

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Municipality of Banna, Ilocos Norte was created by virtue of Republic Act No. 3997 dated December 18, 1964 as Municipality of Espiritu but renamed to Banna through Provincial Ordinance No. 120-95. The municipality, like any other government units, enjoys total independence in managing, deciding and planning its own administrative, fiscal and developmental affairs in conformity with the national government's thrust for sustainable social and economic growth. Also, the LGU is envisioned to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful, friendly atmosphere through God-centered leadership of the incumbent elected officials.

The municipality is currently headed by its Local Chief Executive, Hon. Carlito A. Abadilla II together with the Vice-Mayor Mary Chrislyn C. Abadilla and the Sangguniang Bayan Members.

The overall manpower of the municipality is 138 which is composed of 11 elective officials, 45 permanent employees, 7 casual employees and 75 contract of service.

### B. FINANCIAL HIGHLIGHTS

The municipality's financial conditions and operations are as follows:

	2016	2015	Increase (Decrease)	
			Amount	%
Assets	P 335,892,072.68	P 251,254,392.72	P 84,637,679.96	33.69 %
Liabilities	66,956,324.47	42,163,157.33	24,793,167.14	58.80 %
Residual Equity	268,935,748.21	209,091,235.39	59,844,512.82	28.62 %
Income	124,764,516.77	98,733,145.04	26,031,371.73	26.37 %
Expenses	67,520,482.51	51,758,157.26	15,762,325.25	30.45 %

The Municipality of Banna appropriated the total amount of Php74,630,007.25 in the General Fund with the total obligations of Php51,645,930.80 for year 2016 while in 2015, the total appropriations and obligations were Php61,511,957.00 and Php50,449,522.56 respectively. Also, the municipality appropriated the total amount of Php1,264,506.47 in the Special Education Fund with total obligations of Php904,577.90 for the year 2016 while in 2015, the total appropriations and obligations were Php1,138,336.86 and Php582,116.27 respectively.

### **C. OPERATIONAL HIGHLIGHTS**

The major accomplishments of the municipality are the following:

Projects/Programs/Activities		Amount	Accomplishments
Construction of Community Kitchen and Toilet for Evacuation Center	P	549,998.40	Completed
Construction of flood control and river control structures		3,297,690.74	Completed
Restoration of Bomitog Small Reservoir Irrigation System with Lined Canal		2,449,923.76	Completed
Construction of Caribquib Irrigation Lined Canal		2,057,913.69	Completed
Upgrading (gravel to paved)/rehabilitation of farm to market roads		1,449,947.32	Completed
Restoration of irrigation canal at Purok Minuri small reservoir irrigation system		1,997,962.77	Completed
Construction of organic fertilizer production facility (vermiculture)		852,485.00	Completed
Rehabilitation of HILVACRIS communal irrigation system		2,498,407.93	Completed
Concreting/rehabilitation of farm to market roads at Brgy. Catagtaguen, Balioeg, Caestebanan and Valdez		16,969,989.97	Completed
Rehabilitation/Expansion of Nagpatayan Level III Water System		849,996.00	Completed

### **D. SCOPE OF AUDIT AND METHODOLOGY**

A comprehensive audit was conducted on the accounts and operations of the Municipal Government of Banna for calendar year 2016 based on our audit thrusts for the year which are: Complete Submission of Accounts, Accuracy of LGUs' reported accomplishments vis-à-vis major programs and projects as well as efficiency and economy in the implementation of the same, Programs/Project Implementation, Fund Transfers to Other LGUs, Local Risk Reduction and Management Fund (LDRRMF), Environmental Compliance, Gender and Development (GAD), Utilization of Special Education Fund, 20% Development Fund, Existence of cash and cash equivalents, Appropriateness of the items accounted for as cash advances, Property, plant and equipment and Revenue audit/Allowances/Honoraria, Hiring of Casuals, Job Orders, Contractual and Consultants, Credit Financing/Debt Servicing, Infrastructure Projects and Issuance of ND, NC and NS. The audit was conducted to ascertain the propriety of financial transactions and accuracy of financial records and reports and compliance of the agency with prescribed rules and regulations. It was also made to ascertain whether the programs as envisioned were attained in economical, efficient and effective manner.

## **E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the Municipality of Banna, Ilocos Norte as of December 31, 2016 for the following reasons: (1) the correctness and reliability of the year-end balance of the Cash in Bank – Local Currency, Current Account amounting to Php145,467,190.34 cannot be established due to non-submission of bank reconciliation statements, (2) the propriety of the year-end balance of the Inventory and Property Plant and Equipment account amounting to Php279,458.20 and Php168,479,387.66 respectively cannot be established due to non-submission of Report of the Physical Count of Inventories and Property Plant and Equipment, (3) the correctness and reliability of the recorded transactions of the municipality could not be ascertained due to non-submission of disbursement vouchers totaling to Php44,788,357.69, (4) the correctness and reliability of the balance of cash advances could not be ascertained due to non-submission of liquidation reports, (5) the correctness and reliability of non-cash accounts cannot be established due to the absence of general journals, (6) the non-recording of 24 unit water pumps amounting to Php1,948,800.00, (7) the fund transfers of the municipality to the barangays amounting to Php2,000,000.00 were not recorded as Due from Local Government Units, and (8) the non-recording of depreciation expense for the Land Improvements and Military, Police and Security Equipment affects the fair presentation of financial statements.

## **F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

During the year, The Municipality of Banna, Ilocos Norte was awarded with the 2016 Seal of Child-Friendly Local Governance by the Council for the Welfare of Children for its commitment in promoting child rights to survival, development, protection and participation towards a Child-Friendly Philippines: A Caring and Protective Society For, By and With the Children.

However, some transactions which need to be corrected or improved are enumerated in the herein audit observations with its corresponding recommendations, as follows:

1. All bank accounts of the municipality has no Bank Reconciliation Statements (BRS) as of December 31, 2016 which violates the Items 3.2 and 3.3 of COA Circular 96-011 and Section 122 of PD 1445, thus casting doubts on the correctness and reliability of the balance of Cash in Bank – Local Currency, Current Account in the financial statements amounting to Php145,467,190.34.

We have recommended the municipal accountant to prepare the bank reconciliation statements for all bank accounts of the municipality and submit to the office of the auditor.

2. The municipality did not submit the Report of the Physical Count of Inventories (RPCI) and Report on the Physical count of Property Plant and Equipment (RPCPPE) which is contrary to Section 124 of the Manual on the New Government Accounting

System for LGUs, Volume I and Section 122 of PD 1445 hence, there is no basis in evaluating the fairness of presentation of Inventories and PPE accounts in the financial statements amounting to Php279,458.20 and Php168,479,387.66 respectively.

We have recommended the management to submit the Report of the Physical Count of Inventories (RPCI) and Report on the Physical count of Property Plant and Equipment (RPCPPE) to the Office of the Auditor.

3. The Municipal Accountant and Municipal Treasurer did not submit some disbursement vouchers for the year 2016 totaling to Php44,788,357.69 within the prescribed period which is not in accordance with the Section 39 (1) (3) of the P.D. 1445, Section 23 (1) (3) of The Administrative Code of 1987 and Section 6.05 of COA Circular No. 95-006 thus precluding the auditor from conducting timely audit of the transactions.

We have recommended the Municipal Accountant and Municipal Treasurer to submit all the disbursement vouchers and supporting documents in compliance to the provisions of P.D. 1445, The Administrative Code of 1987 and Circular No. 95-006.

4. The Municipal Accountant did not submit the liquidation reports of cash advances within the prescribed period which is not in accordance with COA Circular No. 97-002 hence the validity, propriety and completeness of the liquidations could not be ascertained.

We have recommended the Municipal Accountant to submit the liquidation reports including supporting documents to the Office of the Auditor

5. The Municipal Accountant is not maintaining general journal which is not in accordance with Section 4(e) of the Manual on the New Government Accounting System for Local Government Units, Volume I thus, creating doubts on the correctness and reliability of the non-cash accounts.

We have recommended the Municipal Accountant to record all the transactions of the municipality, and prepare and maintain General Journals.

6. Twenty-four unit water pumps amounting to Php1,948,800.00 were not recorded in the books of the municipality which is not in accordance with Philippine Public Sector Accounting Standards thus, resulted to understatement of Property, Plant, and Equipment account.

We have recommended the Municipal Accountant to record all the properties of the municipality to present fairly the financial statements and to avoid loss of government property.

7. Fund transfers of the municipality to the barangays for the repair and renovation of the farmers' center were not recorded as Due from Local Government Units which resulted to understatement of receivable account.

We have recommended the municipality to enter into memorandum of agreement with the barangays and prepare the program of works to support the fund transfer. Also, we have recommended the Municipal Accountant to record the transfers to Due from Local Government Units and require the barangays to liquidate.

8. Depreciation expenses were not provided on the Land Improvements and Military, Police and Security Equipment which is not in conformity with Paragraph 66 of PPSAS 17 – Property, Plant and Equipment thus, resulting to misstatement of PPE, Expense and Government Equity accounts.

We have recommended the Municipal Accountant to provide depreciation on the property, plant and equipment of the municipality to present fairly the financial statements.

9. Computation of RATA of the Sangguniang Bayan Members was not in accordance with 7.5 of Local Budget Circular No. 103 dated May 15, 2013 which resulted to excessive payment of RATA amounting to Php137,850.00.

We have recommended the Municipal Accountant to strictly adhere to the abovementioned circular in computation of RATA to avoid disallowance in the audit. Also, we have recommended the concerned officials to refund the excess of their RATA.

#### **G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF DECEMBER 31, 2016**

	Beginning Balance	Issued during the Year	Settled during the Year	Ending Balance
Notice of Suspension	889,906.19	-	-	889,906.19
Notice of Disallowance	2,080,505.85	-	-	2,080,505.85
Notice of Charge	-	-	-	-
<b>Total</b>	<b>2,970,412.04</b>	<b>-0-</b>	<b>-0-</b>	<b>2,970,412.04</b>

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

Status of Implementation	Quantity
Fully Implemented	2
Partially Implemented	6
Not Implemented	13