

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Mangaldan was founded in June 1600. Its Political evolutions have been greatly shaped by Spaniards who ran the affairs of the town. In 1727, Mangaldan was a Spanish pueblo and the rest is history.

It is located on the Northern part of Eastern Pangasinan, eighteen (18) kilometers in land from the historical Lingayen Gulf. It has a total land area of approximately 4,647 hectares consisting of 30 barangays. Its present population was reported at 105,659.

At present the Local Administration of Mangaldan is under the leadership of Honorable Mayor MARY MARILYN DG. LAMBINO.

To promote social, economic development and delivery of basic services, the significant accomplishments of the Municipality of Mangaldan for the year 2019 were as follows:

PROJECTS, PROGRAM AND ACTIVITIES	AMOUNT	STATUS
1. Completion of Mangaldan Public Market Phase II under Design and Build Scheme (Contiguous)	19,995,766.99	100% Completed
2. Concreting of Farm to Market Road a. Alabaso Road in Brgy. Osiem b. Concreting of Tibule Road in Brgy. Osiem c. Concreting of Don Eugenio Ladicho Road in Brgy Inlambo	13,095,280.15	100% Completed
3. Road Pavement and Concrete Drainage Cover in Presto St. From National Road CSI to Brgy Nibaliw Boundary Mangaldan.	5,498,000.00	100% Completed
4. Rehabilitation of Salay-Lanas Road in Brgy. Salay and Brgy. Lanas	5,198,297.34	100% Completed
5. Concrete Drainage and Concrete Shoulder in M. Ydia St. Poblacion	4,499,101.04	100% Completed
6. Rehabilitation / Improvement of Slaughterhouse Building in Brgy Bari	4,098,960.47	100% Completed
7. Road Concreting of Sitio Mabato Road in Brgy. Inlambo Mangaldan, Pangasinan	1,998,870.79	100% Completed
8. Concreting of Sausauren Farmers Road in Brgy. Guilig	1,798,689.50	100% Completed
9. Construction / Fabrication of Sidewalk Canopy for Development as Tourism Area	1,479,645.86	100% Completed

B. HIGHLIGHTS OF FINANCIAL INFORMATION

(Financial data were presented in Philippine Peso)

Presented below are the financial position, sources of funds, appropriations and obligations of the local government unit during the calendar year 2019 as compared with the figures of the previous year:

Accounts	2019	2018	Increase (Decrease)	
			Amount	Percent
Assets	733,777,464.41	570,148,218.32	163,629,246.09	28.70%
Liabilities	135,612,776.97	89,824,398.46	45,788,378.51	50.98%
Government Equity	598,164,687.44	480,323,819.86	117,840,867.58	24.53%
Income	303,698,345.57	277,847,518.86	25,850,826.71	9.30%
Expenses	253,652,613.45	237,132,985.49	16,519,627.96	6.97%
Appropriations	352,824,023.07	408,673,179.45	(55,849,156.38)	(13.67%)
Obligations	278,584,165.72	344,102,329.62	(65,518,163.90)	(19.04%)

C. SCOPE OF AUDIT

Financial and Compliance audit was conducted on the accounts and operations of the Municipality of Mangaldan, Pangasinan for the year 2019. The audit included a review and evaluation of the financial transactions and results of operations of the municipality. It also included Value for Money Audit to determine whether resources had been managed and utilized in an economical, efficient and effective manner on selective basis.

D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements due to non-ascertainment of the validity, accuracy and existence of the Property, Plant and Equipment account amounting to ₱697,197,370.01 and Road Networks account totaling ₱111,237,175.51.

E. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the significant findings and recommendations contained in the report which were discussed with the management. Management comments were incorporated in the report, where appropriate.

Summarized below are some of the significant findings and recommendations contained in the report which were discussed with the management, to wit:

1. **There was still no proof of ownership over the 21 parcels of land owned by the LGU with a total market value and total appraised value of ₱91,453,600.00 and ₱92,625,680.00, respectively, which is not in conformity with Section 39 of PD 1445 and Section 449, Volume 1 of Government Accounting Manual (GAAM), thereby exposing government property to risk of possible adverse claims and also resulted in the understatement of the total assets of the LGU due to non-recognition of untitled lots in the financial statements.**

In view of the foregoing, we have recommended that the Local Chief Executive shall implement the following:

- a. Require the Municipal Assessor, who was given a task for land titling, to track the progress of the said land titling application considering that it was already in process since CY 2011, and submit progress report;
 - b. Require the Municipal Accountant and General Services Officer to maintain the Real Property Ledger Cards and Property cards, respectively; and
 - c. Ensure that a budget shall be allocated for the titling of land.
- 2. The validity and accuracy of some liability accounts of the Municipality with an aggregate amount of ₱11,274,615.70 at year-end could not be ascertained due to various deficiencies noted in audit which is not in conformance with Sections 4(6), 111(2) and 98 of Presidential Decree (PD) No. 1445, and Section 4.9 of COA Circular No. 94-013, thus the presentation of liability accounts in the financial statement is doubtful.**

We have recommended that the Local Chief Executive to implement the following:

- a. Instruct the Municipal Accountant to -
 - 1) Maintain individual subsidiary ledger for all accounts, as required under Sections 111 and 114 PD No. 1445 to provide vital information or details of the transactions;
 - 2) Exert diligent effort to locate the necessary supporting documents in order to prepare an ageing schedule of liability accounts that would reflect the correct ageing of payables/liability per transaction;
 - 3) Reclassify accordingly all accounts which were not properly classified in the books of the Municipality;
- 3. Program or activity conducted by the LGU which involved the hiring of 420 workers, 15 from each barangay, costing total wages of ₱3,858,570.00 were noted to have not accomplished the objective of Tourism Promotion Program. The disbursement pertaining thereto was charged against the capital outlay of the 20% Development Fund, hence not compliant with DILG-DBM Joint Memorandum Circular 2017-1 dated February 22, 2017.**

To address the audit issue being raised, the Local Chief Executive requires:

- a. The Municipal Planning and Development Officer (MPDC) to identify those barangays which are major potential tourism areas and funds are utilized for its improvements.

- b. To stop the practice of charging unnecessary expenditures under the 20% Development Fund. Ensure that utilization of funds be maximized;
 - c. Include only program and activities which are in accordance with DILG-DBM Joint Memorandum Circular 2017-1;
 - d. Demand the refund of the amount spent for the payment of wages from the officials and employees who approved as these are not authorized to be charged against the Capital Outlay of the 20% Development Fund, otherwise, a Notice of Disallowance will be issued; and
 - e. Ensure that the 20% Development Fund is utilized within the purposes expressly prescribed by law not only to achieve desirable socio-economic development and environmental outcomes but also to avoid possible sanctions that may be imposed for non-compliance.
- 4. The Provincial Legal Officer of the Provincial Government was granted monthly honorarium for the period January to November 2019 in the total amount of ₱55,000.00, which is contrary to DBM Compensation Policy Guidelines No. 98-1 dated March 23, 1998, Section 481(b) of RA 7160 and Item 3.2 of DBM Budget Circular No. 2007-2, thus considered as unnecessary expenditure, hence subject to disallowance.**

We have recommended the Local Chief Executive to stop the granting of honorarium to the Provincial Legal Officer pursuant to DBM Compensation Policy Guidelines No. 98-1 dated March 23, 1998. All payments pertaining thereto will be disallowed in audit.

We further recommended that a refund should be required from the Provincial Legal Officer; otherwise Notice of Disallowance will be issued.

F. SUMMARY OF TOTAL SUSPENSIONS, CHARGES AND DISALLOWANCES

As of December 31, 2019, the Municipality of Mangaldan has unsettled disallowance with total amount of ₱40,540,005.87.

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

Out of 41 prior year's audit recommendations embodied in the 2018 Annual Audit Report, sixteen (16) were fully implemented, sixteen (16) were partially implemented and nine (9) were not implemented. Management actions on these recommendations were discussed in Part III of this report.