

EXECUTIVE SUMMARY

A. Introduction

By virtue of Act 371 dated March 7, 1902, the Municipal Government of Natividad, Pangasinan was created. It was named in honor of its patron saint Nuestra Señora de Natividad. The first inhabitants of the town came from the neighboring towns of Pangasinan and from other neighboring provinces like La Union, the Ilocos Provinces and Abra which explains why Ilocano is the main dialect of the townspeople.

The municipality is classified as 4th class municipality located at the eastern most part of Pangasinan consisting of 18 barangays. According to the 2015 census, it has a population of 24,299 people. The municipality is under the leadership of Hon. Rodrigo L. Rafael.

The LGU is manned by 147 officials and employees broken down as follows:

Elective	12
Co-Terminus	3
Permanent	67
Contractual	<u>65</u>
Total	147

B. Financial Highlights

Presented below are the financial position, sources of funds, appropriations and obligations of the Municipality of Natividad for the year 2019:

	2019	2018	Increase/ (Decrease)	%
Assets	278,246,869.23	229,845,090.39	48,401,778.84	21.06%
Liabilities	41,554,971.03	82,519,259.57	(40,964,288.54)	(49.64%)
Government Equity	236,691,898.20	147,325,830.82	89,366,067.38	60.66%
Income	104,362,582.22	94,847,294.73	9,515,287.49	10.03%
Expenses	76,268,451.40	69,108,438.69	7,160,012.71	10.36%
Appropriations	104,926,164.47	97,020,922.00	7,905,242.47	8.15%
Obligations	95,141,986.33	86,803,701.99	8,338,284.34	9.61%

The material increase in assets was due to implementation of projects from 20% Development Fund and DILG such as Assistance to Disadvantaged Municipalities comprising of local core roads, tourism related projects, other infrastructures and

Potable Water System. Likewise, decrease in Liabilities was due to liquidation of funds downloaded by various National Government Agencies to the LGU to implement various projects and programs.

C. Operational Highlights

The following are the significant accomplishments of the municipality for the year 2019:

<u>Projects/Activities</u>	<u>Amount</u>	<u>Status</u>
1. Construction of Evacuation Center @ Brgy. Luna and Calapugan	P 1,998,042.72	Completed
2. Construction/Rehab. Of Spring Water System Level 2-3 at Batchelor West	999,246.12	Completed
3. Construction of Farm to Market Road	1,399,046.00	Completed
4. Road Shoulder and Drainage @Perez Lago St.	2,531,292.29	Completed
5. Construction of Tourism Waiting/Registration Area	1,499,469.66	Completed
6. Purchase of Lot for MRF Expansion	500,000.00	Completed
7. Procurement of Power Generator	1,499,900.00	Completed

D. Scope of Audit

The audit covered the accounts and operations of the Municipality of Natividad for the year 2019 to determine whether management present fairly the financial statements in adherence to the generally accepted accounting principles of the Philippines; whether prevailing laws, rules and regulations have been complied with; and whether funds were utilized in the most efficient, effective and economical manner. Financial, compliance and value for money (VFM) audits were conducted to achieve these audit objectives.

E. Opinion on the State Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the financial statements because the validity, accuracy and reliability of the Property, Plant and Equipment (PPE) as presented in the financial statements with a net Book Value of P237,576,074.40 could not be determined due to absence of Report on Physical Count of Property Plant and Equipment (RPCPPE) and non-conduct of annual physical inventory. Moreover, accuracy, reliability and existence of the carrying amount of the Road Networks account amounting to P 45,307,825.71 could not be ascertained due to non-compliance of the required reporting and accounting guidelines, rendering the

assertions of the LGU on its financial statements doubtful and the existing records did not permit the team to apply alternative audit procedures.

F. Significant Audit Findings and Recommendations

For the Calendar Year 2019, the Municipality of Natividad managed to receive awards and recognition from national government agencies and regulatory bodies in the implementation of various projects and programs in support of the national framework for socio-economic and environmental development which are:

- 1. Seal of Good Local Governance 2019** – an award spearheaded by the Department of the Interior and Local Government (DILG) which focus with the Financial Administration; Disaster Preparedness; Social Protection; Peace and Order; Business Friendly and Preparedness; Environmental protection; and Tourism aspects of Local Government Units (LGUs).
- 2. 2019 Good Financial Housekeeping Passer** – an award spearheaded by the DILG which aims to recognize local government units with good performance in financial transparency.

Summarized below are some of the significant observations and recommendations thoroughly discussed in Part II- Detailed Findings and Recommendations, to wit:

- 1. Validity, accuracy and reliability of the Property, Plant and Equipment (PPE) as presented in the financial statements with a net Book Value of P237,576,074.40 could not be determined due to absence of Report on Physical Count of Property Plant and Equipment (RPCPPE) and non-conduct of annual physical inventory, contrary to the Manual on New Government Accounting System (NGAS), Volume I, COA Manual on Property Custodianship and not in compliance with International Public Sector Accounting Standard (IPSAS) requiring faithful representations of the accounts.**

We have reiterated the prior year's recommendations that the Municipal Mayor shall:

1. Create an Inventory Committee to regularly conduct annual physical count and prepare the RPCPPE necessary for control and monitoring of PPEs. Incorporate in the RPCPPE the whereabouts, service ability and physical condition, as basis for impairment. In effect, the accuracy, validity, existence and actual condition could be readily ascertained and render the account not doubtful.
2. Require the Municipal Treasurer, in the absence of Supply Officer, and the Municipal Accountant to immediately start and regularly maintain their

respective property and ledger cards per category of property, plant and equipment to record deliveries of properties in the ensuing year. Incorporate in the property and ledgers cards the whereabouts, service ability and physical condition as stated in the RCPPE for reference and verification purposes and

3. Require the Municipal Accountant to regularly reconcile the book records with the inventory report as internal control over the PPEs of the municipality.
- 2. The Municipal Treasury Office's deliberate non-reporting of collections for the period December 2018 to 2019 amounting to P1,207,856.98 in the Report of Collections and Deposits and non-remittance of the same amount is not in accordance with Sections 15, 29 and 32, Chapter 3 of Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I resulting to understatement of Cash Local Treasury and the related income accounts as of December 31, 2019, exposure of government funds to personal use and deprivation of the government of available funds for its programs, projects and activities.**

We have recommended that the Local Chief Executive:

1. Immediately require the Accountable Officers to declare the collections for the aforementioned Accountable Forms by accomplishing the Report of Collections and Deposits for submission to the Accounting Unit as basis for recognizing the collections and the related Income in the books of Accounts
 2. Immediately require the Accountable Officers to restate and deposit the collections amounting to P1,207,856.98 to the authorized bank account of the Municipality
 3. Immediately demand explanation from the Accountable Officer for failure to report and immediately remit the collections amounting to P1,207,856.98
 4. Direct the Municipal Treasurer to review strictly the Report of Collections and Deposits before affixing his signature. See to it that all collections made during the month be reported, submitted and remitted/ deposited intact.
 5. Direct the Municipal Treasurer to review that the collections pertaining to issued accountable forms were daily reported in the RCD and the unused accountable forms issued to Collecting Officers could be monitored and presented daily. He shall stop issuing additional Accountable Forms if previously used Accountable Forms could not be reported and the collections were remitted.
- 3. Procured Property, Plant and Equipment (PPE) items that are categorized as Capital Outlays amounting to P 2,566,340.49 were charged against the appropriation for Maintenance and Other Operating Expenses in violation to Section 4 of Presidential Decree No. 1445, Section 336 of Republic Act No. 7160 and Budget Operations Manual for Local Government Units thus, diminishing the allotment for the operational expenses of the municipality of the same amount.**

We have recommended that the Management stop the practice of charging procured PPE items to MOOE contrary to of Section 4 of PD 1445, Section 336 of the Local Government Code and Budget Operations Manual for LGUs. The needed PPE items of all Offices / Departments/ Divisions as well as projects and programs under the 20% Development Fund and 5% Local Disaster Risk Reduction Management Fund which are development projects with more than one-year life span shall be properly incorporated as Capital Outlays in the Municipal Annual Budget and the procurement for the said projects shall be charged against the appropriation for Capital Outlays instead of MOOE pursuant to the aforementioned guidelines.

- 4. Procurement of various Office Supplies and Medical Supplies were course through Shopping/ Small Value Procurement was noted to have been a split purchases; and Purchase of Construction Materials though Negotiated Procurement/ Small Value Procurement inspite of within the threshold requirement with total procurement amounting to P 461,642.00 were transacted by the municipality contrary to Sections 2, 48 and 54 of the Implementing Rules and Regulations (IRR) of Republic Act 9184, thus raising doubts as to the accountability, economy and transparency in the procurement process.**

We recommend that the Municipal Mayor direct the BAC to stop from the practice of splitting of contracts. Instead strictly abide to the provisions of RA 9184 in all procurement activities to promote good governance and adhere to the principle of transparency, accountability, equity, efficiency and economy, to the advantage of the LGU.

- 5. Non-transfer in the Trust Fund Books of the unexpended/unobligated balance of Local Disaster Risk Reduction and Management Fund (LDRRMF) amounting to P2,166,729.08 was not compliant with COA Circular No. 2012-002 to facilitate verification that standby fund was used solely for the purpose of disaster risk reduction and management activities.**

We recommend that the Municipal Mayor/Local Chief Executive the following:

1. Ensure strict compliance with the provisions of Section 21 of RA No. 10121 in the appropriation and utilization of the LDRRMF.
2. Instruct the Accountant to transfer all the unexpended/unobligated balance of the QRF and the DRRMF-MOOE of the LDRRMF to Special Trust Fund under the account Trust Liabilities – Disaster Risk Reduction and Management Fund (Account Code: 2-04-01-020) in the Trust Fund books at the end of the year pursuant to item 5.1.10 of COA Circular No.2012-002 for the purpose of supporting disaster risk reduction and management activities

of the Local Disaster Risk Reduction Management Council within the next five (5) years.

G. Summary of Total Suspensions, Disallowances and Charges

The Municipality of Natividad has total outstanding Notices of Disallowances totaling P77,000.01 as of December 31, 2019.

Particulars	Balance as of December 31, 2019	
	Prior Year RRSA	2009-2019
Suspensions	-	-
Charges	-	-
Disallowances	-	P77,000.01

H. Status of Implementation of Prior Year's Audit Recommendations

Status of Implementation	Quantity
Fully Implemented	5
Partially implemented	4
Not implemented	6