

EXECUTIVE SUMMARY

Introduction

The Municipality of Pakil was created by Spanish Authorities in 1580. Pakil is a second-class municipality since the 20th day of November 2001. Pakil belongs to the 3rd district of the Province of Laguna in Region IV-A (CALABARZON). The Municipality has a land area of about 7,651.99 hectares more or less. It lies in the central part of Laguna with two urban barangays and 15 rural barangays totaling to 17 barangays. Pakil is bounded on the North by Laguna de Bay, on the South by San Pablo City, on the East by Municipality of Nagcarlan and the West by Municipality of Bay. It is 75 kilometers from Manila, 21 kilometers from Sta. Cruz, Laguna and 5 kilometers from its neighboring town, Bay. It is conveniently accessible by land transportation.

The Municipality of Pakil is envisioned to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful, friendly atmosphere through a Good-centered leadership of the incumbent elected officials.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	- Hon. Vincent L. Soriano
Municipal Vice Mayor	- Hon. Vipops Charles R. Martinez
Members of the Sanggunian	- Hon. Aileen S. Cailles
	- Hon. Vlacheslav Vaarniv R. Martinez
	- Hon. Alfredo R. Maray, Jr.
	- Hon. Jeffrey B. Cotoner
	- Hon. Ariel V. Fornoles
	- Hon. Hilario R. Cortez
	- Hon. Kevin M. Reyes
	- Hon. Eugenio A. Pacheco
	- Hon. Elmer R. Estalero (ABC Chairman)
	- Hon. Carville M. Auditor (SK Chairman)
Municipal Accountant	- Ms. Elyne Suzan L. Eleda
Municipal Treasurer	- Ms. Cecilia R. Garcia
Municipal Budget Officer	- Ms. Cecilia SG. Balita

b. No. of Personnel Complement

Permanent	63
Elective Officials	12
Coterminous	4
Contractual	32
Job Order	<u>106</u>
Total	<u>217</u>

Financial and compliance audit were conducted, on a test basis, on the accounts and operations of the Municipality of Pakil for the year ended December 31, 2019. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

The objective of the audit is to ascertain the propriety of financial transactions and compliance of the Municipal Government with prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

Financial Highlights

For the Calendar Year (CY) 2019, the Municipality of Pakil realized a total income of ₱87,142,376.69 which is 10.51 percent higher than last year's total income of ₱78,854,952.95. Out of its current year's General Fund appropriation of ₱88,655,649.26, the amount of ₱78,949,897.56 was obligated/expended, leaving a balance of ₱9,705,751.70.

For the Special Education Fund, the amount of ₱1,402,449.97 appropriated and allotted for the year 2019, of which, the total amount of ₱1,356,789.50 was obligated/expended leaving a balance of ₱45,660.47 as of the end of the year.

The total assets, liabilities, government equity, income and expenses for CY 2019 as compared to CY 2018 are as follows:

Financial Position:	2019	2018	Increase/ (Decrease)
Assets	₱203,063,920.47	₱178,771,743.69	₱24,292,176.78
Liabilities	69,133,838.37	77,904,916.38	(8,771,078.01)
Equity	133,930,082.10	100,866,827.31	33,063,254.79
Results of Operation:			
Revenue	<u>₱87,142,376.69</u>	<u>₱78,854,952.95</u>	<u>₱8,287,423.74</u>
Expenses			
Personal Services	41,292,538.38	34,114,496.36	7,178,042.02
Maintenance and Other			
Operating Expenses	25,532,592.18	27,575,932.02	(2,043,339.84)
Non-cash Expenses	6,777,167.22	4,865,557.81	1,911,609.41
Financial Expenses	730,370.31	259,631.43	470,738.88
Transfer, Assistance and			
Subsidy	<u>2,528,119.93</u>	<u>2,023,576.89</u>	<u>504,543.04</u>
Total Expenses	<u>76,860,788.02</u>	<u>68,839,194.51</u>	<u>8,021,593.51</u>
Surplus (Deficit) for the period	<u>₱10,281,588.67</u>	<u>₱10,015,758.44</u>	<u>₱ 265,830.23</u>

Audit Opinion

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality due to the following:

1. The existence, accuracy and reliability of the Property, Plant and Equipment (PPE) accounts recorded in the books with a net book value of ₱114,640,153.81 appearing in the financial statement as of December 31, 2019 could not be ascertained due to: (a) inability of the Municipal General Services Officer (MGSO) to conduct physical count of PPE and submit the required report thereon; (b) absence of property cards and PPE ledger cards; and (c) inclusion of non-existing Work Animals amounting to ₱62,000.00, thus casting doubt on the fairness of the presentation of the PPE account;
2. The balances of Real Property Tax (RPT) Receivables and Special Education Tax (SET) Receivables totaling ₱58,629,425.74 as of December 31, 2019 and its corresponding Deferred RPT/SET Income were doubtful due to: a) RPT/SET Receivables set-up at the beginning of the year were based on estimated collection instead of Real Property Tax Account Register/ Taxpayer's index card; b) derecognition of the uncollected RPT/SET Receivables and its reciprocal accounts at year-end of CY 2018; and c) unreconciled balance between the Treasury and Accounting records by ₱14,675,970.40, thus affecting the fair presentation of the accounts;
3. The balances of nine accounts in the financial statements totaling ₱35,757,069.72 were not supported with Subsidiary Ledgers (SLs) and documents, thereby reliability and accuracy of the accounts could not be ascertained;
4. The accuracy and reliability of the reciprocal accounts, Due from/to Other Funds under all funds totaling ₱4,773,165.85 was doubtful due to erroneous entries made at year-end, contrary to COA Circular No. 2015-009 dated December 15, 2015, thus casting doubt on the fairness of the accounts presented in the financial statements;
5. The existence, accuracy and reliability of the recorded Inventory account balance of ₱1,910,523.50 could not be ascertained due to: (a) inability to conduct physical count of inventories and submit required report thereon; (b) absence of updated and reconciled Supplies Ledger Cards (SLCs) and Stock Cards; and (c) issued and consumed supplies and materials were not recognized as expense, thus casting doubt on the fairness of the presentation of the Inventory accounts in the financial statements;
6. The Due from LGUs account showed a zero balance in the books of the Municipality, while Due to LGUs recorded in the Provincial Government of Laguna (PGL) has a balance of ₱502,639.53 resulting in unreconciled balances with a variance of ₱502,639.53, thereby casting doubt as to the accuracy and correctness of the balance of receivables reported in the Financial Statements; and
7. Claims amounting to ₱341,699.14 was classified as Other Payables instead of Trust Liabilities while the amount of ₱2,074.75 had no subsidiary ledgers to support its

details, thus resulted in the misstatement of the liability accounts and doubtful validity of the account presented in the financial statements.

Significant Observations and Recommendations

For the exceptions cited above, the Audit Team recommended that the Municipal Mayor to:

1. a. create an Inventory Committee to expedite the conduct of physical count of all Property, Plant and Equipment and submit the Report on Physical Count of Property, Plant and Equipment (RPCPPE) to the Audit Team not later than January 31 of each year;
- b. instruct the Municipal Accountant and the Municipal General Services Officer to maintain Property Card (PC) and Property Ledger Card (PPELC) for each category of asset and reconcile both records; and
- c. require the Municipal Agriculturist to explain the cause/s of the loss of property and if justifiable, submit to the Municipal Auditor a request for relief of accountability together with the supporting documents enumerated in the Commission on Audit (COA) Memorandum Circular (MC) No. 92-571.
2. a. require the Municipal Treasurer to furnish the Municipal Accountant of a duly certified updated list of Real Property Tax Account Register/Taxpayer's index card and the amount due and collectible for the year at the beginning of the year as basis to draw a Journal Entry Voucher (JEV) in recording the debit to Real Property Tax Receivable/Special Education Tax Receivable and crediting to Deferred Real Property Tax Income/Deferred Special Education Tax Income; and
- b. direct the Municipal Accountant to prepare necessary entry to correct the erroneous entry and reconcile the RPT/SET Receivables accounts with the Municipal Treasurer's list of RPT/SET delinquencies and make necessary adjustments, if any, to present fairly the financial statements.
3. instruct the Municipal Accountant to:
 - a. exert extra effort to expedite the retrieval of Memorandum of Agreement (MOA) and other records to establish the details and purpose of the afore-cited accounts;
 - b. prepare and maintain subsidiary ledgers on all accounts; and
 - c. remit immediately the unexpended balance and savings from completed projects to the source agency for further utilization.
4. direct the Municipal Accountant to determine the details of the beginning balances of the Due from/Due to Other Funds account and prepare the necessary correcting entry.
5. a. instruct the MGSO to conduct physical count of inventories every semester, prepare the Report of the Physical Count of Inventories and submit the report to

the Auditor not later than January 31 of the following year and every year thereafter;

- b. instruct the Municipal Accountant to maintain Subsidiary Ledger Cards for each commodity/stock for reconciliation with the GL controlling accounts;
 - c. instruct the MGSO to:
 - properly maintain and observe correct recording in the Stock Cards (SCs) for each type of inventory;
 - record all receipts and issuances of supplies in the SCs; and
 - reconcile the Stock Cards periodically with the ledger cards of the Office of the Municipal Accountant.
 - d. instruct the Municipal Accountant and the Supply Officer to:
 - reconcile the Report of the Physical Count of Inventories with the General Ledger; and
 - draw a Journal Entry Voucher to record the adjustments.
 - e. instruct the MGSO to prepare the Requisition and Issue Slip (RIS) for all supplies and materials issued and consolidate weekly to prepare the Summary of Supplies and Materials Issued (SSMI) and submit the same to the Municipal Accounting Office; and
 - f. Instruct the Municipal Accountant to record expenses equivalent to the amount of the supplies and materials consumed during the accounting period.
6. instruct the Municipal Accountant to coordinate with the Provincial Accountant to address the variance in the reciprocal accounts Due from/to LGUs and make the necessary adjustments to ensure that the balances of the accounts are in agreement.
 7. instruct the Municipal Accountant to:
 - a. reclassify the total amount of ₱341,699.14 from account Other Payables to Trust Liabilities; and
 - b. verify the details and validity of the amount of ₱2,074.75 and if found invalid and outstanding for more than two years, revert to unappropriated surplus of the General Fund.

The other significant observations and recommendations are the following:

1. Separate subsidiary ledgers, trial balance, financial statements and depository account were not prepared and maintained for the 20 per cent Local Development Fund (LDF) considered as special accounts in the General Fund, contrary to Section

313 of Republic Act (RA) No. 7160 and Sections 105, 107 and 110 of Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I, thus, adequate information as to the assets, liabilities and equity of LDF cannot be easily determined which is essential for monitoring and decision-making purposes.

We recommended that the Municipal Mayor:

- a. require the Municipal Accountant to maintain subsidiary ledgers and prepare trial balance and financial statements for the Local Development Fund;
 - b. direct the Municipal Treasurer to maintain separate cashbooks and bank account for LDF; and
 - c. request the Sanggunian Bayan to issue a Sangguniang Resolution authorizing for the opening of a separate bank account for the LDF.
2. The Municipal Government was not able to enforce remedies by civil action to collect Real Property Tax (RPT) / Special Education Tax (SET) on real properties from delinquent taxpayers, contrary to Sections 183, 247 and 254 of Republic Act (RA) No. 7160, which resulted in increased RPT/SET delinquencies amounting to ₱18,926,806.20 which could have been used to augment the funds for the delivery of basic services and developmental projects.

We recommended that the Municipal Mayor direct the Municipal Treasurer to:

- a. review the list of tax delinquencies and coordinate with the Municipal Assessor to determine the validity, existence and ownership of the properties; and
 - b. strictly enforce remedies provided under RA No. 7160 such as administrative action thru warrant of levy or judicial action to further increase its tax collections and consequently generate additional income that would fund more developmental programs and projects for the general welfare of the public.
3. A. The Annual Investment Plan (AIP) of the 20 percent Development Fund (20% DF) with an aggregate amount of ₱14,973,046.40 for the implementation of 21 programs, projects and activities (PPAs) did not contain the specific descriptions of the PPAs, contrary to Section 2 of Executive Order (EO) No. 189 series of 1999 and Article 410 of the Implementing Rules and Regulations (IRR) of the Local Government Code of 1991 or Republic Act (RA) No. 7160, thus, restrict the full implementation of priority development projects and deprived the constituents of the maximum benefits that could had been derived from the utilization of the said Fund.
- B. There was a discrepancy amounting to ₱612,962.02 between the Status of Allotment, Obligations and Balances (SAOB) and Statement of Comparison of Budgeted and Actual Amounts (SCBAA), which signifies misleading information, contrary to Section 111 (2) of Presidential Decree (PD) No. 1445.

We recommended that the Municipal Mayor:

- instruct the Municipal Planning and Development Coordinator (MPDC) to specify the complete description of the programs, projects and activities (PPAs) to be implemented in the preparation of the Municipality's Annual Investment Program (AIP) to be funded out of the 20 percent Development Fund; and
 - require the MPDC to coordinate with the Municipal Accountant in the preparation of the Quarterly Reports on the Government Programs, Projects and Activities (GPPAs) to prevent inaccurate or misleading information.
4. The unexpended balances of the Local Disaster Risk Reduction and Management Fund (LDRRMF) in the amount of ₱1,872,393.85 in Calendar Year (CY) 2019 was not transferred to the Special Trust Fund in the Trust Fund books, contrary to COA Circular No. 2012-002, thus, the risk that the fund may be appropriated for purposes other than for disaster risks reduction and management activities.

We recommended that the Municipal Mayor direct the Municipal Accountant to transfer the unexpended balance of the Quick Response Fund (QRF) and LDRRMF-MOOE to the Special Trust Fund of the Trust Fund books every end of the year.

5. The Municipality has utilized the amount of ₱2,228,367.75 for the implementation of the disaster mitigation and preparedness programs, projects and activities (PPAs) under the Local Disaster Risk Reduction and Management Fund (LDRRMF) showing maximum utilization of 77.63 percent out of the total appropriation of ₱2,870,533.12, in compliance with Department of the Interior and Local Government (DILG) Memorandum Circular (MC) No. 2012-73, however, the utilization report submitted by the Accounting Office differs from the report submitted by the Municipal Disaster Risk Reduction and Management Office (MDRRMO) resulting in a variance amounting to ₱267,490.00, thus, casting doubt on its reliability.

We recommended that the Municipal Mayor direct the:

- a) Municipal Disaster Risk Reduction and Management Office (MDRRMO) to further optimize the utilization of the Mitigation Fund to strengthen its capacity to mitigate disaster risk; and
 - b) MDRRMO and Municipal Accountant to reconcile their reports and submit to the Audit Team for verification.
6. Relevant information on the utilization of the LDRRMF was not disclosed in the Notes to the Financial Statements, contrary to Section VII, Item 2 of COA Circular No. 2014-02.

We recommended that the Municipal Mayor direct the Municipal Accountant to provide sufficient disclosure of the LDRRMF in the Notes to Financial Statements.

7. Timely submission of the Annual Gender and Development Plan and Budget (GPB) in the amount of ₱4,100,761.60 and the corresponding Accomplishment Report (AR) to the Audit Team was not given importance by the Acting GAD Focal Person, contrary to Section V of COA Circular No. 2014-001, thus, the efficiency and

effectiveness of the inputted resources as compared with the output in addressing gender issues could not be evaluated.

We recommended that the Municipal Mayor direct the Acting GAD Focal Person to submit:

- a. a copy of the Annual GAD Plan and Budget within five working days from receipt of the approved plan from the PCW or their mother or central offices as the case maybe; and
 - b. the corresponding Accomplishment Report within five working days from the end of January of the preceding year to the COA Audit Team for the timely audit of the fund in compliance with COA Circular 2014-001.
8. Gender and Development (GAD) programs, projects and activities (PPAs) involving a total amount of P531,000.00 did not clearly address GAD-related issues, contrary to Item 4.1, C4 and C.7 of Philippine Commission on Women (PCW)-Department of the Interior and Local Government (DILG)-Department of Budget and Management (DBM)-National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013, thus, defeating the purpose for which the fund was established.

We recommended that the Municipal Mayor require the Local GAD Focal Point Team (LGFPT) to ensure that PPAs in the GAD Plan and Budget must duly addressed the gender issues in the locality, in compliance with Item 4.1 C.4 of PCW-DILG-DBM-NEDA JMC No. 2013-01.

The Audit Team communicated the above observations and recommendations with the concerned Municipal officials and staff through the issuance of the Audit Observation Memoranda (AOMs) and Audit Highlights (AH) summarizing the deficiencies noted during the audit. Management's views and comments were incorporated in the report, where appropriate. The details are discussed in Part II of this report.

Status of Implementation of Prior Year's Audit Recommendations

Of the 22 audit recommendations contained in the CY 2018 Annual Audit Report, 11 were fully implemented, five were partially implemented and six were not implemented by the Municipality.