

EXECUTIVE SUMMARY

A. INTRODUCTION

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Bauang was recognized as a town in 1765 as part of Pangasinan with Don Francisco de los Reyes as its gobernadorcillo. When La Union was created in 1850, Bauang was one of the 12 towns that formed the province. This municipality is composed of 39 barangays. It is a first class town under the latest reclassification issued by the Department of Finance. The municipality's operation is governed by Republic Act No. 7160 otherwise known as the Local Government Code of 1991.

The Municipality of Bauang is headed by Honorable Mayor Eulogio Clarence Martin P. De Guzman III as the Local Chief Executive and Honorable Vice-Mayor Bonifacio G. Malinao, Sr. as the presiding officer of the legislative body. The municipal government had a total work force of two hundred forty-one personnel as of December 31, 2017 which consisted of the following:

Particulars	No. of Personnel
Elective	11
Co-terminus	36
Permanent	176
Temporary	1
Casual	17
Total	241

Two hundred ninety-seven (297) support personnel were hired through contracts of service and Job Order.

B. FINANCIAL HIGHLIGHTS

The agency's financial condition and result of operations for calendar year 2017 with comparative figures for calendar year 2016 are as follows:

Particulars	CY 2017	CY 2016	Increase (Decrease)
Financial Condition			
Assets	742,534,260.66	639,562,237.61	102,972,023.05
Liabilities	194,020,877.15	153,664,641.08	40,356,236.07
Government Equity	548,513,383.51	485,897,596.53	62,615,786.98
Results of Operations			
Income	270,712,085.31	309,741,612.92	(39,029,527.61)
Expenses	203,154,745.82	209,624,835.79	(6,470,089.97)

Particulars	CY 2017	CY 2016	Increase (Decrease)
Transfers (net)	619,392.23	(13,682,811.18)	13,063,418.95
Excess of Income	68,176,731.72	86,433,965.95	(18,257,234.23)
Sources and Application of Funds			
<i>General Fund:</i>			
Allotments	259,948,638.66	273,147,053.90	(13,198,415.24)
Obligations	225,346,099.98	221,195,350.91	4,150,749.07
Balance	34,602,538.78	51,951,702.99	(17,349,164.21)
<i>Continuing Appropriations</i>			
Allotments	68,369,512.14	155,419,853.85	(87,050,341.71)
Obligations	26,576,098.36	9,502,934.58	17,073,163.78
Balance	41,793,413.78	6,039,051.27	35,754,362.51
<i>Special Education Fund</i>			
Allotments	58,498,893.75	49,021,770.86	9,477,122.89
Obligations	41,852,354.77	26,487,631.99	15,364,722.78
Balance	16,646,538.98	22,534,138.87	(5,887,599.89)

C. OPERATIONAL HIGHLIGHTS

Several of the major infrastructure projects undertaken during the year were as follows:

Name of Projects	Contract Amount
1. Improvement of Engineered Sanitary Landfill (Road Component)	P3,072,769.78
2. Improvement of Farm to Market Road at Brgy. Cabalayanan	2,416,381.49
3. Improvement of Junction Monument at Brgy. Central East	643,808.50
4. Construction of Acao Elementary School Covered court	1,449,545.02
5. Improvement of Farmers' Civic Center at Brgy. Central East	1,994,369.51
6. Improvement of Local Access Road at Brgy. Central East	6,995,444.75
7. Improvement of Local Access Road at Brgy. Palintucang	1,277,837.14
8. Construction of Evacuation Center ar Brgy. Central East	6,995,365.52

These infrastructure projects were also validated in the course of our post-audit.

The Municipal Government received the following awards, recognitions and citations for the Calendar Year 2017:

- Seal of Good Local Governance from the Department of Interior and Local Government

- Seal of Good Financial Housekeeping from the Department of Interior and Local Government
- Seal of Child-Friendly Local Governance from the Department of Social Welfare and Development
- Regional Awards
 - 3rd Place in Search for Exemplary Pantawid Pamilya Children
 - 2nd Place in Search for Huwarang Pantawid Pamilya
 - Most Functional Municipal Operations Office
 - Most Institutionalized Conduct of Municipal Advisory Meeting
 - Fully Functional Local Social Welfare and Development Office
 - Recognition for Implementer of “No Plastic Policy” in support to the implementation of Republic Act 9003
 - Outstanding LGU Partner in the Arrivals Tracking and Report Generation
 - Outstanding Blood Services Partner of the Year
 - Gawad Pagkilala – for the implementation and dissemination of fishery laws, rules and guidelines
 - Local Government Unit with the Best Prevention and Control Activities on Rabies Program
 - Barangay Pudoc – Regional Winner for the National Search for the Barangay with the Best Sanitation Practices (Category II)
- Provincial Awards
 - One of the Ten Outstanding Child Development Workers
 - Certificate of Recognition to Bauang Blood Council
 - Award for having the Highest Number of Blood Units Donated in the LGU Category
 - Functional Municipal Council for the Protection of Children

D. SCOPE OF AUDIT

A financial, compliance audit and value for money audit were conducted on the accounts and operations of the Municipality of Bauang, La Union for the period from January 1 to December 31, 2017. The audit was undertaken with the use of various techniques like verification/confirmation, observation, interview with concerned officials and employees, evaluation of control system/s, and other auditing procedures and techniques considered necessary under the circumstances. The audit was focused on the different audit thrusts/areas issued by the Local Government Sector of the Commission, some audit observations of which were discussed in detail in Part II of this report.

E. AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements because the accuracy of year-end balances of 17 PPE categories was doubtful due to discrepancies amounting to P25,476,982.02 noted between the General Ledger (GL) control accounts and the corresponding Subsidiary Ledger (SL) details; and

the existence and validity of dormant current liabilities amounting to P1,689,395.96 cannot be ascertained due to the absence of corresponding supporting documents.

F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

We commended Management for their accomplishments on the following areas:

1. Gender and Development

The municipal government complied with Joint Circular No. 2004-1 of the DBM, NEDA and NCRFW which provides for the guidelines incorporating Gender and Development in the local planning and budgeting for CY 2017; and allocated funds for GAD related programs and activities for the protection of women to lessen gender-based inequalities.

2. Tax Laws

The municipal government has complied with existing tax laws and regulations imposed by the Bureau of Internal Revenue (BIR), thus helping the national government in the collection of tax revenues. It regularly deducts withholding taxes on salaries and wages of officials and employees and from payments to suppliers and contractors and remitted the same to the BIR within the prescribed period.

However, the audit team noted the following audit observations and recommendations on the operations of the Municipality of Bauang, La Union during the year:

- 1. Dormant receivables totaling P932,754.00 remained unsettled thereby depriving the Government of much needed funds to support other programs; and affecting the collectability of the accounts presented in the financial statements.**

We recommended that in order to enforce collection, Management send demand letters to the last known addresses of the borrowers and thereafter exhaust all remedies to collect the receivables. We recommended further that for fair presentation of receivables, Management assess the actual status of the dormant receivables; confirm with existing debtors and request for write-off in accordance with Commission on Audit Circular No. 2016-005 dated December 19, 2016, if applicable. Management was also enjoined to adhere with the general and specific guidelines cited in COA Circular 2016-005 in order to minimize the incidence of receivables falling past due.

2. **Accounts Payable totalling P353,774.10 which remained outstanding for more than 360 days were of doubtful validity due to non-presentation of actual claims supported with documents evidencing actual services rendered and goods delivered.**

We recommended that the Finance personnel ensure that all the liabilities recognized as Accounts Payable are supported by actual claims along with complete documentations of actual services rendered and goods delivered as proof of their validity in compliance with existing guidelines; or revert those which do not qualify as Accounts Payable and record the corresponding adjustments, if any, with the intention of making the resources available for other priority expenditures.

3. **Delayed completion of the Potable Water Supply projects aggregating P12,655,661.34 intended to benefit at least 520 households resulted in delayed service provision to the waterless communities and exposed the Municipal Government to increased reputational risks.**

Considering the substantial investment involved in the provision of potable water system projects and in cognizance of the equally significant impact of the projects in addressing the plight of waterless communities, we recommended that the Local Chief Executive direct the Implementing Unit to enhance monitoring of ongoing projects to determine if advisories need to be issued in accordance with DILG MC 2015-74 to ensure timely completion of the projects.

G. SUMMARY OF AUDIT SUSPENSIONS/DISALLOWANCES/CHARGES

Particulars	Balance as of December 31, 2017	
	Prior to 2009 RRSA	2009-2017
Suspensions	P 0.00	P 0.00
Charges	0.00	0.00
Disallowances	0.00	0.00

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Status of Implementation	Quantity
Fully Implemented	10
Partially Implemented	4
Not Implemented	0