

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The LGU of CARASI is a 5<sup>th</sup> class Indigenous Community. It was created by virtue of Proclamation No. 2289, Section 136 of Batas Pambansa 337 on May 16, 1983. It is situated more or less 28 kilometers east of Laoag City. With a road network of 3.39 km and 18.09 of municipal and barangay roads, it comprises three (3) barangays namely: Barbaquezo, Virbira and Angset.

### Audit Methodology and Scope of Audit

A financial and compliance audit and value for money audit were conducted on the accounts and operations of the municipality for the calendar year 2016. The audit consisted of review of operating procedures, interviews with concerned government officials and employees, verifications and analysis of accounts and such other procedures considered necessary.

The audit was aimed to ascertain the fairness and reliability of the municipality's financial position and results of operation. We conducted test of accounting records and other procedures necessary in consonance with this year's audit thrusts.

### B. FINANCIAL HIGHLIGHTS

	2016	2015	Increase (Decrease) Amount	%
<b>Financial Condition</b>				
Assets	113,720,008.17	78,341,430.77	35,378,577.40	45%
Liabilities	26,538,324.38	15,711,675.40	10,826,648.98	69%
Equity	87,181,683.62	62,629,755.37	24,551,928.25	39%
<b>Results of Operation</b>				
Gross Income	49,365,693.58	40,825,717.14	8,539,976.44	21%
Expenses	26,258,886.10	26,685,620.44	(426,734.34)	(2%)
Net Income	23,106,807.48	14,140,096.70	8,966,710.78	63%
<b>Sources and Application of Funds</b>				
Current Legislative Appropriations:				
Allotments	38,811,487.00	34,416,592.99	4,394,894.01	13%
Obligations	28,949,230.14	24,072,544.21	4,876,685.93	20%
Balance	9,862,256.86	10,344,048.78	(481,791.92)	(5%)

Continuing Appropriations:

Allotments	13,021,666.11	19,604,392.00	(6,582,725.89)	34%
Obligations	4,390,661.65	0.00	4,390,661.65	100%
Balance	8,631,004.46	19,604,392.00	10,973,387.54	56%

**C. OPERATIONAL HIGHLIGHTS**

The following are the major accomplishments of the municipality:

<b>Programs/Projects/Activities</b>	<b>Source of Fund</b>	<b>Expenditure</b>	<b>% of Physical Accomplishment</b>
Completion/Continuation of RHU Bldg.	BUB	3,197,861.41	100%
Provision of Water Supply	BUB	1,295,961.60	100%
Rehabilitation of Bumatalag Potable Water System	BUB	1,999,039.58	100%
Rehabilitation of Barasan Potable Water System	BUB	828,503.85	100%
Rehabilitation of FMR	BUB	1,999,178.79	100%
Construction of Faculty Room	BUB	1,253,031.60	100%
Construction of School Clinic	BUB	1,272,620.61	100%
Construction of School/Municipal Library with e-hub	BUB	1,349,433.67	100%
Completion of VAWC, Women, CIVL, Senior Citizen	BUB	751,984.20	100%
Construction of Pathways and Solar Dryer	BUB	773,009.00	100%
Completion/Continuation of RHU Building	20%	842,574.15	100%

**D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

We have rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Carasi, Ilocos Norte as of December 31, 2016 because the reciprocal accounts Due from Other Funds and Due to Other Funds have an unreconciled difference of P 1,004,398.64 and the non-reconciliation of the balances of the Cash accounts between the cashbook and general ledger.

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

1. The reciprocal accounts Due from Other Funds and Due to Other Funds were not reconciled at year end with a difference of P 1,004,398.64 contrary to COA Circular No. 2015-009, hence the accuracy of their balances in the financial statements is uncertain.

We have reiterated our previous year's recommendation to the Municipal Accountant to reconcile the difference and prepare the necessary adjusting entries in order to present the correct balances of the Due from Other Funds and Due to Other Funds accounts in the financial statements.

2. The non-reconciliation of the balances of the Cash accounts between the cashbook and general ledger by the Municipal Treasurer and Municipal Accountant at least quarterly which is contrary to the provision of Section 6.3 of COA Circular No. 97-002 resulted to the accumulation of reconciling items and unaccounted difference of P 25,007,710.61.

We have recommended the Municipal Treasurer to reconcile the entries in her cashbooks with the records of the Accounting Office at least quarterly in compliance with the aforementioned circular. Likewise, we advised the Municipal Accountant to reconcile the balances of the cash accounts with that of the cashbooks of the Municipal Treasurer every time she prepares the bank reconciliation statements and make the necessary adjustments of noted discrepancies. In this way, a more reliable balance of the cash accounts will be presented.

3. Non-performance of some post-qualification procedures by the Bids and Awards Committee -Technical Working Group (BAC - TWG) for various projects cast doubts on the compliance/responsiveness of the bidder with the lowest calculated bid to all the requirements and conditions specified in the bidding documents as required in Section 34.1 of the Revised IRR of RA 9184.

We have recommended that the BAC-TWG strictly comply with the post-qualification procedures prescribed in Section 34 of the Revised IRR of RA 9184 and prepare a post-qualification report indicating therein the procedures undertaken in the verification of the legal, technical and financial documents submitted by the bidder with the Lowest Calculated Bid and state therein the findings/observations noted during the post-qualification.

4. Notice of Award and Notice to Proceed to winning bidders for some projects were not posted in PhilGEPS as required under Section 37.1.6 and 37.4.2 of the Revised IRR of RA 9184, thus, transparency of the procurement process may not be attained.

We have recommended that all Notices of Award and Notices to proceed to suppliers and contractors in the procurement of goods and infrastructures be posted in the PhilGEPS to promote efficiency and transparency in government transactions.

5. The absence of collection guidelines on the SEA Capital assistance, fertilizer subsidy and cattle dispersal programs of the municipality amounting to P 1,304,109.50 resulted in the non-collection of the same.

We have recommended the management to draft the needed guidelines in enforcing collection on the various livelihood programs of the municipality in order not to waste the government's meager resources and to attain the project objectives.

6. The validity of gasoline expenses amounting to P 359,345.71 could not be ascertained due to failure of the management to enforce proper preparation of the Daily Trip Tickets before the use of government vehicle in violation of COA Circular No. 77-61, resulting to inadequate control in gasoline consumption.

We have recommended the management to adhere strictly to the provisions of COA Circular No. 77-61 dated September 26, 1977 for adequate control in the consumption of gasoline, oil and lubricants.

7. The payment of honoraria to the members of the Bids and Awards Committee (BAC) with inappropriate funding source amounting to P 296,957.48 was not in accordance with Section 3.1 of DBM Budget Circular No. 2007 dated November 29, 2007 hence, disallowed in audit.

We have recommended the management to:

- Refrain from using savings from projects implemented without prior approval from the local sanggunian;
- Strictly comply with the provisions of DBM Budget Circular No. 2007-3 dated November 29, 2007 on the payment of honoraria to BAC members and other personnel involved in the procurement activities; and
- Require the BAC Chairman, members, TWG and secretariat to refund the honoraria granted to them amounting to P 296,957.48.

8. BAC Honoraria amounting to P 454,787.55 were paid despite the absence of documentary requirements as required under Section 5.7.1 of COA Circular 2012-001, thus rendering the validity and regularity of transaction doubtful.

We have recommended the BAC to submit the necessary supporting documents to prove the correctness and validity of the amounts collected. We also require that all future claims/payrolls for BAC honoraria should be properly supported with the required documents to avoid suspensions in audit.

9. The 2016 appropriation of P 7,372,732.20 for the 20% Development Fund was not optimally utilized due to the failure of the municipality to fully implement its projects under the 20% Development Plan, hence, the delivery of the desired services and benefits to the municipality's constituents may be delayed.

We have reiterated our prior year's recommendation to the management to maximize the utilization of the 20% development fund allocated for the implementation of various programs and projects that are envisioned to help in the attainment of social, economic and environmental development.

10. A lump sum appropriation amounting to P 765,000.00 in the 20% Development Fund was included in the annual budget without proper project identification in violation of Section 22 (c) of RA 7160 thus, casting doubts on the propriety of the payment.

We have recommended the agency to properly identify the specific development projects for which the 20% development fund will be utilized.

11. Payment of overtime pay of various employees and honorarium of the Bids and Awards Committee (BAC) members were not subjected to withholding tax thus, depriving the government of additional funds.

We have reiterated our recommendation to the management to require the accounting department to ensure that withholding taxes are deducted from payments of compensation in accordance with the above-mentioned regulations and the same are remitted to the BIR within the prescribed period.

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

	Suspensions	Disallowances	Charges
Balance, Dec. 31, 2015	2,423,614.89	3,535,824.15	0.00
Issued	0.00	220,000.00	0.00
Settled	0.00	0.00	0.00
Balance, Dec. 31, 2016	<u>2,423,614.89</u>	<u>3,755,824.15</u>	<u>0.00</u>

**G. STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Status of Implementation	Quantity
Fully Implemented	3
Partially Implemented	18
Not Implemented	4