

EXECUTIVE SUMMARY

I. INTRODUCTION

The town of Tayug got its unique name not from people who were influential of from name of saints but from a very tall tree that once grew in the heart of the town, the bacayao tree was so tall that in Ilocano they call it “Layug”. In view of the difficulty of the people to pronounce the letter “L” they change it to letter “T” by common usage. Hence, the name Tayug came about.

Tayug is a third class municipality composed of twenty one (21) barangays with a total land area of 5,130 hectares. According to the 2010 census, it has a population of 40,018 people. Farming and livestock production are the major industrial form where people derived their income. It is presently under the leadership of Honorable Atty. Tyrone D. Agabas.

The local government unit is manned by 201 officials and employees scattered in the different offices, to wit:

	Number
Elective	10
Regular/Permanent	96
Consultants	5
Casuals	6
Temporary	2
Co-terminus	7
Job Order	<u>75</u>
Total	<u>201</u>

Tayug’s strategic location in relation to other towns in Eastern Pangasinan, coupled with its rich resources, is a growing commercial town. It has also gained reputation as the education center of Eastern Pangasinan due to the presence of two colleges in the Municipality.

II. Financial Condition

Presented below are the financial position, sources of funds, appropriations and obligations of the Municipality of Tayug for the year 2016:

	2016	2015	Increase (Decrease)	%
Assets	165,974,410.80	144,131,990.60	21,842,420.20	15.15%
Liabilities	38,726,905.69	39,911,862.06	-1,184,956.37	-2.97%
Government Equity	127,247,505.11	104,220,128.54	23,027,376.57	22.09%
Revenue	118,333,545.83	106,752,264.33	11,581,281.50	10.85%
Expenses	90,098,133.55	79,728,530.85	10,369,602.70	13.01%

Appropriations	84,452,675.00	76,978,707.00	7,473,968.00	9.71%
Obligations	95,229,581.60	90,400,465.26	4,829,116.34	5.34%

III. Operational Highlights

PROJECT TITLE	PROJECT COST	STATUS
1. Construction/Rehabilitation of Drainage Canal at Poblacion A,B,C,D and Brgy. Carriedo	P 3,716,242.55	On-going 100% Validated
2. Tayug Resettlement Project	12,089,985.00	On-going 100% Validated
3. Construction of Tayug Municipal Plaza	4,993,996.12	On-going 100% Validated

IV. Scope of Audit

The audit covered the accounts and operations of the Municipality of Tayug for the year 2016 to determine whether management present fairly the financial statements in adherence to the generally accepted accounting principles of the Philippines; whether prevailing laws, rules and regulations have been complied with; and whether funds were utilized in the most efficient, effective and economical manner. Financial, compliance and value for money (VFM) audits were conducted to achieve these audit objectives.

V. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on financial statements as the validity and correctness of the Property, Plant and Equipment (PPE) account having a gross value of P 114,149,028.80 could not be ascertained due to the non-submission of physical inventory report and absence of property ledger cards to support these assets.

Owing to the inadequacy of records for the account affected mentioned above, we were unable to apply other alternative audit procedures in validating the correctness of the year-end account balance.

VI. Significant Audit Observations and Recommendations

Summarized below are the significant audit findings and the corresponding recommendations which were discussed with Management during the exit conference. Favorable findings include:

(1) the municipality complied with GSIS policies. For the monthly personal share of employees and the contribution for employer's share covered by GSIS, Section 6(b) of Republic Act No.8291, otherwise known as GSIS Act of 1997 mandates that these shall be remitted within the first ten days of the calendar month to which the contribution apply;

(2) the actual collections of the Municipal Treasurer has surpassed the estimated collections for three consecutive years (2014-2016), resulting to more funds available to be utilized by the municipality for its programs, projects, and activities. In 2014, the municipality had ₱ 3,441,644.91 over collections, in 2015, they had ₱ 4,359,651.26 over collections; and in 2016 they had ₱ 7,804,425.09. The positive variances show that the municipality has effective collection methods;

(3) the Municipality withheld from personnel salaries as well as taxes due from suppliers and creditors and accordingly remitted the same to the Bureau of Internal Revenue. The taxes withheld in December 2016 were remitted in January 2017;

(4) Full Disclosure Policy as contained in DILG Memorandum Circulars was observed by the municipality in their operations pursuant to DILG Memorandum Circular No. 2010-83;

(5) Collections were deposited intact and promptly with the authorized depository bank of the Municipality, which is in conformity with the provisions of Section 69 of PD 1445, thus minimizing the risks associated with collections such as loss, misapplication or improper utilization of government funds;

(6) The Petty Cash Fund was kept under the imprest fund system, which was in conformity with Section 48, Volume 1 of the New Government Accounting System.

Management comments were incorporated in the report, where appropriate.

- 1. The validity, accuracy, and existence of Property, Plant, and Equipment having a gross value of P 114,149,028.80 cannot be verified due to the absence of physical inventory report and PPE ledger cards which is contrary to the provisions of Section 124 of Volume I and Section 13 of Volume II of the Manual on the New Government Accounting System.**

We have recommended the management to strictly adhere to the provisions of the Manual on New Government Accounting System in keeping and managing of government properties. They should conduct physical inventory of government properties regularly and prepare and update the required reports needed to aid in verifying the PPE balances and to determine whether the PPE is serviceable or

unserviceable. They should also maintain subsidiary records and Property Card to facilitate periodic reconciliation of the Report on the Physical Count of Property, Plant and Equipment with the books of accounts. Also, we have recommended the management to recognize the utilized portion of on-going infrastructure projects thru the Construction-in-Progress Account which form part of Property, Plant, and Equipment.

2. Mandatory requirements and provisions of Republic Act 9184 and its Implementing Rules and Regulations were not strictly adhered to in some of the local government unit's procurement transactions, which may place the government in disadvantageous situations.

We have recommended that the Local Chief Executive should require the Bids and Award Committee together with the BAC Secretariat and the Technical Working Group Members to strictly observe and adhere to all the provisions of the Implementing Rules and Regulations of Republic Act 9184 on all their procurement transactions. Also, they should invite in writing, at least three observers from Commission on Audit, from duly recognized private group, and from Non-government Organization in all stages of the procurement process to enhance transparency of the process. We have also recommended that copies of all contracts, preparatory requirements, and their supporting documents of procurement activities should be submitted as separate set of documents to our office within five (5) working days upon perfection of the contract in compliance with COA Circular No. 2009-001.

3. Cash advances totaling P7, 518,198.69 remain unliquidated as of the year ended 2016 which is not in consonance with Item 5.8 of COA Circular 97-002, Item 1.2 of COA Circular 2012-001, and Section 89 of Presidential Decree 1445, resulting to huge balance of Due from Officers and Employees.

We have recommended that the authorizing officer strictly adhere to the above-cited provisions in granting cash advances. We also recommended that all officers or employees liquidate their cash advances within the periods cited in item 1.2 in COA Circular 2012-001. If not liquidated within the specified period, we have recommended that the agency withhold the salaries and/or other benefits of the concerned officers or employees as provided for under Section 5.1.3 of COA Circular No. 97-002 and/or, file appropriate administrative and criminal actions against the officials or employees if necessary, and no granting of additional cash advances to officials or employees unless their previous cash advances were liquidated, and limit the grant of cash advance to elected officials for their travelling expenses and allowances only. We have also recommended the accounting unit to rectify the balance of "Due from Officers and Employees" by reclassifying the balances which are more appropriately recorded to the account "Advances for Officers and Employees".

Other audit observations and recommendations are discussed in the Part II of this report.

VII. Summary of Total Suspensions, Charges, and Disallowances

Particulars	Balance as of December 31, 2016	
	Prior to 2009 RRSA	2009-2016
Suspensions	₱ -	₱ -
Charges	₱ -	₱ -
Disallowances	₱ 824,356.92	₱ -

VIII. Status of Implementation of Prior Years' Audit Recommendations

Status of Implementation	Quantity
Fully Implemented	2
Partially Implemented	3
Not Implemented	10