

EXECUTIVE SUMMARY

A. INTRODUCTION

The **Municipality of Burgos** was previously a part of Benguet. In 1920, the boundary line between La Union and Benguet was modified, hence, Burgos, known as Disdis, was reverted to La Union

Like any local government unit, the Municipality enjoys total autonomy in the management of its own affairs in conformity with the development thrusts of the national government.

Organizational Set-up

The **Municipality of Burgos, La Union** is headed by Honorable Mayor Robert B. Madarang Jr. He is assisted by Honorable Vice-Mayor Isidro C. Delos Reyes and the members of the Sangguniang Bayan. During the year, the total workforce of the Municipality was forty-two (42) which consisted of the following:

Elected Officials	12
Permanent Employees	28
Co-Terminus	<u>2</u>
Total	<u>42</u>

B. FINANCIAL HIGHLIGHTS

The financial condition and results of operations of the Municipality for the calendar year 2019 as compared with that of the preceding year are as follows:

Particulars	CY 2019	CY 2018	Increase/ Decrease
<u>Financial Condition</u>			
Assets	235,625,093.05	174,391,654.18	61,233,438.87
Liabilities	22,808,095.68	20,142,618.22	2,665,477.46
Government Equity	212,816,997.37	154,249,035.96	58,567,961.41
<u>Results of Operations</u>			
Income	98,363,179.02	61,512,962.09	36,850,216.93
Expenses	73,970,588.09	58,968,774.13	15,001,813.96
Transfers (Net)	-1,078,690.71	-1,859,852.53	781,161.82
Excess of Income	23,236,253.22	684,335.43	22,551,917.79

Sources and Application of Funds			
Particulars	CY 2019	CY 2018	Increase/ Decrease
<i>General Fund:</i>			
Allotments	95,684,257.29	78,032,582.94	17,651,674.35
Obligations	72,087,081.39	58,504,976.00	13,582,105.39
Balance	23,597,175.90	19,527,606.94	4,069,568.96
<i>Special Education Fund</i>			
Allotments	411,990.40	870,000.00	(458,009.60)
Obligations	658,010.39	712,147.68	(54,137.29)
Balance	(246,019.99)	157,852.32	(403,872.31)

C. OPERATIONAL HIGHLIGHTS

The **Municipality of Burgos, La Union** through the joint efforts of all Municipal Officials and Employees had significantly accomplished its programs and projects geared towards improving the quality of life of its constituents.

The following major infrastructure projects had been implemented during the year:

Program/Project/Activity	Actual Accomplishment	No. of Projects
Construction of Deepwell powered by Solar Energy at Sitio Pangasaan, Agpay	100%	1
Purchase and Installation of Solar Streetlights at the Eco-Park Agpay	100%	1
Improvement of Swimming Pool at Eco Park	100%	1
Construction of Flood Control	100%	4
Construction of Slope Protection	100%	5
Reconstruction of Irrigation System	100%	6
Improvement of Road	100%	6
Construction of Multi-Purpose Building	100%	2
Construction of Hanging Bridge	100%	1
Construction of Stage at Burgos Central School	100%	1
Total		28

Among others, the Local Government Unit (LGU) garnered the following awards for the year 2019:

1. Seal of Good Local Governance (SGLG) Award
2. Seal of Child Friendly Local Governance Award
3. National Anti-Drug Abuse Council – 100% Performance Award
4. Peace and Order Council Rank I among 4th to 6th Class Municipalities

D. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of the **Municipality of Burgos, La Union** for the calendar year ended December 31, 2019. The audit focused on the audit thrust/areas issued by the Local Government Sector for calendar year 2019 of which some of the observations are discussed in detail in Part II. The audit was undertaken through the use of various techniques like verification, confirmation, observation, interview with concerned officials and employees and other auditing procedures considered necessary under the circumstances.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Burgos, La Union for calendar year 2019 due to the non-transfer of completed infrastructure projects totaling P10,176,519.40 from the Construction in Progress (CIP) accounts to the appropriate Public Infrastructure accounts. Likewise, CIP accounts were not reconciled against the Report on Projects, Programs, and Activities as of December 31, 2019 contrary to the provisions of COA Circular No. 2015-009 dated December 1, 2015 and IPSAS 17, thereby understating Public Infrastructures and overstating Construction in Progress accounts.

F. SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

It is worthy to commend the Municipal Government's compliance with the following:

1. Tax Laws

The Municipal Government complied with existing tax laws and regulations imposed by the Bureau of Internal Revenue (BIR), thus helping the national government in the collection of tax revenues. It regularly deducts withholding taxes on salaries and wages of officials and employees and from payments to suppliers and contractors and remitted the same to the BIR within the prescribed period.

2. Remittance of Mandatory GSIS, Philhealth and Pag-ibig Contributions and Remittance of Loan Amortizations

The Municipal Government complied with RA 8291 - the Government Service Insurance System (GSIS) Law, RA 10606 – the National Health Insurance Act of 2013 and RA 9679 – the Home Development Mutual Fund/ Pag-ibig Fund Law of 2009 on the withholding of GSIS, Philhealth and Pag-ibig premiums and loan amortizations from employees' compensation and in the remittance thereof together with the government share within the prescribed period.

However, the Audit Team noted the following audit observations and recommendations on the operations of the **Municipality of Burgos, La Union**:

- 1. Various unserviceable PPEs with a total cost of P815,192.50 were not disposed as of year-end contrary to Section 79 of Presidential Decree 1445, which may result in further damage, deterioration and/or loss of subject assets.**

We have recommended and Management agreed to:

- a. Immediately cause the disposal of the unserviceable properties in accordance with Section 79 of PD 1445; and
- b. Schedule a second public auction for the sale of the said properties. In case of failure, the property may be sold at a private or negotiated sale in accordance with the Manual on the Disposal of Government Property (National Budget Circular 425 dated January 28, 1992).

- 2. Cash advances aggregating P4,942,045.25 were granted without specific purpose for it was used to cover various disbursements of the Municipality contrary to COA Circular No. 97-002 dated February 10, 2007, thus exposing government funds to possible misuse, misappropriation or even loss through theft. Moreover, payments of honoraria, and other personnel benefits made from the said cash advances totaling P1,739,219.00 were recorded under the account Advances for Operating Expenses instead of Advances for Payroll contrary to COA Circular No. 2015-009 dated December 1, 2015 thus affecting the fair presentation of the said accounts in the financial statements.**

We have recommended that Management:

- a. Enforce strictly the rules and regulations on the granting and utilization of cash advance, pursuant to COA Circular No. 97-002 dated February 10, 1997;
- b. Pay recurring and regular disbursements other than salaries and wages through checks while petty operating expenses should be charged to the petty cash fund;
- c. Grant a separate cash advance for Payroll Fund for salaries of contract of service, honoraria and other personnel benefits; and

- d. Adhere to the provisions of COA Circular No. 2015-009 in the accounting for cash advances particularly those granted for the payment of honoraria and other personnel benefits.
- 3. Various infrastructure projects of the Municipality were subjected to inadequate post-qualification process of the Bids and Awards Committee (BAC) manifested by incomplete validation and verification of legal, technical and financial documents contrary to the provisions of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, hence exposing the Municipality to risks of delay in project implementation and/or substandard quality of work.**

We have recommended the Head of the Procuring Entity to direct the BAC to:

- a. Submit justification in declaring the contractors as Lowest Calculated Responsive Bidder despite the foregoing deficiencies noted; and
 - b. Judiciously conduct post-qualification by verifying, validating, and ascertaining all statements made and documents submitted by the bidder with the Lowest Calculated Bid and ensure that the Post-Qualification Report contains in-depth results on the verification of technical requirements.
- 4. The Burgos Waterworks System (BWS) is not yet fully institutionalize as a Local Economic Enterprise due to lack of extensive Monitoring and Evaluation (M&E) on the operation and maintenance of the completed SALINTUBIG Projects, thus resulted to the continued non-generation of positive cash flows that could have been derived from its operation.**

We have recommended Management to:

- a. Prioritize the installation of the water meters to facilitate the measurement of the volume of water delivered to a household or property;
- b. Monitor and evaluate both the physical and financial aspects of the operation of the SALINTUBIG Projects including its functionality, effectiveness and efficiency for the benefit of the intended end-users; and
- c. Prepare a reasonable work plan based from the result of the M&E activities to attain sustainability of the SALINTUBIG Projects and its eventual conversion as a local economic enterprise.

G. SUMMARY OF TOTAL SUSPENSIONS/DISALLOWANCES/CHARGES

As of December 31, 2019, the Statement of Audit Suspension, Disallowances and Charges showed a balance of ₱18,375.00.

Particulars	Balance as of December 31, 2019	
	Prior to 2009 RRSA	2009-2019
Suspensions	P 0.00	P 0.00
Charges	P 0.00	P 0.00
Disallowances	P 0.00	P 18,375.00

H. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Status of Implementation	Quantity
Fully Implemented	17
Partially Implemented	3
Not Implemented	0