

EXECUTIVE SUMMARY

A. Introduction

Pagudpud, a fourth class municipality is situated at the northernmost part of the Province of Ilocos Norte. It has a total land area of 21,400 hectares consisting of nine coastal barangays and seven upland barangays. The town has two major industries – agriculture and fishing. The municipality is endowed with vast natural resources both land and marine making the town one of the major tourist destinations in northern Philippines. By virtue of Executive Order No. 13, dated July 5, 1954, issued by His Excellency Ramon Magsaysay, Pagudpud was created as a municipality and became the 19th municipality of the province.

The municipality is under the leadership of Hon. Rafael Ralph A. Benemerito II. He is assisted by Vice-Mayor Hon. Matilde K. Henson-Sales and the Sangguniang Bayan Members. The manpower complement of the municipal government as of December 31, 2019 is composed of 11 elective officials, 104 permanent employees, 14 casuals and 97 under the job order contracts.

B. Financial Highlights

Total assets, liabilities and government equity of the Municipality of Pagudpud for Calendar Year 2019 and 2018 are shown below:

Particulars	2019	2018
Assets	₱ 608,259,570.64	₱ 711,293,098.64
Liabilities	302,724,926.01	276,423,684.79
Equity	305,534,644.63	434,869,413.85

Property, Plant and Equipment represents the bulk of the agency's asset amounting to ₱311,131,934.56 equivalent to 51.44% followed by its Cash and cash equivalents amounting to ₱280,086,680.18, equivalent to 46.50% of the total assets. The agency's liabilities include a loan from the Development Bank of the Philippines used for the construction of Pagudpud Integrated Common Terminal (PICT).

Particulars	2019	2018
Tax Revenue	₱ 50,719,879.55	₱ 46,351,857.45
Share from Internal Revenue Collections	103,909,909.00	94,760,168.00
Other Share from National Taxes	2,688,228.55	28,624,618.55
Service & Business Income	10,614,767.55	10,829,317.34

Shares, Grants & Donations	9,838,936.08	267,879.00
Other Income	65,615.15	36,000.39
Total	₱ 177,837,335.88	₱ 180,869,840.73

The tax revenue of the municipality is the largest source of its income, which is 88.46% and 93.84% of the total revenues for the years 2019 and 2018, respectively. Current collections has decreased by twelve million four hundred eighteen thousand six hundred twenty six and 90/100 pesos (₱12,418,626.90) or 7.32% compared last year. There is significant decrease of RPT and SET collections by 3.60%, respectively. The Share from Internal Revenue Collections is still the municipality's major income component which is equal to 58.43% and 52.39% of the total annual revenues for the years 2019 and 2018, respectively.

Maintenance and other operating expenses of the municipality consistently surpassed all the expense classes at 52.70% and 53.59% for the years 2019 and 2018, respectively. Expenditures of the municipality for personnel services ranked second from all the expense classes for the comparative years at 37.36% and 37.22% of the total current operating expenses. It has increased roughly by 17.89% compared last year as a result of filling up of vacancies and implementation of the fourth tranche of the salary standardization law.

The non-cash expenses of the municipality pertain only to depreciation and amortization, which the agency reasonably and periodically allocates the costs of its property, plant and equipment for wear and tear. The municipality's financial expenses pertain to the cost of check booklets used during the current year, interest expenses and other financial charges. The component of the expenses is presented below:

Particulars	2019	2018
Personnel Services	₱ 54,058,608.02	₱ 45,856,247.36
Maintenance & Other Operating Expenses	85,394,719.25	66,017,151.02
Non-Cash Expenses	14,930,945.04	8,946,583.48
Financial Expenses	7,646,135.22	2,374,611.00
Subsidy to LGU	32,000.00	32,000.00
TOTAL	₱ 162,062,407.53	₱ 123,226,592.86

C. Operational Highlights

Under the present leadership of the Honorable Rafael Ralph L. Benemerito II, as Local Chief Executive and Honorable Matilde K. Henson-Sales, as Municipal Vice-Mayor, the town is becoming a fast vacation haven. Pagudpud was adjudged by Australian Journalists as Asia's Number 1 beach destination and included in the Top Ten best dive areas of the Philippines and of South East Asia with "Bone Beach" along the Blue Lagoon Area at Barangay Balaoi as a tourism estate. With the

cooperation and unity of all the officialdom and citizens, the town was awarded with the following:

1. Certificate in Local Governance FY2019 (Business Friendliness & Competitiveness);
2. 2019 Seal of Good Financial Housekeeping;
3. 2019 Seal of Child Friendly Local Governance;
4. 1st Placer-Infrastructure Category-Region 1 (2019 CMCI);
5. 11th Placer-Nationwide-3rd to 4th Class Municipalities (2019 CMCI);
6. 2019 Most Innovative OTOP (OneTown, One Product) (DTI);

For the calendar year 2019, the municipality's major objective was geared towards the excellent delivery of basic services to its constituents. The municipal government vowed to improve the quality of life with emphasis on its program development in agriculture, school facilities development program, and early childhood care and development.

The following are among the significant undertakings of the Municipality for calendar year 2019, to wit:

Particulars	Contract Amount
Procurement of Four-Wheel Tractor	₱ 3,747,000.00
Payment of Loan Market	4,453,117.15
Continuation Municipal Health Center	347,653.78
Construction of Drainage Canal	2,414,302.33
Construction of Hanging Bridge, Brgy. Caunayan	1,097,112.19

D. State Auditor's Report on the Financial Statements

We rendered an unmodified opinion on the fairness of presentation of the financial statements.

E. Summary of Significant Audit Observations and Recommendations

The comments and observations embodied in this report were discussed with the concerned management officials and employees during the exit conference. Management's comments are included in the report, where appropriate.

1. Procurement of industrial tools sourced from the Special Education Fund (SEF) was done contrary to DEPED, DILG and DBM Joint Circular No 1 s. of 2017, the guideline in SEF utilization, thereby depriving learners from full benefits of the fund.

We recommended that management refrain from using the SEF for expenses not provided for by existing rules and regulations in order to avoid unnecessary expenses for the LGU and to avoid possible disallowance in the future.

2. Several loans extended to qualified beneficiaries in the amount of ₱207,325.00 remained outstanding for the longest time as a result of low collection efficiency of the loans, thus drastically affecting the continuity of the program and depriving other interested beneficiaries who could have also availed the loans granted by the agency.

We recommended that management utilize the 20% Development Fund during the year to address the priority needs of the people and to attain maximum benefits for the intended recipients.

3. Several projects under the 20% Development Fund totaling ₱15,769,440.00 and ₱8,825,000.00 funded from the Current Year and Continuing Appropriations, respectively, remained unimplemented as at year-end, thus depriving the constituents of the benefits expected therefrom.

We recommended that Management, whenever applicable, implement the programs, projects and activities embodied in the Economic Development Plan. We also recommended that management revisit the plans and budget embodied in the agency's Economic Development Fund and identify the necessities of the listed projects therein, otherwise identify a more appropriate and responsive programs. Moreover, we recommended that the agency appropriate the savings of funds derived from previous implementation of projects to new projects that are aligned to the purpose of the fund. These will ensure that benefits intended to for the agency's populace will be met.

F. Summary of Total Suspensions, Disallowances and Charges as of December 31, 2019

There is total of ₱11,782.50 unsettled audit disallowances as of December 31, 2019. There were no outstanding balance of audit suspensions and charges during year end.

G. Status of Prior Years' Audit Recommendations

Of the four (4) audit recommendations embodied in 2018 Annual Audit Report (AAR), two were implemented, one was partially implemented and one was not implemented during the period. There were other two (2) audit recommendations which remained unimplemented from the 2017 AAR.