

# EXECUTIVE SUMMARY

## INTRODUCTION

Originally a barrio of the Province of Batangas, the entrepreneurial hub not yet known as Ibaan was formally seceded from Batangas City in February 11, 1832. It is under the Fourth District of Batangas with a total land area of 6,796 hectares, comprising of 26 barangays. It is a town whose citizens are known as among the country's most industrious and enterprising people. The production and trading of mosquito nets became one of the most profitable businesses in the locality which tagged Ibaan as the home of quality "kulambo" (mosquito net).

Ibaan as a second class municipality is committed in the delivery of the basic sectoral services: health, nutrition and sanitation, employment and the promotion of socio-economic development through agro-industrial investments, infrastructures, port-related businesses, agricultural exchange center, livelihood programs and skills training for all.

## ORGANIZATIONAL STRUCTURE

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	Juan V. Toreja
Vice Mayor	Edralyn Joy A. Salvame
Members of the Sanggunian	Socrates R. Arellano
	Paul John G. Chua
	Edward A. De Castro
	Mateo D. Guerra
	Armando L. Gutierrez
	Victoriano P. Maputi
	Cesar B. Marasigan
	Juvy M. Mendoza
	Julius D. Panaligan
	Treven Castillo
Municipal Administrator	Maria Dolores P. Guerra
Municipal Treasurer	Helen T. Alcover
Municipal Accountant	Eufrosina D. Ona
Municipal Budget Officer	Lalen C. Salagubang
Municipal Engineer	
Municipal Planning and Development Coordinator	Mario S. Samson

## b. Number of Personnel Complement

Permanent	96
Elective	11
Co-terminus	6
Job Order	<u>109</u>
Total	<u>222</u>

## FINANCIAL HIGHLIGHTS

For Calendar Year 2017 the Municipality of Ibaan, Batangas generated a total income of ₱140,848,055.29 sourced from local taxes, permits and licenses, service and business income and Internal Revenue Allotment. To carry out the projects, programs and activities of the Municipal Government, the current and continuing appropriations for CY 2017 totalled ₱151,203,303.58 while the obligations at the end of the year totalled ₱102,031,398.71

The total assets, liabilities, equity, income and expenses for CY 2016 are as follows:

	2017	2016	Increase/ Decrease
Total Assets	₱ 210,511,352.92	₱ 167,470,248.22	₱ 43,041,104.70
Total Liabilities	62,913,037.66	58,759,041.82	4,153,995.84
Total Equity	147,598,315.25	108,711,206.40	38,887,108.85
Total Income	140,848,055.29	125,259,130.77	15,588,924.52
Total Expenses	105,874,017.67	116,827,501.76	(10,953,484.09)

## SCOPE OF AUDIT

Financial and compliance audit were conducted on the accounts, transactions and operations of the Municipal Government of Ibaan, Batangas for the CY 2017. It included analysis of accounts of the financial statements, review of transactions and test of compliance with financial rules and regulations. The audit was conducted to ascertain the fairness and reliability of the Municipality's financial position and results of operations, and to determine whether the operations were conducted in compliance with applicable laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

## AUDIT OPINION

The Auditor rendered a qualified opinion on the fairness of presentation of financial statements of the Municipality because of the following:

1. The reliability and accuracy of the balances of Property, Plant and Equipment (PPE) with a net book value of ₱102,561,697.70, as of December 31, 2017, could not be determined due to the failure to submit the Report on the Physical

Count of Property, Plant and Equipment (RPCPPE) to the Audit Team. This practice also hindered the reconciliation between the Accounting and Property records thereby affecting the fair presentation of the financial statements.

2. The Real Property Tax and Special Education Tax Receivables of ₱18,398,380.68 was not reflective of the Municipal Treasurer's report on Tax delinquency of ₱13,581,006.97. Also, the set-up RPT and SET Receivables is not in consonance with the provision of Section 20 of the Manual on New Government Accounting System for Local Government Units (LGUs), Volume I, thus understated the tax receivable and Deferred RPT Income at the end of the year.

## **SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

For the exceptions cited above, we recommended that the Municipal Mayor:

1. Require the General Services Officer-Designate (GSO) to conduct a complete physical count of all PPE of the Municipality to identify and validate the existence of the recorded PPEs and submit the corresponding RPCPPE in the prescribed format to the auditor; and b) require the Municipal Accountant and GSO-Designate to maintain ledgers and property cards and reconcile their respective records and effect adjustments accordingly.
2. We again recommended that the Municipal Mayor instruct the:
  - Municipal Treasurer to submit to the Municipal Accountant the certified list showing the name of the taxpayers and the amount due and collectibles for the year as provided in Section 20, Volume I of the NGAS Manual in order to ensure reliability of the balances of Real Property Tax Receivable and Special Education Tax Receivable accounts;
  - the Municipal Accountant to correct receivables set up in prior years so that the recorded amounts of receivables maybe presented at a more realistic amount; and
  - the Municipal Accountant to maintain subsidiary ledgers for current and prior years account to have a detailed record of the accounts for facility of verification.

The other significant observations and recommendations in the audit of the Municipality of Ibaan for Calendar Year 2017 are summarized as follows:

1. Delinquent Real Property Taxes (RPT) amounting to ₱13,581,006.97 remained uncollected for several years due to absence of an effective and efficient synergized tax campaign by the Municipal Treasury, thereby depriving the

government unit of the revenues to implement its prioritized programs and projects.

We recommended that the Municipal Mayor instruct the Municipal Treasurer to:

- design effective tax strategies to intensify collection of Real Property Taxes, not only current taxes but also the delinquent taxes in order to generate more income; and
  - enforce the tax remedies provided for under Book II of the Local Government Code in the collection of taxes due to the government.
2. The correctness of the Cash in Bank balance could not be relied upon due to:
- i)* unreconciled amount of ₱15,189.69 between the cash book and general ledger for Time Deposit accounts under the Trust Fund; and
  - ii)* presence of long outstanding reconciling items in the Bank Reconciliation Statements for bank and book records amounting to P263.00 and P21,610.02, respectively, thereby affecting the fair presentation of this account in the financial statements.

Require the Municipal Accountant and the Municipal Treasurer to reconcile their records on a regular basis; and instruct the Municipal Accountant to draw Journal Entry Voucher (JEV) to effect the necessary adjustment in the books of the Municipality in order to reflect the correct and reliable balances of the Cash in Bank-Local Currency-Time Deposit accounts and to prepare Bank Reconciliation Statements for all bank accounts on a monthly basis

Direct the Municipal Accountant and the Municipal Treasurer to immediately effect adjustments of these long outstanding reconciling items in the books of accounts for a fair presentation of cash balances; and ensure that supporting documents of items requiring recording and adjustment in the books are secured, book reconciling items are recorded immediately in the ensuing month, and banks are immediately informed of any bank errors for their immediate action.

3. The unexpended balance for aid and financial assistance from different national agencies totaling ₱2,246,975.39 and ₱20,411,589.36 for General and Trust Funds, respectively still remained in the books as of December 31, 2016 due to the failure of management to implement the projects and to remit to National Treasury or source agency and despite efforts exerted to request for its utilization.

We recommended that the Municipal Mayor instruct the Municipal Accountant to remit the unexpended funds to the source agencies or request approval from the latter to use the money for other vital projects of the municipality.

4. Variance of ₱450,162.66 and ₱10,203.24 between the balances of the Receivable (Due from LGUs) and Payable (Due to LGUs) accounts of the Municipality of Ibaan compared with the confirmed balances from the Provincial Government of Batangas, caused by the failure to reconcile the reciprocal accounts, affecting the fair presentation of these accounts in the financial statements.

Require the Accounting Unit to perform periodic reconciliation of Due to LGUs and Due from LGUs for all funds with the Provincial Government of Batangas to accurately present the accounts in the financial statements of the Municipality and the Province.

5. Long outstanding Accounts Payables amounting to ₱106,474.74 were not reverted to the unappropriated surplus of the General Fund, contrary to Section 98 of Presidential Decree 1445, thus rendering the validity of accounts doubtful.

Instruct the Municipal Accountant to review and analyze the payable accounts and determine the validity of accounts and request authority from the Sangguniang Bayan for the reversion of these long outstanding payables to unappropriated surplus; and prepare the necessary Journal Entry to reflect the correct Accounts Payable as of December 31, 2017.

6. Outstanding checks amounting to ₱25,251.91 were stale for several years but not yet cancelled contrary to Section 59 of the New Government Accounting System (NGAS) Volume I, resulting in the understatement of Cash-in-Bank and Accounts Payable accounts.

Instruct the Municipal Accountant to verify and evaluate the accounts involved in the above transactions and to prepare Journal Entry Voucher (JEV) to effect the adjustments for the stale checks to present the correct and the reliable balance of the Cash in Bank and Accounts payable accounts in the financial statements.

7. Consultancy services amounting to ₱799,590.00 was not recognized by the Municipality of Ibaan contrary to Section 4 (a) of New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I thus, understated the payable and expense accounts as presented in the financial statements.

We recommended that the Municipal Mayor instruct the Municipal Accountant to effect the necessary adjustment to reflect the correct balances of the affected accounts in the financial statements.

8. Some Projects/Programs/Activities (PPAs) under the 20 percent Development Fund for CY 2017, which were designed to attain desirable socio-economic development and environmental management protection in the Municipality of

Ibaan were not implemented and completed during the year, thus deprived the intended beneficiaries of the immediate benefits that could be derived therefrom.

We recommended that the Municipal Mayor and the Local Development Council design a feasible and workable Annual Investment Plan towards the socio-economic development and environmental protection of the Municipality and ensure accomplishment of the programs, projects and activities which are on-going and yet to be implemented so as not to deprive the intended beneficiaries of the immediate benefits that could be derived therefrom.

9. The Spring Development Project under the Bottom-Up Budgeting (BUB) program was not implemented as of December 31, 2017 despite downloaded funds from the Department of Interior and Local Government (DILG) amounting to ₱1,000,000.00, contrary to DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 7, which may deprive the beneficiaries of prompt local service delivery and the intended benefits that can be derived from such project.

We recommended that the Municipal Mayor to utilized fully the BUB funds for the benefit of the constituents and ensure the proper use thereof in accordance with the guidelines under DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 7.

10. The Municipality utilized only ₱768,521.09 or 16.12 percent of the allocated budget for Mitigation Fund of ₱4,766,314.10, thereby defeating the objectives of the “Philippine Disaster Risk Reduction and Management Act of 2010” to lessen the the risk of damage, harm and loss during calamity and disaster and may result in adverse impact on the safety of its citizens.

We recommended that the Municipal Mayor require the Municipal Disaster Risk Reduction and Management Council (MDRRMC) properly plan and fully implement the Municipal DRRM program/project/activities and ensure that the funds were utilized in accordance with approved budget and plans.

11. The disclosure requirements in the Notes to Financial Statements under the Philippine Public Sector Accounting Standards (PPSASs) and the required pro-forma Notes to Financial Statements prescribed in Section No. 3.4 of COA Circular No. 2016-004 dated September 30, 2016 were not fully observed, thus, affecting the fair presentation of the financial statements and depriving users of relevant information on the financial position and performance of the Municipality.

Instruct the Municipal Accountant to observe the disclosure requirements in the preparation of the financial statements in accordance with the PPSASs and

Section 3.4 of COA Circular No. 2016-004 to assists users in understanding the financial statements and to provide them with information relevant to decision-making.

The above together with the other observations and recommendations contained in the report were discussed with concerned Municipal Government officials and employees during the exit conference conducted on May 31, 2017. Management views and reactions were considered in the report, where appropriate.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the thirty eight audit recommendations embodied in the 2016 Annual Audit Report, sixteen were fully implemented, thirteen were partially implemented and nine were not implemented.