

EXECUTIVE SUMMARY

A. Introduction

Agency Background

The Municipality of Pinukpuk was created by virtue of Executive Order No. 42 dated June 5, 1963. It is a first class municipality composed of 23 barangays with total area of 743.56 square kilometers.

The Local Government Unit is headed by Honorable Irving B. Dasayon with total workforce of 125, which consists of 15 head of departments, 12 elected officials, 34 administrative positions, and 64 technical positions.

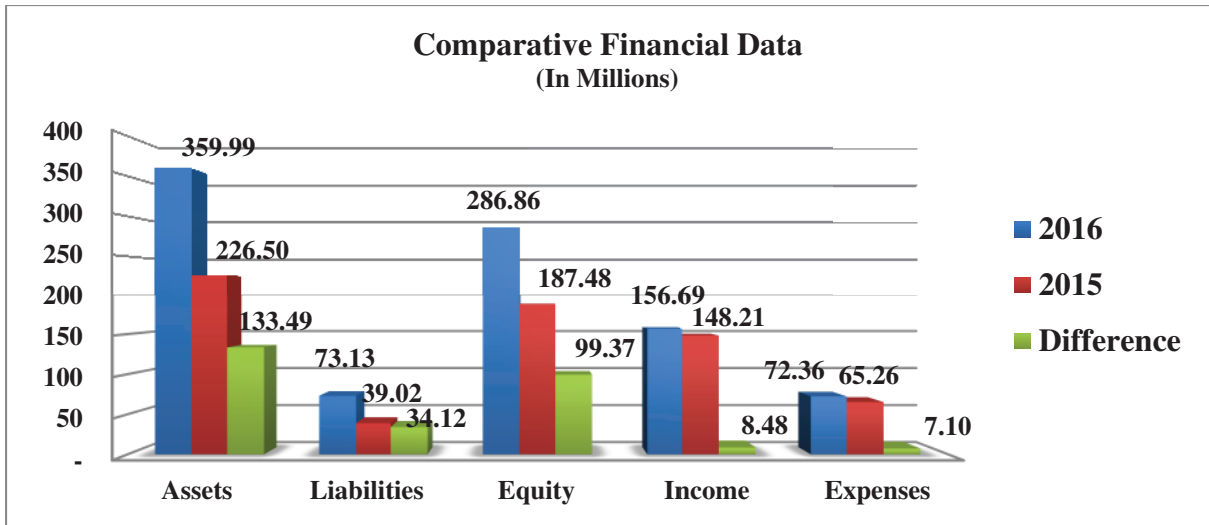
Like other local government units, it is mandated to deliver basic and vital services through proper implementation of its programs, projects and activities, to promote growth, development and the maintenance of peace and order in the locality.

Audit Scope and Methodology

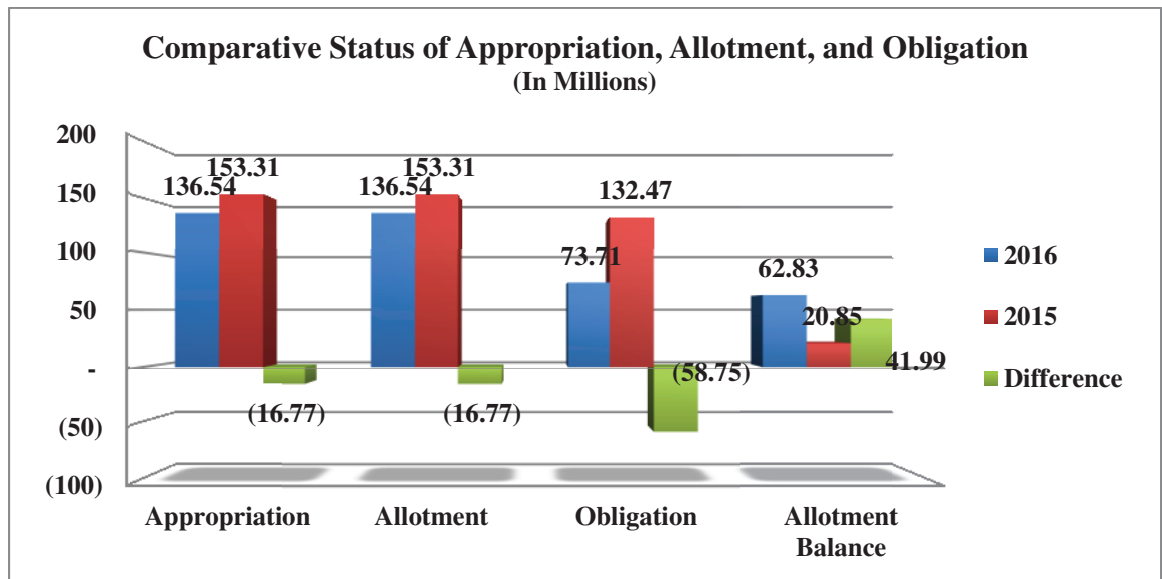
A comprehensive audit was conducted on the accounts and operations of the Municipality for the year 2016. Our audit was focused on selected accounts and transactions based on audit thrusts issued by higher authorities as well as other areas identified.

B. Financial Highlights

During the year, the Municipality realized total income of ₱156.69 million which is ₱8.48 million or 5.72% higher than previous year and incurred a total operational expenditure amounting ₱72.36 million which is ₱7.10 million or 10.88% higher than previous year. Consequently, its government equity increased by ₱99.37 million or 53.00% higher than the previous year.



On the other hand, the agency's total appropriation during the year was ₱136.54 million which shows a decrease of ₱16.77 million or 10.94% from previous year. The amount of ₱73.71 million was obligated during the year which shows a decrease by ₱58.75 million or 44.35% compared to previous year agency's obligation.



The share from national wealth or commonly known as the Internal Revenue Allocation (IRA) covers 98.82% of the total income generated during the year. The remaining balance or 1.18% was generated from the local taxes and fees.

C. Independent Auditor's Report

We rendered a qualified opinion on the fairness of presentation of the financial statements due to various accounting errors and omissions in recording various transactions

of the Municipality as of the Calendar Year 2016 which materially misstated the financial statements as of December 31, 2016 as follows:

The inadequate provision of depreciation expenses resulted in the overstatement of assets in the amount of ₱494,690.81 while the accuracy of Property, Plant and Equipment accounts totaling ₱90,947,287.10 could not be established due to lacking PPE Ledger Cards.

Further, in Observation No. 2, the LGU's failure to fully document and recognize the issued or expense portion of stocks/supplies, resulted in the doubtful accuracy of Inventories totaling ₱76,914,855.72 as of December 31, 2016.

Lastly, the negative balances of accounts Due to GSIS, Due to HDMF, Due to GOCCs and Due to LGUs totaling ₱1,064,610.08 which remained unadjusted or not reconciled, resulted in the doubtful reliability of the account balances at year end.

D. Other Significant Comments and Observations

1. Various deficiencies in the procurement of office supplies amounting to ₱7,200,000.00 were noted in violation of the Implementing Rules and Regulations (IRR) of the Government Procurement Reform Act (RA 9184) and other rules, thus, casting doubt on the propriety and legality of the procurement made.

We recommended that management:

- a. particularly the BAC, conduct all procurements in accordance with the IRR of the Government Procurement Reform Act (RA 9184) and other applicable laws, rules and regulations; and
- b. require the Municipal Accountant to ensure that all claims are duly supported in accordance with COA Circular No. 2012-001 before processing for payment.

2. Four contracts with total approved budget of ₱2,770,000.00 for the procurement of motor vehicles and equipment were recommended for award by the Bids and Awards Committee despite the lack of prescribed financial proposal of the winning bidders indicating that bid evaluation was not thoroughly conducted contrary to Section 30.4 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, casting doubt that result of bidding was the most advantageous to the government.

3. Drugs and medicines procured totaling ₱2,251,760.00 were not within the prescribed list under the Philippine National Formulary (PNF) Manual, thus no assurance on the necessity of the items procured.

We have recommended that the Local Chief Executive ensure that all procurement of drugs and medicines shall comply with the PNF Manual and Executive Order No. 49.

4. Revenue rules and regulations on the withholding and remittance of taxes were not strictly observed thus, the amount of ₱5,978,237.49 remained unremitted and appropriate taxes were not withheld for various procurements with total invoice amount of ₱277,811.31, to the disadvantage of the government.

We recommended that Management:

- a. withhold all appropriate taxes arising from government money payments; and
- b. ensure that all taxes withheld are remitted in accordance with BIR Revenue Memorandum Circular No 23-2012 dated February 14, 2012.

5. The project “Construction of Sledged Trail - Topap-Alimunga, Ballayangon” amounting to ₱200,000.00 was implemented despite the prohibition of the corresponding appropriation due to its non-inclusion in the Annual Investment Plan (AIP) of the Municipality, in violation of Section 305(i) of Republic Act (RA) No. 7160.

We have recommended that the Local Chief Executive ensure strict compliance to the recommendations on the budget review conducted by the Sangguniang Panlalawigan to ensure that the concurred appropriation ordinances are in compliance with existing rules and regulations particularly Section 287 of the Local Government Code pertaining to the appropriation and utilization of 20% of the Internal Revenue Allocation.

6. Identified projects, programs, and activities under the 70% Mitigation Fund of Local Disaster Risk Reduction Management Fund (LDRRMF) for Calendar Year 2016 were not fully implemented, thus, failing to enhance the capability of the municipality in attaining disaster resilience community, institutionalized arrangements and measures for reducing disaster risk, and enhanced disaster preparedness and response capabilities in times of calamity.

We have recommended that management implement the programs, activities, and projects established under the Local Disaster Risk Reduction and Management Fund (LDRRMF) in accordance with its Approved Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) and likewise, submit the corresponding report of utilization.

7. The annual Gender and Development Plan and Budget (GPB) for Calendar Year 2016 was not submitted thereby no basis in evaluating whether the reported programs, projects and activities accomplished have addressed gender issues identified.

We have recommended that management submit to the COA Audit Team a copy of the approved Annual GAD Plan and Budget (GPB) as basis in audit evaluation of the reported accomplishments.

12. Management failed to enforce prompt settlement of suspensions and disallowances, of which, only 22% or ₱10,900,983.59 of the total suspensions amounting to ₱50,559,216.63 was settled while disallowances totaling ₱37,916,305.61 had no single settlement during the year.

E. Status of Implementation of Prior Years' Audit Recommendations

Out of the 64 audit recommendations embodied in the CY 2015 Annual Audit Report, 19 were fully implemented, 31 were partially implemented, and 14 were not implemented.