

EXECUTIVE SUMMARY

A. Introduction

Panaon in the heart of Misamis Occidental is a fifth class, primarily an agricultural municipality. A town of fine beach, hatcheries, and low-lying yet majestic waterfalls, and the home of peace-loving people.

The municipality was created by virtue of Republic Act 4822 which was signed into law on June 18, 1966. It has 16 barangays and has a total land area of 5,404.920.1 hectares or 66 square kilometers. It is located between the municipalities of Aloran in the North and Jimenez in the South.

B. Highlights of Financial Operations

Financial Position

As of December 31, 2018, the Financial Position of the Municipality of Panaon, Misamis Occidental, showed a Total Asset of ₱279,919,452 and Total Liabilities amounting to ₱144,453,480, which included Deferred Credits of ₱7,513,238 and Equity of ₱135,465,972.

	CY 2018	CY 2017
Assets	₱279,919,452	₱259,981,969
Liabilities	144,453,480	157,973,475
Government Equity	135,465,972	102,008,494

Results of Operation

For Calendar Year 2018, the municipality has derived its income from local taxes, among others, Real Property Tax (RPT), Special Education Tax (SEF), Permits and Licenses, Service Income, Business Income and Other Income such as: Income from Subsidies and Donations, share from Internal Revenue Allotment (IRA) and Miscellaneous Income totaling ₱65,339,929, while expenses and net of transfers/assistance/subsidies to/ from went up to ₱65,333,135 and ₱4,681,655 respectively, indicating a deficit of ₱4,674,861.

	CY 2018	CY 2017
Total Revenue	₱65,339,929	₱60,950,099
Total Expenses(including net of transfers/assistance/subsidies to/from)	70,014,790	50,523,645
Surplus (Deficit)	(4,674,861)	10,426,454

Cash Flows

The Statement of Cash Flows showed an aggregate inflows and outflows of ₱92,572,280 and ₱87,286,718, respectively. Balance in cash at the end of CY 2018 was ₱59,807,108, thus:

	CY 2018	CY 2017
Cash on Hand, beginning of the year	₱54,521,546	₱44,368,336
Add: Total Cash Inflows	92,572,280	117,882,780
Total Cash Available	147,093,826	162,251,116
Less: Total Cash Outflows	87,286,718	107,729,570
Cash on Hand, end of the year	₱59,807,108	₱54,521,546

C. Operational Highlights

For the Calendar Year 2018, the following are the Major Programs/Activities/Projects accomplished by the LGU:

Project Name	Amount
1. Rehab Expansion of Mohon Water System (ADM cy 2017)	500,000.00
2. Rehab_Expansion of Camanucan Water System (ADM cy 2017)	500,000.00
3. Construction of 400 Ln. M Drainage Canal (KALAHI-LGU LED)	774,500.00
4. Construction of Coco Sugar Production Center	1,000,000.00
5. Repair of Panaon Central School Conference Room (Phase1)	1,200,000.00
6. Completion of Computer/Library Room @ San Roque Elem. School	380,000.00

Philippine Rural Development Program

It is worthy to mention that the municipality has an approved application for the Rehabilitation and Concreting of Sumasap-Salimpono-Magsaysay-Bangko-San Juan Farm to Market Road with a total cost of P144,200,000.00.

	Amount
Loan Proceeds	115,360,000.00
Government of the Philippines	14,420,000.00
LGU Counterpart	14,420,000.00
Total	<u>144,200,000.00</u>

D. Scope of Audit

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipality of Panaon, Misamis Occidental for the period January 1 to December 31, 2018. It included a review of operating procedures, interview of government officials and employees, verification and analysis of accounts and such other procedures considered necessary under the circumstances.

The audit was undertaken to ascertain the fairness in the presentation of the financial statements and adherence of the municipality with laws, rules and regulations and whether or not programs, activities and projects were carried out in an economical, effective and efficient manner.

E. Independent Auditor's Report on the Financial Statements

We rendered a Qualified Opinion on the fairness of the presentation of the financial statements of the Municipality of Panaon, Misamis Occidental for the period ended December 31, 2018, concerning the unliquidated cash advances given to officials and employees; the LGU's failure to conduct physical inventory of its Property, Plant and Equipment.

F. Significant Findings and Recommendations

1. The LGU failed to employ and implement sound internal control in the procurement of gasoline, oil and lubricants in the amount of P195,546.34 in violation to COA Circular No. 77-61 dated September 26, 1977. Thus, existence, accuracy proper presentation and valuation and good custodianship could not be ascertained.

Recommendation:

We have recommended to Management the following:

1. Require the gasoline control officer to maintain records and reports to facilitate reporting and to exercise tighter control over the utilization of fuel consumption;
 2. Justify why logbook recording was stopped; and
 3. Faithful adherence to the above-cited provision is hereby enjoined
2. The non-liquidation within the prescribed period of cash advances and continuous granting of additional cash advances to officers and employees without liquidating previous cash advances resulting to accumulation of outstanding balances amounting to P1,696,242.33 in violation to COA Circular No. 97-002. Thus, overstating Cash Advances account and understating expenses rendering financial statements inaccurate.

Recommendation:

We have recommended that Management direct the officials concerned to:

1. strictly enforce the period of liquidation as prescribed above and require the immediate refund/return of any excess amount thereof;
2. demand the immediate settlement of the unliquidated cash advances amounting to P1,696,242.33;

3. exert extra effort on the collection of advances from separated employees and collectibles from resigned employees who have not secured clearance for their accountabilities and from resigned employees who cannot be located anymore; and
 4. refrain from granting additional cash advances, unless previous ones have been liquidated.
3. Barangay shares from proceeds of the Real Property Taxes amounting to P1,273,318.68 were not remitted to the concerned local government units (barangays) within the prescribed period contrary to Section 271(d) of Republic Act No. 7160, thus depriving the barangays of the use of said amount to finance their priority projects/programs/activities.

Recommendation:

We have recommended to Management to instruct the Municipal Accountant to prioritize the remittance of the Real Property Taxes share to the barangays to enable them to use the said share for projects and programs that are of great use to the barangays and its constituents. Also it could be used by the barangay officials in improving and strengthening their capabilities in delivering quality basic services.

4. Job Order (JO) payrolls totaling P449,467.50 were paid with inadequate supporting papers and other necessary documents as proof of services rendered in violation of Section 4 (6) of Presidential Decree No. 1445 and COA Circular No. 2012-001, thereby casting doubt to the validity and propriety of the disbursements.

Recommendation:

We have recommended to management the following:

1. Direct the HRMO to execute contract for employees hired under JO to include statement of duties and responsibilities as a means by which their performance can be measured;
 2. Submit the contract of services/job orders and Accomplishment Report for every paid payroll
 3. Strictly observe Section 4 (6) of P.D. 1445 and COA Circular 2012-001 on government documentary requirements.
5. The LGU was delayed in the submission of CY 2018 reports and accounts contrary to Section 70 & 73, Chapter 4 of NGAS, Volume I thereby precluding us from timely audit and examination of the Municipality's accounts.

Recommendation:

We have recommended to management the following:

1. Require the concerned officers to submit all the required reports within the prescribed deadline and monitor compliance with the timely submission of reports; and
 2. Cause the suspension of payment of salaries of the concerned officials until they shall have complied with the requirements of the Commission in accordance with Section 122 of P.D. 1445.
6. The validity, existence, ownership and valuation of the Agency's Property, Plant and Equipment and Inventory Accounts in the amount of P113,582,819 and P465,674 respectively, could not be ascertained, due to non-conduct of actual physical count by the duly designated Inventory Committee, non-reconciliation of accounting and property records, in violation of pertinent provisions of Section 2 of PD 1445, thereby creating doubt as to the propriety, book balance of the Property, Plant and Equipment and Inventories Accounts.

Recommendation:

We have recommended that management instruct the property officer to maintain a record of property card for each item of PPE; conduct physical count of all PPEs owned by the agency, through its duly designated members of the Inventory Committee, at least once a year and reconcile accounts between the Accounting Unit and the Property Officer from time to time.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

The municipality has a total audit suspensions amounting to P7,310,160.51 and disallowances amounting to P34,251.33 as of December 31, 2018.

	Balance as of Dec. 31, 2017	Issued in CY 2018	Settled in CY 2018	Balance as of Dec. 31, 2018
Notice of Suspension	P7,310,160.51	0.00	0.00	P7,310,160.51
Notice of Disallowance	34,251.33	0.00	0.00	34,251.33
Notice of Charge	0.00	0.00	0.00	0.00
Total	P7,344,411.84	0.00	0.00	P7,344,411.84

STATUS OF IMPLEMENTATION OF PRIOR YEARS AUDIT RECOMMENDATIONS

Of the eight audit recommendations embodied in the Annual Audit Report for CY 2017, five (5) were fully implemented and three (3) were partially implemented by the management, the details of which are discussed under Part III of the report.