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 2, 2023

Mapandan, Pangasinan
OFFICE OF THE MAYOR
RECEIVED
DATE: June 29, 2023
BY: Jeffrel Alvarez
TIME: 10:00

HONORABLE KARL CHRISTIAN F. VEGA
Municipal Mayor
Mapandan, Pangasinan

Dear Mayor Vega:

We are pleased to transmit the Annual Audit Report on the results of the audit on the accounts and operations of the Municipality of Mapandan, Pangasinan for calendar year 2022, pursuant to 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.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Mapandan in view of the significance of the exceptions noted in audit as stated in the Independent Auditor's Report.

The audit observations together with the recommended courses of action, which were discussed with the management officials and staffs during the exit conference on May 26, 2023, are presented in Part II of the report.

We request that the recommendations contained in the report be immediately implemented and we appreciate being informed of the actions taken thereon within 60 days from receipt hereof pursuant to Section 97 of the General Provisions of General Appropriations Act of Fiscal Year 2022 (Republic Act No. 11639), using the Agency Action Plan and Status of Implementation (AAPSI) Form attached herewith and be submitted to the Audit Team.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus, facilitating the submission of this report.

Very truly yours,

EVANGELINE R. PICAR
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

MUNICIPALITY OF MAPANDAN
Mapandan, Pangasinan

AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2022
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, 2022

EXECUTIVE SUMMARY

A. INTRODUCTION

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 of the Municipality based on 2020 national census was 38,058. The major economic activity of the people are wholesale and retail of goods and trade/repair of motor vehicles. 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 City, 8 kilometers away from Urdaneta City, and 5 kilometers away from Our Lady of Manaoag Shrine. The municipal hall is located at Pandan Avenue, Barangay Poblacion, Mapandan, Pangasinan.

The personnel complement of the LGU consists of 12 elective officials, 73 permanent employees, 2 co-terminus 132 job orders and 6 contract of service workers, or a total of 225 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 boosted its social, agricultural and economic growth and delivery of basic services. Among the major projects of the LGU that were completed during the year are the following:

Programs/Projects/Activities	Cost (₱)
Construction of Municipal Cemetery Extension II at Brgy. Poblacion	54,967,555.44
Construction of Motorpool and RC Wall Fence at the back of Mapandan Abattoir, Brgy. Aserda	12,892,407.78
Fabrication/Installation of Solar Lights in various Areas of Mapandan	4,246,125.52
Concrete Paving of Golden – Nilombot Road, Cosmos St., Brgys. Golden and Nilombot	3,734,699.79
Purchase of Two Units Hi-Ace Commuter for MHO and MSWDO	2,808,800.00
Concrete Paving of Pakwan St., Brgy. Pias	2,705,975.96
Fabrication/Improvement of Mapandan Public Market	1,499,245.03
Road Widening along Apayas St., Brgy. Apaya	1,498,452.51
Improvement/Rehabilitation of Mapandan Public Plaza – Construction of Municipal Tennis Clubhouse – Phase II	998,068.05

C. FINANCIAL HIGHLIGHTS

The financial position, financial performance and appropriations and obligations of the Municipality of Mapandan for CY 2022, with corresponding figures for CY 2021 are as follows:

Account	2022 (₱)	2021 (₱)	Increase (Decrease) (₱)	% of Change
Assets	578,523,733.68	289,861,137.79	288,662,595.89	99.59
Liabilities	134,750,375.93	46,888,592.56	87,861,783.37	187.38
Equity	443,773,357.75	242,972,545.23	200,800,812.52	82.64
Revenue	180,618,300.18	126,159,337.16	54,458,963.02	43.17
Expenses	166,571,000.46	133,040,417.48	33,530,582.98	25.20
Excess of Income over Expenses	14,047,299.72	11,463,428.29	2,583,871.43	22.54
Appropriations	278,185,226.69	251,810,126.14	26,375,100.55	10.47
Obligation	260,433,031.29	159,548,497.76	100,884,533.53	63.23

D. SCOPE OF AUDIT

The audit covered the transactions and operations of the Municipality of Mapandan for CY 2022. 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 had 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 in view of misstatements totaling ₱12,128,307.48 due to a.) provision of depreciation for fully depreciated PPEs, overstating both the Accumulated Depreciation and Depreciation Expense accounts by ₱6,099,047.06 and ₱1,586,831.09, respectively and understating the equity account by ₱4,512,215.97; b.) non-provision of depreciation expenses for Parks, Plazas and Monuments and Other Infrastructure Assets understated the Accumulated Depreciation account by ₱4,054,885.42; and c.) the intangible asset – computer software recorded as Information and Communication Technology (ICT) Equipment was provided with depreciation expense; hence, overstating both the ICT Equipment and Accumulated Depreciation – ICT Equipment by ₱1,012,500.00 and ₱961,875.00, respectively and understating the Intangible Asset – Computer Software and equity accounts by ₱1,012,500.00 and ₱961,875.00, respectively.

F. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the most significant audit observations and recommendations.

1. Purchase of 10 laptops provided to the SB members with an aggregate amount of ₱380,000.00 was split into two transactions that resorted to small value procurement, an indication of splitting of government contracts provided under Section 54.1 of the 2016 Revised IRR of RA No. 9184, hence, prices obtained may not be advantageous to the LGU.

   We recommended that Management require the BAC members and BAC Secretariat to ensure that procurement of goods of the same specifications or qualities be consolidated into a single requisition to attain better terms in the procurement process and to avoid splitting of government contracts.

2. No well-defined policy or written guidelines for the grant of financial assistance was adopted by the LGU, resulting in subjective evaluation and inconsistencies in the grant of financial assistance which is not in accordance with Section 2 of Presidential Decree (PD) No. 1445. Likewise, granting of financial assistance by the members of the SB is not among their powers, duties and functions as provided under Section 447(a) of RA No. 7160.

   a. We recommended that Management instruct the Municipal Social Welfare and Development Officer (MSWDO) to create a policy or guidelines for review and approval of Management on the determination as to the appropriateness, procedure and payment of financial assistance to individuals/families in crisis situation, considering the nature, eligibility of beneficiaries, amount of financial assistance and such other parameters.

   b. We, likewise, recommended that the Local Chief Executive (LCE) implement the approved programs, projects and activities of the LGU while the SB members shall be limited to their legislative functions.

3. The Materials Recovery Facility (MRF) machineries consisting of compactor and granulator purchased in CY 2019 with a total acquisition cost of ₱13,500,000.00 remained unused and unutilized due to lack of management action for its operations, costing therefore the LGU to incur the amounts of ₱5,130,000.00 and ₱2,621,808.80 for the depreciation and interest expenses, respectively, without any benefit derived therefrom, an indication of ineffective and inefficient use of public funds.

   We recommended that Management, through the initiative of the Municipal Environment and Natural Resources Officer (MENRO) and Municipal Planning and Development Council (MPDC) Officer and approval of the SB members, develop a concrete plan for the utilization and operation of the MRF machineries, taking into account the activities that will be most beneficial for the LGU and to prioritize the implementation of such activities to attain the intended benefits for which the machineries are acquired.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 28 audit recommendations embodied in the 2021 AAR, 12 were implemented and 16 were not implemented by the Municipality. Unimplemented recommendations were reiterated in this report due to significant effect in the financial statements and operations.

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

As of December 31, 2022, the unsettled balances of suspensions, disallowances and charges of the Municipality are as follows:

Notices	Balance, January 1, 2022 (₱)	Issuances for CY 2022 (₱)		Balance, December 31, 2022 (₱)
		NS/ND/NC	NSSDC	
Suspensions	-	-	-	-
Disallowances	35,187.00	-	-	35,187.00
Charges	-	-	-	-
Total	**35,187.00**	**-**	**-**	**35,187.00**

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PART I

AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

HON. KARL CHRISITIAN F. VEGA
Municipal Mayor
Mapandan, Pangasinan

We have audited the financial statements of the Municipality of Mapandan, Pangasinan which comprise the statement of financial position as at December 31, 2022, 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 material respects, the financial position of the Municipality of Mapandan, Pangasinan as at December 31, 2022, 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, uncorrected misstatements totaling ₱12,128,307.48 affected the fair presentation of the financial statements comprised of the following: a.) provision of depreciation for fully depreciated PPEs overstated both the Accumulated Depreciation and Depreciation Expense accounts by ₱6,099,047.06 and ₱1,586,831.09, respectively and understated the equity account by ₱4,512,215.97; b.) non-provision of depreciation expenses for Parks, Plazas and Monuments and Other Infrastructure Assets understated the Accumulated Depreciation account by ₱4,054,885.42; and c.) the intangible asset – computer software recorded as Information and Communication Technology (ICT) Equipment was provided with depreciation expense, overstating both the ICT Equipment and Accumulated Depreciation – ICT Equipment by ₱1,012,500.00 and ₱961,875.00, respectively and understating the Intangible Asset – Computer Software and equity accounts by ₱1,012,500.00 and ₱961,875.00, respectively.

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 bases for our qualified opinion.

Key Audit Matters

Except for the matters 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 30, 2023

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, 2022** 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
Municipal Accountant

February 10, 2023
Date Signed

KARL CHRISTIAN E. VEGA
Municipal Mayor

February 10, 2023
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 of the Municipality based on 2020 national census was 38,058. The major economic activity of the people are wholesale and retail of goods and trade/repair of motor vehicles. 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 City, 8 kilometers away from Urdaneta City, and 5 kilometers away from Our Lady of Manaoag Shrine. The Municipal Hall is located at Pandan Avenue, Barangay Poblacion, Mapandan, Pangasinan.

The personnel complement of the LGU consists of 12 elective officials, 73 permanent employees, 2 co-terminus 132 job orders and 6 contract of services, or a total of 225 municipal officials and employees.

The administration continued its programs for social, economic and physical development. With the unity and cooperation of all Mapandanians, the significant programs and projects accomplished and completed in CY 2022 are as follows:

Programs/Projects/Activities	Total Cost
Construction of Municipal Cemetery Extension II at Brgy. Poblacion	54,967,555.44
Construction of Motorpool and RC Wall Fence at the back of Mapandan Abattoir, Brgy. Aserda	12,892,407.78
Fabrication/Installation of Solar Lights in Various Areas of Mapandan	4,246,125.52
Concrete Paving of Golden – Nilombot Road, Cosmos St., Brgys. Golden and Nilombot	3,734,699.79
Purchase of Two Units Hi-Ace Commuter for MHO and MSWDO	2,808,800.00
Concrete Paving of Pakwan St., Brgy. Pias	2,705,975.96
Fabrication/Improvement of Mapandan Public Market	1,499,245.03
Road Widening along Apayas St., Brgy. Apaya	1,498,452.51
Improvement/Rehabilitation of Mapandan Public Plaza – Construction of Municipal Tennis Clubhouse – Phase II	998,068.05

2. The consolidated financial statements of the LGU have been prepared in accordance with the 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 which include 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

	2022	**2021**
Cash on Hand		
Cash- Local Treasury	-	(0.25)
Cash in Bank - Local Currency		
Cash in Bank-Local Currency-Current Account	46,353,369.35	30,160,955.67
Total	**46,353,369.35**	**30,160,955.42**

4.1 The depository bank of the LGU as of December 31, 2022 is the Land Bank of the Philippines (LBP) which is located in Calasiao, Pangasinan. The Development Bank of the Philippine (DBP) account for Trust Fund Proper was closed during 2022 and was transferred to LBP Calasiao. Breakdown of Cash in Bank account of the LGU for CYs 2022 and 2021 are shown in the next page.

Fund	Bank	Amount	
		2022	2021
General Fund	LBP	38,988,833.71	25,334,550.01
SEF	LBP	1,708,475.92	701,419.81
Trust Fund			
LDRRMF	LBP	3,579,123.14	1,237,811.57
Building Permit		432,877.91	217,017.38
Professional Fees		43,280.00	40,580.00
Hospital Charges Income		27,363.52	19,863.52
Trust Fund Proper	LBP/ DBP	1,573,415.15	2,609,713.38
Total		**46,353,369.35**	**30,160,955.67**

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

5. Current Receivables

	2022	2021
Loans and Receivable Accounts		
Real Property Tax Receivable	399,375.03	442,707.26
Special Education Tax Receivable	399,375.03	442,707.26
Intra-Agency Receivables		
Due from Other Funds	48,108.93	937,894.61
Other Receivables		
Receivables - Disallowances/Charges	81,187.00	81,187.00
Due from Officers and Employees	14,711.30	14,711.30
Other Receivables	3,161.62	15,219.82
Total	**945,918.91**	**1,934,427.25**

5.1 As at December 31, 2022, 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	399,375.03	399,375.03	-	-	-
Special Education Tax Receivable	399,375.03	399,375.03	-	-	-
Due from Other Funds	48,108.93	44,476.56	-	-	3,632.37
Receivables - Disallowances and Charges	81,187.00	-	-	-	81,187.00

Account	Totals	Neither past due or impaired	Past due but not impaired		
			<30 days	30-60 days	>60 days
Due from Officers and Employees	14,711.30	-	-	-	14,711.30
Other Receivables	3,161.62	58.46	-	-	3,103.16
Total	**945,918.91**	**843,285.08**	**-**	**-**	**102,633.83**

5.2 As at December 31, 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**

6. Inventories

	2022	2021
Inventory Held for Consumption		
Office Supplies Inventory	179,227.41	82,034.00
Accountable Forms, Plates and Stickers	49,793.00	3,464.00
Drugs and Medicines Inventory	33,530.00	-
Medical, Dental and Laboratory Supplies Inventory	2,795.00	35,324.15
Total	**265,345.41**	**120,822.15**

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

7. Investments

	2022	2021
Guarantee Deposits	**37,074.91**	**37,074.91**

8. Non-Current Receivables

	2022	2021
Inter-Agency Receivables		
Due from NGAs	92,140.81	92,140.81
Due from LGUs	169,146.67	169,146.67
Other Receivables		
Other Receivables	352,348.33	352,348.33
Total	**613,635.81**	**613,635.81**

8.1 The non-current receivables in the amount of ₱613,635.81 are dormant receivables as the accounts remained inactive for almost 30 years in the books of accounts. Further, there were no documents evidencing the propriety of existence nor recordings in the ledgers.

9. Property, Plant and Equipment

Account	2022	Additions/ (Reductions)	2021
Land	53,008,020.00	27,513,000.00	25,495,020.00
Other Land Improvements	1,081,056.29	-	1,081,056.29
Road Networks	354,836,120.86	209,979,193.83	144,856,927.03
Water Supply Systems	2,524,221.17	2,524,221.17	-
Parks, Plazas and Monuments	12,618,649.39	998,068.05	11,620,581.34
Other Infrastructure Assets	12,948,117.89	4,246,125.52	8,701,992.37
Buildings	41,034,996.34	12,892,407.78	28,142,588.56
School Buildings	986,806.75	-	986,806.75
Markets	47,292,207.41	1,499,245.03	45,792,962.38
Slaughterhouses	8,708,533.63	-	8,708,533.63
Other Structures	111,217,511.70	55,327,555.44	55,889,956.26
Machinery	13,500,000.00	-	13,500,000.00
Office Equipment	5,734,994.70	138,850.00	5,596,144.70
Information and Communication Technology Equipment	15,440,567.36	1,712,332.02	13,728,235.34
Agricultural and Forestry Equipment	4,023,000.00	-	4,023,000.00
Communication Equipment	843,850.00		843,850.00
Construction and Heavy Equipment	8,735,431.50	-	8,735,431.50

Account	2022	Additions/ (Reductions)	2021
Disaster Response and Rescue Equipment	4,087,507.51	2,683,157.51	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	11,270,146.71	471,474.24	10,798,672.47
Furniture and Fixtures	4,603,856.53	401,106.11	4,202,750.42
Books	229,299.80	-	229,299.80
Construction in Progress - Buildings and Other Structures	5,006,913.26	(2,966,814.21)	7,973,727.47
Other Property, Plant and Equipment	14,679,101.05	-	14,679,101.05
Total	**738,954,907.67**	**317,419,922.49**	**421,534,985.18**
Less: Accumulated Depreciation	208,756,518.38	44,105,755.45	164,650,762.93
Net Book Value	**530,198,389.29**	**273,314,167.04**	**256,884,222.25**

9.1 Accumulated Depreciation was restated from ₱73,542,389.37 to ₱72,748,157.31.

9.2 COA Circular No. 2022-004 dated May 31, 2022 increasing the capitalization threshold from ₱15,000.00 to ₱50,000.00 was not yet adopted by the LGU.

10. Biological Assets

	2022	2021
Breeding Stocks	**110,000.00**	**110,000.00**

10.1 The breeding stocks account pertained to 11 cows purchased before CY 2000 which were distributed to the intended beneficiaries of the LGU. However, the 11 cows were presumed dead but the necessary documents were not provided to derecognize the assets from the books of accounts.

11. Financial Liabilities – Current

	2022	2021
Accounts Payable	14,635,372.51	5,020,489.66
Current Portion of Loans Payable – Domestic	11,609,429.97	2,985,311.77
Total	**26,244,802.48**	**8,005,801.43**

11.1 Accounts Payable account is composed of unpaid obligation to suppliers, creditors and employees.

11.2 Current Portion and Non-Current Portion of Loans Payable – Domestic consist of the following:

Purpose of Loan	Current Portion	Non-Current Portion	Total Loans Payable
Acquisition of Heavy Equipment and MRF Machines	1,928,571.44	3,857,142.80	5,785,714.24
Improvement/Extension of Public Market	1,732,753.92	12,129,277.77	13,862,031.69
Construction of Municipal Motorpool Building and Reinforced Concrete Wall - up to 4th release	1,448,104.60	10,136,732.30	11,584,836.90
Construction of Mapandan Municipal Cemetery Extension 2 with Lot Purchase	6,500,000.01	71,467,555.43	77,967,555.44
Total	**11,609,429.97**	**97,590,708.30**	**109,200,138.27**

11.3 Shown below is the individual loan profile, all of which were granted by LBP:

Purpose of Loan	Principal	Date Granted	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.	6.5%	5,785,714.24
Improvement/ Extension of Public Market	15,594,785.61	12/29/ 2020	12/27/ 2030	Quarterly for 10 years.	4.0% subject to annual repricing	13,862,031.69
Construction of Municipal Motorpool Building and Reinforced Concrete Wall	12,892,407.78	12/29/ 2020	12/27/ 2030	Quarterly for 10 years.	4.5% subject to annual repricing	11,584,836.90
Construction of Mapandan Municipal Cemetery Extension 2 with Lot Purchase	77,967,555.44	01/20/ 2022	01/20/ 2032	Quarterly for 10 years.	4% subject to annual repricing	77,967,555.44

12. Inter-Agency Payables

	2022	2021
Due to BIR	766,094.00	1,170,786.00
Due to GSIS	860,536.13	757,436.58
Due to Pag-IBIG	178,049.91	133,890.31
Due to PhilHealth	220,302.80	62,796.59
Due to NGAs	1,302,128.47	1,605,633.55
Due to LGUs	1,558,426.98	1,773,017.20
Total	**4,885,538.29**	**5,503,560.23**

12.1 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 are remitted to the respective government agencies immediately on the following month. While the remaining accounts represents balances of funds received by the LGU for specific purposes.

13. Intra-Agency Payables

	2022	2021
Due to Other Funds	**48,108.93**	**222,090.47**

14. Trust Liabilities

	2022	2021
Trust Liabilities	414,196.31	-
Trust Liabilities- Disaster Risk Reduction and Management Fund	3,514,635.85	1,788,485.58
Bail Bonds Payable	841.24	841.24
Total	**3,929,673.40**	**1,789,326.82**

15. Deferred Credits/Unearned Income

	2022	2021
Deferred Real Property Tax	399,375.03	442,707.26
Deferred Special Education Tax	399,375.03	442,707.26
Total	**798,750.06**	**885,414.52**

16. Other Payables

	2022	2021
Other Payables	**1,252,794.47**	**2,184,912.10**

17. **Financial Liabilities - Non-Current Liabilities**

	2022	2021
Non-Current Portion of Loans Payable - Domestic	**97,590,708.30**	**28,297,486.99**

18. **Tax Revenue**

	2022	2021
Tax Revenue - Individual and Corporation		
Community Tax	598,666.30	580,899.16
Tax Revenue-Property		
Real Property Tax - Basic	3,088,340.90	2,482,161.39
Discount on Real Property Tax -Basic	(377,769.67)	(303,663.24)
Special Education Tax	3,860,426.29	3,102,701.76
Discount on Special Education Tax	(472,212.21)	(379,579.13)
Tax Revenue-Goods and Services		
Business Tax	2,687,816.93	1,895,658.35
Tax Revenue - Fines and Penalties Taxes on Individual and Corporations		
Tax Revenue -Fines and Penalties - Other Taxes	26,933.73	23,256.88
Total	**9,412,202.27**	**7,401,435.17**

19. **Share from Internal Revenue Collections**

	2022	2021
Share Internal Revenue Collections (IRA)	**159,268,760.00**	**118,841,250.00**

20. **Other Share from National Taxes**

	2022	2021
Share from Tobacco Excise Tax (RA 7171 and 8240)	**2,035,171.50**	**1,884,415.00**

21. **Service and Business Income**

	2022	2021
Service Income		
Permit Fees	3,952,311.11	2,793,279.37
Registration Fees	328,772.00	276,809.00
Clearance and Certificate Fees	124,090.00	65,730.00
Fees for Sealing and Licensing of Weights and Measures	16,938.00	10,700.00

	2022	2021
Other Service Income	162,424.90	73,303.08
Business Income		
Receipt from Market Operations	3,221,939.17	9,858,003.14
Slaughterhouse Operation	320,642.00	342,886.75
Receipt from Cemetery Operations	931,700.00	1,901,100.00
Garbage Fees	207,823.50	191,200.00
Interest Income	21,818.78	18,296.62
Total	**9,288,459.46**	**15,531,307.96**

22. Shares, Grants and Donations

	2022	2021
Donations		
Grants and Donations in Kind	**-**	**144,748.80**

23. Other Income

	2022	2021
Miscellaneous Income	**613,706.95**	**700,688.84**

24. Employee Costs

	2022	2021
Personnel Services		
Salaries and Wages - Regular	31,743,277.96	29,628,604.86
Salaries and Wages- Casual/Contractual	-	1,390,000.00
Other Compensation		
Personal Economic Relief allowance	1,946,889.40	1,704,070.96
Representation Allowance	1,736,516.12	1,730,806.45
Transportation Allowance	1,736,516.12	1,730,806.45
Clothing/Uniform Allowance	540,000.00	426,000.00
Subsistence Allowance	254,271.37	181,900.00
Laundry Allowance	21,488.71	16,990.00
Productivity Incentive Allowance	428,000.00	343,000.00
Honoraria	958,880.00	813,120.00
Year-End Bonus	5,238,357.40	4,992,041.90
Hazard Pay	234,656.95	227,371.23
Cash Gift	509,300.00	421,500.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	3,805,060.06	3,555,432.57
Pag-IBIG Contribution	97,700.00	85,300.00
PhilHealth Contribution	682,424.89	383,246.28
Employees Compensation Insurance Premiums	97,599.14	85,108.35
Other Personnel Benefit		

	2022	2021
Terminal Leave Benefits	12,193,280.23	5,197,168.26
Other Personnel Benefits	904,000.00	760,000.00
Total	**63,128,218.35**	**53,672,467.31**

25. Maintenance and Other Operating Expenses

	2022	2021
Traveling Expenses		
Traveling Expenses - Local	3,350,619.86	487,198.94
Training and Scholarship Expenses		
Training Expenses	230,500.00	-
Supplies and Material Expenses		
Office Supplies Expense	1,820,237.49	1,707,746.22
Accountable Forms Expense	91,951.00	71,541.50
Food Supplies Expenses	2,453,018.00	-
Welfare Goods Expenses	3,158,076.83	-
Drugs and Medicines Expenses	867,586.15	706,318.43
Medical, Dental and Laboratory Supplies Expenses	185,104.00	-
Fuel, Oil and Lubricant Expenses	3,354,958.24	5,483,271.47
Chemical and Filtering Supplies Expenses	398,400.00	-
Other Supplies and Materials Expenses	1,260,212.92	-
Utility Expenses		
Water Expenses	1,105,219.33	581,003.64
Electricity Expenses	5,159,399.28	3,647,376.28
Communication Expenses		
Postage and Courier Services	1,347.00	4,166.00
Telephone Expenses	1,560,930.57	1,553,697.43
Internet subscription Expenses	379,419.75	353,188.92
Awards/Rewards and Prizes		
Prizes	484,500.00	-
Survey, Research, Exploration and Development Expenses		
Survey Expenses	63,000.00	-
Research, Exploration and Development Expenses	184,405.00	-
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	39,182.33	40,136.37
Professional Services		
Consultancy Services	420,000.00	487,000.00
General Services		
Other General Services	10,567,760.50	8,068,995.03
Repairs and Maintenance		

	2022	2021
Repairs and Maintenance -Infrastructure Assets	2,278,172.43	1,104,594.70
Repairs and Maintenance -Buildings and Other Structure	4,678,816.52	2,241,497.27
Repairs and Maintenance -Machinery and Equipment	239,360.00	92,562.14
Repairs and Maintenance - Transportation Equipment	1,628,261.78	1,335,082.00
Taxes, Insurance Premiums and Other Fees		
Fidelity Bond Premiums	5,000.00	57,000.00
Insurance Expenses	178,393.85	141,153.99
Other Maintenance and Operating Expenses		
Advertising Expenses	-	50,000.00
Printing and Publication Expenses	164,533.12	-
Rent Expenses	86,500.00	-
Donations	5,617,050.35	3,885,613.19
Other Maintenance and Operating Expenses	9,070,278.93	18,725,242.05
Total	**61,082,195.23**	**50,824,385.57**

26. Non-Cash Expenses

Depreciation Expenses	**2022**	**2021 (Restated)**
Depreciation-Infrastructure Assets	11,940,084.30	7,926,150.72
Depreciation-Buildings and Other Structure	5,540,290.00	4,716,864.26
Depreciation-Machinery and Equipment	6,984,375.51	6,267,249.85
Depreciation-Transportation Equipment	1,200,826.91	1,208,091.87
Depreciation-Furniture, Fixtures and Book	415,355.78	398,881.29
Depreciation-Other Property, Plant and Equipment	25,080.00	18,859.98
Total	**26,106,012.50**	**20,536,097.97**

Depreciation – Infrastructure Assets account for CY 2021 was restated from ₱8,720,382.78 to ₱7,926,150.72.

27. Financial Expenses

	2022	2021
Interest Expenses	2,154,971.19	978,006.98
Bank Charges	4,363.76	3,659.33
Other Financial Charges	621,648.00	144,720.00
Total	**2,780,982.95**	**1,126,386.31**

28. Transfers, Assistance and Subsidy To

	2022	2021
Assistance and Subsidy		
Subsidy to NGAs	865,511.16	1,331,632.87
Subsidy to Other Local Government Units	2,433,750.00	2,336,760.31
Subsidies - Others	8,448,180.00	2,496,875.00
Transfers		
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	1,726,150.27	715,812.14
Total	**13,473,591.43**	**6,881,080.32**

29. Prior Period Errors

Below are the details of Prior Period Errors for 2022:

Transaction	Amount
General Fund	
Over depreciation of Road Networks due to depreciating fully depreciated assets	**(794,232.06)**

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

	2022	2021 (Restated)
Surplus/ (Deficit)	14,047,299.72	11,463,428.29
Non-cash transactions		
Depreciation	26,106,012.50	20,536,097.97
Increase/ (Decrease) in payables	4,933,041.28	(9,342,051.33)
(Increase) Decrease in current assets	(144,523.26)	10,818.23
(Increase) Decrease in receivables	1,021,665.96	(374,480.99)
Net Cash from Operating Activities	**45,963,496.20**	**22,293,812.17**

31. Local Disaster Risk Reduction and Management Fund (LDRRMF)

The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to 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 ₱11,156,528.69 and ₱3,079,641.97. The unutilized balances of QRF and MF-MOOE in the amounts of ₱1,035,514.69 and ₱690,635.58, respectively, or a total amount of ₱1,726,150.27 were transferred to Trust Liabilities- Disaster Risk Reduction and Management Fund account.

Particulars	Available	Utilized	Balance
Current Year Appropriation			
Quick Response Fund (QRF)	2,535,514.69	1,500,000.00	1,035,514.69
Mitigation Fund (MF)			
MOOE	1,462,704.33	772,068.75	690,635.58
Capital Outlay	4,453,496.60	214,150.00	4,239,346.60
Sub-total	**8,451,715.62**	**2,486,218.75**	**5,965,496.87**
Continuing Appropriation	916,327.49	593,423.22	322,904.27
Transferred to Trust Fund			
CY 2021	715,812.14	-	715,812.14
CY 2020	976,149.89	-	976,149.89
CY 2019	96,523.55	-	96,523.55
Total	**11,156,528.69**	**3,079,641.97**	**8,076,886.72**

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, 2022

Particulars	Income	Personnel Services	MOOE	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	180,618,300.18	63,128,218.35	76,109,269.63	7,746,484.34	113,449,058.97
Basis Differences:					
Expenses not considered budgetary					
Non-cash expenses:					
Depreciation	-	-	26,106,012.50	-	-
Budgetary items not considered as expenses					
Debt Service (Loan Amortization))				(4,968,896.24)	
Capital Expenditures					(113,449,058.97)
Timing Differences:					
Unconsumed Inventories charged to current appropriations	-	-	(265,345.41)	-	-
Consumed Inventories and deferred charges charged to prior period appropriations	-	-	120,822.15	-	-
Other Reconciling Items:					
Budgeted Items under MOOE but treated as FE in the FS			(3,394.85)	3,394.85	
Commitments (Obligated but not delivered/billed)			(1,405,564.86)		
Per Statement of Financial Performance	**180,618,300.18**	**63,128,218.35**	**100,661,799.16**	**2,780,982.95**	**-**

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

Depreciation of fully depreciated PPEs and non-depreciation of some PPEs

1. **Several fully depreciated PPEs with a total cost of ₱13,367,563.48 were still provided with depreciation expenses for CY 2022 which is not in accordance with Item 71 of IPSAS 17, overstating the Accumulated Depreciation and Depreciation Expense accounts by ₱6,099,047.06 and ₱1,586,831.09, respectively and understating equity account by ₱4,512,215.97. Likewise, the non-provision of depreciation expenses for Parks, Plazas and Monuments and Other Infrastructure Assets of the LGU with a total book value of ₱25,566,767.28 as at December 31, 2022 resulted in the understatement of Accumulated Depreciation account by ₱4,054,885.42 which is not in accordance with Item 43 of IPSAS 17.**

1.1 Items 43 and 71 of IPSAS 17 provide that:

> 43. After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
>
> 71. 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.

1.2 Several PPEs with a total cost of ₱13,367,563.48 which were fully depreciated as at December 31, 2021 were still provided with depreciation expenses for CY 2022. Details are as follows:

Account	Cost (₱)	Accumulated Depreciation as of 12/31/2022 (₱)			Depreciation Expenses for CY 2022 (₱)		
		Recorded	Should be	Difference	Recorded	Should be	Difference
Office Equipment	3,420,637.70	4,770,617.33	3,249,605.82	1,521,011.51	649,921.16	379,742.51	270,178.65
ICT Equipment	4,966,260.82	7,233,665.71	4,717,947.78	2,515,717.93	2,280,437.36	1,449,948.47	830,488.89
Motor Vehicles	4,980,664.96	6,793,949.33	4,731,631.71	2,062,317.62	1,200,826.91	714,663.36	486,163.55
Total	**13,367,563.48**	**18,798,232.37**	**12,699,185.31**	**6,099,047.06**	**4,131,185.43**	**2,544,354.34**	**1,586,831.09**

1.3 The provision of depreciation for the afore-cited PPEs resulted in the overstatement of Accumulated Depreciation and Depreciation Expense accounts by ₱6,099,047.06 and ₱1,586,831.09, respectively and understatement of equity account by ₱4,512,215.97.

1.4 Further, the following PPEs had no provision for depreciation expenses:

Date Acquired	Project Name	Cost/Actual Carrying Value, 12/31/2022 (₱)	Should be Accumulated Depreciation, 12/31/2022 (₱)	Should be Carrying Value, 12/31/2022 (₱)
Parks, Plazas and Monuments				
03/23/2016	Perimeter Fence of Soccer Field and Children's Park at Public Plaza	920,304.31	295,072.58	625,231.73
03/31/2017	Tourism Facility - Fountain Area	5,185,136.89	1,416,190.51	3,768,946.38
10/31/2017	Public Auditorium Phase	1,477,783.35	362,672.66	1,115,110.69
06/30/2018	Tourism Facility - Children's Park	3,538,588.83	756,373.36	2,782,215.47
02/28/2022	Improvement/ Rehabilitation of Mapandan Public Plaza -Construction of Municipal Tennis Clubhouse	1,496,836.01	59,249.76	1,437,586.25
Sub-total		**12,618,649.39**	**2,889,558.87**	**9,729,090.52**
Other Infrastructure Assets				
06/30/2017	Public Toilet - Mapandan Auditorium	1,328,537.13	347,080.33	981,456.80
11/22/2019	Communal Comfort Rooms in 14 Brgys.	999,688.21	146,412.67	853,275.54
08/17/2020	Covered Common Parking in Front of Public Market, Poblacion, Mapandan	3,576,798.32	396,428.48	3,180,369.84
05/11/2021	Construction of Line Canal inside Auditorium.	498,935.43	39,499.05	459,436.38
12/03/2021	Relocation of Boulevard Lights at Brgys. Nilombot, Golden, Apaya, Poblacion, Aserda and Sta. Maria.	2,298,033.28	118,252.96	2,179,780.32
05/16/2022	Fabrication/Installation of Solar Lights	4,246,125.52	117,653.06	4,128,472.46
Sub-total		**12,948,117.89**	**1,165,326.55**	**11,782,791.34**
Grand Total		**25,566,767.28**	**4,054,885.42**	**21,511,881.86**

**Depreciation Expenses computed based on a 20 years useful life with five percent residual value*

1.5 The non-provision of depreciation expenses on the above-mentioned PPEs had the following effects in the financial statements as at year-end:

Affected Accounts	Understated (Overstated) by (₱)
Accumulated Depreciation – Park, Plazas and Monuments	2,889,558.87
Accumulated Depreciation – Other Infrastructure Assets	1,165,326.55
Depreciation – Infrastructure Assets	1,118,533.59
Government Equity	(2,936,351.83)

1.6 **We recommended that Management instruct the Municipal Accountant to:**

1.7.1 **Stop providing depreciation on PPEs that are fully depreciated and effect the proposed adjusting journal entries to revert the depreciation expense recognized for the fully depreciated assets:**

Account	Debit	Credit
Accumulated Depreciation - Office Equipment	**1,521,011.51**	
Accumulated Depreciation - ICT Equipment	**2,515,717.93**	
Accumulated Depreciation - Motor Vehicles	**2,062,317.62**	
Depreciation - Machinery and Equipment		**1,100,667.54**
Depreciation - Transportation Equipment		**486,163.55**
Prior Period Adjustment		**4,512,215.97**

1.7.2 **Provide depreciation expenses for Parks, Plazas and Monuments and Other Infrastructure Assets and effect the following proposed adjusting journal entries to reflect the correct balances of the accounts in the financial statements:**

Account	Debit	Credit
Depreciation - Infrastructure Assets	**1,118,533.59**	
Prior Period Adjustment	**2,936,351.83**	
Accumulated Depreciation - Parks, Plazas and Monuments		**2,889,558.87**
Accumulated Depreciation - Other Infrastructure Assets		**1,165,326.55**

1.7 In their written reply, Management informed the Audit Team that Journal Entry Voucher (JEV) No. 100-23-05-0018 dated May 29, 2023 was drawn to recognize the depreciation of Parks, Plazas and Monuments and Other Infrastructure Assets. Likewise, JEV No. 100-23-05-0019 dated May 29, 2023 was drawn to correct the error of depreciating assets that are already fully depreciated as at December 31, 2021. Further, the Municipal Accountant committed to properly monitor the deprecation of the PPE account of the LGU.

Non-recording of completed infrastructure assets - ₱1,687,214.85

2. **Unrecognized work accomplishment on completed projects totaling ₱1,687,214.85 deviates from the provision of IPSAS I, particularly the adoption of accrual basis of accounting, resulting in the understatement of both PPE and Accounts Payable accounts by ₱1,687,214.85.**

2.1 Accrual basis of accounting as defined in IPSAS I is "a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid)."

2.2 Likewise, Section 50, Volume II of Manual on the New Government Accounting System (MNGAS) for LGUs states that:

> [D]uring the construction period, agency assets and public infrastructures shall be taken up in the books as "Construction in Progress" with the appropriate asset classification. As soon as the project is completed, the Construction in Progress for agency asset is closed to the appropriate asset account.

2.3 Review of the Quarterly Report on Government Programs, Projects and Activities (PPA) of the LGU for December 31, 2022 disclosed that the following infrastructure projects were already completed but were not yet recorded as asset in the books of accounts:

PPA	Cost (₱)	Date Completed	Should be Asset Account
Proposed Construction of One Stop Shop Phase II, Mapandan, Pangasinan	994,891.44	12/11/2022	Construction in Progress (CIP) – Buildings and Other Structures
Construction of Covered Sidewalk with Box Culvert, Curb and Gutter-Phase 4, Mapandan, Pangasinan	692,323.41	11/26/2022	Road Networks
Total	**1,687,214.85**		

2.4 There were no payments yet made by the LGU for the said completed projects for CY 2022. It was further noted that said completed projects were not recognized as Accounts Payable in the books of accounts as at year-end. Inquiry with the Municipal Accountant revealed that the Quarterly Report on PPA, together with their supporting documents, was not provided by the Municipal Engineer to her as basis in the recording of the completed projects as at year-end; hence, actual status of the infrastructure projects implemented by the LGU was not reflected in the financial statements.

2.5 In view of the foregoing, both CIP – Buildings and Other Structures, Road Networks and Accounts Payable accounts were understated by ₱994,891.44, ₱692,323.41 and ₱1,687,214.85, respectively as at December 31, 2022. Likewise, depreciation expense for the Covered Sidewalk with Box Culvert, Curb and Gutter was not recognized; hence, Accumulated Depreciation – Road Networks and Depreciation – Infrastructure Assets were both understated by ₱3,846.24.

2.6 **We recommended that Management instruct the Municipal Accountant to prepare the adjusting journal entries on the aforementioned transactions to reflect the correct balances of the affected accounts as at December 31, 2022. The suggested journal entries are as follows:**

	Debit	**Credit**
Depreciation – Infrastructure Assets	**3,846.24**	
Road Networks	**692,323.41**	
Construction in Progress –		
Buildings and Other Structures	**994,891.44**	
Accounts Payable		**1,687,214.85**
Accumulated Depreciation-		
Road Networks		**3,846.24**

2.7 **We, likewise, recommended that Management instruct the Municipal Engineer to furnish copy of Certificates of Completion to the Municipal Accountant as basis in the transfer of completed project at year-end from CIP account to the appropriate PPE account.**

2.8 Attached with the written reply of Management are photocopies of Disbursement Voucher (DV) Nos. 100-23-02-0149 dated February 10, 2023 and 100-23-02-0159 dated February 14, 2023 representing the final payments made for the infrastructure projects cited; hence, the assets were already reclassified to the appropriate PPE account. Management also recognized the depreciation expense through JEV No. 100-23-05-0020 dated May 29, 2023. Lastly, the Municipal Accountant and Municipal Engineer agreed to work together to properly record construction of ongoing infrastructure assets.

Provision for depreciation of intangible assets - ₱1,012,500.00

3. **Computer software costing ₱1,012,500.00 was erroneously recorded as Information and Communication Technology (ICT) Equipment and was subsequently provided with depreciation cost which is not in accordance with IPSAS 31; hence, overstating both the ICT Equipment and Accumulated Depreciation – ICT Equipment by ₱1,012,500.00 and ₱961,875.00, respectively and understating the Intangible Asset – Computer Software and equity accounts by ₱1,012,500.00 and ₱961,875.00, respectively.**

3.1 IPSAS 31 prescribes the accounting guidelines for the intangible assets. It defines intangible asset as an identifiable non-monetary asset without physical substance. The following provisions are taken therein for the subsequent measurement of intangible assets, particularly the amortization of such asset:

> 87. An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to, the entity.
>
> 106. An intangible asset with an indefinite useful life shall not be amortized.
>
> 107. In accordance with IPSAS 21 and IPSAS 26, an entity is required to test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment by comparing its recoverable service amount or its recoverable amount, as appropriate, with its carrying amount:
>
> a. Annually; and
>
> b. Whenever there is an indication that the intangible asset may be impaired.
>
> 108. The useful life of an intangible asset that is not being amortized shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change

in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3.

3.2 The financial statements and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for CY 2022 showed that the computer software costing ₱1,012,500.00 was recorded under the ICT Equipment account. Inquiry with the Municipal Accountant revealed that the computer software pertains to the system acquired by the LGU to Amianan Integrated System in CY 2004 used by accounting, budgeting and treasury departments. The Audit Team noted that the LGU still uses the said computer software in its day-to-day operations and is paying Amianan Integrated Systems for every improvement or changes therein as requested by Management. Payments for improvements or changes were charged to repairs and maintenance account.

3.3 Since the computer software was recorded under the ICT Equipment account, the Municipal Accountant subsequently provided depreciation expense for such asset. As at December 31, 2022, the computer software was already fully depreciated and the carrying value as at year-end is ₱50,625.00, equivalent to five percent salvage value of the total cost.

3.4 Further inquiry with Management revealed that there were no binding arrangements between the LGU and Amianan Integrated Systems on the usage of computer software; hence, it shall be used indefinitely by the LGU. As there shall be no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to, the LGU, the computer software should not be amortized.

3.5 However, the LGU must review every accounting period for events and circumstances that do not support the indefinite useful life assessment of the computer software. If such occur, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in accounting estimate in accordance with IPSAS 3.

3.6 The erroneous recording of the computer software as ICT Equipment and the subsequent provision for depreciation expense overstated both the ICT Equipment and Accumulated Depreciation–ICT Equipment accounts by ₱1,012,500.00 and ₱961,875.00, respectively while the Intangible Asset – Computer Software and equity accounts were understated by ₱1,012,500.00 and ₱961,875.00, respectively.

3.7 **We recommended that Management require the Municipal Accountant to:**

3.7.1 **Effect the following adjusting journal entries to correct the error made in recording the intangible asset:**

Account	Debit	Credit
Intangible Asset - Computer Software	**1,012,500.00**	
Accumulated Depreciation – ICT Equipment	**961,875.00**	
ICT Equipment		**1,012,500.00**
Prior Period Adjustment		**961,875.00**

3.7.2 **Review every accounting period for any events and circumstances affecting the indefinite useful life assessment of the computer software, any changes thereof will be reflected in the financial statement prospectively.**

3.8 Embodied in the letter-reply of Management is JEV No. 100-23-05-0021 dated May 29, 2023 as compliance with the audit recommendation of correcting the error made in recording the intangible asset. Likewise, the Municipal Accountant assured the Audit Team to regularly review the indefinite useful life assessment of the intangible asset.

Inclusion of items costing below ₱15,000.00 to PPE account

4. **The PPE account of the LGU consisted of 364 units of machineries and equipment with a unit cost of below ₱15,000.00 which is not in accordance with Section 4.2 of COA Circular No. 2020-006, overstating the PPE account and understating the expenses account. Likewise, unserviceable properties beyond economic repair amounting to ₱1,608,836.96 were not disposed of in accordance with Section 379 of RA No. 7160, thereby exposing the said properties to further deterioration and loss of value, depriving the LGU of additional source of funds from the sale thereof which could have been used in its financial operation.**

4.1 Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020 provides the following criteria for an item to be considered as PPE:

> The cost of an item of PPE shall be recognized as asset if, and only if:
>
> a. it is probable that the future economic benefits or service potential associated with the item will flow to the entity;
>
> b. the cost or fair value of the item can be measured reliably;
>
> c. beneficial ownership and control clearly rest with the government;

d. the asset is used to achieve government objectives; and

e. it meets the capitalization threshold of ₱15,000.

4.2 The RPCPPE for CY 2022 showed that the LGU have total gross amount of PPE of ₱738,954,907.67. However, the report revealed that 364 units of machineries and equipment with a total cost of ₱1,557,107.74, have a unit cost of below ₱15,000.00 but were included as part of the PPE account. Details are as follows:

Machineries and Equipment Account	Quantity	Total Cost (₱)
ICT Equipment	52	370,974.52
Office Equipment – General Fund	9	44,460.00
Office Equipment – Special Education Fund	75	432,732.72
Medical Equipment	79	315,190.50
Disaster Response and Rescue Equipment	3	11,850.00
Other PPE	146	381,900.00
Total	**364**	**1,557,107.74**

4.3 Inquiry with the Municipal Accountant revealed that COA Circular No. 2022-004 dated May 31, 2022 which increases the capitalization threshold from ₱15,000.00 to ₱50,000.00 was not yet adopted by the LGU; hence, PPE with unit cost of ₱15,000.00 below should still be recorded under the PPE account. Clearly provided in the afore-cited guideline that an item must cost ₱15,000.00 and above to be recognized as PPE; thus, the inclusion thereof overstated both the PPE and equity accounts.

4.4 Further review of the RPCPPE showed that PPE account also included unserviceable PPEs in the total amount of ₱1,608,836.96. Details are shown below.

Description	Property Number	Quantity	Total Value (₱)
Suzuki, Engine No. F5A2623187	100-2001-M0-001	1	157,182.86
Suzuki, Engine No. F5A2905495	100-2001-M0-002	1	157,182.85
Suzuki, Engine No. F5A2437228	100-2001-M0-003	1	157,182.85
Suzuki, Engine No. F5A2525354	100-2001-M0-004	1	157,182.85
Suzuki, Engine No. F5A2577950	100-2001-M0-0015	1	157,182.85

Description	Property Number	Quantity	Total Value (₱)
Suzuki, Engine No. F5A2198946	100-2001-M0-006	1	157,182.85
Suzuki, Engine No. F5A2279951	100-2001-M0-007	1	157,182.85
OnePlus Nord H10 5g	100-2021-MO-021	1	30,000.00
Printer	100-2010-MO-003ICT	1	23,200.00
Laptop (Treasury)	100-2010-MO-004ICT	1	31,697.00
Copier (Mayor's Office)	101-2011-MO-004ICT	1	50,400.00
Computer set intel core Celeron (RHU)	100-2017-MO-006ICT	5	120,750.00
Computer	200-001ICT MCS, 200-002ICT MCS, 200-003ICT MCS	3	96,850.00
Computer Set	200-018ICT, 019ICT, 020ICT 021ICT MNHS	4	155,660.00
Total		**23**	**1,608,836.96**

4.5 It was, likewise, noted that most of the unserviceable properties had no available data on file as to unit cost, total cost, accumulated depreciation and other required data. Management informed the Audit Team that the unserviceable PPEs were not yet disposed of due to non-creation of disposal committee who will facilitate the disposal of assets.

4.6 Attention is invited to Section 379 of RA No. 7160 which provides 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.

4.7 Also, Section 167 of the Rules and Regulations on Supply and Property Management in LGUs 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.

4.8 The non-disposal of unserviceable PPE exposes the properties to further deterioration and loss of value, thereby depriving the LGU of additional source of funds from the sale thereof which could have been used in its operations.

4.9 **We recommended that Management instruct the Municipal Accountant to remove from the PPE account the items with a unit cost of below ₱15,000.00 and record the same as debit to Prior Period Adjustment account and credit to PPE account.**

4.10 **We, likewise, recommended that Management create a disposal committee to facilitate the disposal of the unserviceable properties in accordance with the disposal procedures to avoid further deterioration and loss of value and generate additional funds from the sale thereof.**

4.11 According to the letter-reply of Management to the Audit Team, the creation of disposal committee who will facilitate the disposal of unserviceable assets, was already suggested to the LCE. Likewise, the Municipal Accountant, through adjusting journal entries, will remove the items with a unit cost of below ₱15,000.00 to the PPE account.

Absence of physical count on inventories - ₱265,345.41

5. **No physical count on inventories was conducted by the LGU as at year-end which is not in accordance with Section 124 of MNGAS for LGUs, casting doubts on the existence, completeness and propriety of the inventory balance of ₱265,345.41 as at December 31, 2022. Likewise, various deficiencies on the internal controls for inventories were noted which further affected the reliability of inventory and expense accounts in the financial statements.**

5.1 Section 124 of MNGAS for LGUs provides that:

> Inventory of Supplies or Property. – The local chief executive shall require periodic physical inventory of supplies or property. Physical count of inventory items by type shall be conducted semestrally and reported in the Report on the Physical Count of Inventories (RPCI). This shall be submitted to the Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

5.2 The financial statements for CY 2022 showed the following year-end balances of inventories held for consumption:

Inventory Held for Consumption	Balances as at December 31, 2022 (₱)
Office Supplies	179,227.41
Accountable Forms, Plates and Stickers	49,793.00
Drugs and Medicines	33,530.00
Medical, Dental and Laboratory Supplies	2,795.00
Total	**265,345.41**

5.3 However, the existence, completeness and propriety of the year-end balances of inventory accounts cannot be relied upon due to non-conduct of physical count of inventories; consequently, the absence of RPCI. Inquiry with the Municipal Accountant revealed the following processes undertaken by Management on handling the inventory of supplies:

5.3.1 Purchases of supplies is being requested by the department head in need of the supplies and delivery thereof is made to their respective offices;

5.3.2 Management started adopting the perpetual inventory method of recording inventories last June 2022;

5.3.3 The Municipal Accountant maintains a record of supplies purchased by the LGU, which she recognizes as inventories upon delivery. Every month-end, the Municipal Accountant inquires with the department heads on the balances of inventories of their respective offices. Any issuances of supplies shall be reflected as expenses in the books of accounts; hence the year-end balances of inventories were based from the records of the Municipal Accountant.

5.4 While Management adopts the perpetual inventory method, the following deficiencies were still noted on the receipt and issuance of inventories:

5.4.1 Supplies and materials purchased were directly delivered to the requisitioning department due to lack of stockroom or a place for storing the supplies and equipment;

5.4.2 Inventory Custodian Slips (ICS) were not issued to end-users for small tangible items issued to them;

5.4.3 Non-issuance of RIS by the Acting Municipal Treasurer upon issuance of supplies to the end-user which should be the basis in preparing the Summary of Supplies and Materials Issued (SSMI). These documents will become the basis of the Municipal Accountant in recognizing expenses in the books; and

5.4.4 The following records were not maintained by the Municipal Accountant and Municipal Treasurer:

5.4.3.1 Stock Cards - the Municipal Treasurer shall number each type of supplies and maintain Stock Cards per stock number. Deliveries of supplies or property shall be immediately recorded in the property records on the basis of the AIR and other supporting documents.

5.4.3.2 Supplies Ledger Cards per stock number - Upon receipt of the AIR and other supporting documents, the Municipal Accountant shall record the deliveries in the appropriate ledger cards.

5.5 These lapses hindered the proper tracking, control and reconciliation of the inventory accounts. The accountability and transparency in 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.

5.6 **We recommended that Management:**

5.6.1 **Provide a stockroom for the supplies and materials of the LGU to properly monitor and control the inventoriable items;**

5.6.2 **Require the Acting Municipal Treasurer to conduct a physical count of inventories semi-annually and the subsequent report thereon be submitted to the Audit Team;**

5.6.3 **Instruct the Acting Municipal Treasurer to monitor and control the inventory of supplies and materials through issuance of RIS and maintenance of stock cards for supplies; and**

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

5.7 Management, in their letter-reply, acceded to monitor and control the inventory of supplies to have proper basis for recording. However, the provision for stockroom is not yet feasible due to limited office space. Likewise, due to budget and manpower constraints, Management shall prepare the consolidated RIS and SSMI monthly instead of the required weekly consolidation.

Fifteen percent mobilization recorded as CIP - ₱9,804,570.68

6. **Payments of 15 percent mobilization fees for four infrastructure projects of the LGU amounting to ₱9,804,570.68 were recorded under CIP accounts instead of Advances to Contractors account which is not in accordance with Item 14 of IPSAS 17, failing to timely recognize the appropriate asset account at the time of transactions.**

6.1 The amount of ₱9,804,570.68, representing payments for the 15 percent mobilization fee of four infrastructure projects were recorded as CIP - Buildings and Other Structures and CIP-Infrastructure Assets instead of Advances to Contractors. Details are shown below.

Check Date	Check No.	Infrastructure Project	Account Debited	Amount (₱)
01/21/2022	436893	Construction of Mapandan Municipal Cemetery Extension 2 at Brgy. Poblacion,	CIP-Building and Other Structures	8,245,000.00
03/18/2022	452932	Construction of Concrete Paving at Pakwan St., Brgy. Pias	CIP-Building and Other Structures	407,315.78

Check Date	Check No.	Infrastructure Project	Account Debited	Amount (₱)
03/18/2022	452934	Fabrication/ Installation of Solar Lights at Mapandan, Pangasinan	CIP-Infrastructure Assets	636,918.83
11/10/2022	454071	Improvement of Public Market at Mapandan Pangasinan.	CIP-Building and Other Structures	515,336.07
Total				**9,804,570.68**

6.2 Attention is invited to Item 14 of IPSAS 17 which provides the recognition criteria of PPE as follows:

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

6.3 Likewise, the Revised Chart of Accounts provided in COA Circular No. 2015-009 dated December 1, 2015 defines Advances to Contractors as the account used to record the amount advanced to contractors as authorized by law. Credit this account for recoupment of advances.

6.4 With the above-mentioned provisions, the LGU should have not recognized the payment of 15 percent mobilization as PPE since it fails to meet the criteria needed for PPE recognition provided under IPSAS 17 instead, it should have recognized as Advances to Contractors. The 15 percent mobilization does not equate to 15 percent work accomplishment of project, rather, the contractor is yet to fulfill his obligation and needs to mobilize his equipment to the construction site; thus, the request for payment of 15 percent mobilization to the LGU. It is a prepayment to contractor which is to be recouped by the LGU by deducting from the progress payments of the contractor until the advance payment is fully liquidated within the duration of the contract, and before full payment is made to the contractor.

6.5 The practice of recording the advance payment as CIP in the books of accounts mismatches the timely recognition of assets as the LGU fails to recognize the prepayments to contractors and already recognized PPEs which are not yet existing physically and have no future economic benefits or service potential which will flow to the entity.

6.6 **We recommended that Management instruct the Municipal Accountant to record the 15 percent mobilization fees to contractors as Advances to Contractors and credit the same for recoupments to properly recognize the assets in its books of accounts.**

6.7 Management informed the Audit Team, through their letter-reply, to observe the proper recording of 15 percent mobilization fees.

B. COMPLIANCE AUDIT

Incomplete documentation for claims for BAC honoraria - ₱162,400.00

7. **Claims for Bids and Awards Committee (BAC) honoraria totaling ₱162,400.00 were not supported with complete documentation to establish the validity of claims which is not in accordance with COA Circular No. 2012-001. Likewise, collections from sale of bidding documents were taken up as Due to LGUs instead of Trust Liabilities which is not in accordance with Department of Finance (DOF)-Department of Budget and Management (DBM)- Commission on Audit (COA) Permanent Committee Resolution (PCR) No. 2005-002 and the Revised Chart of Accounts as prescribed in COA Circular No. 2015-009.**

7.1 Item 5 of DBM Budget Circular (BC) No. 2004-5A on the Guidelines on the Grant of Honoraria to Government Personnel Involved in the Government Procurement provides that the Chair and Members of the BAC and the Technical Working Group (TWG) may be paid honoraria only for successful completed procurement projects. A procurement project will be considered successfully completed once the contract has been awarded to the winning bidder. To be entitled to honoraria, personnel should be duly assigned as chair and member of the BAC or the TWG by the said head of the department/agency concerned.

7.2 The LGU paid the BAC members, TWG and BAC Secretariat the amount of ₱162,400.00 representing their honoraria for CY 2022. Details of claims are as follows:

Date	Payroll Number	Amount (₱)
01/31/2022	300-22-01-0001A	77,000.00
05/31/2022	300-22-05-0015	22,400.00
12/16/2022	300-22-12-0020	63,000.00
Total		**162,400.00**

7.3 The payments of BAC honoraria were supported only with signed payrolls and JEV. COA Circular No. 2012-001 dated June 14, 2012 prescribes the following documentary requirements in the payment of honoraria to BAC, to wit:

- Office Order creating and designating the BAC composition and authorized the members to collect honoraria
- Minutes of BAC Meetings
- Certification that the procurement involves competitive bidding
- Attendance sheet listing names of attendees to the BAC Meeting
- Notice of award to the winning bidder of procurement activity being claimed

7.4 In the absence of adequate and complete documentation, the propriety and validity of the payments of honoraria could not be established.

7.5 Lastly, DOF-DBM-COA PCR No. 2005-2 dated June 2005 authorizes all agencies to treat collections from sources identified in Item 6.1 of DBM BC No. 2004-5A as trust receipts to be used exclusively for the payment of honoraria and overtime pay. Any excess in the amount collected shall form part of the local government fund.

7.6 The collections from the sale of bidding documents were recorded as Due to LGUs instead of crediting to Trust Liabilities account which is not in accordance with DOF-DBM-COA PCR No. 2015-02 and the Revised Chart of Accounts which describes Trust Liabilities as "an account used to record the receipt of amount held in trust for specific purpose. Debit this account for payment or settlement of the liability or compliance of condition."

7.7 **We recommended that Management:**

7.7.1 **Instruct the Municipal Accountant, in coordination with the BAC Chairman and BAC Secretariat, to submit to the Audit Team all lacking documents relative to the payments of BAC honoraria to establish the validity of claims and ensure that all claims for honoraria are supported with the required documentary requirements; and**

7.7.2 **Require the Municipal Accountant to record the collections from the sale of bid documents as Trust Liabilities in the books of accounts.**

7.8 The Municipal Accountant informed the Audit Team, through her letter-reply, to submit the lacking documents cited and to ensure that claims for BAC honoraria will be supported with complete documentation. Likewise, the Municipal Accountant ensured recording of collections from the sale of bid documents under the Trust Liabilities account.

Piecemeal procurements of 10 laptops with the same specifications - ₱380,000.00

8. **Purchase of 10 laptops provided to the SB members with an aggregate amount of ₱380,000.00 was split into two transactions that resorted to small value procurement, an indication of splitting of government contracts provided under Section 54.1 of the 2016 Revised IRR of RA No. 9184, hence, prices obtained may not be advantageous to the LGU.**

8.1 Section 2 of the Revised IRR of RA No. 9184, otherwise known as the Government Procurement Reform Act, provides that it is the policy of the Government of the Philippines that procurement of infrastructure projects, goods and consulting services shall be competitive and transparent, and therefore shall go through public bidding, except as otherwise provided in its IRR.

8.2 Likewise, Section 54.1 of the Revised IRR of RA No. 9184 states that:

> Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GoP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR, particularly the necessity of competitive bidding and the requirements for the alternative methods of procurement.
>
> For Infrastructure Projects to be implemented by phases, the Procuring Entity shall ensure that there is a clear delineation of work for each phase, which must be usable and structurally sound. It shall also ensure the conduct of the detailed engineering activities for each phase as provided for in Annex "A" of this IRR.

8.3 The LGU procured 10 laptops at ₱38,000.00 each or a total amount of ₱380,000.00 for office use of the SB members. Review of the Purchase Requests (PR) of the procurement revealed that the laptops purchased have the same specifications and unit cost and that PRs were dated close to each other. Details are shown in the next page.

<table>
<tr><th>PR No.</th><th>PR Date</th><th>Specifications</th><th>Remarks</th></tr>
<tr><td>661-11-22-101</td><td>November 14, 2022</td><td rowspan="2">- Intel Core 13-1115G4
- 4GB DDR4
- 1TB HDD+ 128GB M.2 NVME PCIE
- Intel UHD Graphics
- 15.6 FHD
- Windows 11 Home SL 64 bit
- MS Office Home and Student 2021
- Webcam/Backlit Kb/Wifi/BT Audio Port/ USB 3.0/USB Type-C/HDMI Laptop</td><td rowspan="2">Each PR consisted of requests for five laptops with approved budget of ₱195,000.00 (₱39,000.00 each laptop)</td></tr>
<tr><td>686-12-22-101</td><td>December 1, 2022</td></tr>
</table>

8.4 Likewise, both PRs were procured through small value procurement and were awarded to the same supplier, U-BET Trading, where the same brand and model of laptops (Asus – X515E) were delivered by the supplier.

8.5 Having the same specifications, purpose, budget and end-users and since PR dates are close to each other, Management could have consolidated the requisitions into a single PR and resorted to procurement through competitive bidding. Had Management observed such policy, a more advantageous price could have been obtained and government policy of having competitive and transparent procurement could have been achieved.

8.6 Moreover, such undertaking was an indication of splitting government contracts which is not in accordance with Section 54.1 of the 2016 Revised IRR of RA No. 9184.

8.7 **We recommended that Management require the BAC members and BAC Secretariat to ensure that procurements of goods of the same specifications or qualities be consolidated into a single requisition to attain better terms in the procurement process and to avoid splitting of government contracts.**

8.8 The BAC, in their written reply, informed the Audit Team that they will advise all the BAC members, BAC Secretariat and heads of every department to be more careful in the issuance of PRs and to use the appropriate mode of procurement to attain better terms in the procurement process.

8.9 The Annual Procurement Plan (APP), which consolidated the Project Procurement Management Plan (PPMP) of every department of the LGU, must be observed by Management in the implementation of PPAs to avoid splitting of government contracts.

Expenses through reimbursements - ₱1,125,048.57

9. **Expenses totaling ₱1,125,048.57 were paid through reimbursements by several municipal officials and employees which is not in accordance with Section 2 of COA Circular No. 97-002 and Section 10, Rule IV of the 2016 Revised IRR of RA No. 9184, precluding the LGU of obtaining the most advantageous price from such purchases.**

9.1 Section 2 of COA Circular No. 97-002 dated February 10, 1997 provides for the general principles in handling cash which states:

> Ideally, cash should be handled under the general principles of the imprest system, to wit:
>
> …
>
> 6.2 All payments must be made by check.
>
> 6.3 Only payments in small amounts may be made through the petty cash fund. Replenishment of the petty cash fund shall be equal to the total amount of expenditures made there from.
>
> In practice, however, there are certain instances when it may be very difficult, impractical or impossible to make payments by check. In such a case, payments may be made by the disbursing officer in the form of cash through his cash advance.

9.2 Section 10, Rule IV of the 2016 Revised IRR of RA No. 9184 provides that "All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR."

9.3 Expenses in an aggregate amount of ₱1,125,048.57 for all funds were paid through reimbursements to several municipal officials and employees of the LGU. The reimbursements include, among others, donations, construction materials, office and sports equipment, meals and snacks served during various LGU affairs, materials for repairs and maintenance of municipal vehicles, buildings and office equipment, and mobile expenses.

9.4 The afore-cited regulation emphasizes the payment through check directly to the supplier-payee, for added control in handling the money of the LGU. In certain instances, it allows payments in small amounts to be made through petty cash fund (PCF) for expenses not exceeding ₱15,000.00, subject to the rules and regulations laid therein. Also, there are certain instances when it may be impossible to make payments by check, hence payments may be made by the disbursing officer in the form of his cash advance.

9.5 This practice also deviated from the law of spending public funds efficiently and effectively since several procurement processes could not be undertaken if payment is made through reimbursement, which include among others, the creation of resolution from the BAC which provides the suitable mode of procurement, canvass from suppliers that can provide lower price while assuring that the specifications of needed goods and services are met, the provision of various permits and documents from the supplier to guarantee that such business is valid and legal and lastly, having contract, in the form of a Purchase Order, setting forth the terms and conditions of the procurement. This practice likewise implies poor planning and monitoring in the implementation of the PPAs of the LGU.

9.6 **We recommended that Management instruct the Municipal Treasurer, in coordination with the Municipal Accountant, to:**

9.6.1 **Stop the practice of paying expenses through reimbursements, instead draw checks payable directly to the suppliers; and**

9.6.2 **Pay petty operating expenses through the PCF or through cash advance of the disbursing officer.**

9.7 In their written reply, Management assured the Audit Team that the Acting Municipal Treasurer will closely coordinate with the Municipal Accountant to ensure that payments will be made directly to suppliers and to use the petty cash fund for petty operating expenses, subject to complete documentation.

Absence of internal guidelines on the grant of financial assistance

10. **No well-defined policy or written guidelines for the grant of financial assistance was adopted by the LGU, resulting in subjective evaluation and inconsistencies in the grant of financial assistance which is not in accordance with Section 2 of PD No. 1445. Likewise, granting of financial assistance by the members of the SB is not among their powers, duties and functions as provided under Section 447(a) of RA No. 7160.**

10.1 Section 2 of PD No. 1445 expressly 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 safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the

operations of the government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government.

10.2 The PCF of the LGU for CY 2022 showed that the grant of financial assistance was catered to three departments of the LGU which are the MSWDO, Mayor's Office and SB Members Office. The MSWDO handles the Assistance to Individuals in Crisis Situation (AICS) and death assistance to Senior Citizens. Meanwhile, the Offices of the Mayor and SB members grant financial assistance mostly for medical, burial and educational needs of their constituents. For CY 2022, a total of ₱1,613,100.00 was spent by the three offices for financial assistance through PCF. Details are as follows:

Department	Type of Financial Assistance Catered	Amount (₱)	Remarks
MSWDO	AICS	505,500.00	Ranges from ₱1,000.00 to ₱3,000.00
	Senior Citizens Burial Assistance	234,000.00	Fixed at ₱2,000.00
Mayor's Office	Philippine Charity Sweepstakes Office Fund	114,000.00	Fixed at ₱1,000.00
	Various financial assistance	546,700.00	Ranges from ₱1,000.00 to ₱3,000.00
SB Members Office	Various financial assistance	212,900.00	Mostly ₱1,200.00 (₱200.00 for Vice Mayor and ₱100.00 each for 10 Councilors)
Total		**1,613,100.00**	

10.3 Inquiry with the MSWD Officer revealed that the amount of financial assistance given as AICS depends on their assessment of the case. Sometimes, constituents who failed to qualify under the AICS Program, proceed directly either to the Office of the Mayor or Office of the SB members; hence, said offices have allocated funds for financial assistance. There were also instances when the constituents no longer proceed to the MSWDO but directly go to the two offices; thus, overlaps the assessment process of the MSWDO.

10.4 The MSWDO further disclosed that they observed their Citizens Charter in the assessment and grant for assistances falling under AICS. However, there were no well-defined or written guidelines in granting donations and financial assistance funded out of the Offices of the Mayor and SB Members. The supposed policy will set rules and parameters that will enhance the effectiveness and efficiency of the implementation of the AICS program through a fair and uniform grant of assistance.

10.5 The Audit Team, likewise, noted the grant of financial assistance by the SB members. Attention is invited to Section 447 of RA No. 7160 which states that:

> Powers, Duties, Functions and Compensation. - The sangguniang bayan, as the legislative body of the municipality, shall enact ordinances, approve resolutions and appropriate funds for the general welfare of the municipality and its inhabitants pursuant to Section 16 of this Code and in the proper exercise of the corporate powers of the municipality as provided for under Section 22 of this Code …

10.6 The SB members handle and approve the financial assistance, manifesting that they acted beyond their legislative power which is not in accordance with the above-mentioned provision. While the SB members have the power to enact ordinances, approve resolutions and appropriate funds for the general welfare of the LGU, it could not, however, directly exercise the power to supervise and control programs, projects and activities, including the granting of donation or financial assistance to their constituents which is vested to the Municipal Mayor pursuant to Section 444(1)(b) of RA No. 7160:

> The Chief Executive: Powers, Duties, Functions and Compensation.
>
> (b) For efficient, effective and economical governance the purpose of which is the general welfare of the municipality and its inhabitants pursuant to Section 16 of this Code, the municipal mayor shall:
>
> (1) Exercise general supervision and control over all programs, projects, services and activities of the municipal government…

10.7 Though the constituents directly address their financial needs to the elected officials, it must be endorsed properly to the MSWDO for proper assessment. The MSWDO is the authorized body of the LGU to implement PPAs that involve the social welfare and development of the LGU, one of which is the grant of financial assistance. With the equipped knowledge and expertise of the MSWDO in handling various welfare and development cases, sound and just amount will be given to each beneficiary which will promote efficient and effective use of public funds.

10.8 **We recommended that Management instruct the MSWD Officer to create a policy or guidelines for review and approval of Management on the**

determination as to the appropriateness, procedure and payment of financial assistance to individuals/families in crisis situation, considering the nature, eligibility of beneficiaries, amount of financial assistance and such other parameters.

10.9 **We, likewise, recommended that the LCE implement the approved PPAs of the LGU while the SB members shall be limited to their legislative functions.**

10.10 In their letter-reply, it was agreed among Management that clients who seek financial assistance to the Offices of the Mayor and SB members will be endorsed to the MSWDO for proper assessment. Likewise, Management, through the initiative of MSWD Officer, will create a policy or guidelines as the basis of LGU in granting financial assistance.

DTTs were not properly accomplished

11. **Driver's Trip Tickets (DTT) were not properly accomplished and Monthly Report of Fuel Consumption and Monthly Report of Official Travels were not prepared and submitted to the Audit Team which is not in accordance with COA Circular No. 77-61; hence, the reasonableness of the expenditures for fuel consumption amounting to ₱3,354,958.24 could not be established.**

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

11.2 Partly quoted are the provisions of the said Circular for the control of gasoline expenditures as follows:

> B. Specific
>
> 2. Use of government vehicles shall be properly controlled and regulated.
>
>   The use of government motor vehicles should be controlled through properly accomplished and duly approved Driver's Trip Tickets x x x, a summary of which shall be made at the end of the month in a Monthly Report of Official Travels x x x for audit purposes.
>
> 4. Monthly Report of Fuel Consumption of government motor transportations x x x shall

be submitted to the Auditor for verification purposes to determine the reasonableness of fuel consumption during the period.

Forms, Records and Reports

For the purpose of controlling the use of government vehicles, before any trip is undertaken, authority shall be secured from the Head of the Agency or duly authorized representative to approve Driver's Trip Ticket. The tickets which should be serially numbered shall be prepared in two copies to be distributed as follows:

Original	Auditor (thru Chief Accountant) For audit purposes
Duplicate	File

11.3 The expenditures for fuel, oil and lubricants of the LGU showed that DTTs were not fully accomplished. The Audit Team noted that only the upper portion of the form, consisting of the following data were provided:

a. Name of the Driver;
b. Government Car to be Used/Plate Number;
c. Name of Authorized Passenger/s;
d. Place/s to be Visited; and
e. Purpose/s

11.4 The lower portion of the ticket, requiring information as to the time of departure from garage, arrival and departure to destination, arrival to garage, distance travelled, details of fuel consumption, oils issued and the speedometer reading, were not filled out by the driver.

11.5 Further review revealed that no Monthly Report of Fuel Consumption and Monthly Report of Official Travels were submitted to the Audit Team which is not in accordance with the provisions of the above-cited Manual.

11.6 In view thereof, the reasonableness of the fuel consumption totaling ₱3,354,958.24 for CY 2022 could not be ascertained.

11.7 **We recommended that Management:**

11.7.1 **Require the designated drivers to properly and fully accomplish the DTT before and after using a government vehicle; and**

11.7.2 **Require the Municipal Treasurer, in coordination with the Executive Assistant, to prepare Monthly Report of Fuel Consumption and Monthly Report of Official Travels and submit the same to the Audit Team for verification to ensure that expenditures for fuel consumption are reasonable and effectively controlled.**

11.8 In their written reply, Management informed the Audit Team that the designated drivers were already advised to properly accomplish the DTT before and after an official travel and that the Municipal Accountant will ensure the completeness of documents before signing the DV. Likewise, the Office of the Mayor will monitor the daily schedule of trips of government vehicle, travels and issuance of the DTTs, while Monthly Reports of Fuel Consumption and Official Travels shall be prepared by the Acting Municipal Treasurer.

Claiming transportation expenses other than the ordinary public conveyance - ₱95,500.00

12. **The LGU paid hired vans in the total amount of ₱95,500.00 instead of the equivalent fare for ordinary public conveyance for official travels of several municipal officials and employees which was not in accordance with Section 7 of Executive Order (EO) No. 77, incurring excessive payments that is not beneficial for the LGU.**

12.1 EO No. 77 was issued to prescribe the rules and regulations and rates of expenses and allowances for official local and foreign travels of government personnel. Section 7 of the said Order provides that:

> a. The agency head concerned or the designated officials shall determine the mode of transportation and the type of hotel/lodging to be availed, which in all cases shall be the most economical and efficient.
>
> b. As a general rule, only the ordinary public conveyance or customary modes of transportation shall be used. The use of chartered trips, special hires of public utilities, garage cars, water vessels, and other extraordinary means of transportation shall not be allowed unless justified by the prevailing circumstances, such as but not limited to, carrying large amounts of cash, bulky equipment and important documents, inclement weather, accompanying dignitaries or high-level government officials, or when time is of essence.

12.2 Several municipal officials and employees who were on official travel opted to hire van as their means of transportation. However, the payments for the hired vans were reimbursed by the LGU in the total amount of ₱95,500.00. Details are shown below.

Event/Purpose	Destination	No. of Persons	Van Hired -Back and Forth (₱)
2022 End-Term General Assembly	Manila	8	15,000.00
National Movement of Young Legislators and Assembly	Manila	8	15,000.00
LMP 2022 General Assembly	Manila	1	14,000.00
FY 2023 Budget Preparation	Baguio City	16	13,000.00
Face to face review of the submitted Local Shelter Plan	San Juan, La Union	6	6,500.00
Newly Elected Officials Forum	Clark, Pampanga	53	7,000.00
Parliamentary Procedure for SB/Panlungsod Members	Lingayen, Pangasinan	18	6,000.00
Sangguniang Kabataan Summit 2022	Subic, Zambales	1	2,000.00
1st LNB Pangasinan Provincial Congress 2022	Lingayen, Pangasinan	1	3,000.00
2022 PCL YE	SMX Pampanga	10	14,000.00
Total			**95,500.00**

12.3 Such practice is not in accordance with the afore-cited provisions as EO No. 77 prescribes that the ordinary public conveyance is the default mode of transportation for official travels. Hiring of van therefore for travel that does not fall from the exemptions cited in the same Order is not allowed as it is not an economical and efficient way to spend public funds, entailing excessive payments for transportation expenses. It is to be noted, however, that if the municipal official or employee still opted to hire a van, he/she will be reimbursed or given transportation expense equivalent to the fare for ordinary public conveyance; hence, any excess thereof shall be shouldered personally by the municipal official or employee.

12.4 **We recommended that Management require the municipal officials and employees travelling without provision for government vehicle to claim transportation expenses equivalent to the fare for ordinary public conveyance.**

12.5 In their written reply, Management assured the Audit Team to claim transportation expenses equivalent to the fare for ordinary public conveyance.

Meals and snacks served during SB sessions - ₱124,552.00

13. **Expenditures totaling ₱124,552.00 were incurred by the LGU for snacks and meals served during the conduct of SB regular and special sessions which were considered unnecessary as provided in Section 4 of COA Circular No. 2012-003, the funds expended could have been utilized to finance other vital programs and projects beneficial to its constituents.**

13.1 Section 4 of COA Circular No. 2012-003 as follows:

> Unnecessary Expenditures
>
> The term pertains to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary.

13.2 The LGU incurred the amount of ₱124,552.00 for meals and snacks served during the conduct of SB regular and special sessions, details are shown below.

Check Date	Check No.	Date of Sessions	Amount (₱)
03/22/2022	452971	February 16 and 24, 2022; March 3, and 7, 2022	30,080.00
08/18/2022	453685	July 11,18 and 14, 2022	7,596.00
09/23/2022	453858	August 5 and 8, 2022	5,900.00
11/03/2022	454023	Septembers 5, 12 and 19, 2022	16,190.00
11/03/2022	454024	October 3 and 20, 2022	28,621.00
12/02/2022	454142	October 3 and 7, 2022	17,263.00
12/19/2022	454245	October 25 and November 2, 2022	11,540.00
12/21/2022	454260	November 21, 2022	7,362.00
Total			**124,552.00**

13.3 Meals and snacks served during SB regular and special sessions are considered unnecessary expenses as these constitute part of their regular functions, duties and responsibilities.

13.4 Such amount could have been used to implement other PPAs that are more beneficial to the constituents. Management should limit and observe austerity measures in providing meals and snacks for various municipal activities.

13.5 **We recommended that Management stop the practice of serving meals and snacks during SB sessions and other municipal activities which are part of the regular functions, duties and responsibilities of the officials and employees.**

13.6 In their letter-reply, Management informed the Audit Team of their compliance with the audit recommendation.

Incomplete documentation on repairs and maintenance of government vehicles - ₱1,047,392.78

14. **Payments made for the repairs and maintenance of government vehicles totaling ₱1,047,392.78 were not supported with a report or document indicating the history of repair and other required documentary requirements as provided under Section 9.1.3.4 of COA Circular No. 2012-001, casting doubts on the reasonableness, propriety and validity of the transactions.**

14.1 Section 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012 provides the following documentary requirements needed for the repair and maintenance of equipment and motor vehicles:

- Additional documents under Annexes Q and R of COA Memorandum No. 2005-027 dated February 28, 2005 required to be submitted to the Auditor's Office within five days from the execution of the contract:
  - Copy of the pre-repair evaluation report and approved detailed plans by the agency showing in sufficient detail the scope of work/extent of repair to be done
  - Report of waste materials
  - Copy of document indicating the history of repair
- Post inspection reports
- Warranty Certificate
- Request for payment
- Bill/Invoices

- Certificate of Acceptance
- Pre-repair inspection reports
- Such other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the evaluation thereof

14.2 For CY 2022, the LGU incurred a total amount of ₱1,047,392.78 for the repair and maintenance of various government vehicles. However, the LGU failed to provide the following minimum documentary requirements as required in the aforecited Circular.

- Copy of the pre-repair evaluation report and approved detailed plans by the agency showing in sufficient detail the scope of work/extent of repair to be done
- Copy of document indicating the history of repair
- Post-inspection reports
- Warranty Certificate

14.3 As part of property management, said documents are necessary to determine whether a repair of a particular vehicle would still be economical or a replacement would be a better option. Likewise, these records are also important in the review of the appraised value of items to be disposed of and that the allowable threshold for repairs is set at 30 percent of the current market value of the equipment as provided under COA Circular No. 2012-003.

14.4 The absence of the required documentary requirements hindered the Audit Team to establish the propriety and validity of the incurred transactions. Attention is invited to Section 4(6) of PD No. 1445 which provides that "Claims against government funds shall be supported with complete documentation."

14.5 **We recommended that Management:**

14.5.1 **Require the Municipal Treasurer to maintain a record of repairs for all the properties of the LGU which shall form part of the supporting documents for disbursements on repair and maintenance; and**

14.5.2 **Instruct the Municipal Accountant to ensure the completeness of the supporting documents before affixing her signature on the Disbursement Voucher and effecting payment.**

14.6 It was stated in the written reply of Management that the Office of the Mayor recently started maintaining record of repair of every vehicle of the LGU which will be further updated. The Acting Municipal Treasurer will closely coordinate with the Office of the Mayor to properly maintain the record.

Incomplete documentation for claims of terminal leave benefits - ₱9,135,421.83

15. **Payments of terminal leave benefits amounting to ₱9,135,421.83 for CY 2022 were not supported with complete documentary requirements as required under Section 5.13 of COA Circular No. 2012-001 which is not in accordance with Section 4(6) of PD No. 1445, casting doubts on the validity and propriety of the transactions.**

15.1 Section 5.13 of COA Circular No. 2012-001 dated June 14, 2012 provides the documentary requirements for the payment of terminal leave benefits, which include the following:

- Clearance from money, property and legal accountability from the Central Office and from Regional Office of last assignment
- Certified photocopy of employees leave card at last date of service duly audited by the Personnel Division and COA/Certificate of leave credits issued by the Admin/Human Resource Management Office (HRMO)
- Approved leave application
- Complete service record
- Statement of Assets, Liabilities and Net Worth (SALN)
- Certified photocopy of appointment/Notice of Salary Adjustment (NOSA) showing the highest salary received if the salary under the last appointment is not the highest
- Computation of terminal leave benefits duly signed/certified by the accountant
- Applicant's authorization (in affidavit form) to deduct all financial obligations with the employer/agency/LGU
- Affidavit of applicant that there is no pending criminal investigation or prosecution against him/her (RA No. 3019)
- In case of resignation, employee's letter of resignation duly accepted by the Head of the Agency

Additional requirements in case of death of claimant

- Death certificate authenticated by NSO
- Marriage contract authenticated by NSO
- Birth certificates of all surviving legal heirs authenticated by NSO
- Designation of next-of-kin
- Waiver of rights of children 18 years old and above

15.2 For CY 2022, the LGU paid the amount of ₱9,135,421.83 as terminal leave benefits of 13 municipal officials and employees. However, the Audit Team noted that the claims for terminal leave benefits were not supported with complete documentation as required in the above-cited circular.

15.3 Attention is invited to Section 4(6) of PD No. 1445 which states that, "[c]laims against government funds shall be supported with complete documentation". The absence of the above-mentioned supporting documents casted doubts on the accuracy and propriety of the claims made for terminal leave benefits.

15.4 **We recommended that Management:**

15.4.1 **Require the Municipal Accountant, in coordination with the HRMO, to submit the lacking documents listed above to support the accuracy and propriety of claims; and**

15.4.2 **Instruct the Municipal Accountant to ensure the completeness of supporting documents on claims for terminal leave benefits before affixing the signature in the DV and effecting payments thereof.**

15.5 Management, in their written reply, committed to submit the lacking documents and to ensure complete documentation for terminal leave benefit claims.

PPAs with no clear gender-related issues charged to GAD Fund - ₱4,739,401.00

16. **Programs, projects and activities charged against Gender and Development (GAD) Fund amounting to ₱4,739,401.00 did not clearly address gender-related issues and concerns which was not in consonance with the provisions of Section 36 of RA No. 9710 and Philippine Commission on Women (PCW)-Department of Interior and Local Government (DILG)-Department of Budget and Management (DBM)-National Economic Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2014-01, defeating the purpose of addressing gender issues towards gender equality and women's empowerment.**

16.1 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.

16.2 On the other hand, PCW-DILG-DBM-NEDA JMC No. 2013-01 specifically provides the mechanics for the development of PPAs to respect, protect and fulfill the rights of women at the socio-cultural, economic and political spheres. It is also included in the same Circular the requirement for the agencies to allocate at least 5 percent of the total budget appropriations for GAD activities.

16.3 For CY 2022, the LGU appropriated the amount of ₱6,207,077.10 for GAD PPAs, equivalent to five percent of the LGU's annual budget appropriation of ₱124,141,542.00. As at-year end, the LGU utilized the amount of ₱7,340,301.00 for GAD related PPAs, exceeding thereof their allocation for GAD PPAs.

16.4 However, the GAD Plan and Budget, as well as the GAD Accomplishment Report (AR), disclosed several PPAs which did not fully address the issues and concerns affecting the welfare of women. Details of which are as follows:

PPA	Amount Budgeted (₱)	Amount Utilized (₱)	Balance (₱)
Honorarium of Child Development Workers (ECCD)	462,000.00	462,000.00	-
Trainings and seminars to ECCD workers	20,000.00	20,000.00	-
Capability Building for Person with Disability (PWD)	30,000.00	18,420.00	11,580.00
Various assistance to senior citizens	1,200,000.00	1,200,000.00	-
Clean and Green programs	200,000.00	49,500.00	150,500.00
Purchase of relief goods, medical supplies and medicines to address COVID-19	1,850,000.00	2,989,481.00	(1,139,481.00)
Total	**3,762,000.00**	**4,739,401.00**	**(977,401.00)**

16.5 PPAs related to ECCD workers, PWDs, senior citizens and clean and green programs have separate budgetary requirements provided by the LGU, which are the Local Child Protection Council Fund, one percent for senior citizens and PWD fund and clean and green program fund; hence, should have been excluded from the GAD Plan and Budget. Likewise, no well-defined gender issue was address for the purchase of various goods to address the COVID-19 pandemic, thus, should have not been part of the GAD Plan and Budget. Projects and activities that do not clearly address gender-related issues and concerns will defeat the intended purpose for the said fund.

16.6 **We recommended that Management instruct the GAD Focal Person to formulate PPAs in the GAD Plan and Budget that will fully address the issues and concerns in order to achieve gender equality and women empowerment.**

16.7 Management assured the Audit Team, through their letter-reply, to allocate the GAD funds for PPAs that will fully address the issues and concerns in order to achieve gender equality and women empowerment

Collections receipts not supported with Charge Sales Invoices - ₱10,597,763.81

17. **Procurements of goods and services totaling ₱10,597,763.81 were issued with Collection Receipts by various suppliers/contractors which are not valid receipts of payment contrary to Section 2 of Bureau of Internal Revenue (BIR) Revenue Regulation (RR) No. 18-2012, casting doubt as to validity and propriety of the transactions.**

17.1 The LGU incurred expenditures on procurement of various goods and services in implementing its PPAs for the current year. However, payments made totaling ₱10,597,763.81 were supported with Collection Receipts issued by the contractors/suppliers in lieu of Sales Invoice or Official Receipt.

17.2 BIR RR No. 18-2012 dated October 22, 2012 provides the following guidelines in the issuance of Official Receipts, Sales Invoices, and Other Commercial Invoices:

> Section 2. Definition of terms.
>
> 3. SUPPLEMENTARY RECEIPTS / INVOICES - for purposes of these Regulations, these are also known as COMMERCIAL INVOICES. It is a written account evidencing that a transaction has been made between the seller and the buyer of goods and/or services, forming part of the books of accounts of a business taxpayer for recording, monitoring and control purposes.
>
> It is a document evidencing delivery, agreement to sell or transfer of goods and services which includes but are not limited to delivery receipts, order slips, debit and/or credit memo, purchase order, job order, provisional/temporary receipt, acknowledgement receipt, collection receipt, cash receipt, bill of lading, billing statement, statement of account, and any other documents, by whatever name it is known or called, whether prepared manually (handwritten information) or pre-printed/pre-numbered loose-leaf (information typed using excel program or typewriter) or computerized as long as it is used in the ordinary course of business being issued to customers or otherwise.
>
> Supplementary receipts/invoices, for purposes of Value-Added Tax, are not valid proof to support the

claim of Input Taxes by buyers of goods and/or services.

17.3 Relative to the aforementioned provisions, the Collection Receipts issued by the suppliers/contractors on various procurements of the LGU were considered not evidence of receipts of payments; thus, the suppliers/contractors may possibly demand for payment in the future which may result in double payment; hence, disadvantageous to the LGU.

17.4 **We recommended that Management instruct the Municipal Treasurer to require the suppliers/contractors to issue Sales Invoice and/or Official Receipts on various procurement of goods and services made by the LGU.**

17.5 Management assured the Audit Team, in a letter-reply, that the Acting Municipal Treasurer will only accept sales invoice or official receipts as proof of payment on various procurement of goods and services availed by the LGU.

C. VALUE FOR MONEY AUDIT

MRF machineries unused and unutilized for more than three years

18. **The Materials Recovery Facility (MRF) machineries consisting of compactor and granulator purchased in CY 2019 with a total acquisition cost of ₱13,500,000.00 remained unused and unutilized due to lack of management action for its operations, costing therefore the LGU to incur the amounts of ₱5,130,000.00 and ₱2,621,808.80 for the depreciation and interest expenses, respectively, without any benefit derived therefrom, an indication of ineffective and inefficient use of public funds.**

18.1 Sections 32 and 33 of RA No. 9003 provide 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.
>
> Guidelines for Establishment of Materials Recovery Facility. — Materials recovery facilities shall be designed to receive, sort, process, and store

compostable and recyclable material efficiently and in an environmentally sound manner. The facility shall address the following considerations:

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

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

18.2 During the year 2019, the LGU loaned from the LBP to acquire machineries for the operation of its MRF. On the same year, the LGU purchased a compactor and granulator, which allegedly will convert residual waste into bricks that can be used for construction purposes with a total cost of ₱13,500,000.00.

18.3 The Audit Team issued an Audit Observation Memorandum in the audit of accounts for CY 2020 due to non-usage and non-utilization of MRF machineries. Management informed the Audit Team the following reasons for the non-utilization:

- There were delays by the supplier to install the machineries at the MRF site and to train the employees on the operations of the machineries;
- The LGU needed to acquire additional lot to widen the path leading to MRF site so that heavy equipment can pass easily; and
- There were no recyclable wastes available - direct materials needed for the conversion of wastes into bricks.

18.4 Also, in the previous years, Management prioritized the creation of Barangay MRFs. Management rented lots to every barangay which costs ₱3,000.00 per month. In each rented lot, Management constructed MRFs and likewise, provided motorcycles for the collection of waste. Inquiry with the MENRO revealed that of the 15 barangays, two (Sta. Maria and Lambayan) have no MRFs yet due to absence of lot that can be rented. The waste accumulated in every barangay MRF is being collected by the municipal dump truck which is then dumped at Metro Clark Waste Management Corporation, Capas, Tarlac.

18.5 However, interview with the MENRO revealed that the MRF machineries remained to be unused and unutilized due to lack of action by Management for its operations. Although the MRF machineries were installed at the MRF site, employees were trained and additional lots leading to MRF site were already acquired, Management had no concrete plan yet on its operations since it prioritized then the construction of barangay MRFs, leaving the machineries idle for more than three years.

18.6 As at December 31, 2022, the machineries were already depreciated by ₱5,130,000.00, leaving a carrying value of ₱8,370,000.00. Likewise, since the machineries were acquired through loan, it incurs interest expenses. From year 2019 to December 2022, the LGU paid the amount of ₱2,621,808.80 for interest only.

18.7 Considering that LGU Mapandan is a third-class municipality, its annual budget allocation is not that adequate and the expenses incurred to maintain the machineries are material loss to the LGU especially that no benefit or gain is being enjoyed by the LGU for such amount. Incurring such expenses without gaining any benefits constitute inefficient and ineffective use of public funds which is not in accordance with the provision of Section 2 of PD No. 1445 which provides 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 safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of the government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government.

18.8 **We recommended that Management, through the initiative of the MENRO and MPDC Officer and approval of the SB members, develop a concrete plan for the utilization and operation of the MRF machineries, taking into account the activities that will be most beneficial for the LGU and to prioritize the implementation of such activities to attain the intended benefits for which the machineries are acquired.**

18.9 In a written reply of the MENRO, she committed the operations of the MRF as soon as possible as the maintenance operations of the machineries and dialogues with the residents within the perimeter of the MRF to address health and environmental concerns are ongoing. Likewise, her Office will coordinate with the MPDC Officer to develop a concrete plan for the utilization and operation of the MRF machineries.

D. OTHER AUDIT AREAS

19. Mandatory personnel deductions and tax balances as at December 31, 2022 were promptly remitted to the respective government agencies.

19.1 The remaining balance of the Due to BIR account in the amount of ₱766,094.00 representing the taxes withheld in December 2022 were subsequently remitted in January 2023, as follows:

Particulars	Date Remitted	Amount (₱)
Documentary Stamp Tax	01/04/2023	5,220.00
Remittance for Expanded Withholding Tax	01/09/2023	148,387.54
Remittance for Non-Value Added Tax (VAT) and VAT	01/09/2023	349,920.41
Remittance of municipal official and employees withholding tax.	01/10/2023	262,566.05
Total		**766,094.00**

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

As of December 31, 2022, the unsettled balances of suspensions, disallowances and charges of the Municipality are as follows:

Notices	Balance, January 1, 2022 (₱)	Issuances for CY 2022 (₱)		Balance, December 31, 2022 (₱)
		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 YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 28 audit recommendations embodied in the 2021 AAR, 12 were implemented and 16 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 Non-Implementation
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.	AAR 2021 pages 29-30		
We recommended that Management instruct the Municipal Accountant to depreciate the depreciable components of the road		The Municipal Accounted effected the proposed adjusting journal entries.	**Implemented** JEV No. 100-22-04-0010 dated 04/30/2022 was

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.			drawn to correct the errors made.
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.		The Municipal Accounted effected the proposed adjusting journal entries.	**Implemented** JEV No. 100-22-04-0010 dated 04/30/2022 was drawn to correct the errors made.
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.	AAR 2021 pages 31-32		
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		The Municipal Accounted effected the proposed adjusting journal entries and ensured that the year-end balances of the reciprocal accounts are equal.	**Implemented** The discrepancy was corrected when the receipt was recorded in Trust Fund under Cash Receipts No. 302-22-01-0001. Likewise, year-end

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
transactions.			balances of the reciprocal accounts are both ₱48,108.93.
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. We recommended that Management require the Municipal Accountant to prepare adjusting journal entries relative to the misclassification of account presented in the financial statements.	AAR 2021 pages 32-33	The Municipal Accounted effected the proposed adjusting journal entries.	**Implemented** JEV No. 100-22-05-0017 dated 05/31/2022 was drawn to correct the errors made.
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	AAR 2021 Pages 33-35		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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 recommended that Management instruct the Municipal Budget Officer to charge to the appropriate budgetary account by considering the actual nature of the transaction.		The Municipal Budget Officer charges expenses to appropriate budgetary account.	**Not Implemented** Post audit of accounts showed that there were transactions that were not charged according to budgetary accounts and recorded based on nature of transactions.
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.		The Municipal Accountant records transactions based on the actual nature of transaction.	**Not Implemented**
5. Accounts Payables totaling ₱782,392.23 which have been outstanding for more than two years in the books of accounts	AAR 2021 pages		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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. 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.	35-36	The Municipal Accounted reverted the long outstanding payables.	**Implemented** JEV No. 100-22-07-0023 dated 07/20/2022 and JEV No. 200-22-07-0010 dated 07/20/2022 were drawn to revert to government equity account the long outstanding payables.
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.	AAR 2021 pages 36-37		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.		Management returned the unexpended balance of Due to NGAs to source agency.	**Implemented** Check No. 454231 dated 12/16/2022 in the amount of ₱1,000,000.00 was issued to the Office of the President – Socio Economic Projects Fund to return the unused fund from the Isang Bayan, Isang Produkto, Isang Milyon Piso Program. Subsequently, OR No. 8375983 dated 01/06/2023 was issued by the Office of the President, Malacañang Palace to acknowledge the receipt of refund.
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.	AAR 2021 pages 37-38		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.		Efforts are being exerted by Management to locate the needed documents for dormant accounts.	**Not Implemented** The amount of ₱613,635.81 remained dormant and are still recorded in the books of accounts as of December 31, 2022.
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. 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	AAR 2021 pages 38-39	 Efforts are being exerted by Management to locate the needed documents for the breeding stocks.	 **Not Implemented** Breeding stock account in the amount of ₱110,000.00 was still recognized in the books of

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
LGU.			accounts. Management, after exerting best efforts, could not furnish to the Audit Team the necessary documents pertaining to the 11 cows since the late Municipal Agriculturist of the LGU was not able to endorse the documents due to his sudden death and according to his family, all documents related to his work were already disposed of. Likewise, no data was left at his office; hence, Management could not drop the asset in the books of accounts.
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	AAR 2021 pages 39-41		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
could have been used in its financial operation. 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.		No action was taken by Management.	**Not Implemented** No disposal committee was created by Management; hence, no disposal of unserviceable PPEs. This finding has been reiterated in this year's audit report under Observation no. 4, pages 33-36.
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. We recommended that Management: 1. Direct the Municipal Accountant to record	AAR 2021 pages 42-43	 The Municipal Accountant	 **Implemented**

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
all procurement of supplies and materials as inventory following the Perpetual Inventory Method;		recorded the supplies under the Perpetual Inventory Method.	The Municipal Accountant started recording supplies under the Perpetual Inventory Method last June 2022.
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		No action was taken by Management.	**Not Implemented**
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.		No action was taken by Management.	**Not Implemented** There were various lapses noted in the handling of inventories; hence, reiterated in this year's audit report under Observation no. 5, pages 37-39.
11. Existence and validity of ownership over eight parcels of land recorded in the books of accounts of the LGU amounting to ₱22,642,660.00 could 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	AAR 2021 pages 44-45		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
Section 39 of PD No. 1445.			
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.		The Municipal Assessor works continuously to acquire Certificates of Title to lots acquired by the LGU.	**Not Implemented** The Municipal Assessor was able to acquire two lot titles for CY 2022. Due to budget limitations of the LGU, Management could not process all at once the acquisition of lot titles; hence, the Municipal Assessor acquires lot titles one by one.
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.	AAR 2021 pages 45-47		
We recommended that Management require the Municipal Engineer and OIC-MPDC Officer to formulate a plan and time frame in the		Management ensured implementation of all PPAs programmed under	**Implemented** PPAs programmed under the 20 percent

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
implementation of PPAs under the 20 percent Development Fund to attain the desirable socio-economic development outcome for the benefit of the constituents.		the 20 percent Development Fund.	Development Fund were implemented/ obligated as of December 31, 2022.
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. 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.	AAR 2021 pages 48-49	The GAD Focal Person monitors the implementation and maximization of GAD Fund appropriated in the GAD Plan and Budget for CY 2022.	**Not Implemented** Based on CY 2022 GAD Accomplishment Report, GAD Fund was not fully utilized, however, the LGU utilized the amount of ₱7,340,301.00 for GAD related PPAs, exceeding thereof their annual GAD allocation of ₱6,207,077.10.
14. The LGU did not create its Inspectorate Team for years; hence, no preliminary	AAR 2021		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.	page 50		
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.		No action was taken by Management.	**Not Implemented** No inspectorate committee was created by Management.
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.	AAR 2021 pages 51-52		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
We recommended that Management Require the LDRRM Officer and Council, in coordination with the Municipal Budget Officer and OIC-Municipal Planning and Development Coordinator Officer, to include in their plans the utilization of the unexpended LDRRM Fund balances from prior years. 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.		The unexpended balance of LDRRMF was not utilized for CY 2022. However, the MDRRM Officer monitors the utilization of the LDRRMF, which includes the unexpended balances from the same fund and ensures that the LDRRMP, LDRRMP and AIP will include the PPAs to be charged against such fund.	**Implemented** **Implemented** There were no expenses charged to the unexpended balances of LDRRMF.
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.	AAR 2021 pages 52-53		
We recommended that Management fill up the mandatory position for the three staff of the MDRRMO through local ordinance to		Due to lack of funds, Management could not yet fill up the positions required under LDRRMO.	**Not Implemented** The positions were not yet created.

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
handle the administration and training, research and planning, and operations and warning, to provide adequate support to DRRM activities.			
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. 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	AAR 2021 pages 53-54	Management monitors the net take home pay prior to approval of loans and no longer certifies from the loans of employees if after deducting the loan amortization, the employee's net take home pay will be lower than ₱5,000.00.	**Not Implemented** Post audit of payroll showed that there were employees receiving the required net take home pay.
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.	AAR 2021 pages 54-55		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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. 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.		Management ensures that DTRs, Applications for Leave and Accomplishment Reports are reviewed, approved and attached to payrolls. The HR Officer acknowledges all receipts of DTR.	**Implemented** **Implemented** The Municipal Accountant ensures that Daily Time Records (DTRs), Applications for Leave and Accomplishment Reports to were attached to payrolls.
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. We recommended that Management direct the BAC Secretariat to submit copies of	AAR 2021 pages 55-57	No action was taken by Management.	**Not Implemented** Timely submission

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.			of perfected contracts was not observed as several contracts were not submitted to the Audit Team within the reglementary period.
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. 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.	AAR 2021 pages 57-58	Sends notices of delinquency to delinquent taxpayers.	**Not Implemented**
21. LGU had not maintained a sanitary landfill but has availed the services of Metro Clark Waste Management	AAR 2021 pages		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.	59-60		
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.		No action was taken by Management.	**Not Implemented** The MRF machineries remained to be unused and utilized; hence, reiterated in this year's audit report under Observation no. 18, pages 60-62.
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 environment.		From the five barangays with no MRF, only three were provided with MRF for CY 2022. The LGU is continuously assisting the two barangays to have an operational MRF.	**Not Implemented**

Of the 11 audit recommendations embodied in the 2020 AAR which were not implemented during CY 2021, four were implemented and seven were not implemented for CY 2022. Details of the seven unimplemented recommendations are as follows:

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
1. 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 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.	AAR 2020 pages 31-33		

Audit Observations/ Recommendation		Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
	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.		No action was taken by Management.	**Not Implemented** Verification of records revealed that complete description and cost segregation of road components of the road networks were not yet provided.
2.	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 the procedures set forth in 2009 Revised Rules of Procedures of the	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, 2022.

	Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
	Commission on Audit, if after exerting effort, sufficient data needed for the derecognition of the breeding stocks could not be located.			
3.	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	The application for the titling of lots by Management are still on process. For CY 2022, Management was able to acquire two lot titles.	**Not Implemented** As of December 31, 2022, only nine of the 18 parcels of land of the LGU had Transfer Certificate of Title.
4.	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 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.	AAR 2020 pages 36-38		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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, 2022, the amount of ₱613,635.81 remained dormant accounts.
5. 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. We recommended that Management require the Municipal Treasurer and the Head of the Disposal Committee to prioritize the	AAR 2020 pages 39-41	 No action was taken by Management.	 **Not Implemented** No disposal committee was created by

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.			Management.
6. 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 Management.	**Not Implemented** Some procurements of goods were procured on a piecemeal basis and resorted to alternative mode of procurement instead of public bidding.
7. The MRF Machineries amounting to ₱13,500,000.00 consisted of compactor, granulator and brick-making machinery to be used for sorting, segregation,	AAR 2020 pages 50-51		

Audit Observations/ Recommendation	Ref.	Management Action	Status of Implementation/ Reason for Non-Implementation
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.		Eleven 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 13 out of 15 barangays of the LGU have operational MRFs.

PART IV

ANNEXES