

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Pidigan, Province of Abra derives its mandate from Republic Act No. 7160, the Local Government Code of 1991. The Code empowers Local Government Units (LGUs) to exercise efficient and effective governance essential to the promotion of the general welfare and the provision of basic services and facilities.

The LGU is classified as a fifth class municipality and politically subdivided into fifteen (15) barangays.

The Municipality of Pidigan, Province of Abra is currently under the leadership of Mayor Joseph Domino A. Valera and is being assisted by Vice Mayor Arnulfo M. Bisares, supported by 11 elected and appointed officials, 20 permanent employees, and 250 job orders employees.

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Pidigan for the year 2018. The audit included verification and analysis of accounts in the financial statements, review and evaluation of compliance with existing laws, rules and regulations and other procedures necessary under the circumstances.

FINANCIAL HIGHLIGHTS

In its 2018 Annual Budget, the management estimated to generate revenue amounting to ₱93.400 million (distribution by type of revenues is shown in Figure 1), which was programmed under various sectors (distribution by sector is shown in Figure 2).

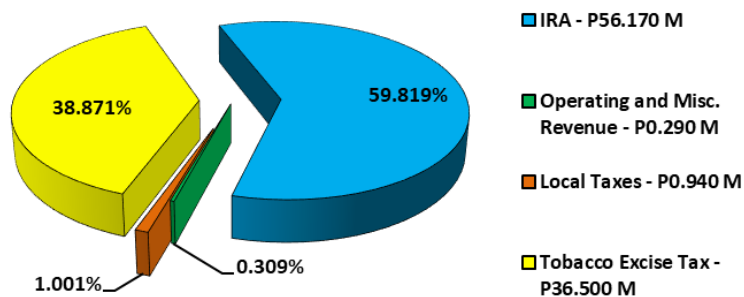


Figure 1: Distribution by Type of Revenue (Budget Year)

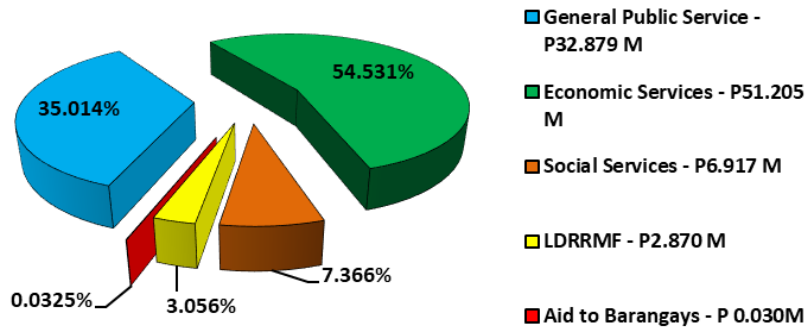


Figure 2: Expenditure Program, Distribution by Sector (Budget Year)

Also, Supplemental Budget No. 01 amounting to ₱59.720 million was approved by the Sangguniang Bayan.

As of December 31, 2018, total assets of the Municipality amounted to ₱267.521 million, an increase of ₱155.142 million compared to CY 2017 of ₱112.379 million. Total liabilities and total equity amounted to ₱83.653 million and ₱183.868 million, showing an increase of ₱64.233 million and ₱90.909 million, respectively, as compared to prior year's figure of ₱19.420 million and ₱92.959 million, respectively.

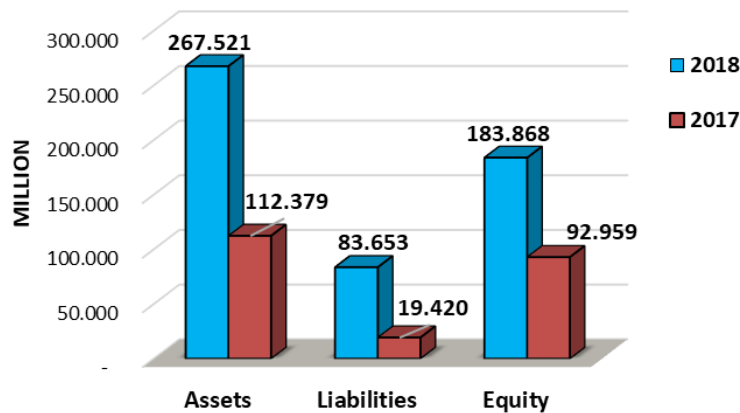


Figure 3: Financial Position

Surplus realized totalled ₱99.485 million, showing an increase of ₱92.532 million as compared to last year's figures of ₱6.953 million. Total revenues totalled ₱153.803 million, showing an increase of ₱98.520 million compared to last year's revenue of ₱55.283 million. Total expenses amounted to ₱54.317 million, showing an increase of ₱5.986 million compared to last year's figure of ₱48.331 million. Share from Tobacco Excise Tax received in CY 2018 amounted to ₱29.585 million; while no amount was received in CY 2017.

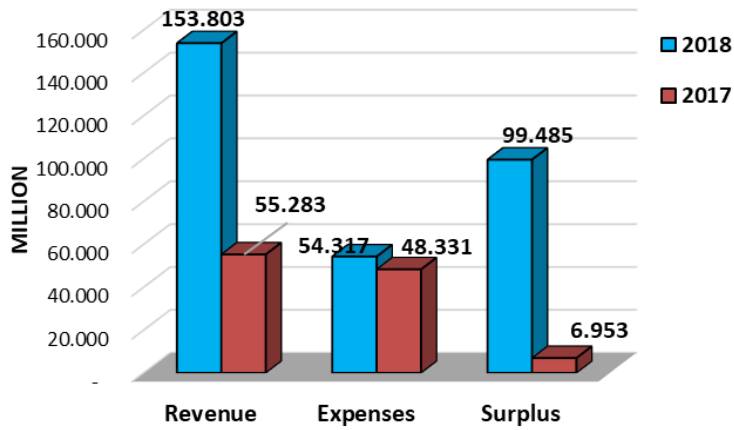


Figure 4: Financial Performance

The compositions of operating income and operating expenses for CY 2018 totalling ₱139.552 million and ₱54.317 million, respectively, are shown in the figures below:

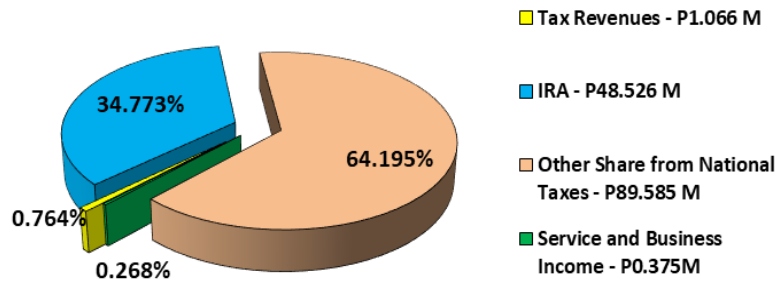


Figure 5: Composition of Operating Income

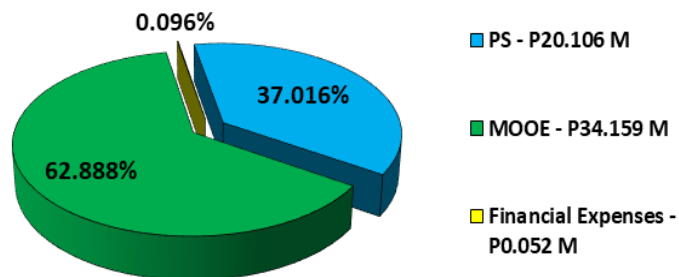


Figure 6: Composition of Operating Expenses

Funds received in CY 2018 from the Provincial Government of Abra (PGA) and National Government Agencies, were as follows:

Source Agency	Amount
PGA – Construction of Infrastructure Projects (Receipts from Tobacco Excise Tax)	₱70,000,000.00
DILG – LGSF - Assistance to Municipalities	4,947,932.00
DSWD – Supplementary Feeding Program	855,000.00
EMB-CAR – Construction of Materials Recovery Facility	435,000.00
Total	₱76,237,932.00

OPERATIONAL HIGHLIGHTS

For the year 2018, it is worthy to note that the Municipality has completed the following major projects:

Fund Source	Project Description	Amount
PGA- RA 7171	Rehabilitation of Alinaya -Tambor Road	₱9,968,000.00
	Rehabilitation of Sulbec FMR	9,988,000.00
	Rehabilitation of Yuyeng FMR	4,992,000.00
	Opening of Banay-Matedted Access Road	4,996,000.00
LGU-7171	Road Opening of Naglicsaban Access Road	7,989,000.00
	Rehabilitation of Garreta-Laskig FMR	3,989,800.00
	Road Opening at Tambor Access Road	7,989,000.00
	Opening of Cautit Access Road / FMR	5,996,000.00
	Concreting of Pudoc-Misyon Road	4,400,500.00
	Construction of Issayot Bridge	4,996,000.00
	Opening of Kakotonan access road	4,996,000.00
	Rehab of Sulbec Road / FMR	4,996,000.00
Total		₱75,296,300.00

The infrastructure projects are subject to inspection and evaluation by the Technical Audit Specialist of COA-CAR.

OPINION IN THE AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

We did not render an opinion because we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements for reasons cited below:

3. The Statement of Comparison of Budget and Actual Amounts (SCBAA) and Notes to the Financial Statements for CY 2018 were not submitted; thus, the users of the financial statements were deprived of its vital information.
4. The year-end financial statements except SCBAA and Notes to the Financial Statements were only submitted on October 17, 2019, incurring delays of 244 days from February 14, 2019 prescribed under Item 4 of COA Circular No. 2010-

01. Also, submission of accounts was delayed; moreover, 151 disbursement vouchers (DVs) including Electronic Filing Payment System (eFPS) tax returns aggregating ₱92,533,813.96; Report of Collections and Deposits (RCDs) totaling ₱29,831.25 and Journal Entry Vouchers (JEVs) for CY 2018 are not yet submitted for audit. Thus, the analysis and examination of the accounts, post-audit of transactions and other necessary audit procedures were not conducted on time and or could not be done.

3. The existence, valuation, condition and propriety of reported Road Networks in the amount of ₱241,115,217.85 representing 90.13% of total net assets of ₱267,521,037.51 could not be ascertained due to (a) non-submission of the Report on the Physical Count of Local Road Networks, Local Road Inventory and Road Map and (b) non-maintenance/submission of Local Road Network Ledger Card and Local Road Network Property Cards. Also, depreciation thereof was not provided.
4. The existence, completeness, validity and accuracy of Property, Plant and Equipment (PPE) with a net book value of ₱10,587,061.47 and the related provisions for depreciation could not be ascertained due to: (a) non-conduct of the annual physical count of PPE, (b) non-maintenance of PPE ledger and property cards, and Acknowledgment Receipt for Equipment (ARE) or Property Acknowledgement Receipt (PAR).
5. Various accounting errors and non-maintenance and/or improper handling and maintenance of books rendered the financial statements unreliable.
6. Liquidation documents for the cash advance of the Acting Municipal Treasurer totaling ₱5,185,562.52 were not submitted to COA for audit; thus, the validity of recorded liquidations and whether the cash advances served its purpose could not be ensured.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The observations and recommendations are discussed in detail in Part II of this Report. These were discussed in an exit conference held on January 29, 2020 with concerned agency officials and staff and their comments were incorporated in the report, where appropriate. Other significant findings and recommendations that need immediate attention and action by the Management are as follows:

1. Cash advances granted to officers and employees not designated as disbursing officers totaling ₱808,100.00 were not liquidated, of which ₱70,120.00 for travelling expenses and ₱737,980.00 for various occasions and activities which are not authorized under COA Circular No. 97-002.

- We have recommended that Management –
 - Submit justification for the noted lapses. Henceforth, strictly abide by the laws, rules and regulations on the granting, utilization and liquidation of cash advance.
 - Require the concerned officers and employees to immediately submit liquidation papers. The liquidations documents be submitted immediately to COA for verification.
2. Payments aggregating ₱77,566,343.40 for work accomplishments worth ₱87,943,700.00 on 18 infrastructure projects funded from the receipts of Tobacco Excise Tax and its covering contracts lacked complete documentations; thereby, propriety, legality and validity of the transactions could not be ascertained.
- We have recommended that Management -
 - submit justification for the noted lapses;
 - require the Municipal Accountant–Designate and BAC Chairman to submit to COA the lacking documents enumerated under Item 9.1.6 and 9.1.10 herein, respectively, for audit purposes.
 - Henceforth, see to it that all disbursement vouchers and contracts are duly documented pursuant to Section 4.6 of PD 1445 to establish legality of payments. Attending payments/claims not properly documented be discontinued.
3. Eleven contracts amounting to ₱55,567,700.00 were paid 2 to 80 days ahead of the *Contractor's Letter Request for payment* and 5 to 84 days prior to the date of *Certificate of Completion* in violation of Section 338 of RA No. 7160 and Section 88 of PD No. 1445.
- We have recommended that Management –
 - submit explanation why the aforementioned projects were paid before the *Contractor's Letter Request for payment* and issuance of *Certificate of Completion*; and
 - always ensure that the inspection and completion of projects should be done before payment pursuant to Section 338 of RA No. 7160 and Section 88 of PD No. 1445.
4. Utilization of the 20% DF amounting to ₱6,260,000.00 was not in accordance with DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1; thus, the constituents were deprived of long-term benefits that could have been obtained from the mandated development projects/programs/activities. In addition, these

were charged to lump sum appropriations without the approval and authorization from the Sanggunian Bayan (SB) defying Section 22(c) of RA No. 7160.

- We have recommended that Management -
 - submit justification for the lapses noted;
 - adhere with the provisions of DILG-DBM JMC No. 2017-1 on the appropriation and utilization of the 20% of the IRA for programming of development projects. Consider utilizing the fund for projects that yield lasting benefit to the constituents of the Municipality; and
 - In the future, instruct the Municipal Budget Officer to provide the specific details of lump sum appropriation in the 20% DF Annual Investment Plan to expedite implementation of development projects.
- 5. Tax withheld on gross payments of 41 infrastructure straight and pakyaw contracts aggregating ₱88,603,700.00 was deficient by ₱3,838,652.30 contrary to pertinent provisions of Revenue Memorandum Order No. 23-2014 dated June 20, 2014.
 - We have recommended that Management -
 - Submit written explanation for the noted lapses; and or require the contractor to submit proof that he has paid the corresponding withholding taxes, as the case may be.
 - Henceforth, deduct, withhold and remit the prescribed withholding taxes on government money payments as required under pertinent Revenue Regulations.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

Unsettled suspensions and disallowances issued under the Revised Rules on the Settlement of Accounts as of December 31, 2018 amounted to ₱34,240,228.91 and ₱700,000.00, respectively.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 64 audit recommendations embodied in the CYs 2016 and 2017 Annual Audit Reports of the Municipality of Pidigan, three were fully implemented, five were partially implemented and 56 were not acted upon by management.