

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Burgos is a fifth class municipality effective July 29, 2008 by virtue of Memorandum Circular No. 01-M(32)-08 dated November 12, 2008 of the Bureau of Local Government Finance, Department of Finance, Manila. It has a total area of 129.8 square kilometers and is composed of 11 barangays with a population 10,706 in 2013.

For CY 2016, the Municipality was under the leadership of two competent mayors. For the first semester, it was under the Former Mayor Crescente N. Garcia, who had been the local chief executive for nine years and for the second half of the year, it was under the management of Hon. Rodolfo L. Garcia assisted by the Honorable Vice Mayor, 9 other elective officials and 40 permanent, 1 contractual, 2 co-terminus, 24 casuals and 42 job order employees.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Burgos, Province of Ilocos Norte for Calendar Year 2016. Our audit was focused on the Local Government Sector Thrust's for the year. The audit consisted of financial and compliance audit where we verified and analyzed the accounts and financial statements of the Municipality to determine if the financial statements were fairly presented. Likewise, a Value for Money Audit (VFM) was included to ascertain whether programs/projects/activities during the year as envisioned were attained economically, efficiently and effectively.

B. Financial Highlights

Total assets, liabilities and government equity of the Municipality of Burgos for Calendar Year 2016 and 2015 are shown below:

Accounts	2016	2015	Increase (Decrease)	Percentage
Assets	₱412,188,198.58	₱292,295,837.27	₱ 119,892,361.31	41.01%
Liabilities	194,424,030.17	177,707,104.93	16,716,925.24	9.40%
Net Assets/Equity	217,764,168.41	114,588,732.34	103,175,436.07	90.03%

Agency's total assets, liabilities and government equity registered an increases of 41.01%, 9.40% and 90.03%, respectively compared with 2015 figures.

Among the sources of income of the Municipality for Calendar Year 2016 and 2015 are shown on the next page:

Sources of Income	2016	2015	Increase (Decrease)	Percentage
Tax Revenue-Property	₱ 74,517,960.51	₱ 39,818,344.95	₱ 34,699,615.56	87.14%
Tax Revenue-Goods and Services	27,221,871.03	8,811,609.79	18,410,261.24	208.93%
Other Local Taxes	142,287.50	118,727.06	23,560.44	19.84%
Service Income	2,719,018.27	4,330,184.51	(1,611,166.24)	(37.20%)
Business Income	1,638,095.91	1,357,524.12	280,571.79	20.66%
Other Income and Receipts	751,649.00	626,242.00	125,407.00	20.02%
Share from Internal Revenue Allotment	53,710,852.00	48,828,160.00	4,882,692.00	9.99%
Share from Tobacco Excise Tax	11,631,003.00	0.00	11,631,003.00	100.00%
Subsidies, Grants and Donations	9,083,960.09	1,868,393.01	7,215,567.08	386.19%
Total Income	₱181,416,697.31	₱105,759,185.44	₱ 75,657,511.87	71.53%

For Calendar Year 2016, there was an increase of total income of ₱75,657,511.87 or 71.53% compared to last year's income. This was mainly due to the increase in real property taxes collected from the Energy Development Corporation of ₱34,699,615.56 or 87.14%.

Total expenses for 2016 and 2015 is broken down as follows:

Expenses	2016	2015	Increase (Decrease)	Percentage
Personal Services	₱ 35,793,865.31	₱ 28,643,086.34	₱ 7,150,778.97	24.96%
Maintenance & Other Operating Expenses	49,195,668.60	29,757,996.18	19,437,672.42	65.31%
Financial Expenses	76,358.11	5,980.00	70,378.11	1176.89%
Total Expenses	₱ 85,065,892.02	₱ 58,407,062.52	₱ 26,658,829.50	45.64%

The total expenses for the year amounted to ₱85,065,892.02. There was an increase of ₱26,658,829.50 or 45.64% due to the increase in total expenses during the year.

In order to carry out and finance its programs/projects/activities, the Municipality's annual budget for Calendar Year 2016 provided an appropriations of ₱153,636,427.27 which was released for allotment. Obligations incurred totaled ₱99,708,119.43 leaving an unobligated balance of ₱53,928,307.84. Details is shown below:

Expenditures	Appropriations		Obligations	
	2016	2015	2016	2015
Personal Services	₱ 39,065,472.09	₱31,758,849.63	₱32,877,091.99	₱28,464,457.84
MOOE	44,222,604.45	36,085,699.63	32,068,154.86	23,482,911.22
Capital Outlay	70,348,350.71	27,572,102.60	34,762,872.58	14,203,676.61
Totals	₱153,636,427.27	₱95,416,651.86	₱99,708,119.43	₱66,151,045.67

To realize the Honorable Mayor's mission and vision of achieving an improved quality of life of the people through agro-industrial development, agro-forestry, eco-tourism and environmental management under an empowered citizenry and responsible leadership and uplift the quality of life of its people, the following are among the significant accomplishments of the Municipality for Calendar year 2016:

<u>Programs/Projects</u>	<u>Targets</u>	<u>Percentage of Accomplishments</u>
1. Improvement of Public Plaza	₱ 999,999.99	100%
2. Construction of Covered Court-Ablan Community School	2,000,000.00	100%
3. Core Local Road Rehabilitation-Poblacion-Agaga Road	3,300,000.00	100%
4. Improvement of Perimeter Fence-New Government Center	1,876,519.99	100%
5. Construction of Bagsakan Center	72,108,256.75	100%
6. Rehabilitation/Concreting of Agaga Farm to Market Road	3,000,000.00	100%
7. Rehabilitation/Concreting of Bayog-Bobon-Paayas Interlink Road	1,998,730.44	100%
8. Rehabilitation /Concreting of Buduan Farm to Market Road	1,000,000.00	100%

Other accomplishments on the utilization of the 20% Development Fund are presented in Annex "A" of this report.

C. Auditor's Opinion on the Financial Statements

We have rendered a qualified opinion on the fair presentation of the financial statements of the Municipality of Burgos, Ilocos Norte due to the inability of management to implement fully the previous year audit recommendations to conduct physical inventory of fixed assets totaling ₱104,741,850.19 (net of depreciation), non-dropping of unserviceable properties totaling ₱2,379,793.10 in the books, the non-reconciliation of the accounting records against the property records, the inaccurate balances of Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable accounts as of December 31, 2016 totaling ₱2,004,053.73 and ₱10,248,748.89, respectively brought by the failure of the Municipal Accountant to fully established at the beginning of the year the RPT and SET Receivables based on the Real Property Tax Account Register and the accounts Real Property Tax Receivables and Special Education Tax Receivables amounting ₱2,004,053.73 and ₱10,248,748.89, respectively were not reconciled with the reciprocal accounts Deferred Real Property Tax and Deferred Special Education Tax in the amount of ₱21,600,909.31 and ₱10,077,510.05.

D. Summary of Significant Observations and Recommendations

Favorable Observation

- ❖ For the year 2016, the Municipality of Burgos had realized a total income of ₱181,416,697.31 registering an increase of ₱75,657,511.87 or 71.53% from last year's income of ₱105,759,185.47.

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

1. The Municipality had inadequate internal control system on property management due to the inability of management to implement the previous year audit recommendations to conduct physical inventory of fixed assets totaling ₱104,741,850.19 (net of depreciation) as prescribed under Sections 119, 120 and 124 of the New Government Accounting System for LGUs, Volume 1, thus rendering the total Property, Plant and Equipment in the financial statements unreliable.

We have recommended that management strictly implement our previous year audit recommendations in the conduct of actual physical inventory of the Property, Plant and Equipment, to wit:

- a. Issue an order/memorandum for the conduct of physical inventory taking and shall be completed within a determined period of time. Require the inventory committee to prepare and submit the Report of Physical Count of PPE (RPCPPE) and Report of the Physical Count of Inventories (RPCI) within ten

(10) days from completion of the inventory as required under Section 124 of the Manual on the New Government Accounting System, Vol. I.

- b. A complete Property, Plant and Equipment and Supplies Ledger Cards should be maintained by the Accounting Office to support the details and breakdown. In the same manner, the GSO should also maintain Property and Stock Cards to all pertinent information of deliveries and acceptance of fixed assets/supplies. The accounting records should be reconciled against the property records.
 - c. Extra effort should be exerted by both the Accounting and General Services Office to determine the details of the said fixed asset accounts.
 - d. Update/renew Property Acknowledgement Receipt (PAR) on equipment/properties issued to various municipal officials and employees.
 - e. All properties of the municipality must have a property tag or sticker pasted on each item for proper identification.
 - f. Drop the unserviceable properties in the books totalling P2,379,793.10 to ensure the correctness and accuracy of the Property, Plant and Equipment accounts.
2. The accuracy and reliability of the balances of Real Property Tax Receivable and Special Education Tax Receivable accounts as of December 31, 2016 totaling ₱2,004,053.73 and ₱10,248,748.89, respectively could not be ascertained due to the inability of the Accounting Department to fully establish the RPT and SET Receivables at the beginning of the year based on the Real Property Tax Account Register as required under Section 20 of the New Government Accounting System Manual for Local Government Units (LGUs), Volume I.

We have recommended that the Municipal Treasurer prepare the Certified List of Real Property Taxpayers with the corresponding amount of RPT/SET due and collectible each year as basis in setting up the correct RPT/SET Receivables by the Municipal Accountant. The Municipal Accountant make proper coordination with the Municipal Treasurer and secure copies of the accomplished identified taxpayer cards as basis in posting the RPT/SET Receivable accounts to ensure that the respective accounts are accurately presented in the financial statements. Further, the Municipal Accountant make necessary adjustments to arrive at a reliable and correct balance of the accounts.

3. Balances of accounts Real Property Tax Receivable and Special Education Tax Receivable amounting ₱2,004,053.73 and ₱10,248,748.89, respectively do not tally with the balances of the accounts Deferred Real Property Tax and Deferred Special Education Tax of ₱21,600,909.31 and ₱10,077,510.05, respectively, thereby affecting the fair presentation of the financial statements at year end.

We have recommended that the Accounting Office look into the balances of the said accounts and reconcile the same for proper presentation in the financial statements.

Other deficiencies noted in audit are presented in Part II of the report.

E. Summary of Total Suspensions, Disallowances and Charges

In compliance with COA Circular No. 2009-006 dated September 15, 2009 which prescribes the Rules and Regulations on Settlement of Accounts, there were no audit suspensions during the year. Total disallowances issued amounting to ₱15,557.41 while settled disallowances was ₱8,434.00, thereby showing an unsettled balance of ₱7,123.41 as of December 31, 2016.

F. Status of Implementation of Prior Years' Audit Recommendations

Of the 16 audit recommendations embodied in the 2015 and 2014 Annual Audit Reports, seven were fully implemented, three were partially implemented and the other six were not implemented during the year.