Count of Local Road Network (RPCLRN) was not implemented by the Municipality of Bani contrary to the provisions of COA Circular 2015-008 dated November 25,

2015 thereby affecting the reliability and fair presentation of the financial statements.

*We recommended that management:*

- *Require the Municipal Treasurer/General Services Officer as well as the Municipal Accountant to prepare and maintain reports/records like the RPCI, RPCPPE, Supplies Ledger Cards, Stock Cards and Property Cards for the proper monitoring of properties purchased, donated, transferred or disposed of so that reconciliation of accounting records with the physical count will be completed. Likewise, conduct an annual physical count on all the properties of the municipality including the inventory items with the presence of an Auditor as witness. Prepare the list of unserviceable properties and provide a schedule of depreciation of all depreciable assets presented in the financial statements.*
  - *Require the Municipal Accountant to draw a journal entry voucher to effect the necessary adjustments to correct the misclassified accounts.*
  - *Require the Municipal Accountant to provide depreciation on all depreciable properties and construct a complete schedule of assets recognized in the PPE account to cause proper actions necessary to the treatment of the cited assets.*
  - *We also recommended that management:*
    - *Create an Inventory Committee with the help of the Office of the Municipal Engineer to conduct an inventory of local roads under their jurisdiction and prepare the Report on the Physical Count of the Local Road Network at the end of every accounting period.*
    - *Make an updated Registry of Public Infrastructures in coordination with the General Services Officer/Local Treasurer and the Accountant through detailed review of prior year's transactions in order to identify unrecorded road networks.*
    - *Direct the Treasurer and the Accountant to maintain Local Road Network Ledger Card, and complete Local Road Inventory records with Road Map and Local Road Network Property Card, respectively.*
    - *Maintain separate subsidiary ledgers for the road and its components namely a) road lot, b) road pavement, c) drainage and slope protection structures and d) other miscellaneous structures.*
2. Deficiencies in the granting, liquidation, recording and monitoring of Advances to Officers and Employees resulted to unsettled balances stated at ₱4,705,857.66 as of December 31, 2017 out of which ₱4,320,638.96 or 91.81% represents unliquidated

cash advances for more than one year which is not in keeping with the rules and regulations provided for under Section 89 of PD 1445 and COA Circular No. 97-002.

*We recommended that management:*

- *Require all Accountable Officers to liquidate their cash advances on time, otherwise, impose administrative sanctions against them for any unjustifiable reasons due to failure to liquidate cash advances within the prescribe period, in accordance with Section 89 of PD 1445, COA Circular No. 97-002 dated February 10, 1997 and Civil Service Commission No. 0676 dated June 17, 2004.*
  - *Strictly adhere to the provisions of COA Circular No. 97-002 dated February 10, 1997 in the granting, utilization and liquidation of cash advances.*
  - *Cause or order the withholding of any money claims against the accountable officers concerned until they have fully settled their unliquidated cash advances.*
  - *Stop granting cash advance for financial assistance without accomplished payrolls/ list of beneficiaries and use the account “Advances for Payroll” rather than “Advances to Officers and Employees”.*
  - *Stop granting cash advances other than traveling expenses to non-bonded officials and employees.*
  - *Stop the practice of making cash advances for the regular procurement of goods and services, but instead make a direct payment through checks to the suppliers using competitive bidding, if not warranted, use the alternative mode of procurement.*
3. Deficiencies were noted in the management, utilization and reporting of calamity fund thus deprived the municipality of efficient, effective and responsive disaster risk reduction program to its constituents.
- a) Management has deficiencies in the preparation of the Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) and its corresponding Utilization Report which is not in accordance with the provisions of COA Circular No. 2012-002 dated September 12, 2012.
  - b) Trust Liabilities - DRRMF Account amounting ₱5,740,517.53 remains doubtful due to various deficiencies noted which includes the non-transfer and non-recording of the unexpended LDRRMF for CY 2017 to the correct special trust fund contrary to pertinent provisions of COA Circular No. 2012-002 dated September 12, 2012, hence misstated in the financial statements.

- c) Various supplies and equipment out of LDRRMF were recorded in the books of accounts as outright expenses, and the control and management procedures thereof were not observed by the LGU which are contrary to the Accounting Guidelines explicitly stated under COA Circular No. 2012-002 dated September 12, 2012 and COA Circular No. 2014-002 dated April 15, 2014.

*We recommended that management:*

- *Include in the funding sources of its LDRRMFIP the unexpended balances of LDRRMF of prior years in order for the LGU to maximize the funding and utilization of the calamity fund. Likewise, we reiterated that preparation of LDRRMFIP and other financial schedules regarding LDRRMF should follow the format provided in “Annex A” of COA Circular No. 2012-002 specifically classifying the MOOE and CO expenditures.*
- *Instruct the Municipal Accountant to:*
  - *Ensure timely recording and recognition of unexpended balances of LDRRMF to the correct Trust Fund account in accordance with the pertinent provisions of COA Circular No. 2012-002 dated September 12, 2012;*
  - *Submit and/or explain the utilization amounting ₱39,370.00 charged to the 2015 financial assistance of DSWD;*
  - *Explain the amount of ₱162,000.00 which was charged from the Trust Liability-DRRMF Account of CY 2011 which is inconsistent with the records from the Office of the Municipal Budget Officer;*
  - *Review and correct the entry made in the Trust Fund books in the inclusion of Capital Outlay in the unexpended balance of LDRRMF of 2016 by reverting it back to the continuing appropriations under the General Fund books to be stated in the LDRRMFIP; and*
  - *Ensure that all unexpended/unobligated balance of the LDRRMF aged 5 years and above are reverted back to the unappropriated surplus of the General Fund.*
- *Ensure observance of the rules set forth under COA Circular No. 2014-002 pertaining to the accounting, inventory and monitoring guidelines for procured resources out of the LDRRMF by appropriately recognizing the procured assets and preparation of inventory documents and reports aforementioned above.*

## **SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC) AS OF YEAR-END**

For the year 2017, issuance of Notice of Disallowances and Suspensions were made amounting to ₱333,959.00 and ₱1,228,376.63, respectively, or a total amount of ₱1,562,335.63. However, there were beginning balances of disallowance of ₱144,000.00 and suspension of ₱250,000.00. There was no settlement made during the year, leaving a balance of disallowances and suspensions amounting ₱477,959.00 and ₱1,478,376.63, respectively, or a total of ₱1,956,335.63 as of the end of the year.

## **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Out of 21 audit recommendations contained in the Annual Audit Report for the year 2016, 4 were fully implemented, 7 were partially implemented and 10 were not fully implemented.