Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

ON THE

MUNICIPALITY OF MAPANDAN
Province of Pangasinan

For the Year Ended December 31, 2016

Republic of the Philippines
COMMISSION ON AUDIT
Office of the Supervising Auditor
Audit Group-D LGS, Pangasinan 1
Lingayen, Pangasinan

May 3, 2017

RECEIVED
OFFICE OF THE MAYOR
DATE: May 16, 2017
TIME:
BY: Angelita Angeles
Office Staff

Honorable Gerald Glenn L. Tambaoan
Municipal Mayor
Mapandan, Pangasinan

Sir:

We transmit herewith the report on the financial and compliance audit of the accounts and operations of the **Municipality of Mapandan, Pangasinan** for the year ended December 31, 2016, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445.

The audit was conducted to ascertain the propriety of financial transactions and compliance with 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. Likewise, a Value for Money Audit (VFM) was conducted to determine whether the resources of the Municipality were utilized in an economical, efficient and effective manner.

A qualified opinion was rendered on the fairness of the presentation of the financial statements due to non-reconciliation of the Property, Plant and Equipment account with book value of P2,258,917.81 and P7,425,895.92 under Special Education Fund and General Education Fund, respectively, with property records, subsidiary ledgers and property cards maintained were not complete. In addition, the costs of the Construction of Multi-Purpose Drying Pavement, Day Care Center and Water Supply System, and equipment in the total amount of 2,017,433.70 were not capitalized in the books of accounts, thus understating the PPE account.

In view of the foregoing, we recommended that the Local Chief Executive require the Inventory Committee to conduct physical inventory of all Property, Plant and Equipment of the municipality in the Special Education Fund including Construction in Progress under the General Fund to determine their condition and existence. We also recommended that the Local Chief Executive instruct the Municipal Treasurer and Municipal Accountant to keep complete and updated property cards and property, plant and equipment ledger cards or subsidiary ledger cards which should reconcile with the corresponding control account of the PPE account in the general ledger; and the Municipal Accountant to verify the journal entries made relative to the constructions of multi-purpose dying pavement, day care center and water supply system as well as the purchase of equipment and to make the necessary adjusting entries.

The report consists of four parts: Part I – Audited Financial Statements, Part II – Audit Observations and Recommendations, Part III – Status of Implementation of Prior Year's Audit Recommendations and Part IV – Annexes. The findings and recommendations were discussed with concerned management officials and staff of that municipality in an exit conference held. Management's comments are included in the report, where appropriate. The other significant audit observations and recommendations are as follows:

1. Accuracy and validity of the land recorded in the books of the Municipality in the total amount of P22,495,020.00 could not be ascertained due to incomplete subsidiary ledgers in the accounting office and absence of certificate of ownership in the name of the Municipality.

   We have recommended that the Local Chief Executive require the Municipal Accountant to maintain complete subsidiary ledgers for the land account to determine the details including information on whether it has a land title or tax declaration. We also recommended that management exert effort to facilitate the titling of ownership on the remaining eight (8) lots in accordance with the provision of Section 449 of GAAM to avoid legal problems in the future. Further, we recommended that appraisal report be submitted by the Appraisal Committee created in determining the book value of the Land account to support the adjusting entries made.

2. Payments of BAC honoraria and overtime pay totalling P62,500.00 and P12,000.00, respectively, were not supported by contracts and required documents which is not in accordance with DBM Budget Circular No. 2004-5A and Section 4(6) of Presidential Decree No. 1445, thus the difficulty in determining the contracts covered by the payment of BAC honoraria and nature of overtime pay.

   We have recommended that the Local Chief Executive require the BAC Chairman and Municipal Accountant to adhere to the above-mentioned provision of DBM Circular No. 2004-5A and PD 1445 and attach supporting documents in the payroll to substantiate the claims including the overtime pay.

3. Municipal officials were paid Representation and Transportation Allowance (RATA) on a monthly basis without proof of actual work performance which is not in in consonance with the provisions of Section 7 of Local Budget Circular No. 103 dated May 15, 2013, thus the accuracy of the allowances paid could not be ascertained.

   We have recommended that the Local Chief Executive ensure strict compliance to the provisions of Local Budget Circular No. 103 that claims for RATA be supported with a certification showing the number of workdays of actual performance in a month issued by the Office of the HRMO for officials covered under Section 7.1 of LBC No. 103, and by Sanggunian Secretary for the members of Sanggunian Bayan covered by Section 7.5 of the same Circular.

4. Material Recovery Facility of the local government unit was not operating and it had not addressed the problem in the collection, segregation and disposal of wastes which is not in accordance with the provisions of Republic Act No. 9003, thus exposing the public to potential health hazard and the environment as well.

We have recommended that the Local Chief Executive give prior importance in providing Material Recovery Facility (MRF) and consider to provide sanitary landfill in the disposal of collected wastes in compliance with the provisions of R.A. 9003 in order to have a pollution and health-hazard free environment. We also recommended that the local government unit enjoin the municipal and barangay officials in the enforcement of segregation of wastes at source.

5. Unrelated expenditures were charged against the Gender and Development (GAD) Fund which is not in accordance with Joint Circular No. 2012-01of the PCW-NEDA-DBM, thus GAD related programs and projects have not been fully implemented.

   We have recommended that the Local Chief Executive instruct the Municipal Budget Officer to refrain from charging expenses under GAD Fund which are not related in addressing gender issues, promote women's empowerment and gender equality as provided in the provisions of the Joint Circular of PCW-NEDA-DBM; and to charge it to the regular Maintenance and Other Operating Expenses (MOOE) of the LGU.

We request that the comments and observations and recommendations contained in the said report be fully addressed and we would appreciate being informed of the action taken in this regard within sixty (60) days from receipt hereof, pursuant to Section 96 of the General Provisions of Republic Act No. 10717, otherwise known as the General Appropriations Act of 2016, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

We acknowledge the cooperation extended to the audit team by the officials and staff of that Municipality.

Very truly yours,

THELMA A. ORINION
Supervising Auditor

Cc. The Director, DILG Regional Office No. I, City of San Fernando, La Union
The Director, BLGF Regional Office No. I, City of San Fernando, La Union
The Director, DBM Regional Office No. I, City of San Fernando, La Union
The Presiding Officer, Sangguniang Bayan, Municipality of Mapandan, Pangasinan
The Assistant Commissioner, LGS, COA-Quezon City

GARRY G. AGAS

Municipality of Mapandan
Mapandan, Pangasinan

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

Audit Observations and Recommendations
For Calendar Year 2016
As of December 31, 2017

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken / Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

Name and Position of Agency Office ____________________ Date ____________

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed

Republic of the Philippines
COMMISSION ON AUDIT
Audit Group-D LGS, Pangasinan 1
Team R1-07-Calasiao, Pangasinan

April 24, 2017

Ms. Thelma A. Orinion
Supervising Auditor
Audit Group-D LGS, Pangasinan 1
Lingayen, Pangasinan

Madam:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of the **Municipality of Mapandan, Pangasinan** for the year ended December 31, 2016.

The audit was conducted to ascertain the propriety of financial transactions and compliance with 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 also aimed to determine whether desired results have been achieved and programs have accomplished their purposes.

The findings and recommendations were discussed with concerned management officials and staff during the exit conference held. The management's comments were included in the report where appropriate.

A qualified opinion has been rendered on the fairness of the presentation of the financial statements as the Property, Plant and Equipment (PPE) with book value of P2,258,917.81 and P7,425,895.82 under Special Education Fund and General Fund, respectively, was not reconciled with the Property Records due to the non-submission of complete Report on the Physical Count of PPE, and the lack of complete and updated Property/Subsidiary Ledger Cards, thus the accuracy, validity and existence of the accounts could not be ascertained. In addition, the costs of Construction of Multi-Purpose Drying Pavement, Day Care Center and Water Supply System, and equipment in the total amount of 2,017,433.70 were not capitalized in the books of accounts, thus understating the PPE account.

Our audit was conducted in accordance with generally accepted state auditing standards and we believe that it provides reasonable bases for the results of audit.

Very truly yours,

ROSA MARIETTA J. ESCAÑO
State Auditor IV
Team Leader

EXECUTIVE SUMMARY

A. INTRODUCTION

In January 1887, Mapandan was established as a Pueblo in response to the cry of early inhabitants from the far flung barrios of southern Mangaldan for self-autonomy. The name Mapandan means “a place with many pandan.”

Mapandan is a third class municipality with a total land area of 3,291.75 hectares and comprises of 15 barangays. Farming is the primary source of income of the people. At present, the Municipality is headed by Municipal Mayor Hon. Gerald Glenn L. Tambaoan.

SCOPE OF AUDIT

The audit consisted of review of operating procedures, inspection of the Municipality’s programs and projects, interview of officials and employees, verifications of accounts, and as such other procedures considered necessary under the circumstances.

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipality of Mapandan, Pangasinan for the year 2016. The audit was conducted to ascertain the propriety of transactions, agency’s compliance to prescribed rules and regulations and accuracy of its financial reports. The audit aimed to ascertain whether goals and objectives were attained in terms of economy, efficiency and effectiveness.

OPERATIONAL HIGHLIGHTS

The significant accomplishments of the agency for the year 2016 are as follows:

PROJECT/PROGRAM/ACTIVITY NAME	TOTAL COST	PROJECT STATUS
Construction of Evacuation Center at Brgy. Baloling & Nilombot, Mapandan Pangasinan	2,797,265.13	Completed
Improvement of Tourism Facility: Construction of Fountain at Public Plaza, Poblacion, Mapandan Pangasinan	5,185,136.89	Completed
Rehabilitation of Tourism Facility: Repair of Children's Park at Children's Park, Poblacion, Mapandan Pangasinan	1,551,984.52	On-going
Supply & Delivery of 2-units Four Wheel Drive Tractor at LGU - Mapandan, Pangasinan	4,023,000.00	Completed
Construction of Exhibit & Training Center at Brgy. Poblacion, Mapandan Pangasinan	3,598,751.31	Completed

B. HIGHLIGHTS OF FINANCIAL OPERATIONS

Presented hereunder are the financial position, sources of funds, appropriations and obligations of the municipality during the calendar years 2016 and 2015:

	2016	2015	Increase (Decrease)	%
Assets	239,662,412.35	130,533,028.50	109,129,383.85	83.60
Liabilities	51,507,434.00	38,964,114.72	12,543,319.28	32.19
Government Equity	188,154,978.35	91,568,913.78	96,586,064.57	105.48
Income	88,255,536.86	81,052,291.60	7,203,245.26	8.89
Expenses	78,852,071.66	67,596,388.85	11,255,682.81	16.65
Appropriations	95,132,306.72	86,863,152.47	8,269,154.25	9.52
Obligations	88,219,791.28	80,753,177.62	7,466,613.66	9.25

C. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements as the Property, Plant and Equipment (PPE) with book value of P2,258,917.81and P7,425,895.82 under Special Education Fund and General Fund, respectively, was not reconciled with the Property Records due to the non-submission of complete Report on the Physical Count of PPE, and the lack of complete and updated Property/Subsidiary Ledger Cards and property cards, thus the accuracy, validity and existence of the accounts could not be determined. In addition, the costs of the construction of Multi-Purpose Drying Pavement, Day Care Center and Level I Water Supply System and equipment of P2,017,433.70 were not capitalized in the books of accounts; hence, understating the PPE account.

D. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Hereunder are some of the significant audit findings and the corresponding recommendations that were discussed with the management during the exit conference. Management comments were incorporated in the report, where appropriate.

1. The accuracy, validity and existence of the Property, Plant and Equipment (PPE) account with book value of P2,258,917.81 and P7,425,895.82 under the Special Education Fund and General Fund, respectively, could not be ascertained due to the non-submission of the Report on the Physical Count of PPE, and the lack of complete and updated Property/Subsidiary Ledger Cards which is not in keeping with Sections 120 and 124, Volume I of Manual on New Government System (MNGAS) for LGUs, thus, affecting the fairness of presentation of the account in the financial statements.

   We have recommended that the Local Chief Executive require the Inventory Committee to conduct physical inventory of all Property, Plant and Equipment of the municipality in the Special Education Fund including Construction in Progress under the General Fund to determine their condition and existence. We also recommended that the Local Chie Executive instruct the Municipal Treasurer and Municipal Accountant to keep complete and updated property cards and property, plant and equipment ledger cards or subsidiary ledger cards which should reconcile with the corresponding control account of the Property, Plant and Equipment account in the general ledger.

2. Payments for the construction of various projects and purchase of equipment in the aggregate amount of P2,017,433.70 under the Trust Fund were not recorded in the appropriate account of Property, Plant and Equipment (PPE), thereby understating the asset account presented in the financial statements.

   We have recommended that the Local Chief Executive instruct the Municipal Accountant to verify the journal entries made relative to the constructions undertaken and equipment purchased under the Trust Fund and to make the necessary adjusting entries in the Trust Fund and General Fund for fair presentation of the asset and equity accounts in the financial statements.

The other audit findings and the corresponding recommendations were discussed in Part II of this report.

E. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR END

The Notice of Disallowance had a balance of P47,000.00 as of December 31, 2016.

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

Of the 8 audit recommendations embodied in the 2015 Annual Audit Report, six (6) were implemented, one (1) was partially implemented and one (1) was not implemented.

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PART I

AUDITED FINANCIAL STATEMENTS

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Honorable Municipal Mayor
Mapandan, Pangasinan

We have audited the accompanying combined financial statements of the **Municipality of Mapandan, Pangasinan,** which comprise the Statement of Financial Position as of December 31, 2016, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparative Budget and Actual Amounts and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion

As discussed in Part II of the report, the Property, Plant and Equipment (PPE) with book value balance P2,258,917.81 and P7,425,895.82 under Special Education Fund and General Fund, respectively, as of December 31, 2016 was not reconciled with the Property Records due to the non-submission of complete Report on the Physical Count of PPE and subsidiary ledger and property cards maintained were not complete and updated, thus the accuracy, validity and existence of the PPE account could not be ascertained. In addition, the costs of the Construction of Multi-Purpose Drying Pavement, Day Care Center and Level I Water Supply System, and equipment in the total amount of P2,017,433.70 were not capitalized in the books of accounts, thereby understating the PPE account.

Qualified Opinion

In our opinion, except for the effects of the matter/s described in the Bases for Qualified Opinion paragraph, the combined financial statements present fairly, in all material respects, the financial position of the **Municipality of Mapandan, Pangasinan** as of December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Public Sector Accounting Standards.

COMMISSION ON AUDIT

By:

ROSA MARIETTA J. ESCAÑO
State Auditor IV
Audit Team Leader

February 28, 2017

Republic of the Philippines
MUNICIPALITY OF MAPANDAN
Province of PANGASINAN

Statement of Management's Responsibility for Financial Statements

The management of the Municipality of MAPANDAN, Pangasinan is responsible for all information and representations contained in the Balance Sheet as of December 31, 2016 and the related Statement of Income and Expenses and Statement of Cash Flows for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

TERESITA G. SORIANO
Municipal Accountant

GERALD GLENN L. TAMBAOAN
Municipal Mayor

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

1. Profile

1.1 Mapandan was separated from Mangaldan and became a pueblo in January 1887. The name Mapandan means "a place with many pandan". It has a total land area of 3,291.75 hectares and comprises 15 Barangays. The total population based on 2010 Census was 34,439. Farming is the primary source of income of the people.

The municipality's personnel consist of:

Elective	11
Permanent	58
Temporary	0
Co-Terminous	1
Job Order	64
Contract of Service	5
Total	**139**

1.2 This year 2016, the administration continued its programs for social, economic and physical development. With the unity and cooperation of all Mapandanians, the significant programs and projects for the Municipality were accomplished; among them are as follows:

PROJECT/PROGRAM/ACTIVITY NAME	TOTAL COST	PROJECT STATUS
Construction of Evacuation Center @ Brgy Baloling & Nilombot, Mapandan Pangasinan	2,797,265.13	Completed
Improvement of Tourism Facility: Construction of Fountain @ Public Plaza, Poblacion, Mapandan Pangasinan	5,185,136.89	Completed
Rehabilitation of Tourism Facility: Repair of Children's Park @ Children's Park, Poblacion, Mapandan Pangasinan	1,551,984.52	On-going
Supply & Delivery of 2-units Four Wheel Drive Tractor @ LGU - Mapandan, Pangasinan	4,023,000.00	Completed
Construction of Exhibit & Training Center @ Brgy. Poblacion, Mapandan Pangasinan	3,598,751.31	Completed

2. The consolidated financial statements of the LGU have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS). The consolidated financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

3. Summary of significant accounting policies

3.1 Basis of accounting

The (consolidated) financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

3.2 Consolidation

The LGU maintains funds under General, Special Education, & Trust.

3.3 Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

Taxes and fines are recognized when the event occurs and the asset recognition criteria are met.

Revenue from exchange transactions

Rendering of services

The LGU recognizes revenue from services rendered by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

3.4 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Public Infrastructures were not recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. For the year 2016, some of the Road Networks were transferred from Registry of Public Infrastructure to the General Fund.

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3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

3.6 Inventories

Inventory is valued at cost.

3.7 Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

3.8 Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Governor, Mayors, Vice-Governors and Vice-Mayors, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, General Services and all Chiefs of Departments/Divisions.

3.9 Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

4. Cash and Cash Equivalents

	2016	**2015**
Cash on Hand		
Cash- Local Treasury	-	-
Petty Cash		
	-	-

Cash in Bank - Local Currency	-	-
Cash in Bank-Local Currency- Current Account	39,665,389.57	31,306,113.21
Cash in Bank - Local Currency- Savings Account	-	-
Total Cash and Cash Equivalent	**39,665,389.57**	**31,306,113.21**

Breakdown of balances of this account per fund as of December 31, 2016 are as follows:

Fund	Bank	Account #	Amount
General Fund	Land Bank of the Philippines	2642-1007-70	26,409,114.32
Special Education Fund	Land Bank of the Philippines	2642-1015-63	528,981.89
		2642-1030-35	7,313,984.63
	Land Bank of the Philippines	2642-1032-21	3,449,075.45
Trust Fund		2642-1031-59	78,567.38
	Development Bank of the Philippines	0535-004077-030	1,885,665.90
TOTAL			**39,665,389.57**

Cash in banks earns interest based on the prevailing bank deposit rates.

5. Investment

	2016	**2015**
Financial Assets - Others		
Guarantee Deposits	37,074.91	37,074.91
Allowance for Impairment	-	-
Total	**37,074.91**	**37,074.91**

6. Receivables

	2016	**2015**
Loans and Receivable Accounts		
Accounts Receivable	-	-
Allowance for Impairment	-	-
Real Property Tax Receivable	2,597,775.50	2,428,917.40
Allowance for Impairment	-	-
Special Education Tax Receivable	2,597,775.50	2,428,917.40
Allowance for Impairment		
Total	**5,195,551.00**	**4,857,834.80**

	2016	2015
Inter-Agency Receivables		
Due from National Government Agencies	92,141.81	92,141.81
Allowance for Impairment	-	-
Due from Local Government Units	251,421.71	251,421.71
Allowance for Impairment		
Total	**343,563.52**	**343,563.52**

	2016	2015
Intra-Agency Receivables		
Due from Other Funds	10,980,750.42	3,292,446.27
Total	**10,980,750.42**	**3,292,446.27**

	2016	2015
Other Receivables		
Receivables - Disallowances and Charges	52,000.00	-
Allowance for Impairment	-	-
Other Receivables	453,542.52	359,716.60
Allowance for Impairment	0.00	0.00
Total	**505,542.52**	**359,716.60**

As of 31 December 2016, the ageing analysis of current exchange receivables is as follows:

			Past due but not impaired		
	Totals	**Neither past due or impaired**	**<30 days**	**30-60 days**	**>60 days**
Accounts Receivable	-				
Real Property Tax Receivable	2,597,775.50	2,597,775.50	-	-	-
Special Education Tax Receivable	2,597,775.50	2,597,775.50	-	-	-
Due from NGAs	92,141.81	-	-	-	92,141.81
Due from LGUs	251,421.71				251,421.71
		-	-	-	

Receivables - Disallowances and Charges	52,000.00				52,000.00
Other Receivables	453,542.52				453,542.52
Total	**6,044,657.04**	**5,195,551.00**	**-**	**-**	**849,106.04**

As of 31 December 2015, the ageing analysis is as follows:

	Totals	Neither past due or impaired	Past due but not impaired <30 days	30-60 days	>60 days
Accounts Receivable	-				
Real Property Tax Receivable	2,428,917.40	2,428,917.40			
Special Education Tax Receivable	2,428,917.40	2,428,917.40			
Due from NGAs	92,141.81				92,141.81
Due from LGUs	251,421.71				251,421.71
Other Receivables	359,716.60				359,716.60
Total	**5,561,114.92**	**4,857,834.80**			**703,280.12**

7. Inventories

	2016	2015
Inventory Held for Consumption		
Office Supplies Inventory	34,076.95	45,401.96
Accountable Forms, Plates and Stickers	4,461.78	3,661.40
Drugs and Medicines Inventory	15,941.10	9,856.80
Total	**54,479.83**	**58,920.16**

No inventory items were pledge as security during the current or prior financial year.

8. Property, Plant and Equipment

This account consists of:

	2016	Additions/ (Reductions)	2015
Land	22,495,020.00	16,600,048.00	5,894,972.00
Other Land Improvements	1,081,056.29		081,056.29
Road Networks	63,536,985.61	63,536,985.61	

Parks, Plazas and Monuments	920,304.31	920,304.31	
Buildings	25,056,686.35	3,598,751.31	21,457,935.04
School Buildings	976,441.75	29,621.00	946,820.75
Markets	30,198,176.77	-	30,198,176.77
Slaughterhouses	1,899,989.96	-	1,899,989.96
Other Structures	28,239,897.17	(1,392,672.92)	29,632,570.09
Office Equipment	4,075,390.90	(551,521.60)	4,626,912.50
Information and Communication Technology Equipment	4,354,839.62	1,561,702.12	2,793,137.50
Agricultural and Forestry Equipment	4,023,000.00	4,023,000.00	-
Communication Equipment	493,850.00	(635,875.00)	1,129,725.00
Construction and Heavy Equipment	693,985.00	-	693,985.00
Disaster Response & Rescue Equipment	1,011,350.00	(830,000.00)	1,841,350.00
Medical Equipment	374,421.70	374,421.70	-
Other Machinery & Equipment	915,000.00	408,000.00	507,000.00
Motor Vehicles	5,184,664.96	204,000.00	4,980,664.96
Furniture and Fixtures	2,579,494.94	1,085,861.00	1,493,633.94
Books	229,299.80	-	229,299.80
Construction in Progress - Infrastructure Assets	4,964,302.51	4,964,302.51	-
Construction in Progress - Buildings and Other Structures	2,461,593.31	2,461,593.31	-
Other Property, Plant & Equipment	12,686,267.45	-	12,686,267.45
Total	**218,452,018.40**	**96,358,521.35**	**122,093,497.05**
Less: Accumulated Depreciation	35,681,957.82	3,755,819.80	31,926,138.02
Net Book Value	**182,770,060.58**	**92,602,701.55**	**90,167,359.03**

Road Networks consists of the following:

PROJECT NAME	LOCATION	TOTAL COST
Concreting of Core Local Roads	Brgy. Amanoaoac, Baloling & Torres, Mapandan Pangasinan	5,143,428.36
Construction/Rehabilitation of Farm to Market Roads	Brgy. Poblacion, Golden & Pias, Mapandan Pangasinan	7,163,198.52
Concrete Paving of Mabolo St.	Brgy. Golden, Mapandan Pangasinan	126,448.12
Improvement of Rosal St.	Brgy. Poblacion, Mapandan Pangasinan	695,775.97
Rehabilitation/Improvement of Farm to Market Roads	Brgy. Luyan, Jimenez, Golden & Baloling, Mapandan Pangasinan	1,419,345.95
Construction/Rehabilitation/Repair of Farm to Market Roads	Brgy. Aserda, Luyan & Golden, Mapandan Pangasinan	9,650,000.00
Construction/Rehabilitation of Farm to Market Roads	Brgy. Golden, Aserda & Luyan, Mapandan Pangasinan	9,694,819.69
Construction/Rehabilitation of Farm to Market Roads	Brgy. Primicias, Lambayan, Baloling, Poblacion & Pias, Mapandan Pangasinan	9,996,376.80
Concrete Paving of Mabolo St.	Brgy. Golden, Mapandan Pangasinan	964,751.48
Concreting of Rose St.	Brgy. Poblacion, Mapandan Pangasinan	256,050.65
Construction/Rehabilitation of Farm to Market Roads	Brgy. Luyan, Pias, Poblacion & Primicias, Mapandan Pangasinan	9,696,790.08
Concreting of Farm to Market Roads	Brgy. Pias, Luyan, Poblacion & Primicias, Mapandan Pangasinan	8,730,000.00
TOTAL		**63,536,985.62**

9. Biological Assets

This account consists of:

	2016	2015
Breeding Stocks	110,000.00	110,000.00
Total	**110,000.00**	**110,000.00**

10. Liabilities

	2016	2015
Financial Liabilities		
Accounts Payable	3,394,476.88	2,454,083.41
Loans Payable - Domestic	6,289,692.72	9,881,750.49
Total	**9,684,169.60**	**12,335,833.90**

Loans payable consists of payable to Land Bank of the Philippines and Office of the President:

	2016	Payments	2015
Public Market	-	2,177,777.69	2,177,777.69
MRF Building/Parking	-	205,668.60	205,668.60
One Million One Project	548,788.16	-	548,788.16
Cemetery Lot	2,055,000.04	432,631.56	2,487,631.60
Cemetery Structures	3,685,904.52	775,979.92	4,461,884.44
Total	**6,289,692.72**	**3,592,057.77**	**9,881,750.49**

	2016	2015
Inter-Agency Payables		
Due to BIR	1,029,217.21	698,189.43
Due to GSIS	-	531,915.21
Due to Pag-IBIG	-	99,863.13
Due to PhilHealth	400.00	33,750.00
Due to NGAs	10,727,138.47	6,026,201.33
Due to LGUs	4,830,779.71	2,890,073.28
Total	**16,587,535.39**	**10,279,992.38**

The first four accounts represents the amount deducted from the salaries of officials and employees and is remitted to the respective government agencies immediately on the month following the month for which these were deducted. While the remaining accounts represents balances of funds received by the LGU for specific purposes.

	2016	2015
Intra-Agency Payables		
Due to Other Funds	10,980,750.42	3,292,446.27
Total	**10,980,750.42**	**3,292,446.27**

	2016	2015
Trust Liabilities		
Trust Liabilities- Disaster Risk Reduction and Management Fund	8,104,383.63	7,286,586.17
Bail Bonds Payable	841.24	10,789.74
Total	**8,105,224.87**	**7,297,375.91**

	2016	2015
Deferred Credits/Unearned Income		
Deferred Credits		
Deferred Real Property Tax	2,597,775.50	2,428,917.40
Deferred Special Education Tax	2,597,775.50	2,428,917.40
Total	**5,195,551.00**	**4,857,834.80**

11. Other Payables

	2016	2015
Other Payables	954,202.72	900,631.46
Total	**954,202.72**	**900,631.46**

12. Tax Revenue

	2016	2015
Tax Revenue - Individual and Corporation		
Community tax	545,498.00	591,011.50
Tax Revenue-Property		
Real Property Tax - Basic	1,586,525.65	1,702,154.60
Discount on Real Property Tax -Basic	(170,747.59)	(173,394.81)
Special Education Tax	1,983,157.05	2,127,693.24
Discount on Special Education Tax	(213,434.48)	(216,743.53)
Tax Revenue-Goods and Services		
Business Tax	1,170,367.31	995,013.80
Tax Revenue - Fines and Penalties		
Taxes on Individual and Corporations		
Tax revenue -Fines and Penalties - Other Taxes	20,628.08	3,472.25
Share from National Taxes		
Share Internal Revenue Collection	74,398,850.00	67,514,810.00
Total	**79,320,844.02**	**72,544,017.05**

13. Service and Business Income

	2016	2015
Service Income		
Permit Fees	1,373,422.50	1,192,311.74
Registration Fees	486,401.00	532,104.75
Clearance and Certificate Fees	109,700.00	130,120.00
Fees for Sealing and Licensing of Weights and Measures	12,200.00	6,700.00
Other Service Income	266,635.07	285,467.30
Receipts from Operation of Hostels/Dormitories and Other		
Receipt from Market Operations	3,616,340.59	3,424,944.38
Slaughterhouse Operation	627,913.50	798,556.75
Receipt from Cemetery Operations	1,704,540.00	1,470,350.00
Garbage Fees	199,750.00	193,250.00
Interest Income	68,185.37	53,795.21
Fines and Penalties - Business Income	-	258.00
Total	**8,465,088.03**	**8,087,858.13**

14. Share, Grants and Donation

	2016	2015
Share		
Share from PAGCOR	45,835.33	20,993.37
Total	**45,835.33**	**20,993.37**

15. Miscellaneous Income

	2016	2015
Miscellaneous Income	423,769.48	399,423.05
Total	**423,769.48**	**399,423.05**

16. Employee Costs

	2016	2015
Personnel Services		
Salaries and Wages - Regular	19,160,066.53	18,310,845.72
Salaries and Wages- Casual/Contractual	1,647,980.00	1,511,570.75
Other Compensation		
Personal Economic Relief allowance	1,638,000.00	1,675,483.88
Representation Allowance	1,674,000.00	1,667,212.90

Transportation Allowance	1,674,000.00	1,667,212.90
Clothing/Uniform Allowance	375,000.00	350,000.00
Subsistence Allowance	160,700.00	166,675.00
Laundry Allowance	16,450.00	16,050.00
Productivity Incentive Allowance	457,000.00	1,639,966.00
Honoraria	734,300.00	726,500.00
Year-End Bonus	3,347,946.20	1,520,548.30
Hazard Pay	143,649.74	142,707.26
Cash Gift	420,000.00	409,250.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	2,270,923.66	2,201,989.26
Pag-IBIG Contribution	81,400.00	83,800.00
PhilHealth Contribution	200,925.00	205,075.00
Employees Compensation Insurance Premiums	76,652.82	77,964.99
Other Personnel Benefit		
Terminal Leave Benefits	1,248,300.91	1,588,943.72
Other Personnel Benefits	75,000.00	-
Total	**35,402,294.86**	**33,961,795.68**

17. Maintenance and Other Operating expenses

	2016	**2015**
Traveling Expenses		
Traveling Expenses - Local	1,370,300.14	1,428,459.89
Training and Scholarship Expenses		
Training Expenses	143,451.00	146,595.00
Supplies and Material Expenses		
Office Supplies Expense	1,381,548.30	999,414.05
Accountable Forms Expense	73,562.62	73,750.55
Drugs and Medicines Expenses	259,600.70	196,867.37
Fuel, Oil and Lubricant Expenses	1,192,584.58	1,363,683.15
Other Supplies & Materials Expenses	59,850.00	60,000.00
Utility Expenses		
Water Expenses	580,783.00	543,732.75
Electricity Expenses	2,119,075.37	2,066,207.10
Communication Expenses		
Postage and Courier Services	4,997.00	4,905.00
Telephone Expenses	1,776,473.50	1,679,789.00
Internet subscription Expenses	87,013.24	76,978.86

Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	27,300.00	24,000.00
Total	**9,076,539.45**	**8,664,382.72**

18. Contracted Services

	2016	**2015**
Professional Services		
Consultancy Services	92,000.00	132,000.00
General Services		
Other General Services	2,913,100.37	2,167,839.75
Total	**3,005,100.37**	**2,299,839.75**

19. Repairs and Maintenance

	2016	**2015**
Repairs and Maintenance -Infrastructure Assets	3,071,347.64	514,499.50
Repairs and Maintenance -Buildings and Other Structure	1,048,324.75	1,068,793.32
Repairs and Maintenance -Machinery and Equipment	146,290.00	82,162.00
Repairs and Maintenance -Transportation Equipment	443,275.06	253,437.01
Total	**4,709,237.45**	**1,918,891.83**

20. Financial Assistance/Subsidy

	2016	**2015**
Subsidy toNGAs	507,031.79	502,582.93
Total	**507,031.79**	**502,582.93**

21. Transfers

	2016	**2015**
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	1,796,756.75	1,724,330.85
Transfers for Project Equity Share /LGU Counterpart	1,628,798.78	-
Total	**3,425,555.53**	**1,724,330.85**

22. Taxes, Insurance Premiums and Other Fees

	2016	2015
Fidelity Bond Premiums	20,000.00	18,802.50
Insurance Expenses	681,408.72	156,000.22
Total	**701,408.72**	**174,802.72**

23. Other Maintenance and Operating Expenses

	2016	2015
Advertising Expenses	19,152.00	45,000.00
Donations	2,816,961.36	2,696,310.31
Other Maintenance and Operating Expenses	12,375,302.53	11,487,499.30
Total	**15,211,415.89**	**14,228,809.61**

24. Financial Expenses

	2016	2015
Interest Expenses	522,728.06	861,613.31
Bank Charges	13,637.08	10,390.70
Total	**536,365.14**	**872,004.01**

25. Non-Cash Expenses

	2016	2015
Depreciation		
Depreciation-Land Improvements	102,700.35	44,745.25
Depreciation-Buildings and Other Structure	2,709,476.56	1,611,327.83
Depreciation-Machinery and Equipment	1,487,514.65	510,630.36
Depreciation-Transportation Equipment	523,001.68	296,934.84
Depreciation-Furniture, Fixtures and Book	249,932.60	144,989.94
Depreciation-Other Property, Plant and Equipment	1,204,496.62	640,320.53
Total	**6,277,122.46**	**3,248,948.75**

26. Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

	2016			
	Totals	**General Fund**	**Special Education Fund**	**Trust Fund**
Surplus/(Deficit)	9,403,465.20	9,341,654.00	61,811.20	-
Non-cash transactions				
Depreciation	6,277,122.46	6,086,939.08	190,183.38	
Amortization of Intangible Assets	-			
Impairment Loss	-			
Increase in payables	16,135,377.05	8,906,637.06	152,180.45	7,076,559.54
(Gains) Losses on Sale of PPE	-			
(Gains) Losses on Sale of Investments	-			
(Increase) Decrease in current assets	364,440.33	364,440.33		
(Increase) Decrease in investments due to revaluation	-			
(Increase) Decrease in receivables	(8,171,846.27)	(101,671.63)	(168,858.10)	(7,901,316.54)
Net Cash from Operating Activities	**24,008,558.77**	**24,597,998.84**	**235,316.93**	**(824,757.00)**

	2016	**2015**
Surplus/(Deficit)	9,403,465.20	13,455,902.75
Non-cash transactions		
Depreciation	6,277,122.46	3,248,948.75
Amortization of Intangible Assets	-	-
Impairment Loss	-	-
Increase in payables	16,135,377.05	10,120,404.58
(Gains) Losses on Sale of PPE	-	-
(Gains) Losses on Sale of Investments	-	-
(Increase) Decrease in current assets	364,440.33	760,086.17

(Increase) Decrease in investments due to revaluation	-	-
(Increase) Decrease in receivables	(8,171,846.27)	(4,165,360.61)
Net Cash from Operating Activities	**24,008,558.77**	**23,419,981.64**

27. Reconciliation between actual amounts on a comparable basis as presented in this statement and in the Statement of Financial Performance for the Year Ended December 31, 2016

GENERAL FUND

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	86,483,211.75	34,605,494.86	35,908,838.86	4,127,902.39	11,594,405.44
Entity Differences	-	-	-	-	-
Basis Differences:					
Income not considered budgetary items					
Non-cash income	-	-	-	-	-
Gain on Sale of Assets	-	-	-	-	-
Receipts not considered as income					
Sale of capital assets	-	-	-	-	-
Borrowings	-	-	-	-	-
Non-cash expenses:					
Depreciation	-	-	6,086,939.08	-	-
Amortization - Intangible Assets	-	-	-	-	-
Impairment Loss	-	-	-	-	-
Losses	-	-	-	-	-
Debt Service (Loan Amortization, Retirement of Debt Instruments)				(3,592,057.77)	-
Interest Expenses capitalized	-	-	-		-
Capital Expenditures					(11,594,405.44)
Timing Differences:					
Prepayments charged to current appropriations	-	-	-	-	-
Unconsumed Inventories charged to current appropriations	-	-	(54,479.83)	-	-
Consumed Inventories and deferred charges charged to prior period appropriations	-	-	58,920.16	-	-
Per Statement of Financial Performance	**86,483,211.75**	**34,605,494.86**	**42,000,218.27**	**535,844.62**	**-**

28. Reconciliation between actual amounts on a comparable basis as presented in this statement and in the Statement of Financial Performance for the Year Ended December 31, 2016

SPECIAL EDUACTION FUND

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	1,772,325.11	796,800.00	723,010.01	520.52	462,819.20
Entity Differences	-	-	-	-	-
Basis Differences:					
Income not considered budgetary items					
Non-cash income	-	-	-	-	-
Gain on Sale of Assets	-	-	-	-	-
Receipts not considered as income					
Sale of capital assets	-	-	-	-	-
Borrowings	-	-	-	-	-
Non-cash expenses:					
Depreciation	-	-	190,183.38	-	-
Amortization - Intangible Assets	-	-	-	-	-
Impairment Loss	-	-	-	-	-
Losses	-	-	-	-	-
Debt Service (Loan Amortization, Retirement of Debt Instruments)				-	
Interest Expenses capitalized	-	-	-		-
Capital Expenditures					(462,819.20)
Timing Differences:					
Prepayments charged to current appropriations	-	-	-	-	-
Unconsumed Inventories charged to current appropriations	-	-	-	-	-
Consumed Inventories and deferred charges charged to prior period appropriations	-	-	-	-	-
Per Statement of Financial Performance	**1,77,325.11**	**796,800.00**	**913,193.39**	**520.52**	**-**

29. LDRRMF

The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to R.A. 10121 otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010”. The amount available and utilized during the year totaled P11,471,542.92 & P2,628,752.60 respectively broken down as follows:

Particulars	Available	Utilized	Balance
Current Year Appropriation			
Quick Response Fund (QRF)	1,255,487.02	-	1,255,487.02
Mitigation Fund (MF)			
MOOE	729,469.73	188,200.00	541,269.73
Capital Outlay	2,200,000.00	1,461,593.31	738,406.69
Total	4,184,956.75	1,649,793.31	2,535,163.44
Continuing Appropriation	-	-	-
Transferred to Trust Fund			
CY 2015	1,724,330.85		1,724,330.85
CY 2014	2,190,857.65		2,190,857.65
CY 2013	1,699,448.14	978,959.29	720,488.85
CY 2012	1,671,949.53		1,671,949.53
Total	**11,471,542.92**	**2,628,752.60**	**8,842,790.32**

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

I. Financial and Compliance Audit

Unreconciled balance of the Property, Plant and Equipment account – P2,258,917.81 and 7,425,895.82 under Special Education fund and General Education Fund

1. **The accuracy, validity and existence of the Property, Plant and Equipment (PPE) account with book value of P2,258,917.81 and P7,425,895.82 under the Special Education Fund and General Fund, respectively, could not be ascertained due to the non-submission of the Report on the Physical Count of PPE, and the lack of complete and updated Property/Subsidiary Ledger Cards which is not in keeping with Sections 120 and 124, Volume I of Manual on New Government System (MNGAS) for LGUs, thus, affecting the fairness of presentation of the account in the financial statements.**

The Municipality had conducted physical inventory of its Property, Plant and Equipment as of December 31, 2016. However, we noted that the physical count was only for properties under the General Fund and did not include PPE in the Special Education Fund.

Section 124 of MNGAS requires the conduct of inventory of Property, Plant and Equipment (PPE) by type and reported on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and shall submitted to Auditor concerned not later than January 31 of each year. Also, Section 120 of the same manual requires that the Chief Accountant shall maintain Property, Plant and Equipment Ledger Cards for each category of assets and Real Property Ledger Cards for Land.

Likewise, Section 114 of the same Manual provides that the Chief Accountant shall maintain the perpetual inventory records comprising of Property, Plant and Equipment Ledger Card (PPELC) for each category of plant, property and equipment, among other. Such ledger cards shall contain the details of the property, plant and equipment and livestock account in the general ledger; and the General Services Officer shall maintain property cards for property, plant and equipment; and work animals in their custody to account for the receipt and disposition of the same. The balance per property cards should always reconcile with the ledger cards of the accounting unit.

Verification of the financial statements disclosed that as of December 31, 2016, the Property, Plant and Equipment account had a total book value of P218,452,018.40 under the General Fund and Special Education Fund. Physical count on PPE was undertaken but only for PPE in the General Fund excluding the

Construction in Progress account with a balance of P7,425,895.82 and PPE under Special Education Fund with total book value of P2,258,917.81.

Further verification revealed that no subsidiary ledgers for land account were provided and Property, Plant and Equipment (PPE) Ledger Cards and property cards were not complete.

The Municipal Treasurer and Municipal Accountant gave their assurance to conduct physical inventory of all Property, Plant and Equipment of the Municipality and to update the property ledger cards and see to it that the subsidiary ledgers maintained are reconciled with the general ledger account.

We have recommended that the Local Chief Executive require the Inventory Committee to conduct physical inventory of all Property, Plant and Equipment of the municipality in the Special Education Fund including Construction in Progress under the General Fund to determine their condition and existence. We also recommended that the Local Chief Executive instruct the Municipal Treasurer and Municipal Accountant to keep complete and updated property cards and property, plant and equipment ledger cards or subsidiary ledger cards which should reconcile with the corresponding control account of the Property, Plant and Equipment account in the general ledger.

Understatement of Asset Account - P2,017,433.70

2. **Payments for the construction of various projects and purchase of equipment in the aggregate amount of P2,017,433.70 under the Trust Fund were not recorded in the appropriate account of Property, Plant and Equipment (PPE), thereby understating the asset account presented in the financial statements.**

Post-audit of accounts disclosed that there were various projects implemented by the municipality which included the Construction of Day Care Center at Barangay Poblacion in the amount of P748,604.10 as well as the Construction of Level I Water Supply System located at Barangays Aserda, Jimenez, Nilombot and Pias (Annex B.1). It was also noted that no signature of the person assigned to inspect deliveries attached to the disbursement voucher of laptop purchased for Building Office while Property Acknowledgement Receipt (PAR) attached to the voucher, payment of long barrel typewriter Olympia, not signed.

In the procurement of infrastructure and equipment under Trust fund, Due to National government Agencies (NGAS) account was debited to deduct the amount paid from the transfer of funds received from national government; and correspondingly, Cash in Bank account was credited to record the payment made to payee; thus, the appropriate asset account under the Property, Plant and equipment was not recognized in the books. Consequently, the PPE account was understated and also the government equity account.

The Revised Chart of Account for Local government Units prescribed in COA Circular No. 2015-009 dated December 1, 2015 described the account Due to National Government Agencies as an account used to record the receipt of funds for delivery of goods/services as authorized by law, fund transfers from NGAS for implementation of specific programs or projects and other interagency funds received and settlement of liabilities.

In addition, Section 104(i) of Manual on New Government Accounting System (MNGAS) provides for the Pro-forma Accounting entries for Trust Funds which states that in the submission of liquidation to grantor and transfer of completed road and equipment to GF for LGU use, Project Equity is debited and the Public Infrastructures account and construction and Heavy Equipment is credited. It further provides in Section 104(v) of the same Manual that in the transfer of building and equipment to the General Fund, Project Equity account is debited and Building and IT Equipment and software accounts are credited.

It can be gleaned from the Pro-forma Accounting entries under the Trust Funds that the Due to NGAS account which pertains to the transfer funds received from national government shall be debited when the project is completed and the asset account be credited for transfer in the General Fund.

The Municipal Accountant assured us to verify the journal entries and to make the necessary adjustments in the books of accounts.

We have recommended that the Local Chief Executive instruct the Municipal Accountant to verify the journal entries made relative to the constructions undertaken and equipment purchased under the Trust Fund and to make the necessary adjusting entries in the Trust Fund and General Fund for fair presentation of the asset and equity accounts in the financial statements.

Land account –P16,600,048.00

3. **Accuracy and validity of the land recorded in the books of the Municipality in the total amount of P22,495,020.00 could not be ascertained due to incomplete subsidiary ledgers in the accounting office and absence of certificate of ownership in the name of the Municipality.**

Verification of accounts disclosed that the balance of land account was P22,495,020.00 as of December 31, 2016. Further verification disclosed that the land value recorded in the books of P5,894,972.00 was adjusted in December 2016 to P22,495,020.00 which pertained to the market value as per records of the Municipal Assessor's Office (Annex B.2), thus the substantial increase of P16,600,048.00 reflected in the books of the Municipality during the year.

However, no appraisal report adopting the market value was submitted or attached to the adjusting entries made and no subsidiary ledgers maintained by the accounting office to substantiate the Land account; thus accuracy and validity thereof could not be made.

Further, of the fourteen (14) lots owned, only six (6) were with land titles in the name of the Municipality (Annex B.2) which is not in accordance with Section 449, Volume I of Government Accounting and Auditing Manual (GAAM) which provides that: "Land purchased by agencies of the government shall be evidence by Torrens Title drawn in the name of the Republic of the Philippines, or such other document satisfactory to the President of the Philippines that the title is vested in the Government."

This is a reiteration of one of the previous year's audit observations which was not implemented by management.

During the exit conference, management promised to comply with the audit recommendations.

We have recommended that the Local Chief Executive require the Municipal Accountant to maintain complete subsidiary ledgers for the land account to determine the details including information on whether it has a land title or tax declaration. We also recommended that management exert effort to facilitate the titling of ownership on the remaining eight (8) lots in accordance with the provision of Section 449 of GAAM to avoid legal problems in the future. Further, we recommended that appraisal report be submitted by the Appraisal Committee created in determining the book value of the Land account to support the adjusting entries made.

BAC Honoraria and Overtime Pay - P62,500.00 and P12,000.00

4. **Payments of BAC honoraria and overtime pay totaling P62,500.00 and P12,000.00, respectively were not supported by contracts and required documents which is not in accordance with DBM Budget Circular No. 2004-5A and Section 4(6) of Presidential Decree No. 1445, thus the difficulty in determining the contracts covered by the payment of BAC honoraria and nature of overtime pay.**

In the post-audit of disbursements, we noted that BAC honoraria were paid by the Municipality to BAC Members in the total amount of P62,500.00, computed as follows:

JEV No. 300-16-10-0018a/ DV No. 300-16-10-018	Timebook and Payroll	P31,500.00

JEV No. 300-16-12-0023a/ DV No. 300-16-10-0023	Timebook and Payroll	31,000.00
Total		**P 62,500.00**

Section 5.1 of DBM Budget Circular No. 2004-5A provides that: "The chairs and members of the Bids and Awards Committee (BAC) and the Technical Working Group (TWG) may be paid honoraria only for successfully completed procurement projects. In accordance with Section 7 of the Implementing Rules and Regulations Part A (IRR-A) of RA No. 9184, a procurement project refers to the entire project identified, described, detailed scheduled and budgeted for in the Project Procurement Management Plan prepared by the Agency.

A procurement project shall be considered successfully completed once the contract has been awarded to the winning bidder."

Also, Section 4(6) of Presidential Decree (PD) No. 1445 states that: "Claims against government funds shall be supported with complete documentation."

We also noted that an overtime pay were paid to Members, but did not indicate the purpose of the overtime pay collected and if they were also members of the BAC.

The Municipal Accountant promised to comply with the audit recommendations.

We have recommended that the Local Chief Executive require the BAC Chairman and Municipal Accountant to adhere to the above-mentioned provision of DBM Circular No. 2004-5A and PD 1445 and attach supporting documents in the payroll to substantiate the claims including the overtime pay.

Representation Allowance and Transportation Allowance (RATA) account

5. **Municipal officials were paid Representation and Transportation Allowance (RATA) on a monthly basis without proof of actual work performance which is not in in consonance with the provisions of Section 7 of Local Budget Circular No. 103 dated May 15, 2013, thus the accuracy of the allowances paid could not be ascertained .**

Post-audit of accounts disclosed that the payments of RATA to various officials and chief of divisions of the municipality entitled to the allowances were not supported with documentation showing their actual work performance in a month.

Section 7.1 of Local Budget Circular No. 103 dated May 15, 2013, provides for a rationalized scheme on the grant of RATA based on the number of days of actual work performance on workdays by the official concerned is hereby prescribed. The RATA schedule follows:

Number of Workdays of Actual Work Performance in a Month	**Actual RATA for a Month**
1 to 5	25% of the monthly RATA
6 to 11	50% of the monthly RATA
12 to 16	75% of the monthly RATA
17 and more	100% of the monthly RATA

It further provides under Section 7.5 of the same Circular that officials who, by the nature of their official functions, adopt a work schedule other than the usual eight hours per day, forty hours per week, such as the members of the local sanggunian, RATA shall be pro-rated based on actual wok/attendance of the official vis-à-vis the work schedule or performance standards prescribed by law or by competent authority, following the schedule below:

Percentage of Actual Work/Attendance in Relation to A Full Monthly Wok Schedule	**Actual RATA for A Month**
25% or less	25% of the monthly RATA
26%-50%	50% of the monthly RATA
51%-75%	75% of the monthly RATA
76%-100%	100% of the monthly RATA

On the other hand, Section 52 of Republic Act No. 7160 states that the minimum number of a regular session shall be one a week for the Sanggunian Bayan.

During the exit conference, management took note of our audit observation and assured that they will comply with the audit recommendation.

We have recommended that the Local Chief Executive ensure strict compliance to the provisions of Local Budget Circular No. 103 that claims for RATA be supported with a certification showing the number of workdays of actual performance in a month issued by the Office of the HRMO for officials covered under Section 7.1 of LBC No. 103, and by Sanggunian Secretary for the members of Sanggunian Bayan covered by Section 7.5 of the same Circular.

Other Receivables account – P336,996.37

6. **Other Receivables account amounting to P336,996.37 as of December 31, 2016 remained outstanding for more than sixteen(16) years in the books,**

thus depriving the Municipality of additional funds to finance other programs and projects.

In the verification of accounts, we noted that Other Receivables account showed a balance of P336,996.37 at year-end. Further verification disclosed that of the total amount, P120,000.00 pertained to Livelihood Project given to RIC members for salt-making, weaving and other handicrafts.

We also noted that no subsidiary ledgers were maintained by the accounting office for the said account; thus the nature and names to whom the amount of P216,996.37 were due and demandable could not be determined.

The Municipal Treasurer gave assurance to exert effort in the collection of the receivables. Likewise, the Municipal Accountant assured to maintain complete subsidiary ledgers.

We have recommended that the Local Chief Executive require the Municipal Treasurer to exhaust possible means to effect collection of the Receivables by sending notices of collection to debtors in order to generate additional funds to finance other programs of the Municipality. We also recommended that the Local Chie Executive require the Municipal Accountant to maintain complete subsidiary ledgers for the Receivables account to determine the details on the identity of individual and nature of the account to facilitate collection of the account.

Breeding Stocks account - P110,000.00

7. **Breeding stocks amounting to P110,000.00 which were subject to animal dispersal more than 18 years ago and no longer on hand still remained in the books, thus affecting the reliability of the account presented in the financial statements at year-end.**

In the verification of accounts, we noted that the Breeding stocks account had a balance of P110,000.00 as of December 31, 2016. We were informed that the Municipality purchased eleven (11) cows sometime in previous year before calendar year 2000 and were distributed to the recipients from the Municipality of Mapandan. We were also informed that the subject animals were already dead and necessary documents were prepared to support any adjustments in the books after verification by the Auditor. However, the personnel in the Agriculture Office who kept the documents were already dead.

During the exit conference, management took note of our audit observation and promised to exert effort to locate the pertinent documents.

We have recommended that the Local Chief Executive require the Municipal Agriculturist to exert effort in finding the pertinent documents

relative to the dead cows for verification and adjustment in the books of the Municipality.

Special Education Fund - P916,520.88

8. **Expenditures incurred amounting to P916,520.88 charged against the Special Education Fund did not fall among the priority programs/projects/activities mentioned in the provisions of Sections 100(c) and 272 of Republic Act No. 9160 and DepED-DBM-DILG Joint Circular Nos. 1 and 1A of 1998 and 2000, respectively, thus defeating purpose and objectives for which the SEF was established.**

Audit of disbursements of Special Education Fund for the period January to December 2016 disclosed that the municipality had disbursed the amount of P916,520.99 (Annex B.3) which were not among the priority expenses stated in the regulation pertaining to the utilization of funds, as follows:

Particulars	**Amount**
1. Trainings Expense	P 15,170.00
2. Office Supplies Expense	122,150.88
3. Load Allowance for CY 2016:P-II to P-IV, HT-I to H- III, MDR President, FPTA Pres. and District Clerk	68,000.00
4. Wages of School Helpers and Security Guards	711,200.00
Total	**P916,520.88**

The above expenses are regular operational expenses of the schools which could have been shouldered using its own allocation; hence not in conformity with the regulations on the utilization of funds as follows:

Sections 100(c) and 272 of Republic Act (RA) No.7160 clearly provides, thus:

"Section 100(c) The annual school board budget shall give priority to the following:

(1) Construction, repair, and maintenance of school buildings and other facilities of public elementary and secondary schools;

(2) Establishment and maintenance of extension classes where necessary; and

(3) Sports activities at the division district, municipal, and

barangay levels.

Section 272. Application of Proceeds of the Additional One Percent SEF Tax. – The proceeds from the additional one percent (1%) tax on real property accruing to the Special Education Fund (SEF) shall be automatically released to the local school boards; Provided, however, that the proceeds shall be allocated for the operation and maintenance of public schools, construction and repair school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the Local School Board."

Likewise, Dep-ED-DBM-DILG Joint Circular No. 1 series of 1998 and 2000 states that:

(1) Operation and maintenance of public school (extension, non-formal, remedial and summer classes) including payment of existing allowances granted by LGUs to teachers charged to SEF;
(2) Construction and repair of school buildings, facilities and equipment including the acquisition, titling and improvement of school sites;
(3) Educational Research;
(4) Acquisition/procurement of books, instructional materials, periodicals and equipment including IT resources; and
(5) Expenses for school activities (national, regional, division, district and barangay levels including DECS related activities and co-curricular activities.

On the other hand, DepED-DBM-DILG Joint Circular No. 01-A dated March 14, 2000-Supplemental Prioritization of Expenses Chargeable to SEF:

(1) Fund the establishment of new classes as extension of existing public elementary or secondary schools as approved by Dep-Ed Secretary, recommended by Dep-Ed Regional Director and certified correct by School Division Superintendent of the necessity and urgency of establishing extension classes in the Province, City and Municipality, provided that no extension classes be established unless the number of pupils shall at least be 15.

(2) Dep-Ed shall be responsible for the assignment of teaching personnel to handle newly-established extension classes. Part of the SEF may be used for the payment of compensation of those teaching personnel hired temporarily provided in the SEF budget. Such hiring shall be approved by the Local Chief Executive subject to CSC and DBM hiring guidelines.

Management expressed its willingness to comply with the audit recommendation.

We have recommended that the Local Chief Executive, as the head of the Local School Board, adhere strictly with the regulation in the prioritization and utilization of the SEF particularly for the construction and repair of school buildings and establishment of new extension classes or acquisition of books and instructional materials of students and teachers as required in DepED-DBM-DILG Joint Circular No. 1 and 1A and in consonance with Sections 100 and 272 of RA 7160 in order to ensure an effective educational development within the locality.

Solid Waste Management

9. **Material Recovery Facility of the local government unit was not operating and it had not addressed the problem in the collection, segregation and disposal of wastes which is not in accordance with the provisions of Republic Act No. 9003, thus exposing the public to potential health hazard and the environment as well.**

Section 37, Article 6 on Water Management facilities of Republic Act (R.A) No. 9003 provides, thus:

> "Section 37. Prohibition Against the Use of Open Dumps for Solid Waste. – No open dumps shall be established and operated, nor any practice or disposal of solid waste by any person, including LGUs, which constitutes the use of open dumps for solid waste, be allowed after the effectivity of this Act: Provided, that within three (3) year s after the effectivity of this ACT, every LGU shall convert its open dumps into controlled dumps, in accordance with the guidelines set in Sec. 41 of this Act: Provided, further, That no controlled dumps shall be allowed five (5) years following the effectivity of this act."

Section 21, Article 2 on Segregation of Wastes, of the same Republic Act states that: "The Mandatory Segregation of Solid Wastes. – The LGUs shall evaluate alternative roles for the public and private sectors in providing collection services, type of collection system, or combination of systems, that best meet their needs: Provided, That segregation of wastes shall primarily be conducted at the source, to include household, institutional, industrial, commercial and agricultural sources: Provided further' That wastes shall be segregated into the categories provided in Section 22 of this Act."

It further provides in Section 22 of the same R.A. that:

> "Section 22. Requirements for the Segregation and Storage of Solid Waste – The following shall be the minimum standards and requirements for segregation and storage of solid waste pending collection:
>
> (a) There shall be a separate container for each type of waste from all sources: Provided, That the in the case of bulky waste, it will suffice that the same be collected and placed In a separate and designated area; and
>
> (b) The solid waste container depending on its use shall be properly marked or identified for on-site collection as "compostable", "non-recyclable", and recyclable" or "special waste", or any other classification as may be determined by the Commission."

On-site inspection conducted at the dumpsite located at Barangay Primicias disclosed that the Material Recovery Facility (MRF) of the Municipality was not operating. We also noted that the municipality maintained an open dumpsite and no sanitary landfill was provided; thus may pose potential hazard to human health or to the environment when improperly treated, stored, disposed of or otherwise managed.

During the exit conference, management promised to address the matter but will have to look for funds in the purchase of equipment.

We have recommended that the Local Chief Executive give prior importance in providing Material Recovery Facility (MRF) and consider to provide sanitary landfill in the disposal of collected wastes in compliance with the provisions of R.A. 9003 in order to have a pollution and health-hazard free environment. We also recommended that the local government unit enjoin the municipal and barangay officials in the enforcement of segregation of wastes at source.

Infrastructure Project

10. **Review, evaluation and inspection of various projects of the Municipality by the COA Technical Audit Specialist (TAS) disclosed deficiencies in the Construction of National Child Development Center resulting in cost difference of P51,932.41, but no refund was made to the prejudice of the municipality.**

Construction of National Child Development Center with a contract cost of P2,447,011.32 awarded to El Felipe National Child Design and Constuction was inspected by the COA TAS and found that there were some materials not installed and exterior paint was already fading with total cost difference of P51,932.41 as per Inspection Report dated November 14, 2016.

We were informed that the Contractor concerned was willing to correct the deficiencies noted. However, no request for re-inspection was received to this date.

During the exit conference, the Municipal Engineer explained that the defects were corrected and request for re-inspection by the COA TAS will be forwarded to the office.

We have recommended that the Local Chief Executive require the Contractor concerned to refund the amount of P51,932.41 pertaining to the costs of uninstalled items and exterior paint already fading as per Inspection Report dated November 14, 2016.

Gender and Development (GAD)

11. **Unrelated expenditures were charged against the Gender and Development (GAD) Fund which is not in accordance with Joint Circular No. 2012-01of the PCW-NEDA-DBM, thus GAD related programs and projects have not been fully implemented.**

PCW-NEDA-DBM Joint Circular No. 2012-0, GAD Planning and Budgeting Guidelines provided the following examples that **cannot** be charged to GAD Budget:

1. PAPs that are not in the agency's PCW-endorsed GADF Plan;
2. Personal Services of women employees UNLESS they are working full time or part Time on GADs PAPs;
3. Honoraria for agency GAD Focal Point System members or other employees working on their agency GAD-Program and Activities;
4. Salaries of casual or emergency funds UNLESS they are hired to assist in GAD related PAPs;
5. Provision for contingency funds or "other services of PAPs;
6. Car-pooling, gas masks for traffic environment enforcers, among other;
7. The following expenses may NOT be charged to the GAD Budget UNLESS they are justified as clearly addressing a specific gender issue;

    7.1 Physical, mental and health fitness including purchase of equipment and information dissemination materials;
    7.2 Social, rest and recreation activities;
    7.3 Religious activities and implementation of culture projects; and
    7.4 Construction expense

8. Purchase of supplies, materials, equipment and vehicles for the general use of the agency.

In the verification of transactions, we noted that there expenses which were charged to GAD Budget among which are the financial assistance thru the assistance to individual crisis in situation, monthly honorarium of Senior Citizen Affairs Consultant and Population Nutrition Technical Consultant, purchase of basketball boards, OSCA ID cards and booklets, office supplies, and t-shirts for senior citizens as uniform, rental of sound system for BHW meeting; and transportation expense and perdiems in attending Provincial Population Congress which is not in conformity with the PCW-NEDA-DBM Joint Circular No. 2012-01, providing the GAD Planning and Budget Circular.

During the exit conference, management promised to comply with the audit recommendation.

We have recommended that the Local Chief Executive instruct the Municipal Budget Officer to refrain from charging expenses under GAD Fund which are not related in addressing gender issues, promote women's empowerment and gender equality as provided in the provisions of the Joint Circular of PCW-NEDA-DBM; and to charge it to the regular Maintenance and Other Operating Expenses (MOOE) of the LGU.

Local Disaster Risk Reduction Management Fund

12. **Accounting and reporting guideline required under Sections 5.1.4 and 5.1.5 of COA Circular No. 2012-002 were not complied with, thus resulting in the difficulty to ascertain the validity and completeness of the disbursements in the utilization of LDRRMF funds in the aggregate amount of P2,628,752.60.**

Section 4.4 of COA Circular No. 2012-002 dated September 12, 2012 provides that the unexpended LDRRMF shall accrue to a special trust fund solely for the purpose of supporting disaster risk and reduction management activities of the Local Disaster Risk Reduction Management Council (LDRRMC) within the next five (5) years and the LDRRMCs shall decide on the use of the unexpended balance of the LDRRMF to be incorporated in the Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP).

It also provides in Section 5.1.10 of the same COA Circular that all unexpended balance/unobligated balance of the QRF and DRRMF-MOOE shall be transferred to the Special Trust Fund under the account "Trust Liability-DRRM" (Code 438) in the Trust Fund books. Also, Section 5.1.11 provides that all unexpended/unobligated balance of the LDRRMF for CO shall be made continuing in the General Fund books until the projects funded therefore are completed and any savings shall be available for use in the disaster risk reduction and management activities as provided in the LDRRMFIP.

Verification disclosed that the Trust Liabilities-DRRM Account in the Trust Fund showed a balance of P8,104,383.63 as of December 31, 2016. Further verification of the Notes to Financial Statements disclosed that the amount of unutilized balance of LDRRMF was P8,842,790.32, thereby showing a difference of P738,406.69 representing the Capital Outlay under the General Fund. It was also noted in the financial statements that the amount of Transfers of Unspent Current Year DRRMF to Trust Fund amounted to P1,796,756.75.

Sections 5.1.4 and 5.1.5 of COA Circular No. 2012-002 also states that:

> "5.1.4 Separate Registry of Appropriations, Allotments and Obligations (RAAO) shall be maintained for the LDRRMF as follows:
>
> 5.1.4.1 RAAO - for QRF
> 5.1.4.2 RAAO - for MOOE
> 5.1.4.3 RAAO – for CO
>
> 5.1.5 A report on Sources and Utilization of DRRMF using the format in Annex B shall be prepared and certified correct by the Local Accountant. The Local Disaster Risk Reduction and Management Officer (LDRRMC) shall submit the report on or before the 15th day after the end of each month through the LDRRMC and Local Development Council (LDC) to the COA auditor of the LGU."

We noted, however, that no monthly Report on Sources and Utilization of LDRRMF was prepared and submitted by the Municipal Accountant which is not in accordance with Sections 5.1.4 and 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, thereby hinders the auditor to properly review the transactions charged thereto.

Management committed to comply with the audit recommendation.

We have recommended that the Local Chief Executive instruct the Municipal Budget Officer and Municipal Accountant to maintain a separate Registry of Appropriations, Allotments and Obligations and prepare and submit through the Local Disaster Risk Reduction and Management Officer the Monthly Report of Sources and Utilization of LDRRMF on or before the 15th day after the end of each month, respectively, in pursuance to the provisions of COA Circular No. 2012-002.

Local Councils for the Protection of Children (LCPC)

13. **Municipality did not allocate one percent of its Internal Revenue Allotment (IRA) for the strengthening and implementation of the programs of the Local Councils for the Protection of Children (LCPC) for the prevention of juvenile delinquency which is not in consonance with Section 15, Title III of Chapter I of Republic Act No. 9344.**

Section 15 of Chapter I, Title III of R.A. 9344 provides that Local Councils for the Protection of Children (LCPC) shall be established in all levels of local government. It also provides that membership in the LCPC shall be chosen from among the responsible members of the community, including a representative from the youth sector, as well as representatives from government and private agencies concerned with the welfare of children.

It further provides that the local council shall serve as the primary agency to coordinate with and assist the LGU concerned for the adoption of a comprehensive plan on delinquency prevention, and to oversee its proper implementation. It also states that one percent (1%) of the internal revenue allotment of barangays, municipalities and cities shall be allocated for the strengthening and implementation of the programs of the LCPC, however, disbursement of the fund shall be made by the LGU concerned.

Verification of the Municipality's budget disclosed that no allocation of 1% of the IRA was provided for strengthening and implementation of the programs of LCPC for the prevention of juvenile delinquency.

We were informed that there were programs/projects which were appropriated for Local Council for the Protection of Children in the total amount of P741,834.00 which is equivalent to 1% of the IRA for CY 2016, but the appropriated amount was included as one of the programs/projects under the 20% Development Fund; hence, not in accordance with the provisions of R.A. 9344.

Further verification disclosed that of the total amount of P741,834.00, the amount of P594,828.00 was expended during the year. However, expenditures incurred were not within the purview of the provisions of RA 9344, details of which are as follows:

Construction of Children's Playground/Park (Phase I)	P 583,834.00
Purchase of Vitamins	10,994.00
Total	**P 594,828.00**

We have recommended that the Local Chief Executive require the Municipal Budget Officer to allocate 1% of the IRA for the implementation of programs on child delinquency of the LCPC in compliance with the provision of Section 15 of Chapter I, Title III of R.A. 9344. We also recommended that programs and activities funded therefrom should focus

towards child protection and ensure proper implementation of programs in order to prevent juvenile delinquency.

II. Value for Money Audit

Uncollected Real Property Taxes - P2,597,775.50

14. **Municipality could have adopted the strategies and measures provided in Republic Act No. 7160 so that its delinquent real property taxes totaling P2,597,775.50 could have been minimized.**

Delinquent Real Property Taxes showed a balance of P2,597,775.50 as of December 31, 2016, thus depriving the municipality of much needed revenue to finance its operation and implementation of more development programs and projects to beneficial to the constituents.

Section 254 (a) (b) of Republic Act No. 7160 provides that:

"(a) When the real property tax or any other tax imposed under this Title becomes delinquent, the provincial, city or municipal treassurer shall immediately cause a notice of delinquency to be posted at the main entrance of the provincial capitol, or city or municipal hall and in publicly accessible and conspicuous plac e in each barangay of the l ocal government unit concerned. The notice of delinquency shall also be published once a week for two (2) consecutive weeks, in a newspaper of general circulation in the province, city or municipality.

(b) Such notice shall specify the date upon which tax became delinquent and shall state the personal property may be distrained to effect payment. It shall likewise state that any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made in accordance with the next following Section, and unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due except when the notice of assessment or special levy is contested administratively or judicially pursuant to the provisions of Chapter 3, Title II, Book II of this Code, the delinquent real property will be sold at public auction, and the title to the property will be vested in the purchaser, subject, however, to the right of the delinquent owner of the property or any person having legal interest therein to redeem the property within one (1) year from date of the sale."

Verification from the report of the Treasury Office submitted to this Office disclosed that the total delinquent on Real Property Taxes amounted to P2,597,775.50 (Annex B.4) as of December 31, 2016 which is the same amount of the balance of the Real Property Tax Receivables account under the General Fund.

Failure of the management to collect the substantial amount of real property taxes hinders the Municipality to generate additional income which could be used to implement more programs and projects beneficial to its constituents.

The Municipal Treasurer explained that they are exerting efforts to collect the said receivables by sending notice of delinquencies and demand letters. In addition, a house to house campaign is also being undertaken and notices are posted in various conspicuous places. She further explained that if the taxpayer will not pay the tax due despite repeated demands, she will forward the delinquencies on real property taxes to the Provincial Treasury Office for proper action.

We have recommended that the Local Chief Executive instruct the Municipal Treasurer to intensify/improve their collection strategies on taxes due and collectibles by sending RPTOP and notice of delinquency to taxpayers; and to conduct information campaign to improve collections; and if warranted, enforce the provisions of Sections 258 and 260 of the Local Government Code of 1991 in the collections of delinquent taxes.

III. Compliance with Tax Laws

15. Municipality had complied with the Bureau of Internal Revenue (BIR) regulations in the withholding and remittance of taxes from government money payments on goods and services and from compensation paid to employees. For the year 2016, total tax withheld amounted to P6,613,457.29 including the beginning balance of P698,189.43 of which the total amount of P5,584,240.08 was remitted to the BIR as of December 31, 2016 thereby leaving a balance of P1,029,217.21. Of the total balance, P1,025,802.50 was remitted to BIR on January 3, 9 and 11, 2017, while the remaining balance of P3,414.71 will be refunded to municipal employees concerned due to overstatement of withheld taxes.

We have recommended that management continue to deduct and remit all taxes withheld due the BIR.

IV. Compliance with PDAF Decision

For the year 2016, the Municipality has not received Priority Development Assistance Fund from the National government.

V. Statement of Audit Suspensions, Disallowances and Charges (SASDC)

Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2015 showed a balance of P47,000.00 representing the disallowance of PEI granted in 2014. There was no notice of suspension nor notice of charge issued to the Municipality during the year.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the eight audit recommendations embodied in the 2015 AAR, six were implemented, one was partially implemented and one was not implemented as discussed below:

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
1. Supply, Delivery and Installation of Materials for Electronic Business Permit and Licensing System amounting to P832,700.00 under the Trust Fund was not recorded as Information and Communication Technology Equipment account, thereby understating the asset account in the financial statements. In addition, purchase of various furniture and equipment in the total amount of P146,612.00 was not capitalized in the books of accounts; thus, understating the asset account and overstating the expense account in the financial statements. We have recommended that the Accounting Division verify the journal entries made relative to the Installation of Materials for Electronic Business Permit and Licensing System as well as the cost of furniture and equipment and make the necessary correcting entries in the books for fair presentation of the affected accounts in the financial	**AAR 2015**		Implemented

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
statements.			
2. Property, Plant and Equipment account with net book value of P90,167,359.03 was not reconciled with Property Records due to non–submission of the Report on the Physical Count of PPE and subsidiary ledgers were not complete and updated and no property cards maintained which is not in conformity with Section 156 of COA Circular No. 92-386 and Section 120 of Manual on New Government Accounting System (MNGAS), thus the accuracy and existence of PPE account could not be ascertained. Likewise, the Memorandum Receipts (MR), now Property Acknowledgement Receipts were not renewed every after three years of issue which is in not keeping with Section 492 of the Government Accounting and Auditing Manual (GAAM). We have recommended that the Local Chief Executive require the Inventory Committee to complete the inventory-taking of all municipal properties, consolidate the inventory reports and reconcile with the accounting records to determine any discrepancies.	**AAR 2015**	Physical count of Property, Plant and Equipment was conducted but did not include Construction in Progress under General Fund and PPE under Special Education Fund.	Partially Implemented. Reiterated in this year's Audit Report under Finding No. 1.

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
Also, we have recommended that the property officer maintain property cards and prepare Property Acknowledgement Receipt for Equipment (PAR) for every property issued to employees and renewed every after three years of issue. Further we have also recommended that the Municipal Accountant maintain a complete property, plant and equipment ledger card for each account of the Property, Plant and Equipment with complete details to facilitate reconciliation of each type of PPE account with the inventory report.			
3. Petty Cash Fund was not maintained under the imprest system, thus the procedures in the establishment and utilization thereof was not in accordance with Section 4.3.1 of COA Circular No. 97-002 and Section 48, Volume I of Manual on New Government Accounting System (MNGAS). We have recommended that the Municipal Treasurer and Municipal Accountant maintain the petty cash fund under the imprest system and in accordance with the procedures in the establishment, utilization and	**AAR 2015**		Implemented

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
recording as provided in Section 4.3.1 of COA Circular No. 97-002 and Section 48, Vol. I of MNGAS.			
4. Fidelity bonds of the Municipal Treasurer and Local Revenue Collection Officer II amounting to P500,000.00 each, were not sufficient to cover their cash accountabilities which was not in conformity with Item 5.1 of the Treasury Circular No. 02-2009 dated August 6, 2009. We have recommended that management increase the amount of fidelity bonds of the Municipal Treasurer and the Local Revenue Collection Officer II in accordance with Item 5.1 of the Treasury Circular to sufficiently cover their cash accountabilities for a given period.	**AAR 2015**		Implemented
5. Municipality hired a Legal Consultant with a monthly honorarium of P5,000.00 which was not in consonance with the provisions of COA Circular No. 98-002. In addition, no accomplishment report was attached to the disbursement voucher which was not in conformity with the provision of Sec. 4(6) of Presidential Decree No. 1445. We have recommended that the management strictly	**AAR 2015**		Implemented

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
comply with the requirements stated in the provisions of COA Circular No. 98-002 before engaging the services of a private lawyer. We also recommended that the Municipal Accountant submit the monthly accomplishment report of the Legal Consultant to support the claim of honorarium.			
6. Contracts for Infrastructure Projects and Goods were not supported with complete documentation which is not in accordance with Section 4(6) of PD 1445 and COA Circular No. 2009-001 dated February 12, 2009, thus affecting the validity of the contracts. We have recommended that the BAC Chairman and BAC Secretariat submit all the required documents and that all Project Contracts be submitted with complete supporting documents within five (5) days from perfection thereof. Also, we recommended that the Municipal Accountant ensure that payments made thereto be supported with complete documentation.	**AAR 2015**		Implemented
7. Municipality had allocated P3,609,240.50 or at least 5% of the total LGU Budget for Gender and Development (GAD) Programs Projects and Activities (PPAs) and prepared	**AAR 2015**		Implemented

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
GAD Plan and Budget. However, the GAD Plan and Budget and the corresponding Accomplishment Report were not submitted to oversight agencies on due date as required under Item 7-C6 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and Item V of COA Circular No. 2014-001. We commended the local government unit for allocating at least 5% of the total LGU Budget for GAD PPAs and prepared GAD Plan and Budget. On the other hand, we recommended that management require the Focal Person to submit the GAD Plan and Budget and the corresponding Accomplishment Report to oversight agencies on due date as required under Item 7-C6 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and Item V of COA Circular No. 2014-001.			
8. Municipality could have addressed the problem in the collection, segregation and disposal of wastes had it strictly adhered to the provisions of and of R.A. 9003 as safety measures to provide a healthy hazard-free environment for the welfare of the constituents. We have recommended that	**AAR 2015**		Not Implemented Reiterated in this year's Annual audit Report under Finding No. 9.

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
the management enjoin the municipal and barangay officials in enforcing the segregation of wastes and consider to provide sanitary landfill in the disposal of collected wastes in compliance with the provisions of Republic Act 9003 in order to have a pollution and health hazard-free environment.			

PART IV

ANNEXES