

EXECUTIVE SUMMARY

INTRODUCTION

Before the Spaniards came, Panaon was sparsely inhabited by settlers coming from neighboring islands of Bohol. Some of the settlers lived on a small level land along the shores. They called the place as “Laga-an”, a local dialect for boiling water. The early settlers would boil (laga) seawater until it dries up and become salt.

During the west monsoon (habagat) when the waves are big, some traders from Cebu, Manila and other Tagalog provinces would take shelter on this place. These traders changed “Lagaan” to “Pinto-an” (doorway). They regarded the place as a doorway to Mindanao provinces and the Pacific Ocean.

When the Spaniards came along with some Philippines Local Officials from Tacloban, the capital town of the Province of Leyte which the barrio formerly belonged, they revised the word “Pinto-an” to “Pintuyan” and become the permanent name of the barrio.

In 1864, Pintuyan was recorded as a small settlement under the Municipal District of San Ricardo. The election of Perfecto Vasquez as Municipal President during the American Occupation resulted in the new Chief Executive’s decision to transfer the seat of government to Pintuyan. The barrio Pintuyan was declared and signed in the law by higher authorities as the new seat of the Municipal Government on October 20, 1907 while the Municipality of San Ricardo became the barrio of Pintuyan.

The Municipality of Pintuyan is one of the four (4) municipalities that composes the Panaon Island. It is located at the most tip of Southern Leyte. It is bounded in the north by the Municipality of San Francisco and the Municipality of San Ricardo on the south and east and Pintuyan Bay on the west.

It has twenty-three (23) barangays, three of which are mountain barangays while the rest are located along the shores.

The Municipality of Pintuyan is headed by Mayor Rustico L. Estrella and his Vice-Mayor Roberto C. Herrera and the Sanguniang Members are as follows:

Honorable Donal N. Redulla	Honorable Rey C. Continas
Honorable Bienvenido D. Manigo	Honorable Lydia B. Dotarot
Honorable Antonio C. Ynque, Jr.	Honorable Alicia A. Neri
Honorable Archie T. Asuncion	Honorable Diosdado M. Rio
Honorable Ricarte A. Estrella	

To carry on with its goals and objectives, the municipal government has a total working force of 90 persons categorized as follows:

11	Elected Officials
33	Regular Employees
7	Casual Employees
39	Job Orders

Development plan point towards agricultural production, sustained economic growth with the improvement of commerce and trade and social equity. To expedite its social and economic expansion, the Municipality of Pintuyan has the following projects/programs undertaken and accomplished during CY 2014, viz:

- Construction of Pintuyan Warehouse
- Repair and Maintenance of Evacuation Center
- Construction of Old Municipal Building Phase III
- Construction/improvement of New Municipal Building Phase I
- Construction/improvement of New Municipal Building Phase II
- Concrete paving of Eco-Park access road
- Embankment Protection at Poblacion Ubos
- Maintenance of Pintuyan Multi-Purpose Training Center
- Construction of Pintuyan Rural Health Unit
- Alive Pintuyan Program
- Supplemental Feeding Program

Scope of Audit and Methodology

A Financial and compliance audit were conducted on the accounts and operations of the Municipality of Pintuyan for the period January 1 to December 31, 2014. The objectives of the audit were to ascertain the fairness of presentation and reliability of the Municipal of Pintuyan's financial position and result of operations, to determine whether the programs, projects and activities for the year were attained in an efficient, economical and effective manner.

The audit was conducted to ascertain the level of assurance that may be placed on management's assertions on the financial statements, recommend agency's improvement opportunities and determine the extent of implementation of prior year's audit recommendations.

The audit was done using various techniques like verification, observation, interview with concerned officials and employees, evaluation of control systems, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presented and other technique considered necessary under circumstances.

HIGHLIGHTS OF FINANCIAL OPERATIONS

SOURCES AND APPLICATION OF FUNDS

A. Income from Operations

The Municipality of Pintuyan collected a total income of P35,780,635.39 from various sources. This year's collection showed an increase of P3,866,512.66 or 12.12% increase from that of 2013, as shown below:

Sources of Income	2014 (In Peso)	2013 (In Peso)	Increase (Decrease)	Percentage
IRA	33,439,236.00	29,834,037.00	3,605,199.00	12.00%
Local Taxes	1,307,258.33	902,724.21	404,534.12	44.81%
Permit & Licenses	230,304.24	231,756.14	(1,451.90)	(00.63%)
Service Income	227,625.00	338,994.00	(111,369.00)	(32.85%)
Business Income	212,870.70	162,453.20	50,417.50	31.04%
Other Income	363,341.12	444,158.18	(80,817.06)	(18.20%)
TOTAL	35,780,635.39	31,914,122.73	3,866,512.66	12.12%

B. Appropriation and Expenditures

Appropriations for the current year amounted to P39,978,693.62 representing 7.11% increase as of last year's appropriation of P37,324,797.49, as presented below:

Function/Program Project/Activities	2014	2013	Increase/ Decrease	Percentage
General Public Services	19,593,126.55	20,305,000.00	(711,873.45)	(3.51%)
Social Welfare Services	1,828,162.44	3,054,203.82	(1,226,041.38)	(40.14%)
Education, Culture, Sports & Manpower Dev.	265,000.00		265,000.00	100%
Economic Services	11,218,272.52	6,953,299.78	4,264,972.74	61.13%
Health Services	3,381,784.56	3,314,711.96	67,072.60	2.02%
Housing & Community Development	1,925,058.00	1,230,000.00	695,058.00	56.51%
Other Purposes	1,767,289.55	2,467,581.93	(700,292.38)	(28.38%)
Total	39,978,693.62	37,324,797.49	2,653,896.13	7.11%

During calendar year 2014 there was an over-all increased in expenditures by P236,991.25 or 00.80% compared to last year. Presented below are the expenditures incurred according to function/program/project/activities:

Function/Program/Project/ and Activity	2014	2013	Increase/ Decrease	Percentage
General Public Services	16,731,559.04	19,590,460.27	(2,858,901.23)	(14.59%)
Education, Culture, Sports & Manpower Development	208,835.00	-	208,835.00	100%
Health Services	2,293,532.60	3,312,108.96	(1,018,576.36)	(30.75%)
Housing & Community Development	1,130,137.50	730,000.00	400,137.50	54.81%
Social Welfare Services	1,432,831.39	1,713,218.82	(280,387.43)	(16.37%)
Economic Services	7,015,562.28	3,099,778.78	3,915,783.50	126.32%
Other Purposes	915,983.49	1,045,883.12	(129,899.63)	(12.42%)
TOTAL	29,728,441.30	29,491,450.05	236,991.25	00.80%

Classification of expenses by Object of Expenditures during calendar year 2014 are shown below with comparative figures of calendar year 2013:

Expense Classification	2014	2013	Increase/ Decrease	Percentage
Personal Services	16,438,024.93	18,934,208.81	(2,496,183.88)	(13.18%)
Maintenance & Other Operating Expenses	7,752,834.50	6,917,360.98	835,473.52	12.08%
Financial Expenses	74,822.19		74,822.19	100%
Subsidy to Other LGUs	43,000.00	343,000.00	(300,000.00)	(87.46%)
Donations	1,931,345.40	991,568.00	939,777.40	94.78%
TOTAL	26,240,027.02	27,186,137.79	(53,889.23)	(00.20%)

C. Financial Condition

Particulars	2014	2013	Increase/Decrease Amount	Increase/Decrease Percentage
Assets	70,014,248.40	52,194,796.21	17,819,452.19	34.14%
Liabilities	35,061,255.01	21,251,323.70	13,809,931.31	64.98%
Gov't.Equity	34,952,993.39	30,943,472.51	4,009,520.88	12.96%

AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

A qualified opinion was rendered on the fairness of the presentation of the financial statements due to the effects thereon on the deficiencies as well as the unimplemented audit recommendations contained in the prior year's Annual Audit Report discussed in Parts II and III hereof specifically:

- a) Cash Advances: the unascertained accuracy and reliability of unliquidated cash advance accounts amounting to P2,057,761.34 due the presence of negative balances, errors in recording, misclassifications of accounts and doubtful accounts;
- b) Inventories: unreliability of the total balance of inventory accounts in the amount of P1,183,060.20 due to inconsistency in the recording; non-submission of Summary of Supplies and Materials Issued and the Requisition Issue Slips; not conducting physical count on year end balances; non-submission of Inventory List; failure to maintain Supplies Ledger Card and Stock Cards
- c) PPE: the validity and existence of the Property, Plant and Equipment (PPE) accounts amounting to P38,130,309.17 could not be ascertained due to failure to conduct Physical Count of Property, Plant and Equipment, non-maintenance of prescribed records for the said assets and misclassification of accounts;
- d) Infrastructures: insufficiency of supporting documents ten (10) Infra structure Projects worth ₱ 16,556,343.21 and non-collection of Liquidated damages in the total amount of ₱ 175,138.44; withdrawal of retention money for infrastructure totaling P422,760.75 were found to be irregular since not duly supported with necessary documents;
- e) Purchases: purchases of various medicines totaling P211,446.50 were found to be irregular since not duly supported with documents necessary; expenditures for fuel consumption amounting to P493,915.35 were not properly controlled, regulated and accounted for due to non-preparation and submission of Driver's Trip Tickets and Fuel Consumption Reports, including other supporting documents; Inadequacy of supporting documents in the disbursements for Repair and Maintenance for Motor Vehicles in the total amount of P179,253.35;

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The significant findings with the corresponding recommendations are as follows:

Financial and Compliance Audit

1. A total of P2,057,761.34 cash advances balance remains unliquidated as of December 31, 2014 which included negative balances, errors in recording, misclassification of accounts and doubtful accounts contrary to sections 89, 111 and 112 of Presidential Decree No. 1445 and COA Circular 97-002 dated February 10, 1997, thus rendering the reported balance in the financial statements unreliable while exposing government funds to possible misuse.

We recommend that Management direct the Accountant to strictly observed the provisions of COA Circular No. 97-002 dated February 10, 1997 and intensify their efforts for the liquidation of outstanding cash advances by sending demand letters, otherwise, the consequences provided under Circular 2012-004 dated November 28, 2012 may take effect. For those accountable officers who are already deceased, management should exert more effort for the collections/liquidations from their heirs, else, ask for write off of such accounts. For those not connected in LGU-Pintuyan anymore and those that have transferred to another office, send demand letters or else seek other means for the liquidations and collections of their past due accounts.

2. Dormant balances of inventory accounts; inconsistency in the recording; non-submission of Summary of Supplies and Materials Issued and the Requisition Issue Slips; not conducting physical count on year end balances; non-submission of Inventory List; failure to maintain Supplies Ledger Card and Stock Cards for cy 2014 rendered the total balance of P1,183,060.20 unreliable, doubtful and not in conformity to Section 114 of Presidential Decree 114 and COA Circular 2002-003 dated June 20, 2002.

We recommend that management strictly adhere to the required proper recording and maintenance of records concerning procurement as well as consumption of supplies pursuant to relevant rules. In addition, the following courses of action concerning inventories are further proposed:

- Instruct the Accounting Unit to record all regular purchases of supplies and materials to the inventory account and issuances thereof shall be recorded as they take place based on the Requisition Issue Slips and Summary of Supplies and Materials issued by the Property Custodian;
- Instruct both Accountant and Property Custodian to maintain Supplies Ledger Cards (SLC) and Stock Cards (SC) for each type of inventory item with balances reconciled;
- Instruct the Property Custodian to regularly conduct physical count of inventories for validation of their existence and condition of the asset to

effect fair presentation of the inventory accounts in the financial statements; and

- Instruct those concerned personnel to adhere to the provisions of COA Circular 2002-003 dated June 20, 2002.
3. Failure to conduct Physical Count of Property, Plant and Equipment, non-maintenance of prescribed records for the said assets, misclassification of accounts contrary to relevant rules of the Manual on the New Government Accounting System (MNGAS) for Local Government Unit, Vol. I. thus, rendering the existence, validity and accuracy of the reported balance as of December 31, 2014 amounting to P38,130,309.17 doubtful.

We recommend that management:

1. Instruct the official concerned to strictly implement Section 114 and Section 124 of the Manual on the New Government Accounting System for Local Government Units, Volume I;
2. Create Property Inventory Team with representatives from the offices of the Municipal Mayor, Municipal Treasurer, Municipal Assessor, and the accountable officer of every department of the LGU to conduct complete physical count in inventory of all properties owned by the municipality at least once a year;
3. Direct the inventory team to prepare inventory report thereof using the prescribed form of the Report on the Physical Count of Property, Plant and Equipment (RCPPE), properly accomplished, and furnish the Municipal Accountant a copy of the report for reconciliation purposes, all unserviceable equipment, properties should be included in the physical count and render a report thereon for possible disposal and or dropping from the books of account; and
4. Direct the Municipal Accountant and the General Services Officer/Municipal Treasurer to maintain updated PPE ledger cards and Property Cards for all PPEs. Periodic reconciliation of the accounting records and inventory reports of PPE should be undertaken, and if there are discrepancies noted between the two records, effect immediately the affected accounts, so that necessary adjustments on the correct balances of PPE accounts be reflected in the financial statements.
5. Direct the Municipal Accountant to make adjusting entries to correct affected accounts.

4. Despite insufficiency of supporting documents ten (10) Infrastructure Projects worth ₱ 16,556,343.21 were paid contrary to Presidential Decree (PD) 1445 and COA Circular 2012-001 dated June 14, 2012 while seven (7) Infra Projects were not completed on time and liquidated damages worth ₱ 175,138.44 were not deducted thus violating Annex E of the Implementing Rules and Regulations of RA 9184.

We recommend strict adherence to Presidential Decree (PD) 1445 and COA Circular 2012-001 and practice the checking of documents as to completeness before claims are paid. Such measure must be carried out to preclude the suspension or disallowance of transactions during post-audit. We also recommend that management strictly observe the provisions of RA 9184 particularly Annex E of its Implementing Rules and Regulations. To accord fairness to both parties, we also advise that management should make inspection and evaluation after the lapse of the targeted completion date to verify for the unperformed portion wherein computation of liquidated damages will be based.

5. Non-submission of copies of contracts/purchase orders amounting to P9,272,036.74 within five (5) working days from issuance contrary to COA Circular Nos. 87-278, 89-299, 96-010 and 2009-001 prevented the conduct of review and evaluation of the terms and conditions of the contract at the most appropriate time and manner.

We recommended that Management henceforth, instruct the BAC Chairman/Secretariat to furnish COA with copies of the perfected contracts/purchase orders together with complete supporting documents within five (5) days after approval in compliance with COA Circular Nos. 87-278 dated November 12, 1987; 89-299 dated March 21, 1989; 96-010 dated August 15, 1996 and 2009-001 dated February 12, 2009.

6. Withdrawal of retention money for infrastructure totaling P422,760.75 were found to be irregular since not duly supported with necessary documents as required under Section 4(6) PD 1445, COA Circular No. 2012-001 dated June 14, 2014 and Section 62 and Annex E of the Revised IRR of RA No. 9184, thus rendering the transactions doubtful in validity and exposing the interest of the government at a possible disadvantage.

We recommend that management submit the required documents, observe Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012. Strictly adhere provision of Section 62 and Annex E of the IRR of RA 9184. It would be also wise for Management to withhold the Retention Money within one year after project completion to cover the first year of warranty against Structural

Defects. This way, rectification of project defects is better assured as the management already has the money in the bank. Seeking remedy from the posted warranty security would be cumbersome and costly on the part of the agency.

7. Absence of the necessary information on the approved Purchase Orders (PO) amounting to P1,455,646.54, as to the delivery period and the date these were received by the suppliers contrary to COA Circular No. 96-010 dated August 15, 1996 and COA Circular 2002-003 dated June 20, 2002 put the government at a disadvantage against that of the supplier/contractor.

We recommend that Management direct the Municipal Accountant and BAC to see to it that all information required in the purchase order are accurately stated and filled, particularly, the delivery period and the date the supplier receives the purchase order and the approving official as required by COA Circular No. 96-010 dated August 15, 1996 and COA Circular 2002-003 dated June 20, 2002.

8. Purchases of various medicines totaling P211,446.50 were found to be irregular since not duly supported with documents necessary to establish the efficacy and genuineness of procured items contrary to Executive Order No. 49, DOH AO no. 163 series of 2002 and COA Circular No. 2012-001 dated June 14, 2012 thus, releases of funds for the said purpose may not appropriate and valid.

We recommend that whenever medicines were procured, Management should adhere to the related provisions cited in EO no. 49, DOH AO no. 163 series of 2002 and COA Circular No. 2012-001 dated June 14, 2012 to ensure that items procured originated from legitimate sources and that they are effective as well as genuine.

9. Disbursements for the Repair and Maintenance for Motor Vehicles in the total amount of P179,253.35 for CY 2014 were made despite the inadequacy of the supporting documents contrary to Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012 thus casting doubts on the validity of the transactions.

We recommend that Management adhere strictly to the requirements enumerated in Items No. 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012 in addition to the common requirements of supporting documents essential in government transactions in order to avoid doubts in the validity of the transactions.

10. Expenditures for fuel consumption amounting to P493,915.35 were not properly controlled, regulated and accounted for due to non-preparation and submission of Driver's Trip Tickets and Fuel Consumption Reports, including other supporting documents contrary to the requirements of Presidential Decree No. 1445, COA

Circular No. 75-6 and COA Circular No. 77-61, thus rendering transactions questionable as to legality, regularity, appropriateness and existence.

We recommend for management to submit lacking documents necessary for audit and to instruct concerned personnel to strictly comply with the required report preparations involving fuel consumptions.

Audit of funds and activities for Supplementary and Feeding Program

11. Disbursements amounting to P716,962.60 representing payment of various expenses under Supplementary Feeding Program were made despite insufficiency of supporting documents contrary to PD 1445 and COA Circular No. 94-013 dated December 13, 1994. Similarly, monitoring, evaluation and post evaluation reports were not submitted henceforth, the effectiveness on the outcome of the Supplemental Feeding Program based on the set objectives could not be determined contrary to Administrative Order No. 08, series of 2012, entitled Omnibus Guidelines in the implementation of the supplementary feeding program.

We recommend that Management instruct concerned personnel to follow the guidelines set forth in Administrative Order No. 08, series of 2012 especially on the monitoring, evaluation and reporting and to open a separate bank account solely for Supplemental feeding only. Adhere also the provisions in COA Circular No. 94-013 dated December 13, 1994 to ensure proper accounting and reporting in the utilization of the funds.

Audit of funds and activities for Gender and Development (GAD)

12. Non-compliance of the agency to the Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budget and Accomplishment Reports to Implement the Magna Carta of Women embodied in the PCW-NEDA-DBM Joint Circular No. 2012-01 and COA Circular No. 2014-001 dated March 18, 2014 hampered the agency in the adoption and implementation of programs that address gender issues and promote women's empowerment and gender equality.

We recommend that Management to create GAD Focal Point System, get hold and adhere to the guidelines laid in the PCW-NEDA-DBM Joint Circular No. 2012-01 and COA Circular No. 2014-001 dated March 18, 2014 in order to deliver GAD related activities to its constituents in an effective and efficient manner and address gender issues and promote women's empowerment and gender equality.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

For CY 2014, there was no issuance of Notices of Disallowances, and Charges. The amount of P967,493.08 were issued in prior years.

STATUS OF IMPLEMENTATION OF PRIOR'S YEARS RECOMMENDATIONS

We have followed up the actions undertaken by the Municipality of Pintuyan to implement the previous year's audit recommendations as contained in the prior year's Annual Audit Reports. The details are discussed in Part III of this Report.

Out of eight (14) audit recommendations contained in prior year's Annual Audit Report, only five (3) were fully implemented, three (5) were partially implemented and six (6) were not implemented.