

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Banna, Ilocos Norte was created by virtue of Republic Act No. 3997 dated December 18, 1964 as Municipality of Espiritu but renamed to Banna through Provincial Ordinance No. 120-95. The Municipality, like any other government units, enjoys total independence in managing, deciding and planning its own administrative, fiscal and developmental affairs in conformity with the national government's thrust for sustainable social and economic growth. Also, the LGU is envisioned to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful, friendly atmosphere through God-centered leadership of the incumbent elected officials.

The Municipality is a 4th 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.

The Municipality is currently headed by its Local Chief Executive, Hon. Carlito A. Abadilla II together with the Vice-Mayor Mary Chrislyn C. Abadilla and the Sangguniang Bayan Members.

The overall manpower complement of the municipality as of December 31, 2018 is 138 which is composed of 12 elective officials, 46 permanent, 7 casuals and 73 job order employees.

B. FINANCIAL HIGHLIGHTS

The municipality's financial conditions and operations are as follows:

	2018	2017	Increase (Decrease)	
			Amount	%
Assets	₱ 509,154,203.09	₱ 381,628,707.43	₱ 127,525,495.66	33.42%
Liabilities	98,372,196.32	98,250,123.59	122,072.73	0.12%
Residual Equity	410,782,006.77	283,378,583.84	127,403,422.93	44.96%
Income	206,837,340.17	78,063,992.79	128,773,347.38	164.96%
Expenses	80,844,003.09	58,626,098.45	22,217,904.64	37.90%

The Municipality of Banna appropriated the total amount of ₱85,145,500.71 in the General Fund with the total obligations of ₱59,743,729.57 for year 2018 while in 2017, the total appropriations and obligations were ₱82,806,966.00 and ₱55,923,023.20 respectively. Also, the Municipality appropriated the total amount of ₱1,877,891.91 in the Special Education Fund with total obligations of ₱1,350,030.00 for the year 2018 while in 2017, the total appropriations and obligations were ₱826,200.00 and ₱572,507.00 respectively.

C. OPERATIONAL HIGHLIGHTS

The major accomplishments of the Municipality are the following:

Projects/Programs/Activities	Amount	Accomplishments
1. Repair/maintenance of parks, plazas and monuments design and construction of monument pedestal and deck.	₱ 1,000,000.00	Completed
2. Concreting of farm to market road	4,999,736.22	Completed
3. Concreting/rehabilitation of farm to market roads at Brgy. Sinamar	2,370,033.98	Completed

D. SCOPE OF AUDIT AND METHODOLOGY

The Audit Team conducted a comprehensive audit on the accounts and operations of the Municipality of Banna, Ilocos Norte for Calendar Year 2018. The examination includes the review of operating procedures, interview with concerned officials and employees, verification/confirmation, reconciliation and analysis of accounts, and such other procedures considered necessary.

The audit aimed to ascertain the propriety of financial transactions and compliance of the local government unit to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. It was further aimed at knowing whether development programs and projects were implemented in the most economical, efficient and effective manner.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the Municipality of Banna, Ilocos Norte as of December 31, 2018 because of the following reasons: (1) the propriety of the year-end balance of the Property Plant and Equipment account amounting to ₱253,218,042.70 cannot be established due to non-submission of Report of the Physical Count of Property Plant and Equipment, (2) the correctness and reliability of the year-end balance of the Cash in Bank – Local Currency, Current Account amounting to ₱235,419,216.46 cannot be established due to non-submission of bank reconciliation statements, (3) the recorded transactions of the municipality could not be ascertained due to non-submission of several disbursement vouchers and payrolls totaling ₱8,803,941.01.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Some transactions which need to be corrected or improved are enumerated in the herein audit observations with its corresponding recommendations, as follows:

1. The Municipality had inadequate internal control system on property management due to the inability of management to implement the previous years' audit recommendations to conduct/submit physical inventory of its properties totaling ₱224,840,944.81 (net book value) as prescribed under Sections 119, 120 and 124 of the New Government Accounting System for LGUs, Volume 1, thus no complete report thereon was prepared that would vouch for the physical existence, validity and correctness of the balances of Property, Plant and Equipment in the financial statements at year-end.

We recommended that the Local Chief Executive issue an order/memorandum immediately for the conduct of physical inventory taking within a determined period of time and submit the inventory report within ten (10) days from the completion of the inventory taking as required under Chapter 7, Volume I of the New Government Accounting System (NGAS) for LGUs. A full time permanent personnel be employed in-charged of property records considering the properties of the municipality is increasing every year. Also, monitor the progress of the inventory taking to ensure the submission of prescribed and complete RPCPPE within the target period. Lost/missing issued government properties should be charge to the persons accountable.

2. The reliability and accuracy of the balance of Cash in Bank account in the total amount of ₱235,419,216.46 is doubtful due to non-preparation of monthly Bank Reconciliation Statements, thus rendering the said account unreliable.

We recommended that management submit monthly bank reconciliation statements and its supporting documents to our Office within the prescribed period stated above in order to establish the accuracy and reliability of the cash in bank balances during the period or at year-end.

3. Paid Disbursement Vouchers and Payrolls for CY 2018 totaling ₱ 8,803,941.01 were not submitted contrary to Section 7.2.1 of the Rules and Regulations on Settlement of Accounts as prescribed by COA Circular No 2009-006 and Section 5.3 of COA Circular No. 97-002, thus complete audit was not made rendering the transactions doubtful.

We recommended that the Municipal Accountant submit all paid vouchers, payrolls and all reports within ten (10) days from ensuing month to the Auditor in order for the latter to have ample time to examine and audit all transactions of the Municipality.

4. The Municipality was not able to comply with the transition provision on the phased recognition of the Local Road Networks in the books of accounts which requires 75% compliance at the end of 2018 as stated under Item IX of COA Circular No 2015-008 hence, road network account was understated in the financial statements at year-end.

We recommended that the Municipal Mayor to require the GSO coordinate with the Municipal Engineer to prepare the road map of the municipality for the proper inventory and reporting of the municipality's road network system. Further recommended, the Municipal Engineer to provide the Accountant and GSO with cost and description of all road components. The Municipal Accountant to record the amount of road networks

equivalent to the required transition provision of 75% as of CY 2018 and 100% for the year 2019.

5. Cash advance made by the Municipal Treasurer for the payment of economic assistance of job orders for calendar year 2018 was not supported with a legal basis as required by Section 1.1.1 of COA Circular 2012-001 dated July 14, 2012, hence legality of the assistance made to the job orders was not ascertained.

We recommended the submission of legal basis to support the payment of economic assistance to job orders, otherwise, disallowed in audit.

6. The Agency Head did not enforce the settlement of audit disallowances despite the issuance of COA Order of Execution (COE) in violation of Section 7.1.3 of COA Circular No. 2009-006 which resulted in the accumulation of unsettled disallowances with an aggregate amount of ₱714,017.72 as of December 31, 2018.

We recommended that the Local Chief Executive direct the Municipal Treasurer to strictly enforce the immediate settlement of the disallowances by withholding the salaries and other compensation due to the persons liable as provided under Section 7.1.3 of COA Circular No. 2009-006. Also, may we invite your attention to the provisions of Rule XIII Section 3 of the 2009 Revised Rules of Procedure of the Commission on Audit (RRPC).

7. Disbursement vouchers in the total amount of ₱ 1,815,203.00 were not supported with complete documents contrary to COA Circular No. 2012-001 and the provisions of RA 9184, thus regularity and legality of the expenditures could not be ascertained.

We recommended that management cause the immediate submission of the lacking documents to our Office for evaluation. Also, ensure that payments be made only if the claims are properly and completely documented to avoid suspensions in audit.

8. Construction in Progress account totalling ₱98,196,165.22 was not closed to appropriate asset account as required under Section 50 of the New Government Accounting System Manual Volume I, thus construction in progress is overstated and the appropriate asset account is understated in the financial statement.

We recommended that the Municipal Accountant determine the completed projects and make necessary adjusting entries to effect the transfer from the Construction in Progress public infrastructure, buildings and other structure accounts to appropriate asset account.

9. Programs, projects and activities funded under RA 7171 and RA 8240 totaling ₱119,165,416.00 were not implemented during the year contrary to the Supplemental Investment Program of the LGU of Banna for CY 2018 and Section 1 of R.A 7171, thus defeating the purpose of the fund of extending support to tobacco farmers.

We recommended that management fully implement the programs/project/activities under RA 7171 and RA 8240 as planned and budgeted to help the tobacco farmers to augment their income and for the attainment of economic growth.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF DECEMBER 31, 2018

Particulars	Beginning Balance January 1, 2018	Issued	Settled	Ending Balance December 31, 2018
Notice of Suspension	1,498,680.04	10,892,270.19	0.00	12,390,950.23
Notice of Disallowance	2,251,134.27	10,902,863.97	0.00	13,153,998.24
Notice of Charge	0.00	0.00	0.00	0.00
Total	3,749,814.31	21,795,134.16	0.00	25,544,948.47

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 54 audit recommendations embodied in the 2017, 2016, 2015, 2014 and 2009 Annual Audit Report. 25 were fully implemented, 16, were partially implemented, 3 were not implemented and 10 were reiterated in this report