

EXECUTIVE SUMMARY

A. Introduction

The township of Mankayan was created as a regular municipality on June 16, 1950 by virtue of Republic Act No. 1302. It is composed of 12 barangays namely Balili, Bedbed, Bulalacao, Cabiten, Colalo, Guinaoang, Palasaan, Poblacion, Sapid, Tabio, Paco and Taneg. At present, Mankayan is classified as a first class municipality.

The Municipal Government of Mankayan derives its mandate from Republic Act No. 7160, otherwise known as the Local Government Code of 1991. The municipality envisions a peaceful, self-propelling, self-reliant and self-sustaining community where its people enjoy better quality of life and living in an ecologically sound environment.

As of December 31, 2018, Mankayan has a total personnel complement of 139, composed of 12 elected officials, 1 co-terminus official, 88 permanent employees and 38 job orders.

B. Financial Highlights

For CY 2018, the municipality has a total appropriation of ₱166,360,964.00 including the prior year's continuing budget. During the year, total obligations of ₱134,769,738.05 were incurred leaving an unexpended balance of ₱31,591,225.95 as of year-end, details of which are presented below:

Particulars	Appropriations	Allotments	Obligations	Unobligated Balance of Allotment
Current Year's Budget	145,648,803.00	145,648,803.00	124,032,448.09	21,616,354.91
Prior Years' Budget (continuing)	20,712,161.00	20,712,161.00	10,737,289.96	9,974,871.04
Grand Total	166,360,964.00	166,360,964.00	134,769,738.05	31,591,225.95

I. The Financial Position is as follows:

Assets	₱ 274,375,670.56
Liabilites	71,272,579.75
Equity	203,103,090.81

II. Sources and applications of Funds

Particulars	CY 2018
<i>Revenue</i>	<i>₱126,412,712.21</i>
Less: Current Operating Expenses	
Personal Services	55,970,758.00
Maintenance and Other Operating Expenses	52,059,904.16
Non-Cash Expenses	3,590,996.57
Financial Expenses	58,365.96
<i>Total Current Operating Expense</i>	<i>111,680,024.69</i>
<i>Surplus (Deficit) from Current Operation</i>	<i>14,732,687.52</i>
Add (Deduct)	
Transfers, Assistance and Subsidy From	0.00
Transfers, Assistance and Subsidy To	(2,820,160.26)
Excess of Income Over Expenses	₱ 11,912,527.26

C. Operational Highlights

During the year, the municipality implemented various programs/projects as follows:

Particulars	No. of Projects	Total Project Cost
20% Municipal Development Fund-	140	₱ 29,558,183.84
Total	140	₱ 29,558,183.84

D. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Mankayan for the year ended December 31, 2018. The audit was aimed at ascertaining the propriety of financial transactions, fairness of presentation of the financial statements and compliance with prescribed laws, rules and regulations. It also included the determination whether all revenues due to the municipality were collected.

E. Opinion in the Independent Auditor's Report

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements as of December 31, 2018 due to the non-recognition in the books of accounts 75 percent of Local Road Networks embodied in the Registry of Public Infrastructure.

F. Summary of Significant Observations and Recommendations

The following are the significant observations with the corresponding recommendations:

1. Grant, utilization and liquidation of cash advances were too permissive contrary to Section of 89 of Presidential Decree No. 1445 and COA Circular Nos. 97-002 and 2012-001, thereby, cash in the custody of officials and employees might be exposed to possible loss or misuse of funds.

We recommended Management the following: a) cease the grant of cash advances without legally specific purpose; b) avoid granting additional cash advance unless the previous cash advance given is first settled or a proper accounting thereof is made; c) demand the immediate settlement/liquidation of the outstanding cash advances of all concerned officials and employees and support it with proper documents; d) stop the grant of cash advances to elected officials other than cash advances for traveling expenses; e) grant cash advances only to officials designated as disbursing officers; and f) initiate the filing of appropriate administrative proceedings for those who failed to render their accountabilities after demand or those who failed to liquidate their cash advances in full pursuant to Civil Service Memorandum Circular No. 12, s.2012.

2. The Municipality did not strictly enforce compliance with the Personal Services (PS) limitation invoked under R.A. No. 7160, otherwise known as the Local Government Code of 1991, thus expenditures for PS exceeded the 45 percent limitation in the amount of ₱2.045 million.

We recommended that management apply the rules provided under item 6 of LBC No. 115 in implementing the Third Tranche Monthly Salary Schedule in order to operate within the PS budgetary limits prescribed under Section 325(a) of the R.A. No. 7160. Further, require the refund of the PS benefits received in excess of the limitation.

3. The grant of financial assistance totalling ₱200,000.00 without legal basis resulted in unauthorized use of public funds contrary to the guidelines on the utilization of the Municipal Development Fund (MDF) as embodied under DILG and the DBM JMC No. 2011-1 dated April 13, 2011 and the grant of Self Employment Assistance – Kaunlaran under AO No. 11 series of 2011 dated June 28, 2011 by the Department Secretary of the DSWD.

We recommended Management to collect immediately the financial assistance granted to the concerned borrowers and revert the same to the general fund and the MDF, otherwise, considered unlawful and might not be allowed in audit.

4. Audit disallowances totaling ₱113,608.57 remained unsettled as of December 31, 2018 contrary to the provisions of COA Circular No. 2009-006 dated September 15, 2009 which prescribes the Rules and Regulations on the Settlement of Accounts.

We recommended that management enforce the settlement of audit disallowances to persons liable in compliance with COA Circular No. 2009-006.

5. The Share from National Wealth (SNW) totaling ₱15.463 million was not utilized to finance development and livelihood programs/projects pursuant to Sections 289 and 294 of RA No. 7160, thus depriving the constituents of benefits that could be derived therefrom.

We recommended that the Local Chief Executive make representation with the Sangguniang Bayan to promulgate a municipal ordinance for the optimum utilization of the SNW and give priority to development and livelihood programs/projects that would respond to the needs of its constituents.

6. Utilization of the 20 percent MDF appropriated from 2011 to 2016 aggregating to ₱14.539 million was not maximized due to the absence of identified projects in the Annual Investment Program (AIP) contrary to Section 6 of AO No. 103.

We recommended Management to ensure that utilization of the 20 percent development fund is maximize by properly identifying the projects in the local development plans and the AIP and implement the same within schedule to attain the desirable socio-economic development and environmental management outcomes of the municipality.

G. Settlement of Accounts

As of year-end, the unsettled suspensions, disallowances and charges as reflected in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) are as follows:

Particulars	SASDC (COA Cir. 2009-006)	CSB (Prior to COA Cir. 2009-006)	Total Suspensions, Disallowances and Charges as of Dec. 31, 2017
Suspensions	69,355.21	0.00	69,355.21
Disallowances	1,837,966.78	10,249.38	1,848,216.16
Charges	0.00	0.00	0.00

Appeal on disallowances totalling ₱1,562,201.95 under ND Nos. 13-001-101(12); 13-002-101(13) and 14-001-101(13) dated October 7, 2013, December 4, 2013 and July 30, 2014, respectively, were forwarded to the COA – Central Office for further review.

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 31 prior years' audit recommendations, 11 were fully implemented, 11 were partially implemented and 9 were not implemented.