

## EXECUTIVE SUMMARY

### INTRODUCTION

Balingoan is a 5<sup>th</sup> class municipality in the province of Misamis Oriental, Philippines and politically subdivided into nine (9) barangays. Formerly part of Talisayan, a neighboring municipality. It gained independence from its mother town by virtue of R.A. 4190 signed by the president Elpedio R. Quirino on February 1, 1952.

Balingoan is 82 kilometers east Misamis Oriental. Being the gateway to Camiguin Island, it could be reached by PUB or any means of transportation especially private vehicles. It has an area of 3,703.8790 square kilometers.

There are four coastal barangays along the highway namely San Alonzo, Bauk-Bauk, Lapinig and Mantangale. Five barangays are in the Hinterland namely, Kauswagan, Kabulakan, Kabangasan, Mapua and Dahilig.

The main livelihood in the municipality are farming and fishing. There are also informal sectors as there are business establishments and port workers at the pier.

### FINANCIAL HIGHLIGHTS

The highlights of the financial operation of the municipality are as follows:

	CY 2016	CY 2015	Increase (Decrease)	%
<b>a. Financial Condition</b>				
Assets	64,601,879.00	49,365,431.00	15,236,448.00	31%
Liabilities	30,761,420.00	14,585,738.00	16,175,682.00	111%
Government Equity	33,840,459.00	34,779,693.00	(939,234.00)	-3%
<b>b. Results of Operations</b>				
Income	51,278,244.00	46,326,954.00	4,951,290.00	11%
Expenses	44,868,117.00	40,372,540.00	4,495,577.00	11%
Net Income	6,410,127.00	5,954,414.00	455,713.00	8%

### OPERATIONAL HIGHLIGHTS

For Calendar Year 2016, major accomplishments of the agency included the following:

<b>Project</b>	<b>Amount</b>	<b>Status</b>
Construction of San Alonzo-Baukbauk Access Road	3,532,579.20	Completed
Concreting of Mapua-Dahilig Road (FMR)	3,333,335.00	Ongoing
<b>TOTAL</b>	<b><u>6,865,914.20</u></b>	

## **SCOPE OF AUDIT**

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Balingoan, Misamis Oriental for Calendar Year 2016. The audit consisted of review of operating procedures, interview and inquiry of concerned agency personnel, verification, reconciliation and analysis of accounts and such other procedures considered necessary. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

## **INDEPENDENT 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 Balingoan as of December 31, 2016 due to prior and current year cash advances amounting to P903,155.00 that remained unliquidated/unsettled as of December 31, 2016, thus exposing the unexpended amounts to risks of loss or misuse, depriving the government from the use thereof for other important projects and resulting to the overstatement of assets and understatement of expenses accounts.

## **SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

The following are the summary of the significant observations and recommendations noted in the evaluation of the agency's operations. The audit findings and recommendations were officially communicated through audit observation memorandum.

- 1. Prior and current year cash advances totaling P903,155.00 remained unliquidated/unsettled at year end in violation of Section 89 of PD 1445 and COA Circular No. 97-002, thus exposing the unexpended amounts to risks of loss or misuse, depriving the government from the use thereof for other important projects and resulting to the overstatement of assets and understatement of expenses accounts.**

We recommended that Management direct the Municipal Accountant to exert effort and install strategies to fast tract settlement/liquidation of cash advances thru the following remedial measures:

- c) Payment of salaries of concerned officials/employees should not be paid unless cash advances are fully settled.
- d) Demand letters should be issued to concerned officers/employees and disciplinary actions should be imposed to those with long overdue accounts. In case of failure to settle their accountabilities, cause the withholding or suspensions of their salaries or any emoluments due them.

2. **The continued failure of the Agency to conduct physical inventory of its booked and previously identified unbooked Property, Plant and Equipment contrary to Section 124 and Section 114 paragraph 2 and 3 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I, thus, existence and correctness of property accounts appearing in the Financial statements could not be ascertained.**

We reiterated our recommendation that the Local Chief Executive should require the inventory committee to conduct complete physical inventory of property to ascertain the validity and correctness of the account balance in the financial statements and submit a report thereon to the Auditor concerned, in accordance with Section 124 of the Manual on NGAS, Volume I.

We also recommended that the Local Chief Executive should require the Municipal Treasurer and Accountant to maintain and update their property cards and equipment ledger cards, respectively, to facilitate the inventory taking and reconciliation between the property and accounting records. Likewise, Acknowledgement Receipt for Equipment (ARE) should be issued to officials and employees to pinpoint accountability and responsibility.

3. **Taxes withheld totaling P226,773.69 for all funds were not remitted in accordance with existing revenue regulations due to the failure of the Accounting Office to reconcile actual monthly remittances of withholding taxes with the amounts withheld per accounting records, thereby depriving the BIR the use of the amount which could have accrued to the general welfare of the public.**

We recommended that Management instruct the Accountant to undertake the immediate reconciliation of all remittances against taxes withheld and correspondingly remit to BIR all overdue amounts to avoid personal liability for penalties and surcharges that may be imposed due to non-compliance with revenue regulations. If prior reconciliation cannot be made within the month, this should be done immediately on the succeeding month so that any under/over remittance may be accordingly remitted/adjusted, in which case only the current month will remain unreconciled. If this is practiced, unremitted amounts would not accumulate to bigger amounts, which the national government could have utilized in much needed projects had the amounts been remitted on time.

4. **Payments for traveling expenses of the Sangguniang Bayan Members dated March 3, 2016 in the total amount of P 120,738.00 for the PCL End-term National Assembly were made with incomplete supporting documents in violation of Section 4 (6) of Presidential Decree (PD) No. 1445 and Section 9 of COA Circular No. 2012-001, thereby casting doubt on the legality, regularity and propriety of the transaction.**

We recommended that Management direct the Officials concerned to immediately submit the complete documentation to support the payment of their traveling expenses pursuant to P.D. No. 1445 and COA Circular No. 2012-001, otherwise, payments thereof will be suspended or disallowed.

We further recommended that Management should enforce strict compliance with Section 4 (6) of Presidential Decree No. 1445 and COA Circular No. 2012-001 which require complete documentation of the transactions.

5. **Disbursements for fuel, oil and lubricants amounting to P108,316.77 were not supported with complete documentation contrary to Section 4 (6) of Presidential Decree No. 1445 and to the rules and regulations on fuel consumption of government vehicles under COA Circular No. 77-61, thus, casting doubt on their validity, legality and propriety.**

We recommended that Management direct the Municipal Accountant to submit the required supporting documents as listed in Annex 2. Otherwise, the payments thereof shall be disallowed.

We also recommended that all disbursements by the Municipality should be supported with complete documentation and strictly enforce complete and proper accomplishment of drivers' trip tickets to support payments of gasoline, oil and lubricants to minimize wasteful, excessive and unnecessary expenditures for fuel consumption.

6. **The Municipality did not submit the Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) and the Report on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF) as required under COA Circular No. 2012-002 dated September 12, 2012, thus projects/activities funder by LDRRMF could not be evaluated and monitored.**

We recommended that for evaluation and monitoring purposes, Management direct officials concerned to prepare and submit the Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) as required under COA Circular No. 2012-002 dated September 12, 2012 indicating the 30% allocation of QRF and the allocation for disaster mitigation, prevention and preparedness showing the projects and activities to be funded.

We also recommended that Management require the Municipal Accountant to prepare the Report on Sources and Utilization of DRRMF using the prescribed format in COA Circular No. 2012-002 and require the Local Disaster Risk Reduction and Management Officer (LDRRMO) to submit such report on or before the 15th day after the end of each month to the COA Auditor through the LDRRMC and the Local Development Council.

- 7. Purchase orders of the agency covering the procurement of goods amounting to P603,609.85 were not accomplished properly and were not conformed/accepted by the supplier, contrary to COA Circular No. 96-010 and Manual on NGAS for LGUs, thus adversely affecting the propriety, validity, and legality of the transactions involved.**

We recommended that Management observe the proper form of the purchase order as shown in Annex 5 and accomplish it thoroughly in the procurement of goods to provide the necessary information and basis in determining the reliability of the procurement process in compliance with COA Circular No. 96-010 and the Manual NGAS for LGUs.

We also recommended that Management should see to it that all purchase orders are conformed/accepted by the supplier and date of acceptance is indicated to prevent future disallowances.

- 8. The Municipality charged a total of P177,915.00 against the Special Education Fund (SEF) of which 136,905.00 or 77% of the amount lacks the necessary supporting documents or with documents but not properly filled up contrary to Section 4 (6) of Presidential Decree No. 1445, thus casting doubt on their validity, legality and propriety.**

We recommended that all disbursements by the Municipality should be supported with complete documentation pursuant to Section 4 (6) of Presidential Decree No. 1445 or the State Auditing Code of the Philippines.

We also recommended to correct the preparation and filling up the PO and IAR.

- 9. Wages of job orders amounting to P1,071,800.00 were paid out of the 20% Development Fund, contrary to the intended purposes of the fund as provided under DBM and DILG Joint Memorandum Circular No. 2011-1, thereby depleting it by the same amount.**

We recommended that Management immediately stop the practice of using the 20% development fund to pay the salaries/wages of job orders that are not related and/or connected with the implementation of development project. Future disbursement of the same nature will lead to the issuance of notice of disallowance.

We also recommended that Management observe the proper utilization of the 20% DF pursuant to the provisions of DILG and DBM Joint Memorandum Circular No. 2011-1 to attain the government's objectives.

## **SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2016, the amount of suspensions, disallowances and charges are P4,901,644.32, P4,402,017.12 and P0.00, respectively.

## **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Monitoring and validation of the actions taken by the management relative to the implementation of prior year's audit recommendations disclosed that of the twenty-three audit recommendations embodied in the prior year's Annual Audit Report, thirteen were fully implemented, five were partially implemented and five were unimplemented.