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, 2019

Republic of the Philippines
COMMISSION ON AUDIT
Office of the Supervising Auditor
Audit Group D - LGS – Pangasinan I
PSAO, San Carlos City, Pangasinan

OFFICE OF THE MAYOR
RECEIVED
DATE: 6-8-2020
TIME:
BY:
REFERENCE No.
MAPANDAN, PANGASINAN

June 3, 2020

OFFICE OF THE SECRETARIAT
RECEIVED
DATE 6-8-2020
TIME
BY HUBriogtan
MAPANDAN, PANGASINAN

HONORABLE ANTHONY C. PENULIAR
Municipal Mayor
Municipality of Mapandan, Pangasinan

Dear Mayor Penuliar:

We transmit herewith the report on the financial and compliance audit on the accounts and operations of the Municipality of Mapandan, Pangasinan for the year ended December 31, 2019, 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 (VFM) Audit 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 was rendered on the fairness of presentation of the financial statements for reasons that the accuracy and validity of the balance of Local Road Networks account amounting to ₱96,138,522.81 could not be ascertained due to erroneous recording and classification of asphalt overlay of various barangay roads as Road Networks instead of repairs and maintenance expense in the total amount of ₱15,523,895.58, no provision for depreciation cost was provided for the Local Road Networks, and no details were provided in the Report of the Physical Count of Local Road Networks.

In view of the forgoing, we recommended that the Local Chief Executive:

a. Instruct the Municipal Accountant to cause the immediate reclassification of the repairs and maintenance expense account recorded as Local Road Networks account in order to reflect the correct amount of the said account recorded in the books of the Municipality;

b. Require the Municipal Accountant to provide depreciation cost for Local Road Networks account in accordance with IPSAS 17; and

c. Direct the Municipal Engineer to provide the Municipal Accountant and Municipal Treasurer the complete description and cost segregation of road components for road projects.

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

1. The reported balance of Property, Plant and Equipment account in the financial statements included the amount of ₱604,709.40 which pertained to the assets for use by the barangays, but were not yet transferred by the Municipality to the barangays contrary to paragraph 7 of IPSAS 1 and paragraph 82 of IPSAS 17; thus, affecting the fair presentation of the PPE account in the financial statement.

   We recommended that the Management thru the initiative of the Municipal Mayor and enactment of SB Resolution cause the transfer of the cost or value of properties of the implemented buildings to the end-users or barangays concerned to comply with the provisions of IPSAS 17 to be supported with complete documentation to provide proper recording in the books of the LGU and the recipient barangays.

2. Advances to Officers and Employees Account amounting to ₱167,000.00 as of December 31, 2019 remained unliquidated which was not in conformity with Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002, thus, resulting in the non-recognition of expenses at the time of the utilization of the cash advances.

   We recommended that the Local Chief Executive instruct the Municipal Accountant to cause the immediate liquidation of all outstanding cash advances particularly those outstanding for a long period of time in accordance with Section 89 of PD 1445 and COA Circular No. 97-002 dated February 10, 1997.

3. Dormant accounts totaling ₱613,635.81 as of December 31, 2019 remained uncollected and outstanding for more than twenty five (25) years in the books and were not supported with documents; thus, depriving the Municipality of additional funds to finance other programs, projects and activities.

   We recommended that the Local Chief Executive instruct the Municipal Accountant to exert more effort to locate the documents pertaining to the non-moving accounts in order to substantiate its balances and to enforce collections. In case of the possibility of non-collection, the agency may request for write-off of the dormant accounts in accordance with the procedures and requirements provided in COA Circular No. 2016-005 dated December 19, 2016, for fair presentation of the accounts in the financial statements.

4. Unserviceable properties beyond economic repair amounting to ₱927,771.70 were not disposed of in accordance with Sections 76 and 79 of Presidential Decree (PD) No. 1445, thereby, exposing the said properties to further deterioration and loss of value and depriving the agency of additional source of funds from the sale thereof which could have been used in its operation.

   We recommended that the Local Chief Executive create disposal committee to take care of the unserviceable properties and to dispose said items in accordance with the requirements and procedures of Sections 76 and 79 of PD 1445 to avoid further deterioration and loss of its salvage value.

5. The reported balance of Breeding Stocks account amounting to ₱110,000.00 were already issued to the beneficiaries and no longer existing but remained in the books due to the absence of supporting documents submitted to the Accounting Office; thus, overstating the Breeding Stocks account presented in the financial statements.

   We recommended that the Local Chief Executive should instruct the Municipal Agriculture Officer to exert more effort to locate the pertinent documents relative to the 11 cows for verification and shall serve as basis in the recording of adjustments in the books of the Municipality.

We acknowledge the cooperation and support extended to the Audit Team by the officials and staff of the Municipality.

Thank you.

Very truly yours,

ROSA MARIETTA J. ESCAÑO
Supervising Auditor

CC : The Director, DILG Regional Office No. I, San Fernando City, La Union
The Director, BLGF Regional Office No. I, San Fernando City, La Union
The Director, DBM Regional Office No. I, San Fernando City, La Union
The Presiding Officer, Sangguniang Bayan, Municipality of Mapandan, Pangasinan
The 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 2019
As of ____________________

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

Agency sign-off:

____________________________________ ____________________
Name and Position of Agency Office Date

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

EXECUTIVE SUMMARY

A. INTRODUCTION

In January 1887, Mapandan was established as a Pueblo in response to the cry of early inhabitants from far flung barrios of southern Mangaldan for self-autonomy. The name Mapandan means “a place with many pandan”. Mapandan is a 3rd 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 Anthony C. Penuliar.

B. FINANCIAL HIGHLIGHTS

The Comparative Assets, Liabilities, Equity, Income, Expenses, Appropriation, Allotment and Obligation for CY 2019 and 2018 are as follows:

	2019	2018	Increase (Decrease)	% of Change
Assets	297,716,561.57	292,959,291.96	4,757,269.61	1.62
Liabilities	42,837,195.75	60,247,338.38	(17,410,142.63)	(28.90)
Government Equity	254,879,365.82	232,711,953.58	22,167,412.24	9.53
Income	116,102,804.50	106,698,611.70	9,404,192.80	8.81
Expenses	107,317,679.55	97,514,107.08	9,803,572.47	10.05
Appropriation	150,327,565.10	149,751,304.27	576,260.83	0.38
Allotment	150,327,565.10	149,751,304.27	576,260.83	0.38
Obligation	115,641,241.45	117,055,450.83	(1,414,209.38)	(1.21)

C. OPERATIONAL HIGHLIGHTS

During the year, the Municipal Government of Mapandan planned to implement major infrastructure projects and programs funded out of the appropriation of the municipal government and from outside sources which have been completed at year-end that boosted its social, agricultural and economic growth and delivery of basic services. Among the major projects of the agency that were accomplished during the year are the following:

	Projects	Project Cost	Status
1	Construction/Upgrading/Improvement of Rose St., Barangay. Poblacion.	9,032,231.71	Completed
2	Supply and Delivery of 1 unit Backhoe Equipment for MRF Operations on Various Barangays.	3,521,446.50	Completed
3	Supply and Delivery of Hybrid Corn Seeds	1,620,495.00	Completed
4	Construction of Evacuation Center at Barangay Poblacion	2,999,784.13	Completed
5	Construction of Evacuation Center at Barangay Amanoaoac	1,064,625.28	Completed
6	Construction of Covered Common Parking of Mapandan Public Market, Barangay Poblacion (Phase I&2)	2,978,332.83	Completed

D. SCOPE OF AUDIT

A financial and compliance audit on the accounts and operations of the Municipality of Mapandan was conducted for the period ended December 31, 2019. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Municipality to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. Likewise, a Value for Money (VFM) Audit was conducted on selected area to determine whether the resources of the Municipality were utilized in an economical, efficient and effective manner.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of presentation of the financial statements for reasons that the accuracy and validity of the balance of Local Road Networks account amounting to ₱96,138,522.81 could not be ascertained due to erroneous recording and classification of asphalt overlay of various barangay roads as Road Networks instead of repairs and maintenance expense in the total amount of ₱15,523,895.58, no provision for depreciation cost was provided for the Local Road Networks, and no details were provided in the Report of the Physical Count of Local Road Networks.

F. FAVORABLE OBSERVATIONS

1. The Municipality was a recipient of 2019 Good Financial Housekeeping.

2. For CY 2019, the Municipality strictly implemented the provisions set by the Bureau of Internal Revenue, Government Service Insurance Act of 1997, Republic Act No. 7742 or the Pag-IBIG Fund Law and National Health Insurance Act of 1995 on the rules on remittance of mandatory deductions to its employees.

G. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1. The balance of Local Road Networks account amounting to ₱96,138,522.81 could not be ascertained as to accuracy and validity due to erroneous recording and classification of asphalt overlay of various barangay roads as Road Networks instead of repairs and maintenance expense in the total amount of ₱15,523,895.58, thereby overstating the Local Road Networks account and understating the repairs and maintenance account in the financial statements. Likewise, no provision for depreciation cost was provided for the Local Road Networks contrary to IPSAS 17; and no details of Local Road Networks were provided in the Report on the Physical Count of Local Road Network as prescribed in COA Circular No. 2015-008.

   We recommended that the Local Chief Executive:

a. Instruct the Municipal Accountant to cause the immediate reclassification of the repairs and maintenance expense account recorded as Local Road Networks account in order to reflect the correct amount of the said account recorded in the books of the Municipality;

b. Require the Municipal Accountant to provide depreciation cost for Local Road Networks account in accordance with IPSAS 17; and

c. Direct the Municipal Engineer to provide the Municipal Accountant and Municipal Treasurer the complete description and cost segregation of road components for road projects.

2. The reported balance of Property, Plant and Equipment account in the financial statements included the amount of ₱604,709.40 which pertained to the assets for use by the barangays, but were not yet transferred by the Municipality to the barangays contrary to paragraph 7 of IPSAS 1 and paragraph 82 of IPSAS 17; thus, affecting the fair presentation of the PPE account in the financial statement.

   We recommended that the Management thru the initiative of the Municipal Mayor and enactment of SB Resolution cause the transfer of the cost or value of properties of the implemented buildings to the end-users or barangays concerned to comply with the provisions of IPSAS 17 to be supported with complete documentation to provide proper recording in the books of the LGU and the recipient barangays.

3. Advances to Officers and Employees Account amounting to ₱167,000.00 as of December 31, 2019 remained unliquidated which was not in conformity with Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002, thus, resulting in the non-recognition of expenses at the time of the utilization of the cash advances.

   We recommended that the Local Chief Executive instruct the Municipal Accountant to cause the immediate liquidation of all outstanding cash advances particularly those outstanding for a long period of time in accordance with Section 89 of PD 1445 and COA Circular No. 97-002 dated February 10, 1997.

4. Dormant accounts totaling ₱613,635.81 as of December 31, 2019 remained uncollected and outstanding for more than twenty five (25) years in the books and were not supported with documents; thus, depriving the Municipality of additional funds to finance other programs, projects and activities.

   We recommended that the Local Chief Executive instruct the Municipal Accountant to exert more effort to locate the documents pertaining to the non-moving accounts in order to substantiate its balances and to enforce collections. In case of the possibility of non-collection, the agency may request for write-off of the dormant accounts in accordance with the procedures and requirements provided in COA Circular No. 2016-005 dated December 19, 2016, for fair presentation of the accounts in the financial statements.

5. Unserviceable properties beyond economic repair amounting to ₱927,771.70 were not disposed of in accordance with Sections 76 and 79 of Presidential Decree (PD) 1445, thereby, exposing the said properties to further deterioration and loss of value and depriving the agency of additional source of funds from the sale thereof which could have been used in its operation.

   We recommended that the Local Chief Executive create disposal committee to take care of the unserviceable properties and to dispose said items in accordance with the requirements and procedures of Sections 76 and 79 of PD 1445 to avoid further deterioration and loss of its salvage value.

6. The reported balance of Breeding Stocks account amounting to ₱110,000.00 were already issued to the beneficiaries and no longer existing but remained in the books due to the absence of supporting documents submitted to the Accounting Office; thus, overstating the Breeding Stocks account presented in the financial statements.

   We recommended that the Local Chief Executive should instruct the Municipal Agriculture Officer to exert more effort to locate the pertinent documents relative to the 11 cows for verification and shall serve as basis in the recording of adjustments in the books of the Municipality.

The other observations and recommendations were discussed in Part II of this report.

H. STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

The Statement of Audit Suspensions, Disallowances and Charges (SASDC) of the Municipality as of December 31, 2019 balances is shown hereunder.

Particulars	Balance as of December 31, 2019	
	Prior to 2009 RRSA	2009-2019
Suspensions		0.00
Disallowances		35,187.00
Charges		0.00
Total		**35,187.00**

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

Of the twenty (20) audit recommendations embodied in the 2018 Annual Audit Report (AAR), nine (9) were implemented, seven (7) were partially implemented and four (4) were not implemented by the Municipality. Unimplemented and partially implemented recommendations which have significant effect on the financial statements were reiterated in this report.

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PART I

AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

Hon. Anthony C. Penuliar
Municipal Mayor
Mapandan, Pangasinan

Qualified Opinion

We have audited the financial statements of Municipality of Mapandan, Pangasinan, which comprise the Statement of Financial Position as at December 31, 2019, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows and Statement of Comparison of Budget and Actual for the year then ended, and Notes to the Financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the **Municipality of Mapandan, Pangasinan** as at December 31, 2019, its financial performance, its cash flows, and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

As discussed in Part II of the Report, the accuracy and validity of the balance of Local Road Networks account amounting to ₱96,138,522.81 could not be ascertained due to erroneous recording and classification of asphalt overlay of various barangay roads as Road Networks instead of repairs and maintenance expense in the total amount of ₱15,523,895.58, no provision for depreciation cost was provided for the Local Road Networks, and no details were provided in the Report of the Physical Count of Local Road Networks.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Those charged with governance are responsible for overseeing the LGU's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT
BY:

JESSIE B. FERRER
State Auditor IV
Audit Team Leader

February 26, 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **Local Government of Mapandan, Pangasinan** is responsible for all information and representation contained in the accompanying Statement of Financial Position as of **December 31, 2019** and related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts and the Statement of Changes in Net Assets/Equity for the year then ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards 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	**ANTHONY C. PENULIAR**
Municipal Accountant	Municipal Mayor
February 14, 2020	February 14, 2020
Date Signed	Date Signed

CONSOLIDATED NOTES TO 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 2015 Census was 37,059. Farming is the primary source of income of the people.

1.2 The municipality's personnel consist of:

Elective	12
Permanent	62
Job Order	90
Contract of Service	8
Total	**172**

1.3 This year 2019, the administration continued its programs for social, economic and physical development. With the unity and cooperation of all Mapandanians, the significant programs and projects for the Municipality were accomplished, among them are as follows:

PROJECT/PROGRAM/ACTIVITY NAME	TOTAL COST	PROJECT STATUS
Construction/Upgrading/Improvement of Rose St., Barangay. Poblacion.	9,032,231.71	Completed
Supply and Delivery of 1 unit Backhoe Equipment for MRF Operations on Various Barangays.	3,521,446.50	Completed
Supply and Delivery of Hybrid Corn Seeds	1,620,495.00	Completed
Construction of Evacuation Center at Barangay Poblacion	2,999,784.13	Completed
Construction of Evacuation Center at Barangay Amanoaoac	1,064,625.28	Completed
Construction of Box Culvert Crossing at Firetree Avenue corner Rose St., Poblacion	499,581.79	Completed
Construction of Covered Common Parking of Mapandan Public Market, Barangay. Poblacion (Phase I & 2)	2,978,332.83	Completed
Construction of Communal C.R. at 14 Barangays	999,688.21	Completed
Constuction of Drainage System along Caimito St. Barangay Aserda	998,193.38	Completed

PROJECT/PROGRAM/ACTIVITY NAME	TOTAL COST	PROJECT STATUS
Construction/Improvement of Barangay. Primicias Canal Lining	1,498,867.52	On-going
Construction/Improvement of Mapandan Abattoir and Concrete Fence at Barangay. Aserda	1,682,452.53	On-going
Rehabilitation/Improvement of Local Access Roads in Barangays. Lambayan, Aserda, and Nilombot	8,795,380.90	On-going

Note 2 The consolidated financial statements of the LGU have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS). 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 International Public Sector Accounting Standards (IPSAS).

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.

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3.5 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank.

3.6 Inventories

Inventory is valued at cost.

3.7 Changes in Accounting Policies and Estimates

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

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

3.8 Related Parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Governor, Mayors, Vice-Governors and

Vice-Mayors, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, General Services and all Chiefs of Departments/Divisions.

3.9 Budget Information

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

Note 4 Cash and Cash Equivalents

	2019	2018
Cash on Hand		
Cash- Local Treasury	2.00	-
Cash in Bank - Local Currency		
Cash in Bank-Local Currency-Current Account	33,325,524.05	46,569,847.28
Total Cash and Cash Equivalent	**33,325,526.05**	**46,569,847.28**

Breakdown of balances of this account per fund as of December 31, 2019 are as follows:

FUND	Bank	Account No.	Amount
General Fund	Land Bank of the Philippines	2642-1007-70	13,644,870.34
Special Education Fund	Land Bank of the Philippines	2642-1015-63	615,825.41
Trust Fund	Land Bank of the Philippines	2642-1030-35	2,901,494.28
		2642-1031-59	224,498.17
		2642-1035-15	38,830.00
		2642-1035-23	63,673.52
	Development Bank of the Philippines	0535-004077-030	15,836,332.33
TOTAL			**33,325,524.05**

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

Note 5 Current Receivables

	2019	2018
Loans and Receivable Accounts		
Real Property Tax Receivable	610,980.55	748,072.16
Special Education Tax Receivable	610,980.55	748,072.16
Intra-Agency Receivables		
Due from Other Funds	327,283.67	768,475.87
Advances		
Advances for Officers and Employees	167,000.00	
Other Receivables		
Receivables - Disallowances and Charges	86,187.00	958,187.00
Other Receivables	16,314.85	33.93
Total	**1,818,746.62**	**3,222,841.12**

As of December 31, 2019, the ageing analysis of current exchange receivables is as follows:

	Totals	Neither past due or impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
Real Property Tax Receivable	610,980.55	610,980.55	-	-	-
Special Education Tax Receivable	610,980.55	610,980.55	-	-	-
Due from NGAs	92,140.81	-	-	-	92,140.81
Due from LGUs	169,146.67	-	-	-	169,146.67
Advances for Officers and Employees	167,000.00	-	-	-	167,000.00

Receivables - Disallowances and Charges	86,187.00	-	-	-	86,187.00
Due from Officers and Employees	14,711.30	-	-	-	14,711.30
Other Receivables	368,663.18	-	13,148.71	-	355,514.47
Total	**2,119,810.06**	**1,221,961.10**	**13,148.71**	**-**	**884,700.25**

As of December 31, 2018

	Totals	Neither past due or impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
Real Property Tax Receivable	748,072.16	748,072.16	-	-	-
Special Education Tax Receivable	748,072.16	748,072.16	-	-	-
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	958,187.00	-	-	-	958,187.00
Due from Officers and Employees	14,711.30	-	-	-	14,711.30
Other Receivables	376,351.40	-	33.93	-	376,317.47
Total	**3,245,381.50**	**1,496,144.32**	**33.93**	**-**	**1,749,203.25**

Note 6 Inventories

	2019	2018
Inventory Held for Consumption		
Office Supplies Inventory	72,779.53	89,155.96
Accountable Forms, Plates and Stickers	4,139.25	5,692.15
Drugs and Medicines Inventory	18,415.63	18,049.14
Total	**95,334.41**	**112,897.25**

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

Note 7 Investment

	2019	2018
Financial Assets - Others		
Guarantee Deposits	37,074.91	37,074.91
Total	**37,074.91**	**37,074.91**

Note 8 Non-Current Receivables

	2019	2018
Advances		
Advances for Officers and Employees	-	138,700.00
Inter-Agency Receivables		
Due from National Government Agencies	92,140.81	92,140.81
Due from Local Government Units	169,146.67	169,146.67
Intra-Agency Receivables		
Due from Other Funds	3,624.37	3,624.37
Other Receivables		
Due from Officers and Employees	14,711.30	14,711.30
Other Receivables	352,348.33	376,317.47
Total	**631,971.48**	**794,640.62**

Note 9 Property, Plant and Equipment

This account consists of:

PPE Account	2019	Additions/ (Reductions)	2018
Land	22,495,020.00	-	22,495,020.00
Other Land Improvements	1,081,056.29	-	1,081,056.29
Road Networks	96,138,522.81	18,456,254.13	77,682,268.68
Parks, Plazas and Monuments	11,121,813.38	-	11,121,813.38
Other Infrastructure Assets	14,948,735.28	7,475,356.37	7,473,378.91
Buildings	28,747,297.96	23,700.00	28,723,597.96
School Buildings	986,806.75	-	986,806.75
Markets	30,198,176.77	-	30,198,176.77
Slaughterhouses	5,313,291.35	-	5,313,291.35
Other Structures	49,995,044.25	4,063,528.59	45,931,515.66

Machinery	13,500,000.00	-	13,500,000.00
Office Equipment	4,277,920.70	185,585.00	4,092,335.70
Information and Communication Technology Equipment	6,720,039.54	232,286.00	6,487,753.54
Agricultural and Forestry Equipment	4,023,000.00	-	4,023,000.00
Communication Equipment	513,850.00	-	513,850.00
PPE Account	**2019**	**Additions/ (Reductions)**	**2018**
Construction and Heavy Equipment	8,735,431.50	3,521,446.50	5,213,985.00
Disaster Response & Rescue Equipment	1,404,350.00	-	1,404,350.00
Medical Equipment	2,094,347.82	-	2,094,347.82
Other Machinery & Equipment	990,000.00	75,000.00	915,000.00
Motor Vehicles	8,156,064.96	-	8,156,064.96
Furniture and Fixtures	3,947,250.42	298,449.00	3,648,801.42
Books	229,299.80	-	229,299.80
Construction in Progress - Infrastructure Assets	150,000.00	(1,849,560.16)	1,999,560.16
Construction in Progress - Buildings and Other Structures	1,514,361.34	(1,484,541.97)	2,998,903.31
Other Property, Plant & Equipment	14,547,101.05	-	14,547,101.05
Total	**331,828,781.97**	**30,997,503.46**	**300,831,278.51**
Less: Accumulated Depreciation	69,572,364.29	10,853,076.56	58,719,287.73
Net Book Value	**262,256,417.68**	**20,144,426.90**	**242,111,990.78**

Road Networks consists of the following:

PROJECT NAME	LOCATION	TOTAL COST
Concreting of Core Local Roads	Barangay Amanoaoac, Baloling and Torres, Mapandan Pangasinan	5,143,428.36
Construction/Rehabilitation of Farm to Market Roads	Barangay Poblacion, Golden and Pias, Mapandan Pangasinan	7,163,198.52

Concrete Paving of Mabolo Street	Barangay Golden, Mapandan Pangasinan	126,448.12
Improvement of Rosal Street	Barangay Poblacion, Mapandan Pangasinan	695,775.97
Rehabilitation/Improvement of Farm to Market Roads	Barangay Luyan, Jimenez, Golden and Baloling, Mapandan Pangasinan	1,419,345.95
Construction/Rehabilitation/ Repair of Farm to Market Roads	Barangay Aserda, Luyan and Golden, Mapandan Pangasinan	9,650,000.00
PROJECT NAME	**LOCATION**	**TOTAL COST**
Construction/Rehabilitation of Farm to Market Roads	Barangay Golden, Aserda and Luyan, Mapandan Pangasinan	9,694,819.69
Construction/Rehabilitation of Farm to Market Roads	Barangay Primicias, Lambayan, Baloling, Poblacion and Pias, Mapandan Pangasinan	9,996,376.80
Concrete Paving of Mabolo Street	Barangay Golden, Mapandan Pangasinan	964,751.48
Concreting of Rose Street	Barangay Poblacion, Mapandan Pangasinan	256,050.65
Construction/Rehabilitation of Farm to Market Roads	Barangay Luyan, Pias, Poblacion and Primicias, Mapandan Pangasinan	9,696,790.08
Concreting of Farm to Market Roads	Barangay Pias, Luyan, Poblacion and Primicias, Mapandan Pangasinan	8,730,000.00
Concreting of Farm to Market Roads	Barangay Pias, Lambayan, Jimenez, Baloling and Torres, Mapandan Pangasinan	5,146,458.10
Asphalt Overlay of Various Barangays	Barangay Amanoaoac, Baloling, Coral, Jimenez, Lambayan, Luyan, Nilombot, Primicias, Sta. Maria and Torres, Mapandan Pangasinan	8,998,824.96
Asphalt Overlay of Various Barangays	Apayas St. at Barangay Apaya and Lucban Street at Barangay Pias, Mapandan Pangasinan	6,525,070.62
Construction/Rehabilitation/ Improvement of Acacia Street	Barangay Luyan, Mapandan Pangasinan	2,898,511.47

Construction/Rehabilitation/ Improvement of Rose Street	Barangay Poblacion , Mapandan Pangasinan	9,032,672.04
TOTAL		**96,138,522.81**

Note 10 Biological Assets

	2019	2018
Breeding Stocks	110,000.00	110,000.00
Total	**110,000.00**	**110,000.00**

Note 11 Current Liabilities

	2019	2018
11a. Financial Liabilities		
Accounts Payable	3,442,855.33	20,120,493.86
Current Portion of Loans Payable - Domestic	3,137,182.92	-
Total	**6,580,038.25**	**20,120,493.86**

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

Purpose of Loan	2019	Payments	2018
Cemetery Lot	757,105.36	432,631.56	1,189,736.92
Cemetery Structures	1,357,964.76	775,979.92	2,133,944.68
Purchase of MRF Lot	1,661,000.00	-	1,661,000.00
Acquisition of Heavy Equipment & MRF Machines	11,571,428.56	1,928,571.44	13,500,000.00
Total	**15,347,498.68**	**3,137,182.92**	**18,484,681.60**

Below is the individual loan profile:

Name of Loan	Purpose of Loan	Bank/ Lending Institution	Amount	Date Loan was Granted/ Approved	Maturity Date	Payment Terms	Interest Rate	Current Outstanding Balance
Cemetery Loan	Purchase of Cemetery Lot	Land Bank of the Philippines	4,110,000.00	August 22, 2011	September 14, 2021	Quarterly for 10 years.	7.5%	757,105.36
Cemetery Loan	Construction of Tombs & Other Cemetery Facilities	Land Bank of the Philippines	7,160,000.00	August 22, 2011	September 14, 2021	Quarterly for 10 years.	7.5%	1,357,964.76
MRF Lot	Purchase of MRF Lot	Land Bank of the Philippines	1,661,000.00	December 18, 2018	December 18, 2025	Quarterly for 7 years.	6.5%	1,661,000.00
Heavy Equipment & MRF Machines	Acquisition of Heavy Equipment & MRF Machines	Land Bank of the Philippines	13,500,000.00	December 18, 2018	December 18, 2028	Quarterly for 10 years.	6.5%	11,571,428.56

	2019	2018
11b. Inter-Agency Payables		
Due to BIR	410,416.85	580,777.28
Due to GSIS	743,734.22	717,466.26
Due to Pag-IBIG	133,395.55	140,182.33
Due to PhilHealth	45,761.14	46,448.74
Due to NGAs	13,059,387.26	8,434,165.22
Due to LGUs	3,458,494.15	2,360,027.64
Total	**17,851,189.17**	**12,279,067.47**

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.

	2019	2018
11c. Intra-Agency Payables		
Due to Other Funds	330,908.04	772,100.24
Total	**330,908.04**	**772,100.24**

	2019	2018
11d. Trust Liabilities		
Trust Liabilities- Disaster Risk Reduction and Management Fund	2,583,002.27	2,163,128.04
Bail Bonds Payable	841.24	841.24
Total	**2,583,843.51**	**2,163,969.28**

	2019	2018
11e. Deferred Credits		
Deferred Real Property Tax	610,980.55	748,072.16
Deferred Special Education Tax	610,980.55	748,072.16
Total	**1,221,961.10**	**1,496,144.32**

	2019	2018
11f. Other Payables		
Other Payables	2,058,939.92	207,318.84
Total	**2,058,939.92**	**207,318.84**

Note 12 Non-Current Liabilities

	2019	2018
12a. Financial Liabilities		
Accounts Payables		18,412,327.84
Non-current portion of Loans Payable - Domestic Loans	12,210,315.76	-
Total	**12,210,315.76**	**18,412,327.84-**

	2019	2018
12b. Other Payables		
Other Payables	-	4,795,916.53
Total	**-**	**4,795,916.53**

Note 13 Tax Revenue

	2019	2018
Tax Revenue - Individual and Corporation		
Community Tax	645,709.95	661,152.29
Tax Revenue-Property		
Real Property Tax - Basic	2,290,052.85	2,148,724.92
Discount on Real Property Tax - Basic	(283,234.45)	(244,743.30)
Special Education Tax	2,862,566.20	2,685,906.19
Discount on Special Education Tax	(354,043.20)	(305,929.19)
Tax Revenue-Goods and Services		
Business Tax	1,905,124.83	1,510,483.51
Tax Revenue - Fines and Penalties		
Tax revenue -Fines and Penalties - Other Taxes	38,945.79	29,716.79
Share from National Taxes		
Share Internal Revenue Collection	98,638,095.00	90,036,144.00
Total	**105,743,216.97**	**96,521,455.21**

Note 14 Service and Business Income

	2019	2018
Service Income		
Permit Fees	2,519,193.87	2,466,966.50
Registration Fees	457,602.75	509,808.90
Clearance and Certificate Fees	211,300.00	185,500.00
Fees for Sealing and Licensing of Weights and Measures	14,470.00	13,000.00
Other Service Income	46,507.98	296,908.45

Receipts from Operation of Hostels/Dormitories and Other		
Receipt from Market Operations	3,437,121.08	3,428,559.32
Slaughterhouse Operation	676,097.25	613,823.50
Receipt from Cemetery Operations	2,180,700.00	1,903,100.00
Garbage Fees	274,395.00	258,950.00
Interest Income	23,938.38	19,510.18
Total	**9,841,326.31**	**9,696,126.85**

Note 15 Miscellaneous Income

	2019	2018
Miscellaneous Income	518,261.22	481,029.64
Total	**518,261.22**	**481,029.64**

Note 16 Employee Costs

	2019	2018
Personnel Services		
Salaries and Wages - Regular	27,800,776.59	24,035,401.10
Salaries and Wages-Casual/Contractual	2,390,338.50	1,860,098.00
Other Compensation		
Personal Economic Relief Allowance	1,710,961.28	1,657,516.13
Representation Allowance	1,722,967.74	1,697,612.90
Transportation Allowance	1,722,967.74	1,697,612.90
Clothing/Uniform Allowance	450,000.00	424,000.00
Subsistence Allowance	183,875.00	174,395.30
Laundry Allowance	18,000.00	16,350.00
Productivity Incentive Allowance	352,500.00	347,675.00
Honoraria	774,440.00	705,220.00
Year-End Bonus	4,506,062.95	3,898,592.60
Hazard Pay	198,986.09	165,279.31
Cash Gift	416,250.00	409,776.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	3,234,299.41	2,808,667.16
Pag-IBIG Contribution	84,537.66	81,900.00
PhilHealth Contribution	265,979.15	252,116.65
Employees Compensation Insurance Premiums	82,268.15	78,608.01

Other Personnel Benefit		
Terminal Leave Benefits	3,356,191.01	866,517.56
Other Personnel Benefits	1,596,467.00	15,000.00
Total	**50,867,868.27**	**41,192,338.62**

Note 17 Maintenance and Other Operating Expenses

	2019	2018
Traveling Expenses		
Traveling Expenses - Local	2,289,696.53	2,112,390.03
Training and Scholarship Expenses		
Training Expenses	183,100.00	144,320.00
Supplies and Material Expenses		
Office Supplies Expense	1,522,925.93	1,396,776.64
Accountable Forms Expense	84,337.90	89,176.96
Drugs and Medicines Expenses	367,946.01	282,769.93
Fuel, Oil and Lubricant Expenses	1,728,389.61	1,652,779.61
Other Supplies & Materials Expenses	42,105.00	-
Utility Expenses		
Water Expenses	503,074.00	512,671.25
Electricity Expenses	3,062,424.65	2,932,215.23
Communication Expenses		
Postage and Courier Services	-	1,621.00
Telephone Expenses	1,610,974.46	1,589,332.35
Internet subscription Expenses	295,840.03	305,860.77
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expense	38,508.00	28,310.00
Total	**11,729,322.12**	**11,048,223.77**

Note 18 Contracted Services

	2019	2018
Professional Services		

Consultancy Services	256,000.00	156,000.00
General Services		
Other General Services	3,609,667.00	3,928,043.00
Total	**3,865,667.00**	**4,084,043.00**

Note 19 Repairs and Maintenance

	2019	2018
Repairs and Maintenance -Infrastructure Assets	2,675,922.00	1,957,428.00
Repairs and Maintenance -Buildings and Other Structure	2,126,731.85	2,163,203.76
Repairs and Maintenance -Machinery and Equipment	112,294.00	160,437.00
Repairs and Maintenance - Transportation Equipment	772,066.95	939,362.00
Total	**5,687,014.80**	**5,220,430.76**

Note 20 Financial Assistance/Subsidy

	2019	2018
Subsidy to NGAs	642,419.51	936,656.70
Subsidy to Other Local Government Units	450,000.00	450,000.00
Total	**1,092,419.51**	**1,386,656.70**

Note 21 Transfers

	2019	2018
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	1,870,978.01	146,515.60
Transfers for Project Equity Share /LGU Counterpart	20,257.82	-
Total	**1,891,235.83**	**146,515.60**

Note 22 Taxes, Insurance Premiums and Other Fees

	2019	2018
Fidelity Bond Premiums	108,937.50	56,437.50
Insurance Expenses	315,465.98	100,858.14
Total	**424,403.48**	**157,295.64**

Note 23 Other Maintenance and Operating Expenses

	2019	2018
Advertising Expenses	54,500.00	46,000.00
Donations	4,239,247.53	4,291,777.56
Other MOOE	14,911,611.87	17,718,891.40
Total	**19,205,359.40**	**22,056,668.96**

Note 24 Financial Expenses

	2019	2018
Interest Expenses	1,138,015.34	265,219.84
Bank Charges	4,787.66	3,902.04
Total	**1,142,803.00**	**269,121.88**

Note 25 Non-Cash Expenses

	2019	2018
Depreciation		
Depreciation-Land Improvements	102,700.35	102,700.35
Depreciation-Buildings and Other Structure	3,599,759.75	5,074,016.97
Depreciation-Machinery and Equipment	4,051,373.53	2,902,273.25
Depreciation-Transportation Equipment	1,106,894.53	774,826.17
Depreciation-Furniture, Fixtures and Book	353,878.01	334,278.29
Depreciation-Other Property, Plant and Equipment	1,638,470.37	2,764,717.12
Total	**10,853,076.56**	**11,952,812.15**

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

	Totals	General Fund	Special Education Fund	Trust Fund
Surplus/ (Deficit)	9,343,634.53	9,758,947.11	(415,312.58)	-

Non-cash transactions				
Depreciation	10,853,076.56	10,713,964.09	139,112.47	
Increase in payables	(14,565,407.21)	(18,510,376.27)	(52,942.34)	3,997,911.40
(Increase) Decrease in current assets	17,562.84	17,562.84		
(Increase) Decrease in receivables	1,566,763.64	1,283,156.43	137,091.61	146,515.60
Net Cash from Operating Activities	**7,215,630.36**	**3,263,254.20**	**(192,050.84)**	**4,144,427.00**

	2019	**2018**
Surplus/(Deficit)	9,343,634.53	9,184,504.62
Non-cash transactions		
Depreciation	10,853,076.56	11,952,812.15
Increase in payables	(14,565,407.21)	2,747,643.38
(Increase) Decrease in current assets	17,562.84	424.13
(Increase) Decrease in receivables	1,566,763.64	776,230.14
Net Cash from Operating Activities	**7,215,630.36**	**24,661,614.42**

Note 27 Reconciliation between actual amounts on a comparable basis as presented in this Statement and in the Statement of Financial Performance for the Year Ended December 31, 2019

	Income	**Personnel Services**	**MOOE**	**Financial Expenses**	**Capital Outlay**
Comparison Statement of Budget and Actual	116,102,804.50	50,867,868.27	43,877,859.30	4,279,985.92	16,615,527.96
Basis Differences:					
Depreciation	-	-	10,853,076.56	-	-
Debt Service (Loan Amortization, Retirement of Debt Instruments)				(3,137,182.92)	-
Capital Expenditures					(16,615,527.96)
Timing Differences:					

Unconsumed Inventories charged to current appropriations	-	-	(95,334.41)	-	-
Consumed Inventories and deferred charges charged to prior period appropriations	-	-	112,897.25	-	-
Per Statement of Financial Performance	**116,102,804.50**	**50,867,868.27**	**54,748,498.70**	**1,142,803.00**	**-**

Local Disaster Risk Reduction and Management Fund (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 P12,877,614.95 and P10,240,023.04, respectively.

Particulars	Available	Utilized	Balance
Current Year Appropriation			
Quick Response Fund (QRF)	1,607,189.15	-	1,607,189.15
Mitigation Fund (MF)			
MOOE	868,322.86	604,534.00	263,788.86
Capital Outlay	2,924,968.00	2,924,968.00	-
Total	**5,400,480.01**	**3,529,502.00**	**1,870,978.01**
Continuing Appropriation	54,589.64	-	54,589.64
Transferred to Trust Fund			
CY 2018	146,515.60	-	146,515.60
CY 2017	1,864,084.45	1,298,575.79	565,508.66
CY 2016	1,796,756.75	1,796,756.75	-
CY 2015	1,724,330.85	1,724,330.85	-
CY 2014	1,890,857.65	1,890,857.65	-
Total	**12,877,614.95**	**10,240,023.04**	**2,637,591.91**

PART II

AUDIT OBSERVATIONS AND RECOMMENDATION

AUDIT OBSERVATIONS AND RECOMMENDATION

A. FINANCIAL AND COMPLIANCE

Lapses on Local Road Networks

1. **The balance of Local Road Networks account amounting to ₱96,138,522.81 could not be ascertained as to accuracy and validity due to erroneous recording and classification of asphalt overlay of various barangay roads as Road Networks instead of repairs and maintenance expense in the total amount of ₱15,523,895.58, thereby overstating the Local Road Networks account and understating the repairs and maintenance account in the financial statements. Likewise, no provision for depreciation cost was provided for the Local Road Networks contrary to IPSAS 17; and no details of Local Road Networks were provided the Report on the Physical Count of Local Road Network as prescribed in COA Circular No. 2015-008.**

COA Circular No. 2015-008 dated November 23, 2015 prescribes the Accounting and Reporting Guidelines on the Local Roads Asset Management System. Section IV of the same Circular provides the Accounting Policies, Section VI provides the Reporting Guidelines while Section VII provides the Duties and Responsibilities, to wit:

"IV Accounting Policies

(7) Regular maintenance necessary for the upkeep of the road network system such as regravelling, asphalt overlay, patching etc. shall be recognized as repairs and maintenance.

VI. Reporting Guidelines

1. *The General Services Officer shall at the end of the accounting period render a Report on Local Road Network of the local government unit concerned. (Annex A)*

2. *The total road network system shall be disclosed in the Notes to the Financial Statements of the Agency. (Annex B)*

3. *The Inventory Committee shall prepare the Report on the Physical Count of the Road Network System of the local government unit. (Annex C)*

VII. Duties and Responsibilities

a. Local Accountant

1. *Prepare the Journal Voucher to record the beginning balance of the local road network and its components in the general ledger and the Local Road Network Ledger Card (Annex D), respectively;*

2. *Support the JV with Registry of Public Infrastructures for Roads, working paper on the distribution of costs for the road components, and working paper on the determination of the depreciated replacement cost for road components with no available cost per registry;*

3. *Keep and maintain subsidiary records for roads and road components for every network; and*

4. *Prepare a lapsing schedule for the computation of the depreciation for each component at the end of the year.*

b. General Services Officer

1. *Maintain a Local Road Inventory and Road Map;*

2. *Keep a complete Local Road Network Property Card for all roads and its components. (Annex E)*

c. Provincial/City/Municipal Engineer

1. *Provide the local accountant and the general services officer with the complete description and cost segregation of road components for road projects.*

d. Local Chief Executive

1. *Enjoin the department heads' compliance with the requirements of the circular."*

Review of the 2019 Report on the Physical Count of Local Road Network submitted by the Municipality showed a total amount of ₱96,138,522.81. However, the amount of ₱15,514,895.58 was recorded as Local Road Networks which should have been recognized as repairs and maintenance pursuant to the aforecited Circular, summarized as follows:

Program/Project	Amount
Asphalt Overlay of Apayas St. and Lucban St. at Barangays Apaya and Pias.	6,525,070.62
Asphalt Overlay of various Barangays – Amanoaoac, Baloling, Coral, Jimenez, Lambayan, Luyan Nilombot, Primicias, Sta. Maria and Torres	8,998,824.96
Total	**15,523,895.58**

Likewise, no provision for depreciation cost of the Road Network account was provided by the agency; thus, the value recorded in the books of account was overstated and the depreciation expense account was understated.

Paragraphs c and d of IPSAS 17 provide the accounting treatment for depreciation of Property, Plant and Equipment (PPE) which state that:

> *"c. Measurement after recognition*
>
> *After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses. When significant parts of PPE are required to be replaced at intervals, the (Name of the Entity] recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.*
>
> *d. Depreciation*
>
> *Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset. xxx"*

Lastly, the submitted Report on the Physical Count of Local Road Network disclosed that the Municipality failed to indicate all the required information pursuant to Annex C of COA Circular No. 2015-008 summarized as follows:

a. As of date of the report;

b. Name of the accountable officer, his/her official designation, name of the agency and his/her date of assumption of accountability;

c. Road network ID number;

d. Components as to:

i) road lot;
ii) pavement;
iii) drainage and slope protection structures; and
iv) other miscellaneous structures;

e. Condition of the road component as inventory date; and

f. Other relevant information relative to road network component.

With the foregoing lapses identified, verification could not be conducted by the Audit Team on the correctness and validity of the said report.

The inability of the management to comply with the requirements of the Reporting Guidelines on Local Road Networks casted doubts on the reliability of the recorded Property, Plant and Equipment on the books. Moreover, with the increasing road networks, management must address the need to conduct the inventory of Road Network for efficient and effective management system.

During the exit conference, the responsible officials committed to comply with the audit recommendations.

We recommended that the Local Chief Executive:

a. Instruct the Municipal Accountant to cause the immediate reclassification of the repairs and maintenance expense account recorded as Local Road Networks account in order to reflect the correct amount of the said account recorded in the books of the Municipality;

b. Require the Municipal Accountant to provide depreciation cost for Local Road Networks account in accordance with IPSAS 17; and

c. Direct the Municipal Engineer to provide the Municipal Accountant and Municipal Treasurer the complete description and cost segregation of road components for road projects.

Non-Derecognition of Assets – ₱604,709.40

2. **The reported balance of Property, Plant and Equipment account in the financial statements included the amount of ₱604,709.40 which pertained to the assets for use by the barangays, but were not yet transferred by the Municipality to the barangays contrary to paragraph 7 of IPSAS 1 and paragraph 82 of IPSAS 17; thus, affecting the fair presentation of the PPE account in the financial statement.**

IPSAS 1, paragraph 7 on presentation of financial statements defines assets as:

> *"Assets are resources controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity."*

Moreover, IPSAS 17, paragraph 14 enumerates the two principles or conditions in the recognition of Property, Plant and Equipment, to wit,

> *"The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:*
>
> *a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and*
>
> *b) The cost or fair value of the item can be measured reliably."*

While, IPSAS 17, paragraph 82 enumerates the two principles or conditions in the recognition of Property, Plant and Equipment:

> *"The carrying amount of an item of property, plant and equipment shall be derecognized:*
>
> *a) On disposal; or*
>
> *b) When no future economic benefits or service potential is expected from its use or disposal."*

The determination of ownership includes the verification that the audited agency is in fact the beneficial owner of the assets in accordance with the aforecited principles.

The Property, Plant, and Equipment of the Municipality as of December 31, 2019 included the following assets which clearly showed that the Municipality was not considered as beneficial owner, to wit:

Buildings	End User	Amount
Barangay Hall-Apaya	Barangay Apaya	75,000.00
Barangay Hall-Baloling	Barangay Baloling	59,960.00
Barangay Hall-Golden	Barangay Golden	60,000.00
Barangay Hall-Pias	Barangay Pias	79,049.40
Barangay Hall-Primicias	Barangay Primicias	89,120.00
Barangay Hall-Amanoaoac	Barangay Amanoaoac	54,580.00
Barangay Hall-Jimenez	Barangay Jimenez	115,000.00
Barangay Hall-Lambayan	Barangay Lambayan	42,000.00
Barangay Hall-Sta. Maria	Barangay Sta. Maria	30,000.00
Total		**604,709.40**

The inclusion of said item as part of PPE of the Municipality was not in accordance with the provisions of the aforementioned accounting standards and making the reliability of presentation of financial statements doubtful.

Henceforth, the Municipality shall be responsible for any misuse and loss of the said properties since the said properties were included in the books although the custody and benefits of the properties therein belong to the barangays concerned.

During the exit conference, the responsible officials assured to work together in order to observe the audit recommendation.

We recommended that the Management thru the initiative of the Municipal Mayor and enactment of SB Resolution cause the transfer of the cost or value of properties of the implemented buildings to the end-users or barangays concerned to comply with the provisions of IPSAS 17 to be supported with complete documentation to provide proper recording in the books of the LGU and the recipient barangays.

Unliquidated Advances to Officers and Employees – ₱167,000.00

3. **Advances to Officers and Employees Account amounting to ₱167,000.00 as of December 31, 2019 remained unliquidated which was not in conformity with Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002, thus, resulting in the non-recognition of expenses at the time of the utilization of the cash advances.**

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."*

Likewise, Sections 5.7 and 5.8 of COA Circular No. 97-002 dated February 10, 1997 state, thus:

> **"Section 5.7** *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."*

Review of the financial records of the Municipality disclosed that Advances to Officers and Employees account had an outstanding balance of ₱167,000.00 for all funds as of December 31, 2019 which remained unliquidated for more than two years, details are shown in *Annex A.*

Failure of the accountable officer to liquidate/settle his/her outstanding cash advances within the prescribed period may constitute sanctions/penalties as provided in the following regulations:

Section 5.1.3 of COA Circular No. 97-002 which states:

> *"Failure of the accountable officer to liquidate his cash - cause for the withholding of his salary."*

Likewise, Section 8 of Civil Service Commission Memorandum Circular No. 12, S. of 2012 dated January 12, 2012 which resolves to amend Section 8 Rule V of CSC Resolution No. 04-0676 dated June 14, 2004 reads as follows:

> *"Section 8. The failure of an accountable officer to render an account in full within the period prescribed and the formal demand shall constitute the administrative offense. Full liquidation/settlement payment of the subject cash advance outside the given periods shall constitute the offense of simple neglect of duty punishable by suspension from the service for one (1) month and one (1) day to six months for the first offense, and dismissal from the service for the second offense."*

The non-liquidation/settlement of said cash advances resulted in the understatement of expense account and overstatement of equity account considering that the amount had already been expended.

This is a reiteration of prior year's audit observation which was not observed by the management.

The officials concerned agreed to comply with the audit recommendation during the exit conference.

We recommended that the Local Chief Executive instruct the Municipal Accountant to cause the immediate liquidation of all outstanding cash advances particularly those outstanding for a long period of time in accordance with Section 89 of PD 1445 and COA Circular No. 97-002 dated February 10, 1997.

Dormant Other Receivables account - ₱613,635.81

4. **Dormant accounts totaling ₱613,635.81 as of December 31, 2019 remained uncollected and outstanding for more than twenty five (25) years in the books and were not supported with documents; thus, depriving the Municipality of additional funds to finance other programs, projects and activities.**

In the review of the Other Receivables account of the Municipality, it was noted that ₱613,635.81 of its Other Receivables account was considered dormant for being non-moving in the books for more than 25 years *(Annex B)*.

Verification of the accounts showed that there were no documents evidencing the propriety of its existence. Also, per inquiry with the Municipal Accountant, no subsidiary ledgers were transferred to her upon her assumption; thus, the difficulty in tracing the said documents. The inexistence of such documents raised doubts on the validity and propriety of the account presented in the financial statements.

COA Circular No. 2016-005 dated December 19, 2016, relative to the Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of National Government Agencies (NGAs), Local Government Units (LGUs) and Government Owned and Controlled Corporations (GOCCs), specifically Section 8 of the said Circular pertained to the procedures in the write-off of dormant accounts

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

During the exit conference, the Municipal Accountant promised to exert more effort to find the documents needed.

We recommended that the Local Chief Executive instruct the Municipal Accountant to exert more effort to locate the documents pertaining to the non-moving accounts in order to substantiate its balances and to enforce

collections. In case of the possibility of non-collection, the agency may request for write-off of the dormant accounts in accordance with the procedures and requirements provided in COA Circular No. 2016-005 dated December 19, 2016, for fair presentation of the accounts in the financial statements.

Non-disposal of Unserviceable Properties – ₱927,771.70

5. **Unserviceable properties beyond economic repair amounting to ₱927,771.70 were not disposed of in accordance with Sections 76 and 79 of Presidential Decree (PD) No. 1445, thereby, exposing the said properties to further deterioration and loss of value and depriving the agency of additional source of funds from the sale thereof which could have been used in its operation.**

Section 76 of Presidential Decree (PD) No. 1445 – Transfer of property between government agencies, states that:

> *"Any government property that is no longer serviceable or needed by the agency to which it belongs may be transferred without cost, or at an appraised value, to other agencies of the government upon authority of the respective heads of agencies in the national government, or of the governing bodies of government-owned or controlled corporations, other self-governing boards or commissions of the government, or of the local legislative bodies for local government units concerned."*

Likewise, Section 79 of the same Decree – Destruction or sale of unserviceable property, also provides that:

> *"When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the other officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor or other duly authorized representative of the Commission on Audit, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property*

may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission."

The agency failed to submit Inventory and Inspection Report of Unserviceable Property (IIRUP) as of December 31, 2019, although some unserviceable assets were identified in the submitted RPCPPE amounting to ₱927,771.70 (*Annex C*). These were not yet disposed of in accordance with Sections 76 and 79 of Presidential Decree (PD) 1445, thereby, exposing the said property to further deterioration and loss of value and depriving the agency of additional source of funds from the sale thereof which could have been used in its operations.

It was also noted that no disposal committee was created to take care of the unserviceable properties which were already obsolete and beyond economic repair and to dispose said items in due time before it further deteriorates and loss its salvage value. Furthermore, most of the unserviceable properties had no available data on file as to the unit cost, total cost, accumulated depreciation and other required data.

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

Management agreed to comply with the audit recommendation during the exit conference.

We recommended that the Local Chief Executive create disposal committee to take care of the unserviceable properties and to dispose said items in accordance with the requirements and procedures of Sections 76 and 79 of PD 1445 to avoid further deterioration and loss of its salvage value.

Breeding Stocks account - ₱110,000.00

6. **The reported balance of Breeding Stocks account amounting to ₱110,000.00 were already issued to the beneficiaries and no longer existing but remained in the books due to the absence of supporting documents submitted to the Accounting Office; thus, overstating the Breeding Stocks account presented in the financial statements.**

Section 27 of the International Public Sector Accounting Standard I (IPSAS) provides that:

"Financial Statements shall present fairly the financial position; financial performance and cash flow of an entity. Fair presentation requires the faithful representation of the effects of financial transactions, other events and conditions in accordance

with definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs."

Verification of financial statements disclosed that breeding stocks account had a balance of ₱110,000.00 at year-end which pertained to the purchase of eleven (11) cows in the previous year before the calendar year 2000 and distributed to beneficiaries of the Municipality of Mapandan. However, we were informed that the subject animals were already dead and the necessary documents were not prepared to record any adjustments in the books of the agency.

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

During the exit conference, the Municipal Agriculture Officer agreed to exert more efforts in locating the documents of the animals.

We recommended that the Local Chief Executive should instruct the Municipal Agriculture Officer to exert more effort to locate the pertinent documents relative to the 11 cows for verification and shall serve as basis in the recording of adjustments in the books of the Municipality.

Prior Year's Expenditures – ₱254,834.00

7. Prior year's expenditures in the amount of ₱254,834.00 were charged to current appropriation which was not in conformity with Section 350 of the Local Government Code of 1991, thus affecting the fair presentation of the current year's expense account in the financial statements.

Section 350 of the Local Government Code of 1991 provides that:

"All lawful expenditures and obligations incurred during a fiscal year shall be taken up in the accounts of that year."

Also, Section 305 (a) of the same Code states that:

"No money shall be paid out of the local treasury except in pursuance of an appropriations ordinance or law."

Post audit for Disbursement Vouchers covering the payment of prior year's expenditures amounting to ₱254,834.00, were charged and paid against appropriation of the current year. Details are shown in the next page.

DV NO.	Payee	Particulars	Amount
100-19-01-116	Fam Ban Kitchenette	Meals and snack for 4Ps 2018 Christmas party.	140,000.00
100-19-01-117	Fam Ban Kitchenette	Rizal day celebration, Miss Gay Mapandan and various Municipal Activities	114,834.00
Total			**254,834.00**

The aforementioned prior year's expenses were not recorded as Accounts Payable as of December 31, 2018. Prior Year's obligations should not be charged against appropriations of the current year unless a supplemental budget was enacted for that purpose.

During the exit conference, Management reacted favorably with the audit recommendation and signified their willingness to comply.

We recommended that the Local Chief Executive require the Municipal Budget Officer to ensure that expenditures and obligations incurred during a fiscal year shall be taken up in the accounts of that year. We also recommended that the Municipal Accountant record all valid claims not paid during the year as Accounts Payable at the end year for fair presentation of the financial statements.

20% Development Fund

8. **Various programs/projects under the 20% Development Fund amounting to ₱3,987,807.86 were not prioritized and implemented during the year. Likewise, Appropriations of ₱1,998,000.00 were allotted for purposes other than for which it was intended for as prescribed in DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017, thereby depriving the intended beneficiaries of the benefits that could have been derived from the proposed projects.**

DILG and DBM Joint Circular No. 2017-1 dated February 22, 2017 provides the following:

> *"Section 2.0 General Policies*
>
> *2.1 In accordance with Section 287 of the Local Government Code, every LGU shall appropriate in its annual budget no less than twenty percent (20%) of its annual internal revenue allotment* ***for development projects.***
> *2.2 The 20% DF shall be utilized to finance the LGU priority development projects as embodied in its duly approved local development plan and Annual Investment Plan (AIP) which*

should be directly supportive of the Philippine Development Plan and Public Investment Program.

2.3 All development projects to be funded under the 20% DF shall contribute to the attainment of desirable socio-economic development and environmental management outcomes of the LGU and shall partake the ***nature of investment or capital expenditures."***

Section 3.0 of the same Joint Memorandum Circular (JMC) states that:

"The 20% of the IRA intended for development projects shall be utilized for the following priority programs and projects:

1. *Social Development*
2. *Economic Development*
3. *Environmental Management"*

It was enumerated in the said JMC the expenditure items that are not allowed to be charged against the 20%Development Fund.

Likewise, Section 5.0 of the same JMC provides, thus:

"It is the responsibility of every local chief executive to ensure that the 20% DF is optimally utilized to help achieve the desirable socio-economic development and environmental outcomes of the LGU. The utilization of the 20% DF, whether wilfully or through negligence, for any purpose other than those expressly prescribed by law or public policy shall be subject to the sanctions provided under RA No. 7160 and other applicable laws."

The Municipality appropriated the amount of ₱19,816,154.60 for the 20% Development Fund programmed for the calendar year 2019. Of this amount, only 79.88% or ₱15,828,346.74 was utilized; thus, a balance of 20.12% or ₱3,987,807.86 of the proposed projects were not implemented as summarized below.

Project/Program	Appropriation/ Allotment	Obligation	Balance
Construction/Improvement of Mapandan Abattoir and concrete fence	1,687,807.86	0.00	1,687,807.86
Covered Side-Walk with Box Culvert, Curb & Gutter	2,300,000.00	0.00	2,300,000.00
TOTAL	**3,987,807.86**	**0.00**	**3,987,807.86**

It was also noted that the Municipality appropriated the amount of ₱2,000,000.00 for the procurement of 200 units boulevard LED lights under the 20% Development Fund which was not listed under allowable development projects nor Capital Outlay as required.

Interview with the Municipal Engineer disclosed that the purpose of the said purchase was for maintenance and repairs of existing street lights rather than installation of new project. More so, its cost was charged to repairs and maintenance-infrastructure assets per JEV No. 100-19-03-350 dated March 29, 2019.

During the exit conference, management reacted favorably with the audit recommendation and signified their willingness to comply.

We recommended that Management should give priority in the implementation of projects under the 20% development fund in order to attain maximum benefits for which the fund was intended as stated in the guidelines of Joint Memorandum Circular No. 2017-1 dated February 22, 2017. We also recommended that Management prepare and implement projects chargeable to the 20% DF in the nature of investment and capital expenditures to contribute to the attainment of desirable socio economic, development and environmental management outcome.

Procurement of Infrastructures - ₱998,173.39

9. Infractions on the provisions of Republic Act (RA) No. 9184 and its 2016 Revised Implementing Rules and Regulations (IRR) were noted in the Construction of Drainage System along Caimito, St., Brgy. Aserda implemented by the Municipality amounting to ₱998,173.39, thereby casting doubt on the validity and propriety of the reported transaction.

Section 7, Article II of the 2016 Revised IRR of RA 9184 which states that:

> *"Procurement Planning and Budgeting Linkage- All procurement should be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity concerned. Consistent with government fiscal discipline measures, only those considered crucial to the efficient discharge of governmental functions shall be included in the Annual Procurement Plan (APP) to be specified in the IRR.*
>
> *No government Procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan of the Procuring Entity. The Annual Procurement Plan shall be approved by the Head of the Procuring Entity and must be*

consistent with its duly approved yearly budget. The Annual Procurement Plan shall be formulated and revised only in accordance with the guidelines set forth in the IRR. In the case of Infrastructure Projects, the Plan shall include engineering design and acquisition of right-of-way."

Post audit of Disbursement Voucher under Check No. 352637 amounting to ₱998,173.39 which pertained to the Construction of Drainage System along Caimito St., Barangay Aserda with a contract cost of ₱998,173.39 awarded to Alphin Trading and Construction. However, the Approved Budget for the Contract (ABC) of ₱1,000,000.00 was not included in the 2019 Annual Procurement Program (APP) of the Municipality. Hence, the procurement made for the said project was contrary to the provision of RA 9184. Moreover, the provision clearly provides that procurements of infrastructure projects/goods are included in the APP.

Likewise, the projects undertaken by the bidder which were reported as in progress on the date of bid submission on September 10, 2019 were not stated in the Report of All On-going Government and Private projects, details are shown below.

Name of Contract	Owner's Name	Award Date	Contract End Date	Amount
Construction of Protection Work along Marusay River, Brgy. Talibaew, Calasiao, Pangasinan	*DPWH-Pang. IV DEO*	6/21/19	12/22/19	28,450,576.76
Construction of Slope Protection Works along Agno River at Brgy. Paragos, Bayambang, Panagsinan	*DPWH-Pang. IV DEO*	6/21/19	12/7/19	19,089,678.41
Construction of Slope Protection Works along Agno River at Brgy. Warding, Baymabang, Pangasinan.	*DPWH-Pang. IV DEO*	6/21/19	10/29/19	9,550,261.54
Construction of Slope Protection Works along Agno River at Brgy. Paragos, Baymabang, Pangasinan.	*DPWH-Pang. IV DEO*	6/21/19	12/18/19	28,282,932.15
Construction of Multi-PurposeBuilding in Brgy. Balaya, San Carlos City, Pangasinan.	*DPWH-Pang. IV DEO*	7/22/19	10/29/19	1,947,510.52

Non-disclosure of these projects would affect the computation of the Net Financial Contracting Capacity (NFCC) as well as non-verification on the performance of the bidder on its ongoing government and private projects. It is considered a misrepresentation of facts or information which would affect or influence the outcome of the procurement process which was in violation of paragraph 6.2(f) of Instructions to Bidders (ITB) and item no.4 of Omnibus Sworn Statement of the bidder.

ITB paragraph 6.2(f) and Item No. 4 of its Omnibus Sworn Statement of the bidder state that:

> *"Each of the documents submitted in satisfaction of the bidding requirements is an authentic copy of the original, complete, and all statements and information provided therein are true and correct."*

Furthermore, review of list of minimum major equipment, owned or leased and/or under purchase agreements, pledged to the proposed contract as required per program of work (POW) of the agency was not complied with, summarized as follows:

List of Minimum Major Equipment	LGU-Mapandan	Contractor/ Bidder
Pavement cutter	1	None
Dump truck	1	3
Mixer	2	1
Bar cutter	1	None
Concrete vibrator	1	None
Backhoe/Excavator	1	2

The above-mentioned deficiencies showed that the bidder was considered non-responsive, thus, the BAC-TWG should have disqualified the bidder from obtaining an award or contract.

The concerned department heads assured the Audit Team to enforce the audit recommendation during the exit conference.

We recommended that Management:

a. **Ensure that all procurements are within the approved budget and only projects/procurement that are included in the APP shall be undertaken; and**

b. **Require the BAC Technical Working Group (TWG), BAC Secretariat and BAC Chairman to submit a written justifications on the contract awarded to the bidder considered**

as non-responsive due to non-disclosure of on-going projects on the date of bid submission and non-compliance with the minimum major equipment as required, and why the said projects were not included in the APP for further evaluation by the Audit Team.

Delayed submission of contracts – ₱32,535,138.72

10. Copies of Thirteen (13) perfected contracts for the year 2019 in the total amount of ₱32,535,138.72 were not submitted to the Office of the Auditor within the prescribed period of five (5) days from perfection thereof as provided under paragraph 3.1.1 of COA Circular No. 2009-001, thereby hindered the timely review of the contracts.

Section 3.1.1 of COA Circular No. 2009-001 provides that within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to Auditor of the agency concerned.

For the year 2019, copies of thirteen (13) contracts and its supporting documents amounting to ₱32,535,138.72 were not submitted within the prescribed period to the Auditor incurring delay from five (5) days to forty eight (48) days, details are shown in *Annex D*. This precluded the Auditor from conducting timely review of said contracts and each of all the documents forming part thereof.

These various contracts were only submitted to the Office of the Auditor when the contractors/suppliers submit their billing for payment of work accomplished or projects are completed.

As can be gleaned from the said Annex, the Procurement of Boulevard LED Lights contract was submitted to the Audit Team on March 26, 2019 when the payment was made on March 29, 2019 per Check No. 336272, the Construction/Improvement of Primicias Canal Lining contract was submitted on June 13, 2019 after the 1st partial payment was made on May 27, 2019 per Check No. 60427330, and the Asphalt overlay of Apayas Street and Lucban Street contract was submitted on the same date when payment was made on March 26, 2019 under Check No. 336271.

The non-submission of these contracts and the supporting documents on the prescribed period precluded the Auditor from a timely review and evaluation thereof as to completeness of the legal and technical requirements, the propriety of the contract, compliance with existing laws, rules and regulations and deficiencies found, if any, could not immediately be determined.

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

We recommended that the Local Chief Executive direct the Bids and Awards Committee (BAC), BAC Secretariat and the Municipal Accountant to submit copies of perfected contracts and supporting documents to the COA auditor within the prescribed period of five (5) days as required under COA Circular No. 2009-01 for a systematic and effective review process to come up with timely and relevant audit results.

Gender and Development (GAD)

11. Various programs, projects and activities under the Gender and Development plans and budgets in the total amount of ₱2,032,999.75 were not implemented by the Municipality thereby depriving the intended end-users of the benefit that could have been derived from the proposed projects.

Executive Order No. 273 mandates agencies to institutionalize GAD efforts in governments by incorporating GAD concerns as spelled out in the Philippine Plan for Gender-Responsive Development in their annual planning program and budgeting process in order to eradicate gender-based inequalities and enable women and men to equally contribute and benefit from development.

Meanwhile, Section 36 of RA No. 9710 provides the responsibility of the local government units to adopt gender mainstreaming as a strategy to promote women's human rights and eliminate gender discrimination in their systems, structures, policies, programs, processes, and procedures.

On the other hand, PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 provides the guidelines on the localization of the Magna Carta of Women.

The Municipality had appropriated ₱5,357,157.15 for GAD programs, projects and activities which was equivalent to 5% of the agency's total appropriation of ₱107,143,143.00 for the year 2019.

Out of the appropriated fund, ₱3,264,217.10 or 60.93% was utilized, however, the remaining balance of 39.07% or ₱2,092,940.05 of the proposed projects were not implemented, thus, depriving its constituents of the benefits that could have been attained from the said projects. Details are shown in *Annex E*.

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

We recommended that Management should give priority in implementing projects under the GAD plan and programs to attain maximum fulfilment of its objectives to address the specific gender issues and concerns affecting the welfare and full development of women in accordance with the above cited Joint Circular No. 2013-001.

Solid Waste Management

12. Municipality had not maintained a sanitary landfill for disposal of its residual non-recyclable solid wastes and no municipal ordinance on the segregation and disposal of wastes which was not in accordance with the provisions of Republic Act No. 9003, thus may expose the public to environmental and health hazard. Likewise, no Material Recovery Facility (MRF) was established in its 15 barangays or in every cluster barangays.

Section 10 of Republic Act No. 9003, otherwise known as the Ecological Waste Management Act of 2000 provides:

> *"Section 10. Role of LGUs in Solid Waste Management – xxx, the LGUs shall be primarily responsible for the implementation and enforcement of the provisions of this Act within their respective jurisdictions.*
>
> *Segregation and collection of solid waste shall be conducted at the barangay level specifically for biodegradable, compostable and reusable wastes: Provided, That the collection of non-recyclable materials and special wastes shall be the responsibility of the municipality or city."*

Sections 32 and 33 of the same Republic Act that provide that:

> *"Section 32. Establishment of LGU Materials Recovery Facility. — There shall be established a Materials Recovery Facility (MRF) in every barangay or cluster of barangays. The determination of site and actual establishment of the facility shall likewise be subject to the guidelines and criteria set pursuant to this Act. The MRF shall receive mixed waste for final sorting, segregation, composting, and recycling. The resulting residual wastes shall be transferred to a long-term storage or disposal facility or sanitary landfill.*
>
> *Section 33. Guidelines for Establishment of Materials Recovery Facility. — Materials recovery facilities shall be designed to receive, sort, process, and store compostable and recyclable material efficiently and in an environmentally sound manner. The facility shall address the following considerations:*

(a) The building and/or land layout and equipment must be designed to accommodate efficient and safe materials processing, movement, and storage; and

(b) The building must be designed to allow efficient and safe external access and to accommodate internal flow."

Inquiry with the Management revealed that the Municipality had not maintained a sanitary landfill for disposal of its residual non-recyclable solid wastes. We were also informed that the Sangguniang Bayan did not pass any Municipal Ordinance regarding the segregation and proper disposal of wastes for 2019.

Further, no MRF was established in every barangay or cluster barangays in the Municipality which was not in accordance with the provisions of RA No. 9003, thus protection of the public health and environment might not be fully achieved.

During the exit conference, the Management agreed to comply with the audit recommendations.

We recommended that the Management:

a. Provide or develop its own engineered sanitary landfill for disposal of its residual non-recyclable solid wastes;

b. Ensure the establishment of MRF in every barangay or cluster barangays in compliance with the provisions of RA 9003; and

c. Enjoin the municipal and barangay officials to enforce the segregation of wastes in their barangays in order to provide a pollution and health hazard-free environment.

B. VALUE FOR MONEY AUDIT

Delinquent Real Property Taxes

13. Delinquent taxes on real property amounting to ₱1,221,961.11 remained outstanding as of December 31, 2019; thus, depriving the Municipality of additional funds to finance its beneficial projects for the welfare of its constituents.

The following provisions of Republic Act (RA) No. 7160, otherwise known as the "Local Government Code of 1991" provides legal remedies for the collections of delinquent Real Property Taxes, to wit:

*“**Section 254.** Notice of Delinquency in the Payment of the Real Property Tax. - (a) When the 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 the delinquency to be posted at the main hall and in a 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. Xxx*

***Section 256.** Remedies for the Collection of Real Property Tax. - For the collection of the basic real property tax and any other tax levied under this Title, the local government unit concerned may avail of the remedies by administrative action thru levy on real property or by judicial action.*

***Section 258**. Levy on Real Property. - After the expiration of the time required to pay the basic real property tax or any other tax levied under this Title, real property subject to such tax may be levied upon through the issuance of a warrant on or before, or simultaneously with, the institution of the civil action for the collection of the delinquent tax. xxx.*

***Section 260**. Advertisement and Sale. – Within thirty (30) days after service of the warrant of levy, the local treasurer shall proceed to publicly advertise for sale or auction the property or a usable portion thereof as may be necessary to satisfy the tax delinquency and expenses for sale. Xxx…The advertisement shall specify the amount of the delinquent tax, the interest due thereon and expenses of sale, the date and place of sale, the name of the owner of the real property or person having legal interest therein, an a description of the property to be sold. xxx”*

Review of records on Real Property Taxes (RPT) disclosed that the Municipality had delinquent taxes amounting to ₱1,221,961.11 as of December 31, 2019. (Refer to *Annex F*). The amount of delinquent Real Property Taxes remained outstanding from 1 year to 17 years.

Although for CY 2019, the amount had decreased by 18.32% or ₱274,183.21 compared to last year’s balance of ₱1,496,144.32, the collection from the delinquent taxpayers could have been increased and realized additional income that could have been used to finance other projects/programs/activities for the welfare of the townspeople had management strengthened the imposition of the provisions of Sections 254, 256, 258 and 260 of Republic Act 7160.

This is a reiteration of prior year's audit recommendation which was partially implemented by the Management.

During the exit conference, the Management agreed to comply with the audit recommendations.

We recommended that the Management:

a. **Require the Municipal Treasurer to continue and intensify their collection strategies on taxes due and collectible by sending RPTOP's and notice of delinquency to taxpayers and forming committee to conduct an information dissemination regarding the importance of paying taxes promptly and the consequences of non-payment of taxes; and**

b. **If circumstances warrant, impose the provisions of Sections 258 and 260 of the Local Government Code of 1991 in the collections of delinquent taxes to satisfy taxes, penalties and costs with the following:**

    1. **Seizure of personal property of the taxpayer and sale thereof at public auction;**

    2. **File civil suit with the proper court; and**

    3. **Levy on real property and sale of delinquent property or a usable portion thereof at public auction.**

Unutilized MRF Machineries

14. **The Municipality purchased one (1) unit Compactor and one (1) unit Granulator in the total amount of ₱13,500,000.00 for the establishment of Material Recovery Facility (MRF) of the Municipality but remained unutilized by the agency, thereby depriving the constituents of the immediate benefits that could be derived therefrom. Also, payment was not supported with complete documentation which was not in accordance with Section 4(6) of PD 1445.**

Sections 32 and 33 of RA 9003, otherwise known as the Ecological Waste Management Act of 2000, requires every barangay or cluster of barangays to establish a Material Recovery Facility which shall receive mixed waste for final sorting, segregation, composting, and recycling. The main purpose of MRF is to convert wastes into a product that can be useful to the people or to the environment, thereby reducing wastes.

In compliance with the provisions above, the Municipality purchased one (1) unit Compactor and one (1) unit Granulator amounting to ₱13,500,000.00 funded by loan from the Land Bank of the Philippines– Dagupan City, for the establishment of Material Recovery Facility (MRF). These machineries were delivered on November 29, 2018. However, Inspection Report dated May 20, 2019 for Equipment and Facilities issued by COA-TAS, Regional Office No. 1, disclosed that the machineries were not yet installed at the time of inspection; thus, the machineries remained unutilized by the Municipality.

Interview with the Municipal Engineer disclosed that the installation of the machineries was not made possible at the time of delivery of the machineries on November 29, 2018 because the site where the machineries were supposed to be installed was not yet ready for usage.

For the year 2019, the site where the machineries were to be installed was ready for usage, however, the machineries were still not installed at the site as of this writing. Interview with the Management revealed that they have failed to communicate with the supplier regarding the installation of the machineries as the supplier failed to receive their letters and answer their calls.

In addition, the inspection report disclosed the following findings and observations relative to the inspection of the said machineries, to wit:

1. For the Brick Making Machine, the indicated prime mover rating in the Schedule of Requirements/Purchase Request for the Vertical Paddle Type Mixer was 15 hp, Sand Vibrator was 5 hp and Plastic Granulator was 30 hp differs from the purchased prime mover rating which is 12 hp, 10 hp and 32 hp, respectively. Hence, not in accordance with technical specifications.

2. For the Granulator for Bio Waste, the blades, metal trapping magnets and main gear box of the Granulator were not found at the time of inspection. Aside from that, the indicated prime mover in the Schedule of Requirements/Purchase Request was 4D32 Diesel Engine differs from the purchased prime mover which is 4D30 Diesel Engine.

3. No Delivery Receipt submitted

4. No Sales Invoice submitted.

5. No Inspection and Acceptance Report submitted.

In the post audit of payment of the said machineries, it was noted that no sales invoice was submitted but only the collection receipt was attached to the Disbursement Voucher as part of the supporting documents.

Revenue Memorandum Circular No. 2-2014 released by the Bureau of Internal Revenue provides the following:

> *"Revenue Regulations No. 18-2012 and Revenue Memorandum Order (RMO) No. 12-2013 in relation to Sections 106, 108, 113 and other pertinent provisions of the National Internal Revenue Code (NIRC), as amended, mandate that:*
>
> 1. ***Sales Invoice (Cash or Charge)*** *shall be issued as Principal evidence in the sale of goods and/or properties ;*
> 2. ***Official Receipt*** *shall be issued as Principal evidence in the sale of services and/or lease of properties; and*
> 3. ***Commercial Receipts/Invoices*** *such as delivery receipts, order slips, purchase orders, provisional receipts, acknowledgement receipts, collection receipts, credit/debit memo, job orders and other similar documents that form part of the accounting records of the taxpayer and/or issued to their customers evidencing delivery, agreement to sell or transfer of goods and services, shall be Supplementary evidence only.*
>
> *In relation thereto, Section II (H) of RMO No. 12-2013 provides that:*
>
> *II. POLICIES xxx*
>
> *The buyer of goods on account or credit evidenced by a Charge Sales Invoice shall be entitled to claim input taxes. Upon collection of the account by the seller, a Collection Receipt (Supplementary Receipt) shall be issued to the client/buyer to evidence the receipt thereof; xxx*
>
> *Based on the foregoing, the* ***Sales Invoice shall serve in lieu of Official Receipt in the sale of goods or properties*** *for evidentiary purpose in terms of audit."*

Section 4(6) of PD 1445 states that *"Claims against government funds shall be supported with complete documentation."*

The management agreed to comply with the audit recommendation during the exit conference.

We recommended that the Management:

a. **Direct the supplier to install the machineries in the specified site. In case the supplier/contractor refuse to comply, the agency may suspend the contract as per contract of agreement and issue notice of blacklisting of the said supplier;**

b. **Submit a written justification relative to the delivered machineries by the supplier which did not conform to some of the Technical Specifications as stipulated in the Schedule of Requirements and in the Purchase Request but were inspected and accepted on November 29, 2018 by Management and paid on February 21, 2019, for evaluation by the Audit Team; and**

c. **Require the Accounting Office and Municipal Treasury Office to submit the lacking documents needed to support the payment made.**

C. COMPLIANCE WITH TAX LAWS AND REGULATIONS

The Municipality withheld a total amount of ₱7,740,041.68 from employees' compensation and value added taxes from suppliers and contractors of which the amount of ₱7,872,366.20 was remitted to the Bureau of Internal Revenue (BIR) and ₱38,035.91 was refunded to its employees as of December 31, 2019 leaving a balance of ₱410,416.85 at the end of the year.

The Municipality had complied with the BIR regulations of withholding of taxes from government money payments on goods and services and from compensation paid to employees. Verification of the accounts showed that for the year 2019, the total mount withheld by the agency from salaries and wages of the officials and employees as well as from the suppliers, dealers and contractors and collection of documentary stamp taxes amounted to ₱7,740,041.68, while the total amount remitted at the end of the year was ₱7,910,402.11 which included the unremitted balance of ₱580,777.28 at the end of CY 2018, and refund to its employees totaled ₱38,035.91, leaving a balance of ₱410,416.85 as of December 31, 2019. The said balance was remitted to the BIR on January 3, 2020 for Documentary Stamp Taxes, January 8, 2020 for VAT and January 10, 2020 for EWT and tax on compensation.

D. STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

The, Statement of Audit Suspensions, Disallowances and Charges (SASDC) of the Municipality as of December 31, 2019 is shown hereunder.

	Balance December 31, 2018	**Issued during the Year**	**Settlements during the Year**	**Ending Balance December 31, 2019**
Suspensions	-	-	-	0.00
Disallowances	35,187.00	-	-	35,187.00
Charges	-	-	-	0.00
TOTAL	**35,187.00**	**-**	**-**	**35,187.00**

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Status of Implementation of Prior Year's Audit Recommendations

Of the twenty (20) audit recommendations embodied in the 2018 AAR, nine (9) were fully implemented, seven (7) were partially implemented and four (4) were not implemented as discussed below. The unimplemented and partially implemented recommendations which have significant effect on the financial statements were reiterated in this report.

Audit Observation/ Recommendation	**Ref.**	**Management Action**	**Status of Implementation /Reasons for Partial/Non Implementation**
1. The reported balance of Loans Payable - Domestic account in the financial statements was understated by ₱292,447.50 due to the non-recognition of expenses related to the acquisition of loan at the end of the year, which is not in consonance with Section 27 of the Philippine Public Sector Accounting Standard I (PPSAS), thus affecting the accuracy and reliability of the account presented in the financial statements as of December 31, 2018. We recommended that Management effect the necessary adjusting entries in the books of accounts of the Municipality to present the correct amount of Loans Payable - Domestic account and the expenses in the financial statements.	**AAR 2018**	The Municipal Accountant effected the necessary adjusting entries in its books as per JEV No. 100-19-02-003 and 100-19-02-004	Fully Implemented
2. Government properties amounting to ₱116,340,078.80 were not provided with insurance coverage contrary to Republic Act (RA) No. 656 due to non-submission of an updated inventory report of Property, Plant and Equipment (PPE) to the	**AAR 2018**	The management insured some of its vital assets.	Fully Implemented

General Insurance Fund of the Government Service Insurance System (GSIS) as provided under COA Circular No. 92-390 and COA Circular No. 2018-002; hence, posing the risk of non-indemnification of insurable assets in case of loss due to fire, earthquake and other fortuitous event We recommended the Management to: a. Secure immediately property insurance for the non-insured government assets; and b. Submit the updated Property Inventory Form (PIF) as basis for the assessment of general insurance coverage using the format prescribed in COA Circular No. 2018-002 dated May 31, 2018 for all insurable assets not later than April 30 of each year.			
3. Validity of ownership of five (5) parcels of land recorded in the books of accounts of the Municipality amounting to ₱12,777,360.00 could not be ascertained due to the absence of Transfer Certificate of Title (TCT) in the name of the Municipal Government which is not in conformity with Section 39(2) of Presidential Decree (PD) 1445. We recommended that Management exhaust all possible means for speedy titling of land and secure Certificate of Title in order to protect the interest of the	**AAR 2018**	The management is in the process of securing titles for the five parcels of land.	Partially Implemented

Municipality for any adverse claims by third parties.			
4. Payments of terminal leave benefits amounting to ₱866,517.56 for the year 2018 were not supported with complete documentary requirements as required under Section 4(6) of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, thus validity and propriety of the paid claims could not be ascertained. We recommended that the Municipal Accountant ensure the completeness of supporting documents on terminal leave benefit claims before effecting payments pursuant to Section 4 (6) of PD 1445 and COA Circular No. 2012-001.	**AAR 2018**	The Municipal Accountant ensured the completeness of supporting documents on terminal leave benefits before effecting payments.	Fully Implemented
5. The Municipality granted monthly transportation allowance to officers and Barangay Presidents of the Federation of Senior Citizens Association amounting to ₱255,000.00 which is not in conformity with Rule VI of the Implementing Rules and Regulations of Republic Act (RA) No. 9994, thus affecting the validity, propriety and legality of recorded transactions. We recommended that Management strictly comply with the rules and regulations before granting any allowances. Further, we recommended the Management to stop giving monthly transportation allowance to officers and Barangay Presidents of the Federation of	**AAR 2018**	The management stopped giving monthly transportation allowance to Barangay Presidents of the Federation of Senior Citizens Associations.	Fully Implemented

Senior Citizen Association considering that said expenditure is not included in the provision as provided under Section 3, Article 21, Rule VI of the Implementing Rules and Regulations of RA 9994 and to avoid the issuance of Notice of Suspension/ Disallowance in audit.			
6. Thirty Seven (37) Disbursement Vouchers (DVs) together with the supporting documents evidencing the transactions made by the Municipality totaling to ₱12,723,472.04 were not submitted to the Audit Team as of December 31, 2018 which is not in conformity with Section 347 of Republic Act 7160 and Section 122(2) of Presidential Decree (PD) No. 1445, thus precluded the Audit Team from timely verification and audit of the recorded transactions. We recommended that the Local Chief Executive require the Municipal Accountant to immediately submit to the Audit Team the disbursement vouchers (DVs) as listed in Annex G in order to avoid issuance of Notice of Suspension/Disallowance in audit.	**AAR 2018**	The Municipal Accountant submitted the Disbursement Vouchers.	Fully Implemented
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	**AAR 2018**	The Management already submits Monthly Report of Fuel Consumption and Monthly Report of Official Travel	Fully Implemented

consumption amounting to ₱1,652,779.61 as of December 31, 2018 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. Purchase Orders were not properly accomplished as required under COA Circular No. 96-010 dated August 15, 1996 which precluded the determination of the degree of compliance by the suppliers on the terms and conditions thereof. We recommended the Local Chief Executive to direct the Bids and Awards Committee to ensure that every Purchase Order is duly filled up with all the data needed as guide for the suppliers in complying with the terms and conditions thereof in compliance with the provision of COA Circular No. 96-010 dated August 15, 1996.	**AAR 2018**	Purchase Orders are now properly accomplished.	Fully Implemented
9. Various procurement of monoblock chairs amounting to ₱652,535.99 were not included in the Annual Procurement Plan (APP) for 2018 as prescribed in Section 7, Article II of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184, thereby resulting in improper charging of expenses	**AAR 2018**	The management see to it that all of its expenses are in accordance with its APP.	Partially Implemented

to the 2018 budget and non-prioritization of procurements which were included in the 2018 APP. We recommended the Management to: a. Comply with Government Procurement Reform Act, which states that all procurement should be within the approved budget and only projects/procurement included in the APP shall be undertaken; b. Limit expenditures to what is appropriated in the budget to avoid utilizing appropriations intended for other programs and or activities and submit explanation/justification on why the monoblock chairs were purchased despite the non-inclusion in the APP as pursuant to Section 7, Article II of RA 9184; and c. Carefully plan its APP in order to minimize or avoid deviations from the approved APP and to avoid issuance of Notice of Suspension/Disallowance in audit.			
10. Various meals, snacks and refreshments amounting to P248,483.76 were recorded as office supplies expense account which is not in accordance with Paragraph B of Article 454 of the 2016 Revised Implementing Rules and Regulation (IRR) of the Local Government Code of 1991 and COA Circular No.	**AAR 2018**	The management properly charged the correct accounts affected.	Fully Implemented

2015-009, thus overstating the office supplies expense account by ₱248,483.76 and understating the representation expense or any other related expense account by the same amount presented in the financial statements at year-end. We recommended that the Local Chief Executive require the Municipal Accountant to strictly observe the updated description of accounts as prescribed under COA Circular No. 2015-009 dated December 15, 2009 and classify the expenses to proper expenses account. We also recommended to require the Municipal Budget Officer to charge/obligate expenses to its proper account and to stop charging expenses which are not aligned with the appropriation corresponding to its expense account for fair presentation in the financial statements.			
11. Procurement of supplies and materials made by the Municipality amounting to ₱809,779.80 were not consolidated into single requisition, instead, it was on a piece-meal and as need arises basis which is not in conformity with Sections 48.2 of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184. Also, common-use supplies and equipment were procured thru other suppliers instead of DBM Procurement Service as provided in Sections 1 and 4 of Administrative Order No. 17 dated July 28, 2011.	**AAR 2018**	The management complied with the audit recommendations.	Fully Implemented

We recommended the Local Chief Executive to: a. Require the Bids and Awards Committee (BAC) to strictly adhere to the provisions of Section 54.1 of Republic Act 9184 and Administrative Order No. 17 to ensure that the procurement of goods and services are obtained in the process which are most advantageous to the Municipality; and b. Require the Bids and Awards Committee (BAC) to comply strictly with Section 1 of DBM Circular Letter No. 2013-14 and Section 4 of the Administrative Order No. 17 by procuring common-use supplies and equipment from PS-DBM. Likewise, to secure PS Certificate of Non-Availability of Stocks before procuring common-use supplies from outside suppliers to avoid issuance of Notice of Disallowance.			

PART IV

ANNEXES