

EXECUTIVE SUMMARY

Introduction

The Municipality of Pitogo is located at the southern part of Bondoc Peninsula. It belongs to the Third Congressional District of Quezon Province and has been reclassified by the Department of Budget and Management (DBM) - Bureau of Local Government Finance (BLGF) as fourth class municipality in the year 2008 because of the major increase in its income for the past five years. It comprises 39 barangays, nine of which are located in the Poblacion and the rest are roadside, riverside and coastal barangays. Its constituents' major sources of livelihood come from farming, fishing and trading business because of its geographical location.

The following are the key officials of the Municipality:

Hon. Paulino S. Sayat	Municipal Mayor
Hon. Dexter L. Sayat	Municipal Vice Mayor
Hon. Paul Timothy C. Villaflor	Municipal Councilor
Hon. Esperanza A. Tan	Municipal Councilor
Hon. Carlo L. Jaranilla	Municipal Councilor
Hon. Adam M. Forbes	Municipal Councilor
Hon. Ariel E. Enriquez	Municipal Councilor
Hon. Rubi A. De Asis	Municipal Councilor
Hon. Benedicta M. Lozada	Municipal Councilor
Hon. Antonio G. Sampayo	Municipal Councilor
Hon. Fidel M. Malapit	Pambayang Pederasyon Liga ng mga Barangay President
Hon. Karl Anthonie A. De Asis	Pambayang Pederasyon ng mga Sangguniang Kabataan President

Included also as part of key personnel of the Municipality are Ms. Rosebelle O. Forbes, Municipal Accountant, Ms. Carmencita E. Par, Municipal Treasurer and Gloria G. Mataragnon, Municipal Budget Officer.

During the year, the personnel complement of the Municipality totaled 137 which is composed of the following:

Elective Officials	12
Permanent Employees	59
Casual	12
Job Order	54
Total	<u>137</u>

Financial Highlights

For Calendar Year (CY) 2019, the Municipality generated a total income of ₱90,510,336.13 from local taxes, share from internal revenue collections, service and business income and other receipts. The current and continuing appropriations for the year amounted to ₱114,945,057.48 and ₱35,450,366.50 respectively, for a total of ₱150,395,423.98. The amount of ₱93,264,612.61 was expended under the current appropriations, while the amount of ₱26,099,463.84 was expended under the continuing appropriations.

The Municipality's financial condition and results of operations for CY 2019 with comparative figures for CY 2018 are summarized below and shown in detail in the attached audited financial statements:

	2019	2018	Increase (Decrease)
Total Assets	₱ 201,611,113.66	₱ 188,224,048.27	₱ 13,387,065.39
Total Liabilities	68,851,444.77	71,674,198.33	(2,822,753.56)
Equity	132,759,668.89	116,549,849.94	16,209,818.95
Total Income	90,510,336.13	83,436,368.97	7,073,967.16
Expenses			
Personnel Services	43,515,210.07	35,217,857.64	8,297,352.43
Maintenance and Other			
Operating Expenses	27,629,023.34	22,655,189.91	4,973,833.43
Non-Cash Expenses	2,088,112.86	1,724,842.07	363,270.79
Transfers, Assistance and			
Subsidy to	939,500.75	4,509,424.87	(3,569,924.12)
Total Expenses	74,171,847.02	64,107,314.49	10,064,532.53
Surplus for the Period	16,338,489.11	19,329,054.48	(2,990,565.37)

Scope of Audit

Financial and compliance audit was conducted on the accounts and operations of the Municipality for Calendar Year (CY) 2019. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Municipality with prescribed 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. The audit consisted of reviewing operating procedures, interview of concerned government officials and employees, verification, reconciliation and analysis of accounts and such other procedures considered necessary.

Auditor's Opinion on the Financial Statements

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 Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and Report on the Physical Count of the Road Network System (RPCRNS) were not submitted; property, plant and equipment (PPE) totaling ₱63,575,387.54 were not provided with depreciation; and the PPE ledger cards (PPELC) and property cards were incomplete, due to the non-conduct of physical inventory, inoperative Inventory Committee and unavailability of relevant records/documents, thus the valuation and existence of PPE recorded in the books totaling ₱96,056,474.35 is unreliable.
2. Completed construction of buildings and infrastructure projects under the General Fund totaling ₱9,970,499.58 charged against the funds transferred from various National Government Agencies (NGAs) were not recognized as asset and revenue, hence resulted in the understatement of PPE and Subsidy from National Government both by the same amount. Likewise, progress payments for two projects under the Trust Fund totaling ₱7,033,185.56 were directly debited to the Due to NGAs account instead of the

applicable Construction in Progress account, thus resulted in the understatement of both accounts by said amount.

3. Receivables from various beneficiaries/borrowers of the livelihood project of the Municipality totaling ₱2,569,832.32 remain uncollected as of year-end, due to lack of collection strategies, thus exposing the livelihood project to sustainability risk and may further result in the loss of government funds. Moreover, said book balance is unreliable due to lack of supporting schedule and it is over by ₱317,416.86 as compared to the record of the Municipal Treasurer's Office.
4. The balance of Land account of ₱6,040,023.54 could not be relied upon because:
 - a) ₱1,524,693.54 of it is unaccounted;
 - b) 16 parcels of land were recorded at total assessed value of ₱649,230.00 instead of at its fair value at the time of acquisition and seven of which have no record in the Municipal Assessor's Office;
 - c) seven purchased parcels recorded at its acquisition cost totaling ₱3,866,100.00 are still declared in the name of former owner;
 - and d) 17 parcels with total assessed value of ₱7,397,500.00, of which three are titled, were not recorded in the books. Moreover, a total of 36 parcels of land are still not titled due to the absence of valid documents to support the titling, thus exposing the subject parcels of land to third party claims which could be detrimental to the government in terms of litigation costs.
5. Dormant receivables totaling ₱925,599.82 remain in the books due to insufficient effort of concerned municipal officials to reconcile and/or write-off the same, thus the balance of receivable accounts in the financial statements is unreliable.

For the exceptions cited above, the Auditor recommended that the Municipal Mayor:

- 1.1 re-organize the Inventory Committee and require it to conduct the actual physical count of the Municipality's property, and prepare and submit the RPCPPE and RPCRNS to the Audit Team not later than January 31 of each year, including the IIRUP;
- 1.2 constantly monitor the status of physical inventory taking to ensure its completion and submission of complete inventory reports within the deadline;
- 1.3 require the Municipal Treasurer to submit to the Audit Team the copy of Property Acknowledgement Receipt (PAR) corresponding the purchases of PPE during CY 2019 for review;
- 1.4 require the Municipal Treasurer to ensure that all PPE counted by the Inventory Committee are issued with PAR and provided with property card which should be regularly updated;
- 1.5 require the Municipal Accountant to exert effort to identify the PPE from the records and Disbursement Vouchers (DVs) of prior years, in coordination with the Municipal Engineer for infrastructure assets;
- 1.6 require the Municipal Accountant to prepare and submit to the Audit Team the Schedule of PPE and Schedule of Accumulated Depreciation corresponding to the balances in the general ledger for review;
- 1.7 require the Municipal Accountant to strictly observe the regulation on depreciation; and

- 1.8 require the Municipal Accountant to maintain the PPELC.
- 2.1 require the Municipal Accountant to make the necessary adjustment in the books by debiting the affected PPE accounts in the total amount of ₱17,003,685.14 and crediting the Due to NGAs and Prior Period Adjustment by ₱7,033,185.56 and ₱9,970,499.58, respectively, for fair presentation of account balances in the financial statements; and
- 2.2 require the Municipal Accountant to ensure that the purchased PPE charged against the funds received from NGAs which are already under the control of the Municipality and its economic benefits flow to the latter are recorded as asset and revenue.
- 3.1 instruct the Municipal Treasurer, in coordination with the Municipal Agriculturist, to plan and adopt collection strategies to recover the loaned funds from the borrowers such as offering payment alternatives adjusted to fit the borrowers' financial capacity and continuous monitoring and follow-up;
- 3.2 instruct the Municipal Accountant and Municipal Treasurer to reconcile their records to establish the correct balance of Other Receivables account; and
- 3.3 require the Municipal Accountant to maintain a supplementary record that will facilitate the monitoring of individual loan balance and preparation of supporting schedule at any given time.
- 4.1 require the Municipal Assessor and the Municipal Treasurer to exert effort to locate and secure the documents that will support the land ownership of the Municipality;
- 4.2 require the Municipal Assessor to facilitate the transfer of tax declaration of the seven purchased lot from former owner and ensure that all lots owned by the Municipality have tax declaration in its name;
- 4.3 require the Municipal Assessor and the Municipal Treasurer to facilitate the titling of the lots once ownership by the Municipality is determined to avoid possible third party claims and incurrence of litigation costs in the future;
- 4.4 require the Municipal Treasurer to furnish the Municipal Accountant with a copy of title for the three titled lots for recording in the books of accounts;
- 4.5 require the Appraisal Committee/Team to properly appraise all lots that were acquired through donation as to their fair values at the time of acquisition;
- 4.6 require the Municipal Assessor to furnish the Municipal Accountant with a copy of CY 2018 revised tax declaration to facilitate recording of all lots owned by the Municipality at assessed value pending determination of fair values at the time of acquisition; and
- 4.7 require the Municipal Accountant to record all parcels of land owned by the Municipality based on the assessed value indicated in CY 2018 revised tax declaration.
- 5.1 require the Municipal Accountant to facilitate the submission of a new request for write-off and the relevant supporting documents required under Commission on Audit Circular No. 2016-005 for evaluation of the Audit Team.

Other Significant Observations and Recommendations

The other significant audit observations and recommendations in the audit of the Municipality for CY 2019 are as follows:

1. Payments for various procurement of infrastructure projects totaling ₱31,443,845.94 were not supported with proper and complete documentation as the same were overlooked by the Municipal Accountant, rendering the validity, legality and propriety of the disbursements doubtful. Moreover, the nine Evacuation Centers and Multi-Purpose Hall in various Barangays constructed by phase are not usable. Further, the period of action on procurement activities such as the execution of contract and issuance of notice to proceed were not strictly complied with, while liquidated damages were not imposed for the late completion/delivery of projects/goods.

We recommended that the Municipal Mayor require the:

- a. Municipal Accountant in coordination with the Bids and Awards Committee (BAC) Chairman to submit the lacking supporting documents to the Audit Team for further evaluation of paid procurement transactions;
- b. BAC Chairman to ensure strict compliance with the documentary requirements to substantiate the procurement activities of the Municipality;
- c. Municipal Engineer to ensure that the program of works for the projects that will be constructed by phase are in compliance with Section 3 i) of Annex A of the Revised Implementing Rules and Regulations of Republic Act No. 9184.
- d. Municipal Accountant to require the concerned contractors/suppliers to refund the amount of liquidated damages totaling ₱22,092.08;
- e. Municipal Engineer to closely monitor/supervise the actual accomplishments of Municipal projects to ensure that they are performed and completed as scheduled; and
- f. Municipal Accountant to ensure that liquidated damages in future transactions, if any, are duly recognized and deducted before payments are made to contractors/suppliers on the account of its procurement activities; and
- g. Municipal Accountant to ensure that the DV is supported with proper and complete documents before processing payment.

We further recommended that the Municipal Mayor initiate compliance with the IRR of RA No. 9184 regarding the period of action on procurement.

2. Fund Transfers from NGAs in Calendar Years (CYs) 2014 and 2016 totaling ₱4,811,200.00 remain unutilized or not returned to the source agencies or National Treasury (NT) due to non-implementation of the projects. Likewise, shares of NGAs from the fees collected by the Municipality which accumulated to ₱149,919.59 were not remitted to NT, thus depriving the intended beneficiaries of the immediate use and benefits of the projects and the National Government of additional funds that could be used for its other vital projects.

We recommended that the Municipal Mayor:

- instruct the Municipal Accountant to inform the Municipal Agriculturist regarding the unutilized funds for the projects concerning the latter's office to determine whether such projects are still to be implemented or not;
 - if to be implemented, instruct the Municipal Agriculturist to facilitate the implementation of the programmed projects and monitor it to ensure completion of the projects; and
 - instruct the Municipal Accountant and Municipal Treasurer to process the disbursement documents for the return of unutilized funds and remittance of shares of NGAs to NT.
3. The list of all on-going government programs/projects/activities (PPAs) and list of those for implementation during the year were not submitted to the Audit Team at the beginning of year 2019; the Audit Team was not informed within 10 days after the award of the infrastructure project or before the start of the program/activity that the appropriate project signboards and/or public notices have been posted; and the monthly monitoring reports were not regularly submitted, thereby denying its validation by the Audit Team and affecting the promotion of transparency, efficiency and accountability in the use of government resources.

We recommended that the Municipal Mayor require the Municipal Engineer and other concerned implementing offices to:

- a. submit to the Audit Team at the beginning of every year the list of all on-going government PPAs of the immediately preceding year and list of PPAs for implementation during the current year;
 - b. inform the Audit Team within 10 days after the award of the project or before the start of the program/activity if the appropriate project signboards and/or public notices have been posted, with supporting picture/s showing the posted project signboard/public notice at the project site, to facilitate validation; and
 - c. submit to the Audit Team the monthly monitoring report on the status of implementation of each PPA.
4. The Municipality was not able to establish and maintain a Gender and Development (GAD) database due to unfinished conduct of Community-Based Monitoring System (CBMS), thus the PPAs included in Calendar Year (CY) 2019 GAD Plan and Budget totaling ₱4,548,395.03 have no basis whether responsive to the actual gender issues that need to be addressed by the Municipality.

We recommended that the Municipal Mayor require the:

- a. Municipal Planning and Development Coordinator (MPDC) to complete the conduct of CBMS as its results may form part of the Municipal GAD Database;
- b. Municipal GAD Focal Point System to institutionalize the GAD Database with adequate and systematically gathered sex-disaggregated data which will provide

basis for gender analysis, gender-responsive planning, programming and policy formulation;

- c. undertake gender analysis to identify and confirm existing gender issues and ensure that the PPAs are responsive to the said issues; and
 - d. revisit Annex B of the Philippine Commission on Women-Department of the Interior and Local Government-Department of Budget and Management-National Economic and Development Authority Joint Memorandum Circular No. 2013-01 which identifies the data requirements for particular gender issues.
5. Six projects with total appropriation of ₱6,900,000.00 representing 26.6 percent of the Calendar Year (CY) 2019 Development Fund and 19 projects under the same fund with total Continuing Appropriation of ₱10,507,011.00 were not implemented during the year, thus the desirable socio-economic developmental and environmental management outcomes that would enhance job generation and livelihood promotion among the constituents as conceptualized were not fully attained.

We recommended that the Municipal Mayor require the:

- a. Municipal Engineer and MPDC to employ necessary actions to address the noted causes of delay in the implementation of projects pertaining to CYs 2018 and 2019;
 - b. Municipal Engineer and other concerned municipal officials to strictly follow the Project Procurement Management Plan particularly the timetable for the implementation of development projects to ensure timely completion so that intended beneficiaries avail the maximum benefits that could be derived therefrom;
 - c. MPDC to carefully study the feasibility of the projects proposed by the Local Development Council before inclusion in the Annual Investment Plan (AIP); and
 - d. MPDC to enhance the monitoring of implementation of development projects and regularly submit a status report to the Office of the Municipal Mayor for immediate resolution of related problems, if any.
6. Only 56.48 percent or ₱1,796,184.46 out of ₱3,180,026.52 appropriation for Calendar Year (CY) 2019 Local Disaster Risk Reduction and Management Fund (LDRRMF)-Mitigation Fund was utilized and various projects/activities totaling ₱831,600.00 charged to the Trust Liabilities-DRRMF account are not included in the approved Local Disaster Risk Reduction and Management Plan (LDRRMP) and AIP, thereby defeating the objectives of enhancing the disaster preparedness and response capabilities of the Municipality while the project/activities costing ₱831,600.00 may not be in accordance with the national and provincial framework. Moreover, no Monthly Report on Sources and Utilization of LDRRMF for CY 2019 was submitted to the Audit Team, thus prevented the Audit Team from conducting timely audit to determine if the utilization of the fund is compliant with the guidelines.

We recommended that the Municipal Mayor require the Municipal Disaster Risk Reduction and Management Officer to:

- a. carefully study the feasibility of the projects/activities before inclusion in the Municipal Disaster Risk Reduction and Management Plan (MDRRMP) to ensure its implementation in order for the Municipality to be adequately prepared for any upcoming disaster/calamity and reduce its risk;
- b. prepare and submit a revised MDRRMP to the Sangguniang Bayan and Municipal Mayor for approval whenever a project/activity not included in the said Plan is to be implemented during the year; and
- c. submit to the Audit Team the Monthly Report on the Sources and Utilization of DRRMF on or before the 15th day after the end of each month.

We further recommended that the Municipal Mayor facilitate the submission to the Audit Team of a revised MDRRMP for CY 2019 to include those projects and activities charged against the Trust Liabilities-DRRMF account totaling ₱831,600.00 to avoid audit disallowance.

7. The Municipality has no approved 10-Year Solid Waste Management Plan (SWMP) despite submission of a copy to the Environmental Management Bureau and still uses the open dumpsite as its disposal site because the titling of the purchased lot for the proposed sanitary landfill is yet to be processed, hence the implemented projects may not be consistent with the National Solid Waste Management Framework and the protection of public health and environment was not ensured.

We recommended that the Municipal Mayor require the Municipal Environment and Natural Resources Officer-Designate to coordinate with the National Solid Waste Management Commission regarding the status of review on the Municipality's 10-Year SWMP in order to know the next steps to be undertaken that will facilitate approval of the said Plan.

We further recommended that the Municipal Mayor assign somebody that will facilitate the titling of the lot for the proposed sanitary landfill so that the Municipality could start the construction of the said landfill to ensure protection of public health and environment.

The above observations and recommendations contained in the Report were communicated to the Municipal Mayor and other key officials under various Audit Observations Memoranda. Due to the Covid-19 pandemic, the exit conference with Management officials and staff was not conducted. However, their views and comments from the letters received from the Local Chief Executive and Municipal officials were acknowledged and considered in the report, where appropriate.

Summary of Total Suspension, Disallowances and Charges as of Year-End

As of December 31, 2019, the Municipality has no unsettled audit suspensions and charges but has an unsettled audit disallowance of ₱1,005,000.00 which pertains to the disallowed Productivity Enhancement Incentive under the Notice of Disallowance No. 13-001-101(12) dated September 11, 2013.

Status of Implementation of Prior Year's Audit Recommendations

Of the 18 prior year's audit recommendations embodied in CY 2018 Annual Audit Report, five were fully implemented, six were partially implemented and seven were not implemented by the Municipality.