

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Pantabangan in the province of Nueva Ecija, is a first class municipality composed of 14 barangays with a total land area of 39,269.39 hectares. Pantabangan's main industry is aqua-agriculture. It is famous because of the Pantabangan Lake that generates electricity that supplies the entire Luzon Grid. It sells electricity among its constituents through the Pantabangan Municipal Electric System (PMES).

The Municipality of Pantabangan is headed by Honorable Roberto T. Agdipa, the re-elected mayor of the municipality. He is also supported by the newly elected Honorable Vice Mayor Monaliza H. Agdipa.

B. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of Pantabangan for the year ended December 31, 2019. The objectives of the audit were to (a) ascertain the degree of reliance on the management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

In compliance with the Unnumbered Memorandum dated July 3, 2019 by the Commission on Audit Assistant Commissioner for Local Government Sector (LGS) and in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, which identify the CY 2019 audit foci, we covered in audit the Cash and Cash Equivalents, Financial Liabilities, Fund Transfers (Due from/Due to NGOs/POs, NGAs, GOCCs and LGUs), Fund Transfers from National Government Agencies (NGAs) to Local Government Units (LGUs), Local Disaster Risk Reduction Management Fund, Compliance with RA No. 9184 and RA No. 9003, Compliance and Performance Audit of 20% Development Fund, Revenue-Generating Program, Enforcement of COA Disallowances and Charges, Compliance to Tax Laws, Remittance of Mandatory Contributions (GSIS, Philhealth and Pag-IBIG), Compliance with Programs and Projects related to Gender and Development, and Statement of Audit Suspensions, Disallowances and Charges. Result of audit with significant observations were discussed in Part II of this Report.

C. Financial Highlights

The Municipal Government's financial condition, results of operations and sources and application of funds for CY 2019 with comparative figures for CY 2018 is as follow

<i>Particulars</i>	<i>CY 2019</i>	<i>CY 2018</i>	<i>Increase (Decrease)</i>
Financial Conditions			
Assets	₱1,083,616,154.64	₱1,069,819,104.92	13,797,049.72

<i>Particulars</i>	<i>CY 2019</i>	<i>CY 2018</i>	<i>Increase (Decrease)</i>
Liabilities	463,421,615.23	478,708,767.45	(15,287,152.22)
Government Equity	620,194,539.41	591,110,337.47	29,084,201.94
Results of Operations			
Income	243,597,188.30	224,188,179.52	19,409,008.78
Expenses	215,797,121.31	208,190,636.42	7,606,484.89
Excess of Income	27,800,066.99	15,997,543.10	11,802,523.89
Sources and Application of Funds			
Current Legislative Appropriations			
Appropriations	233,536,739.93	227,107,962.20	6,428,777.73
Allotments	233,536,739.93	227,107,962.20	6,428,777.73
Obligations	160,440,076.03	200,855,749.39	(40,415,673.36)
Balance	73,096,663.90	26,252,212.81	46,844,451.09
Continuing Appropriations			
Appropriations	17,513,957.32	-	17,513,957.32
Allotments	17,513,957.32	-	17,513,957.32
Obligations	14,958,471.34	-	14,958,471.34
Balance	2,555,485.98	-	2,555,485.98

D. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of the presentation of financial statements for reasons stated in the Independent Auditor's Report, such as:

1. The existence, completeness, and proper valuation of Property, Plant and Equipment (PPE) account with a net book value of ₱759,333,572.78 are doubtful due to incomplete (a) physical count of PPEs; and (b) property records, inconsistent with the provisions of COA Circular No. 2002-003, NGAS Manual for LGUs, and Section 492 of the GAAM Volume I;
2. The accuracy and reliability of the recorded Real Property Tax (RPT) and Special Education Tax (SET) Receivables totaling to ₱7,574,398.78 as at December 31, 2019 could not be ascertained due to incomplete basis in recording of receivable at the beginning of the year, contrary to Section 20 of the Manual on the NGAS for LGUS, Volume 1 incomplete basis in recording of the balances of Receivables from Real Property Tax (RPT) and Special Education Tax (SET) understated the receivable accounts; and

For the above exceptions, we recommended the following courses of actions:

1. We recommended that the Local Chief Executive require the (a) Inventory Committee to once and for all complete the physical count of the assets of the LGU and to render the corresponding report; (b) Municipal Accountant and Municipal Treasurer, as the Acting Property Officer, to (i) coordinate in locating documents pertinent to the acquisition of its PPEs; (ii) maintain their respective PPE records; and (iii) reconcile their records at

least on a quarterly basis; and (c) Human Resource Management Officer to take appropriate action on how to address the inadequacy of staff at the Property Office;

2. We recommended that the Local Chief Executive instruct the (a) Municipal Treasurer to (i) submit to the Municipal Accountant an updated and complete duly certified list of the taxpayers and the amount due and collectible for the year 2019 and every year thereafter; and (b) Municipal Accountant to (i) set up RPT and SET Receivables for each year corresponding to the lists and make necessary adjustments as warranted; and (ii) henceforth observe the prescribed accounting procedures in recording RPT and SET receivable and deferred income accounts; and

3. Other Significant Findings and Recommendations

Commendably, the Municipality of Pantabangan posted satisfactory compliance with the laws, rules and regulations on the (a) appropriations and utilization of the Local Disaster Risk Reduction Management Fund (LDRRMF) and 20% Development Fund; and (b) the withholding and remittances of: (i) taxes to the Bureau of Internal Revenue, and (ii) contributions and loan amortizations to the Government Service Insurance System, PAG-IBIG and PhilHealth.

On the other hand, the observations which need management action are briefly summarized as follows:

1. The Municipality was not able to (a) conduct inventory of the local roads under its jurisdiction; and (b) recognize infrastructure assets that were recorded in the Registry of Public Infrastructures (RPI) as of December 31, 2019 contrary to COA Circular No. 2015-008 dated November 23, 2015 thus, understated the Property, Plant and Equipment (PPE) and Government Equity accounts in amounts equivalent to the cost of said unrecognized assets. (**Observation No. 3**)

We recommended that the Local Chief Executive require the (a) Municipal Engineering and Accounting Offices to promptly conduct an inventory on the LGU's local road and road network system (b) Municipal Engineering Office to designate personnel that will maintain the Local Road Inventory and Road Map; and (c) the Municipal Accountant to trace records of prior years' completed infrastructure projects which were closed to government equity and restore the same in the books in accordance with the transition provision.

2. As at December 31, 2019, the Municipality still have a cash deficit of ₱101,537,085.54 which arose from previous years' transactions contrary to Section 4(3) of Presidential Decree No. 1445. (**Observation No. 4**)

We reiterate our recommendation that the Local Chief Executive (a) instruct the (i) OIC-Municipal Treasurer to adopt effective cash management strategies with the end view of gradually reducing the cash deficits without sacrificing the current operations; and (ii) Municipal Accountant to regularly monitor the status of trust funds vis-à-vis cash balances

at the end of every reporting period; and (b) continue adopting cost-cutting and revenue-generating schemes to improve the cash position of the Municipality.

3. The Municipality was able to enforce settlement of cash advances granted during the year; however, long overdue cash advances of ₱55,375,408.75 granted on prior years remained unliquidated as at December 31 ,2019 contrary to Section 89 of P.D. 1445 thus, resulted in delayed recognition of asset and expense accounts paid out of said cash advances and/or exposed to loss or misuse any unused balance of said cash advances. **(Observation No. 5)**

We recommended that the Local Chief Executive (a) adopt all appropriate and legal remedies to enforce the settlement of cash advances granted to officials and employees, as applicable; and (b) continue to strictly observe the provisions of Section 89 of PD 1445 and COA Circular No. 97-002 dated February 10, 1997 on the granting, liquidation and utilization of cash advances.

4. The Municipality substantially complied with the guidelines set under DBM-DILG Joint Memorandum Circular No. 2017-01. However, as at December 31, 2019, five projects were not implemented contrary to DBM-DILG Joint Memorandum Circular No. 2017-01, hence, resulted in the under delivery of public services. **(Observation No. 7)**

We recommended that the Local Chief Executive instruct the Municipal Engineering Office, the Bids and Awards Committee and the project proponent offices to coordinate in order to (a) ensure that foreseeable issues that may hinder the implementation of the projects are adequately considered in planning; (b) conduct the timely procurement of the PPAs; and (c) identify delays in project implementation and introduce timely interventions.

5. The Municipality has not substantially complied with the provisions of Republic Act No. 9003 or the Solid Waste Management Act of 2000 on the formulation and implementation of ecological solid waste management plans and programs, thus, total protection of the environment and general welfare of the constituents have not been attained. **(Observation No. 8)**

We recommended that the Local Chief Executive (a) strictly implement the No Segregation No Collection Policy and impose sanctions on noncompliance, if necessary; and (b) complete the membership of the MSWMB.

6. Appropriations for Gender and Development (GAD) Fund amounting to ₱9,816,593.99 was not optimally utilized as the reported total accomplishments amounting to ₱3,803,766.00 represents only 38.75% percent of the total budgeted amount, inconsistent with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01. Moreover, the GAD Accomplishment Reports were not submitted to the Auditor within the period prescribed under Item V of COA Circular No. 2014-001 dated March 18, 2014 thereby preventing a timely review of GAD performance. **(Observation No. 9)**

We recommended that the Local Chief Executive (a) direct the GAD Focal Point System to do proper coordination to fully utilize the GAD funds in order to attain the desired

benefits that could be derived therefrom; and (b) submit to the Audit Team the GAD accomplishment Report on time.

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

As of December 31, 2019, audit suspensions and disallowances amounting to ₱6,173,460.78 and ₱21,053,945.28, respectively, remained unsettled as of year-end which was not in consonance with Section 23 of the COA 2009 Rules and Regulations on the Settlement of Accounts (RRSA).

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Of the 50 audit recommendations embodied in our previous years' audit report, 28 or 56% were fully implemented, seven or 14% were partially implemented, and 15 or 30% were not implemented, some of which were reiterated in this report.