

## **EXECUTIVE SUMMARY**

### **A. Introduction**

Pantukan became a municipality on January 1, 1937 by the virtue of the Executive Order No. 64 by President Manuel L. Quezon on November 13, 1936. It was one of the component municipalities of the then undivided Davao and now is one of the eleven municipalities of the newly created Province of Compostela Valley under RA 8470 which took effect on March 7, 1998.

Pantukan is bounded on north by the Municipality of Mabini, on the south by the Municipality of Banaybanay, on the east by the Municipality of Mawab and Compostela Valley and on the west by the placid water of Davao Gulf. A portion of the unexplored area of the Masara Mines is a part of this municipality.

Pantukan which is 95 kilometers from Davao City is reachable by all kinds of land and water transportation. The place is the avenue for all those who desire to go to east coast of Davao Oriental.

The Municipality is composed of thirteen (13) barangays. It has a total land area of more or less 56,500 hectares and with a total projected population of 85,899 as of 2015 census. It was classified as a first-class municipality based on income as of December 31, 2002.

### **B. Audit Methodology**

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of the accounts and operations of the LGU.

### **C. Scope of Audit**

A comprehensive audit was conducted on the accounts and operations of the Municipality of Pantukan for CY2018. The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, inspection and analysis of accounts, and such other procedures considered necessary.

#### D. Financial Highlights

The following presentation contains the comparative figures of the financial position and performance of the Municipality for CYs2018 and 2017:

Account	2018 (in Pesos)	2017 (in Pesos)	Difference	
			Increase (Decrease) in Pesos	%
<b>Financial Position</b>				
Assets	591,472,433.73	511,067,722.37	80,404,711.36	16%
Liabilities	138,000,404.07	138,365,290.11	(364,886.04)	(0.26)%
Net Asset/Equity	453,472,029.66	372,702,432.26	80,769,597.40	22%
<b>Financial Performance</b>				
Revenue	292,935,507.37	263,058,529.20	29,876,978.17	11%
Current Operating Expenses	241,389,119.78	215,991,729.20	25,397,390.58	12%
Surplus from Current Operating Expenses	51,546,387.59	47,066,800.00	4,479,587.59	10%
Net Subsidies	(5,643,213.63)	(6,118,623.80)	475,410.17	(8)%
Surplus for the Period	45,903,173.96	40,948,176.20	4,954,997.76	12%

The increase in the assets is attributable to the increase in the "Cash in Bank - Local Currency, Current Account" due to savings from unexpended budget for Maintenance and Other Operating Expenses and completed infrastructure projects. The decrease in liabilities is attributable to the completion of infrastructure projects funded by the different national agencies and Provincial Government of Compostela Valley. The increase in income is attributable to the increase in the share of Internal Revenue Allotment (IRA) and increase in the collection of real property taxes and business taxes. The increase in expenses is due to the increase in salaries and wages, fuel oil and lubricants expenses, and training expenses.

The LGU's appropriations for the year are as follows:

Description	2018 (in Pesos)	2017 (in Pesos)	Increase (Decrease) in Pesos	%
Current Legislative Appropriations - GF				
PS	87,872,195.00	78,707,781.88	9,164,413.12	11.64%
MOOE	168,471,034.00	152,907,551.54	15,563,482.46	10.18%
Capital Outlay	56,674,083.67	31,307,038.00	25,367,045.67	81.03%
Current Legislative Appropriations - SEF	3,527,000.00	3,028,195.34	498,804.66	16.47%
<b>Total Current Legislative Appropriation</b>	<b>316,544,312.67</b>	<b>265,950,566.76</b>	<b>50,593,745.91</b>	<b>19.02%</b>
Continuing Legislative Appropriations - GF	38,313,709.34	57,428,467.04	(19,114,757.70)	(33.28)%

<b>Description</b>	<b>2018 (in Pesos)</b>	<b>2017 (in Pesos)</b>	<b>Increase (Decrease) in Pesos</b>	<b>%</b>
Continuing Legislative Appropriations - SEF	256,000.00	204,000.00	52,000.00	25.49%
<b>Total Continuing Legislative Appropriation</b>	<b>38,569,709.34</b>	<b>57,632,467.04</b>	<b>(19,062,757.77)</b>	<b>(33.08)%</b>

### **E. Auditor's Opinion on the Financial Statements**

A qualified opinion was rendered on the fairness of presentation of the Financial Statements of the Municipality of Pantukan, Province of Compostela Valley for the year then ended due to accounting errors/omissions totaling P49,217,570.66 and various deficiencies/discrepancies noted which were discussed in detail in Part II of this report.

### **F. Summary of Significant Observations and Recommendations**

1. Procurement of five (5) projects totaling P28,128,123.00 funded by the National Government Agencies were not embodied in the Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) contrary to Section 7.1 and 7.2 of the revised IRR of RA 9184.

We recommended that the concerned BAC Officials and the Municipal Planning and Development Coordinator (MPDC) plan meticulously and judiciously all of its procurement activities, particularly the procurement of infrastructure projects, taking into consideration the reasonable timing for its prompt implementation, and prepare the required Project Procurement Management Plan (PPMP) for consolidation into to the Annual Procurement Plan (APP) in accordance with the provisions of the Revised Implementing Rules and Regulations of R.A 9184

2. The Municipality was not able to meet the minimum requirements for operation of controlled dumpsite under the Solid Waste Management Program.

We recommended that a sufficient budget be set aside for the construction and development of sanitary landfill facility as final disposal site for solid wastes.

Pending the relocation to another area for establishment and operation of sanitary landfill, exhaust all legal remedies necessary to adopt specific measures to implement proper waste reduction/segregation. Abrupt abandonment of the existing dumpsite should be undertaken the soonest possible time with due consideration on the guidelines prescribed by the DENR. Likewise, ensure operation and design of a desired design of sanitary landfill subject to applicable guidelines mentioned in the same Act and its IRR.

3. Expenditures amounting to P14,013,148.44 charged against the 20% Development Fund arising from projects in lump-sum appropriation is not in accordance with Article 454 (d) of the IRR of RA 7160.

We recommended that the concerned officials of the Municipal Planning and Development and Budget offices to ensure that the Projects, Programs and Activities to be included in the Annual Investment Plan (AIP) shall be expressed in specific terms and refrain from using generic or lump-sum appropriation to ensure timely implementation. Likewise, the disbursement should be duly supported with an authority from the Sannguniang Bayan Officials concerned to make these transaction not illegal, otherwise this would be a valid ground for the issuance notice of disallowance.

4. Actual accomplishments for the implementation of projects funded under ADM and Salintubig for FY 2017 did not conform with the requirements embodied in the approved POW or its detailed engineering design as set forth in applicable provisions of RA No. 9184

We recommended to the management to require the Municipal Engineer to explain and justify in writing the noted deficiencies. In addition, submit the documentary requirements for further evaluation of the COA Technical Audit Services (TAS) and compel in writing the contractors who were responsible for the noted deficiencies and avail remedies for the needed rectification over the constructed structures as prescribed rules and regulations under RA No. 9184

5. Projects totaling P74,219,996.03 equivalent to 84% of the Municipality's 20% Development Fund remained unimplemented/partially implemented resulted in idle funds that would have redound to the welfare of its target beneficiaries.

We recommended that the concerned officials of the Municipal Planning and Development and Budget offices to ensure effective and efficient implementation of Projects, Programs and Activities to be included in the Annual Investment Plan (AIP) to maximize the benefits due to its beneficiaries.

6. Projected revenues of P 1,027,987.00 was not materialized due to inadequate policies, processes and procedures in the collection of SWM fees, thereby the desired objectives embodied in the 10-year Integrated Solid Waste Management Plan of the LGU are less attainable while waste reduction issues remain unresolved.

We recommended to the Management the following:

1. Coordinate with the SB to pass a resolution revisiting and formulating a doable policies and guidelines on the imposition of fines and penalties,

taking into consideration the specific functions and duties and their limitations of the proposed collectors to be identified as enforcers.

2. Provide the adequate supply of resource whether it is in financial terms and adequate technical manpower equipped with skills and able to deliver the required services in support of Community Education and Public Awareness campaign, collections of fees and other fines and penalties and other duties and functions deemed necessary in the operation.

#### **G. Summary of Total Suspensions, Disallowances and Charges**

There were no reported audit suspensions, disallowances and charges of the LGU as at December 31, 2018.

#### **H. Status of Implementation of Prior Years' Audit Recommendations**

Of the thirty-eight (38) audit recommendations in the prior years' Annual Audit Reports (AAR), twelve (12) or 31% were fully implemented, seventeen (17) or 45% were partially implemented, and nine (9) or 24% were not implemented.