

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Municipality is a 4<sup>th</sup> 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. For the first semester, it was under the management of former Acting Mayor Hon. Rofel R. Pambid and for the second half of the year, it was under the administration of Hon. Antonio V. Mariano assisted by the Hon. Vice Mayor Hilario B. Lorenzo, 10 other elective officials and 36 permanent, 1 co-terminus and 70 job order employees.

### B. FINANCIAL HIGHLIGHTS

Total assets, liabilities and government equity of the Municipality of Marcos for Calendar Year 2019 and 2018 are shown below:

Accounts	2019	2018	Increase (Decrease)	Percentage
Assets	₱612,414,109.31	₱524,671,460.19	₱ 87,742,649.12	16.72%
Liabilities	133,337,259.24	120,143,411.01	13,193,848.23	10.98%
Net Assets/Equity	479,076,850.07	404,528,049.18	74,548,800.89	18.43%

The Municipality's total assets, liabilities and government equity registered increases of 16.72%, 10.98% and 18.43%, respectively compared with 2018 figures.

The sources of income of the Municipality for Calendar Year 2018 and 2017 are shown below:

Sources of Income	2019	2018	Increase (Decrease)	Percentage
Tax Revenue				
Property	₱ 1,423,437.13	₱ 1,579,330.48	(₱ 155,893.35)	( 9.87%)
Goods and Services	1,482,297.64	1,626,399.01	( 144,101.37)	( 8.86%)
Other Local Tax Revenue	630,929.43	506,669.83	124,259.60	24.52%
Service Income	1,739,408.47	1,658,899.16	80,509.31	4.85%
Business Income	1,168,738.72	1,142,624.66	26,114.06	2.29%
Other Income and Receipts	591,837.81	739,861.79	(148,023.98)	(20.01%)
<b>Total Local Taxes</b>	<b>₱ 7,036,649.20</b>	<b>₱ 7,253,784.93</b>	<b>₱ ( 217,135.73)</b>	<b>(2.99%)</b>
Share from Internal Revenue Allotment	74,100,217.00	67,823,664.00	6,276,553.00	9.25%
Share from Tobacco Excise Tax	91,076,503.00	138,776,920.00	(47,700,417.00)	(34.37%)
<b>Total Income</b>	<b>₱172,213,369.20</b>	<b>₱213,854,368.93</b>	<b>(₱41,640,999.73)</b>	<b>(19.47%)</b>

For Calendar Year 2019, there was a decrease of total income of ₱41,640,999.73 or 19.47% compared to last year's total income of ₱213,854,368.93. This was mainly due to the decrease in the Share from Tobacco Excise Tax by ₱47,700,417.00 and collections from local taxes by ₱217,135.73 or 2.99% which include the collections from Real Property Tax, Tax on Sand, Gravel and Other Quarry Products and Miscellaneous Income and Receipts.

The total expenses for 2019 and 2018 is broken down as follows:

<b>Expenses</b>	<b>2019</b>	<b>2018</b>	<b>Increase (Decrease)</b>	<b>Percentage</b>
Personal Services	₱ 39,108,271.19	₱ 27,884,909.66	₱11,223,361.53	40.25%
Maintenance and Other Operating Expenses	53,373,592.53	26,218,445.84	27,155,146.69	103.57%
Financial Expenses	0.00	66,957.69	( 66,957.69)	(100.00%)
<b>Total Expenses</b>	<b>₱ 92,481,863.72</b>	<b>₱ 54,170,313.19</b>	<b>₱38,311,550.53</b>	<b>70.72%</b>

Total expenses for the year amounted to ₱92,481,863.72. There was an increase of ₱38,311,550.53 or 70.72% compared to last year's expenses of ₱54,170,313.19 due to the increase in all items of expenditures during the year.

To implement its programs, projects and activities for Calendar Year 2019, the Agency's Annual Budget provided an appropriations, both the General Fund and Special Education Fund of ₱96,970,342.65 which was released for allotment. Total continuing appropriations totaled ₱14,272,958.02.

### **C. OPERATIONAL HIGHLIGHTS**

Among the major accomplishments of the municipality are the following:

<b>Projects/Programs/Activities</b>	<b>Source of Fund</b>	<b>Amount</b>	<b>Accomplishments</b>
Concreting of FMR with Road Opening at Sitio North Parola-Casapangan, Barangay Lydia	RA 7171	8,466,772.47	100%
Concreting of FMR at Sitio Mangato-Caniogan, Barangay Imelda	RA 7171	8,254,097.35	100 %
Concreting of FMR at Sitio Lubong, Barangay Mabuti	RA 7171	7,988,977.59	100 %
Construction of Sanitary Toilet and Hygiene Facilities at Escoda, Imelda and Fortunato Daquioag Elementary Schools	AM	3,584,269.08	100 %
Construction of Multi-Purpose Hall at Marcos Central Elementary School	20% MDF	2,497,789.94	100 %

## **D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the Municipality of Marcos, Ilocos Norte as of December 31, 2019 because of the inability of the Municipal Treasurer/Property Custodian to complete the physical count and submit the corresponding report of the physical inventory taking of all properties of the Municipality for CY 2019 totaling ₱73,524,098.61 (net book value); the correctness of the reported balances of thirty-eight accounts is doubtful due to the absence of supporting schedules and 3) the non-provision of depreciation on several items under the PPE accounts.

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

### **Favorable Observations**

- ❖ Best Local Government Units, Gender and Development Initiative, Pantawid Pamilyang Pilipino Program, Partnership Summit 2019.
- ❖ Rank 2 (4<sup>th</sup> to 6<sup>th</sup> class Municipality Category) in the 2018 Local Legislative Assessment conducted by the Philippine Councilors League- Ilocos Norte Chapter in partnership with the Department of Interior and Local Government.
- ❖ Good Financial Housekeeping Passers of Region I for 2019.

However, the other significant audit observations with the corresponding recommendations which need to be corrected or improved are as follows:

1. Due to non-action of the Municipal Treasurer/Property Custodian to complete the physical count and submit the corresponding report of the physical inventory taking of all properties of the Municipality for CY 2019 totaling ₱73,524,098.61, reconciliation and verification of the physical inventory against the controlling accounts could not be undertaken thus, reliability and correctness of balances of these accounts in the financial statements could not be totally relied upon. Likewise, unserviceable properties totaling ₱3,378,673.90 were still carried in the books.

We recommended that the Local Chief Executive direct the Municipal Treasurer/Property Custodian to complete the physical count of its properties and submit the corresponding report of the physical inventory taking in a prescribed Report on the Physical Count of Property, Plant and Equipment (RPCPPE) in order to establish existence, condition of assets, and serve as basis to update and reconcile records against the actual physical inventory from that of the general ledger balances. Also, reclassify Property, Plant and Equipment into their respective account codes classification in the Property Inventory Report for easy comparison with the General Ledger and Subsidiary Ledger balances. Impose necessary sanctions on failure to submit the required report.

2. Thirty-eight accounts under the General Fund, Special Education Fund and Trust Fund were not supported with schedules showing the complete details thereby, precluding the Auditor from conducting review and analysis of the controlling accounts.

We recommended that the Local Chief Executive require the Accounting Office to submit complete supporting schedules for all accounts presented in the financial statements to facilitate the Auditor in the conduct of review and analysis of these accounts in order to have accurate balances of the reported accounts in the financial statements.

3. Several items under the Property, Plant and Equipment accounts were not provided for any provision for depreciation during the year thus, understating the expense and Government Equity accounts at year end. Also, the reliability and accuracy of the recorded accumulated depreciation accounts amounting to ₱69,099,375.46 in the books of account could not be ascertained for failure of the Municipal Accountant to submit a lapsing schedule on depreciation expenses for each category of property and equipment thus, casting doubts on the fair presentation of the financial statement at year end.

We recommended that the Municipal Accountant provide depreciation for all its depreciable assets in order to present fairly the financial statements of the Municipality at year-end. Further, we recommended that the Municipal Accountant be guided by PAS 16 and COA Resolution No. 89-17 dated March 17, 1989 in assessing these properties. Furthermore, we recommended that the Municipal Accountant regularly prepare the lapsing schedule of all PPE accounts in order to have a control and keeps detailed track of each fixed asset and to reflect the correct data in the financial statements.

#### **F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF DECEMBER 31, 2019**

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 Notice of Suspensions, Disallowances and Charges issued during the year. Also, there were no settlements made as of December 31, 2019 on the disallowance totaling ₱551,613.27.

#### **G. STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Out of 34 audit recommendations embodied in the 2018, 2017, 2016, 2015, 2014, 2013, 2010 and 2008 Annual Audit Reports, 14 were implemented, 12 were partially implemented, and 8 were not implemented during the period. Unimplemented audit recommendations are reiterated in Part II of the report and no longer appear in Part III to avoid duplication.