REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
PROVINCE OF PANGASINAN
PROVINCIAL SATELLITE AUDITING OFFICE
Brgy. Rizal, San Carlos City

Office of the Supervising Auditor

June 15, 2022

HONORABLE ANTHONY C. PENULIAR
Municipal Mayor
Mapandan, Pangasinan

OFFICE OF THE MAYOR
RECEIVED
DATE: June 24, 2022
BY:

Dear Mayor Penuliar:

We are pleased to transmit the report on the results of the audit on the accounts and operations of the Municipality of Mapandan, Pangasinan for the calendar year ended December 31, 2021, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent Sections of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, and in line with the Commission's effort towards informing management on how fiscal responsibility has been discharged.

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 and presentation of the financial statements. Likewise, a Value for Money Audit was undertaken on selected areas to determine whether the agency's goals and objectives were attained in an economical, efficient and effective manner.

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the provision of residual value of five percent of total cost of road networks in the computation of depreciation cost for CY 2021, thus, overstating both Road Networks and government equity accounts by ₱2,308,391.23. Likewise, fully depreciated road networks with a total cost of ₱48,988,788.70 were still provided with depreciation for CY 2021; hence, overstating Depreciation – Infrastructure Assets account by ₱3,102,623.29 and understating Road Networks account by the same amount.

The report consists of Audited Financial Statements, Observations and Recommendations, Status of Implementation of Prior Years' Audit Recommendations and Annexes. The audit observations and recommendations were discussed with concerned management officials and employees during the exit conference conducted on April 29, 2022. Management comments are incorporated in the report, where appropriate.

The following are other significant observations of which details are discussed in the Observations and Recommendations portion of this report:

1. The balances of reciprocal accounts, Due from Other Funds and Due to Other Funds, showed a discrepancy of ₱715,804.14 as of December 31, 2021 which is not in accordance with COA Circular No. 2015-009 dated December 1, 2015, thereby, affecting the correctness and reliability of the balances of the accounts presented in the financial statements.

2. Purchase of mini-dump truck and rescue vehicle amounting to ₱995,847.51 and ₱1,422,760.00, respectively, funded under LDRRMF was taken up in the books of accounts as Motor Vehicle instead of Construction and Heavy Equipment and Disaster Response and Rescue Equipment, respectively, which is not in accordance with Section 5.1.7 of COA Circular No. 2012-002 dated September 12, 2012 and Section 112 of PD No. 1445, thus, affecting the proper presentation of accounts and not reflecting the correct balance of the affected accounts presented in the financial statements.

3. Other Maintenance and Operating Expenses (OMOE) account was overstated by ₱1,077,052.32 due to misclassification of expenses which is not in accordance with Section 113 of Presidential Decree (PD) No. 1445 and COA Circular No. 2015-009 dated December 1, 2015 and Section 336 of Republic Act (RA) No. 7160, thus, related appropriate expense accounts were understated which affected the delivery of complete and accurate information as basis for sound decision making of the users of financial information.

We express our appreciation for the invaluable support and cooperation extended to the Audit Team by the officials and staff of the Municipality.

We request that the comments and observations contained in the said report be fully addressed and we will appreciate being informed of the action taken in this regard within sixty (60) days from receipt hereof, pursuant to Section 91 of the General Provisions of Republic Act No. 11518, otherwise known as General Appropriations Act of 2021, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

Very truly yours,

EVANGELINE R. PICAR
State Auditor IV
OIC - Supervising Auditor

cc : The Director, Department of Interior and Local Government (DILG) Regional Office No. I, City of San Fernando, La Union
The Director, Bureau of Local Government Finance (BLGF) Regional Office No. I, City of San Fernando, La Union
The Director, Department of Budget and Management (DBM) Regional Office No. I, City of San Fernando, La Union
The Presiding Officer, Sangguniang Bayan, Municipality of Mapandan, Pangasinan
The Assistant Commissioner, Local Government Sector (LGS), COA, Quezon City

MUNICIPALITY OF MAPANDAN
Mapandan, Pangasinan

AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2021
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 Accountable Officer **Date:**

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

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

MUNICIPALITY OF MAPANDAN
Province of Pangasinan

For the Year Ended December 31, 2021

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
PROVINCE OF PANGASINAN
PROVINCIAL SATELLITE AUDITING OFFICE
Brgy. Rizal, San Carlos City

Office of the Auditor – Audit Team No. 7

May 16, 2022

EVANGELINE R. PICAR
OIC - Supervising Auditor
Audit Group D-Pangasinan I

Madam:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent Sections of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted a financial and compliance audit on the accounts and operations of the Municipality of Mapandan, Pangasinan for the year ended December 31, 2021.

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 and presentation of the financial statements. Likewise, a Value for Money Audit was undertaken on selected areas to determine whether the agency's goals and objectives were attained in an economical, efficient and effective manner.

The results of our audit are embodied in the attached report consisting of four parts: Part I – Audited Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Years' Audit Recommendations and Part IV – Annexes. The comments and recommendations were discussed with the concerned management officials and staff during the exit conference conducted on April 29, 2022.

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the provision of residual value of five percent of total cost of road networks in the computation of depreciation cost for CY 2021, thus, overstating both Road Networks and government equity accounts by ₱2,308,391.23. Likewise, fully depreciated road networks with a total cost of ₱48,988,788.70 were still provided with depreciation for CY 2021; hence, overstating Depreciation – Infrastructure Assets account by ₱3,102,623.29 and understating Road Networks account by the same amount.

Our audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provides reasonable bases for the results of the audit.

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

Respectfully yours,

JESSIE B. FERRER
State Auditor IV
Audit Team Leader

EXECUTIVE SUMMARY

A. INTRODUCTION

The name Mapandan was derived from the lush-growing plants called "pandan" that grew on the hilly terrain where the town was initially established. The word "Mapandan" literally means a place of many pandan. Mapandan was first established as a "pueblo" by virtue of Direction General No. 39 Administration Civil No. 169-C signed by Governor General Emilio Bravo on December 28, 1887.

The Municipality of Mapandan envisions itself to become a progressive and dynamic municipality with God-fearing and disciplined people committed to a culture of excellence in public service, agriculture, commerce and industry, and environmental protection in the context of global competitive. Its mission is the alleviation of the quality of life of the people through improved economic opportunities and activities, enhanced delivery of social services, adequate infrastructure support facilities in terms of transportation, water, power and communication a well-balanced natural environment, and God fearing dedicated local administrative.

It is currently headed by Honorable Mayor Anthony C. Penuliar and assisted by Honorable Vice Mayor Asuncion DR. Calimlim with the 11 elective officials. The personnel of the LGU consists of 12 elective officials, 72 permanent employees, 118 job orders and 10 contract of services, or a total of 212 municipal officials and employees.

B. OPERATIONAL HIGHLIGHTS

The Municipal Government of Mapandan implemented major infrastructure projects and programs funded out of the appropriation of the agency and from outside sources which have been completed or accomplished 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 and completed during the year and were validated by the Audit Team as to the existence are the following:

Project/Program/Activity	Total Cost (₱)	Project Status
Improvement/Extension of Public Market	15,594,785.61	Completed
Local Access Road Rehabilitation/ Improvement of Agayep Street, Barangay Primicias	4,159,544.59	Completed
Local Access Road Upgrading of Chico Street Extension Barangay Luyan	3,565,237.19	Completed
Local Access Road Rehabilitation/Improvement of Caimito Street, Barangay Aserda	3,882,983.27	Completed

Project/Program/Activity	Total Cost (₱)	Project Status
Construction of Additional Canal Lining at Barangay Primicias	2,524,221.17	Completed
Relocation of Boulevard Lights at Barangay Nilombot, Golden, Apaya, Poblacion, Aserda and Sta. Maria.	2,298,033.28	Completed
Concreting of Slaughterhouse Ground and Rehabilitation of Hogpen located at Barangay Aserda.	1,712,789.75	Completed
1-unit Pick-up Type Vehicle Toyota Hilux Conquest 4X2 2.4L DSL MT" for MDRRM Office	1,422,760.00	Completed
Improvement/Concreting/Completion of Rose Street, Barangay Poblacion	1,199,097.41	Completed
1 unit Mini-Dump Truck (re-built) purchased for Municipal use.	995,847.51	Completed
Local Bridge Rehabilitation/Improvement at Barangay Jimenez and Torres Phase 3	699,634.83	Completed

C. FINANCIAL HIGHLIGHTS

The financial position, financial performance and appropriations and obligations of the Municipality of Mapandan for the calendar year (CY) 2021, with corresponding figures for CY 2020 are as follows:

Account	2021(₱)	2020 (₱)	Increase/ (Decrease) (₱)	% of Change
Assets	289,066,905.73	257,099,344.36	31,967,561.37	12.43
Liabilities	46,888,592.56	39,553,686.27	7,334,906.29	18.54
Government Equity	242,178,313.17	217,703,766.99	24,474,546.18	11.24
Income	144,503,845.77	137,564,051.90	6,939,793.87	5.04
Expenses	133,834,649.54	130,087,751.14	3,746,898.40	2.88
Excess of Income over Expenses	10,669,196.23	7,476,300.76	3,192,895.47	42.71
Appropriations	251,810,126.14	170,950,187.72	80,859,938.42	47.30
Obligation	159,548,497.76	135,596,860.37	(23,951,637.39)	(17.66)

D. SCOPE OF AUDIT

The audit covered the operation of the Municipality of Mapandan for CY 2021. It was conducted to ascertain the fairness of presentation of the financial statements, check compliance with existing laws, rules and regulations and determine whether management in the implementation of its programs, projects and activities has attained its goals and objectives in an economical, efficient and effective manner.

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

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the provision of residual value of five percent of total cost of road networks in the computation of depreciation cost for CY 2021, thus, overstating both Road Networks and government equity accounts by ₱2,308,391.23. Likewise, fully depreciated road networks with a total cost of ₱48,988,788.70 were still provided with depreciation for CY 2021; hence, overstating Depreciation – Infrastructure Assets account by ₱3,102,623.29 and understating Road Networks account by the same amount.

F. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the most significant audit observations and recommendations which were discussed with the Management during the exit conference conducted on April 29, 2022. Management comments were incorporated in the report, where appropriate.

1. The balances of reciprocal accounts, Due from Other Funds and Due to Other Funds, showed a discrepancy of ₱715,804.14 as of December 31, 2021 which is not in accordance with COA Circular No. 2015-009 dated December 1, 2015, thereby, affecting the correctness and reliability of the balances of the accounts presented in the financial statements.

   We recommended that Management instruct the Municipal Accountant to prepare the adjusting journal entries to reflect the correct balances of the affected accounts in the financial statements and to observe the proper usage of accounts in recording financial transactions.

2. Purchase of mini-dump truck and rescue vehicle amounting to ₱995,847.51 and ₱1,422,760.00, respectively, funded under Local Disaster Risk Reduction and Management Fund (LDRRMF) was taken up in the books of accounts as Motor Vehicle instead of Construction and Heavy Equipment and Disaster Response and Rescue Equipment, respectively, which is not in accordance with Section 5.1.7 of COA Circular No. 2012-002 dated September 12, 2012 and Section 112 of Presidential Decree (PD) No. 1445, thus, affecting the proper presentation of

accounts and not reflecting the correct balance of the affected accounts presented in the financial statements.

We recommended that Management require the Municipal Accountant to prepare adjusting journal entries relative to the misclassification of account presented in the financial statements.

3. Other Maintenance and Operating Expenses (OMOE) account was overstated by ₱1,077,052.32 due to misclassification of expenses which is not in accordance with Section 113 of PD No. 1445 and COA Circular No. 2015-009 dated December 1, 2015 and Section 336 of Republic Act (RA) No. 7160, thus, related appropriate expense accounts were understated which affected the delivery of complete and accurate information as basis for sound decision making of the users of financial information.

   We recommended that Management instruct the Municipal Budget Officer to charge to the appropriate budgetary account by considering the actual nature of the transaction.

   Likewise, we recommended that Management require the Municipal Accountant to ensure that transactions are recorded based on the actual nature of the transaction and not on the account shown in the obligation request to present the correct balances of accounts presented in the financial statements.

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

Of the 21 audit recommendations embodied in the 2020 Annual Audit Report (AAR), 10 were implemented and 11 were not implemented. In view of their significant effects in the financial statements, the unimplemented recommendations were reiterated in this report.

H. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2021, the unsettled balances of suspensions, disallowances and charges of the Municipality are shown below.

Notices	Balance, January 1, 2021 (₱)	Issuances for the CY 2021		Balance, December 31, 2021 (₱)
		NS/ND/NC (₱)	NSSDC (₱)	
Suspensions	-	-	-	-
Disallowances	35,187.00	-	-	35,187.00
Charges	-			
Total	**35,187.00**	**-**	**-**	**35,187.00**

TABLE OF CONTENTS

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 the Municipality of Mapandan, which comprise the statement of financial position as at December 31, 2021, 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 amounts 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 *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all materials respects, the financial position of the Municipality of Mapandan as of December 31, 2021, and its financial performance, cash flows, and comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Bases for Qualified Opinion

As discussed in Part II of the Report, the residual value of five percent of total cost of road networks was provided in the computation of depreciation cost for CY 2021, thus, overstating both Road Networks and government equity accounts by ₱2,308,391.23. Likewise, fully depreciated road networks with a total cost of ₱48,988,788.70 were still provided with depreciation for CY 2021; hence, overstating Depreciation – Infrastructure Assets account by ₱3,102,623.29 and understating Road Networks account by the same amount.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 *Bases 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 for the fair presentation of the financial statements in accordance with IPSAS, 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 a guarantee that an audit conducted in accordance with ISSAI 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
Audit Team Leader

May 13, 2022

Republic of the Philippines
Province of Pangasinan
MUNICIPALITY OF MAPANDAN

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, 2021** 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.

RUTH B. SOTTO	**ANTHONY C. PENULIAR**
Municipal Accountant	Municipal Mayor
February 11, 2022	February 11, 2022
Date Signed	Date Signed

NOTES TO THE FINANCIAL STATEMENTS

1. General Information/Agency Profile

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 2020 national census was 38,234. Wholesale and retail trade/repair of motor vehicles and household goods business is the major economic activity of the people. Mapandan is located in Eastern Central part of Pangasinan. It is bounded on the north by San Jacinto, on the northwest by Mangaldan, on the south by Sta. Barbara, on the south-east by Urdaneta, and on the east by Manaoag. It is accessible via Provincial roads. It is about 16 kilometers away from Dagupan, 8 kilometers from Urdaneta, and 5 kilometers from Our Lady of Manaoag Shrine. The Municipal Hall is located at Pandan Avenue, Barangay Poblacion, Mapandan, Pangasinan.

The personnel of the LGU consists of 12 elective officials, 72 permanent employees, 118 job orders and 10 contract of services, or a total of 212 municipal officials and employees.

This year 2021, 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	Total Cost (₱)	Project Status
Local Access Road Rehabilitation/ Improvement of Agayep Street, Barangay Primicias	4,159,544.59	Completed
Local Access Road Upgrading of Chico Street Extension Barangay Luyan	3,565,237.19	Completed
Local Access Road Rehabilitation/Improvement of Caimito Street, Barangay Aserda	3,882,983.27	Completed
Local Bridge Rehabilitation/Improvement at Barangay Jimenez and Torres Phase 3	699,634.83	Completed
Drainage System along Pico Avenue, Barangay Coral	799,487.48	Completed
Improvement/Concreting/Completion of Rose Street, Barangay Poblacion	1,199,097.41	Completed
Construction of Additional Canal Lining at Barangay Primicias	2,524,221.17	Completed

Project/Program/Activity	Total Cost (₱)	Project Status
Relocation of Boulevard Lights at Barangay Nilombot, Golden, Apaya, Poblacion, Aserda and Sta. Maria.	2,298,033.28	Completed
Improvement/Extension of Public Market	15,594,785.61	Completed
Concreting of Slaughterhouse Ground and Rehabilitation of Hogpen located at Barangay Aserda.	1,712,789.75	Completed
Construction of Multi-purpose Drying Pavement at Barangay Primicias	499,301.46	Completed
1-unit Pick-up Type Vehicle Toyota Hilux Conquest 4X2 2.4L DSL MT" for MDRRM Office	1,422,760.00	Completed
1 unit Mini-Dump Truck (re-built) purchased for Municipal use.	995,847.51	Completed

2. The consolidated financial statements of the LGU have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The condensed financial statements are presented in Philippine Peso, which is the functional and reporting currency of the LGU.

3. Summary of significant accounting policies

3.1 Basis of accounting

The consolidated financial statements are prepared on an accrual basis of accounting in accordance with IPSAS.

3.2 Consolidation

The LGU maintains General, Special Education and Trust Funds.

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 previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure.

.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank.

3.6 Inventories

Inventory is measured at cost upon recognition. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operation of the LGU.

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 Mayor, Vice-Mayor, Sanggunian Bayan

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

3.9 Budget information

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

4. Cash and Cash Equivalents

	2021	2020 (Restated)
Cash on Hand		
Cash- Local Treasury	(0.25)	-
Cash in Bank - Local Currency		
Cash in Bank-Local Currency-Current Account	30,160,955.67	35,554,904.83
Total	**30,160,955.42**	**35,554,904.83**

4.1 The depository banks of the LGU are the Land Bank of the Philippines (LBP) which is located at Calasiao, Pangasinan and Development Bank of the Philippines (DBP) located at Dagupan City, Pangasinan. Breakdown of Cash in Bank account of the LGU for CY 2021 and 2020 are as follows:

Fund	Bank	Amount	
		2021	**2020 (Restated)**
General Fund	LBP	25,334,550.01	20,058,727.15
SEF	LBP	701,419.81	1,449,969.14
Trust Fund			
LDRRMF	LBP	1,237,811.57	1,434,466.09
Building Permit	LBP	217,017.38	152,956.14
Professional Fees	LBP	40,580.00	40,580.00
Hospital Charges Income	LBP	19,863.52	19,863.52
Trust Fund Proper	DBP	2,609,713.38	12,398,342.79
Total		**30,160,955.67**	**35,554,904.83**

The amount of Cash in Bank for General Fund for CY 2020 was restated from ₱20,019,627.15 to ₱20,058,727.15. As such, Cash in Bank – Local Currency – Current Account for CY 2020 was restated from ₱35,515,804.83 to ₱35,554,904.83.

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

5. Current Receivables

	2021	2020
Loans and Receivable Accounts		
Real Property Tax Receivable	442,707.26	585,528.02
Special Education Tax Receivable	442,707.26	585,527.02
Intra-Agency Receivables		
Due from Other Funds	937,894.61	284,484.89
Other Receivables		
Receivables - Disallowances/Charges	81,187.00	86,187.00
Due from Officers and Employees	14,711.30	14,711.30
Other Receivables	15,219.82	3,508.03
Total	**1,934,427.25**	**1,559,946.26**

As of 31 December 2021, the ageing analysis of current exchange receivables is as follows:

Account	Totals	Neither past due or impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
Real Property Tax Receivable	442,707.26	442,707.26	-	-	-
Special Education Tax Receivable	442,707.26	442,707.26	-	-	-
Due from Other Funds	937,894.61	934,270.24	-	-	3,624.37
Receivables - Disallowances and Charges	81,187.00	-	-	-	81,187.00
Due from Officers and Employees	14,711.30	-	-	-	14,711.30
Other Receivables	15,219.82	12,312.50	-	-	2,907.32
Total	**1,934,427.25**	**1,831,997.26**	**-**	**-**	**102,429.99**

As of December 31, 2020:

Account	Totals	Neither past due or impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
Real Property Tax Receivable	585,528.02	585,528.02	-	-	-
Special Education Tax Receivable	585,527.02	585,527.02	-	-	-
Due from Other Funds	284,484.89	280,860.52	-	-	3,624.37
Receivables - Disallowances and Charges	86,187.00	-	-	-	86,187.00
Due from Officers and Employees	14,711.30	-	-	-	14,711.30
Other Receivables	3,508.03	-	166.14	-	3,341.89
Total	**1,559,946.26**	**1,451,915.56**	**166.14**	**-**	**107,864.56**

6. Inventories

	2021	2020
Inventory Held for Consumption		
Office Supplies Inventory	82,034.00	90,755.30
Accountable Forms, Plates and Stickers	3,464.00	5,725.50
Drugs and Medicines Inventory	35,324.15	35,159.58
Total	**120,822.15**	**131,640.38**

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

7. Investments

	2021	2020
Guarantee Deposits	**37,074.91**	**37,074.91**

8. Non-Current Receivables

	2021	2020
Inter-Agency Receivables		
Due from NGAs	92,140.81	92,140.81
Due from LGUs	169,146.67	169,146.67
Other Receivables		
Due from Officers and Employees		
Other Receivables	352,348.33	352,348.33
Total	**613,635.81**	**613,635.81**

9. Property, Plant and Equipment

Account	2021	Additions/ (Reductions)	2020 (Restated)
Land	25,495,020.00	3,000,000.00	22,495,020.00
Other Land Improvements	1,081,056.29	-	1,081,056.29
Road Networks	144,856,927.03	35,235,856.26	109,621,070.77
Parks, Plazas and Monuments	11,620,581.34	498,767.96	11,121,813.38
Other Infrastructure Assets	8,701,992.37	(15,608,681.61)	24,310,673.98
Buildings	28,142,588.56	-	28,142,588.56
School Buildings	986,806.75	-	986,806.75
Markets	45,792,962.38	15,594,785.61	30,198,176.77
Slaughterhouses	8,708,533.63	1,712,789.75	6,995,743.88
Other Structures	55,889,956.26	2,096,185.40	53,793,770.86
Machinery	13,500,000.00	-	13,500,000.00
Office Equipment	5,596,144.70	210,300.00	5,385,844.70
Information and Communication Technology Equipment	13,728,235.34	4,587,730.80	9,140,504.54
Agricultural and Forestry Equipment	4,023,000.00	-	4,023,000.00
Communication Equipment	843,850.00	330,000.00	513,850.00
Construction and Heavy Equipment	8,735,431.50	-	8,735,431.50
Disaster Response and Rescue Equipment	1,404,350.00	-	1,404,350.00
Medical Equipment	2,094,347.82	-	2,094,347.82
Other Machinery and Equipment	2,449,650.00	-	2,449,650.00
Motor Vehicles	10,798,672.47	2,418,607.51	8,380,064.96
Furniture and Fixtures	4,202,750.42	48,000.00	4,154,750.42
Books	229,299.80	-	229,299.80
Construction in Progress - Buildings and Other Structures	7,973,727.47	7,973,727.47	-
Other Property, Plant and Equipment	14,679,101.05	72,000.00	14,607,101.05
Total	**421,534,985.18**	**58,170,069.15**	**363,364,916.03**
Less: Accumulated Depreciation	165,444,994.99	21,330,330.03	144,114,664.96
Net Book Value	**256,089,990.19**	**36,839,739.12**	**219,250,251.07**

Other Structures account for CY 2020 was restated from ₱52,190,386.61 to ₱53,793,770.86. Likewise, Accumulated Depreciation was restated from ₱142,630,289.61 to ₱144,114,664.96.

Road Networks account consists of the following:

Project Name	Location	Cost (₱)
Concreting of Core Local Roads	Barangay Amanoaoac, Baloling and Torres	5,143,428.36
Construction/Rehabilitation of Farm to Market Roads	Barangay Poblacion, Golden and Pias	7,163,198.52
Concrete Paving of Mabolo Street	Barangay Golden	126,448.12
Improvement of Rosal Street	Barangay Poblacion	695,775.97
Rehabilitation/Improvement of Farm to Market Roads	Barangay Luyan, Jimenez, Golden and Baloling	1,419,345.95
Construction/Rehabilitation/Repair of Farm to Market Roads	Barangay Aserda, Luyan and Golden, Mapandan Pangasinan	9,650,000.00
Construction/Rehabilitation of Farm to Market Roads	Barangay Golden, Aserda and Luyan	9,694,819.69
Construction/Rehabilitation of Farm to Market Roads	Barangay Primicias, Lambayan, Baloling, Poblacion and Pias,	9,996,376.80
Concrete Paving of Mabolo Street	Barangay Golden	964,751.48
Concreting of Rose Street	Barangay Poblacion	256,050.65
Construction/Rehabilitation of Farm to Market Roads	Barangay Luyan, Pias, Poblacion and Primicias	9,696,790.08
Concreting of Farm to Market Roads	Barangay Pias, Luyan, Poblacion and Primicias	8,730,000.00
Concreting of Farm to Market Roads	Barangay Pias, Lambayan, Jimenez, Baloling and Torres	5,146,458.10
Construction/Rehabilitation/ Improvement of Acacia Street	Barangay Luyan	2,898,511.47
Construction/Rehabilitation/ Improvement of Rose Street,	Barangay Poblacion	9,032,672.04
Rehabilitation of Local Access Road with Slope Protection at Cosmos Street	Barangay Nilombot	2,781,765.87
Rehabilitation of Local Access Road with Drainage Improvement and Slope Protection at Caimito Street	Barangay Aserda	3,749,756.99
Rehabilitation of Local Access Road with Slope Protection at Camote Street	Barangay Lambayan	2,263,858.04
Local Bridge Rehabilitation/Improvement in Barangay Jimenez-Torres Phase 1	Barangay Jimenez and Torres	2,421,089.40
Local Bridge Rehabilitation/Improvement in Barangay Jimenez-Torres Phase 2	Barangay Jimenez and Torres	3,717,299.16

Project Name	Location	Cost (₱)
Local Access Road Rehabiilitation/Improvement of Agayep Street, Barangay Primicias	Barangay Primicias	4,159,544.59
Local Access Road Upgrading of Chico Street, Ext. Barangay Luyan	Barangay Luyan	3,565,237.19
Local Access Road Rehabilitation/Improvement of Caimito Street, Barangay Aserda	Barangay Aserda	3,882,983.27
Local Bridge Rehabilitation/Improvement at Barangay Jimenez Torres Phase 3	Barangay Torres	699,634.83
Drainage System along Pico Ave. Barangay Coral	Barangay Coral	799,487.48
Improvement/Concreting/Completion of Rose Street, Poblacion	Barangay Poblacion	1,199,097.41
Construction of Additional Canal Lining at Barangay Primicias	Barangay Primicias	2,524,221.17
Farm to Market Roads at Amanoaoac, Golden, Luyan, Pias, Poblacion, and Primicias	Barangay Golden, Luyan, Pias, Poblacion, and Primicias	14,072,674.08
Concrete Line Canal with cover at Rose Street, Poblacion	Barangay Poblacion	1,144,105.18
Drainage at Dama De Noche and Rose Street, Poblacion	Barangay Poblacion	3,002,899.27
Construction/Rehabilitation of Drainage System along Pandan Ave., Poblacion	Barangay Poblacion	1,999,560.16
Box Culvert crossing Fire Tree Ave., corner Rose Street, Poblacion	Barangay Poblacion	499,581.79
Drainage System along Rose Street, Poblacion	Barangay Poblacion	1,997,837.33
Drainage System along Caimito Street, Barangay Aserda	Barangay Aserda	998,193.38
Covered Side Walk with Box Culvert, Curb, and Gutter at Pico Ave., Poblacion	Barangay Poblacion	4,404,134.26
Construction/Improvement of Primicias Canal Lining (DA RO1)	Barangay Primicias	1,452,750.00
Construction for proposed covered sidewalk with box culvert, curb and gutter - Phase 3 at Pico Ave., Poblacion	Barangay Poblacion	1,498,091.65
Construction/Rehabilitation of Drainage System along Pandan Ave., Poblacion	Barangay Poblacion	1,408,497.30
TOTAL		**144,856,927.03**

10. Biological Assets

	2021	2020
Breeding Stocks	**110,000.00**	**110,000.00**

11. Financial Liabilities – Current

	2021	2020
Accounts Payable	5,020,489.66	6,039,999.98
Current Portion of Loans Payable – Domestic	2,985,311.77	2,835,030.08
Total	**8,005,801.43**	**8,875,030.06**

11a. Accounts Payable is composed of unpaid obligation to suppliers, creditors and employees.

11b. Current Portion and Non-Current Portion of Loans Payable – Domestic consist of the following:

Purpose of Loan	Current Portion	Non-Current Portion	Total
Acquisition of Heavy Equipment and MRF Machines	1,928,571.44	5,785,714.24	7,714,285.68
Improvement/ Extension of Public Market	871,787.24	14,722,998.37	15,594,785.61
Construction of Municipal Motorpool Building and Reinforced Concrete Wall - up to 4th release	184,953.09	7,788,774.38	7,973,727.47
Total	**2,985,311.77**	**28,297,486.99**	**31,282,798.76**

11c. Below is the individual loan profile, all of which were granted by LandBank of the Philippines:

Purpose of Loan	Amount	Date	Maturity Date	Payment Terms	Interest Rate	Balance
Acquisition of Heavy Equipment and MRF Machines	13,500,000.00	12/18/ 2018	12/18/ 2028	Quarterly for 10 years.	6.five percent	7,714,285.68
Improvement /Extension of Public Market	15,594,785.61	12/29/ 2020	12/27/ 2030	Quarterly for 10 years.	4.0%	15,594,785.61

Purpose of Loan	Amount	Date	Maturity Date	Payment Terms	Interest Rate	Balance
Construction of Municipal Motorpool Building and Reinforced Concrete Wall - 4th release	7,973,727.47	12/29/ 2020	12/27/ 2030	Quarterly for 10 years.	4.five percent	7,973,727.47

There was an approved loan by LBP last November 2021 amounting to ₱78,000,000.00 for the Cemetery Lot and Structures which was not yet credited to LGU's account.

12. Inter-Agency Payables

	2021	2020
Due to BIR	1,170,786.00	1,116,328.09
Due to GSIS	757,436.58	-
Due to Pag-IBIG	133,890.31	-
Due to PhilHealth	62,796.59	-
Due to NGAs	1,605,633.55	11,248,562.34
Due to LGUs	1,773,017.20	1,713,130.15
Total	**5,503,560.23**	**14,078,020.58**

The Due to BIR account represents taxes withheld from suppliers and municipal officials and employees. The Due to GSIS, Pag-IBIG and PhilHealth accounts represent the amount deducted from the salaries of officials and employees and other entities 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.

13. Intra-Agency Payables

	2021	2020
Due to Other Funds	**222,090.47**	**284,484.89**

14. Trust Liabilities

	2021	2020
Trust Liabilities- Disaster Risk Reduction and Management Fund	1,788,485.58	1,097,850.16
Bail Bonds Payable	841.24	841.24
Total	**1,789,326.82**	**1,098,691.40**

15. Deferred Credits/Unearned Income

	2021	2020
Deferred Real Property Tax	442,707.26	585,528.02
Deferred Special Education Tax	442,707.26	585,527.02
Total	**885,414.52**	**1,171,055.04**

16. Other Payables

	2021	2020
Other Payables	**2,184,912.10**	**2,058,844.44**

17. Financial Liabilities - Non-Current Liabilities

	2021	2020
Financial Liabilities		
Non-Current portion of Loans Payable - Domestic	**28,297,486.99**	**11,987,559.86**

18. Tax Revenue

	2021	2020
Tax Revenue - Individual and Corporation		
Community Tax	580,899.16	593,456.74
Tax Revenue-Property		
Real Property Tax - Basic	2,482,161.39	2,222,612.94
Discount on Real Property Tax -Basic	(303,663.24)	(263,496.57)
Special Education Tax	3,102,701.76	2,778,266.32
Discount on Special Education Tax	(379,579.13)	(329,370.84)
Tax Revenue-Goods and Services		
Business Tax	1,895,658.35	2,021,486.74
Tax Revenue - Fines and Penalties Taxes on Individual and Corporations		
Tax Revenue -Fines and Penalties - Other Taxes	23,256.88	18,402.25
Total	**7,401,435.17**	**7,041,357.58**

19. Share from Internal Revenue Collections

	2021	2020
Share Internal Revenue Collections (IRA)	**118,841,250.00**	**110,883,416.00**

20. Other Share from National Taxes

	2021	2020
Share from Tobacco Excise Tax (RA 7171 and 8240)	**1,884,415.00**	**-**

21. Service and Business Income

	2021	2020
Service Income		
Permit Fees	2,793,279.37	2,721,500.25
Registration Fees	276,809.00	269,432.00
Clearance and Certificate Fees	65,730.00	142,550.00
Fees for Sealing and Licensing of Weights and Measures	10,700.00	16,200.00
Other Service Income	73,303.08	340,493.50
Business Income		
Receipt from Market Operations	9,858,003.14	3,296,779.64
Slaughterhouse Operation	342,886.75	697,925.50
Receipt from Cemetery Operations	1,901,100.00	2,005,355.00
Garbage Fees	191,200.00	165,200.00
Interest Income	18,296.62	28,730.07
Total	**15,531,307.96**	**9,684,165.96**

22. Shares, Grants and Donations

	2021	2020
Donations		
Grants and Donations in Kind	**144,748.80**	**-**

23. Other Income

	2021	2020
Miscellaneous Income	**700,688.84**	**722,315.00**

24. Employee Costs

	2021	2020
Personnel Services		
Salaries and Wages - Regular	29,628,604.86	30,320,079.88
Salaries and Wages- Casual/Contractual	1,390,000.00	1,941,315.00
Other Compensation		
Personal Economic Relief allowance	1,704,070.96	1,769,862.07
Representation Allowance	1,730,806.45	1,743,000.00
Transportation Allowance	1,730,806.45	1,743,000.00
Clothing/Uniform Allowance	426,000.00	450,000.00

	2021	2020
Subsistence Allowance	181,900.00	190,450.00
Laundry Allowance	16,990.00	18,000.00
Productivity Incentive Allowance	343,000.00	365,000.00
Honoraria	813,120.00	721,860.00
Year-End Bonus	4,992,041.90	5,088,466.60
Hazard Pay	227,371.23	508,126.25
Cash Gift	421,500.00	431,000.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	3,555,432.57	3,633,824.72
Pag-IBIG Contribution	85,300.00	88,500.00
PhilHealth Contribution	383,246.28	397,424.96
Employees Compensation Insurance Premiums	85,108.35	87,411.26
Other Personnel Benefit		
Terminal Leave Benefits	5,197,168.26	1,492,250.56
Other Personnel Benefits	760,000.00	927,110.02
Total	**53,672,467.31**	**51,916,681.32**

25. Maintenance and Other Operating Expenses

	2021	2020
Traveling Expenses		
Traveling Expenses - Local	487,194.94	1,082,239.91
Training and Scholarship Expenses		
Training Expenses	-	18,000.00
Supplies and Material Expenses		
Office Supplies Expense	1,707,746.22	1,861,413.13
Accountable Forms Expense	71,541.50	112,923.75
Drugs and Medicines Expenses	706,318.43	686,447.65
Fuel, Oil and Lubricant Expenses	5,483,271.47	3,788,324.99
Utility Expenses		
Water Expenses	581,003.64	498,317.19
Electricity Expenses	3,647,376.28	3,123,627.85
Communication Expenses		
Postage and Courier Services	4,166.00	3,633.00
Telephone Expenses	1,553,697.43	1,613,751.15
Internet subscription Expenses	353,188.92	362,313.60
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	40,136.37	-
Professional Services		
Consultancy Services	487,000.00	492,000.00
General Services		
Other General Services	8,068,995.03	6,764,362.50

	2021	2020
Repairs and Maintenance		
Repairs and Maintenance -Infrastructure Assets	1,104,594.70	1,248,134.70
Repairs and Maintenance -Buildings and Other Structure	2,241,497.27	3,439,486.55
Repairs and Maintenance -Machinery and Equipment	92,562.14	186,698.00
Repairs and Maintenance - Transportation Equipment	1,335,082.00	1,290,540.00
Taxes, Insurance Premiums and Other Fees		
Fidelity Bond Premiums	57,000.00	57,337.50
Insurance Expenses	141,153.99	81,619.49
Other Maintenance and Operating Expenses		
Advertising Expenses	50,000.00	35,000.00
Donations	3,885,613.19	2,301,351.95
Other Maintenance and Operating Expenses	18,725,242.05	26,736,923.55
Total	**50,824,385.57**	**55,784,446.46**

26. Non-Cash Expenses

Depreciation Expenses	**2021**	**2020 (Restated)**
Depreciation-Land Improvements	-	82,369.11
Depreciation-Infrastructure Assets	8,720,382.78	8,556,474.09
Depreciation-Buildings and Other Structure	4,716,864.26	4,545,601.43
Depreciation-Machinery and Equipment	6,267,249.85	4,143,100.16
Depreciation-Transportation Equipment	1,208,091.87	1,113,046.91
Depreciation-Furniture, Fixtures and Book	398,881.29	387,180.46
Depreciation-Other Property, Plant and Equipment	18,859.98	23,469.94
Total	**21,330,330.03**	**18,851,242.10**

Depreciation – Infrastructure Assets for CY 2020 was restated from ₱7,853,063.16 to ₱8,556,474.09 while Depreciation – Machinery and Equipment for CY 2020 was also restated from ₱4,174,618.00 to ₱4,143,100.16.

27. Financial Expenses

	2021	2020
Interest Expenses	978,006.98	886,801.44
Bank Charges	3,659.33	165,426.46
Other Financial Charges	144,720.00	-
Total	**1,126,386.31**	**1,052,227.90**

28. Transfers, Assistance and Subsidy From

Assistance and Subsidy	**2021**	**2020**
Subsidy from National Government	**-**	**9,232,797.36**

29. Transfers, Assistance and Subsidy To

	2021	2020 (Restated)
Assistance and Subsidy		
Subsidy to NGAs	(1,331,632.87)	(588,260.47)
Subsidy to Other Local Government Units	(2,336,760.31)	(918,743.00)
Subsidies - Others	(2,496,875.00)	-
Transfers		
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	(715,812.14)	(976,149.89)
Total	**(6,881,080.32)**	**(2,483,153.36)**

Subsidy to Other Local Government Units for CY 2020 was restated from ₱2,561,227.25 to ₱918,743.00.

30. Prior Period Errors

Below are the details of Prior Period Errors for 2021:

Transaction	Amount
General Fund	
Depreciation for Road Networks reclassified from Other Infrastructures	(1,515,893.19)
Reclassification of Subsidy to other LGUs to Other Structures	1,603,384.25
Refund made for overpayment of wages	39,100.00
Special Education Fund	
Over Depreciation of ICT Equipment for year 2020	31,517.84
Total	**158,108.90**

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

	2021	2020 (Restated)
Surplus/ (Deficit)	10,669,196.23	7,476,300.76
Non-cash transactions		
Depreciation	21,330,330.03	18,851,242.10
Increase/ (Decrease) in payables	(9,342,051.33)	(4,402,555.74)
(Increase) Decrease in current assets	10,818.23	(36,305.97)
(Increase) Decrease in receivables	(374,480.99)	277,136.03
Net Cash from Operating Activities	**22,293,812.17**	**22,165,817.18**

32. 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, 2021

	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	**144,359,096.97**	**53,672,467.31**	**57,694,647.66**	**3,961,416.39**	**44,219,970.40**
Basis Differences:					
Income not considered budgetary items					
Non-cash Income	144,748.80	-	-	-	-
Expenses not considered budgetary					
Non-cash expenses:					
Depreciation	-	-	21,330,330.03	-	-
Budgetary items not considered as expenses					
Debt Service (Loan Amortization, Retirement of Debt Instruments)				(2,835,030.08)	
Capital Expenditures					(44,219,970.40)
Timing Differences:					
Unconsumed Inventories charged to current appropriations	-	-	(120,822.15)	-	-
Consumed Inventories and deferred charges charged to prior period appropriations	-	-	131,640.38	-	-
Per Statement of Financial Performance	**144,503,845.77**	**53,672,467.31**	**79,035,795.92**	**1,126,386.31**	**-**

33. LDRRMF

The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to RA No. 10121 otherwise known as the "Philippine Disaster Risk Reduction and Management Act of 2010". The amount available and utilized during the year totaled ₱7,653,115.36 and ₱4,948,302.29.

Particulars	Available	Utilized	Balance
Current Year Appropriation			
Quick Response Fund (QRF)	1,915,474.56	1,199,662.42	715,812.14
Mitigation Fund (MF)			
MOOE	1,304,855.64	1,304,855.64	-
Capital Outlay	3,164,585.00	2,418,607.51	745,977.49
Total	6,384,915.20	4,923,125.57	1,461,789.63
Continuing Appropriation	170,350.00	-	170,350.00
Transferred to Trust Fund			
CY 2020	976,149.89	25,176.72	950,973.17
CY 2019	121,700.27	-	121,700.27
Total	**7,653,115.36**	**4,948,302.29**	**2,704,813.07**

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

Inclusion of five percent residual value and depreciation of fully depreciated PPEs

1. **Residual value of five percent of total cost of road networks was provided in the computation of depreciation cost for calendar year (CY) 2021 which is not in accordance with COA Circular No. 2015-008 dated November 23, 2015, thus, overstating both Road Networks and government equity accounts by ₱2,308,391.23. Likewise, fully depreciated road networks with a total cost of ₱48,988,788.70 were still provided with depreciation for CY 2021 in the amount of ₱3,102,623.29 which is not in accordance with Item 71 of International Public Sector Accounting Standards (IPSAS) 17; hence, overstating Depreciation – Infrastructure Assets account by ₱3,102,623.29 and understating Road Networks account by the same amount.**

1.1 COA Circular No. 2015-008 dated November 23, 2015 prescribes accounting and reporting guidelines on the Local Road Asset Management System, which provides that "No residual value shall be provided for the depreciable components of the road network system. (Item IV.14)."

1.2 Review of the depreciation expense of the Road Networks account revealed that the residual value of five percent of the total cost of road network or ₱4,793,406.92 was deducted from the total amount of ₱95,868,138.33 of road networks, leaving a depreciable amount of ₱91,074,731.41 as of December 31, 2021. The said depreciable amount was used as the basis in computing the depreciation cost for CY 2021 instead of the total cost of Road Networks account. Thus, Depreciation Expense account was understated by ₱2,308,391.23 while Road Networks account was overstated by the same amount, summary of computation is as follows:

Particulars	Amount (₱)
Recorded Accumulated Depreciation as of 2021	21,450,977.37
Should be Accumulated Depreciation as of 2021	23,759,368.60
Understatement of Depreciation Expenses-CY 2021	**(2,308,391.23)**

1.3 Further review of depreciation of Road Networks account revealed that seven road components in the total amount of ₱48,988,788.70 were already fully depreciated as of December 31, 2020 but were still provided with depreciation cost for CY 2021, details are shown in the next page.

Particulars	Cost (₱)	Accumulated Depreciation – December 31, 2020 (₱)	Depreciation Expense for CY 2021 (₱)
Construction/Rehabilitation/ Repair of Farm to Market Roads	9,650,000.00	9,650,000.00	611,166.67
Construction/Rehabilitation of Farm to Market Roads	9,694,819.69	9,694,819.69	614,005.25
Construction/Rehabilitation of Farm to Market Roads	9,996,376.80	9,996,376.80	633,103.86
Concrete Paving of Mabolo St.	964,751.48	964,751.48	61,100.93
Concreting of Rose St.	256,050.65	256,050.65	16,216.54
Construction/Rehabilitation of Farm to Market Roads	9,696,790.08	9,696,790.08	614,130.04
Concreting of Farm to Market Roads	8,730,000.00	8,730,000.00	552,900.00
Total	**48,988,788.70**	**48,988,788.70**	**3,102,623.29**

1.4 Attention is invited to Item 71 of IPSAS 17 which provides that:

> Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the asset is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production.

1.5 The provision made resulted in the overstatement of Depreciation– Infrastructure Assets account by ₱3,102,623.29 and understatement of Road Networks account by the same amount.

1.6 **We recommended that Management instruct the Municipal Accountant to depreciate the depreciable components of the road networks system at cost and effect the necessary adjusting journal entries in the books of accounts to present the correct amount of Road Networks and Depreciation – Infrastructure Assets accounts in the financial statements.**

1.7 **Likewise, we recommended that the Municipal Accountant provide the adjusting journal entries to revert the depreciation expense recognized for the fully depreciated assets in the amount of ₱ 3,102,623.29.**

1.8 In a reply letter of the Municipal Accountant, she informed the Audit Team to effect the adjusting journal entries and to observe the audit recommendations.

Unreconciled Due from Other Funds and Due to Other Funds accounts - ₱715,804.14

2. **The balances of reciprocal accounts, Due from Other Funds and Due to Other Funds, showed a discrepancy of ₱715,804.14 as of December 31, 2021 which is not in accordance with COA Circular No. 2015-009 dated December 1, 2015, thereby, affecting the correctness and reliability of the balances of the accounts presented in the financial statements.**

2.1 Due from Other Funds and Due to Other Funds are intra-agency receivable and payable accounts, respectively, that are used to record intra-office transactions between funds of the LGU; hence, the balance of these accounts should always be equal in nature. In the preparation of the combined financial statements, these accounts must be eliminated.

2.2 COA Circular No. 2015-009 dated December 1, 2015 prescribes the Revised Chart of Accounts for LGU which describes Due from Other Funds as an account used to record in the agency books the amount of advances to other funds and credited upon liquidation. On the other hand, Due to Other Funds is an account used to record the authorized receipt of fund from one fund to another fund.

2.3 Records showed that the balances of reciprocal accounts for all funds as of December 31, 2021 disclosed a discrepancy of ₱715,804.14, computed as follows:

Accounts	General Fund (₱)	Special Education Fund (₱)	Trust Fund (₱)	Total (₱)
Due from Other Funds	218,458.10	3,624.37	715,812.14	937,894.61
Due to Other Funds	3,632.37	15,782.69	202,675.41	222,090.47
Difference	**214,825.73**	**(12,158.32)**	**513,136.73**	**715,804.14**

2.4 Inquiry with the Municipal Accountant revealed that the difference pertained to the receipt of transfer of unexpended balance of Quick Response Fund (QRF) and Maintenance and Other Operating Expenses (MOOE) – Mitigation Fund of the Local Disaster Risk Reduction Management Fund (LDRRMF) of the LGU for CY 2021 in the total amount of ₱715,804.14.

2.5 According to the Municipal Accountant, Check No. 436800 dated December 31, 2021 (Check Disbursement No. 100-21-12-1537) amounting to ₱715,804.14 was drawn to transfer the unspent 2021 LDRRMF. The entry made in the General Fund books was a debit to Transfer of Unspent LDRRMF account and a credit to Cash in Bank account by the same amount. On the other hand, OR No. 8420157 dated December 31, 2021 amounting to ₱715,804.14 was issued by the Municipal Treasurer to acknowledge the receipt of transfer to Trust Fund books.

2.6 However, the journal entry made to acknowledge the receipt of transfer in the Trust Fund books was a debit to Due from Other Funds account and a credit to Trust Liability – DRRM account by ₱715,804.14. The Municipal Accountant should have debited Cash-Local Treasury account instead of Due from Other Funds account for the said transaction.

2.7 The error in recording in the Trust Fund books resulted in the overstatement of Due from Other Funds by ₱715,804.14 and understatement of Cash-Local Treasury account in the Trust Fund books by the same amount.

2.8 **We recommended that Management instruct the Municipal Accountant to prepare the adjusting journal entries to reflect the correct balances of the affected accounts in the financial statements and to observe the proper usage of accounts in recording financial transactions.**

2.9 In her letter of reply, the Municipal Accountant informed the Audit Team that the necessary adjusting journal entries will be drawn.

Erroneous recording of LDRRM Equipment

3. Purchase of mini-dump truck and rescue vehicle amounting to ₱995,847.51 and ₱1,422,760.00, respectively, funded under LDRRMF was taken up in the books of accounts as Motor Vehicle instead of Construction and Heavy Equipment and Disaster Response and Rescue Equipment, respectively, which is not in accordance with Section 5.1.7 of COA Circular No. 2012-002 dated September 12, 2012 and Section 112 of PD No. 1445, thus, affecting the proper presentation of accounts and not reflecting the correct balance of the affected accounts presented in the financial statements.

3.1 Section 5.1.7 of COA Circular No. 2012-002 dated September 12, 2012 provides that:

> Equipment purchased for disaster response and rescue operations or activities shall be recorded in the General Fund books of accounts. The existing account "Fire Fighting Equipment and Accessories" (Code 231) shall be changed to "Disaster Response and Rescue Equipment" Code 231). It shall be described as:
>
> > Disaster Response and Rescue Equipment. This account is used to record the cost or appraised value of equipment purchased or received from donations and used solely for disaster response and rescue activities. Heavy equipment such as Forklift, Grader, Backhoe, Dump trucks and the like, although used in disaster response and rescue activities shall be classified under the account "Construction and Heavy Equipment."

3.2 In addition, Section 112 of PD No. 1445 states that:

> Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

3.3 Verification of account disclosed that the Municipality purchased mini-dump truck and rescue vehicle amounting to ₱995,847.51 and ₱1,422,760.00, respectively, funded under LDRRMF. This equipment is intended for the immediate/emergency response and transport/evacuation of large number of victims and/or affected families during calamities.

3.4 However, the accounting journal entries made in the payment of purchased mini-dump truck and rescue vehicle were debit to Motor Vehicle account and credit to Cash in Bank account instead of debiting Construction and Heavy Equipment account and Disaster Response and Rescue Equipment account respectively, thus, overstating Motor Vehicle account by ₱2,418,607.51 and understating the balance of Construction and Heavy Equipment account and Disaster Response and Rescue Equipment account by ₱995,847.51 and ₱1,422,760.00, respectively.

3.5 **We recommended that Management require the Municipal Accountant to prepare adjusting journal entries relative to the misclassification of account presented in the financial statements.**

3.6 In her reply letter, the Municipal Accountant promised to prepare the adjusting journal entries to present the correct amount of the affected balances in the financial statements.

Misclassified OMOE accounts - ₱1,077,052.32

4. **Other Maintenance and Operating Expenses (OMOE) account was overstated by ₱1,077,052.32 due to misclassification of expenses which is not in accordance with Section 113 of Presidential Decree (PD) No. 1445 and COA Circular No. 2015-009 dated December 1, 2015 and Section 336 of Republic Act (RA) No. 7160, thus, related appropriate expense accounts were understated which affected the delivery of complete and accurate information as basis for sound decision making of the users of financial information.**

4.1 The general purpose of financial statements is to provide information about the results of operation, financial position, cash flows and budget utilization of an entity. As such, it is necessary that information is presented in a structured manner, consistent as to its application of accounting policies and comparable across multiple entities within the same industry.

4.2 Section 113 of PD No. 1445 states that "The chart of accounts for government agencies shall be prescribed by the Commission and shall be so designed as to permit agency heads to review their activities according to selected areas of responsibility; allow for a clearer definition of obligation accounting leading to more precise budgetary control…"

4.3 In line with this, COA Circular No. 2015-009 dated December 1, 2015 was issued to prescribe the Revised Chart of Accounts for Local Government Units (LGUs), the purpose of which is to ensure uniformity in the use of accounts for similar transactions.

4.4 Review of the financial statements for CY 2021 disclosed that the OMOE account amounted to ₱18,725,242.05, which comprised 36.84 percent of the total Maintenance and Other Operating Expenses (MOOE) amounting to ₱50,824,385.57.

4.5 The above-mentioned Circular defines OMOE as an account used to record expenses not falling under any of the specific maintenance and other operating expense accounts, thus, professional judgment must be exercised in the budgeting stage wherein allocations of budget must be aligned to specific line items, as well as proper accounting treatment and recognition of expenses.

4.6 Audit of transactions revealed that the amount of ₱1,077,052.32 recorded under OMOE account could have been recorded to appropriate expense accounts. Details are summarized below.

Should be Account		Amount (₱)
General Fund		
1	Chemical and Filtering Expenses	57,780.00
2	Donations	213,936.50
4	Environment/Sanitary Services	17,149.00
5	Food Supplies Expenses	149,430.00
6	Non-Accountable Forms Expenses	21,148.00
7	Office Supplies Expenses	146,515.00
8	Other Professional Services	25,850.00
9	Other Supplies and Materials Expenses	253,676.34
10	Printing and Publication Expenses	14,458.00
11	Prizes	1,200.00
12	Rent Expense	42,050.00
13	Representation Expenses	58,172.00
14	Training Expenses	40,979.48
Special Education Fund		
15	Office Supplies Expenses	12,708.00
16	Other Supplies and Materials Expenses	22,000.00
	Total	**1,077,052.32**

4.7 Inquiry with the Municipal Accountant revealed that she used the accounts in the obligation request which is based on the approved budget of the LGU.

Furthermore, query with the Municipal Budget Officer disclosed that she also followed the accounts incorporated in the Approved Budget of the LGU.

4.8 Recording of transactions in the books of the LGU based on the budgeted expenditure and not on the actual nature of the expense or transaction is not in accordance with Section 336 of RA No. 7160 which provides that "funds shall be available exclusively for the specific purpose for which they have been appropriated."

4.9 The above deficiencies affected the proper presentation of OMOE account presented in the Statement of Financial Performance for CY 2021, hence, complete and accurate information as basis for the sound decision making of the users of financial information might not be achieved.

4.10 **We recommended that Management instruct the Municipal Budget Officer to charge to the appropriate budgetary account by considering the actual nature of the transaction.**

4.11 **Likewise, we recommended that Management require the Municipal Accountant to ensure that transactions are recorded based on the actual nature of the transaction and not on the account shown in the obligation request to present the correct balances of accounts presented in the financial statements.**

4.12 As stated in the reply letter of Management, the Municipal Budget Officer and Municipal Accountant will comply with the audit recommendations.

Accounts Payables without supporting documents - ₱782,392.23

5. **Accounts Payables totalling ₱782,392.23 which have been outstanding for more than two years in the books of accounts remained unpaid, unclaimed and not yet reverted to the government equity of the General Fund and Special Education Fund which is not in accordance with Section 4(s), Chapter 2, Volume I of the Manual on the New Government Accounting System (MNGAS) for LGUs, thus, deprived the LGU of additional funds to be used for its operations.**

5.1 Section 4(s), Chapter 2, Volume I of the MNGAS for LGUs states that "liability shall be recognized at the time goods are accepted or rendered and supplier/creditor bills are received."

5.2 The Accounts Payable of the LGU has a consolidated balance of ₱5,020,489.66 as of December 31, 2021 consisting of General Fund (GF) and Special Education Fund (SEF) amounting to ₱4,896,755.24 and ₱123,734.42, respectively. Of this amount, the balance of ₱782,392.23 or 15.58 percent remained unpaid, unclaimed and outstanding for more than two years, details are presented in the next page.

Fund	Years outstanding	Amount (₱)
General Fund	CYs 2019 to 2018	741,402.81
Special Education Fund	CYs 2019 to 2021	40,989.42
Total		**782,392.23**

5.3 Such unpaid obligations pertained to various office supplies, meals, various allowances, financial assistance and OMOE. Inquiry with the Management revealed that no documents are available to support the recorded payables and no actual claims by the payees.

5.4 Had management reverted the aforementioned account, the LGU could have appropriated additional funds for its operations.

5.5 **We recommended that Management instruct the Municipal Accountant to analyse and evaluate the unpaid obligations that remained outstanding for more than two years of which no actual claims were made and to revert to the government equity of the General Fund and Special Education Fund which shall be made available for appropriation.**

5.6 In her letter of reply, the Municipal Accountant agreed to comply with the audit recommendation.

Unliquidated Due to NGAs account - ₱1,000,000.00

6. **Unexpended balances of Due to NGAs account recorded in the General Fund amounting to ₱1,000,000.00 were not returned to the Source Agencies (SAs) which is not in conformity with the provision of paragraph 4.9 of COA Circular No. 94-013 dated December 13, 1994, thus, depriving the national government of the use of funds for other developmental projects.**

6.1 COA Circular No. 94-013 dated December 13, 1994 prescribes the rules and regulations in the grant, utilization and liquidation of funds transferred to Implementing Agencies (IA). Under paragraph 4.9 of the said Circular, it provides that the IA shall return to the SA any unused balance upon completion of the project.

6.2 Review of the Due to NGAs account disclosed that unexpended balances in the General Fund were not yet remitted to the SAs even though the intended purposes of the funds were already satisfied and completed. Details are as follows:

Source Agency	Particulars	Amount (₱)
Office of the President	One Million One Project	548,788.16
Office of the President	One Town One Product	451,211.84
Total		**1,000,000.00**

6.3 The non-remittance of the unexpended balances of fund transfers to the SAs or non-remittance to the National Treasury deprived the national government of additional resources that could be used for other developmental projects.

6.4 **We recommended that Management instruct the Municipal Accountant to establish the complete details of the fund transfers and to inquire with the source agencies of the existence of the same in their books for the immediate remittance of the unexpended balances and liquidation of fund transfer received to the respective source agencies.**

6.5 The Municipal Accountant assured the Audit Team in her letter-reply that her office is exerting efforts to inquire with the source agencies regarding the complete details of the funds in order to return to the source agencies the unutilized funds.

Dormant Receivables - ₱613,635.81

7. **Dormant receivables totaling ₱613,635.81 were not supported with complete schedules or subsidiary ledgers and/or other relevant documents or records and had been dormant for more than 29 years which is not in accordance with Section 111 of PD No. 1445 and COA Circular No. 2016-005 dated December 19, 2016, thus, raised doubts as to the validity and accuracy of the account balances as reflected in the financial statements.**

7.1 Section 111 of PD No. 1445, otherwise known as the Government Auditing Code of the Philippines, provides that:

> The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

7.2 Likewise, 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), LGUs and Government Owned and Controlled Corporations (GOCCs), specifically Section 8 of the said Circular pertains to the procedures on the write-off of dormant accounts.

7.3 In the review of the Receivables account of the LGU, it was noted that of the total receivables in the amount of ₱2,548,063.06, 24.08 percent or ₱613,635.81 are dormant or inactive in the books for more than 29 years, details are shown in the next page.

Account Used	Name of Recipient	Purpose	Date Granted	Amount (₱)
Other Receivable	KKK	Livelihood Projects	1992	96,650.00
Other Receivable	Various	Different Projects on Trust Fund	1992	12,540.50
Other Receivable	RIC	Livelihood Projects	1998	120,000.00
Other Receivable	Various	Various in General Fund	1992	123,157.83
Due from LGUs	Various	Different Project Development	1992	169,146.67
Due from NGAs	COMELEC	Election Expenses	1992	48,031.90
Due from NGAs	PTO	Tax Mapping	1992	44,108.91
Totals				**613,635.81**

7.4 Verification of the accounts showed that there were no documents evidencing the propriety of its existence nor recordings in the subsidiary ledgers updated to support the general ledger. The inexistence of such documents raised doubts on the validity and propriety of the amounts presented in the financial statements, rendering the Accounts Receivable balance doubtful as presented in the financial statements.

7.5 **We recommended that Management instruct the Municipal Accountant to locate the documents pertaining to the non-moving accounts in order to substantiate its balances and to enforce collections. In case of possibility of non-collection or could no longer be accounted or reconciled, the Management, through the Municipal Accountant, may request for write-off of the dormant accounts to clean the accounts.**

7.6 The Municipal Accountant informed the Audit Team in her letter-reply that they are exerting efforts to locate the documents of dormant receivables and they are preparing the documents needed for their request for write-off.

Breeding Stocks - ₱110,000.00

8. The breeding stocks of the LGU amounting to ₱110,000.00 as of December 31, 2021 were already issued to beneficiaries and no longer existing but remained in the books due to absence of supporting documents submitted to the Accounting Office which is not in accordance with Section 111(1) of PD No. 1445 and Section 27 of IPSAS, thus, affecting the accuracy and validity of Biological Assets account presented in the financial statements.

8.1 Section 111(1) of PD No. 1445 provides that:

> The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

8.2 Likewise, Section 27 of 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.

8.3 Verification of the financial statements disclosed that Biological Assets account of the LGU has a year-end balance of ₱110,000.00. The breeding stocks consisted of 11 cows purchased before the calendar year 2000 and were distributed to the intended beneficiaries in the LGU. However, it was noted that the 11 cows were presumed dead but the necessary documents were not submitted to the Accounting Office which hindered the Municipal Accountant to derecognize the assets from the books of accounts; thus, affecting the reliability of the Biological Asset account in the financial statements.

8.4 The Audit Team was also informed that the Municipal Agriculturist could not locate the needed supporting documents.

8.5 **We recommended that Management instruct the Municipal Agriculturist to exert effort to locate the pertinent documents relative to the 11 cows for verification before adjustments could be made in the books of the LGU.**

8.6 In her reply letter, the Municipal Agriculturist informed the Audit Team that no documents were found after exerting their best efforts to locate the documents pertaining to the 11 cows; hence, they are preparing the required documents for the request for relief for accountability.

B. COMPLIANCE AUDIT

Unserviceable properties - ₱2,028,051.65

9. Unserviceable properties beyond economic repair amounting to ₱2,028,051.65 were not disposed of in accordance with Section 76 of PD No. 1445, Section 379 of RA No. 7160 and Section 167 of COA Circular No. 92-386 dated October 20, 1992, thereby, exposing the said properties to further deterioration and loss of value and

depriving the LGU of additional source of funds from the sale thereof which could have been used in its financial operation.

9.1 Section 76 of 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.

9.2 Likewise, Section 379 of RA No. 7160 provides the guidelines on property disposal of LGUs and states that:

> When property of any local government unit has become unserviceable for any cause or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected and appraised by the provincial, city or municipal auditor, as the case may be, or his duly authorized representative or that of the Commission on Audit and, if found valueless or unusable, shall be destroyed in the presence of the inspecting officer.
>
> If found valuable, the same shall be sold at public auction to the highest bidder under the supervision of the committee on awards and in the presence of the provincial, city or municipal auditor or his duly authorized representative.

9.3 Also, Section 167 of the Rules and Regulations on Supply and Property Management in Local Government Units prescribed under COA Circular No. 92-386 dated October 20, 1992 provides the disposal procedures which states that:

> When the supplies or property of a local government unit have become unserviceable from any cause, or no longer needed, the officer immediately accountable therefor shall return the same to the head of the department or office who shall cancel the corresponding Memorandum Receipt. If no longer needed in the department, the head of the department or office shall return the same to the general services officer, municipal or barangay treasurer, as the case may be. The general services officer, municipal or barangay treasurer, as the case may be, shall through the local chief executive, file an application for its disposal with the provincial, city or municipal

auditor who shall conduct an inspection and determination whether the subject property is with or without value.

9.4 The LGU submitted the Inventory and Inspection Report of Unserviceable Property (IIRUP) amounting to ₱675,261.70 as of December 31, 2021, However, some unserviceable assets in the amount of ₱1,352,789.95 were identified in the submitted Report on the Physical Count of Property, Plant and Equipment (RPCPPE), thus, unserviceable assets for CY 2021 totaled ₱2,028,051.65, details are shown below.

Description	**Number of Units**	**Amount (₱)**
Suzuki - Jitney	7	1,100,279.95
Cameras	2	19,674.70
Aircon	16	492,800.00
Printer	1	23,200.00
Laptop	1	31,697.00
Copier	1	50,400.00
Water Dispenser	2	13,990.00
Executive Table	2	19,000.00
Swivel Chair	5	20,000.00
Executive Chair	1	4,500.00
Computer	7	252,510.00
Total	**38**	**2,028,051.65**

9.5 The properties listed above were not yet disposed of by the LGU, thereby, exposing the said property to further deterioration and loss of value and depriving the LGU of additional source of funds from the sale thereof which could have been used in its operations.

9.6 Although the disposal committee was created to undertake the disposal of the unserviceable and obsolete properties, still no disposal was made in due time before these deteriorate and loss their 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.

9.7 **We recommended that Management require the OIC-Municipal Treasurer and the Head of the Disposal Committee to prioritize the disposal of the unserviceable properties in accordance with the disposal procedures in the aforementioned laws, rules and regulations to avoid further deterioration and loss of value and generate additional funds from the sale thereof.**

9.8 During the exit conference, the Management informed the Audit Team that they will create a new Disposal Committee due to retirement of the assigned Head of the Disposal Committee and will proceed to the procedures of disposal of unserviceable property, plant and equipment.

Expense method of inventoriable supplies - ₱2,485,605.65

10. Procurement of various supplies and materials totaling ₱2,485,605.65 were recorded as outright expense in the books of accounts instead to the appropriate inventory accounts which is not in accordance with Perpetual Inventory Method required under Sections 114 and 121 of the MNGAS and COA Circular No. 2014-002; hence, hindered the tracking, control and reconciliation of the inventory accounts and affected the reliability of inventory and expense accounts in the financial statements.

10.1 Section 114 of MNGAS provides:

> Purchase of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, shall be recorded as inventory following the perpetual inventory method. Under the perpetual inventory method, an inventory control account is maintained in the General Ledger on a current basis. In addition, detailed inventory records are maintained for each inventory item.
>
> Regular purchases shall be coursed thru the inventory account and issuances thereof shall be recorded as they take place, except those purchased out of the petty cash fund which shall be for immediate use and for stock in which case shall be charged immediately to the appropriate expense accounts.
>
> The Chief Accountant shall maintain the perpetual inventory records comprising of Supplies Ledger Cards (SLC) for each commodity/stock…
>
> The General Services Officer or the Municipal Treasurer, as the case maybe shall, likewise maintain stock cards and property cards for supplies… The balance per stock card/property cards should always reconcile with the ledger cards of the accounting unit…

10.2 Likewise, Section 121 of the same Manual states:

> The General Services Officer or the Local Treasurer, as the case maybe, shall consolidate weekly the RIS for which supplies and materials were issued using the Summary of Supplies and Materials Issued (SSMI). The SSMI together with the original copy of the RIS shall be submitted to the Chief Accountant, who shall compute cost of supplies issued and ending inventory using the moving average method. Based on the SSMI, a JEV shall be prepared to record the expenditures using appropriate expenditure accounts.

10.3 It was noted in the post audit of transactions of the Municipality for CY 2021 that various procurement of supplies and materials for consumption and distribution totaling ₱2,485,605.65 were directly debited to expense accounts instead of the appropriate inventory accounts. Review of the financial statements revealed that the Inventories account of the LGU had a balance of ₱120,822.15 as of December 31, 2021, breakdown is as follows:

Inventory Account	Amount (₱)
Office Supplies	82,034.00
Accountable Forms, Plates and Stickers	3,464.00
Drugs and Medicines	35,324.15
Total	**120,822.15**

10.4 The year-end balances of the inventory accounts were based from the actual count of inventories on hand as of December 31, 2021.

10.5 Inquiry with the Municipal Accountant disclosed that Perpetual Inventory Method in recording supplies and materials was not use, instead these were debited outright to expense accounts. Subsequently, the Requisition and Issuance Slip (RIS) and SSMI were also not prepared. The Audit Team noted that only the Inspection and Acceptance Reports (IAR) were attached to the disbursement vouchers. Inventory Custodian Slips were also not prepared for semi-expendable supplies. Likewise, the Municipal Accountant did not maintain perpetual inventory records such as Supplies Ledger Cards. These lapses hindered the proper tracking, control and reconciliation of the inventory accounts. The accountability and transparency of the flow of supplies from the supplier to the requisitioning office or end-users down to beneficiaries/recipients could not be properly determined due to these lapses.

10.6 **We recommended that Management:**

10.6.1 **Direct the Municipal Accountant to record all procurement of supplies and materials as inventory following the Perpetual Inventory Method;**

10.6.2 **Instruct the OIC-Municipal Treasurer to monitor and control the inventory of supplies and materials through issuance of RIS and maintenance of stock cards and property cards for supplies; and**

10.6.3 **Require the OIC-Municipal Treasurer to consolidate weekly the RIS issued and facilitate the preparation of SSMI which shall be the basis of the Municipal Accountant in recording the consumption and/or distribution in the appropriate expense accounts.**

10.7 During the exit conference, it was concurred among the department heads present that the absence of a General Service Office caused the practice of delivering outright the supplies to the requesting office. It was also discussed the possibility of creating such office but will consider first the budgetary requirements of doing so. Nonetheless, the Management promised the Audit Team to observe the audit recommendations.

Ownership over eight parcels of land not supported with TCTs

11. **Existence and validity of ownership over eight parcels of land recorded in the books of accounts of the LGU amounting to ₱22,642,660.00could not be ascertained due to the absence of Transfer Certificates of Title (TCTs) in the name of the LGU which is not in conformity with Section 39 of PD No. 1445.**

11.1 Section 39 of PD No. 1445 provides that:

> In the case of deeds to property purchased by any government agency, the Commission shall require a Certificate of Title entered in favor of the government or other evidence satisfactory to it that the title is in the government.

11.2 Likewise, Section 449 of Government Accounting and Auditing Manual Volume I states that:

> Land purchased by agencies of the Government shall be evidenced by a Torrens Title drawn in the name of the Republic of the Philippines, or such other document satisfactory to the President of the Philippines that the title is vested in the Government.

11.3 The evidence to prove ownership over a parcel of land is the Transfer Certificate of Title (TCT), Original Certificate of Title (OCT), Certificate of Land Ownership/Award (CLOA) and Emancipation Patent (EP) duly issued by the Land Registration Authority (formerly Register of Deeds).

11.4 As of December 31, 2021, the Land account had a balance of ₱25,495,020.00 representing 15 parcels of land. However, verification disclosed that of the 15 parcels of land, only seven totaling ₱2,852,360.00 have Certificates of Title. The remaining eight parcels of land in the total of ₱22,642,660.00 have no Certificates of Title and only Tax Declarations were provided by the Management as summarized below:

No.	Description	TCT No.	TD No.	Unit Value (₱)	
				With TCT	W/out TCT
1	Slaughterhouse Lot	263394	350	499,700.00	
2	Slaughterhouse Lot	263351	351	490,600.00	
3	Slaughterhouse Lot	263350	352	499,700.00	
4	Old Cemetery Lot	-	2352		1,458,000.00

No.	Description	TCT No.	TD No.	Unit Value (₱)	
				With TCT	W/out TCT
5	Cemetery Extension	-	162		934,200.00
6	New Cemetery Lot	-	14563		5,422,300.00
7	MRF Lot	293891	2718	49,490.00	
8	MRF Lot	293893	2720	100,940.00	
9	MRF Lot	300126	2844	203,330.00	
10	MRF Lot (ROW)		3013		176,000.00
11	Public Market Lot		695		1,443,200.00
12	Public Plaza Lot		4218		9,448,400.00
13	Municipal Hall Grounds		4053	1,008,600.00	
14	MTC, PNP, BFP Protection Lot		4612		760,560.00
15	Evacuation Lot located at Primicias				3,000,000.00
	Total			**2,852,360.00**	**22,642,660.00**

11.5 It can be seen from the above data that Management provided the Tax Declaration Number for those land with no Certificates of Title. However, Tax Declaration Number is issued for real property taxation purposes only and could not confer any ownership or legal title to the property.

11.6 Further verification with the Management revealed that lots with no Certificate of Title were acquired through donations. However, no other documentary requirements, except for the Tax Declaration Numbers, were presented by the Management to further substantiate the ownership over said lands.

11.7 Absence of Certificate of Title, which is the best evidence of proof of ownership, could be the subject of possible adverse claims by third parties that will be detrimental to the interest of the municipality.

11.8 **We recommended that Management require the Municipal Assessor and the OIC-Municipal Treasurer to exhaust all possible means for the speedy titling of lands and acquire Certificate of Title in order to protect the interest of the municipality from the adverse claims by third parties.**

11.9 During the exit conference, the Municipal Assessor and OIC-Municipal Treasurer assured the Audit Team that they are exerting efforts to hasten the titling of lands.

Non-Implementation of 20% Development Fund PPAs - ₱5,963,239.69

12. Various programs/projects/activities under the 20 percent Development Fund with total appropriation of ₱5,963,239.69 were not fully implemented as of December 31, 2021 which is not in accordance with Section 2 of PD No. 1445 and

Sections 2 and 5 of DILG and DBM Joint Circular No. 2017-1 dated February 22, 2017, thus, depriving the constituents of the benefits that could have been derived from the proposed projects.

12.1 Section 2 of PD No. 1445 states that:

> It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

12.2 Likewise, Sections 2 and 5 of DILG and DBM Joint Circular No. 2017-1 dated February 22, 2017 provide 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 percent) of its annual internal revenue allotment for development projects.
>
> 2.2 The 20 percent 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 percent 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 5.0 provides that:
>
> It is the responsibility of every local chief executive to ensure that the 20 percent DF is optimally utilized to help achieve the desirable socio-economic development and environmental outcomes of the LGU. The utilization of the 20 percent DF, whether willfully 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.

12.3 The LGU appropriated ₱23,768,250.00for the 20 percent Development Fund for CY 2021. Of this amount, only 74.91 percent or ₱17,805,010.31was utilized, thus, the balance of 25.09 percent or P5,963,239.69of the proposed projects was not utilized as summarized below:

Project/Program	Appropriation/ Allotment (₱)	Obligation (₱)	Balance (₱)
Improvement/ Rehabilitation of Public Plaza, Mapandan. Pangasinan	1,000,000.00	0.00	1,000,000.00
Construction/ Improvement of Stalls for Wet and Dry Market at Poblacion, Mapandan, Pangasinan	1,500,000.00	0.00	1,500,000.00
Additional fund for the Construction of Covered Sidewalk at MCS	350,000.00	0.00	350,000.00
Construction of One Stop Shop Building (Phase 1), Mapandan, Pangasinan.	2,000,000.00	0.00	2,000,000.00
Material Recovery Facility Project at 15 Barangays of Mapandan, Pangasinan.	3,000,000.00	1,886,760.31	1,113,239.60
TOTAL	**7,850,000.00**	**1,886,760.31**	**5,963,239.69**

12.4 The non-implementation of the foregoing projects deprived the intended beneficiaries of the benefits that could have been derived from the proposed projects.

12.5 **We recommended that Management require the Municipal Engineer and OIC-MPDC Officer to formulate a plan and time frame in the implementation of PPAs under the 20 percent Development Fund to attain the desirable socio-economic development outcome for the benefit of the constituents.**

12.6 During the exit conference, Management agreed to observe the audit recommendation.

Non-Utilization GAD Budget - ₱1,529,894.00

13. The appropriated Gender and Development (GAD) Budget with an unexpended balance of ₱1,529,894.00 was not fully maximized which is not in accordance with Section 36 of RA No. 7160 and paragraph 4(f) of PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-01, thereby, deprived the intended end-users of the benefit that could have been derived from the proposed projects to address gender issues and concerns.

13.1 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.

13.2 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 JMC No. 2013-01 provide the guidelines on the localization of the Magna Carta of Women.

13.3 It also states in paragraph 4.0 of the same JMC the general functions of the LGU GAD Focal Point System (GFPS), which specifically provides in paragraph 4(f) thus: "Lead in monitoring the effective implementation of the annual GPB, GAD Code, other GAD related policies and plans."

13.4 The LGU had appropriated ₱6,207,077.10 for GAD programs, projects and activities which is equivalent to five percent of the LGU's total appropriations under the General Fund in the amount of ₱124,141,542.00 for the year 2021.

13.5 Of the appropriated fund, the amount of ₱4,677,183.10 or 75.35 percent was utilized leaving an unexpended balance of 24.65 percent or P1,529,894.00 covering the proposed projects which were not implemented as summarized below:

Gender Issues	Budgeted (₱)	Utilized (₱)	Balance (₱)
Inadequate knowledge on sexual education among HS students	10,000.00	0.00	10,000.00
Inadequate blood supplies for emergency assistance for men and women	150,000.00	63,906.00	86,094.00
Increase number of early marriage/teenage pregnancy by	15,000.00	0.00	15,000.00

Gender Issues	Budgeted (₱)	Utilized (₱)	Balance (₱)
10 percent and 5 percent live in partner			
Lack of motherhood proper nutrition among pregnant women	130,000.00	0.00	130,000.00
Inadequate knowledge on environmental issues among children/household mother	200,000.00	0.00	200,000.00
Lack of knowledge on sports and teenage development for children and teenagers	500,000.00	0.00	500,000.00
Lack of awareness among PWD's on the Magna Carta for persons with disabilities	30,000.00	0.00	30,000.00
Insufficient budget to Philhealth program	566,400.00	237,600.00	328,800.00
Lack of training/seminars of PNP personnel and partner agencies on GAD	50,000.00	0.00	50,000.00
Lack of training of newly hired BSPO, BWH, BNS, MNAO & POPCOM Officer	80,000.00	0.00	80,000.00
Lack of training regarding GAD Data Base Creation and special Protection of Children against Child Abuse, exploitation and Discrimination Act to partner agencies	50,000.00	0.00	50,000.00
Expires license and certificate of BLS of RHU Personnel	30,000.00	0.00	30,000.00
Inadequate training/seminars of ECCD providers	20,000.00	0.00	20,000.00
Total	**1,831,400.00**	**301,506.00**	**1,529,894.00**

13.6 Non-implementation of the above-mentioned programs deprived the intended end-users of the benefits that could have been derived from the proposed projects.

13.7 **We recommended that Management require the GAD Focal Person to monitor the implementation of PPAs and to maximize the utilization of GAD fund appropriated in the GAD Plan and Budget and Annual Budget in order to address gender issues and concerns in the community.**

13.8 During the exit conference, the Management agreed to observe the audit recommendation.

Absence of Inspectorate Team

14. The LGU did not create its Inspectorate Team for years; hence, no preliminary inspection was done on all of the infrastructure projects and no punch-list was prepared which is not in conformity with Annex E of the Revised IRR of RA No. 9184, thus, any work deficiency prior to the target completion date could not be immediately determined.

14.1 Annex E of 2016 Revised IRR of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act provides that:

> 7. Contract Completion
>
> Once the project reaches an accomplishment of ninety-five (95 percent) of the total contract amount, the procuring entity may create an inspectorate team to make preliminary inspection and submit a punch-list to the contractor in preparation for the final turnover of the project. Said punch-list will contain, among others, the remaining works, work deficiencies for necessary corrections, and the specific duration/time to fully complete the project considering the approved remaining contract time. This, however, shall not preclude the procuring entity's claim for liquidated damages.

14.2 Review of the internal control on infrastructure projects implemented by the LGU disclosed that there was no preliminary inspection made or when the accomplishment reached 95 percent of the total contract amount, no punch-list was prepared prior to the expected time of completion.

14.3 The conduct of preliminary inspection is an important monitoring activity to assist both the procuring agency as well as the contractor to determine the actual progress of work and for any deficiencies that could be corrected or addressed in a timely manner or before the contract period expires. It will also avoid the incurrence of possible liquidated damages on the part of the contractor should there be unperformed portion of the works after the expiry of the contract.

14.4 **We recommended that Management create an Inspectorate Team or the Project Monitoring Committee (PMC) who will undertake preliminary inspections on all infrastructure projects implemented by the LGU to ensure that the progress of the work is properly monitored and any deficiencies will be addressed in a timely manner.**

14.5 During the exit conference, Management assured the Audit Team to create an Inspectorate Team.

No Revised LDRRMFIP

15. Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) of the LGU did not include the PPAs charged to the unexpended balances of LDRRMF under Trust Liabilities account which is not in conformity with Sections 4.4 and 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012 and Section 6.5 of NDRRMC-DBM and DILG JMC No. 2013-01 dated March 25, 2013; hence, validity of the transactions made could not be ascertained.

15.1 Sections 4.4 and 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012 provide the accounting and reporting guideline for LDRRMF which state that:

> The unexpended LDRRMF shall accrue to a special trust fund solely for the purpose of supporting disaster risk reduction and management activities of the Local Disaster Risk Reduction Management Council (LDRRMC) within the next five (5) years. The LDRRMC shall decide on the use of the unexpended balance of the LDRRMF which shall be incorporated in the Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP).
>
> A LDRRMFIP for DRRM program shall be prepared annually. It shall present the 30 percent allocation for QRF in lump sum and the allocation for disaster mitigation, prevention and preparedness with details as to projects and activities to be funded. The LDRRMFIP shall also include under a separate caption, the list of projects and activities charged to the unexpended LDRRMF of previous years.

15.2 Likewise, NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-01 provides that "The unexpended balances of the LDRRMF may be released and utilized for new expenditure items upon submission of a revised AIP as approved by the local sanggunian and Local Chief Executive (LCE) upon recommendation of the LDRRMC within the next five (5) years."

15.3 The LGU has appropriated ₱6,207,077.10 for the LDRRMF which is equivalent to five percent of the General Fund Annual Budget of ₱124,141,542.00 for calendar year 2021. The amount appropriated was incorporated in the Local Disaster Risk Reduction and Management Plan (LDRRMP) and integrated in the Approved Annual Investment Program (AIP) of the LGU.

15.4 However, review of the Report on the Utilization of Disaster Risk Reduction and Management Fund submitted by Management to the Audit Team revealed that the amount of ₱25,176.72 used to defray seminar/training expenses on the Comprehensive Land Use Plan (CLUP) were charged to the unexpended balance of the LDRRMF from the previous years but not included in the preparation of the LDRRMP and no revised AIP was submitted as approved by the local sanggunian and Local Chief Executive upon recommendation of the LDRRMC.

15.5 Henceforth, the non-preparation of plan by the LGU for the unexpended balance of LDRRMF of the previous years raised doubts whether the charges to the unexpended balance thereof were officially deliberated by the LDRRM Council and approved by appropriate authority in accordance with JMC No. 2013-01 of NDRRMC-DBM-DILG.

15.6 **We recommended that Management Require the LDRRM Officer and Council, in coordination with the Municipal Budget Officer and OIC-MPDC Officer, to include in their plans the utilization of the unexpended LDRRM Fund balances from prior years.**

15.7 **Likewise, we recommended that Management instruct the Municipal Disaster Risk Reduction and Management Officer (MDRRMO) to specify the list of programs, projects, and activities to be charged against the unexpended LDRRMF of previous years in its LDRRMFIP before utilization of the same.**

15.8 In a letter-reply, the MDRRMO assured the Audit Team to comply with the audit recommendations.

Lack of LDRRMO personnel

16. No Local Ordinance creating the required staffing/personnel of LDRRMO was enacted as prescribed under Section 12 of RA No. 10121, thus, positions and qualifications of personnel needed to assist the LDRRM Officer as well as the office budgetary requirements were not clearly defined.

16.1 Section 12 of RA No. 10121, also known as Philippine Disaster Risk Reduction and Management Act of 2010 provides that:

.

> There shall be established a Local Disaster Risk Reduction and Management Office (LDRRMO) in every province, city and municipality, and a Barangay Disaster Risk Reduction and Management Committee (BDRRMC) in every · barangay which shall be responsible for setting the direction, development, implementation and coordination of disaster risk management programs within their territorial jurisdiction.

16.2 Likewise, NDRRMC-DILG-DBM Joint memorandum Circular (JMC) No. 2014-1 dated April 4, 2014, provides that:

> The provincial, city or municipal DRMM Officer, and the three (3) staff responsible for administration and training, research and planning, and operations and warning are considered mandatory positions.

16.3 Inquiry with the designated LDRRM Officer revealed that assistant LDRRMO was created in CY 2021 but this position is yet to be filled up, while local ordinance creating the required three staff to assist the LDRRM Officer and responsible for administration and training, research and planning, and operations and warning are not yet enacted by the LGU.

16.4 **We recommended that Management fill up the mandatory position for the three staff of the MDRRMO through local ordinance to handle the administration and training, research and planning, and operations and warning, to provide adequate support to DRRM activities.**

16.5 Management informed the Audit Team in their letter-reply that the LGU already included in the creation of the foregoing plantilla positions on the Devolution Transition Plan for CY 2023.

Municipal employees' salaries below ₱5,000.00

17. The LGU allowed deductions from salaries accruing to some employees which reduced their monthly net take home pay to an amount lower than ₱5,000.00 which is not in accordance with the provision of Section 49 of the General Appropriation Act (GAA) of 2021.

17.1 Post audit of transactions relative to the payment of payroll under Personal Services showed that the LGU allowed deductions from salaries of some employees which reduced their monthly net take home pay to an amount lower than ₱5,000.00.

17.2 Attention is invited to the General Provisions Section 49 of the GAA which provides, as follows:

> Deduction from salaries, emoluments or other benefits accruing to any government employee chargeable against the appropriations for Personal Services may be allowed for the payment of an individual employee's contributions or obligations due the following, and in order of preference stated below:
>
> (a) The BIR, PHILHEALTH, GSIS, and HDMF;
>
> (b) Non-stock savings and loans association and mutual benefit associations duly operating under existing laws and cooperatives which are managed by and/or for the benefits Government employees;
>
> (c) Associations or Provident funds organized and managed by Government employees for their benefits and welfare;

(d) GFIs authorized by law and accredited by appropriate Government regulating bodies to engage in lending;

(e) Licensed Insurance companies;

(f) Thrift Banks or Rural Banks accredited by the BSP.

PROVIDED FURTHER, that in no case shall the foregoing deductions reduce the employee's monthly net take home pay to an amount lower than Five Thousand Pesos (P5,000.00).

17.3 **We recommended that Management instruct the OIC-Municipal Treasurer and Human Resource Officer to ensure that monthly net take home pay of municipal employees shall not be reduced to an amount lower than ₱5,000.00.**

17.4 In the letter-reply, the Management informed the Audit Team that they will prepare list of employees whose net take home pay are below ₱5,000.00 and notify them to refrain from loan application for the meantime.

Non-preparation of DTRs and accomplishment reports of municipal employees

18. Payrolls of the employees were prepared despite the absence of daily time records (DTRs) and application for leave which is not in conformity with Section 4 of PD No. 1445 and COA Circular No. 2012-001; hence, raised doubts on the propriety and validity of salaries and wages paid to permanent/regular employees and job order (JO) workers.

18.1 Section 4 of PD No. 1445 provides the fundamental principles governing the financial transactions and operations of any government agency which states that "Claims against government funds shall be supported with complete documentation."

18.2 Further, Section 1.2.1 of COA Circular No. 2012-001 dated June 14, 2012 requires the following in liquidating cash advances for payroll:

- Report of Disbursements certified correct by the accountable officer
- Approved payrolls/vouchers duly acknowledged/signed by the payee/s
- Approved DTRs or Certificate of Service
- Approved application for leave
- In case of payment of personnel under the "job order" status, duly verified/accepted accomplishment report

- Official Receipt (OR) in case of refund for unclaimed salaries
- Authority from the claimant and identification documents, if claimed by person other than the payee
- Such other pertinent supporting documents as are required by the nature of the expense

18.3 Inquiry with the staff of the Accounting Office revealed that permanent and casual employees were not required to prepare and submit their DTRs and Applications for Leave in claiming their salaries, while the job order employees were also not required to prepare and submit their DTRs, instead accomplishment reports were provided as a supporting document in claim of their wages. It was, likewise, revealed that the biometric record of the employees is being used to determine the number of leaves, absences and undertimes of every employee and reflect the deductions thereof in the payroll. The copies of the biometric records of the employees should not only be the basis for the preparation of payroll considering that these are not only the basis in determining the actual services rendered by the employees but should also include the duly accomplished DTRs signed by the immediate supervisor and the accomplishment reports of the JO in determining the nature of services rendered. The absence of DTRs as one of the supporting documents in claiming salaries/wages rendered the validity of the actual service doubtful.

18.4 **We recommended that Management instruct all department heads to ensure that all DTRs, Applications for Leave and accomplishment reports of JOs are prepared by all personnel for their review and approval and to submit the same to the HRMO for the preparation of payrolls.**

18.5 **We, likewise, recommended that Management require the Human Resource (HR) Officer to acknowledge the receipt of DTRs before the preparation of payroll based on the actual attendance of employees making reference to time-ins and outs and absences as indicated in every DTR.**

18.6 In their letter-reply, the HR Officer informed the Audit Team that she already advised all the departments/offices the submission of DTRs and accomplishment reports before claiming their salaries/wages.

Late submission of contracts

19. Copies of 21 various contracts entered into by the LGU for CY 2021 totaling ₱49,632,329.64 were not submitted to the Audit Team within the prescribed period of five days from the execution thereof as provided under paragraph 3.1.1 of COA Circular No. 2009-001, thereby, precluded the Audit Team of the timely review and technical evaluation thereof.

19.1 Section 3.1.1 of COA Circular No. 2009-001 provides that "within five 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."

19.2 Records showed that copies of 21 various contracts and their supporting documents amounting to ₱49,632,329.64 were not submitted to the Audit Team within the prescribed period of five working days from the execution of the contract.

19.3 It was, likewise, noted that six of these contracts were only submitted to the Audit Team when the contractors/suppliers submit their billing for payment of work accomplished or the projects were completed, details are as follows:

Project Title	Amount (₱)	Billing Date	Date submitted to COA
Construction of Motorpool and RC Wall Fence at the Back of Mapandan Abattoir, Brgy. Aserda, Mapandan Pangasinan	12,893,708.92	12/21/2020	02/03/2021
Proposed Improvement/Extension of Public Market at Brgy. Poblacion Mapandan, Pangasinan	15,594,785.61	12/21/2020	02/03/2021
Purchase of 11 Units Desktop Computers and One Unit PCU	637,105.00	01/08/2021	02/03/2021
Purchase of 17 Laptops for the Use of Mapandan District Schools	807,300.00	01/08/2021	02/03/2021
Purchase and Procurement of Pick-up Type Vehicle	1,401,760.00	10/11/2021	11/04/2021
Procurement of 1 unit Mini-Dump Truck (re-built)	995,847.51	11/04/2021	11/04/2021

19.4 Sections 4.1 and 4.2 of the same COA Circular states that:

> Any unjustified failure of the officials and employees concerned to comply with the requirements herein imposed shall be subject to the administrative disciplinary action provided in (a) Section 127 of Presidential Decree No. 1445; (b) Section 55, Title I-B, Book V of the Revised Administrative Code of 1987; and (c) Section 11 of Republic Act No. 6713.

> Upon receipt of information or discovery by the auditor of such failure by management to comply with the required submission, an Audit Observation Memorandum shall be issued by him calling the attention of the latter, and requesting compliance, else the transactions covered by the unsubmitted documents be suspended in audit and the penalty prescribed by law under 4.1 be enforced.

19.5 The non-submission of these contracts and the supporting documents on the prescribed period precluded the Audit Team from 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 if there are deficiencies found, if any, could not be immediately communicated to the Management for corrective measures.

19.6 **We recommended that Management direct the BAC Secretariat to submit copies of perfected contracts and supporting documents to the Audit Team within the prescribed period of five days for a systematic and effective review process to come up with timely and relevant audit results.**

19.7 In a letter-reply, Management informed the Audit Team that due to sudden surge of COVID-19 infections and that some municipal employees were infected with the virus, submission of contracts, together with its supporting documents, was delayed. Nonetheless, Management assured the Audit Team to observe the prescribed period of submission of contracts.

C. VALUE FOR MONEY AUDIT

Delinquent Real Property Taxes - ₱885,414.52

20. Real Property Taxes (RPT) amounting to ₱885,414.52 remained unpaid by the delinquent taxpayers as of December 31, 2021 and the LGU did not avail the legal remedies provided in Sections 254, 256, 258 and 260 of RA No. 7160, thus, depriving the LGU from generating additional funds to finance its beneficial projects for the welfare of its constituents.

20.1 The following provisions of 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 ...

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 ...

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…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…

20.2 Review of records on RPT disclosed that the LGU had delinquent taxes amounting to ₱885,414.52 as of December 31, 2021.

20.3 The Audit Team noted that for CY 2021, the amount collected had decreased by 24.39 percent or ₱285,639.52 compared with last year's balance of ₱1,171,054.04. However, the collection from the delinquent tax payers could have been increased and realized additional income had Management strengthened the imposition of the provisions of Sections 254, 256, 258 and 260 of RA No. 7160 that could have been used to finance other projects/programs/activities for the welfare of the townspeople.

20.4 **We recommended that Management require the OIC-Municipal Treasurer to continue and intensify their collection strategies on taxes due and collectible by sending Real Property Tax Order Payment (RPTOP) 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.**

20.5 The OIC-Municipal Treasurer informed the Audit Team through reply letter that the Treasurer's Office are doing various activities in the LGU for their tax campaign.

Non-maintenance of sanitary landfill and MRF

21. LGU had not maintained a sanitary landfill but has availed the services of Metro Clark Waste Management Corporation for disposal of its residual non-recyclable solid wastes through a Memorandum of Agreement. Likewise, MRF machineries which shall receive mixed waste for final sorting, segregation, composting, and recycling for conversion of wastes were not fully operational, thereby, depriving the intended beneficiaries of the immediate benefits they could derive therefrom.

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

> Role of LGUs in Solid Waste Management. [t]he 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.

21.2 Section 21, Article 2 on Segregation of Wastes, of the same Republic Act states that:

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

21.3 It further provides in Section 32 of the same Republic Act that:

> 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.

21.4 Inquiry with the designated solid waste management officer revealed that the LGU had not maintained a sanitary landfill but has availed the services of Metro Clark Waste Management Corporation, a private company with principal office address at Capas, Tarlac, for disposal of its residual non-recyclable solid wastes through a Memorandum of Agreement.

21.5 On the other hand, the MRF machineries comprised of one unit compactor and one unit granulator which shall receive mixed waste for final sorting, segregation, composting, and recycling were not fully operational due to lack of training of the staffs/personnel assigned at the MRF, thus, opportunity in converting waste into product that can be useful to the people or to the environment was not attained.

21.6 It was also noted that for the year 2021, 10 of the 15 barangays managed to have their own MRFs that help the LGU in segregation and preparation of recyclable materials.

21.7 **We recommended that Management require the supplier of the MRF machineries to further train the staffs/personnel of the LGU in order to make the MRF fully operational.**

21.8 **Likewise, we recommended that Management require the remaining five barangays to maintain a MRF which will help the LGU to convert wastes into product that can be useful to the people or to the environment.**

21.9 In the letter reply of the Management, they informed the Audit Team that staffs in the MRF of the LGU are undergoing further training on the operations of the various MRF machineries. Likewise, they will coordinate to the Barangay Captains of the barangays of the LGU which have not yet established MRF to comply with the audit recommendation.

D. OTHER AUDIT AREAS

22. The LGU had complied with the Bureau of Internal Revenue (BIR) regulations of withholding taxes from suppliers/contractors and on compensation paid to employees. The remaining balance in the amount of ₱1,170,786.00 represented the taxes withheld in December 2021, ₱1,131,989.80 of which were remitted on January 10, 2022 to the BIR while the remaining ₱38,796.20 was refunded to municipal officials and employees due to over withheld of income taxes.

22.1 Verification of accounts disclosed that the remaining balance of Due to BIR amounting to ₱1,170,786.00 represented the taxes withheld by the LGU from the salaries and wages of officials and employees as well as from suppliers, dealers and contractors in December 2021, wherein the amount of ₱1,131,989.80 was remitted on January 10, 2022 and the remaining ₱38,796.20 was refunded to municipal officials and employees due to over withheld of income taxes, details are as follows:

Date Remitted	Form	Amount (₱)
January 10, 2022	Income Tax	294,513.43
January 10, 2022	Value Added Tax	602,368.50
January 10, 2022	Expanded Withholding Tax	227,787.87
January 10, 2022	Documentary Stamp Tax	7,320.00
Refund to officials and employees		38,796.20
Total		**1,170,786.00**

E. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

For CY 2021, there were no audit suspensions, disallowances and charges issued to the Municipality of Mapandan. Likewise, no audit disallowances were settled during the year. As of December 31, 2021, the unsettled balances of suspensions, disallowances and charges of the Municipality are as follows:

Notices	Balance, January 1, 2021 (₱)	Issuances for the CY 2021		Balance, December 31, 2021 (₱)
		NS/ND/NC (₱)	NSSDC (₱)	
Suspensions	-	-	-	-
Disallowances	35,187.00	-	-	35,187.00
Charges	-			
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 21 audit recommendations embodied in the 2020 AAR, 10 were implemented and 11 were not implemented by the Municipality. Unimplemented recommendations were reiterated in this report due to significant effect in the financial statements and operations.

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
1. Construction of MRF for various barangays in the total amount of ₱1,049,256.75 charged against the 20% Development Fund (DF) of the LGU were recorded as Subsidy to Other LGUs account instead of Other Structure account which is not in accordance with Sections 2.2 and 2.3 of Department of Interior and Local Government (DILG) - Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-01 dated February 22, 2017 and Chart of Accounts of Government Accounting Manual (GAM) for LGUs, Volume III; thus understating the Other Structures account by ₱1,049,256.75 and overstating the Subsidy to Other LGUs account by the same amount as presented in the financial statements. Likewise, erroneous computation of salaries and wages of some laborers resulted in the overpayment of wages by ₱39,100.00.	AAR 2020 pages 28-30		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
We recommended that Management require the Municipal Accountant to strictly observe the description of account as prescribed in the Chart of Accounts, Volume III under GAM for LGUs and reclassify the expense account in the recording of the construction of Barangay MRF to Other Structures account to present the correct balances of the accounts presented in the financial statements.		The Management reclassified the accounts from Subsidy to Other LGUs account to Other Structures account under JEV No. 100-21-07-0020 dated July 30, 2021.	**Implemented** Verification of the Journal Entry Vouchers showed that the MRFs were reclassified.
We also recommended that the Municipal Treasurer cause the refund of overpayment of salaries and wages of some laborers amounting to ₱39,100.00.		Refunded under OR No. 7937406 dated July 28, 2021.	**Implemented** Analysis of Collections and Deposits showed that the overpayment was already refunded under OR No. 7937406 dated July 28, 2021.
2. Various road asset components amounting to ₱18,405,650.32 were recorded as Other Infrastructure Assets account instead to Road Networks account which is not in accordance with Section 221 of GAM for LGUs, Volume I; thus, overstating the Other Infrastructure Assets account and understating the Road Network account in the	AAR 2020 pages 31-33		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
financial statements. Likewise, depreciation costs in the amount of ₱1,515,893.19 were not provided for the road components as required under Paragraph 59 of IPSAS 17; hence, understating the Depreciation Expense and Accumulated Depreciation accounts in the financial statements by ₱1,515,893.19. Also, no details of Local Road Networks were provided in the Report on the Physical Count of Local Road Network as prescribed in Section VIII of COA Circular November 23, 2015; thus, validity and accuracy of the reported Road Networks account balance in the financial statements could not be ascertained.			
We recommended that Management require the Municipal Accountant to reclassify the road components recorded as Other Infrastructure to Road Network account and		Management effected the adjusting entries under JEV No. 100-21-04-0012 dated April 16, 2021 to reclassify the Other Structures account to Road Networks account.	**Implemented** The necessary adjusting entries were effected by Management.
to provide depreciation costs after reclassification of the completed projects in order to present the correct balances of the PPE and Depreciation		The depreciation costs were provided in the same Journal Entry Voucher.	**Implemented** Depreciation costs were provided for the reclassified assets.

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
Expense accounts in the financial statements. We likewise recommended that Management instruct the Municipal Engineer to provide the Municipal Accountant and the Property Officer with the complete description and cost segregation of road components for road projects.		The complete description and cost segregation of the said component for road projects were provided by the Municipal Engineer.	**Not Implemented** Verification of accounts revealed that complete description and cost segregation of Road Networks were not yet provided.
3. The breeding stocks of the LGU amounting to ₱110,000.00 as of December 31, 2020 were already issued to beneficiaries and no longer existing but remained in the books due to absence of supporting documents submitted to the Accounting Office which is not in accordance with Section 314 of GAM for LGUs, Volume I; thus, affecting the accuracy and validity of the Biological Assets account presented in the financial statements. We recommended that Management instruct the Municipal Agriculturist to locate the pertinent documents relative to the 11 cows for verification before adjustments could be made in the books of the LGU. The Management may also consider to request for relief from accountability following	AAR 2020 pages 33-35	Management continues to exert effort to locate documents for the Breeding Stocks.	**Not Implemented** Breeding Stocks account still had a balance of ₱110,000.00 in the financial statements as of December 31, 2021, hence, reiterated in this

Audit Observations/ Recommendation		Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
	the procedures set forth in 2009 Revised Rules of Procedures of the Commission on Audit, if after exerting effort, sufficient data needed for the derecognition of the breeding stocks could not be located.			report under Observation No. 8, pages 38-39.
4.	Legal ownership of four parcels of land recorded in the books of accounts of the LGU with a total market value of ₱12,016,800.00 could not be ascertained due to the absence of Certificates of Title in the name of the Municipality of Mapandan which is not in conformity with Section 39(2) of PD No. 1445. We recommended that Management instruct the Municipal Assessor, in coordination with the Municipal Treasurer, to facilitate the titling of land to protect the interest of the LGU for any adverse claims by third parties.	AAR 2020 Pages 35-36	Management made a follow up on the application for Survey Plan approval.	**Not Implemented** As of December 31, 2021, only seven of the 15 parcels of land of the LGU had Transfer Certificate of Title, thus, reiterated in this report under Observation No. 11, pages 44-45.
5.	Dormant accounts totaling ₱613,635.81 were not supported with complete schedules or subsidiary ledgers and/or other relevant documents or records and had been dormant for more than 29 years which is not in	AAR 2020 pages 36-38		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
accordance with Section 111 of PD No. 1445 and COA Circular No. 2016-005 dated December 19, 2016; thus, raised doubts as to the validity and accuracy of the account balances as reflected in the financial statements. We recommended that Management instruct the Municipal Accountant to locate the documents pertaining to the non-moving accounts in order to substantiate its balances and to enforce collections. In case of possibility of non-collection or no longer be accounted or reconciled, the Management may request for write-off of the dormant accounts to clean the accounts subject to the requirements or procedures embodied in COA Circular No. 2016-005 dated December 19, 2016.		Efforts are being done by Management to locate the needed documents for dormant accounts.	**Not Implemented** As of December 31, 2021, the amount of ₱613,635.81 remained dormant accounts; hence, reiterated in this report under Observation No. 7, pages 37-38.
6. Outstanding checks amounting to ₱31,185.51 under General Fund considered as stale checks as of December 31, 2020 were not adjusted in the books of accounts which is not in accordance with Section 104, Volume I of GAM for LGUs; thus, affecting the reliability of the account balance of the Cash in Bank-Local Currency Current Account presented in the financial statements.	AAR 2020 pages 38-39		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
We recommended that Management instruct the Municipal Accountant to review the outstanding/stale check reflected in the Bank Reconciliation Statement and effect adjustments in the books of accounts.		The books were adjusted for the amount of stale checks under JEV 100-21-01-0002 dated January 29, 2021.	**Implemented**
We also recommended that Management require the Municipal Treasurer to send written notice to the payees of the existence of the checks and to follow the procedures prescribed to ensure correctness of recording of adjustment in the books of accounts.		Notices were sent and stale checks were replaced upon request of payees.	**Implemented** Verification of entries revealed that stale checks were reverted to Cash in Bank account and was reclassified as Accounts Payable.
7. Unserviceable properties beyond economic repair amounting to ₱927,771.70 were not disposed of in accordance with Section 76 of PD No. 1445, Section 379 of RA No. 7160 and Section 167 of COA Circular No. 92-386 dated October 20, 1992; thereby, exposing the said properties to further deterioration and loss of value and depriving the LGU of additional source of funds from the sale thereof which could have been used in its financial operation.	AAR 2020 pages 39-41		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
We recommended that Management require the Municipal Treasurer and the Head of the Disposal Committee to prioritize the disposal of the unserviceable properties in accordance with the disposal procedures in the aforementioned laws, rules and regulations to avoid further deterioration and loss of its salvage value and generate additional funds from the sale thereof.		No action was taken by the Management.	**Not Implemented** The unserviceable properties were not yet disposed, thus, reiterated in this report under Observation No. 9, pages 39-41.
8. The LGU procured 13,500 pieces of Face Shields at ₱58.00 per piece or a total amount of ₱783,000.00 for distribution to every household in the Municipality which exceeded the SRP for emergency essential medicines and medical devices due to COVID-19 as prescribed under Department Memorandum No. 2020-0345 of the DOH dated August 10, 2020; thus, the prices obtained may not be advantageous to the LGU. Likewise, various deficiencies were noted in the procurement of the goods; hence, raised doubts on the propriety and validity of the recorded transactions. We recommended that Management require the members of the BAC to consider the SRP in the	AAR 2020 pages 42-44	BAC members follow the procedures for the procurement of	**Implemented** Management observed the audit

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
procurement of emergency essential medicines and medical devices due as prescribed under Department Memorandum No. 2020-0345 of DOH dated August 10, 2020. We also recommended that Management instruct the BAC members to strictly follow the procedures for the procurement of goods and services as set forth in GPPB in the procurement process in order to promote transparency and to obtain the better terms for the LGU.		goods and services set forth in the GPPB.	recommendation of considering the SRP of procurement of essential medicines and medical supplies. **Not Implemented** Some of the procurements of goods were not in accordance with GPPB issuances.
9. Payments of various medicine supplies related to COVID-19 in the amount of ₱499,500.00 procured through emergency procurement were not supported with the documentary requirements which is not in accordance with Items 3.1, 3.2, 3.6 and 4.1 of GPPB Circular No. 01-2020 dated April 6, 2020 and Section 4(6) of PD No. 1445; thus, raised doubts on the propriety and validity of the recorded transactions. We recommended that Management: 1. Require the BAC members to ensure that all PPAs are	AAR 2020 pages 44-46	 The revised APP for the changes was already submitted.	 **Not Implemented** Post audit of

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
procured in accordance with the APP of the LGU and to revise the APP for any changes to the proposed PPAs; and 2. Instruct the BAC Chairman and Municipal Accountant to submit the mandatory documentary requirements from the supplier to support the payment of the transactions.		 The required documents from the supplier for the purchase of supplies were submitted.	accounts revealed that there were PPAs procured that are not incorporated in the APP of the LGU. **Implemented** The Management submitted the required documents to the Audit Team.
10. The amount of ₱1,200,000.00 was utilized for the purchase of certified seeds which did not partake the nature of investment or considered as capital expenditure, as prescribed in Section 2.3 of DILG-DBM JMC No. 2017-1 dated February 22, 2017; thus, the purpose for which the fund was intended was not fully achieved. We recommended that Management instruct the Municipal Planning and Development Coordinator to ensure that PPAs charged to the 20% DF partake the nature of investment or capital expenditures in order to contribute to the attainment of desirable socio economic, development and	AAR 2020 pages 46-47	 The fund intended for certified seeds was realigned to the Construction of One Stop Shop Building.	 **Implemented** The Management appropriated PPAs that are aligned to the mandate of 20% Development Fund.

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
environmental management outcome.			
11. Procurements of various construction materials for the MRF of nine barangays with an aggregate amount of ₱1,214,664.25 were implemented through small value procurement, instead of public bidding as prescribed under Sections 48.2 and 54.1 of the 2016 Revised IRR of RA No. 9184; thus, prices obtained may not be advantageous to the LGU. We recommended that Management require the members of the BAC, including the BAC Secretariat, to strictly adhere to Sections 48.2 and 54.1 of the 2016 Revised IRR of RA No. 9184 on the general policy on competitive bidding and prohibition of splitting of contracts in order to attain the most advantageous terms for the LGU.	AAR 2020 pages 47-49	No action was taken by the Management.	**Not Implemented** Some procurements of goods were procured on a piecemeal basis and resorted to alternative mode of procurement instead of public bidding.
12. Payments of rental of Backhoe and Loader in the amount of ₱584,000.00 were not supported with complete documentation as prescribed under Section 4(6) of PD No. 1445 and Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009; thus, the propriety and validity of the transactions could not be established.	AAR 2020 pages 49-50		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
We recommended that Management instruct the Municipal Accountant to submit the aforementioned lacking documents to properly substantiate the propriety and validity of the recorded transactions.		The Municipal Accountant submitted the lacking documents.	**Implemented** The lacking documents required were submitted by the Management.
13. The MRF Machineries amounting to ₱13,500,000.00 consisted of compactor, granulator and brick-making machinery to be used for sorting, segregation, composting and recycling of wastes materials but were not yet utilized due to the absence of recyclable wastes needed for the machineries to be operational; thereby, depriving the benefits that could be derived therefrom. We recommended that Management require the Punong Barangays to operate their MRF in order to collect recyclable wastes which shall converted to bricks using the MRF Machineries that are useful to the people and to the environment.	AAR 2020 pages 50-51	Ten of the 15 barangay MRFs are already operating. The municipality is assisting the barangays to make the MRFS of the remaining five operational.	**Not Implemented** Only 10 out of 15 barangays of the LGU have operational MRFs. This audit observation was reiterated in this report under Observation No. 21, pages_59-60.
14. The LGU had not maintained a sanitary landfill, but has availed the services of Urdaneta Waste Management for disposal of its residual non-recyclable solid wastes	AAR 2020 pages 52-53		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Partial/Non-Implementation
through a Memorandum of Agreement. Likewise, no municipal ordinance was passed on the segregation and disposal of wastes which is not in accordance with the provisions of RA No. 9003. We recommended that the Management consider to provide longer solution for the disposal of wastes through sanitary landfill. We also recommended that Management enjoin the municipal and barangay officials in the enforcement of segregation of wastes at source.		The municipality was allowed by Metro Clark Management Corporation to dispose waste through Cash upon disposal or Cash Basis.	**Not Implemented** **Not Implemented** No sanitary landfill was maintained by the LGU and the MRF machineries were not completely operational, thus, reiterated in this report under Observation No. 21, pages 59-60.

PART IV

ANNEXES