

## 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. Cimat, Jr. assisted by the Hon. Vice Mayor Denton Lawrence G. Garvida and nine Sangguniang Bayan Members. The personnel complements composed of one co-terminus, 56 permanent, 13 casuals and 60 job orders or a total of 86 officials and employees as of December 31, 2016.

### B. Highlights of Financial Information

The Municipality's Total Assets of ₱263,442,789.04, Liabilities of ₱104,788,510.32 and Government Equity of ₱158,654,278.72 registered an increase/decrease of 24.75%, 51.63% and 11.67% respectively if compared to the 2015 figures of Assets, Liabilities and Government Equity of ₱211,178,684.56, ₱69,106,964.38 and ₱142,068,720.18.

For the year 2016, the municipality generated a total income of ₱93,532,696.61 from all sources, of which ₱65,364,588.15 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 ₱29,521,641.96 or 31.11% of the total income.

The Municipality's annual budget for calendar year 2016 provided an appropriation of ₱99,536,094.24 which was released for allotment and obligations incurred totaled ₱76,379,180.26 leaving an unobligated balance of ₱23,156,913.98

### C. Operational Highlights

For the calendar year 2016, 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 the significant programs and projects vis-a-vis accomplishments.

<u>Programs / Projects</u>	<u>Target</u>	<u>Percentage of Accomplishment</u>
• Rehabilitation of Peoples Center	₱ 423,295.00	100%
• Acquisition of Mass Transport		

Equipment	4,000,000.00	100%
• Sarungkar ti Barangay	1,400,000.00	90%
• Acquisition of Rescue Equipment	1,800,000.00	100%

#### **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 2016. 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 fair presentation of the financial statements of the municipality as of December 31, 2015 because of the effects of the non-reclassification of the completed projects under the Construction in Progress account amounting to ₱49,810,857.28 to its proper account classification and the non-recognition of the appropriate depreciation thereof; and the inclusion of unserviceable and obsolete properties totaling ₱2,016,874.89 in its books of accounts and the validity of several recorded Property, Plant and Equipment amounting to ₱1,063,011.48 could not be ascertained because the whereabouts of these assets were not established. Likewise, the balances of construction materials inventory were misstated due to failure to adjust the inventory to proper expense or asset accounts upon completion of the project.

#### **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 recorded amount of the Construction in Progress account is overstated due to the non-reclassification of a completed project from the Construction in Progress Account amounting ₱49,810,857.28, to its proper Property, Plant and Equipment (PPE) account.

We have recommended the Municipal Accountant to reclassify the completed projects recorded in the Construction in Progress account to its proper account classification and recognize its appropriate depreciation thereto, or as a expense as the case maybe.

2. Unserviceable and obsolete properties totaling to ₱2,016,874.89 were still carried in the books of accounts and inventory report in violation of Section 379 of the Local Government Code of 1994, resulting in the overstatement of the Property, Plant and Equipment account by the same amount.

We have recommended the agency to create the necessary committees in order to facilitate the proper disposal of identified unserviceable and obsolete properties.

3. Validity of the several recorded PPEs amounting to ₱1,063,011.48 could not be ascertained because the whereabouts of these assets were not established or no longer exists.

We have recommended the GSO-Designate and the Accounting Department work together to reconcile the physical inventory count and accounting record and verify the unaccounted properties. We have also recommended the agency to collect from the accountable officers the value of the properties that were lost and those which cannot be ascertained on its whereabouts. We have further recommended that the Property Acknowledgement Receipt be renewed every three years or as often as necessary.

4. The balances of construction materials inventory were misstated due to failure of the agency to adjust the inventory to proper expense account or asset accounts upon completion of the project for which the inventory is intended for; and the whereabouts of some of the inventories could not be ascertained, hence overstating the Inventory account.

We have recommended the agency to identify the accountable personnel in charge with maintenance and control of the construction materials inventory and held them liable for any negligence incurred on their part that led to the lost or misuse of this inventory. We have also recommended the GSO-Designate to device a control in monitoring the transfer of supplies from his possession to requisitioning department or unit. We have further recommended the agency to conduct annual physical inventory of all supplies, the result thereof be furnished to the LCE and the COA.

5. The legality of the fixed monthly amount of Subsistence Allowance made to qualified Public Health Workers, as well as payments for days that were declared “on call” for both Public Health Workers and Social Workers were doubtful because these were made in violation with Section 8.2 and 8.3 of DBM DOH Joint Circular No. 1 s. 2012, dated November 29, 2012, as amended; Section 2.3.2 Rule IV of the IRR of Magna Carta for Public Health Workers; and Section 11.2(a) of the IRR of Magna Carta for Public Social Worker.

We have recommended the agency not to peg the Subsistence Allowance to ₱1,500.00 but rather compute the allowance on a per day basis as required under existing rules and regulations. We have likewise recommended that an employee must have a written authority from the LCE before he/she could avail of

subsistence allowance for “on-call” days. We have further recommended the agency to implement a stronger control in its payroll system in order to avoid situations where employees are paid for days that they are not allowed to receive Subsistence Allowance.

6. The acquisition of land for the location of Trading and Government Center was not made in accordance with Section 5 (f) (g) of RA 10752 and its related IRR, Article 1242 of the New Civil Code of the Philippines and Section 12 of EO 1035, thus undermining the efficacy and validity of the purchase.

We have recommended the LGU to exercise more prudent in observing the procedures and comply with the documentary requirements in the acquisition of real properties, in order to protect the right of the LGU over the subject property. We have also recommended to secure an updated Power of Attorney from the seller. We have also recommended to secure written ratification from the seller.

7. Cash advances granted for salaries, maintenance and other operating expenses and travel to different officers and employees remained unliquidated in the books at year-end contrary to COA Circular 97-002, thus resulting to the non-recognition of expenses incurred in the utilization of the cash advances.

We have recommended the management to strictly enforce COA Circular No. 97-002 dated February 10, 1997 on the granting, utilization and liquidation of cash advances. We have further recommended the management to cause or order the withholding of any money claims against accountable officers concerned until they have fully settled their cash advances.

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

## **G. Summary of Total Suspensions, Charges and Disallowances**

Total Audit Suspensions, Charges and Disallowances issued by this Commission showed that the municipality had a total disallowance in the amount of ₱ 1,225,500.00 as of December 31, 2016. This amount represents the payment of the Productivity Enhancement Incentive for CY 2014 which is not in conformity with EO No. 80 thus, disallowed in audit. The said disallowances are currently under appeal with the Commission Proper.

## **H. Status of Implementation of Prior Year’s Recommendations**

Of the 11 audit recommendations embodied in the 2016 Annual Audit Report six were implemented, two were partially implemented and three were not yet implemented during the year.