

EXECUTIVE SUMMARY

A. Introduction

By virtue of Republic Act (R.A.) No. 9404 which was ratified on a plebiscite conducted on June 23, 2007, the Municipality of Tabuk was converted into a component city. However, on May 21, 2009 the Supreme Court, acting on the petition of the League of Cities of the Philippines, declared the 16 cityhood laws including R.A. 9404 as unconstitutional. Affected Local Government Units (LGUs) moved for reconsideration. On December 21, 2009, a resolution of the Supreme Court en banc was issued dismissing the consolidated petitions and declared cityhood laws including R.A. 9404 valid and constitutional. Finally, on June 28, 2011, the Supreme Court issued the final entry of judgment rendering cityhood of the newly-converted cities including that of Tabuk City final and executory.

Tabuk is a component city and the capital of the Province of Kalinga. It has total land area of 77,447.25 hectares and consists of 42 barangays and 2 administrative barangays.

For CY 2019, the City of Tabuk had a total workforce of 1,425 employees, 619 of which are regular, elective and appointive officials and employees and 663 are casuals, contractual and job orders.

Pursuant to COA Resolution No. 2011-009 dated October 20, 2011, the integrated results and risk based audit methodology has been adopted in the audit of the accounts and operations of the City for Calendar Year 2019. The audit aimed to verify the level of assurance that may be placed on management's assertions on the financial statements, ascertain compliance with rules and regulations, and determine whether resources were managed economically and efficiently.

The audit was focused on the various audit thrusts/issues issued by the Local Government Sector of the Commission on Audit.

B. Financial Highlights

The comparative financial condition and results of operation of the City are as follows:

Account	CY 2019	CY 2018	% of Increase (Decrease)
Assets	2,579,812,247.60	2,169,535,462.59	18.91%
Liabilities	375,884,061.17	325,831,651.53	15.36%
Government Equity	2,203,928,186.43	1,843,703,811.06	19.54%
Revenue	1,069,731,622.75	961,461,508.34	11.26%
Expenses	844,726,422.17	663,482,021.88	27.32%

A comparative data of Appropriations and Obligations for the years 2019 and 2018 are shown below:

	CY 2019	CY 2018	% of Increase (Decrease)
Appropriation	1,045,869,174.00	1,421,471,264.35	(26.42%)
Obligation	818,919,951.84	586,538,254.21	39.62%

C. Auditor’s Opinion on the Fairness of Presentation of the Financial Statements

The auditor expressed a qualified opinion on the fairness of presentation of the financial statements due to the unreliable balances of Public Infrastructure accounts with a net book value of ₱1,002,640,355.80 as of December 31, 2019 and various errors and deficiencies in recording of transactions that resulted in the understatement of assets, liabilities and equity in the amount of ₱2,431,735.35, ₱1,309,080.54, and ₱1,122,654.81, respectively.

D. Summary of Significant Observations and Recommendations Other than the Bases for the Qualified Opinion

1. The delayed implementation of City Disaster Risk Reduction and Management projects appropriated in prior years had greatly attributed to the partial or 67.83% implementation of CY 2019 projects, limiting the city in enhancing its disaster preparedness and response capabilities in times of calamity.

We recommended that management implement all programs, activities, and projects in accordance with its Approved Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) to enhance the city’s disaster preparedness and response capabilities in times of calamity.

2. Three units machinery equipment amounting to ₱7,375,000.00 were not fully utilized in the implementation of Solid Waste Management Program due to the absence of policies/guidelines on its operation, thus, the purpose of composting and recycling waste materials from the city’s MRF were not effectively achieved.

We recommended that the Solid Waste Management Program Committee prepare policy/guidelines on the operation of the machineries acquired for adoption by the City Government to ensure their optimal utilization and proper disposition of finished products.

3. The Notice to Proceed (NTP) on one infrastructure project amounting to ₱992,056.59 was issued during its implementation while another project amounting to ₱9,796,812.12 was already granted Variation Order way before the issuance of the NTP, thus, the related contracts are considered pre-negotiated in violation of Section 37.4 of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184.

We recommended that the Local Chief Executive ensure that all contracts are executed only at its effectivity date or upon receipt of the Notice to Proceed by the Contractor/Supplier pursuant to the Governing Principles on Government Procurement and Section 37.4 of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184.

4. Liquidated damages amounting to ₱41,933.99 were imposed on three uncompleted projects totaling ₱3,837,424.00 but later reported as 100% completed due to the issuance of Variation Orders contrary to the provisions of Annex “E” of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184.

We recommended that the Local Chief Executive ensure the imposition of appropriate liquidated damages, forfeiture of performance bond, if necessary, pursuant to the provisions of the Annex “E” of the 2016 Revised IRR of RA No. 9184, to ensure contractor’s faithful compliance of its contractual obligations and to minimize/eliminate delay in the implementation of projects.

5. The detailed technical specifications for the procurement of motor vehicles totaling ₱10,699,624.00 were tailor-fitted from a certain brand or made reference to brand names preventing other suppliers from participating in the bidding process and suppressing competitive bidding, thus, no assurance that the city availed of the price most advantageous to the government.

We recommended that management avoid references to brand names and tailor-fitting of specifications and advise the BAC and Technical Working Group to revisit the Local Government Procurement Manual to comply with the provisions of the RA No. 9184 in the procurement of goods.

6. Five government vehicles amounting to ₱ 8,571,700.00 were procured without approved Authority to Purchase Motor Vehicle (APMV) from the Secretary of the Interior and Local Government (SILG) while two vehicles amounting to ₱3,356,200.00 were not in accordance with the approved APMV casting doubt on the regularity of the transactions.

We recommended that management adhere strictly with Section 3.3 of the DILG Memorandum Circular No. 2014-155 dated December 14, 2014 in the procurement of motor vehicles.

7. The eligibility screening process on the bidders’ legal and technical documents was not properly conducted, thus, awarding a contract amounting to ₱9,694,305.00 to an ineligible supplier.

We recommended that the BAC:

- a. carefully examine and verify all the documents submitted and recompute, if possible, data provided by the bidders to determine whether they comply with and are responsive to all the requirements and conditions specified in the Bidding Documents; and
 - b. revisit the Local Government Procurement Manual to properly comply with the provisions of RA No. 9184.
8. Three parcels of land amounting to ₱15,590,610.00 each or a total cost of ₱46,771,830.00 were acquired without fully complying with pertinent provisions of Rule VI of the Implementing Rules and Regulations (IRR) of Republic Act 7160, thus, no assurance that the price is the most advantageous to the government.

We recommended that:

- a. The City Inventory, Asset Management, Appraisal and Disposal Committee conduct thorough and proper appraisal in determining the just and reasonable price to be offered to owners of real property/ies to be acquired; and
 - b. The City Mayor draw and execute Contract of Sale on acquisition of real properties containing the obligations of both parties such as, but not limited to: terms of payment until title is finally transferred and payment of taxes and other fees, in order to protect the interest of the government.
9. An existing lot of the city government covering an area of 49,984 square meters remained idle for more than five years which could have been utilized for other priority programs/projects.

We recommended that the Sangguniang Panglungsod and the City Mayor re-assess or evaluate their plans and decisions on the operations of the city government to ensure that government funds are utilized for programs, projects, and activities that are most beneficial to the constituents.

10. Various unnecessary cash advances for the payment of expenses that could have been directly paid by checks and/or purposes, of which, were not among those provided under COA Circular 97-002 totaling ₱7,708,200.00 were granted due to poor planning of certain procurement activities.

We recommended that management:

- a. effect payment of goods and services through checks payable to the suppliers or contractors except on exceptional cases where needed items are extremely necessary and urgent which cannot be conveniently paid by check;

- b. grant cash advance to the city cashier/disbursing officer for the payment of prizes, honoraria and labor payroll;
 - c. conduct earlier and thorough planning of an activity particularly the implementation of regular activities or occasions to allow enough time for needed procurement and likewise, avoid granting cash advances for purposes not among those indicated in COA Circular 97-002; and
 - d. demand collection of overdue cash advances particularly those pertaining to prior years or request authority for write-off if determined uncollectible.
11. Cash advances for Confidential Funds in the amount of ₱1,625,000.00 per quarter were granted long after or near the end of the intended quarter, thus, implying the accomplishment of programs/projects beyond the targeted period and likewise, the same were not submitted on time contrary to Section 6.1.8.4 of Joint Circular 2015-01.

We recommended that the:

- a. City Mayor liquidate cash advance for confidential and/or intelligence fund within 30 days after the end of the quarter and ensure that cash advances for the same purpose are used during the targeted period of program/project implementation;
 - b. City Accountant issue certification that previous cash advance for intelligence and/or confidential fund has been liquidated only upon receipt by the COA-Intelligence and Confidential Fund Audit Office of the duly transmitted liquidation reports; and
 - c. City Accountant ensure the timely submission of cash advance vouchers for Confidential Fund together with the complete/ pertinent supporting documents pursuant to Joint Circular No. 2015-01 of the COA, DBM, DILG, Governance Commission of the GOCC, and DND.
12. The necessity of hiring/ rehiring a total of 1,140 job order, casual and contract of service personnel during the year exceeding 100% of the total plantilla positions and the propriety of related expenditures totaling ₱67,327,202.70 could hardly be established due to the absence of policy guidelines.

We recommended that management:

- a. formulate clear, specific standard guidelines for hiring/rehiring personnel on job order/ casual/ contract of service to include, among others, the following:
 - Conditions that would warrant the need for hiring/ rehiring of job order personnel;
 - procedures in hiring;

- qualifications and other requirements;
- funding/applicable rates;
- incorporate in the contract the works to be performed, quantity and duration and submit quantified accomplishment reports; and
- requesting and approving authorities.

b. coordinate with the Department Heads, particularly the HRMO, to assess and review the necessity of hiring job orders in order to maximize the services of permanent employees and at the same time minimize expenses on job order personnel.

13. The unrealistic budget allocation, non- implementation of certain programs, activities and projects and the seeming lack of attribution of programs and projects to the GAD budget resulted in minimal cost of implementation amounting to ₱28,393,023.00 representing only 2.71 percent of the total Annual Budget which likewise imply a low level of assurance in maintaining a gender-responsive governance.

We recommended that the city government, through its GAD Focal Point System (GFPS), should consider the following to ensure compliance with the Part 4. C of the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 dated July 18, 2013:

- a. Prepare realistic budget allocation for Gender and Development (GAD) programs, activities and projects that will allow minimal and acceptable cost variance upon implementation; and
- b. Conduct thorough monitoring on the implementation of Gender and Development (GAD) programs, activities and projects to ensure their realization at year-end.

14. Hazard Pay totaling ₱442,310.27 were granted to the City Social Workers without internal guidelines providing specific criteria and administrative procedures as contained in the Magna Carta benefits of Public Social Workers (PSWs), thus no adequate reference in determining the level of actual exposure to hazards and hardships.

We recommended that management establish guidelines or procedures as provided for in DBM-DSWD Joint Circular No. 1, Series of 2018 to clearly identify personnel assigned/duration of exposure to hazardous areas or exposed to occupational risk in order to support entitlement to hazard pay.

15. Inability of the City Government for the timely and appropriate disposal of unserviceable motor vehicles totaling ₱7,614,006.00 resulted in further deterioration and loss of additional income that could have accrued to the Local Government Unit.

We recommended that:

- a. The General Services Office prepare Inventory and Inspection Report for Unserviceable Properties (IIRUP) to be submitted to the audit team for evaluation;
 - b. The Appraisal and Disposal Committee conduct an appraisal on the unserviceable motor vehicles and facilitate the disposal in accordance with applicable rules and regulations; and
 - c. The Accounting Office draw the necessary journal entries to derecognize the unserviceable motor vehicles after the disposal.
16. A total of 14 city officials and employees were issued more than one service vehicle while 127 rank and file employees were assigned motor vehicles resulting in the incurrence of additional expenses on fuel and maintenance costs and exposing the vehicles to indiscriminate use.

We recommended and the Management agreed to:

- a. allow department heads and other authorized officials to maintain one motor vehicle each only in compliance with Section 8.2 of DBM NBC Circular No. 446 dated November 24, 1995 and return to the General Services Office excess units issued for the cancellation of the corresponding AREs;
 - b. recall all motorcycles issued to officials and employees whose work designation does not warrant any field work and usage in remote areas;
 - c. provide a city's motorpool to keep all other motor vehicles for common use which will be made available upon request by other personnel on official business; and
 - d. create a committee to craft internal policy guidelines to be approved for adoption in the maintenance of motorpool and the use of motor vehicles under the responsibility of a designated custodian.
17. Acknowledgment Receipts for Equipment (ARE) were not renewed regularly in violation to Section 123, Volume I of NGAS for LGUs resulting in difficulty of reconciliation and monitoring the whereabouts of the property.

We recommended and Management agreed to update ARE of all properties for easy monitoring and reconciliation.

18. Management failed to enforce prompt settlement of suspensions and disallowances leaving a year-end balance of ₱4,023,810.35 and ₱ 788,992.20, respectively.

We recommended and management agreed to enforce prompt settlement of suspensions and disallowances in accordance with Section 7.1.1 and 7.1.2 of the 2009 Rules and Regulations on Settlement of Accounts (RRSA).

E. Status of Suspensions, Disallowance and Charges

As of December 31, 2019, unsettled audit suspensions and disallowances are as follows:

Issued after RRSA	Suspensions	Disallowances	Charges
Balance, 1/1/2019	₱ 4,794,915.35	₱ 837,492.20	None
Issued during the Year	820,000.00	20,670.00	None
Total	₱ 5,614,915.35	₱ 858,162.20	None
Settlement during the year	1,591,105.00	69,170.00	None
Balance, 12/31/2019	₱ 4,023,810.35	₱ 788,992.20	None

F. Status of Implementation of Prior Years' Audit Recommendations

Out of the 29 audit recommendations embodied in the 2018 Annual Audit Report, 7 were fully implemented, 18 were partially implemented and 4 were not implemented.