

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Municipality of Pantar came into existence by virtue of Presidential Decree No. 1521 dated March 15, 1971 and classified as 5<sup>th</sup> class municipality with twenty – one (21) barangays.

The Total land area of the municipality is approximately 9,010 hectares lot accommodate 18,440 population per 2012 census of National Statistic Office.

The following are the significant events in the Municipality of Pantar that affects the basic delivery of services and submission of the financial reports.

October 29, 2007	Hon. Mohammad Limbona was elected as Punong Barangay of Barangay Kalanganan, Pantar, Lanao del Norte. During his incumbency, criminal and administrative cases were lodged against him before the Office of the Ombudsman Luzon.
September 30, 2009	Decision of the office of the Ombudsman for Luzon which found Mohammad Limbona, barangay chairman at Lower Kalanganan at that time among others guilty of grave misconduct, oppression and conduct prejudicial to the best interest of the service, in consequence of which they were meted the penalty of dismissal from the service with the accessory penalties of cancellation of eligibility, forfeiture of retirement benefits, and perpetual disqualification for re-employment in the government service.
March 22, 2010	Hon. Mohammad Limbona motion for reconsideration was denied. The resolution and decision both dated September 30, 2009 and approved by Hon. Ma. Mercedes N. Guitierrez on October 23 are hereby affirmed. The Joint motion for reconsideration February 12, 2010 and the Joint Supplemental Motion For Reconsideration February 17, 2010 are hereby denied for utter lack of merit.
May 2010	Hon. Mohammad Limbona was elected Mayor of Pantar, Lanao del Norte
	For unknown reasons, the 2009 decision was not implemented during his incumbency as barangay chairman.
July 6, 2011	Supreme court declared GR NO. 195480 closed and terminated.
September 29, 2011	Entry of Judgment
April 4, 2013	Disqualification case filed against Hon. Mohammad Exchan Gabriel Limbona docketed as SPA NO.13-252 before the May 2013 Elections founded on the September 30, 2009 decision of the office of the Ombudsman for Luzon.

May 2013	Hon. Mohammad Limbona was re-elected Mayor of Pantar, Lanao del Norte.
June 6, 2013	COMELEC First Division promulgated its Resolution dismissing the petition for disqualification against Hon. Mohammad Limbona.
November 15, 2013	Ombudsman order: September 30, 2009 Decision in OMB-L-A-08-0530-H has been affirmed by the Supreme Court in GR # 195480.
April 3, 2014	Memorandum Order dated April 3, 2014 for the implementation of the decision and joint order with case nos. OMB-L-C-08-0644-H and OMB-L-A-08-0530
April 30, 2014	Memorandum order from Undersecretary Austere A. Panadero to Regional Director Rene K. Burdeos dated April 3, 2014 for the implementation of the decision and joint order with cas nos. OMB-L-C-08-0644-H and OMB-L-A-08-0530.
May 2, 2014	Letter from DILG implementing the September 30, 2009 OMB Decision.
May 5, 2014	Hon. Mangondaya Asum Tago took his oath of office as the new Municipal Mayor.
June 18, 2014	COA Regional Director Ursal indorsement stating that “we cannot however, on the pretext of our audit jurisdiction over public funds encroach on the jurisdiction of office of the ombudsman and consequently that of the DILG on disciplinary matters. It is our considered view that the installation of Hon. Tago as the new mayor of Pantar should be accorded regularity. If at all the mayor elect is still aggrieved, the appropriate remedy is not to this office but with the court by way of special civil action.”
July 1, 2014	RTC-Branch 5, Iligan City: The court denies the prayer for the issuance of a temporary restraining order or a writ of preliminary injunction.
July 8, 2014	COMELEC En banc affirmed the Comelec first division insofar as Hon. Mohammad Exchan Limbona non-disqualification as a candidate to the mayoralty position at Pantar, Lanao del Norte is concerned. Modified as to the applicability of the doctrine of condonation. The COMELEC held that the doctrine of condonation finds no applicability to petitioner Hon. Mohammad Limbona.
September 18, 2014	Office of the President: Pursuant to Section 9 of Administrative Order No. 22 dated 11 October 2011, the Memoranda dated 03 April 2014 and 30 April 2014 are hereby stayed pending resolution of the petition.
November 17, 2014	COMELEC ENBANC EM. NO. 14-005 - Contempt Order. The commission already ruled that the ombudsman decision cannot be the cause of the disqualification or ouster of the petitioner Limbona. Petition granted. The commission resolves to cite private respondents Hon. Panadero, Atty. Burdeos, and Hon.

	Mangondaya Tago in contempt.
December 5, 2014	Office of the President: The assailed memoranda are not proper subject of an appeal. Decisions/resolutions/orders contemplated under Administrative Order No. 22, series of 2011, pertain to final judgments by the department / agency. The memoranda are not final judgment by the DILG. They are merely directives for the DILG Regional office No. X to implement the Ombudsman decision. The reason for disallowing an appeal from these memoranda is to avoid unnecessary delays in the implementation of a final and executor decision of the Ombudsman. The petition was dismissed.
December 29, 2014	Ombudsman Conchita Carpio Morales legal opinion: It bears to note that the Comelec Resolutions dated June 6, 2013 and July 8, 2014 cannot have the effect of rendering the Ombudsman's decision particularly its implementation, nugatory and ineffectual, as the Comelec is not the proper forum for assailing the said decision and the implementation thereof.  Parenthetically, unless the Supreme Court, in a proper action, holds that the Ombudsman's Decision can no longer be implemented on the ground that the doctrine of condonation is applicable or for any other reason, effectively negating the effects of the Supreme Court's resolution dated July 6, 2011 declaring GR No. 195480 closed and terminated, the execution of the Ombudsman's decision stands.
January 8, 2015	Supreme court: Respondents to comment. And ENJOINED from implementing the COMELEC RESOLUTION dated January 5, 2015.
February 20, 2015	Ombudsman Joint Resolution dismissing the two (2) complaints – case # OMB-M-C-14-0080 and OMB-M-A-14-0047 filed by Hon. Tago against Mayor Limbona for insufficiency of evidence.
February 24, 2015	Regional Trial Court issued Temporary Restraining Order and writ of Preliminary Injunction. Dispositive portion states “wherefore, based on the foregoing, a writ of preliminary injunction is hereby issued during the pendency of this case. Respondent Mangondaya Asum Tago is hereby directed to cease and desist from insisting and assuming as mayor of Pantar, Lanao del Norte..”
March 24, 2015	Supreme Court Resolution: Dismiss the petition for failure to sufficiently show that any grave abuse of discretion was committed by the Commission on Election in rendering the challenged resolutions which, on the contrary, appear to be in accord with the facts and applicable law and jurisprudence.
May 15, 2015	Court of Appeals issued a resolution granting Hon. Mangondaya Asum Tago prayer for a TRO. “ Wherefore, let a Writ of Preliminary Injunction issue enjoining public respondent RTC

	Branch 5 in iligan City in conducting further proceedings..”
June 3, 2015	ADM Case no. 003-2014: Suspending Hon. Mangondaya Asum Tago, found guilty as charged of absenteeism, gross negligence or dereliction of duty and conduct prejudicial to the best interest of the service, and shall meted the penalty of three (3) months suspension without salary.
August 18, 2015	Ombudsman Resolution Case No. OMB-M-C-14-0160 filed by SB members against Hon. Tago was dismissed.
	Court of Appeals: CA-GR SP NP. 06699-MIN decision: The petition is hereby granted. The assailed orders issued by the public respondent are hereby annulled and set aside. The petition filed by private respondent Limbona in Spl. Action No. 7696 before the RTC of Iligan City and pending before branch 1 is hereby dismissed. The Writ of Preliminary Injunction issued by this Court in its 12 May 2015 Resolution is hereby made permanent.
April 5, 2016	Supreme Court en banc decisions on GR. # 215548; 215726; 216158. The petitions are granted. The resolutions dated November 17, 2014 and January 5, 2015 of the COMELEC en banc in EM. No. 14-005 are annulled and set aside.
May 30, 2016	CA 9 <sup>th</sup> Divison CA-GR. SP. No. 141942: The court resolves as follows: <ol style="list-style-type: none"> <li>1. As for the motion for intervention with motion for reconsideration cum request for oral arguments dated March 14, 2016, the same is denied for lack of merit;</li> <li>2. As for Atty. Salvador Del Castillo and Dir. Gilbert Gumabay’s motion for reconsideration dated March 14, 2016, the same is likewise denied for lack of merit;</li> <li>3. As for the extremely urgent manifestation and ex parte motion to declare decision to be immediately executory dated March 17, 2016, the Secretary of the DILG and the Secretary of Finance, are both directed to ensure implementation of the writ of mandamus pursuant to section 3 of Rule 65 of the Revised Rules of Court; and</li> <li>4. Intervenor-movant Mangondaya A. Tago’s manifestation dated May 3, 2016 is noted.</li> </ol>
June 3, 2016	Memorandum Order from Undersecretary Austere A. Panadero to Regional Director Arnel M. Agabe for the implementation of the Decision CA-GR. SP No. 141942.
June 8, 2016	Memorandum Order from Regional Director Arnel M. Agabe to Engr. Libot for the implementation of the Decision CA-GR. SP No. 141942.
June 9, 2016	Letter from Engr. Libot for the implementation of the Decision CA-GR. SP No. 141942. And recognizing Mohammad Exchan Gabriel Limbona as Mayor of Pantar, Lanao del Norte.

July 1, 2016	Installation of the newly elected Municipal Mayor Mohammad Exchan G. Limbona “May 2016 elections”
December 29, 2016	Hon. Moh. Exchan Gabriel Limbona, the mayor of Pantar died in an ambush. By rule of succession, the vice mayor Hadji Rakim Alingan took an oath as the new municipal mayor.

## B. FINANCIAL HIGHLIGHTS

The municipality’s assets, liabilities and equity as of December 31, 2016 were ₱8,246,000, ₱1,631,000 and ₱6,615,000 respectively.

The Auditee’s results of income and expenses amounted to (₱28,942,000), of which revenue collected ₱58,163,000 compared with expenses incurred ₱87,105,000.

## C. OPERATIONAL HIGHLIGHTS

In CY 2016, the Municipality of Pantar generated total actual revenue of ₱58,163,000.00. These were all used as intended for the operation of the LGU’s development and programs.

In support of development plans, programs, projects and activities of the municipality, the following is the application of funds to wit:

<b>Programs</b>	<b>Appropriation</b>
General Public Services	28,058,621.90
Social Services and Social Welfare	3,575,003.60
Economic Services	4,072,226.32
Other Purposes:	
LDRRMF	2,928,609.25
20% Development Fund	11,623,130.40
Allocation for Senior Citizens and PWD	585,721.85
Others	7,728,869.04
<b>Total Current Appropriations</b>	<b>58,572,182.36</b>

## D. SCOPE OF THE AUDIT

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree 1445, we conducted financial and compliance audit on the accounts and operations of the Municipality of Pantar, Lanao del Norte for the year ended December 31, 2016, with particular emphasis on the verification, on a test basis, of (a) the propriety and validity of the agency’s expenditures and revenues, and (b) the level of assurance that may be placed on management assertions on the financial statements.

We have performed a Value-for-Money Audit on the operations of the Municipality of Pantar, Lanao del Norte more specific on the implementation on the 20% Development Fund. The audit was aimed to ascertain whether or not the resources and funds of the Agency were economically, efficiently and effectively utilized for CY 2016.

The audit was aimed to determine whether the auditee has complied with applicable laws and auditing principles, standards and requirements and whether it has controlled and utilized its resources in the pursuit of its programs, projects and activities.

The audit was focused on cash, receivables, properties, liabilities/loans equity and revenues inclusive of real property tax as well as 20% development fund, programs and projects, for the Value for Money audit.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing and accordingly included such tests of the accounting records and other related documents and evaluation of the design and operating effectiveness of the controls and such other procedures, as necessary, in the audit.

## **E. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Our audit was conducted in accordance with Philippine Public Sector Standards on Auditing and we believe that it provides reasonable basis for the results of audit.

The Audit Team rendered a qualified opinion on the fairness of the presentations of the financial statements of the Auditee as of December 31, 2016.

There is reason to believe that the financial statements are not free of material misstatement/s and were not prepared in accordance with applicable laws, rules and regulations and not in conformity with generally accepted state accounting principles because municipality expenditures were paid out of the cash advance, failed to conduct physical inventory of government properties, and other deficiencies noted in the audit.

## **F. SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

- 1. Disbursement vouchers appropriated for the operation of the sanggunian shall be approved by the Municipal Vice-Mayor pursuant to Section 39 of COA Circular No. 92-382 dated July 3, 1992.**

We have recommended that the Municipal Vice-Mayor should apply for a fidelity bond, approved the disbursement vouchers for the appropriation of the sanggunian only and shall be allowed to countersign in the check drawn.

- 2. Sixteen (16) Unfilled Plantilla positions were not filled up and remained vacant as of December 31, 2016 with total appropriations amounting to P3,237,564.00. Thus, delivery of basic services was not attained at its maximum in violation of Section 443 and 474 of Republic Act 7160.**

We have recommended the following:

- a. The Local Chief Executive should fill up the vacant positions and should provide appropriation for a more effective administration of those offices and to deliver the basic services needed by the constituents.
- b. The Budget Officer should allocate budget for those vacant position to protect the collapsing of plantilla position.
- c. The Head of the Personnel should publish the vacancy and if there will be no qualified applicant, recommend to the Local Chief Executive for a temporary appointment of those willing and available applicant for the position.
- d. Follow up to the CSC the status of the appointments.

- 3. Registries of funds / appropriations / allotments and obligations / utilization for each fund were not maintained by the Municipal Budget Officer contrary to Item No. 2 of COA Circular No. 2005-001 dated February 28, 2005.**

We have recommended the following:

- a. The Municipal Budget Officer should maintain the required registries of funds / appropriations / allotments and obligations and utilization in order to avoid juggling of funds and for internal control purposes. Also, to facilitate the realization of the programs / projects / activities embodied in the Approved Annual Budget.
- b. Strict adherence to the provision of laws, rules and regulations.
- c. Attend to the seminar involving budgeting purposes.

- 4. Money value equivalent to the earned leave credits of LGU personnel were not recorded in the books of accounts disregarding COA Circular No. 2015-009 which prescribes the Revised Chart of Accounts for Local Government Units.**

We have recommended to the Human Resource Officer furnishing the Accounting office with a copy of Schedule of Earned Leave Credits for all LGU personnel with money value as basis by the Accounting Office to record the leave accruals. Meantime, that budget was not yet provided, just disclosed it in the Notes to Financial Statements.

- 5. Due from Officers and Employees account amounting to P738,056.76 was the accountability of the former Municipal Treasurer who died last January 1998 had been write-off without proper authority, thus misrepresenting the cash, receivable and operating expense accounts.**

We have recommended the following:

- a. The Municipal Accountant should prepare an adjusting entry to record back the accounts receivable write-off.
- b. Local Chief Executive should write a letter requesting for write-off thru the initiative of the Municipal Accountant designate.
- c. All supporting documents under Section 8.3 of COA Circular No. 2016-005 dated December 19, 2016 which are applicable should be attached.

**6. Municipality's expenditures amounting to ₱89,981,906.17 were paid out of the cash advance of the Disbursing Officer designate and made through managers check, in violation to provisions of COA Circular No. 97-002.**

We have recommended to the Municipal Treasurer to stop the practice of using cash advance in paying operating expenses or claims of municipal officials and employees. Limit cash advances to salaries or wages and travel expenses. Cash Advances for travel should be made by individual.

**7. The Local Government Unit failed to establish collectible Real Property Tax and Special Education Fund for the CY 2016 due to the failure of the management to develop a comprehensive program to intensify tax collection.**

We have recommended the following:

- a. The Local Chief Executive should give emphasis on the collection of the delinquent real property taxes by applying the administrative remedies against delinquent taxpayers as provided for under the Local Government Code.
- b. Fill-up the vacant position of municipal assessor in order to prepare and submit the estimated real property tax collectibles and updating the record on tax assessment.

**8. Non-maintenance of Subsidiary Ledgers (SL) for inventory accounts contrary to Section 12 of the MNGAS Volume II.**

We have recommended that the Supply Officer to submit the Report of Supplies and Materials Issued (RSMI) to the accounting division; maintain SLs for the inventory accounts; and to strictly comply with the provision of Section 12 of MNGAS, Volume II and Section 114 of PD 1445.

**9. The reliability and validity of the Property, Plant and Equipment account balance of ₱5,624,000.00 as of December 31, 2016 cannot be ascertained due to the failure of the auditee to conduct periodic physical inventory taking, in violation of COA Circulars and New Government Accounting System, Volume I.**

We have recommended the following:

- a. The Local Chief Executive should create an appraisal / inventory committee to conduct an actual physical inventory taking of all properties, plant and



equipment headed by the General Services Officer to be witness by any representative of the Commission On Audit.

- b. The General Service Officer should maintain stock cards of each property, plant and equipment bearing property number while the Municipal Accountant should maintain a subsidiary ledger card on each equipment.
- c. Identify unserviceable properties and prepare an Inspection and Inventory Report for disposal.
- d. The Municipal Accountant should prepare necessary adjustments on the deficiencies noted in the course of inventory taking and make reconciliation with inventory report, stock cards and subsidiary ledgers.
- e. The Municipal Administrator should update the list of properties that need to be insured and submit the list to the GSIS.
- f. Provide budget for the insurance premium of properties identified to be insured especially building to protect the interest of the government.

**10. Non-submission of the disbursement vouchers and its supporting documents covering the period November to December 2016 amounting to P28,184,993.76, contrary to COA Circular No. 95-006, thus, preventing the conduct of timely audit.**

We have recommended to the new Local Chief Executive to hire additional employee assigned in the office of the municipal accountant and treasurer, otherwise, require the concerned employee to render overtime to ensure timely submission of the required reports and documents.

**11. Non-payment of salaries and allowances of the municipal plantilla personnel and Sangguninag Bayan – Hon. Limbona Administration for the period July to December 2014 and for Tago Administration for the period June 2015 to June 2016.**

We have recommended the following:

- a. Former Municipal Treasurer Noraima Serad to pay immediately the salaries of the Sangguniang Bayan Members. If were not able to pay them, please return their salaries in the account of the Municipality.
- b. Former Municipal Treasurer to refund the amounts paid to appointed SB members.
- c. The Local Chief Executive / Personnel Head to follow-up and facilitate the immediate release of the Civil service resolution on the appointments and termination of the employees in the Municipality of Pantar.
- d. Unclaimed salaries can be claimed to the Municipality upon submission of the complete supporting documents.

**12. Inter-Agency Payables of the Agency totaling to P861,194.44 remained unsettled at year end, in violation of provision of Section 6(a) of PD 1146.**

We have recommended the following:

- a. Direct the Municipal Treasurer / Accountant to remit regularly the collections and contributions due to GSIS, BIR, Pag-ibig and Philhealth in accordance with RA 8291, PD 1752 and Revenue regulations No. 4-93.
- b. Reconcile records with the GSIS and various government agencies with regard the actual payables and urge the Municipal Treasurer to remit immediately the amount which was held in trust to subject offices, in compliance with RA 8291, P.D. 1152 and Revenue Regulations No. 4-93. Avoid further payment of penalties that might be imposed for late remittances. And let members avail of their legal/lawful benefits to avoid further legal complications anent this issue.

**13. The desired purpose / objective of supplemental feeding program by the Department of Social Welfare and Development (DSWD) may not be attained due to absence of individual chart of beneficiaries of the program to ensure the improvement of the nutritional status of the child.**

We have recommended the in-charge of the program, the MSWD to prepare an individual chart of the child in order to properly monitor the nutritional status of the child and likewise submit the accomplishment report.

**14. The Management failed to transfer the Local Disaster Risk Reduction and Management Fund (LDRRMF) required under Section 12 of RA No. 10121, thereby, exposing the LDRRMF to unauthorized used for administrative operational expenses.**

We have recommended the following:

- a. The Local Chief Executive should establish the 5% calamity fund broken down into the 70% preparedness fund and the 30% should be allocated to the Quick Response Fund or stand-by fund for relief and recovery projects and activities.
- b. The Municipal Treasurer should open a special trust fund account to transfer the unexpended LDRRMF at the end of the year.
- c. Adhere strictly to Republic Act No. 10121 and COA Circular No. 2012-002 dated September 12, 2012 for the Accounting and Reporting Guidelines for the Local Disaster Risk Reduction and Management Fund of Local Government Units.

**15. Solid waste management plan of the municipality were not submitted as mandated under RA 9003.**

We have recommended to the management for executive action:

- a. Creation of the Municipal Solid Waste Management Board in accordance with the provision of law;
- b. The plan should be reviewed and updated as required by law to ensure its sustainability, relevance and effectiveness;

- c. Campaigns should be collaborated with the barangay officials concerned; and
- d. Continued and stricter implementation of waste segregation, and thorough collection of waste based on set schedules.

**16. Management failed to prepare Special Education Fund Budget in violation to Section 7 of Republic Act No. 5447 and incurred no amount for the SEF projects, thus, the local school board failed to use the fund depriving the beneficiaries.**

We have recommended the following:

- a. The Local School Board to prepare a budget for Special Education Fund and make deliberations in accordance with the guidelines.
- b. The proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the local school board.

The comments and observations were discussed with concerned management officials and staff last January 20, 2017, and the management’s comments were incorporated in the report.

**G. STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the management of Municipality of Pantar, Lanao del Norte to implement the recommendation on prior years and noted the following:

Status of Implementation	No. of Recommendation
1. Full implementation	4
2. Partial implementation	8
3. Non-implementation	2

Not implemented recommendations are reiterated in this Annual Audit Report for CY 2016 due to materiality and relevance. The results of the validation of the implementation of prior year’s recommendations are presented in Part III.