

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Uyugan was officially established by virtue of Act 2711. The Spaniards made San Antonio de Florencia as the Patron Saint. It was founded in March, 1901 when the Americans established Batanes as a province. The Municipal Government as a local government unit is mandated and assumed to build its own capabilities for self-governance and to develop as self-reliant community which is the very essence of local autonomy. It serves primarily as a general purpose of the government for the coordination and delivery of basic, regular and direct services and effective governance of the inhabitants within its territorial jurisdiction.

The Municipality of Uyugan, as a local government unit, ensures program implementation on socio-economic development through strong political will and support, with judicious utilization of natural resources; preserves and enriches the Uyugan culture and values; and promotes capability building, technological advancement, Provision of basic infrastructure and support services.

The Municipality envisions of being the center of Agro-trade and Eco-Tourism industry with self-reliant, healthy, peaceful, economically progressive and culturally sensitive and ecologically friendly society, governed by an effective and transparent leadership.

For CY 2018, the Municipal Government of Uyugan had a total positions of 27 composing of 11 elective officials and 16 permanent employees.

B. Highlights of Financial Information

Presented below are the financial position and sources of funds, appropriations and obligations of the Municipality of Uyugan for the years 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Assets	58,732,683.69	64,586,910.52
Liabilities	32,387,008.86	43,767,949.65
Government Equity	26,345,675.63	20,818,960.87
Income	36,743,517.30	33,934,120.76
Expenses	30,291,040.53	27,942,728.95
Appropriations	36,521,289.00	35,078,573.17
Obligations	30,335,324.34	28,699,070.80

C. Operational Highlights

The accomplished major programmed activities under the 20% Development Fund are as follows:

Projects	Amount Appropriated	Amount Disbursed	% of Completion
Garbage Collection	750,000.00	556,027.83	74.14%
Construction of Two (2) units MRF	1,000,000.00	1,000,000.00	100.00%
Reforestation and Urban Cleaning	1,500,000.00	532,777.31	35.52%
Street Lighting Installation and Maintenance of Street Light System	250,000.00	203,770.44	81.51%
Improvement of Fence at Uyugan Breeding Station at Payayawan	250,000.00	241,180.00	96.47%
Production of High Value Crops and Vegetables	250,000.00	176,000.00	70.40%
Local Access Inter-Agency Counterparting	1,281,316.80	33,974.00	2.65%
Improvement of Water Refilling Station at Centro	150,000.00	60,525.00	40.35%
Improvement of Water Supply at Itbud (Perimeter Fencing)	100,000.00	73,166.00	73.17%
Preservation & Conservation of Natural Resources	250,000.00	136,805.90	54.72%
Improvement of Aymang Road at Tukon	100,000.00	100,000.00	100.00%
Improvement/Concreting of Bastillo Extension	100,000.00	100,000.00	100.00%
Improvement/Concreting of Nanud Street Extension Canal	100,000.00	95,785.00	95.79%
Construction of Maleng St. canal at Maleng Road (Welcome)	250,000.00	208,854.33	83.54%
Total	6,981,316.80	1,685,410.71	

D. Scope of Audit

A financial, compliance and performance audit was conducted on the accounts and operations of the Municipality of Uyugan for the period ended December 31, 2018. The audit was aimed at ascertaining the propriety of disbursements, the reliability of financial reports and the adequacy of accounting books and records. Likewise, the audit was conducted to identify the practices that require compliance with laws, rules and regulations for the purpose of recommending measures to correct them.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as of December 31, 2018.

F. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the most significant findings with the corresponding recommendations.

1. Receipt of various fund transfers received by the Municipality from the National Government Agencies (NGAs) and provincial government of Batanes for the implementation of the priority projects in the total amount of P11,933,250.00 were not supported with complete supporting documents contrary to Item 3.1.2 of COA Circular No. 2012-001, dated June 14, 2012 hindering the verification of transactions.

We recommended that management shall follow the provisions of Item 3.1.2 of COA Circular No. 2012-001 in the receipt of government funds which officially come into possession of the local government as trustee. The OIC-Municipal Accountant to submit the required MOA, if applicable, and POWs of the transferred funds.

2. The Municipality through public bidding entered into Contract without sufficient funds for the demolition and disposal of the existing building of the Itbud Rural Health Center in the amount of P456,236.00 contrary to Section 4 (3) and 105 (1) of PD 1445 sacrificing the interest of the government to finance other priority projects charged in the Trust Fund.

We recommended that the ICO Municipal Accountant to submit justification and/or explanation on where the additional fund came from and to stop the practice of improper or unauthorized used or misapplication of government property, Trust Fund in particular for which the fund was created.

3. The Municipality granted Emergency Relief Assistance (ERA) to all qualified Officials and Employees in the aggregate amount of P 1,620,000.00 for CY 2017 without legal basis, hence, propriety, regularity and legality of the transaction could not be ascertained.

We recommended management to submit legal basis for the granting of Emergency Relief Allowance. Likewise, stop the practice of paying allowances which do not have legal basis to avoid possible issuance of disallowance. Submit the following documents for review and verification: 1) Legal basis of the grant; 2) Computation of savings as approved by the Local Finance Committee; and 3) Reasons for not withholding of tax.

4. Disallowances and suspensions in audit in the amount of P1,096,361.96 and P311,049.91, respectively, remained unsettled as of December 31, 2018.

We recommended that management require the persons liable/responsible for the audit disallowances and suspensions to settle their accounts within the timeframe as prescribed by law.

5. The municipality did not conduct its annual inventory of property in compliance with the guidelines set forth under Section 124 of New Government Accounting System for Local, thus existence, propriety and validity of Property, Plant and Equipment (PPE) account, excluding Land and Construction in Progress, amounting to P7,183,061.22, net of depreciation cannot be ascertained.

We recommended that management to direct the designated property officer to facilitate the conduct of physical count of property in order to come up with the Report on Physical Count of Property, Plant and Equipment. The report should be reconciled with the balances of the PPE account at the municipal accounting office, copy furnished the office of the auditor.

6. The Municipality had not disposed the agency's unserviceable assets with book value of P2,749,615.52 contrary to Section 79 of PD 1445 and COA Circular No. 92-386, thus, depriving the municipality of additional income that could have been realized from the sale of these assets.

We recommended that management dispose all unserviceable properties to avoid further deterioration and to generate additional income from the disposal.

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

Of the eighteen (18) recommendations incorporated in the 2017 AAR, four (4) were fully implemented, seven (7) were partially implemented and seven (7) were not implemented.