

EXECUTIVE SUMMARY

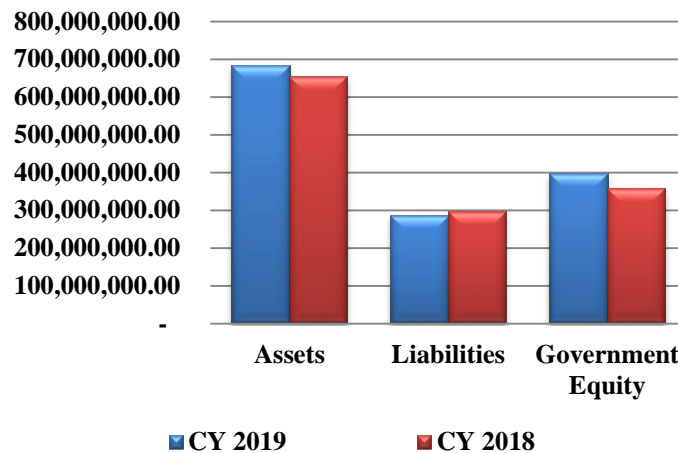
A. Introduction

The Municipality of Burgos is a 5th class municipality effective July 01, 1997 by virtue of Memorandum Circular No. 97-3 (32) dated May 17, 1997 of the Bureau of Local Government Finance, Department of Finance, Manila. It has a total area of 128.90 km² and is composed of 11 barangays with a population of 10,734 in 2019.

The municipality is under the leadership of Honorable Crescente N. Garcia as the Municipal Mayor. He is being assisted by 11 elective officials, 45 permanent, 3 co-terminus, 24 casuals and 48 job order employees or a total manpower complement of 131.

B. Financial Highlights

Total assets, liabilities and government equity of the Municipality of Burgos for Calendar Years 2019 and 2018 are shown in the following graph:



The municipality's total assets and government equity registered an increase of ₱28,817,830.15 and ₱38,651,751.96, respectively while total liabilities decreased by ₱9,833,921.81 compared with the CY 2018 figures.

The sources of income of the municipality for Calendar Years 2019 and 2018 are shown in the following table:

Accounts	CY 2019	CY 2018	Increase (Decrease)
Tax Revenue	₱ 58,479,654.36	₱ 55,825,110.32	₱ 2,654,544.04
Service Income	3,186,530.90	2,403,788.13	782,742.77
Business Income	1,762,077.27	2,279,863.43	(517,786.16)
Other Income and Receipts	518,518.01	348,735.00	169,783.01

Share from IRA	70,207,261.00	64,266,070.00	5,941,191.00
Share from Tobacco Excise Tax	0.00	34,328,573.00	(34,328,573.00)
Share from National Wealth	3,003,268.52	3,010,922.68	(7,654.16)
Share from PCSO	23,191.49	146,125.73	(122,934.24)
Subsidies, Grants & Donations	12,287,226.34	24,935,574.27	(12,648,347.93)
TOTAL	<u>₱ 149,467,727.89</u>	<u>₱ 187,544,762.56</u>	<u>₱ (38,077,034.67)</u>

For Calendar Year 2019, there was a decrease in the total income amounting to ₱38,077,034.67 compared to last year's total income. This is mainly because no share from Tobacco Excise Tax was received by the municipality in 2019 and the significant decrease in Subsidies, Grants and Donations amounting to ₱12,648,347.93.

The Personnel Services (PS) and Maintenance and Other Operating Expenses (MOOE) composed the majority of the expenses of the municipality amounting to ₱50,957,455.01 and ₱40,048,918.83, respectively. The non-cash expenses of the municipality pertain to depreciation and amortization expenses which has a total amount of ₱17,826,420.94 while the municipality's financial expenses pertain to the taxes withheld on interest income totaling to ₱48,932.82.

C. Operational Highlights

To realize the Agency'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 2019; to wit:

Particulars	Targets	Status
Construction of Flood Control Dike (Binyadora Creek)	₱ 1,996,067.48	Completed
Continuing Rehabilitation of Paayas-Bobon-Bayog Linking Road	2,938,302.39	Completed
Construction of Municipal Hall (North Wing)	9,946,184.16	Completed
Rehabilitation of Irrigation Canals of CIS	3,783,454.56	Completed
Rehabilitation of Tanap-Nagsurot Irrigation Road	3,984,644.11	Completed
TOTAL	<u>₱ 22,648,652.70</u>	

D. State Auditor's Report on the Financial Statement

The Auditor rendered a qualified opinion on the fair presentation of the financial statements because (1) the accuracy, validity and reliability of the "Road Networks"

account with a reported balance of ₱58,435,387.55 as at December 31, 2019 could not be established due to a huge discrepancy of ₱231,025,812.45 between the report submitted by the Municipal Engineer and the accounting records which is not in conformity with the provisions of COA Circular No. 2015-008 dated November 23, 2015; and (2) the total balances of the municipality's movable Property, Plant and Equipment per general ledger amounting to ₱87,363,188.05 does not reconcile with the balances shown in the Report on Physical Count of Property, Plant and Equipment (RPCPPE) thus, the management's assertion on accuracy and reliability of the balances reported could not be established and thereby affecting the fair presentation of the financial statements as at year-end.

E. Summary of Significant Audit Observations and Recommendations

The comments and observations embodied in this report were discussed with the concerned management officials and employees during the exit conference conducted on July 01, 2020. Management's comments are included in the report, where appropriate.

1. Accuracy, validity and reliability of the "Road Networks" account with a reported balance of ₱58,435,387.55 as at year-end could not be established due to a huge discrepancy of ₱231,025,812.45 between the report submitted by the Municipal Engineer and the accounting records which is not in conformity with the provisions of COA Circular No. 2015-008 dated November 23, 2015 thereby affecting the fair presentation of the year-end financial statements.

We recommended that Management:

- (a) oblige the Inventory Committee to promptly conduct physical inventory count of road network system and submit the Report of Physical Count of Local Road Network in prescribed format;
 - (b) instruct the Property Officer – Designate to prepare the Report of Local Road Network and identify each road component;
 - (c) require the Municipal Engineering Office to provide the Municipal Accountant and Property Officer – Designate with the complete description and cost segregation of road components for road projects to facilitate the preparation of the required documents from the offices concerned;
 - (d) remind the Municipal Accountant to disclose the Road Networks in the Notes to Financial Statements following the prescribed format; and
 - (e) enjoin all the officials and employees concerned to comply with the requirements of COA Circular No. 2015-008 to properly support the reported balance of "Road Networks" account in the year-end financial statements.
2. Total balances of the municipality's movable Property, Plant and Equipment per general ledger amounting to ₱87,363,188.05 does not reconcile with the balances

shown in the Report on Physical Count of Property, Plant and Equipment (RPCPPE) thus, the management's assertion on accuracy and reliability of the balances reported could not be established and thereby affecting the fair presentation of the financial statements as at year-end.

We reiterated to recommend that Management require the Property Officer – Designate to conduct a complete physical count of all the movable assets belonging to the municipality and prepare properly the Report of Physical Count of Property, Plant and Equipment by classifying the properties counted according to its type. Also, we recommended that after the inventory taking, the Property Officer – Designate reconcile the result of the physical count with the accounting records and exert more effort in determining all discrepancies between physical and book inventories, if any. These shall be investigated, cleared and reconciled immediately.

3. Livelihood Development Program of the Municipality was not thoroughly evaluated as to its viability and sustainability thus, may lead to wastage of government funds and possible disallowance, if warranted.

We recommended that Management carefully evaluate the viability and sustainability of the Livelihood Development Program by taking into consideration its profitability, productivity and effectiveness to avoid wastage of government funds and discontinue the implementation of the program, if found unsustainable to avoid possible disallowance.

Other audit observations and recommendations, including management's comments, where appropriate, were discussed in Part II of this report.

F. Summary of Total Suspensions, Disallowances and Charges as at December 31, 2019

The total unsettled audit suspensions, disallowances and charges as at December 31, 2019 amounts to ₱3,558,000.00 consists of the following:

Notice of Suspensions	₱	0.00
Notice of Disallowance		3,558,000.00
Notice of Charges		0.00
Total	₱	<u>3,558,000.00</u>

G. Status of Prior Years' Audit Recommendations

Out of the 16 audit recommendations embodied in the 2018 Annual Audit Report (AAR), 13 were implemented, one was partially implemented and two were not implemented by the Municipality during the year. Likewise, in the 2017 AAR, five audit recommendations were implemented, three were partially implemented and two were not implemented.