

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Pudtol was created by virtue of Executive Order No. 333 signed by then President Carlos P. Garcia. Before its creation into a regular municipality. It was first declared as Municipal District of Pudtol on December 3, 1956 through Executive Order No. 217 of then President Ramon Magsaysay. Prior to its being a Municipal District, it was once a barrio of the old Municipal District of Tawit.

The municipality has twenty two (22) barangays and classified as fourth-class municipality under the leadership of Honorable Mayor Hector Reuel D. Pascua. The latest population count based on the 2015 survey of the Philippine Statistics Authority registered 14,925.

For CY 2016, there were 81 regular plantilla positions composed of 12 elective and 1 co-terminus positions, 12 department heads, 56 staff positions and 89 job order personnel bringing the total manpower to 170.

B. Financial Highlights

The main source of income of the Municipality was from agricultural production with rice and corn as the primary products.

The Municipality had been maintaining three funds, namely: General Fund, Special Education Fund and Trust Fund.

For the year 2016, it operated with a total appropriation of ₱133,612,914.96 of which, ₱87,835,043.79 was obligated, leaving an unobligated balance of ₱45,777,871.17 at year-end. Pudtol is still greatly dependent on the Internal Revenue Allotment, which comprises 92% of the total income. Other sources of funds include local taxes, service and business income.

The financial capacity of the municipality is liquid. It has ₱2.54 current assets to pay for every ₱1.00 current liability. Presented below are the details of these data in comparative form based from the audited financial statements.

	2016	2015	Increase(Decrease)
Current Assets	₱101,876,291.83	₱74,989,714.59	₱26,886,577.24
Property Plant & Equipment	₱41,748,611.94	₱29,020,321.50	₱12,728,290.44
Current Liabilities	₱39,971,015.17	20,640,679.93	₱19,330,335.24

C. Operational Highlights

During the year 2016, the municipal government implemented various projects with total project cost of ₱9,458,927.28 (Annex F) which contributed to the socio-economic development of the municipality.

D. Scope of Audit

Financial and Compliance audit as well as Value for Money audit were conducted covering the operations of the municipality for the Calendar Year 2016. They were focused on Cash accounts, Inventories, Fund Transfers, Property, Plant and Equipment, Travelling Expenses, Procurement and other related accounts.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the municipality of Pudtol, Apayao for calendar year 2016 in view of the unrecorded and/or erroneous recording of various transactions resulted in the net overstatement of assets in the amount of ₱353,332.89.

F. Summary of Significant Observations and Recommendations

1. Unrecorded and/or erroneous recording of various transactions resulted in the net overstatement of assets in the amount of ₱353,332.89.

We recommended the following:

- a. that the Municipal Treasurer (as the General Services Officer) maintain inventory cards and submit Supplies and Materials Utilization Reports to the Accountant; and
- b. The Municipal Accountant:
 - maintain stock/supplies ledger cards and recognize inventories as an expense when distributed based on the latter's reports in order not to mislead users of the financial statements; and
 - effect the following adjusting journal entry to correct the balances of affected accounts in the financial statement.

Account Title	Debit	Credit
Agricultural Produce Inventory		258,820.00
Accountable Forms, Plates & Stickers		10,296.00
Drugs and Medicines Inventory		203,598.35
Medical Dental & Lab. Supplies Inventory	133,691.46	
Agricultural & Marine Supplies Inventory		10,610.00
Other Supplies & Materials Inventory		3,700.00
Office Equipment		749,341.34
Information & Communication Technology Equipment (ICTE)	994,119.80	
Accumulated Depreciation - ICTE		345,303.80
Furniture and Fixtures	39,000.00	
Other Property Plant & Equipment	61,525.34	
Prior Years Adjustment	353,332.89	
Total	1,581,669.49	1,581,669.49

- maintain Subsidiary Ledgers/Ledger Cards for Constructions in Progress to support the balances of accounts in the General Ledger and purposely to keep track of the movement of the account to facilitate the closing of the cost of completed projects.
 - draw JEVs for all transactions and summarize them in the appropriate journals as required under Section 31 of NGAS Volume II.
2. Fund transfers to barangays totaling P4,910,000.00 were not properly documented as set forth under Item 3.1 of COA Circular No. 2012-001 dated June 12, 2012.

We recommended that Management should:

- a. submit lacking documents, otherwise transactions will be suspended in audit;
 - b. ensure that all disbursements are duly supported with complete documentary requirements provided in Item 3.1 of COA Circular 2012-001 dated June 14, 2012 before allowing payments; and
 - c. require the barangays to submit liquidation reports as required under same circular.
3. The hiring of eighty nine (89) personnel through Job Orders who did not perform special or technical skills not available in the agency but were assigned clerical, messengerial and janitorial jobs was not only contrary to Civil Service Commission Memorandum Circular (CSC MC) No. 17 s 2002 but has resulted in uneconomical use of agency resources and inefficient public service.

We recommended that management should only hire job order personnel for tasks or projects that require special or technical skills in accordance with the provisions of CSC Memorandum Circular No 17 s. 2002.

We also recommended that the Human Resource Management Officer should:

- a. Carefully review the hiring policy on job order personnel;
 - b. Determine projects that necessitate the employment of job order personnel and secure appropriate action by the Sangguniang Bayan;
 - c. Review the scope of work/duties and responsibilities of job order personnel to ensure non-duplication of functions and ultimately the economic utilization of agency resources; and
 - d. Require job order personnel to submit quantified accomplishments.
4. Municipal Officials were paid their Transportation Allowances amounting to ₱663,750.00 despite use of government vehicle in the discharge of their duties contrary to Local Budget Circular No. 103 dated May 15, 2013 and COA Circular No. 2012-003.

We recommended that management should stop the practice of paying Transportation Allowance to officials who are issued or are using government vehicles in compliance with the provisions of Local Budget Circular No. 103 dated May 15, 2013 and COA Circular No. 2012-003.

5. The correct balances of the DRRM fund and the balance to be reverted to unappropriated surplus could not be readily determined due to the absence of a subsidiary ledger maintained by the Accounting Section.

We recommended that the Municipal Accountant maintain subsidiary ledger for fair and accurate reporting of the LDRRMF, including disclosures, of details of the fund in the Notes to Financial Statements.

6. Terminal Leave Benefits and Monetization amounting to P ₱4,492,972.86 and ₱116,825.33 respectively were paid without complete documentary requirements provided under COA Circular 2012-001 dated June 14, 2012.

We recommended that Management should:

- a. submit lacking documents, otherwise transactions will be suspended in audit; and
 - b. ensure that all disbursements are duly supported with complete documentary requirements provided in COA Circular 2012-001 dated June 14, 2012 before allowing payments.
7. Traveling expenses incurred seemed unnecessary and irregular because Travel Orders (TO) and Itinerary of Travels (IT) were not properly filled up, making the appropriateness of amounts claimed questionable.

We recommended that Management should thoroughly review documentation of traveling expenses, and ensure that TOs to be issued and ITs to be approved should be properly accomplished.

We further recommended that Management should observe prudence in approving travel, to save funds for other priority projects or activities of the municipality.

8. The Monthly Reports of Official Travels and Report of Fuel Consumption for each motor vehicle of the LGU were not prepared and submitted thus; the reasonableness of fuel consumption could hardly be ascertained.

We recommended that Management require the concerned officials and employees to prepare monthly, the Report of Official Travels and the Report of Fuel Consumption for all vehicles owned by the LGU, pursuant to the Manual on Audit of Fuel Consumption of Government Motor Vehicles.

9. Some Officials were issued more than one vehicle and Driver's Trip Tickets were not accomplished for the use of Motorcycles in violation of COA Circular No. 75-6 dated November 7, 1975.

We recommended that Management should:

- a. require drivers to accomplished Driver's Trip Tickets before using government vehicles;
- b. assign only one vehicle to an official /employee; and

- c. hold the SB Secretary personally liable for the damages of the motorcycle which met an accident due to unauthorized use.

10. Delayed implementation of the Local Government Support Fund (LGSF) amounting to ₱9,100,000.00 for the improvement of local roads deprived the public of the immediate use of the projects.

We recommended that management employ effective measures to expedite the implementation of the projects to provide beneficiaries of the early/optimum utilization of the program.

11. Section 343 of RA No. 7160 and COA Circular No. 2012-003 dated October 29, 2012 was not strictly observed resulting in the significant increase of Representation Expenses for meals and snacks amounting to ₱362,812.75 in CY 2016.

We recommended that Management should:

- a. Limit expenses for catering services/meals and snacks served during official meetings only up to the extent allowed under Section 343 of the Local Government Code of 1991, if the same cannot be avoided; and be reminded that the cost of meals and snacks spent for entertaining visitors/guests of offices concerned be charged to their monthly representation allowance which is the very purpose of such.
- c. Ensure that meals, snacks, catering services for special occasions, conferences, and committee meetings are duly supported with invitations stating the agenda of the meeting, activity design, guest lists, copy of program, attendance and minutes, and that funds have been appropriated for the purpose.

12. Procurement of supplies, materials, computers and other items amounting to ₱7,076,106.60 did not pass through public bidding contrary to the provisions of Republic Act No. 9184 and some supporting documents are apparently simulated and altered connoting collusion between management and the concerned suppliers

We recommended that Management should strictly adhere with the requirements of the procurement law and give stern warning to all officials concerned against the commission of fraudulent acts.

13. Purchase Requests bear inadequate specifications of requisitioned items and proposed terms for the procurement.

We recommended that technical specifications on items to be procured should be provided to meet the needs of the procuring entity in clear and unambiguous terms.

14. Solid Waste and Materials Recovery Facility were not strictly implemented and enforced by the Municipality in violation of Section 17 and Section 32 of RA 9003.

We recommended that the municipality should earmark funds for its Solid Waste Management Program, fast track the construction of its sanitary landfill and enforced operational MRF in compliance with Section 17H & Section 32 of Republic Act 9003 as required under DILG Memorandum Circular No. 2009-168.

We also recommended the appointment of a MENRO to fully implement the program if warranted.

15. Management failed to enforce settlement of suspensions and disallowance.

We recommended that management enforce prompt settlement by the persons determined responsible or liable pursuant to Section 7 of the RRSA.

16. The correct amount of taxes were not withheld from the payments of catering services amounting to ₱2,412,354.00 resulting in under-collection ₱21,538.81

We recommended that Management should deduct and withhold taxes due on the procurement of goods and services in accordance with Revenue Memorandum Circular No. 59-2009 and other applicable tax laws in order to avoid penalties that may be imposed for non-compliance.

17. The corresponding taxes on Financial Assistance (FA) granted to municipal officials and employees in CY 2015 were not out-rightly deducted upon release but was only effected on a staggered scheme in CY 2016, thus, the continuity of cash inflows needed by the government in the implementation of priority programs, projects and activities was not ensured.

We recommended that for future transactions, the Accountant should immediately compute and deduct taxes upon payment of financial assistance, salaries or any amount due to officials and employees subject to tax to ensure the continuity of cash inflows needed by the government in the implementation of priority programs, projects and activities.

18. Gender and Development (GAD) was not strictly implemented in accordance with PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 as amended under PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01.

We recommended that the GAD Focal Point System members should:

- a. Establish and maintain a GAD database equipped with accurate information for effective planning.
- b. Attend trainings/orientations and other GAD related activities to strengthen GAD capacity development.

G. Status of Implementation of Prior Years' Audit Recommendations

Of the 16 audit recommendations in prior years, seven were fully implemented, two were partially implemented while seven were not implemented.