

Executive Summary

A. Introduction

The Municipality of Pioduran is located approximately 80 kilometers west of Legazpi City. It is bounded on the north by City of Ligao, on the northeast portion by the Municipalities of Guinobatan and Jovellar and on the southern portion by the Panganiran Bay. It is primarily accessible through the 39-kilometer stretch of Ligao-Pioduran national road.

Pioduran was first known to early settlers as Panganiran because of its location facing 20 kms. stretch of Panganiran Bay. Its rich coastal resources particularly the marshland tree, Marokbarok superseded the popularity of the bay itself that later, the place became known as Marokbarok. The tree's specific name was changed to Malacbalac and it also became the name of the place. Originally, the barangays covered by Pioduran were part of the municipalities of Guinobatan, Ligao and Jovellar. The attempt to create Malacbalac as a separate town was initiated in 1928 by Don Hilario Peñaflor and Prescillano N. Osial, but it was set aside by then Congressman Pedro Sabido who gave priority to the construction of a national road, now known as the 39kms. Ligao- Pioduran Road. This road became the turning point for the people of Malacbalac as it opened-up trade with nearby towns of Ligao, Oas and Libon of Albay Province; Donsol and Pilar of Sorsogon Province; and Claveria of Masbate Province.

After World War II, Capt. Prescillano N. Osial, a guerilla soldier who was then a Councilor of Guinobatan, petitioned Rep. Marcial O. Rañola to make Malacbalac an independent town. A bill was filed in 1939 and it was supported by the Congressman who succeeded Rep. Rañola in the name of Rep. Pio Duran. It was on June 12, 1963 that House Bill No. 5335 was enacted into law, Republic Act No. 3817 creating the Municipality of Pioduran within the Province of Albay. At that time, it was already Congresswoman Josefina Duran, the wife of the late Rep. Pio Duran who crusaded for the success of the bill. Republic Act 3817 was signed by the President Diosdado Macapagal. Malacbalac then was officially changed to Pioduran after the late Congressman Pio Duran.

Audit Objectives

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing to obtain reasonable assurance whether the financial statements are free of material misstatement. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Scope of Audit

We conducted a financial and compliance audit of the accounts and operations of the Municipal Government of Pioduran, Albay for CY 2018, in accordance with laws, and applicable Philippine Public Sector Standards on Auditing. Those standards require that

we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. Our audit included examination on a test basis evidence supporting the amount and disclosures in the financial statements. It also included assessment of accounting principles used and review of significant estimates made by the Auditee as well as evaluating the overall financial statement presentation

Operational Highlights

For CY 2018, the Municipality of Pioduran, Albay was able to accomplish its major programs, projects and activities, among others, out of the General Fund, 20 per cent Local Development Fund (LDF) and Fund Transfers from Other Levels of the Government, viz:

Sector	ABC	Cost Incurred to Date	%
Social Development	₱ 9,453,903.00	₱ 9,421,767.56	99.66
Economic Development	13,450,000.00	13,358,057.06	99.31
Environmental Development	1,110,000.00	1,010,500.00	91.03
Total	₱24,013,903.00	₱ 23,790,324.62	99.06

Utilization Report on the 20 per cent LDF revealed that the Municipality has fully implemented 13 projects or 100 per cent implemented during CY 2018:

Projects/Programs/ Activities	No. of Projects			% of Implemented Projects
	Target	Implemented & Completed	On-going & Not yet started	
Annual Budget	13	13	0	100%

Fund Transfers from Other Levels of the Government

Name of Project	Amount	Source of Funds	Status
AM-LGSF Improvement/Upgrading of Caratagan-Barangay I Road	₱ 9,450,429.00	LGSF	Completed
ADM-DBM Multi-purpose Building Caratagan-Brgy I/Caratagan-Banawan	14,837,000.00	DBM	Completed
BUB-DA-BFAR Marine Protected Area Marigondon	1,000,000.00	DA-BFAR	On-going
DA-BUB-Infrastructure Support to Agricultural Production and Development	500,000.00	DA	Completed
DA-BUB Rehabilitation of Marine Protection and Mangrove	552,500.00	DA	On-going
DA-BUB Rice and Corn Production Training	595,000.00	DA	On-going
DA-BUB Agro Processing Facilities and Expanded Agri-Business Activities	800,000.00	DA	Completed
DA-BUB Artificial Insemination	510,000.00	DA	On-going
BUB-DOT Tourism Local Tourism Development Project	500,000.00	DOT	Completed
LGSF-BUB-NAPC Infra Fencing-PECS/PWCS-Chairs	15,000,000.00	NAPC	On-going

Name of Project	Amount	Source of Funds	Status
BUB-NAPC Poverty Commission Integrated Community Food Production	500,000.00	NAPC	On-going
Total	₱ 44,244,929.00		

B. Financial Highlights

Comparative Financial Position

Particulars	CY 2018	CY 2017	Increase (Decrease)	
			Amount	%
Assets	₱ 283,868,628.97	₱ 244,623,104.60	₱ 39,245,524.37	16.04%
Liabilities	26,204,433.43	40,010,893.32	(13,806,459.89)	(34.51%)
Government Equity	257,664,195.54	204,612,211.28	53,051,984.26	25.93%

Comparative Financial Performance

Particulars	CY 2018	CY 2017	Increase (Decrease)	
			Amount	%
Total Income	₱131,205,300.71	₱ 123,469,913.25	₱ 7,735,387.46	6.26%
Personal Services	52,467,024.50	46,330,180.63	6,136,843.87	13.25%
MOOE	49,204,991.31	44,926,627.79	4,278,363.52	9.52%
Non-Cash Expenses	4,966,455.73	3,957,142.52	1,009,313.21	25.51%
Subsidies/Donations	(4,647,655.51)	(4,496,059.80)	(151,595.71)	3.37%
Net Income	19,919,173.66	23,759,902.51	(3,840,728.85)	(16.16%)

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the Financial Statements of the Municipality of Pioduran, Albay as of December 31, 2018, because the existence and correctness of Municipality's Property, Plant and Equipment (PPE) accounts valued in the books at ₱274.54 million could not be ascertained due to the unreconciled balance of ₱3.42 million which comprises 1.25 per cent of the total PPE, because the Municipal Accountant and Property Officer were unable to reconcile their records.

The inadequacy of the records hindered the Audit Team from applying adequate alternative procedures to ascertain the correctness of the reported year end balances of said accounts.

For the aforementioned limitations, we recommended that Management require the Municipal Accountant and the Property and Supply Officer to continue their process of reconciling the Property, Plant and Equipment Ledger Card (PPELC) with the Report on the Physical Count of Property, Plant and Equipment (RPCPPE), respectively, and immediately effect the necessary adjustments, if any.

D. Significant Audit Observations and Recommendations

The significant audit observations and recommendations on the transactions and operations of the Agency for calendar year (CY) 2018 are presented below:

- 1. The Agency did not prepare Bank Reconciliation Statements in accordance with the provisions of Section 74 of P.D. No. 1445 and COA Circular No. 96-011 dated October 02, 1996, and book reconciling items remained unadjusted, thus, correctness of the Cash In Bank-LCCA balance amounting to ₱35.75 million as of December 31, 2018 could not be ascertained.**

We recommended that the Accountant prepare the necessary journal entries to record the adjustments affecting the balance of the account and require the Disbursing Officers concerned to reconcile/update/correct their Cash in Bank Registers with the reconciling items/adjustments to reflect the correct balance of Cash in Bank-LCCA account in their custody.

- 2. Accounts Receivables amounting to ₱99,181 had been dormant for 19 years now and are continuously maintained in the books of accounts of the Municipality, instead of having it written-off, contrary to the provisions of COA Circular No. 2016-005 dated December 19, 2016.**

We recommended that the Municipal Accountant prepare a request for the writing-off of the dormant receivable accounts amounting to ₱99,181 from COA, supporting the said request with the required documents as enumerated in Item 8.3 of the COA Circular No. 2016-005 dated December 19, 2016.

- 3. The Accountant did not recognize the receivable and income accounts in the books of the LGU for the unpaid rentals for market stalls amounting to ₱145,300, contrary to PPSAS 13, thus the financial statements of the Municipality is not fairly presented.**

We recommended that the Municipal Mayor instruct:

- a. The Municipal Treasurer to provide the Municipal Accountant with the List of Delinquent Market Stallholders with amount due and penalties before the end of each year to facilitate timely recording of appropriate receivable and income accounts; and
- b. The Municipal Accountant to recognize the total unpaid rentals, business taxes, surcharges and interests as of December 31, 2018 in the books of the Municipality to the appropriate receivable and income/equity account, in compliance with the provisions of PPSAS 13 in order to present fairly the financial statements of the Municipality.

- 4. The LGU was not able to return the unused/unutilized balance of funds transferred by various National Government Agencies amounting to ₱8.52 million, contrary to Section 6.7 of COA Circular No. 94-013 dated December 13, 1994, thus, depriving the national government of the additional funds which they can use in the implementation of other plans, programs and activities.**

We recommended that the Municipal Accountant make the final reconciliation and accounting of these account balances and prepare the DVs together with the supporting schedule for the Municipal Treasurer to issue a check payable either to the Source Agency or direct to the National Treasury. Those funds which are considered as special purpose funds shall be retained and those balances for which original releases is in the nature of financial assistance or subsidy and for which the agreement do not mention of the disposition of the unused balance, may be reverted to the unappropriated surplus of the Municipality and future utilization thereof subject to the usual accounting, auditing and budgeting laws and regulations.

- 5. The LGU was not able to return the unused/unutilized balance of funds transferred by various Local Government Units amounting to ₱0.68 million, contrary to Section 6.7 of COA Circular No. 94-013 dated December 13, 1994, thus, depriving the LGU of the additional funds which they can use in the implementation of other plans, programs and activities.**

We recommended that Management require the Municipal Accountant to make final reconciliation and accounting of these account balances and prepare the DVs together with the supporting schedule for the Municipal Treasurer to issue a check payable either to the recipients LGUs, or returned to Source Agency. Those funds which are considered as special purpose funds shall be retained and those balances for which original releases is in the nature of financial assistance or subsidy and for which the agreement do not mention of the disposition of the unused balance, maybe reverted to the unappropriated surplus of the Municipality; future utilization thereof subject to the usual accounting, auditing and budgeting laws and regulations.

- 6. The Municipality of Pioduran still has six on-going Bottom-Up Budgeting (BUB) projects as of CY 2018 aggregating to ₱18.15 million, with unutilized balance of ₱3 million as of December 31, 2018, thereby depriving the intended beneficiaries of the benefits that could have been derived therefrom.**

We recommended that Management implement BUB projects and programs in the most timely manner possible in order that the benefits to be derived therefrom may be enjoyed by the intended beneficiaries at the earliest possible time. We also recommended that Management secure certificates of completion and/or acceptance for the fully implemented projects in order that the corresponding fund for the project be properly adjusted and reflect the correct balance in the books.

- 7. Delinquent Real Property Tax amounting to at least ₱2.04 million from CYs 1985 to 2018 have not been collected due to inability of the Municipal Treasurer to**

strictly enforce the prescribed remedial measures to collect delinquent taxes levied on real property, thus, deprived the Municipality of the opportunity income which can be used to finance various developmental program, projects and activities for the benefit of its constituents.

We recommended that the Municipal Treasurer:

- a. Intensify the tax collection campaign to maximize collection of RPT due to the Municipal Government in order to increase its revenue and have extra funds available to finance the delivery of basic services and facilities; and
 - b. Send demand letters to collect taxes from delinquent taxpayers and in case of failure to collect, avail of the remedies through levy on real property or judicial actions provided under the Local Government Code of 1991.
- 8. The Municipality could have generated additional income had it exerted more efforts in the collection of rentals from delinquent market stallholders in the amount of ₱145,300, thus, depriving the agency of additional funds that could be used to meet its obligations or implement other beneficial projects, programs and activities in CY 2018.**

We recommended that the Municipal Mayor instruct the Municipal Treasurer:

- a. And other officials concerned to exert more efforts to collect the rentals due from the delinquent market stall occupants, and if necessary avail the civil remedies provided by the present Revenue Code, in order to generate additional income that will be used for the implementation of programs, projects and activities of the Municipality; and
 - b. To periodically monitor the rental payment of the stallholders and demand immediate payment when due and demandable to avoid arrears and accumulation of amount due.
- 9. The Municipality was able to finish the projects, constituting about 99.06 per cent of the key programs and projects identified and funded from the 20 per cent Economic Development Fund for CY 2018 amounting to ₱24.01 million, thus, benefited the intended beneficiaries of the socio-economic projects in a timely manner.**

We commended Management for the continued commitment in achieving desirable socio-economic development and environmental projects for the benefit of the community and its constituents.

E. Summary of Total Suspensions, Disallowances and Charges as of Year-End

Particulars	Balance as of 1/1/2018	CY2018		Balance as of 12/31/2018
		Issued	Settled	
Suspensions	₱0.00	₱0.00	₱0.00	₱0.00
Disallowances	0.00	0.00	0.00	0.00
Charges	0.00	0.00	0.00	0.00
Total	₱0.00	₱0.00	₱0.00	₱0.00

F. Status of Implementation of Prior Years' Audit Recommendations

Out of the 36 audit recommendations contained in the previous years' Annual Audit Reports, 31 or 86.11 per cent were fully implemented, 4 or 11.11 percent were partially implemented, and 1 or 2.78 per cent was not implemented by Management.