

## EXECUTIVE SUMMARY

### A. Introduction

The aborigines that dominated this settlement, a region of complex tribes, were the black kinky-haired negritos or aetas. During the 17<sup>th</sup> century, the Spanish Missionaries founded an ethnic group known as the Gaddangs, who were feared for their valor courage. This tribe was ruled by a chief name Gaddanan, a furious warrior and protector captivated the heart of his followers. As a gesture of reverence and utmost respect to perpetuate his name, this settlement was called **ANGADANAN**, a name somewhat associated with Gaddanan, the gaddang chief.

The town of Angadanan was officially established on October, 1976, under the advocacy of Nuestra Señora de Atocha de Angadanan. Don Jose de Tagle, the last Gobernadorcillo during the Spanish regime, was the first Presidente Municipal of Angadanan.

Angadanan is rich in natural resources, historical heritage, legends and traditions. It has a total land area of 20,440 hectares, 60% are devoted in agricultural crop production and with a total projected population of 44,783. A 3<sup>rd</sup> class Municipality composed of 59 Barangays.

At Present, the Municipality of Angadanan is under the leadership of the **Honorable Mayor Lourdes S. Panganiban and Municipal Vice-Mayor Diosdado Siquian**. The Municipality has 13 interacting offices and also blessed with national government agencies extending their support to the Municipality, majority of the personnel assigned are engaged in educating the youth, keeping peace and order, technology transfer and other economic services vital to community development.

As of December 31, 2016, the Municipality has a total personnel complement of 155, broken down as follows:

Nature of Employment	Number
Permanent	76
Elected	12
Casual/Contractual/ Temporary	67

### B. Financial Highlights

Presented below is the comparative information of the financial condition and results of operation of the Municipality for calendar years 2016 and 2015:

		2016		2015		Increase (Decrease)
Assets	₱	124,877,394.48	₱	107,961,387.42	₱	16,916,007.06
Liabilities		49,695,660.98		58,591,900.03		(8,896,239.05)

Government Equity	75,181,733.50	49,369,487.39	25,812,246.11
Income	112,583,014.02	101,223,518.40	11,359,495.62
Expenses	87,420,570.08	78,889,175.04	8,531,395.04
Net Income	25,044,443.94	22,334,343.36	2,710,100.58

**C. Scope of the Audit**

The audit covered the accounts and operations of the Municipality for the year 2016 and was aimed at determining whether Management presented fairly the financial statements of the Municipality in adherence to the Philippine Public Sector Accounting Standards, whether prevailing laws, rules and regulations have been complied with, and whether funds were utilized in the most efficient, effective and economical manner. A financial and compliance audit was conducted to achieve these audit objectives. The audit involves the review of operating procedures, inspections and evaluations of the agency's programs and projects, interviews and verification. Confirmation letter was also sent to the government bank for the Cash in Bank accounts. Likewise, value for money audit was conducted to identify some of the causes of uneconomical, inefficient and ineffective practices, if any, in the current year as well as prior year's transactions for the purpose of recommending measures to correct them.

**D. Auditor's Opinion on the Financial Statements**

The Auditor rendered a Qualified Opinion on the fairness of the presentation of the financial statements of the Municipality of Angadanan, Isabela for calendar year 2016 due to the failure of the agency to conduct complete physical inventory of its PPE with a net book value of ₱35,742,912.00 and to prepare the required inventory report, thus, we cannot ascertain the accuracy of the amount presented. Due to inadequacy of records, we were not able to obtain sufficient appropriate audit evidence about the net book value of the PPE, by other alternative procedures and we cannot determine of any necessary adjustment to the reported amount.

**E. Summary of Significant Findings and Recommendations**

1. Cash Local Treasury account had an ending balance of P 76,382.35 as of December 31, 2016, an indication that collections were not deposited intact and daily or not later than the next banking day to the authorized government depository bank which is contrary to the provision of Section 32, Vol. I of Manual on New Government Accounting System (MNGAS).

We recommended that the Municipal Treasurer strictly comply with the provision of Section 32, Volume I of the MNGAS whereby all collections must be deposited intact and daily or not later than the next banking day to the authorized government depository bank.

2. Cash advances to Officers and Employees amounting to P 3,943,817.65 remained unliquidated as of December 31, 2016 even if the purpose to which it was granted have already been served in violation of COA Circulars Nos. 97-002 and 2009-002, thereby resulting to overstatement of assets and understatement of expenses and failure to validate/verify the propriety of the transactions thus exposing the government funds to the risks of possible misuse and inaccuracy of account classification.

We recommended that the Management strictly comply with COA Circular Nos. 97-002 and 2009-002 and instruct the Municipal Accountant to send demand letters to officials and employees with outstanding cash advances or settle the total amount of P 3,943,817.65 within the time frame stated in the Circular, otherwise, advise the Municipal Treasurer to withhold salaries of accountable officers who failed to liquidated their outstanding cash advances.

3. The requirement of Philippine Public Sector Accounting Standards (PPSAS) No. 12 in recording procurement and utilization of supplies was not faithfully adhered to, resulting in unreliable balance of Inventory and Expenses accounts totaling ₱ 25,205.00 and ₱ 1,282,008.14 respectively.

We recommended that the Management (a) require the Municipal Accountant to adopt the accrual method of accounting for inventories pursuant to PPSAS 12 and (b) direct the Supplies Custodian to maintain a central stockroom to accommodate the supplies and materials procured for distribution to end-users and prepare the Monthly Summary of Supplies and Materials Issued duly supported by Requisition and Issue Slips from end-users for submission to the accounting office for proper recording.

4. Multiple cash advances were granted to the Disbursing Officer, hence allowing him to handle huge amounts of cash for payment of payroll which could lead to possible loss, misuse and misappropriation and may also result to the delay in the liquidation thereof.

We recommended that the Management adopt a system of payroll payment through the Automated Teller Machine (ATMs) of banks which would result in:

- a. Convenience on the part of the Management since payroll payments are distributed from the payroll account maintained in an authorized government depository bank to the individual accounts of the employees;
- b. Convenience on the part of the employees since payrolls can be withdrawn anytime in ATM during their free time;
- c. Decreases if not eliminates the risk of loss or misapplication of funds;
- d. Reduces cash advances handled by the Disbursing Officer;

- e. On time liquidation of cash advances.
5. Disbursements on cash advances for local travels were not supported with the necessary documents contrary to the provision of Section 4 (6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2014, hence, there is doubt as to the legality, propriety and validity of these transactions.

We recommended that the Management strictly comply with the provisions of COA Circular No. 2012-001 regarding the documentary requirements for common government transaction to establish the legality, propriety, and validity of the disbursements to avoid suspensions thereof in post-audit.

6. The validity, correctness and existence of the Property, Plant and Equipment amounting to ₱ 35,742,912.00 could not be ascertained due to the failure of the Municipality to conduct a complete physical inventory, reconcile with the books, prepare the necessary report of RPCPPE and maintain property cards of each municipal's property as required in Section 124 and 119 of NGAS.

We recommended that Management create an Inventory Team for the conduct of the inventory or require the GSO to conduct a complete physical inventory of property, prepare the required RPCPPE and reconcile the inventory report with the accounting records. In addition, COA Circular Nos. 2003-007, 2004-003 and 2005-002 should be considered in the preparation of the inventory report. The Municipal Accountant and the GSO should prepare and maintain the PPE ledger cards and property cards for proper identification of PPE and to provide assurance that account balances are fairly presented. Finally, the requirements of Section 119 and 124 of the NGAS Manual Vol. 1 should be strictly followed to safeguard the assets of the municipality.

**F. Summary of total Suspensions, Disallowances and Charges as of year-end**

The Status of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2016 is presented as follows:

	Beginning Balance	Current year		Ending Balance
		NS/ND/NC	NSSDC	
Suspensions	₱0.00	₱0.00	₱0.00	₱ 0.00
Disallowances	372,730.10	130,020.00	52,500.00	450,250.10
Charges	0.00	0.00	0.00	0.00
<b>Total</b>	<b>₱372,730.10</b>	<b>₱130,020.00</b>	<b>₱52,500.00</b>	<b>₱450,250.10</b>

**G. Status of Implementation of Prior Year's Audit Recommendations**

There were eight (8) audit recommendations contained in the Calendar Year 2015 Annual Audit Report, three (3) were implemented, four (4) were partially implemented leaving one (1) recommendation not implemented. Some recommendations which were partially implemented and not implemented were reiterated in this report with changes in amounts and subject to existing condition during the year.