EXECUTIVE SUMMARY

A. INTRODUCTION

Rosales was originally a ranchera founded by a pioneering Filipino named Nicolas Banez. It was declared a pueblo in 1852. The place was named in honor of Don Antonio Rosales Liberal, a man noted for his rectitude, industry, and learning. He is also an Order of the Royal Audencia in Manila and a Consejero de Filinas en el Ministro de Ultramar (Secretary of Foreign Affairs) during that time.

During the revolution, it was in Rosales where Apolinario Mabini wrote some of his articles for publication abroad in order to earn sympathy for the revolution. Mabini also led the planning and formation of the Filipino National Church in Rosales, and the launching of the campaign of the Filipino clergy against the Spanish clergy. In August 2, 1902, the first Philippine Independent Church or Aglipayan Church was built – this was the first church that was built in the municipality.

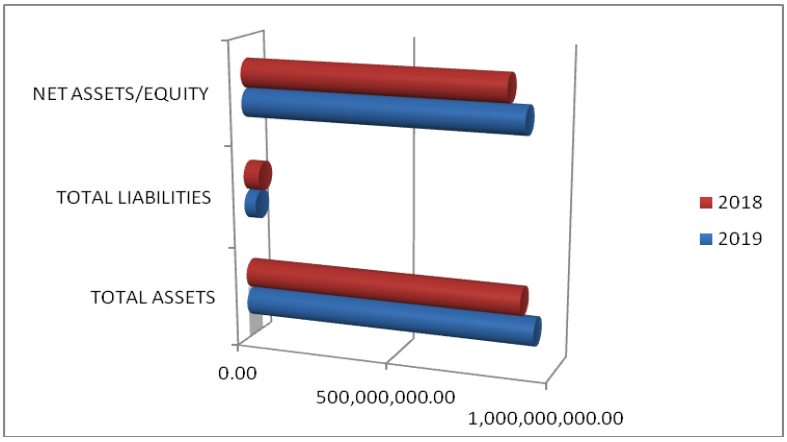
The municipality is currently led by Mayor Susan Pagador–Casareno. The administration's goal is to provide true public service, establish community hospital, authentic peace and order in the locality, strengthening small businesses and to uphold the highest degree of morals and honesty as public officials. She is ably supported by the Vice Mayor, Honorable Enrique S. Cosue and nine (9) Sangguning Bayan Members and supported by 379 personnel as of December 31, 2019, which consists of the following:

Personnel Complement	**No. of Personnel**
Elective	12
Co-Terminus	9
Permanent	126
Temporary	5
Casual (RIU)	1
Job Orders	226
Total	**379**

B. FINANCIAL HIGHLIGHTS

The Municipality's Assets, Liabilities and Government Equity as of December 31, 2019 with comparative figures for 2018, are as follows:

	2019	2018	Increase(Decrease)	Percentage
TOTAL ASSETS	₱ 939,425,782.93	₱ 896,706,174.77	₱ 42,719,608.16	4.76%
TOTAL LIABILITIES	₱ 39,034,328.50	₱ 52,260,606.16	₱ (13,226,277.66)	-25.31%
NET ASSETS/EQUITY	₱ 900,391,454.43	₱ 844,445,568.61	₱ 55,945,885.82	6.63%



- The significant increase in asset is brought about by projects, programs, and activities that are capital investment in nature such as rehabilitation of local access roads, constructions of buildings/ offices, installation of cabling structure for ICT, and purchases of equipment for office and disaster risk reduction purposes.

- The decrease in liabilities is due to the utilization/ implementation of funds from National Government Agencies.

- The increase in government net assets/ equity is due to the surplus for the period amounting to P 24,800,718.36.

REVENUE

	TOTAL	General Fund	Special Education
2019	₱ 255,488,874.05	₱ 245,615,724.63	₱ 9,873,149.42
2018	₱ 241,474,904.28	₱ 231,488,389.59	₱ 9,986,514.69
Inc/(Dec)	₱ 14,013,969.77	₱ 14,127,335.04	₱ (113,365.27)

The compositions of Municipality's revenue for 2019 and 2018 are as follows:

Revenue	2019	2018	Increase(Decrease)	%
Tax Revenue	₱ 85,209,533.63	₱ 83,003,322.83	₱ 2,206,210.80	2.66%
Share from Internal Revenue Collections	₱ 147,168,961.00	₱ 134,216,916.00	₱ 12,952,045.00	9.65%
Service and Business Income	₱ 22,660,594.88	₱ 23,696,275.32	₱ (1,035,680.44)	-4.37%
Other Income	₱ 449,784.54	₱ 558,390.13	₱ (108,605.59)	-19.45%
Total Revenue	**₱ 255,488,874.05**	**₱ 241,474,904.28**	**₱ 14,013,969.77**	**5.80%**

EXPENSES

Current Operating Expenses	2019	2018	Increase(Decrease)	%
Personnel Services	₱ 97,990,064.65	₱ 83,300,873.85	₱ 14,689,190.80	17.63%
Maintenance and Other Operating Expenses	₱ 112,187,108.26	₱ 120,196,435.81	₱ (8,009,327.55)	-6.66%
Non-cash Expenses	₱ 15,675,752.68	₱ 17,138,459.60	₱ (1,462,706.92)	(8.53)%
Financial Expenses	₱ 15,984.40	₱ 55,074.00	₱ (39,089.60)	(70.98)%
Current Operating Expenses	**₱ 225,868,909.99**	**₱ 220,690,843.26**	**₱ 5,178,066.73**	**2.35%**

C. OPERATIONAL HIGHLIGHTS

To promote socio-economic development as well as the delivery of basic services, the significant accomplishments of the Municipality of Rosales for the year 2019 are as follows:

Project/Program/Activity Name	Location	Remarks	Total Cost
Supply and Installation of Cabling Structure for ICT	Rosales Pangasinan	Completed	₱ 2,970,000.00
Construction of LIGA Office	Rosales Pangasinan	On Going	₱ 998,072.49
Local Access Road - Rehabilitation Improvement - Sitio Barangobong	Rabago, Rosales Pangasinan	On Going	₱ 3,991,752.67

Project/Program/Activity Name	Location	Remarks	Total Cost
Local Access Road - Rehabilitation Improvement - Purok 4 and 5	Rabago, Rosales Pangasinan	On Going	₱ 3,751,938.75
Local Access Road - Rehabilitation Improvement – Balincanaway	Balincanaway, Rosales Pangasinan	On Going	₱ 3,990,339.84
Construction Perimeter Fence Back of COMELEC Building	Rosales Pangasinan	On Going	₱ 329,338.52
Construction of Pined Canals-Pine Street	Rosales Pangasinan	On Going	₱ 669,573.46
Construction of Motor Pool	Rosales Pangasinan	On Going	₱ 1,199,142.13
Purchase of Motorcycle for GAWAD KAPALIGIRAN	Rosales Pangasinan	On Going	₱ 616,800.00
TOTAL			**₱ 18,516,957.86**

Among of those prestigious awards and recognitions received by the agency for good governance are the following:

1. Seal Child Friendly

2. DILG Good Financial Housekeeping 2019

3. DILG Seal of Good Local Governance 2019

D. SCOPE OF AUDIT

The audit covered the operations of the Municipality of Rosales, Pangasinan for the calendar year 2019. The types of audit employed consist of financial and compliance audit to ascertain the fairness of presentation of the financial statements of the Municipality in adherence to the International Public Sector Accounting Standards and to check agency's compliance with existing laws, rules and regulations. Likewise, a Value for Money Audit was conducted on selected areas to ascertain whether management had attained its goals and objectives in an economical, efficient and effective manner.

The audit included analysis of accounts, review of transactions, test of compliance with existing laws, rules and regulations, review of operating procedures, inspection of programs and projects, interview of officials and employees and such other procedures considered necessary under the circumstances.

The audit focus and audit thrust areas for the local government sector provided in the Unnumbered Memorandum dated July 3, 2019 of Assistant Commissioner Joseph B.

Anacay and specific audit instructions contained in unnumbered Memorandum dated July 18, 2019 of Regional Director Michael R. Bacani were observed and looked into in addition to the thrust areas identified in the audit team's risk assessment.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the financial statements as the accuracy and reliability of the municipality's Property, Plant, and Equipment account with a gross amount of P900,477,469.21 were doubtful. Of this amount, only P892,150,210.07, were actually verified in inspection and recorded in the Report on the Physical Count of Property, Plant, and Equipment by the General Services Office (GSO). This in effect rendered the account doubtful, hence not on compliance with International Public Sector Accounting Standards (IPSAS) 1 requiring the faithful representation of the financial statements.

F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Favorably noted was management's compliance with existing rules and regulations particularly on the following:

1. Accountable forms were issued sequentially in conformity with the provisions of Sec. 73 of Government Accounting and Auditing Manual Volume I thus, minimizing the risks associated with accountable forms such as fraudulent use or loss;

2. Accountable officers were bonded pursuant to Paragraph 4.2 of Treasury Circular No. 02-2009 dated August 6, 2009; and

3. The Local Government is a recipient of the 2019 Seal of Good Local Governance, an award that recognizes LGUs with good performance in internal housekeeping/ good governance.

Among are the significant audit observations and their corresponding recommendations are the following:

1. **The existence, validity, and accuracy of Property plant and equipment (PPE) with gross amount of P900,477,469.21 could not be ascertained due to:**

    a. Non-reconciliation between accounting records and General Services Office on Report on the Physical Count of Property, Plant and Equipment

    We have recommended the management the following:

    - *For the Accounting office to prepare and maintain subsidiary ledger for each kind of PPE owned by the municipality;*

- *For the GSO to complete the Report on the Physical Count of Property, Plant, and Equipment (RPCPPE) and require the submission of the report to the requiring offices within the prescribed period; and*

- *For the GSO and Accounting office to coordinate and reconcile the differences between the physical inventory report and the general ledger balance of each PPE account; which will then be the basis of the Municipal Accountant to make appropriate adjustments to reflect the correct balances of each PPE account.*

b. Non-recognition of depreciation expense to some Property, Plant and Equipment accounts

We have recommended the Municipal Accountant to provide depreciation expense on the following PPE mentioned above in order to correctly present their balances in the financial statements in consonance with PPSAS. Furthermore, the Local Chief Executive to create an appraisal committee task to determine the useful life and appraise value of the above PPE as a basis for the computation of depreciation expense by the Municipal Accountant.

c. Non-maintenance of property, plant and equipment ledger cards by Accounting Office and property cards by the Municipal General Services Office

We have recommended that the Municipal Mayor require the Municipal Accountant and Municipal Treasurer to maintain property, plant and equipment cards reconciled with the property cards of the Municipal Treasurer.

d. Non-renewal of Property Acknowledgement Receipt (PAR)/ Acknowledgement Receipt for Equipment (ARE)

We have recommended that Local Chief Executive require the General Services Officer to update/ renew each Property Acknowledgement Receipt (PAR) / Acknowledgement Receipt for Equipment (ARE) every three years after issue or every time there is a change in accountability in accordance with GAAM Volume I.

2. The accuracy of the carrying amount of the Road Networks account totaling P60,560,975.04 could not be ascertained and its existence could not be established due to failure of the management to: (a) conduct physical count and submit the Report on the Physical Count of the Road Network System ; (b) maintain a Local Road Inventory and Road Map; and (c) keep a complete Local Road Network Property Card, contrary to COA Circular No. 2015-008 dated November 23, 2015.

We have recommended that the accounting and reporting guidelines on the Local Roads Asset Management System prescribed in COA Circular No. 2015-008 dated November 23, 2015 be strictly complied. Thus, require the Municipal Accountant to maintain subsidiary records for roads and road components for every road network. Likewise, require the General Services Officer to maintain a Local Road Inventory and Road Map, and keep a complete Local Road Network Property Card for all roads and its components. Moreover, create an inventory committee to conduct the physical count and prepare the Report on the Physical Count of the Road Network System.

3. **Payment of various expenditures amounting to ₱3,467,516.11 were made through reimbursement instead of through procurement and disbursement procedures prescribed under the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184, resulting to the non-withholding of taxes totaling to P208,050.97 due to the government contrary to BIR Revenue Regulations No. 16-2005.**

   We have recommended that the management avoid reimbursement as a mode of procurement and adopt public bidding or other alternative modes of procurement provided under RA 9184, in order to promote transparency and to avoid possible source of irregularities or corruption. Furthermore, the Municipal Accountant must comply with the Revenue Regulations set by the BIR with respect to withholding of taxes to avoid possible tax penalties which might incurred by the municipality.

4. **The Sangguniang Bayan (SB) Members granted donations and financial assistances to various barangays, schools, and other organized groups amounting to ₱5,918,174.77. Such act is ultra vires to the powers, duties, and functions of SB being a legislative body of the Local Government Unit (LGU) contrary to Section 447 (a) of RA No. 7160 otherwise known as the Local Government Code of 1991; therefore, these expenditures are done without legal basis which is not in conformity with COA Circular 2012-003 dated October 29, 2012.**

   We have recommended the Members of the Sanggauniang Bayan to immediately stop the practice of granting assistances/donations to their constituents as this is not among their mandated duties and functions set forth by Section 447 (a) of RA No. 7160 to avoid suspension/ disallowance in audit.

5. **The signatures of several barangay officials in some documents were forged causing it to appear that they issued the Request Letters and subsequently, the Certificates of Acceptance for items seemingly donated to the barangays by some Sangguniang Bayan (SB) Members. In addition, various alterations and erasures were noted in the Request Letters and Certificates of Acceptance, as well as on Purchase Requests, Purchase Orders, and Notices**

of Canvassing. These are contrary to Article 171, paragraph 1 and 2 of the Revised Penal Code of the Philippines which may warrant the issuance of Notice of Disallowance.

We have recommended the management the following:

- *For the Local Chief Executive to create an investigation committee to conduct an investigation on the identity of the erring official and, if proven beyond reasonable doubt, take legal actions as needed;*

- *For the Sangguniang Bayan to refer to the Local Chief Executive, and in coordination with the Municipal Social Welfare and Development Office (MSWDO), the qualification of the persons requesting for assistance/donations to ensure that these are only granted to eligible constituents;*

- *In the case of the Requests of Barangay Officials, all monetary assistances must be receipted thru issuance of Accountable Form No. 51 by the Barangay and subsequently be deposited in their respective Barangay Accounts. These must be recorded in their Registry of Estimated and Actual Income (REAI). As for the construction materials and inventories, these must be received with Sangguniang Barangay Resolution authorizing the barangay to receive the donations, copies of which will form part of the supporting documents of disbursement vouchers to be prepared by the LGU; and*

- *For the Municipal Accountant to recognize in the books of the Barangays all donations recorded as given by the LGU.*

Other audit observations and recommendations are discussed in Part II of this report.

G. SUMMARY OF SUSPENSIONS, CHARGES AND DISALLOWANCES

	Beginning Balance as of January 1, 2019	**January - December, 2019**		**Ending Balance as of Dec. 31, 2019**
		Issuance	**Settlement**	
Suspension	₱ -	₱ -	₱ -	₱ -
Disallowance	1,703,272.31			1,703,272.31
Charge	-	-	-	-
Total	**₱ 1,703,272.31**			**₱ 1,703,272.31**

H. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT FINDINGS AND RECOMMENDATIONS

Status of Implementation	Quantity
Fully Implemented	6
Partially Implemented	2
Not Implemented	12