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, 2017

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

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MAPANDAN, PANG...

February 28, 2018

OFFICE OF THE MAYOR
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REFERENCE No.
MAPANDAN, PANGASINAN

Honorable Gerald Glenn L. Tambaoan
Municipal Mayor
Mapandan, Pangasinan

Dear Mayor Tambaoan:

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, 2017, 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 on selected area to determine whether the resources of the Municipality were utilized in an economical, efficient and effective manner.

A qualified opinion has been rendered on the fairness of presentation of the financial statements as the Constructions of Drainage System and Concreting of Core Local Roads in the amount of P1,383,853.15 and P5,146,458.10, respectively, were not recorded as asset account in the books of accounts under Trust Fund, thus understating the Water Supply System and Road Networks accounts in the financial statements.

In view of the foregoing, we recommended that the Local Chief Executive require the Municipal Accountant to verify the journal entries in the recording of the projects implemented under Trust Fund and to draw the necessary adjusting entries in the books of accounts to reflect the correct amount of Water Supply System and Road Networks accounts in the financial statements.

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 were included in the report, where appropriate. The other significant audit observations and recommendations are as follows:

1. Constructions of Drainage System at Dama de Noche and Rose St., Poblacion and Concreting of Core Local Roads in the amount of P239,747.97, P1,144,105.18 and P5,146,458.10, respectively or a total of P6,530,311.25, were not recorded as asset account under Trust Fund, thereby understating the Water Supply System and Road Networks accounts in the amount of P1,383,853.15 and P5,146,458.10, respectively, presented in the financial statements as of December 31, 2017.

   We recommended that the Local Chief Executive require the Municipal Accountant to verify the journal entries relative to the projects implemented under Trust Fund and to draw the necessary adjusting entries in the books of accounts to reflect the correct amount of Water Supply System and Road Networks accounts in the financial statements.

2. Liquidation of cash advance prescribed under Section 89 of Presidential Decree No. 1445 and Sections 5.7 and 5.8 of COA Circular No. 97-002 was not strictly followed, thus resulted to an unliquidated balance of P138,700.00 as of December 31, 2017.

   We recommended that Management require the accountable officer to immediately liquidate/settle his cash advances and to strictly observe the provisions in the granting and liquidation of cash advances as provided under PD 1445 and COA Circular No. 97-002.

3. Revenue Collection Officer was not only assigned to collect business permit from taxpayers but also to pay salaries and wages of municipal officials and employees and other petty operating expenses thru Payroll Fund and Petty Cash Fund, respectively, which is not in consonance with internal control system on segregation of duties; hence, no check and balance was adopted in handling cash pertaining to collection of taxes and Payroll Fund, and Petty Cash Fund.

   We recommended that the Local Chief Executive instruct the Municipal Treasurer to assign another employee to collect business taxes in order to ensure check and balance in the custody of cash account.

4. Petty Cash Fund was not maintained under the imprest fund system and the cash advance granted for the purpose was not supported by Obligation Request; hence the establishment, utilization and replenishment is not in accordance with Section 4.3.1 COA Circular No. 97-002 dated February 10, 1997 and Section 48, Vol. I of Manual on New Government Accounting System (MNGAS).

   We recommended that the Local Chief Executive require the Municipal Treasurer and Municipal Accountant to observe the procedures in the establishment, utilization and replenishment of the Petty Cash Fund including the correct accounting entries for setting-up and in the replenishment of the PCF. We have also recommended that the setting up of the Petty Cash Fund at the beginning of the year shall be supported by Obligations Request as provided in Section 4.3.1 of COA Circular No. 97-002 dated February 10, 1997.

5. Breeding stocks of the Municipality in the amount of P110,000.00 which was for animal dispersal more than 18 years ago and no longer on hand but still in the books of accounts, thus affecting the reliability of the account in the financial statements as of December 31, 2017.

   We recommended that the Local Chief Executive instruct the Municipal Agriculture Officer to exert more effort to locate the pertinent documents relative to the 11 cows for verification and adjustments could be made in the books of the Municipality.

6. Municipality hired and paid the services rendered by Job Order (JOs) personnel but were not required to prepare accomplishment reports and daily time records contrary to paragraph 4.1.3 of COA Circular No. 2012-001 and Section 4(6) of Presidential Decree No. 1445, thus affecting the validity and propriety of the payments of services rendered.

   We recommended that the Local Chief Executive instruct the Municipal Accountant to ensure that payroll of Job Order (JOs) personnel are duly supported by accomplishment reports and duly approved daily time records to support their claims for services rendered.

7. Monthly Report of Fuel Consumption and Monthly Report of Official Travels were not prepared and submitted to the Audit Team contrary to COA Circular No. 77-61 prescribing the use of the Manual on Audit for Fuel Consumption of Government Motor Vehicles, thus the reasonableness of the expenditures for fuel consumption amounting to P1,177,003.00 as of December 231, 2017 could not be determined.

   We recommended that the Local Chief Executive instruct the drivers concerned and agency personnel of the Municipality to prepare the Monthly Report of Fuel Consumption and Monthly Report of Official Travels and submit the same to the Auditor for verification to ensure that expenditures for fuel consumption are reasonable and effectively controlled.

8. Some disbursement vouchers were not duly supported with complete documentation which is not in accordance with Section 4(6) of Presidential Decree No. 1445, thus affecting the validity of the related transactions.

   We recommended that the Local Chief Executive instruct the BAC Chairman and BAC Secretary to submit the required supporting documents and see to it that all procurement of infrastructure, goods and services are supported by BAC Resolution. We also recommended that the Municipal Accountant ensure that disbursement vouchers are duly supported with complete documentation, duly certified and signed by officials concerned, and payrolls signed by payees.

   Further, we have recommended that the Local Chief Executive require the Municipal Treasurer ensure that funds are collected or received before payment is made in order to avoid payment in advance.

9. Various contracts for Infrastructure Projects and Goods were not supported with complete documentation which is not in accordance with Section 4(6) of Presidential Decree No. 1445 and COA Circular No. 2009-001 dated February 12, 2009, thus affecting the validity of the contracts.

   We recommended that Management require the BAC Chairman and BAC Secretariat to submit all the required supporting documents and all Project contracts be submitted with complete supporting documents within five (5) days from perfection thereof. Likewise, we recommended that Management instruct the Municipal Accountant to submit the original disbursement vouchers, JEV and official receipts, and ensure that payments made thereto are supported with complete documentation.

10. Material Recovery Facility of the Municipality was not fully operational and no municipal ordinance on the segregation and disposal of wastes which is not in accordance with the provisions of Republic Act No. 9003, thus exposing the constituents to potential environmental and health hazards.

    We recommended that the Local Chief Executive give prior importance in providing Material Recovery Facility (MRF) in the Municipality and 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 Management enjoin the municipal and barangay officials in the enforcement of segregation of wastes at source.

11. Monthly Report on the Utilization of Disaster Risk Reduction and Management Fund was not submitted to the Audit Team by the Local Risk Reduction and Management Officer (LDRRMO) of the Municipality on or before the 15th day after the end of each month which is not in accordance with the reporting guidelines required under Sections 5.1.4 and 5.1.5 of COA Circular No. 2012-002, thus resulting in the difficulty to ascertain the validity and completeness of the disbursements charged against the fund in the aggregate amount of P3,572,124.82.

    We 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 the Municipal Accountant to prepare Monthly Report of Sources and Utilization of LDRRMF and submit through the Local Disaster Risk Reduction and Management Officer on or before the 15th day after the end of each month in pursuance to Section 5.1.4 of COA Circular No. 2012-002.

12. Unexpended balance of the 5% Local Disaster Risk Reduction and Management Fund (LDRRMF) in the amount of P1,870,084.45 remained in the General Fund and was not transferred to the Special Trust Fund books which is not in consonance with Section 5.1.10 of COA Circular No. 2012-002 dated September 12, 2012.

We recommended that the Local Chief Executive require the Municipal Accountant and Municipal Treasurer to transfer the remaining unexpended balance of the LDRRMF under the General Fund to the Special Trust Fund in the Trust Fund books for the purpose of supporting disaster risk reduction and management activities of the LDRRMC within the next five years. In addition, the accounting entries provided in COA Circular No. 2012-002 shall be followed in the transfer of the unexpended balance of LDRRMF-MOOE to the Trust Fund books.

13. Municipality had appropriated the amount of P4,451,002.10 for Gender and Development (GAD) instead of P5,054,615.47, thus not within the minimum requirement of 5% of the total Municipal Budget of P101,092,309.34, thus not in accordance with Item 4.C.1.1 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-0-1. In addition, the GAD Plan and Budget and the corresponding Accomplishment Report were not submitted to other oversight agencies on due date pursuant to Item 7-C6 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and Item V of COA Circular No. 2014-001.

    We recommended that the Local Chief Executive instruct: a) the Municipal Budget Officer to provide 5% of the total budget for the accomplishment of Gender and Development; and b) the GAD Focal Point/Person to review and verify the total amount of GAD Plan and Budget before submission to the oversight agencies, and submit GAD Plan and Budget and the corresponding Accomplishment Report to the Audit Team on due date as required under Item V of COA Circular No. 2014-001.

14. Municipality failed to 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 accordance with Section 15, Chapter I, Title III of Republic Act No. 9344, thus the purpose for which it was intended was not attained.

    We recommended that the Local Chief Executive instruct the Municipal Budget Officer to allocate one percent of the IRA in the municipality’s Annual Budget for the implementation of programs, activities, projects of LCPC in compliance with Section 15 of Chapter I, Title III of R.A. 9344 to address juvenile delinquency in the Municipality.

15. Other Receivables account of the Municipality amounting to P352,348.33 as of December 31, 2017 remained outstanding for more than sixteen (16) years in the books, thus depriving the Municipality of additional funds to finance other programs, activities and projects.

    We recommended that Management exhaust all possible means to exert effect collect ion of receivables. In case of non-collection, the agency shall make a request for writing-off of the above receivables thru the following procedures:

a) The Municipal Accountant shall make a recommendation addressed to the Local Chief Executive, who, in turn, shall forward the request for writing off to the Sanguniang Bayan for the adoption of a resolution. The request shall be supported with documents evidencing action taken/effort exerted to establish validity and existence of the accounts.

b) The request together with the SB Resolution shall be forwarded by the Local Chief Executive to the Commission on Audit for review and for approval.

16. Delinquent Real Property Tax and Market Stall Rentals in the amount of P1,257,828.32 and P41,225.00, respectively, remained uncollected as of December 31, 2017, thus deprived the municipal government of additional income that could have been used to finance more development programs, projects and activities for the welfare of its constituents.

    We recommended that the Local Chief Executive instruct the Municipal Treasurer to exert more effort to collect the delinquent Real Property Tax and market stall rentals in order to generate more income which could be used in the implementation of development programs/projects beneficial to the constituents. Management may also consider the remedies as prescribed under Section 254 of Republic Act No. 7160 in order to enforce collection of delinquent Real Property Tax.

We request that the comments and observations 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 88 of the General Provisions of Republic Act No. 10924, otherwise known as the General Appropriations Act of 2017 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
Assistant Commissioner, LGS, COA, Quezon City.

Municipality of Mapandan
Mapandan, Pangasinan

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION

Audit Observations and Recommendations
For Calendar Year 2017
As of December 2018

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, © Not Implemented, (d) Partially Implemented, or (e) Delayed

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 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 2017. 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 most significant accomplishment of the Municipality for the year 2017 were as follows:

	Project/Program	Actual Cost	Status
1.	Construction of Evacuation Centers @ Brgy. Golden, Lambayan, Jimenez, Sta. Maria & Torres.	6,312,929.31	Completed
2.	Rehabilitation/Improvement of Mapandan Public Auditorium (Phase 2)	1,477,783.35	Completed
3.	Supply & Delivery of 1 unit Heavy Equipment (Man Lifter Truck)	1,100,000.00	Completed
4.	Supply & Delivery of 28 Set Solar LED Lights for Mapandan Town Plaza.	974,981.28	Completed
5.	Concreting of Core Local Road @ 6 Barangays	14,073,523.11	On-going
6.	Rehabilitation/Upgrading of Mapandan Abattoir	3,413,301.38	On-going
7.	Rehabilitation/Upgrading of Children's Park (Phase 2)	1,986,604.31	On-going

B. Financial Highlights

Presented below are the financial position, sources of funds, appropriations and obligations of the municipality during the calendar year 2017, with comparative figures for calendar year 2016:

	2017	2016	Increase(Decrease)	%
Assets	243,600,350.30	239,662,412.35	3,937,937,.95	1.64
Liabilities	34,316,721.11	51,507,434.00	(17,190,712.89)	(33,.38)
Government Equity	209,283,629.19	188,154,978.35	21,128,650.84	11.23
Income	99,989,386.89	88,255,536.86	11,733,850.03	13.30
Expenses	95,214,375.11	78,852,071.66	16,362,303.45	20.75
Appropriations	108,443,630.00	95,132,306.72	13,311,323.28	13.99
Obligations	107,710,313.30	88,219,791.28	19,490,522.02	22.09

C. Auditor's Opinion on the Financial Statements

A qualified opinion has been rendered on the fairness of presentation of the financial statements as the Constructions of Drainage System and Concreting of Core Local Roads in the amount of P1,383,853.15 and P5,146,458.10, respectively were not recorded as Due to NGAS account instead of Asset account in the books under Trust Fund, thus understating the Water Supply System and Road Networks accounts in the financial statement.

D. Significant Findings and Recommendations

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

1. Constructions of Drainage System at Dama de Noche and Rose St., Poblacion and Concreting of Core Local Roads in the amount of P239,747.97, P1,144,105.18 and P5,146,458.10, respectively or a total of P6,530,311.25, were not recorded as asset account under Trust Fund, thereby understating the Water Supply System and Road Networks accounts in the amount of P1,383,853.15 and P5,146,458.10, respectively, presented in the financial statements as of December 31, 2017.

   We recommended that the Local Chief Executive require the Municipal Accountant to verify the journal entries relative to the projects implemented under Trust Fund and to draw the necessary adjusting entries in the books of accounts to reflect the correct amount of Water Supply System and Road Networks accounts in the financial statements.

2. Liquidation of cash advance prescribed under Section 89 of Presidential Decree No. 1445 and Sections 5.7 and 5.8 of COA Circular No. 97-002 was

not strictly followed, thus resulted to an unliquidated balance of P138,700.00 as of December 31, 2017.

We recommended that Management require the accountable officer to immediately liquidate/settle his cash advances and to strictly observe the provisions in the granting and liquidation of cash advances as provided under PD 1445 and COA Circular No. 97-002.

3. Revenue Collection Officer was not only assigned to collect business permit from taxpayers but also to pay salaries and wages of municipal officials and employees and other petty operating expenses thru Payroll Fund and Petty Cash Fund, respectively, which is not in consonance with internal control system on segregation of duties; hence no check and balance was adopted in handling cash pertaining to collection of taxes and Payroll Fund, and Petty Cash Fund.

   We recommended that the Local Chief Executive instruct the Municipal Treasurer to assign another employee to collect business taxes in order to ensure check and balance in the custody of cash account.

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

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

The Notice of Disallowance had a balance of P47,000.00 as of December 31, 2017.

F. Status of Implementation of Prior Year's Audit Recommendations

Of the 14 audit recommendations embodied in the 2016 AAR, 6 were implemented, 4 were partially implemented and 4 were not implemented by the Municipality.

Table of Contents

Page No.

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, 2017, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparative Budget and Actual 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 the Philippine Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of the 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 Accounting 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 audit 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 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

A qualified opinion has been rendered on the fairness of presentation of the financial statements as the Constructions of Drainage System and Concreting of Core Local Roads in the amount of P1,383,853.15 and P5,146,458.10, respectively, were not recorded as Asset account in the books under Trust Fund, thus understating the Water Supply System and Road Networks accounts in the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter/s described in the Basis 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, 2017, 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 23, 2018

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, 2017 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

Notes to Condensed Financial Statements

Note 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.

1.2 The municipality’s personnel consist of:

Elective	11
Permanent	59
Temporary	0
Co-Terminous	1
Job Order	66
Contract of Service	6
Total	**143**

1.3 This year 2017, 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
Rehabilitation/Improvement of Mapandan Public Auditorium (Phase 2)	1,477,783.35	Completed
Rehabilitation/Upgrading of Mapandan Abattoir	3,413,301.38	On-going
Construction of Evacuation Centers @ Brgy Golden, Lambayan, Jimenez, Sta. Maria, & Torres	6,312,929.31	Completed
Supply & Delivery of 28 Sets Solar LED Lights for Mapandan Town Plaza.	974,981.28	Completed
Concreting of Core Local Roads @ 6 Barangays	14,073,523.11	On-going
Construction of Evacuation Center @ Brgy Apaya	1,298,393.27	On-going
Supply & Delivery of 1 unit Heavy Equipment (Man Lifter Truck)	1,100,000.00	Completed
Rehabilitation/Upgrading of Children's Park (Phase 2)	1,986,604.31	On-going

Note 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.

Note 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.

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 under spending on line items.

Note 4. Cash and Cash Equivalents

	2017	2016
Cash on Hand		
Cash- Local Treasury	-	-
Petty Cash	-	-
Cash in Bank - Local Currency	-	-
Cash in Bank-Local Currency-Current Acct.	28,172,989.52	39,665,389.57
Cash in Bank - Local Currency- Savings Acct	-	-
Total Cash and Cash Equivalent	**P28,172,989.52**	**39,665,389.57**

Breakdown of balances of this account per fund as of December 31, 2017 are as follows:

FUND	Bank	Account #	Amount
General Fund	Land Bank of the Philippines	2642-1007-70	11,362,689.29
Special Education Fund	Land Bank of the Philippines	2642-1015-63	1,227,011.87
Trust Fund	Land Bank of the Philippines	2642-1030-35	9,226,583.26
		2642-1032-21	888,453.33
		2642-1031-59	94,395.29
	Development Bank of the Philippines	0535-004077-030	5,373,856.48
TOTAL			**P28,172,989.52**

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

Note 5 – Investment

	2017	2016
Financial Assets - Others		
Guarantee Deposits	37,074.91	37,074.91
Allowance for Impairment	-	-
Total	**P37,074.91**	**37,074.91**

Note 6 - Receivables

	2017	2016
Loans and Receivable Accounts		
Accounts Receivable	-	-
Allowance for Impairment	-	-
Real Property Tax Receivable	628,914.16	2,597,775.50
Allowance for Impairment	-	-
Special Education Tax Receivable	628,914.16	2,597,775.50
Allowance for Impairment	-	-
Total	**P1,257,828.32**	**P 5,195,551.00**

Inter-Agency Receivables		
Due from National Government Agencies	92,140.81	92,141.81
Allowance for Impairment	-	-
Due from Local Government Units	169,146.67	251,421.71
Allowance for Impairment	-	-
Total	**P 261,287.48**	**P 343,563.52**
Intra-Agency Receivables		
Due from Other Funds	2,704,194.36	10,980,750.42
Total	**P 2,704,194.36**	**P 10,980,750.42**
Advances		
Advances for Officers and Employees	138,700.00	-
Total	**P 138,700.00**	**-**
Other Receivables		
Receivables - Disallowances and Charges	40,187.00	52,000.00
Allowance for Impairment	-	-
Due from Officers and Employees	14,711.30	-
Allowance for Impairment	-	-
Other Receivables	376,803.42	453,542.52
Allowance for Impairment	-	-
Total	**P 431,701.72**	**P 505,542.52**

As of 31 December 2017, 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	628,914.16	628,914.16	-	-	-
Special Education Tax Receivable	628,914.16	628,914.16	-	-	-
Due from NGAs	92,140.81	-	-	-	92,140.81

Due from LGUs	169,146.67	-	-	-	169,146.67
Advances for Officers and Employees	138,700.00	-	-	-	138,700.00
Receivables - Disallowances and Charges	40,187.00	-	-	-	40,187.00
Due from Officers and Employees	14,711.30	-	-	-	14,711.30
Other Receivables	376,803.42	-	485.95	23,969.14	352,348.33
Total	**P 2,089,517.52**	**P 1,257,828.32**	**P 485.95**	**P 23,969.14**	**P 807,234.11**

As of 31 December 2016

	Totals	**Neither past due or impaired**	**Past due but not impaired** **<30 days**	**30-60 days**	**>60 days**
Accounts Receivable	-	-	-	-	-
Real Property Tax Receivable	2,597,775.50	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	**P 6,044,657.04**	**P 5,195,551.00**	-	-	**P 849,106.04**

Note 7 – Inventories

	2017	**2016**
Inventory Held for Consumption		
Office Supplies Inventory	P 82,418.20	P 34,076.95
Accountable Forms, Plates and Stickers	6,279.11	4,461.78
Drugs and Medicines Inventory	24,624.07	15,941.10
Total	**P 113,321.38**	**P 54,479.83**

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

Note 8 - Property, Plant and Equipment

This account consists of:

	2017	Additions/ (Reductions)	2016
Land	22,495,020.00	-	22,495,020.00
Other Land Improvements	1,081,056.29	-	1,081,056.29
Road Networks	68,683,443.72	5,146,458.11	63,536,985.61
Parks, Plazas and Monuments	9,135,209.07	8,214,904.76	920,304.31
Other Infrastructure Assets	4,470,479.64	4,470,479.64	-
Buildings	28,697,597.96	3,640,911.61	25,056,686.35
School Buildings	986,806.75	10,365.00	976,441.75
Markets	30,198,176.77	-	30,198,176.77
Slaughterhouses	1,899,989.96	-	1,899,989.96
Other Structures	38,098,046.32	9,858,149.15	28,239,897.17
Office Equipment	3,899,985.70	(175,405.20)	4,075,390.90
Information and Communication Technology Equipment	5,506,525.54	1,151,685.92	4,354,839.62
Agricultural and Forestry Equipment	4,023,000.00	-	4,023,000.00
Communication Equipment	493,850.00	-	493,850.00
Construction and Heavy Equipment	5,213,985.00	4,520,000.00	693,985.00
Disaster Response & Rescue Equipment	1,011,350.00	-	1,011,350.00
Medical Equipment	374,421.70	-	374,421.70
Other Machinery & Equipment	915,000.00	-	915,000.00
Motor Vehicles	8,156,064.96	2,971,400.00	5,184,664.96
Furniture and Fixtures	3,354,445.42	774,950.48	2,579,494.94
Books	229,299.80	-	229,299.80
Construction in Progress - Infrastructure Assets	1,986,604.31	(2,977,698.20)	4,964,302.51
Construction in Progress - Buildings and Other Structures	1,691,968.23	(769,625.08)	2,461,593.31
Other Property, Plant & Equipment	14,537,401.05	1,851,133.60	12,686,267.45
Total	**257,139,728.19**	**38,687,709.79**	**218,452,018.40**
Less: Accumulated Depreciation	46,766,475.58	11,084,517.76	35,681,957.82
Net Book Value	**P210,373,252.61**	**27,603,192.03**	**182,770,060.58**

Other Property, Plant, & Equipment in the Special Education Fund amounting P7,355.65 was reclassified as Due from Officers & Employees.

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
Concreting of Farm to Market Roads	Brgy. Pias, Luyan, Poblacion & Primicias, Mapandan Pangasinan	5,146,458.10
TOTAL		**P68,683,443.72**

Note 9 – Biological Assets

This account consists of:

	2017	2016
Breeding Stocks	110,000.00	110,000.00
Total	**P 110,000.00**	**P 110,000.00**

Note 10 – Liabilities

	2017	2016
Financial Liabilities		
Accounts Payable	3,929,067.66	3,394,476.88
Loans Payable - Domestic	4,532,293.08	6,289,692.72
Total	**P 8,461,360.74**	**P 9,684,169.60**

Loans payable consists of payable to Land Bank of the Philippines:

	2017	Payments	2016
Cemetery Lot	1,622,368.48	432,631.56	2,055,000.04
Cemetery Structures	2,909,924.60	775,979.92	3,685,904.52
Total	**P 4,532,293.08**	**P 1,208,611.48**	**P 5,740,904.56**

The One Million One Project from the Office of the President amounting to P548,788.16 was reclassified as Due to National Government Agencies.

	2017	2016
Inter-Agency Payables		
Due to BIR	972,987.58	1,029,217.21
Due to GSIS	608,013.88	-
Due to Pag-IBIG	107,776.74	-
Due to PhilHealth	34,100.00	400.00
Due to NGAs	4,658,543.36	10,727,138.47
Due to LGUs	2,357,358.75	4,830,779.71
Total	**P 8,738,780.31**	**P 16,587,535.39**

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.

	2017	2016
Intra-Agency Payables		
Due to Other Funds	2,704,194.36	10,980,750.42
Total	**P 2,704,194.36**	**P 10,980,750.42**

	2017	2016
Trust Liabilities		
Trust Liabilities- Disaster Risk Reduction and Management Fund	10,071,202.95	8,104,383.63
Bail Bonds Payable	841.24	841.24
Total	**P 10,072,044.19**	**P 8,105,224.87**
Deferred Credits/Unearned Income		
Deferred Credits		
Deferred Real Property Tax	628,914.16	2,597,775.50
Deferred Special Education Tax	628,914.16	2,597,775.50
Total	**P 1,257,828.32**	**5,195,551.00**

Note 11– Other Payables

	2017	2016
Other Payables	3,082,513.19	954,202.72
Total	**P 3,082,513.19**	**P 954,202.72**

Note 12 – Tax Revenue

	2017	2016
Tax Revenue - Individual and Corporation		
Community tax	674,063.06	545,498.00
Tax Revenue-Property		
Real Property Tax - Basic	2,135,085.49	1,586,525.65
Discount on Real Property Tax -Basic	(209,667.94)	(170,747.59)
Special Education Tax	2,668,856.96	1,983,157.05
Discount on Special Education Tax	(262,085.01)	(213,434.48)
Tax Revenue-Goods and Services		
Business Tax	1,394,804.99	1,170,367.31
Tax Revenue - Fines and Penalties Taxes on Individual and Corporations		
Tax revenue -Fines and Penalties - Other Taxes	17,511.07	20,628.08
Share from National Taxes		
Share Internal Revenue Collection	83,925,092.00	74,398,850.00
Total	**P 90,343,660.62**	**P 79,320,844.02**

Note 13– Service and Business Income

	2017	2016
Service Income		
Permit Fees	2,028,686.47	1,373,422.50
Registration Fees	477,002.00	486,401.00
Clearance and Certificate Fees	161,950.00	109,700.00
Fees for Sealing and Licensing of Weights and Meas.	13,400.00	12,200.00
Other Service Income	345,156.86	266,635.07
Receipts from Operation of Hostels/Dormitories & Other		
Receipt from Market Operations	3,576,424.86	3,616,340.59
Slaughterhouse Operation	501,721.50	627,913.50
Receipt from Cemetery Operations	1,688,000.00	1,704,540.00
Garbage Fees	243,600.00	199,750.00
Interest Income	54,650.58	68,185.37
Fines and Penalties - Business Income	-	-
Total	**P 9,090,592.27**	**P 8,465,088.03**

Note 14 - Miscellaneous Income

	2017	2016
Miscellaneous Income	555,134.00	423,769.48
Total	**P 555,134.00**	**P 423,769.48**

Note 15 - Employee Costs

	2017	2016
Personnel Services		
Salaries and Wages - Regular	22,046,555.71	19,160,066.53
Salaries and Wages- Casual/Contractual	1,682,687.00	1,647,980.00
Other Compensation		
Personal Economic Relief allowance	1,682,000.00	1,638,000.00
Representation Allowance	1,669,300.00	1,674,000.00
Transportation Allowance	1,669,300.00	1,674,000.00
Clothing/Uniform Allowance	345,000.00	375,000.00
Subsistence Allowance	169,125.00	160,700.00
Laundry Allowance	16,350.00	16,450.00
Productivity Incentive Allowance	1,285,000.00	457,000.00
Honoraria	746,340.00	734,300.00
Year-End Bonus	3,677,685.60	3,347,946.20
Hazard Pay	161,616.94	143,649.74
Cash Gift	423,500.00	420,000.00

Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	2,571,827.92	2,270,923.66
Pag-IBIG Contribution	82,900.00	81,400.00
PhilHealth Contribution	203,500.00	200,925.00
Employees Compensation Insurance Premiums	78,621.72	76,652.82
Other Personnel Benefit		
Terminal Leave Benefits	682,907.15	1,248,300.91
Other Personnel Benefits	60,000.00	75,000.00
Total	**P 39,254,217.04**	**P 35,402,294.86**

Note 16 – Maintenance and Other Operating expenses

	2017	**2016**
Traveling Expenses		
Traveling Expenses - Local	2,011,328.20	1,370,300.14
Training and Scholarship Expenses		
Training Expenses	73,420.00	143,451.00
Supplies and Material Expenses		
Office Supplies Expense	1,370,967.19	1,381,548.30
Accountable Forms Expense	98,372.67	73,562.62
Food Supplies Expenses	18,900.00	-
Drugs and Medicines Expenses	385,777.03	259,600.70
Fuel, Oil and Lubricant Expenses	1,340,213.23	1,192,584.58
Other Supplies & Materials Expenses	17,895.00	59,850.00
Utility Expenses		
Water Expenses	559,309.50	580,783.00
Electricity Expenses	2,649,696.92	2,119,075.37
Communication Expenses		
Postage and Courier Services	2,490.00	4,997.00
Telephone Expenses	1,551,495.74	1,776,473.50
Internet subscription Expenses	243,457.58	87,013.24
Confidential, Intelligence and Extraordinary Exp.		
Extraordinary and Miscellaneous Expenses	30,574.50	27,300.00
Total	**P 10,353,497.56**	**P 9,076,539.45**

Note 17 – Contracted Services

	2017	**2016**
Professional Services		
Consultancy Services	248,000.00	92,000.00
General Services		

Other General Services	4,186,834.75	2,913,100.37
Total	**P 4,434,834.75**	**P 3,005,100.37**

Note 18 – Repairs and Maintenance

	2017	2016
Repairs and Maintenance -Infrastructure Assets	1,475,758.92	3,071,347.64
Repairs and Maintenance -Buildings and Other Struct.	1,670,153.88	1,048,324.75
Repairs and Maintenance -Machinery and Equipment	80,390.00	146,290.00
Repairs and Maintenance -Transportation Equipment	849,740.26	443,275.06
Total	**P 4,076,043.06**	**4,709,237.45**

Note 19 - Financial **Assistance/Subsidy**

	2017	2016
Subsidy to NGAs	569,431.20	507,031.79
Subsidy to Other Local Government Units	450,000.00	-
Total	**P 1,019,431.20**	**P 507,031.79**

Note 20 - Transfers

	2017	2016
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	1,864,084.45	1,796,756.75
Transfers for Project Equity Share /LGU Counterpart	1,204,371.27	1,628,798.78
Total	**P 3,068,455.72**	**P 3,425,555.53**

Note 21 - Taxes, Insurance Premiums and Other Fees

	2017	2016
Fidelity Bond Premiums	23,250.00	20,000.00
Insurance Expenses	216,080.79	681,408.72
Total	**P 239,330.79**	**P 701,408.72**

Note 22 – Other Maintenance and Operating Expenses

	2017	2016
Advertising Expenses	90,060.00	19,152.00
Donations	7,103,832.26	2,816,961.36
Other Maintenance and Operating Expenses	14,135,206.68	12,375,302.53
Total	**P 21,329,098.94**	**P 15,211,415.89**

Note 23 - Financial Expenses

	2017	2016
Interest Expenses	343,618.17	522,728.06
Bank Charges	10,930.12	13,637.08
Total	**P 354,548.29**	**P 536,365.14**

Note 24 – Non-Cash Expenses

	2017	2016
Depreciation		
Depreciation-Land Improvements	102,700.35	102,700.35
Depreciation-Buildings and Other Structure	4,866,547.75	2,709,476.56
Depreciation-Machinery and Equipment	2,040,494.88	1,487,514.65
Depreciation-Transportation Equipment	1,016,741.80	174,619.64
Depreciation-Furniture, Fixtures and Book	295,427.57	598,314.64
Depreciation-Other Property, Plant and Equipment	2,762,605.41	1,204,496.62
Total	**P 11,084,517.76**	**P 6,277,122.46**

Note 25 - Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

2017

	Totals	General Fund	Special Education Fund	Trust Fund
Surplus/(Deficit)	4,775,011.78	4,374,676.68	400,335.10	-
Non-cash transactions				
Depreciation	11,084,517.76	10,828,476.60	256,041.16	
Amortization of Intangible Assets	-	-	-	-
Impairment Loss	-	-	-	-
Increase in payables	(18,673,135.46)	(10,655,222.96)	(1,927,207.62)	(6,090,704.88)
(Gains) Losses on Sale of PPE	-	-	-	-
(Gains) Losses on Sale of Investments	-	-	-	-
(Increase) Decrease in current assets	(58,841.55)	(58,841.55)	-	
(Increase) Decrease in investments due to revaluation	-	-	-	-
(Increase) Decrease in receivables	12,221,027.77	1,305,466.55	1,968,861.34	8,946,699.88
Net Cash from Operating Activities	**P 9,348,580.30**	**P 5,794,555.32**	**P 698,029.98**	**P 2,855,995.00**

	2017	2016
Surplus/(Deficit)	4,775,011.78	9,403,465.20
Non-cash transactions		
Depreciation	11,084,517.76	6,277,122.46
Amortization of Intangible Assets	-	-
Impairment Loss	-	-
Increase in payables	(18,673,135.46)	16,135,377.05
(Gains) Losses on Sale of PPE	-	-
(Gains) Losses on Sale of Investments	-	-
(Increase) Decrease in current assets	(58,841.55)	364,440.33
(Increase) Decrease in investments due to revaluation	-	-
(Increase) Decrease in receivables	12,221,027.77	(8,171,846.27)
Net Cash from Operating Activities	**P 9,348,580.30**	**P 24,008,558.77**

Note 26 – **GENERAL FUND -** 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, 2017.

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	97,789,336.74	38,443,377.04	43,638,020.97	1,562,570.54	22,313,002.92
Entity Differences	-	-	-	-	-
Basis Differences:					
Income not considered budgetary items					
Non-cash income	(209,667.94)	-	-	-	-
Gain on Sale of Assets	-	-	-	-	-
Receipts not considered as income					
Sale of capital assets	-	-	-	-	-
Borrowings	-	-	-	-	-
Non-cash expenses:					
Depreciation	-	-	10,828,476.60	-	-
Amortization - Intangible Assets	-	-	-	-	-

Impairment Loss	-	-	-	-	-
Losses	-	-	-	-	-
Debt Service (Loan Amortization, Retirement of Debt Instruments)				(1,208,611.48)	-
Interest Exp. capitalized	-	-	-		-
Capital Expenditures					(22,313,002.92)
Timing Differences:					
Prepayments charged to current appropriations	-	-	-	-	-
Unconsumed Inv. charged to current appro.	-	-	(113,321.38)	-	-
Consumed Inventories and deferred charges charged to prior period approp.	-	-	54,479.83	-	-
Per Statement of Financial Performance	**P97,579,668.80**	**38,443,377.04**	**54,407,656.02**	**353,959.06**	**-**

Note 27 – **SPECIAL EDUCATION FUND -** 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, 2017.

	Income	**Personnel Services**	**MOOE**	**Financial Expenses**	**Capital Outlay**
Comparison Statement of Budget and Actual	2,671,803.10	810,840.00	941,912.60	589.23	-
Entity Differences			-	-	-
Basis Differences:					
Income not considered budgetary items					
Non-cash income	(262,085.01)	-	-	-	-
Gain on Sale of Assets	-	-	-	-	-
Receipts not					-

considered as inc.	-	-	-	-	
Sale of capital assets	-	-	-	-	-
Borrowings	-	-	-	-	-
Non-cash expenses:					
Depreciation	-	-	256,041.16	-	-
Amortization – Intangible Assets	-	-	-	-	-
Impairment Loss	-	-	-	-	-
Losses	-	-	-	-	-
Debt Service (Loan Amortization, Retirement of Debt Instru.)	-	-	-	-	-
Interest Exp. Cap.	-	-	-		-
Capital Expend.					-
Timing Differences:					
Prepayments charged to current approp.	-	-	-	-	-
Unconsumed Inv. charged to current approp.	-	-	-	-	-
Consumed Inv. and deferred charges charged to prior period approp.	-	-	-	-	-
Per Statement of Financial Performance	**P2,409,718.09**	**810,840.00**	**1,197,953.76**	**589.23**	**-**

Note 28 – 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 P13,643,327.77 & 3,572,124.82 respectively broken down as follows:

Particulars	Available	Utilized	Balance
Current Year Appropriation			
Quick Response Fund (QRF)	1,440,161.23	-	1,440,161.23
Mitigation Fund (MF)			
MOOE	1,260,376.22	836,453.00	423,923.22
Capital Outlay	2,100,000.00	2,100,000.00	-
Total	**4,800,537.45**	**2,936,453.00**	**1,864,084.45**
Continuing Appropriation	738,406.69	335,671.82	402,734.87

Transferred to Trust Fund			
CY 2016	1,796,756.75	-	1,796,756.75
CY 2015	1,724,330.85	-	1,724,330.85
CY 2014	2,190,857.65	300,000.00	1,890,857.65
CY 2013	720,488.85	-	720,488.85
CY 2012	1,671,949.53	-	1,671,949.53
Total	**P13,643,327.77**	**P 3,572,124.82**	**P 10,071,202.95**

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

I. Financial and Compliance Audit

Understatement of Asset Account - P6,530,311.25

1. **Constructions of Drainage System at Dama de Noche and Rose St., Poblacion and Concreting of Core Local Roads in the amount of P239,747.97, P1,144,105.18 and P5,146,458.10, respectively or a total of P6,530,311.25, were not recorded as asset account under Trust Fund, thereby understating the Water Supply System and Road Networks accounts in the amount of P1,383,853.15 and P5,146,458.10, respectively, presented in the financial statements as of December 31, 2017.**

Verification of accounts disclosed that there were various projects implemented by the Municipality which included the constructions of drainage system located at Dama de Noche and Rose St. at Poblacion amounting to P239,747.97 and P1,144,105.18, or a total of P1,383,853.15, respectively, and concreting of core local roads at Barangays Baloling, Jimenez, Lambayan, Pias and Torres in the amount of P5,146,458.10 under Trust Fund, or a total of P6,530,311.25**(Annex A.1).**

However, the journal entries made in the payment of the project under Trust Funds was a debit to Due to National Government Agencies (NGAs) account and credit to Cash in Bank account instead of debiting the asset account, thus not reflecting the correct financial transactions of recognizing the Public Infrastructure on Water System and Road Networks amounting to P1,383,853.15 and P5,146,458.10.

The Revised Chart of Account for Local Government Units prescribed in COA Circular No. 2015-009 dated December 1, 2015 described the 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 inter-agency transactions. Debit this account for delivery of goods/services, liquidation of funds received and settlement of liabilities (Local Government Chart of Accounts).

In addition, Letter I, Section 104 of Manual on New Government Accounting System (MNGAS) provide for Pro-forma Accounting Entries for Trust Funds which states that in the submission of liquidation to grantor and transfer of completed road and equipment for LGU use, Project Equity is debited and the Public Infrastructure account and Construction and Heavy Equipment is credited.

It can be gleaned from the above Pro-forma Accounting Entries under the Trust Fund provided in MNGAS, the Due to NGAs account shall be debited when the project is completed and to be transferred to the General Fund.

During the exit conference, the Municipal Accountant assured the Audit Team to verify the journal entries and effect adjustments in the books of accounts.

We recommended that the Local Chief Executive require the Municipal Accountant to verify the journal entries relative to the projects implemented under Trust Fund and to draw the necessary adjusting entries in the books of accounts to reflect the correct amount of Water Supply System and Road Networks accounts in the financial statements.

Advances to Officers and Employees - P138,700.00

2. **Liquidation of cash advance prescribed under Section 89 of Presidential Decree No. 1445 and Sections 5.7 and 5.8 of COA Circular No. 97-002 was not strictly followed, thus resulted to an unliquidated balance of P138,700.00 as of December 31, 2017.**

Verification of records revealed that Advances to Officers and Employee account showed a balance of P138,700.00 at year-end which pertains to the cash advances of the Municipal Mayor (See Annex A.2)**.**

We also noted that the total amount of cash advance pertains to balances of previous cash advances which remained unliquidated/unsettled as of December 31, 2017.

Section 89 of Presidential Decree No. 1445 states that: "No Cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is firs settled or a proper accounting thereof is made."

Likewise, Sections 5.7 and 5.8 of COA Circular No. 97-002 dated February 10, 1997 state, thus: "When a cash advance is no longer needed or has not been issued for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer."

"Section 5.8 All Cash advances shall be liquidated at the end of the year."

In addition, the general guidelines in the granting of cash advances as provided in Section 1.1 of COA Circular No 2012-001 dated June 12, 2012 state that no cash advances shall be given unless for a legally specific purpose; no additional cash advances shall be allowed to any official or employees unless the previous cash advance given to him is first liquidated and accounted for in the books; and no cash advance shall be granted for payments on account of infrastructure projects or other undertaking on a project basis. It also states that a cash advance shall be reported on as the purpose for which it was given has been served.

Management promised to comply with the audit recommendation.

We recommended that Management require the accountable officer to immediately liquidate/settle his cash advances and to strictly observe the provisions in the granting and liquidation of cash advances as provided under PD 1445 and COA Circular No. 97-002.

Treasury Personnel

3. Revenue Collection Officer was not only assigned to collect business permit from taxpayers but also to pay salaries and wages of municipal officials and employees and other petty operating expenses thru Payroll Fund and Petty Cash Fund, respectively, which is not in consonance with internal control system on segregation of duties; hence no check and balance was adopted in handling cash pertaining to collection of taxes and Payroll Fund, and Petty Cash Fund.

We noted during the cash examination conducted that an employee appointed as Local Revenue Collection Officer (LRCO) II and assigned to collect business taxes in the Municipal Treasurer's Office was also granted cash advances for payment of salaries and wages of the municipal officials and employees as well as petty operating expenses.

The practice of assigning collection and at the same time as disbursing officer to one personnel is not in accordance with the principles of internal control on the segregation of duties.

Section 50, Volume III of Government Accounting and Auditing Manual provides, thus: "Key duties and functions such as authorization, custody and accounting shall be assigned to separate offices and individuals to eliminate opportunities to conceal errors and irregularities."

There is no check and balance adopted if one personnel is assigned to collect taxes and at the same time handle cash advances for payment of salaries and wages as well as for payment of petty operating expenses.

During the exit conference, the Municipal Treasurer committed to comply with the audit recommendation.

We recommended that the Local Chief Executive instruct the Municipal Treasurer to assign another employee to collect business taxes in order to ensure check and balance in the custody of cash account.

Petty Cash Fund

4. Petty Cash Fund was not maintained under the imprest fund system and the cash advance granted for the purpose was not supported by Obligation Request; hence the establishment, utilization and replenishment is not in accordance with Section 4.3.1 COA Circular No. 97-002 dated February 10, 1997 and Section 48, Vol. I of Manual on New Government Accounting System (MNGAS).

In the verification of accounts, it was noted that the amount established for the fund varies during the year and no Obligation Request was attached to the cash advance for the Petty Cash which is not in accordance with the following rules and regulations:

Section 4.3.1 of COA Circular No. 97-002 dated February 10, 1997 provides that: "The Cash advance shall be sufficient for the recurring expenses of the agency for one month. The AO may request replenishment of the cash advance when the disbursements reach at least 75% or as the need requires, documents duly summarized in a report of disbursements."

Also, Section 48 of the MNGAS, Vol. I states and hereby quoted in part, thus: "Petty cash fund shall be maintained under the imprest system. The fund shall be sufficient for the non-recurring, emergency and petty expenses of the LGU for one month. Disbursements from the fund shall be through the Petty Cash Voucher (PCV) which shall be signed by the payee to acknowledge the amount received. The official receipt shall be attached to the PCV. Petty cash fund shall be set up at the beginning of year. An ALOBS (now OBR) shall be prepared for the fund, recorded in the RAAO and obligated as Other Expenses. Payments out of the fund shall be made through the use of PCVs supported by official receipts and other required documents. Each PCV shall not exceed P1,000.00.

A Disbursement Voucher shall be prepared for replenishments of the petty cash fund during the year duly supported by a list/summary of PCVs, the PCVs and its supporting documents. ALOBS (now OBR) shall be prepared for each replenishment and recorded in the RAAO based on the actual expenses incurred.

At the end of the year, the petty cash fund shall be fully Liquid dated by preparing a Report of Disbursement supported by list/summary of PCVs, the PCVs and its supporting documents. The ALOBS setting up the fund at the beginning of the year shall be cancelled. Another ALOBS shall be prepared taking up the liquidation and recorded in the RAAO based on the actual expenses incurred. Unused cash shall be returned to the Treasurer who shall issue an Official Receipt to acknowledge the amount returned. A new Cash Advance for Petty Cash Fund shall be set up in the ensuing year."

Further verification of replenishments disclosed the following accounting entries made to record every replenishment of the PCF which was not in accordance with the imprest system of maintaining Petty Cash Fund, to wit:

a)	Expense Account	xxx	
	Petty Cash Fund		xxx
b)	Petty Cash Fund	x x x	
	Cash in Bank-LCCA		x x x

The following are the correct accounting entries for setting-up and replenishment of PCF:

a) To set-up PCF at the beginning of the year

Petty Cash Fund	xxx	
Cash in Bank-LCCA		xxx

b) To record replenishment of the fund

Expense Accounts	x x x	
Cash in Bank-LCCA		x x x

During the exit conference, the Municipal Treasurer, Municipal Accountant and Municipal Budget Officer gave assurance to comply with the audit recommendations.

We recommended that the Local Chief Executive require the Municipal Treasurer and Municipal Accountant to observe the procedures in the establishment, utilization and replenishment of the Petty Cash Fund including the correct accounting entries for setting-up and in the replenishment of the PCF. We also recommended that the setting up of the Petty Cash Fund at the beginning of the year shall be supported by Obligations Request as provided in Section 4.3.1 of COA Circular No. 97-002 dated February 10, 1997.

Breeding Stocks account - 110,000,000.00

5. **Breeding stocks of the Municipality in the amount of P110,000.00 which was for animal dispersal more than 18 years ago and no longer on hand but still in the books of accounts, thus affecting the reliability of the account in the financial statements as of December 31, 2017.**

Verification of financial statements disclosed that Breeding stocks account had a balance of P110,000.00 at year-end. We were informed that the municipality purchased eleven (11) cows sometime in previous year before calendar year 2000 and were distributed to beneficiaries from the Municipality of Mapandan. We were also informed that the subject animals were already dead and the 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 was already dead.

This is a reiteration of our previous year's audit recommendation which was not implemented by the agency.

The Municipal Agriculture Officer promised to exert more effort to find the documents.

We recommended that the Local Chief Executive instruct the Municipal Agriculture Officer to exert more effort to locate the pertinent documents relative to the 11 cows for verification and adjustments could be made in the books of the Municipality.

Job Order Personnel

6. **Municipality hired and paid the services rendered by Job Order (JOs) personnel but were not required to prepare accomplishment reports and daily time records contrary to paragraph 4.1.3 of COA Circular No. 2012-001 and Section 4(6) of Presidential Decree No. 1445, thus affecting the validity and propriety of the payments of services rendered.**

Verification of monthly payrolls of job orders disclosed that no accomplishment reports and daily time records were attached to support claims for services rendered by the Job Orders.

Paragraph 4.1.3 of COA Circular No. 2012-001 provides the minimum documentary requirements for the payment of salary of casual/contractual personnel which includes among others, accomplishment reports and approved daily time records (DTRs).

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

The accomplishment report shall be used as a performance indicator to describe and account for the completed task/activities based on established work program.

During the exit conference, the Municipal Accountant assured the Audit Team to comply with the audit recommendation.

We recommended that the Local Chief Executive instruct the Municipal Accountant to ensure that payroll of Job Order (JOs) personnel are duly supported by accomplishment reports and duly approved daily time records to support their claims for services rendered.

Fuel Consumption

7. **Monthly Report of Fuel Consumption and Monthly Report of Official Travels were not prepared and submitted to the Audit Team contrary to COA Circular No. 77-61 prescribing the use of the Manual on Audit for Fuel Consumption of Government Motor Vehicles, thus the reasonableness of the expenditures for fuel consumption amounting to P1,177,003.00 as of December 231, 2017 could not be determined.**

COA Circular No. 77-61 dated September 26, 1977 prescribes the use of the Manual on Audit for Fuel Consumption of Government Vehicles. It provides not only the procedures for the audit of the expenditures but also the rules and regulations to be complied with governing fuel consumption and the use of government vehicle. Partly quoted, are the rules and regulations enumerated in the Circular as follows:

> "2. Use of government vehicles shall be properly controlled and regulated.

> The use of government motor vehicles should be controlled through properly accomplished and duly approved Driver's Trip Tickets x x x, a summary of which shall be made at the end of the month in a Monthly Report of Official Travels x x x for audit purposes.
>
> 4. Monthly Report of Fuel Consumption of government motor transportations x x x shall be submitted to the Auditor for verification purposes to determine the reasonableness of fuel consumption during the period."

The Report of Fuel Consumption is prepared and submitted to the Auditor monthly. It shall show among others, the types of vehicle utilized during the month, plate numbers, odometer readings, total distance travelled, total fuel used and the normal fuel consumption for each vehicle. It is prepared in three copies to be verified by the Auditor.

Likewise, Monthly Report of Official Travel pertains to a summary, in chronological order, of the trips during the month. The report is to be prepared by the driver for each vehicle at the end of the month and is based on the driver's trip tickets.

In the post-audit of accounts, it was noted that during the year, no Monthly Report of Fuel Consumption and Report of Official Travels were submitted nor attached to the disbursement voucher.

The said Report is required not only to facilitate the verification of fuel used by the Agency but also to determine the reasonableness of fuel consumed.

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

We recommended that the Local Chief Executive instruct the drivers concerned and agency personnel of the Municipality to prepare the Monthly Report of Fuel Consumption and Monthly Report of Official Travels and submit the same to the Auditor for verification to ensure that expenditures for fuel consumption are reasonable and effectively controlled.

Incomplete documentation of Disbursement Vouchers

8. Some disbursement vouchers were not duly supported with complete documentation which is not in accordance with Section 4(6) of Presidential Decree No. 1445, thus affecting the validity of the related transactions.

In the post-audit of accounts, we noted that there were disbursement vouchers and Payrolls which were not completely supported with the required documentation among which are, BAC Resolution, Waste Material Report, Individual Program of Work not approved by the Municipal Mayor, official receipt and statement of account, Purchase Request, Purchase Order, List of Participants, and Request for quotation of at least three (3) suppliers, and Abstract of Quotation (**Annex A.3**).

We also noted that Payroll for payment of honorarium which was not signed by some payees and purpose was not indicated therein and expenses incurred in catering services and hotel accommodation incurred during the Masamasid Seminar were not supported by complete documentation. In addition, payments made were treated as Other Receivables under Trust Fund instead of other accounts but not an asset account (**Annex A.3**).

We were informed that the funds for the payment of the honorarium were not yet received; hence, it was treated as Other Receivables account.

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

Likewise, Section 4(3) of the same Presidential Decree provides that: "Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received."

Management gave assurance to submit the required documents and comply with the audit recommendations.

We recommended that the Local Chief Executive instruct the BAC Chairman and BAC Secretary to submit the required supporting documents and to ensure that all procurement of infrastructure, goods and services are supported by BAC Resolution. We also recommended that the Municipal Accountant ensure that disbursement vouchers are duly supported with complete documentation, duly certified and signed by officials concerned, and payrolls signed by payees.

Further, we recommended that the Local Chief Executive require the Municipal Treasurer ensure that funds are collected or received before payment is made in order to avoid payment in advance.

Procurement Contracts on Infrastructure and Goods not supported by complete documentation

9. Various contracts for Infrastructure Projects and Goods were not supported with complete documentation which is not in accordance with Section 4(6) of Presidential Decree No. 1445 and COA Circular No. 2009-001 dated February 12, 2009, thus affecting the validity of the contracts.

In the review of contracts, the deficiencies noted **(Annex A.4)** are as follows:

1) The following documentary requirements were commonly not submitted:

    a. Indicative Annual Procurement Plan (APP)
    b. Final Annual Procurement Plan (APP)
    c. Print copies on Final APP in prescribed forms received by GPPB and posted in GPPB Website
    d. Approved BAC Resolution on the Creation of the TWG
    e. Statement of Single Largest Completed Contract (SLCC) similar to the contract
    f. Notes to Financial Statements
    g. PERT/CPM
    h. Construction safety and health program approved by DOLE
    i. Entire page of newspaper clippings of advertisement
    j. Affidavit of publication
    k. Post-qualification Evaluation Report not signed by the BAC Chairman
    l. Performance Bond
    m. Agency Detailed Estimates not signed by the Municipal Engineer and approved by the Municipal Mayor
    n. SB Resolution/Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP)

2) Post audit of disbursements on the payments of infrastructure contracts disclosed that no original disbursement voucher, original journal entry voucher (JEV), official receipt, and certificate of authority from the Insurance Commission that the insurance company is authorized to issue Surety bond such as guarantee bond for the said contract were submitted; and no

original official receipt was attached to the disbursement voucher on the payment of Re-construction of Drainage System at Rose St.

Section 3.1.2 of COA Circular No. 2009-001 dated February 12, 2009 which enumerates the copies of documents required to be submitted. Paragraph (v) thereof states other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the technical review and inspection by the COA technical inspector.

Likewise, Section 4(6) of Presidential Decree No. 1445 provides that: “Claims against government funds shall be supported with complete documentation.”

In addition, Section 7.2 of the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184 states that: “No procurement shall be undertaken unless it is in accordance with the approved APP, including approved changes thereto. The APP must be consistent with the duly approved yearly budget of the Procuring Entity and shall bear the approval of the HOPE or second-ranking official designated by the HOPE to act on his behalf.”

We issued Audit Observation Memorandum to inform management of our audit observations which we discussed in the exit conference.

We recommended that Management require the BAC Chairman and BAC Secretariat to submit all the required supporting documents and all Project contracts be submitted with complete supporting documents within five (5) days from perfection thereof. Likewise, we recommended that Management instruct the Municipal Accountant to submit the original disbursement vouchers, JEV and official receipts, and ensure that payments made thereto are supported with complete documentation.

Solid Waste Management

10. Material Recovery Facility of the Municipality was not fully operational and no municipal ordinance on the segregation and disposal of wastes which is not in accordance with the provisions of Republic Act No. 9003, thus exposing the constituents to potential environmental and health hazards.

Section 37, Article 6 on Waste Management facilities of Republic Act (R.A) No. 9003 provides, thus: “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) years 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 Republic Act. that: "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."

The dumpsite is located at Barangay Primicias, Mapandan. We were informed that the Material Recovery Facility (MRF) of 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. We were also informed that no municipal ordinance was passed on the segregation and proper disposal of wastes.

This is a reiteration of our previous year's audit recommendation which was not implemented by management.

We were informed during the exit conference that Management is exerting all efforts to address the disposal of wastes and assured to comply with the audit recommendation.

We recommended that the Local Chief Executive give prior importance in providing Material Recovery Facility (MRF) in the Municipality and 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 Management enjoin the municipal and barangay officials in the enforcement of segregation of wastes at source.

Report on the Utilization of Disaster Risk Reduction and Management Fund

11. Monthly Report on the Utilization of Disaster Risk Reduction and Management Fund was not submitted to the Audit Team by the Local Risk Reduction and Management Officer (LDRRMO) of the Municipality on or before the 15th day after the end of each month which is not in accordance with the reporting guidelines required under Sections 5.1.4 and 5.1.5 of COA Circular No. 2012-002, thus resulting in the difficulty to ascertain the validity and completeness of the disbursements charged against the fund in the aggregate amount of P3,572,124.82.

Section 5.1.4 and 5.1.5 of COA Circular No. 2012-002 provide that:

> "5.1.4 Separate Registry of Appropriations, Allotments and Obligation provide) 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 that no Monthly Report on Sources and Utilization of Disaster Risk Reduction Monthly Fund (DRRMF), certified correct by the Municipal Accountant, was submitted by the Local Disaster Risk Reduction and Management Officer to the Auditor which is not in accordance with Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, thereby hinders the auditor to properly review the transactions charged thereto.

During the exit conference, the Municipal Accountant promised to submit the Monthly Report of Sources and Utilization of LDRRMF.

We 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 the Municipal Accountant to prepare Monthly Report of Sources and Utilization of LDRRMF and submit through the Local Disaster Risk Reduction and Management Officer on or before the 15th day after the end of each month in pursuance to Section 5.1.4 of COA Circular No. 2012-002.

Local Disaster Risk Reduction and Management Fund

12. Unexpended balance of the 5% Local Disaster Risk Reduction and Management Fund (LDRRMF) in the amount of P1,870,084.45 remained in the General Fund and was not transferred to the Special Trust Fund books which is not in consonance with Section 5.1.10 of COA Circular No. 2012-002 dated September 12, 2012.

The amount of appropriation for the 5% Local Disaster Risk Reduction and Management Fund (LDRRMF) was P4,800,537.45 for year 2017 of which P2,936,453.00 was expended or utilized by the agency, thereby leaving a balance of P1,864,084.45.

We commend the management of the Municipal Government for its compliance in the utilization of the LDRRMF that dealt with disaster risk reductions and management activities which lessened the adverse impacts of hazards and related disasters.

In the verification of financial statements and subsidiary ledgers, we noted that the Trust Liabilities-DRRM Account in the Trust Fund showed a balance of P1,864,084.45 as of December 31, 2017. However, it was noted in the financial statements that the unexpended balance of Quick Response and Mitigation Fund in the amount of P1,440,161.23 and P423,923.33, respectively, or a total of P1,894,084.45 was transferred to Trust Fund under Trust Liability-DRRMF account debiting Due from Other Funds in the Trust Fund and Due to Other Funds in the General Fund.

Attention is invited to the provision of Section 5.1.10 of COA Circular No. 2012-002 dated September 2, 2012 which states the following:

> "All unexpended/unobligated balance of the QRF and DRRMF-MOOE shall be transferred to the Special Trust Fund under the account "Trust Liability-DRRMF" (Code 438) in the Trust Fund books."

Also, Section 5.1.11 of the same COA Circular 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.

Likewise, Section 5.1.3 of the same Circular also provides, thus: "The unutilized balance of the LDRRMF shall be available for use in the disaster risk and reduction management activities as provided in the LDRRMFIP within the next five years. Any unutilized amount after five years shall be reverted back to the unappropriated surplus of the General Fund and shall be made available for the other social services after subsequent enactment by the local sanggunian."

We also noted that the accounting entries made by the Accounting Office to take up the transfer of the unexpended balance for the current year are as follows:

In the General Fund Books:

Transfers of Unspent Current Year to Trust Fund	P1,864,084.45	
Due to Other Funds		P1,864,084.45

In the Trust Fund Books:

Due from Other Funds	1,864,084.45	
Trust Liability-DRRMF		1,864,084.45

It can be gleaned from the above accounting entries that there was no actual transfer of the current year balance of LDRRMF-MOOE. The accounting and reporting guidelines provided by COA Circular No. 2012-002 states that transfer of the unexpended balance of MOOE should be made at the end of the year using the accounting entries shown hereunder.

In the General Fund Books:

Subsidy to Other Funds	P x x x	
Cash in Bank-LCCA		P x x x

In the Trust Fund Books:

Cash in Bank-LCCA	P x x x	
Trust Liability-DRRMF		P x x x

The Municipal Treasurer and Municipal Accountant promised to transfer the unexpended balance of the LDRRMF from General Fund to Trust Fund.

We recommended that the Local Chief Executive require the Municipal Accountant and Municipal Treasurer to transfer the remaining unexpended balance of the LDRRMF under the General Fund to the Special Trust Fund in the Trust Fund books for the purpose of supporting disaster risk reduction and management activities of the LDRRMC within the next five years. In addition, the accounting entries provided in COA Circular No. 2012-002 shall be followed in the transfer of the unexpended balance of LDRRMF-MOOE to the Trust Fund books.

Gender and Development Fund

13. Municipality had appropriated the amount of P4,451,002.10 for Gender and Development (GAD) instead of P5,054,615.47, thus not within the minimum requirement of 5% of the total Municipal Budget of P101,092,309.34, thus not in accordance with Item 4.C.1.1 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-0-1. In addition, the GAD Plan and Budget and the corresponding Accomplishment Report were not submitted to other oversight agencies on due date pursuant to Item 7-C6 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and Item V of COA Circular No. 2014-001.

Item 4.C.1.1 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-0-1 states that: “LGUs shall formulate their annual GPBs within the context of their mandates to ensure gender mainstreaming in their policies, programs and projects. GAD planning and budgeting shall be integrated in the regular activities of the LGUs, the cost of implementation of which shall be at least five percent (5%) of their Annual Budgets. The development, allocation and utilization of the GPB shall be implemented in accordance with this JMC.”

Likewise, Item 7-C6 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 provides that the DILG Regional Office shall review and approve the LGU GPBs based on the gender-responsiveness of their content, e.g. relevance of the GAD PPAs to the identified gender issues and their causes as well as the correctness and alignment of the entries in the GPB Form. DILG approved GPBs shall include a certificate of approval from the DILG Regional Offices which will be returned to the concerned LGUs for incorporation in their Annual Budgets to be enacted by their Sanggunian.

On the other hand, Item V of COA Circular No. 2014-001 states that the Audited agency shall submit a copy of the Annul GAD Plan and Budget (GPB) Form to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices as the case may be. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year.

As shown in the submitted GAD Plan, the local government unit had allocated the amount of P4,451,002.10 streamlined to different departments. On the other hand, the GAD Accomplishment Report showed a total Approved GAD Budget of P3,942,975.00 thereby showing a difference of P508,027.10.

The GAD Plan and Budget was submitted to the DILG, Pangasinan Provincial Office, Lingayen, Pangasinan while the Accomplishment Report was submitted to the DILG, Mapandan, Pangasinan. The same GAD Plan and Budget and Accomplishment Reports, however, were not submitted to the COA Audit Team within the due date provided in Item V of COA Circular No. 2014-001, thus causing the delay in the verification whether existing laws and regulations on GAD were observed.

The Municipal Budget Officer and the GAD Focal Point gave assurance to comply with the audit recommendation.

We recommended that the Local Chief Executive instruct: a) the Municipal Budget Officer to provide 5% of the total budget for the accomplishment of Gender and Development; and b) the GAD Focal Point/Person to review and verify the total amount of GAD Plan and Budget before submission to the oversight agencies, and submit GAD Plan and Budget and the corresponding Accomplishment Report to the Audit Team on due date as required under Item V of COA Circular No. 2014-001.

Local Councils for the Protection of Children (LCPC)

14. Municipality failed to 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 accordance with Section 15, Chapter I, Title III of Republic Act No. 9344, thus the purpose for which it was intended was not attained.

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 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 funds shall be made by the LGU concerned.

Verification of the annual budget of the municipality disclosed that the total amount of Annual Budget of the Municipality for the year 2017 was P101,092,309.34 while the IRA amounted to P83,925,092.00. However, no allocation was provided for the implementation of the programs, activities and projects of LCPC for the prevention of juvenile delinquency.

This is a reiteration of our previous year's audit recommendation which was not implemented by management.

The Municipal Budget Officer promised to comply with the audit recommendation.

We recommended that the Local Chief Executive instruct the Municipal Budget Officer to allocate one percent of the IRA in the municipality's Annual Budget for the implementation of programs, activities, projects of LCPC in compliance with Section 15 of Chapter I, Title III of R.A. 9344 to address juvenile delinquency in the Municipality.

Other Receivables account - P352,348.33

15. **Other Receivables account of the Municipality amounting to P352,348.33 as of December 31, 2017 remained outstanding for more than sixteen (16) years in the books, thus depriving the Municipality of additional funds to finance other programs, activities and projects.**

In the verification of financial statements, we noted that Other Receivables account showed a balance of P376,803.42 as of December 31, 2017. Further verification, however, disclosed that no subsidiary ledgers were maintained pertaining to receivables in the total amount of P352,348.33 under the General Fund and Trust Fund as shown hereunder.

General Fund		
RIC	P 120,000.00	
Various	122,933.83	P242,933.83
Trust Fund		
KKK	P 96,650.00	
Various	12,764.50	109,414.50
Total		**P352,348.33**

We were informed that the amount of P120,000.00 pertained to the Livelihood Project given to RIC members for salt-making, weaving and other handicrafts while the amount of P96,650.00 was given to recipients of KKK but remained outstanding in the books at year-end. We were also informed that there were no available documents on hand, thus no subsidiary ledgers were maintained by the Accounting Office. Further, we were informed that the said receivables remained uncollected for more than 16 years.

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

We recommended that Management exhaust all possible means to exert effect collection of receivables. In case of non-collection, the agency shall make a request for writing-off of the above receivables thru the following procedures:

a) **The Municipal Accountant shall make a recommendation addressed to the Local Chief Executive, who, in turn, shall forward the request for writing off to the Sanguniang Bayan for the adoption of a resolution. The request shall be**

supported with documents evidencing action taken/effort exerted to establish validity and existence of the accounts.

b) **The request together with the SB Resolution shall be forwarded by the Local Chief Executive to the Commission on Audit for review and for approval.**

II. Value for Money Audit

Uncollected Real Property Tax and Market Stall Rentals

16. **Delinquent Real Property Tax and Market Stall Rentals in the amount of P1,257,828.32 and P41,225.00, respectively, remained uncollected as of December 31, 2017, thus deprived the municipal government of additional income that could have been used to finance more development programs, projects and activities for the welfare of its constituents.**

Review of records from the Municipal Treasurer's Office submitted to this Office disclosed that the total amount of delinquent Real Property Tax amounted to P628,914.16 for basic tax under General Fund and same amount under Special Education Fund, or a total of P1,257,828.32 **(Annex A.5)** as of December 31, 2017. Likewise, the uncollected market stall rentals amounted to P41,225.00 at year-end **(Annex A.6)**.

Section 254 (a) and (b) of Republic Act No. 7160 provides that real property tax or any other tax imposed under this Title becomes delinquent, the provincial, city or municipal treasurer shall immediately cause a notice of delinquency to be posted at the main entrance of the provincial capitol, or city or municipal hall and posted in publicly accessible and conspicuous place in each barangay of the local 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.

It was noted that the amount of delinquent real property tax of P1,257,828.3 reconciled with the amount of Real Property Tax Receivables account amounting to P628,914.16 under General Fund and Special Education Tax Receivable in the amount of P628,914.16, or a total of P1,257,828.32.

It is a well-known fact that progress of any local government unit is often dependent on its resources and its ability to generate the desired level of income sufficient to pay its mandatory obligations, deliver basic services and implement projects/programs/activities beneficial to the townspeople.

The non-collection of delinquent real property tax and stall rentals hindered the Municipality from generating additional income that could have been used to implement other financial programs and projects for the benefit of its constituents.

The Municipal Treasurer gave assurance to collect the delinquent market stall rentals from stallholders.

We recommended that the Local Chief Executive instruct the Municipal Treasurer to exert more effort to collect the delinquent Real Property Tax and market stall rentals in order to generate more income which could be used in the implementation of development programs/projects beneficial to the constituents. Management may also consider the remedies as prescribed under Section 254 of Republic Act No. 7160 in order to enforce collection of delinquent Real Property Tax.

III. Compliance with Tax Laws

The Municipality had complied with the Bureau of Internal Revenue (BIR) regulations in the withholding and remittance of taxes from compensation paid to municipal officials and employees and government money payments on goods and services. For the year 2017, the total amount of tax withheld was P10,781,853.59 including the beginning balance of P1,029,217.21 of which the amount of P9,808,866.01 was remitted to the BIR as of December 31, 2017, thereby leaving a balance of P972,987.58. The balance was remitted on January 5, 9, and 10, 2018.

IV. Compliance with PDAF Decision

For the year 2017, the Municipality had 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, 2017 showed that Notice of Disallowance had a balance of P47,000.00. There were no Notice of Suspensions and Notice of Charge issued as of the end of the year.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATION

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 14 audit recommendations embodied in the 2016 AAR, 6 were implemented, 4 were partially implemented, and 4 were not implemented as discussed below:

Audit Observation/Recommendation	Ref.	Management Action	Status of Implementation/Reason for Partial/Non-Implementation
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	**AAR 2016**		Implemented

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.			
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	**AAR 2016**		Implemented

Fund for fair presentation of the asset and equity accounts in the financial statements.			
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. 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.	**AAR 2016**		Partially Implemented
4. Payments of BAC honoraria and overtime pay totaling P62,500.00 and P12,000.00,	**AAR 2016**		Implemented

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.			
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. 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	**AAR 2016**		Implemented

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.			
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. 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	**AAR 2016**		Partially Implemented Reiterated in this year's Audit Report under Observation No. 15, Page 49.

of the account.			
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. 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.	**AAR 2016**		Not Implemented Reiterated in this year's Audit Report under Observation No. 5, Page 36.
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. 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	**AAR 2016**		Implemented

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.			
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. 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	**AAR 2016**		Not Implemented Reiterated in this year's Audit Report under Observation No. 10, Page 41.

segregation of wastes at source.			
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. 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.	**AAR 2016**		Implemented
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. 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	**AAR 2016**		Partially Implemented

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.			
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. 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.	**AAR 2016**		Not Implemented Reiterated in this year's Audit Report under Observation No. 11, Page 43.
13. Municipality did not allocate one percent of its Internal Revenue Allotment (IRA) for the strengthening and implementation of the programs of the Local	**AAR 2016**		Not Implemented Reiterated in this year's Audit Report under Observation No. 14, Page

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. 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.			48.
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. 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	**AAR 2016**		Partially Implemented Reiterated in this year's Audit Report under Observation No. 16, Page 50.

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.			

PART IV

ANNEXES