

Executive Summary

A. Creation and Mandate of Agency

The Municipality of Itogon was created under Act 48, dated November 22, 1900 issued by the First Philippine Commission during the American military occupation together with other local civil governments in the 19 townships of Benguet Province. At present, Itogon is one of the 13 municipalities comprising the Province of Benguet.

The municipal government is manned by 175 regular employees, 11 elective officials, 6 co-terminus and 2 temporary as at December 31, 2017.

The municipal government derives its mandate from Republic Act No. 7160 or the Local Government Code of 1991.

Management had envisioned a prosperous municipality adhering to development and responsive to change; with a morally upright and disciplined citizenry living in an ecologically balanced environment.

B. Highlights of Financial Operation

For CY 2018, the total appropriation of the municipality was ₱322.69 million through the annual and supplemental budgets. The budget for the year increased by ₱27.46 million or 9 percent as compared with its budget for the prior year of ₱295.23 million.

The consolidated revenue for the year amounted to ₱310.53 million, registering an increase of ₱60.87 million or 24.38 percent as compared to the 2017 revenue of ₱249.66 million. The bulk of receipts for CY 2018 was derived from the share in Internal Revenue Allotments and Share from National Wealth.

Expenditures for the year increased by ₱29.88 million, from ₱174.70 million in CY 2017 to ₱204.58 million in CY 2018. Below is a summary of the financial position and financial performance for the year ended December 31, 2018:

Financial Position:

Particulars	2018
Assets	₱ 865,979,474.57
Liabilities	450,161,534.11
Equity	415,817,940.46

Financial Performance:

Particulars		Amount
Total Income		
Operating Income		₱ 310,534,329.37
Total Expenses		
Personal Services	₱ 103,861,781.74	
MOOE	80,351,457.98	
Non-cash Expenses	10,924,430.84	
Financial Expenses	22,211.83	
Subsidies and Transfers	9,421,397.32	204,581,279.71
Excess of Income over Expenses		₱ 105,953,049.66

C. Scope of the Audit

A financial and compliance audit was conducted on the accounts and operations of the municipality to ascertain the propriety of financial transactions and compliance with prescribed rules and regulations and to determine the reliability and accuracy of financial reports and the books of accounts. It also aimed to determine whether financial resources were managed with efficiency and economy.

D. Opinion in the Independent Auditor's Report

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the unreliability of the balance of Local Road Network (LRN) account amounting to ₱33.053 million as of December 31, 2018.

E. Summary Significant Observations and Recommendations

The following are the significant audit observations with the corresponding recommendations:

1. Unreliability of the balance of Local Road Networks (LRN) account amounting to ₱33.053 million due to: a) significant discrepancy aggregating ₱90.544 million between the accounting and property records; b) different description and acquisition costs in recording LRN items by the accounting and property office; c) non-preparation of the Local Road Inventory and Road Map, the LRN Property Card and the Report on Physical Count of LRN; and d) non- disclosure in the Notes to Financial Statements.

We recommended Management to enjoin the concerned office heads' strict compliance with the accounting and reporting guidelines on the Local Road Asset Management System prescribed by COA Circular No. 2015-008.

2. Soft loans granted to Non-Governmental Organizations/People's Organizations (NGOs/POs) amounting to ₱6.921 million remained outstanding due to the non-observance of the terms and conditions of the Memorandum of Agreement (MOA).

We recommended that Management:

- d. Conduct regular monitoring on the compliance of the borrowers of the terms and conditions of the MOA;
 - e. Direct the Municipal Accounting Office or the Monitoring Team to send formal demand letters to the concerned NGOs/POs with overdue loans and were not issued demand letters; and
 - f. Institute legal action against the defaulting NGOs/POs pursuant to the provisions of the MOA.
3. Funds transferred to various NGOs /POs amounting to ₱950,000.00 remained outstanding contrary to COA Circular No. 2007-001 dated October 25, 2007, thereby, casting doubt whether or not the transferred funds were utilized by the recipients in accordance with the purpose for which said funds were released.

We recommended that management:

- c. send another set of demand letters to the concerned NGOs/POs for the immediate submission of the Fund Utilization Reports; and
 - d. institute appropriate action against the defaulting NGOs/POs in case the demand letters are ignored pursuant to the provisions of the COA Circular 2007-001 and the terms and conditions of the MOA, if any.
4. The payment of PRAISE monetary incentive to officials and employees amounting to ₱5.847 million was not sufficiently documented contrary to Section 4 (6) of Presidential Decree (P.D.) No. 1445, the Civil Service Commission (CSC) Memorandum Circular No. 1, s. 2001 and the approved PRAISE of the Municipality, thereby, casting doubt on the legitimacy of the incentive granted.

We recommended Management to:

- a. submit the individual accomplishment/appraisal or evaluation reports or equivalents of the officials and employees of the Municipality covering the two semesters of CY 2017; and
- b. submit certification from the LCE of the total savings generated in CY 2017 as a result of the suggestions, inventions, superior accomplishments and other personal efforts of the officials and employees in compliance to Section 4 (6)

of P.D. No. 1445, the CSC Memorandum Circular No. 1, s. 2001 and the Itoyon PRAISE.

5. Unutilized Priority Development Assistance Funds (PDAF) amounting to ₱2.214 million were not remitted or reverted back to the National Treasury contrary to the Supreme Court decision dated November 19, 2013 in GR Nos. 208566, 208493, and 209251, thereby, casting doubt on the authority of the Municipality to withhold the said funds.

We recommended that Management remit to the National Treasury the unutilized PDAF amounting to ₱2.214 million.

6. The payment of the Collective Negotiation Agreement (CNA) Incentive to officials and employees amounting to ₱4.783 million was not sufficiently documented contrary to Section 4 (6) of P.D. No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, hence, the propriety and validity of the transaction could not be ascertained.

We recommended Management to submit the lacking documents pursuant to Section 4(6) of PD No. 1445, COA Circular No. 2012-001 and DBM-BC 2018- 5.

7. Ineligible programs/projects/activities (PPAs) amounting to ₱892,984.32 were included in the Special Education Fund (SEF) budget for CY 2018 contrary to Sections 100(c) and 272 of RA No. 7160 and Department of Education (DepEd), Department of Budget and Management (DBM) and Department of the Interior and Local Government (DILG) Joint Circular (JC) No. 01 s. 2017 dated January 19, 2017, thereby defeating the purpose for which the fund was created.

We recommended that Management:

- a. Direct the MSB, that in the preparation of the annual school board budget for SEF, to prioritize PPAs as stipulated in Sections 100(c) and 272 of RA No. 7160 and DepEd- DBM and DILG JC No. 01 s. 2017; and
 - b. Ensure appropriate planning, preparation and presentation of the SEF budget in accordance with Section 5.0 of JC No. 01 s. 2017.
8. Municipal development projects costing ₱24,589,164.90 comprising 41 projects funded from the CY 2018 Municipal Development Fund remained unimplemented or still in process as of December 31, 2018, thus depriving constituents of the benefits that could have been derived from the said projects.

We recommended Management to:

- a. instruct the Municipal Engineer to closely monitor the implementation of the identified development projects;

- b. ensure that only feasible PPAs are included in the Annual Investment Plan. Programs and projects with problems, issues, complaints, and some other reasons should not be considered; and
- c. formulate/develop specific strategies/solutions to effectively implement development projects. Consider formulating a timetable within which to start and complete the unimplemented projects.

F. Settlement of Accounts

Reflected in the Statement of Audit Suspension, Disallowances and Charges as of December 31, 2018 the amount of ₱ 4.193 million, with details as follows:

Notice of Disallowance			Settlement	Balance
No.	Date	Amount		
Beginning Balance		₱ 663,455.23	₱ 0.00	₱ 663,455.23
ND#2017-01-101 (13)	1/3/2017	3,530,112.41	0.00	3,530,112.41
Total		₱4,193,567.64	₱ 0.00	₱4,193,567.64

G. Status of Implementation of Prior Years' Audit Recommendations

Reference	Fully Implemented	Partially Implemented	Not Implemented	Total
2017 AAR	11	6	1	18
2016 AAR	2	3	1	6
Prior Years' AAR	7	12	7	26
Total	20	21	9	50