

EXECUTIVE SUMMARY

A. INTRODUCTION

It is generally believed that the Municipality of Balungao derived its name from the story of a young married lady who was well known of her beauty but was widowed at a very young age. The people who were amazed by her beauty call her “BALUN-UGAW” which means “widowed young” in the native dialect.

Balungao was officially founded as part of Cuyapo, Nueva Ecija in the year 1815 but was segregated from the township of Cuyapo in the later part of the 18th century due to its geographical location. Shortly, after the revolution, it was Decree, Balungao became an independent town.

The Municipality of Balungao is a 4th class municipality composed of 20 barangays with total population of 31,106 according to the national census as of 2015. It is under the stewardship of **Honorable Philipp G. Peralta**, Municipal Mayor who won in the May 2016 Local Elections. The total work force as of year-end was one hundred eighty (180) personnel, broken down as follows:

Permanent / Elective Officials	83
Casual	4
Job Order	<u>93</u>
TOTAL	180

The Mission of the Municipality is to promote the general welfare of the people of Balungao by providing the needed social services through effective law enforcement, infrastructure development, investment and tourism promotion, agricultural modernization, environmental protection and people empowerment.

B. FINANCIAL HIGHLIGHTS

The Municipality’s assets, liabilities and government equity as of December 31, 2018 with comparative figures for 2017, are as follows:

	2018	2017	Increase (Decrease)	%
Assets	P 326,878,910.57	P 245,321,858.84	P 81,557,051.73	33.24%
Liabilities	41,986,967.82	26,449,162.91	15,537,804.91	58.75%
Government Equity	284,891,942.57	218,872,695.93	66,019,246.64	30.16%

INCOME

The Municipality of Balungao generated a total income of P 112,546,773.58 an increase of P 8,593,791.57 or 8.27% as compared to previous year in the amount of P 103,952,982.01.

	2018	2017	Increase (Decrease)
General Fund	P 111,161,374.84	P 102,546,583.72	P 8,614,791.12
Special Education Fund	1,385,398.74	1,406,398.29	(20,999.55)
Total	<u>P 112,546,773.58</u>	<u>P 103,952,982.01</u>	<u>P 8,593,791.57</u>

The composition of Municipality's income for the year 2018 is as follows:

	Amount	Percent
Internal Revenue Allotment	P 87,522,160.00	77.77%
Local Taxes	5,099,977.47	4.53%
Business and Service Income	7,305,310.13	6.49%
Shares, Grants and Donation	0.00	0.00%
Other Income	12,619,325.98	11.21%
Total Income	P112,546,773.58	

EXPENSES

The total expenditures during the year amounted to P 95,102,197.32, an increase of P 20,859,129.11, or 28.10% compared to last year's expenses of P 74,243,068.21, broken down as follows:

	2018	2017	Increase (Decrease)
Personnel Services	P 56,343,101.85	P 47,337,248.54	P 9,005,853.31
Maintenance and Other Operating Expenses	38,756,606.47	26,900,519.67	11,856,086.80
Financial Expenses	2,489.00	5,300.00	(2,811.00)
Total Expenses	<u>P 95,102,197.32</u>	<u>P 74,243,068.21</u>	<u>P 20,859,129.11</u>

APPROPRIATIONS

For the calendar year 2018, the current appropriations of the municipality amounted to P 111,668,405.00, an increase of P 5,469,824.68 or 5.15% from the previous year. The continuing appropriations were fully utilized for CY 2018 and 2017.

	2018	2017	Increase (Decrease)	Percentage of Increase (Decrease)
<i>Current Appropriations</i>				
Personnel Services	P 47,527,871.00	P 44,153,379.41	P 3,374,491.59	7.64%
MOOE	57,370,534.00	49,964,910.91	7,405,623.09	14.82%
Capital Outlay	6,770,000.00	12,080,290.00	(5,310,290.00)	(43.96%)
Total Current Appropriations	<u>P 111,668,405.00</u>	<u>P 106,198,580.32</u>	<u>P 5,469,824.68</u>	<u>5.15%</u>
<i>Continuing Appropriations</i>				
MOOE	P 0.00	P 0.00	P 0.00	0.00%
Capital Outlay	<u>00.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00%</u>
Total Continuing Appropriations	<u>P 0.00</u>	<u>P 0.00</u>	<u>P 0.00</u>	<u>0.00%</u>

C. OPERATIONAL HIGHLIGHTS

To promote socio- economic development as well as the delivery of basic services, the following are the significant accomplishments of the Municipality of Balungao for the year 2018:

PARTICULARS	Project Cost
1. Concreting of Farm to Market Road,Angayan Sur, Balungao	P 1,542,140.07
2. Concreting of Farm to Market Road,Capulaan, Balungao	4,009,364.17
3. Concreting of Farm to Market Road,Esmeralda, Balungao	1,542,140.07
4. Concreting of Farm to Market Road,Kita-Kita, Balungao	1,542,140.07
5. Concreting of Farm to Market Road,Mabini, Balungao	1,542,140.07
6. Concreting of Farm to Market Road,Mauban, Balungao	1,542,140.07
7. Concreting of Farm to Market Road,Poblacion, Balungao	1,850,568.08
8. Concreting of Farm to Market Road,Pugaro, Balungao	1,542,140.07
9. Concreting of Farm to Market Road,San Miguel, Balungao	3,714,982.00
10. Construction of Day Care Center,San Marcelino, Balungao	800,000.00
11. Construction of Brgy Health Center,San Aurelio 1st, Balungao	1,600,000.00
12. Rehabilitation of Day Care Center,Kita-Kita, Balungao	400,000.00
13. Rehabilitation of Matablang D.D.,Esmeralda, Balungao	500,000.00

PARTICULARS	Project Cost
14. Local Road Rehabilitation, San Aurelio 1st, Balungao	2,124,687.80
15. Local Road Rehabilitation, Angayan Sur, Balungao	2,124,687.80
16. Local Road Rehabilitation, Kita-Kita, Balungao	2,124,687.80

The Local Government Unit of Balungao had received various awards in the calendar year 2018, as the result of the untiring commitment of the officials and employees to serve the people of the Municipality, viz:

1. Seal of Good Local Governance awarded by the Department of Interior and Local Government ;
2. Model Local Government Unit in implementing Best Convergence Initiative awarded by the Department of Social Welfare and Development - Field Office No. I ; and
3. Fully Functional Municipal Social Welfare and Development Office awarded by Department of Social Welfare and Development – Field Office No. I;

D. SCOPE OF AUDIT

The audit covered the operations of the Municipality of Balungao, Pangasinan for the calendar year 2018. The types of audit employed consist of financial and compliance audit to ascertain the fairness of presentation of the financial statements of the Municipality in adherence to the Philippine Public Sector Accounting Standards and to check agency's compliance with existing laws, rules and regulations. Likewise, a Value for Money Audit was conducted on selected areas to ascertain whether management had attained its goals and objectives in an economical, efficient and effective manner.

The audit included analysis of accounts, review of transactions, test of compliance with existing laws, rules and regulations, review of operating procedures, inspection of programs and projects, interview of officials and employees and such other procedures considered necessary under the circumstances.

The audit focus and audit thrust areas for the local government sector provided in the Unnumbered Memorandum dated July 9, 2018 of Assistant Commissioner Rizalina Q. Mutia and specific audit instructions contained in unnumbered Memorandum dated July 20, 2018 of Regional Director Michael R. Bacani were observed and looked into in addition to the thrust areas identified in the audit team's risk assessment.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion on the financial statements for the reason that the accuracy and reliability of the Property, Plant and Equipment (PPE) account with a gross amount of P 293,316,434.90 as of December 31, 2018 could not be ascertained due to the failure of the Municipality to conduct the physical count of PPE for the current year and that the basis of the Report on Physical Count of PPE (RPCPPE) is the previous year's physical count. Moreover, the non-compliance with the transition provision for the recognition of the 75% of Local Road Network System for calendar year 2018 as part of the Municipality's PPE, thereby, affecting the accuracy and reliability of road network appearing in the Statement of Financial Position.

F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the significant audit observations and their corresponding recommendations which were discussed with the Management during the exit conference. Management comments are included in the report, where appropriate.

- 1. Physical count was not conducted for CY 2018, which gave an impression that the amount presented in the Financial Statement was based in CY 2016 Report on the Physical Count of Property, Plant and Equipment (RPCPPE), as this was noted to be the latest report on hand, hence the reliability of the account is doubtful.**

The foregoing deficiencies noted are contrary to Philippine Public Sector Accounting Standards (PPSAS) No. I requiring for the faithful representation of the effects of transactions, and Section 124 of New Government Accounting System (NGAS) Manual, Vol. 1 requiring the conduct of annual physical inventory

We have recommended that the Local Chief Executive create an Inventory Committee that will conduct a complete physical inventory of all property, plant and equipment of the Municipal, prepare and submit a reliable RPCPPE thereon, in order that a more accurate and reliable PPE account could be presented in the Financial Statements.

2. **The accuracy of the carrying amount of the Road Networks account totaling P145,002,315.93 could not be ascertained and its existence could not be established due to failure of the management to: (a) conduct physical count and submit the Report on the Physical Count of the Road Network System ; (b) maintain a Local Road Inventory and Road Map; and (c) keep a complete Local Road Network Property Card, contrary to COA Circular No. 2015-008 dated November 23, 2015.**

We have recommended that the accounting and reporting guidelines on the Local Roads Asset Management System prescribed in COA Circular No. 2015-008 dated November 23, 2015 be strictly complied. Thus, require the Municipal Accountant to maintain subsidiary records for roads and road components for every road network. Likewise, require the General Services Officer to maintain a Local Road Inventory and Road Map, and keep a complete Local Road Network Property Card for all roads and its components. Moreover, create an inventory committee to conduct the physical count and prepare the Report on the Physical Count of the Road Network System.

3. **The balance of the Cash in Bank, Local Currency Current Account (LCCA) was understated by P3,064,261.49 due to failure of the Municipal Accountant to effect the adjustment of the reconciling items identified in the Bank Reconciliation Statements (BRS).**

We have recommended that the Municipal Accountant complete review of the identified reconciling items and effect the necessary adjustments in the books to reflect the correct balances of the Cash in Bank accounts. Moreover, stop from issuing Accountant's Advice without first preparing Disbursement Vouchers and its supporting documents. It is also to record all transactions of the Municipality on the books of accounts to prevent non-reconciliation of records presented in the Financial Statements and more accurate and reliable Cash in Bank-LCCA account.

Other audit observations and recommendations are discussed in Part II of this report.

G. SUMMARY OF TOTAL SUSPENSIONS, CHARGES AND DISALLOWANCES

PARTICULARS	BALANCE AS OF DECEMBER 31, 2018	
	Prior to 2009 RRSA	2009-2016
Suspensions	P 0.00	P 0.00
Charges	0.00	0.00
Disallowances	0.00	0.00

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT FINDINGS AND RECOMMENDATIONS

STATUS OF IMPLEMENTATION	QUANTITY
Fully Implemented	8
Partially Implemented	2
Not Implemented	4