

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Pudtol was created by virtue of Executive Order No. 333 signed by then President Carlos P. Garcia. Before its creation into a regular municipality. It was first declared as Municipal District of Pudtol on December 3, 1956 through Executive Order No. 217 of then President Ramon Magsaysay. Prior to its being a Municipal District, it was once a barrio of the old Municipal District of Tawit.

The municipality has twenty two (22) barangays and classified as fourth-class municipality under the leadership of Honorable Mayor Hector Reuel D. Pascua. The latest population count based on the 2015 survey of the Philippine Statistics Authority registered 14,925.

For CY 2018, there were 93 regular plantilla positions composed of 13 elective and 2 co-terminus positions, 12 department heads, 66 staff positions, 2 school boards and 99 job order personnel bringing the total manpower to 194.

B. Financial Highlights

The main source of income of the Municipality was from agricultural production with rice and corn as the primary products.

The Municipality had been maintaining three funds, namely: General Fund, Special Education Fund and Trust Fund.

For the year 2018, it operated with a total appropriation of ₱163,156,100.42 of which, ₱108,078,225.94 was obligated, leaving an unobligated balance of ₱55,077,874.48 at year-end. Pudtol is still greatly dependent on the Internal Revenue Allotment, which comprises 95.13. % of the total income. Other sources of funds include local taxes, service and business income.

The financial capacity of the municipality is liquid. It has ₱2.07 current assets to pay for every ₱1.00 current liability. Presented below are the details of these data in comparative form based from the audited financial statements.

| | 2018 | 2017 | Increase (Decrease) |
|-------------------------------|-----------------|-----------------|------------------------|
| Current Assets | ₱113,119,427.14 | ₱107,552,577.59 | ₱ 5,566,849.55 |
| Property Plant & Equipment | 112,277,843.21 | 72,952,174.19 | 39,325,669.02 |
| Current Liabilities | 85,675,414.98 | 63,962,870.02 | 21,712,544.96 |

C. Operational Highlights

During the year 2018, the municipal government implemented various projects with total project cost of ₱17,995,189.60 (Annex F) which contributed to the socio-economic development of the municipality.

D. Scope of Audit

Financial and Compliance audit as well as Value for Money audit were conducted covering the operations of the municipality for the Calendar Year 2018. They were focused on Cash Accounts, Property, Plant and Equipment, 20 % Development Fund, Ecological Solid Waste Management, Trust Liabilities and other related accounts.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the municipality of Pudtol, Apayao for calendar year 2018 because the Balance of Due to NGA's was overstated in the amount of ₱44,573,527.37 due to non-recording of liquidations submitted and duly received by the source agency, which could mislead users of the financial statements.

F. Summary of Significant Observations and Recommendations

- 1 The Balance of Due to NGA's was overstated in the amount of ₱44,573,527.37 due to non-recording of liquidations submitted and duly received by the source agency, which mislead users of the financial statements.

We recommended that the accounting office make the necessary adjusting entries to reflect the correct balance of the account.

- 2 Unexpended balance of ₱360,601.43 for completed projects out of Fund Transfers from various national agencies totaling ₱29,915,794.64 remained outstanding in the LGU books contrary to Section 99 of PD 1445 and Executive Order No. 431, which may deprive the national government of the opportunity to use these funds for other vital projects and programs.

We recommended that Management:

- Re-evaluate the unexpended balances of fund transfers that were received from various agencies if there is a need to use the funds for the projects of the LGU, and if provided in the Memorandum of Agreement (MOA), make written representation to the Source Agencies for the retention and utilization of the funds. Otherwise, return the unexpended balances to the

concerned Source Agencies and/or remit the same to the National Treasury.

- Reconcile the account to reflect the correct balance in order not to mislead users of the financial statement.

- 3 Dormant Accounts amounting to ₱516,421.15 from four special trust fund accounts were not reverted to the general fund or to the source agencies contrary to Executive Order No. 431.

We recommended that the Municipal Accountant revert the dormant accounts to the general fund or to the funding source agencies to be used for other priority programs/projects.

- 4 Submission of Financial Reports, Disbursements Vouchers, Official Receipts and other reports to the Commission on Audit were either delayed or not submitted at all, thereby hampering the timely conduct of validation and substantive tests necessary to ascertain the validity, propriety and accuracy of the transactions of the municipality.

We recommended that the Municipal Accountant and Municipal Treasurer ensure that deadlines on reports submission are strictly complied with.

- 5 Cash advances totaling ₱631,008.24 were not liquidated within the period prescribed under Commission on Audit Circular No. 2009-002, resulting in the accumulation of un-liquidated cash advances.

We recommended that Management:

Require all accountable officers and employees including those who are retired or separated or no longer in the service to immediately liquidate their outstanding cash advances by issuing Demand Letters giving more emphasis to prior year's outstanding advances;

Resort to the withholding of salaries or any amount due to accountable officers and employees who still fail to settle their cash advances;

Instruct the Municipal Accountant to strengthen internal control by strictly enforcing the provisions of COA Circular 2009-002 dated May 18, 2009.

- 6 The projected revenue or income on the Project – 2 Units Farm Tractor (Four Wheel Drive) was not realized because of poor planning, seemingly mismanaged project equipment, and the lack of monitoring tool to determine the sustainability of the project.

We recommended that management see to it that implementing guidelines are strictly followed to sustain the LGU's main objective of socio-economic development.

- 7 Programmed projects under the 20% Development Fund of the Municipality for CY 2018 have only 39.10% accomplishment or 52 projects out of 133 were implemented as of December 31, 2018 contrary to DILG and DBM Joint Memorandum Circular No 2011-1 dated April 13, 2011, resulting in the non-achievement of the desirable socio-economic development and environmental outcomes for the benefit of its constituents.

We recommended that Management ensure optimal utilization of the 20% component of IRA in order to provide constituents of the intended benefits.

We also recommended that priority needs of constituents should be identified to avoid re-alignment.

- 8 The Municipality was not able to fully comply with the transitory provision on the complete recognition of the Local Road Network in the book of accounts contrary to Item IX of COA Circular No. 2015-008 because it did not conduct an inventory of its road network system, thus resulting in the understatement of the Property, Plant and Equipment account by an undetermined amount.

We recommended that Management conduct an inventory of its road network system and record in the book of accounts its equivalent amount pursuant to Item IX of COA Circular No. 2015-008 dated November 23, 2015.

- 9 The delayed completion of twenty one (21) projects costing ₱20,468,933.88 deprived the intended beneficiaries of the benefits which they could have enjoyed

We recommended that the LGU conduct extensive planning in the implementation of projects to avoid problems that cause the delay to the detriment of the intended beneficiaries and the general public.

- 10 Disallowances amounting to ₱2,804,646.60 and suspensions amounting to ₱499,575.59 remained unsettled.

We recommended that Management:

- Require the settlement of the disallowances by the persons determined to be liable pursuant to Section 9 of COA Circular 2009-006; and
- Notify the accountable persons who are no longer connected with the municipality to settle their obligations.

- 11 Taxes totaling ₱4,109,375.26 which were withheld from payment of salaries and from payment of claims by the contractors and suppliers were remitted to the BIR pursuant to the provisions of Executive Order No. 651 dated February 16, 1981 and Revenue Memorandum Order No. 8-2003 dated March 3, 2003.
- 12 The municipality's Ecological Solid Waste Management Plan was not strictly implemented despite the enactment of various ordinances and resolutions, generally depicting an unclean and unsanitary environment, and thereby rendering serious threats to human health.

We recommended that Management:

- Provide signage like “NO SPITTING OF MOMMAS” in every conspicuous corner of the municipal buildings to remind people of Municipal Ordinance 2002-04 s. 2002.
 - Provide water supply for cleaning of display areas of meat and fish vendors
 - Assure the public of well-maintained public market to stop the leaking of roofing's which is hazardous to the public due to slippery alleys caused by stagnant waters.
 - Require fish and meat vendors to always observe cleanliness not only in their own vending areas but also their vending paraphernalias
 - Require management occupying the stall at the second floor of the public market to transfer and organize their stocks in their proper places, and the assigned utility workers to regularly clean the flower boxes to eliminate harborages of vermin's.
 - Require the Sanitary Rural Inspector/MENRO/Livestock Inspector to conduct periodic inspection of the market and its premises to ascertain adequate sanitary conditions, and the Municipal Treasurer to supervise and control the proper care and use of market stalls.
- 13 The Long Term Plan (2016-2025) of the Municipality of Pudtol on Solid Waste Management was not strictly implemented in CY 2018 contrary to Part V Rule XVIII, Section 1 of the IRR of RA 9003, thus the objective of the program to improve the quality of life through clean, sanitary and healthy environment of the people of Pudtol was not effectively achieved.

We recommended that the procurement of additional dump truck be prioritized and additional manpower should be assigned for garbage collection activity to minimize if not eliminate the dumping and burning of wastes.

We also recommended that management strengthen public awareness on the proper disposal of wastes to include the corresponding fines and penalties on prohibited acts.

- 14 The LGU failed to establish a Gender and Development (GAD) Implementation and Monitoring System, that thus may jeopardize the effective and efficient implementation of GAD plans and programs contrary to No. 6.0 Section 4.1.c.7 of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01.

We recommended that the LCE issue an appropriate policy directive to ensure the effective implementation of GAD Plan and Budget and establish a GAD monitoring system as required under PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01.

- 15 GAD Accomplishment Report were not submitted to the Auditor within the period prescribed under Item V of COA Circular No 2014-001 dated March 18, 2014 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01 dated January 12, 2016.

We recommended that management submit the GAD Accomplishment Report in strict adherence to Item V of COA Circular No 2014-001 dated March 18, 2014 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01 dated January 12, 2016.

G. Status of Implementation of Prior Years' Audit Recommendations

Of the 34 audit recommendations in prior years, Eighteen (18) were fully implemented, ten (10) were partially implemented while six (6) were not implemented