

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Mangatarem was founded as a barrio of San Carlos in 1827 by the Dominican missionaries. In 1835, eight years after, it was inaugurated as a town. Mangatarem derived its name from the combination of the Ilocano words “Mangga ken Tirem”, which means “mango and oysters.” According to old folktales, the name “Mangatarem” was attributed to woodcutters who happened to meet each other in a forested area that is now the present site of the town. One of them had a mango as his viand while the other one had oyster. When both of them saw these, they exclaimed “Manga ken Tirem”, thus the name Mangatirem or Mangatarem.

A 1st class municipality, Mangatarem is composed of eighty-two (82) barangays with a total land area of 368,586 square kilometers. It is relatively uneven in physical features ranging from hilly to mountainous. Farming and livestock production are the major industrial forms where people derive their income.

The Municipality is headed by the Municipal Mayor Ramil P. Ventenilla and ably assisted by Vice Mayor Teodoro C. Cruz and the Sangguniang Bayan Members and the Municipal Department Heads and employees strive for the attainment of the Municipality’s total development and continues to provide its constituents with basic services such as social services, health services, economic services, environmental protection, tourism, peace and order, infrastructure and human resources development.

HIGHLIGHTS OF FINANCIAL INFORMATION

The Municipality’s assets, liabilities, and government equity as of Dec, 31, 2016 are as follows:

	2016
Assets	357,603,776.44
Liabilities	129,413,910.68
Government Equity	228,189,865.75

OPERATIONAL HIGHLIGHTS

In the promotion of social and economic development and delivery of basic services, the Municipality had the following significant accomplishments that were validated by the audit team:

Project/Activities	ABC	Contract Amount	Status
1. Construction of Small Water Impounding Project at Brgy. Cabayaoasan	2,400,000.00	2,399,000.00	Completed
2. Concreting of Barangay Road Phase I at Brgy. Takipan	1,000,000.00	997,678.50	Completed
3. Concreting of Barangay Road Phase I at Brgy. Dorongan Punta	1,000,000.00	997,678.50	Completed
4. Concreting of Barangay Road Phase II at Brgy. PongloMuelag	1,000,000.00	997,709.50	Completed
5. Construction of River Bank Protection Phase I at Brgy. Bogtong Centro	1,000,000.00	998,288.00	Completed
6. Construction of River Bank Protection Phase I at Brgy. Cabayugan	1,000,000.00	998,288.00	Completed

SCOPE OF AUDIT

The Audit Team conducted financial and compliance audit on the accounts and operations of the Municipality of Mangatarem for the calendar year 2016. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the municipality to existing laws, rules and regulations. It was also made to ascertain the accuracy of the financial records and reports. The audit consisted of review of operating procedures, interview of concerned government officials and employees, verification, reconciliation and analysis of accounts and such other procedures considered necessary. A Value for Money was also conducted to ascertain whether the implemented projects, programs were attained in an economical, efficient and effective manner.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion has been rendered on the fairness of the presentation of the financial statements due to failure to conduct physical inventory and the General Services Officer and Accountant did not maintain the prescribed Property Cards and Property, Plant and Equipment Ledger Cards, thus the existence, accuracy and validity of Property, Plant and Equipment with a net book value of ₱261,549,630.78 as of year-end could not be ascertained and their existence could not be established.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following is the summary of significant findings and recommendations in the audit of the Municipality of Mangatarem, Pangasinan for calendar year 2016.

1. No physical inventory was conducted on Property, Plant and Equipment contrary to Section 156 of COA Circular No. 92-386. Likewise, the Municipal Treasurer and Accountant did not maintain the prescribed Property Cards and Property, Plant and Equipment Ledger Cards in disregard to the pertinent provisions of NGAS Manual for LGUs, thus the accuracy and reliability of the Property, Plant and Equipment valued at ₱261,549,630.78 as of year-end could not be ascertained and their existence could not be established.

We have recommended that Management:

- a. Create an Inventory Committee and require the same to conduct physical inventory and render report thereon as required under Section 124, NGAS Manual for LGUs, Volume I and to regularly monitor the progress of the inventory taking;
 - b. Require the Inventory Committee, the General Services Office and the Municipal Accounting Office to reconcile all the inventory reports with the books of accounts; and
 - c. Require the designated Property Officer to maintain property cards and update them periodically to aid in the conduct of physical count and to solve or minimize the perennial of unreconciled Accounting and Property records.
2. Disbursement Voucher and supporting documents amounting to ₱5,689,005.31 were not submitted in violation of Section 107 of the Presidential Decree (PD) No. 1445 thus management assertions of occurrence, accuracy, validity and completeness of the transactions could not be established and thereby defeating the purpose of providing timely and relevant financial information to the end users of the financial statements.

We have recommended that the Local Chief Executive instruct the Municipal Treasurer, Municipal Accountant and other concerned officials to observe strictly the schedule of rendition of accounts in accordance with the provisions of COA Circular No. 2009-006 and submit to the Auditor for post-audit, so that the Auditor could perform timely audit of the financial transactions of the Agency.

3. Practice of retaining large amount of Cash Local Treasury of ₱1,571,373.70 as of year end arising from accumulated undeposited collections exposes the funds to risk of theft, loss, and misappropriation that could consequently hinder the delivery of basic services to intended beneficiaries contrary to Section 69(1) of PD No. 1445, Section 2.1 of COA Circular No. 97-002 dated February 10, 1997 and Section 32 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units.

We have recommended that the Local Chief Executive require the Municipal Treasurer to strictly observe the following suggested measures:

- a. Deposit all collections intact with the authorized government depository bank as often as necessary; and
 - b. Stop immediately the practice of retaining collections to defray operational expenses.
4. Procurement for consulting services totaling ₱351,000.00 was not in accordance with the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184, the Government Procurement Act, thus resulting to irregular expenditures.

We have recommended that Management:

- a. Ensure the strict compliance with the provisions of Republic Act No. 9184 in hiring consultants to avoid unnecessary expenses.
 - b. To revisits its organizational structure, staffing pattern and service requirement to assess the necessity of hiring consultants.
5. Expenditures for the payment of registration fee amounting to ₱70,000.00 were charged against the Special Education Fund in violation of Sections 272 and 100(c) of Republic Act No. 7160, thus, the transactions are deemed prohibited.

We have recommended that Management stop utilizing Special Education Fund to expenditures of registration fee of BSP and GSP as it is not of one of the authorized activities provided in Sections 272 and 100(c) of Republic Act No. 7160.

6. Municipal Treasurer's Office did not prepare and submit to the Office of the Municipal Accountant the Report of Checks Issued in prescribed form as provided in the Section 55(Annex 47) of the Manual on the New Government Accounting System (NGAS) for Local Government Units, The Accounting Books, Records, Forms and Reports, Volume II and violated the provision of Section 43 of Volume I of the same Manual.

We have recommended that the Municipal Mayor instruct the Municipal Treasurer to use the prescribed form of the Report of Checks Issued so that the Municipal Accountant could draw Journal Entry Vouchers based on the said reports and submit to the COA together with the duly paid Disbursement Vouchers, supporting documents and cancelled checks in compliance with the aforesaid regulation.

7. Municipal Treasurer's Office did not prepare and submit to the Office of the Municipal Accountant the Report of Disbursement in prescribed form as provided in the Section 54(Annex 46) of the Manual on the New Government Accounting System (NGAS) for Local Government Units, The Accounting Books, Records, Forms and Reports, Volume II and violated the provision of Section 46 of Volume I of the same Manual.

We have recommended that the Municipal Mayor instruct the Municipal Treasurer to use the prescribed form of the Report of Disbursement so that the Municipal Accountant could draw Journal Entry Vouchers based on the said reports and submit to the COA together with the duly paid Disbursement Vouchers and supporting documents in compliance with the aforementioned regulation.

8. LGU Counterpart on the Construction of Small Water Impounding totaling ₱240,000.00 was doubtful due to incomplete documentation in violation of Section 4(6) of Presidential Decree No. 1445 and COA Circular No. 2012-001 date June 14, 2012.

We have recommended that Management submit immediately the aforementioned lacking documents to the Office of the Auditor to enable this office to verify the regularity and validity of the payment.

We have further recommended that the Municipal Accountant exercise prudence and diligence in exercising his duties and responsibilities being accountable and responsible person in examining voluminous transactions of the agency before payments are made.

9. Advances to Officers & Employees amounting to ₱158,669.50 were not liquidated within the prescribed period pursuant to Section 4.1.3, 5.1.3 and 5.9 of COA Circular No. 97-002 dated February 10, 1997 and some have been long outstanding/dormant for years which may be subject for write-off pursuant to COA Circular 2016-008 dated December 19, 2016, casting doubt to fair presentation of receivables accounts in the financial statements.

We have recommended that Management:

- a. Instruct the Municipal Accountant to enforce liquidation of cash advances on the prescribed frequency and impose sanctions by withholding their salaries pursuant to Section 4.1.3, 5.1.3 and 5.9 of COA Circular 97-002;
 - b. Instruct the Municipal Accountant to prepare aging of dormant receivables, unliquidated cash advances and fund transfers on a quarterly basis;
 - c. Management to exert extra effort to locate the whereabouts of the accountable officers and cause the liquidation of the long outstanding cash advances in compliance with the existing rules and regulations;
 - d. Request for Write-Off for the outstanding cash advances of accountable officers who were already been deceased and remained dormant for more than ten (10) years, pursuant to COA Circular No. 20016-008 in order that the financial statements of the Municipality would be fairly presented.
10. Reimbursement of various expenses charged to Intelligence Expenses account totaling ₱46,800.00 were doubtful due to the legality and validity of the transactions in violation of Section 4.1 and 6.1.2 of COA DBM DILG GCG DND Joint Circular No. 2015-01 dated January 8, 2015.

We have recommended that Management strictly comply the provisions of the abovementioned circular in order to avoid suspension or disallowance of the transaction.

11. Accounting and reporting of the LDRRMF did not conform to the pertinent provisions of RA 10121 and COA Circular No. 2012-002 dated September 12, 2012 due to the absence of LDRRMF Investment Plan for the unexpended LDRRMF of previous years and non-submission of the prescribed Report on Sources and Utilization, thus, the validity of the fund utilization and year-end balance could not be ascertained.

We have recommended that Management require the Municipal Accountant to strictly observe COA Circular No. 2012-002 on the accounting and reporting of the 5% LDRRMF. Also, the MDRRMO shall submit the Report on Sources and Utilization of DRRMF on or before the 15th day after the end of the month to the COA Auditor.

12. Had the Municipality implemented its Ecological Solid Waste Management Plan(ESWM), the expenses incurred on wastes hauled and dumped to Urdaneta City Engineered Sanitary Landfill (ESL) amounting to ₱968,706.00 could have been minimized and the savings could have been utilized for other Solid Waste Management Programs and Projects.

This is a reiteration of previous year's audit finding, we recommended that Management formulate effective strategies to achieve the waste diversion percentage as targeted in the ensuing years in compliance to Section 20 of R.A. 9003. Likewise, assist the barangays financially and technically in order to establish and sustain the operation of Material Recovery Facility (MRF). The establishment of MRFs would help reduce waste to be hauled and transported to the sanitary landfill, thus, minimizing the cost of hauling, fuel and expenses for the garbage disposal.

13. Copy of Certificate of Completion and Inspection Report by the Agency's authorized engineer of the completed infrastructure projects were not attached to the Disbursement Voucher in violation of Section 9.1.1 of COA Circular No. 2012-001 dated June 14, 2012, thereby, the regularity, validity and propriety of the transactions were doubtful.

We have recommended that Management instruct the Municipal Engineer to comply the above mentioned regulation in order to avoid issuance of suspension and/or disallowance.

We further recommended that the Municipal Accountant exercise prudence and diligence in exercising his duties and responsibilities being accountable and responsible person in examining voluminous transactions of the agency before payments are made to prevent the suspension of the same in audit.

14. Management did not furnish copies of perfected contracts to the Office of the Auditor within five (5) days upon its approval together with the supporting documents for review which is not in consonance with Sections 3.1.1 and 3.1.2 of COA Circular No. 2009-001 dated February 12,2009 thus review and evaluation thereof were not made.

We have recommended that the Municipal Engineer and the BAC Chairman furnish copies of perfected contract and each of all the documents forming part thereof to the Office of the Auditor within five (5) working days upon perfection of the contract for review and evaluation thereof.

15. Non-completion of the Construction of Concrete Bridge at Barangay Dorongan-Ketaket, Mangatarem, on time had made the purpose for which it was being constructed not efficiently and effectively achieved since the general public have not yet been benefited from it.

We have recommended that Management:

- a. Impose liquidated damages to the contractor in the amount of ₱3,186,126.09 for failure on their part to complete the project within the specified contract time in accordance with item 8.1 of Annex E of Revised IRR of RA 9184.
- b. Require the contractor to complete the project as soon as possible and impose applicable sanctions and penalties, if warranted. Submit information on what action was undertaken against the Contractor for their failure to complete the projects as scheduled.
- c. In case of terminated contract, Management come up with the proper resolutions of the problem and exhaust all administrative and legal means for the immediate recovery/repayment of the contractor for the advances made so.

SUMMARY OF TOTAL AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

The Statement of Audit Suspensions, Disallowances, and Charges (SASDC) as of December 31, 2016, is summarized below:

	Prior Year's Balances	This Period		Unsettled Amount
		Issuances	Settlements	
Notice of Suspensions	1,684,591.61	0.00	1,652,060.36	32,531.25
Notice of Disallowances	150,900.00	0.00	107,400.00	43,500.00
Notice of Charges	0.00	0.00	0.00	0.00
TOTAL	1,835,491.61	0.00	1,759,460.36	76,031.25

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of nine recommendations contained in the Annual Audit Report for the year 2015, five (5) were fully implemented, two (2) was partially implemented, one (1) was not implemented and one (1) is on status quo.