

EXECUTIVE SUMMARY

A. Introduction

The first town proper of Bagabag was established in Nagcomventuan near Bangar, Bascaran, Solano and the old town of Angadanan. It was later formed in 1746 by the old town which is composed of Dagay, Dapat, Pattot, Bantay, Natanao, Palangay and Diadi.

This place was discovered on October 7, 1741 by Father Antonio Del Campo. The first priest was Fr. Luis Sierra, a Spanish missionary who came in 1743. The town was first organized in 1754 by Father Alejandro Vidal who was at the same time the Vicar Provincial. Fr. Vidal and the people seeing that Nagcomventuan was not big enough for its increasing population, transferred it to Maualat (now rice fields of Murong). Still not satisfied with the new site, they again transferred the town proper of Bagabag to its present site.

The term *Bagabag* came from the name of specie of tree called “Bag-Bag” in Gaddang. These trees grew luxuriantly one time in this locality. The word “Bag-Bag” whose accent was rather peculiar to the tongue and ears of the missionaries changed its pronunciation to plain “Bagabag” which is both pleasant to hear and easier to pronounce.

The audit covered the accounts and operations of the Municipality of Bagabag for the year 2018 and was aimed at determining whether management presented fairly the financial statements of the Municipality in adherence to the generally accepted accounting principles; whether prevailing laws, rules and regulations have been complied with; and funds were utilized in the most efficient, effective and economical manner. Financial and compliance audits were conducted to achieve these audit objectives.

B. Financial Highlights

The highlights of the financial position, financial performance, appropriations, allotments and obligations of the Municipality of Bagabag for the year ended December 31, 2019, with comparative figures for CY 2018, are as follows:

	2019	2018	Increase (Decrease)
<u>Financial Condition</u>			
Total Assets	299,163,073.47	271,984,772.69	27,178,300.78
Total Liabilities	60,376,830.78	53,798,325.47	6,578,505.31
Total Net Assets/Equity	238,786,242.69	218,186,447.22	20,599,795.47
<u>Results of Operation</u>			
Total Revenue	150,180,793.40	140,253,171.71	9,927,621.69
Total Expenses	122,749,124.95	113,779,857.25	8,969,267.70
Surplus	27,431,668.45	26,473,314.46	958,353.99

Appropriations, Allotments and Obligations			
Appropriations-Current	154,503,463.1	140,312,851.00	14,190,612.10
Appropriations-Continuing	57,289,849.84	42,990,992.12	14,298,857.72
Allotments-Current	154,503,463.10	140,312,851.00	14,190,612.10
Allotments-Continuing	57,289,849.84	42,990,992.12	14,298,857.72
Obligations-Current	120,949,703.86	109,679,804.96	11,269,898.90
Obligations-Continuing	27,987,442.75	6,776,883.33	21,210,559.42

Comparative Statement of Funds Transfer to and from NGAs, LGUs, NGOs and POs.

	2019	2018	Increase (Decrease)
Fund Transferred to Other Agencies			
Due from NGAs	25,042.29	25,042.29	-
Due from LGUs	3,400,000.00	1,962,327.10	1,437,672.90
TOTAL	3,425,042.29	1,987,369.39	1,437,672.90
Fund Received from Other Agencies			
Due to NGAs	18,528,971.46	9,229,350.92	9,299,620.54
Due to GOCCs	11,040.50	18,480.00	(7,439.50)
Due to LGUs	3,343,658.90	9,687,418.16	(6,343,759.26)
TOTAL	21,883,670.86	18,935,249.08	2,948,421.78

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a Modified Opinion on the fairness of presentation of the financial statements of the Municipality of Bagabag, Nueva Vizcaya for the year ended December 31, 2019 because:

1. The Property, Plant and Equipment (PPE) and Inventories totaling P215,458,412.75 and P908,034.10 are doubtful because the information provided in the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and Report on the Physical Count of Inventories (RPCI) were not complete, consequently, reconciliation of balances of the RPCPPE and RPCI vis-à-vis with the balances recorded in the books will be arduous, thus, contravene the provisions of the Handbook on Property and Supply Management System.
2. Breeding Stocks totaling P4,386,978.26 were recorded as expense in the book contrary to the provisions of Annex B of COA Circular No. 2015-009, thereby understating the assets and equity of the municipality.

D. Summary of Significant Findings and Recommendations

The findings and recommendations were communicated with management through the issuance of Audit Observation Memoranda (AOMs) and management comments were incorporated in the final report where appropriate. We were not able to discuss with the management the findings and recommendations in an exit

conference, as a matter of procedure, in view of the Coronavirus Disease 2019 (COVID 19) Outbreak in adherence to Proclamation No. 929 by the President of the Philippines.

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We recommended that the Inventory Committee:

- a.) conduct a complete physical count of all the Municipality's PPEs, such as equipment, lands, land improvements and public infrastructures owned by the municipality;
 - b.) properly prepare the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and Report on the Physical Count of Inventories by supplying all the details needed therein; and
 - c.) reconcile the results of the count with the property and accounting record.
2. Breeding Stocks totaling P4,386,978.26 were recorded as expense in the book contrary to the provisions of Annex B of COA Circular No. 2015-009, thereby understating the assets and equity of the municipality.

We recommended the Accounting Office to record the biological assets in the books to reflect the correct total assets of the municipality in accordance with Annex B of COA Circular No. 2015-009.

3. The Cash in Bank Balance of P134,738,559.96 as at December 31, 2019 was overstated by P12,504.00 due to the reconciling items which were not adjusted in the books of accounts in violation of Section 3.3 of COA Circular No. 96-011.

We recommended management the following:

- a.) Strictly comply with the provisions of pertinent accounting and auditing rules and regulations on the preparation of bank reconciliation statements particularly COA Circular No. 96-11 dated October 2, 1996; and
- b.) The Municipal Accounting Office make necessary adjustments for all reconciling items presented in the bank reconciliation statements, such as, debit memoranda (DMs), stale checks and error in recording during the period these were identified in order to reflect the correct balance of the Cash in Bank account in any accounting period.

4. The reciprocal accounts “Due from Other Funds” and “Due to Other Funds” with balances of P5,026,626.39 and P5,332,104.05, respectively, as at December 31, 2018 are doubtful due to unreconciled balance of P305,477.66 which contradicts the Annex B of the COA Circular No. 2015-009, dated December 1, 2015, resulting in an unreliable information in the Financial Statements.

We recommended that management identify the source of the unreconciled balance between the Due from Other Funds and Due to Other Funds through reconciliation of the accounts and immediately reflect any adjustments.

5. Receivables amounting to P1,027,941.73 remain uncollected for more than two (2) years, hence, the constituents could have enjoyed more projects, activities and programs from the municipality had these been collected and considered for appropriation.

We recommended that Management:

- a.) analyze the composition of dormant receivables and prepare the individual or detailed schedule of the accounts;
 - b.) determine the collectibility of the accounts and send collection letters to concerned individuals or their heirs;
 - c.) exhaust all applicable legal remedies to collect;
 - d.) request for write off from COA if remedies fail and when necessary; and
 - e.) if any, make adjustments in the books, when necessary.
6. The municipality was not able to meet the projected revenue for the year 2019 by P2,383,253.37, thus affecting its financial capability in implementing its programs, projects, and activities.

We recommended that the management through the Local Finance Committee to judiciously determine the projected revenue to be collected by the municipality to ensure that all of planned programs, projects and activities will have sufficient cash support.

7. Real Property Tax (RPT) amounting P9,186,438.72, inclusive of penalties, remained uncollected based on the certified list of RPT delinquencies as at December 31, 2019 contrary to Section 249 of RA No. 7160, otherwise known as the Local Government Code of the Philippines. Thus, it deprived the Municipality to use the funds for other public purpose.

We recommended that management enforce the strict collection of the delinquent RPT/SET and formulate an effective strategy or policy to compel the taxpayers to pay their taxes actively and on time pursuant to the provisions of Section 249 of the Local Government Code of the Philippines.

8. The unimplemented programs and projects including liabilities under the Trust Fund as at December 31, 2019 were inadequately supported by cash in the amount of P4,755,635.29. Therefore, some of these projects may no longer be fully implemented and some of the liabilities may not be paid, thus, the specific purposes for which these funds were received may not be fulfilled as required by Section 4 (3) of P.D. 1445.

We recommended that the Local Chief Executive in coordination with the Local Finance Committee review and validate its expenditure on the trust fund and to ensure that funds earmarked for these projects and liabilities are properly safeguarded and utilized for the fulfillment of the specific purposes these were received or established to comply with the provisions of Section 4 (3) of P.D. 1445 and Section 309 (b) of R.A. 7160.

9. Cash advances totaling P279,181.73 remain unliquidated as at December 31, 2019 contrary to the provisions of paragraphs 5.7 and 5.8 of COA Circular No. 97-002. In effect, part of the cash of the municipality is continuously tied-up at the hands of accountable officers instead of being used for public and development purposes.

We recommended that the management enforce immediate liquidation of cash advances which are due for liquidations especially those which are long overdue in accordance with Sections 5.7 and 5.8 of COA Circular No. 97-002. We further recommend management to resort legal remedies to enforce liquidation or settlement in the case of those which are no longer in the service.

10. Audit disallowances in the amount of P66,987.19 remained unsettled as at December 31, 2019 in violation of Section 7.1 of the Revised Rules and Regulations on the Settlement of Accounts prescribed under COA Circular No. 2009-006.

We recommended that the Local Chief Executive enforce settlement of the above audit disallowances that has become final and executory in compliance with COA Circular No. 2009-006.

11. Performance Security was not required from the winning bidder upon signing of contract in violation of Sections 37.2.1 and 39 of the Revised IRR of RA No. 9184, hence, the faithful performance by the winning bidder of its obligations under the contract were not guaranteed.

We recommended that management require the posting of Performance Security upon signing of contract as mandated under Sections 37.2.1 and 39 of the Revised IRR of RA No. 9184 to guarantee the faithful performance by the winning bidder of its obligations under the contract, otherwise, disqualify the bidder, contractor or supplier in entering into contract with the municipality.

12. Revenue Collectors of the Municipal Treasury Office incurred delay in the remittance of their collection and found short of cash upon cash examination which are not in consonance with Sections 101 and 105 of PD 1445 and Section 29 of the Manual on the New Government Accounting System for LGUs, thus, moneys which accumulated at the hands of collectors were exposed to loss and misappropriation and that the Cash-in-Local Treasury is understated at the end of the month.

We recommended that the Municipal Treasurer, through the Liquidating Officer:

- a.) conduct inspection of all the issued and unissued accountable forms at the hands of collectors;
 - b.) enforce the full remittance of daily collections at the end of the day based on the issued official receipts in the daily Report of Accountability for Accountable Forms so that the correct amount of collections is accurately presented as cash of the Municipality as at the end of each month; and
 - c.) proper disciplinary action on collectors who violate the proper implementation of laws, rules and regulations on the handling of cash collections should also be imposed.
13. Accountable officer charged with the disbursing functions were also performing collecting functions, which represents an internal control weakness contrary to Section 124 of Presidential Decree No. 1445, otherwise known as the State Audit Code of the Philippines.

We recommended that Management ensure that officer performing disbursing functions will not perform collection functions at the same time to maintain a sound system of internal control in accordance to Section 124 of Presidential Decree No. 1445.

14. The Disbursing Officer allowed other employee to handle the disbursement of the cash advances given to the former in violation of Section 4.1.6 of COA Circular No. 97-002, hence, there is negligence in the accountability of the disbursing officer which may result in misappropriation of government fund.

We recommended the Disbursing Officer stop the act of transferring cash advances to other officer or employee to avoid misappropriation of government fund as mandated under Section 4.1.6 of COA Circular No. 97-002. The

Disbursing Officer shall be warned that she will be held liable for any loss of fund under her accountability as a result of her negligence.

15. The municipal government was not able to fully implement and deliver 19 out of 38 Programs/Projects/Activities (PPAs) under the 20% development fund (DF) appropriated for the year 2019 and 21 out of 30 PPAs for prior years, thus, the intended beneficiaries of the municipality were deprived of the timely utilization of the projects which is not in accord to DILG-DBM Joint Memorandum Circular No. 2017-1.

We recommended that management implement all programmed projects during the year these were legislated and approved to allow early utilization by the beneficiaries thereof. Likewise, monitoring and assessment by the Local Finance Committee should also be undertaken to ensure timely completion of these projects.

16. The 80% component of the Share from National Wealth of the Municipality amounting P747,864.80 was not fully utilized for expenditures that are intended to lower the costs of electricity among consumers contrary to Section 294 of Republic Act No. 7160, otherwise known as the Local Government Code of the Philippines.

We recommended that management fully utilize the 80% of its share from national wealth for programs and projects intended to lower the costs of electricity of their qualified constituents to alleviate their current situations and to adhere the provisions of Section 294 of the Republic Act No. 7160, otherwise known as the Local Government Code of the Philippines. We further recommend that Section 3 (a) of Part B of Republic Act No. 9136 be considered in drawing up programs and activities to be funded from the 80% component of the Municipality's share from national wealth.

E. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<u>Disallowances</u>					
Prior Years	P80,169.00	-	P80,169.00	-	100.00%
Current Year	-	-	-	-	0.00%
Total	P80,169.00	-	P80,169.00	-	100.00%

F. Status of Implementations of Prior Year's Audit Recommendations

Out of the twenty-three (23) audit recommendations contained in the Annual Audit Report for CY 2018, six (6) were fully implemented, seven (7) were partially implemented, and ten (10) were not implemented.