

## EXECUTIVE SUMMARY

### A. Introduction

The Municipality of Tubao is classified as a 4<sup>th</sup> class municipality with an area of 60.31 square kilometers. It is considered as the sixth largest municipality in land area among the eleven municipalities that comprises the 2<sup>nd</sup> district of La Union. It has eighteen (18) barangays.

With the enactment of Republic Act No. 7160 or the Local Government Code of 1991, the municipality enjoys autonomy in the delivery of social services to its constituents involving peace and order, health and sanitation, education and other basic services in conformity with the national government's thrust for sustainable social and economic growth.

The Municipality of Tubao, La Union is headed by Honorable Jonalyn G. Fontanilla-Piayas as the Local Chief Executive and Honorable Vice-Mayor Marilou G. Bulao as the presiding officer of the legislative body. The municipal government had a total work force of 101 personnel as of December 31, 2019 composed of twelve (12) elective, one (1) appointed, one (1) co-terminus, 32 permanent, 41 casuals, two (2) temporary and twelve (12) contracts of service.

Thru the collaborative efforts of the Municipal Officials and personnel, the LGU was awarded with: 2019 Seal of Good Local Governance; 2019 Philippine Red Cross Scroll of Honor for its continuous participation in providing Red Cross services designed to improve the well-being of humanity; 2019 Seal of Child-Friendly Local Governance; 2019 National Anti-Drug Abuse Council Performance Award, with an adjectival rating of "Ideal", in recognition of the Municipality's exemplary efforts in the performance of its duties in complementing the national government's anti-illegal drug campaign, garnering a score of 100 functionality points during the conduct of 2018 ADAC Performance Audit.

### B. Financial Highlights

The agency's financial position and performance for calendar year 2019 is presented as follows:

Particulars	CY 2019	CY 2018	Increase (Decrease)
<b>Financial Position:</b>			
Total Assets	₱164,091,985.69	₱139,135,032.20	24,956,953.49
Total Liabilities	39,007,946.19	28,156,247.88	10,851,698.31
Government Equity	125,084,039.50	110,978,784.32	14,105,255.18
<b>Financial Performance*:</b>			
Revenues	₱129,257,440.22	₱161,855,378.88	₱(32,597,936.66)

Expenses	115,156,690.66	145,016,898.70	(29,860,208.04)
Surplus (Deficit)	14,100,749.56	16,838,480.18	(2,737,730.62)

*\*Transfers, Assistance and Subsidy to/from included*

Appropriations, Allotments and Obligations as of December 31, 2019 are as follows:

	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Total</b>
Appropriations/Allotments	125,634,671.00	945,000.00	126,579,671.00
Obligations	113,345,024.92	888,226.36	114,233,251.28
Balance	12,289,646.08	56,773.64	

### C. Operational Highlights

The Municipal Government of Tubao through the joint efforts of the municipal officials had accomplished its projects and programs geared towards the improving of the quality of life of the constituents.

- Assessor

The Municipal Assessor's Office conducted appraisal/assessment of more than 200 RPUs to increase its Assessed Value for taxation purposes. Likewise, the office was able to finalize more than 1,000 real property documents and recommended the approval of prepared Tax Declarations to the Provincial Assessor's Office.

- Treasury

Although the Municipal Treasurer's Office posted a total net decrease in collections at 19.74% due to the decrease in the municipality's Share from Tobacco Excise for the year 2019 it registered a 9.56% net increase in collections from local taxes and service and business income, which is attributable to the LGU's efforts to improve its collection efficiency and meet its targeted revenues.

	2019	2018	Increase (Decrease)
Tax Revenues	3,647,242.82	3,643,725.90	3,516.92
Share from National Taxes	108,302,497.00	137,672,907.00	(29,370,410.00)
Service Income	2,442,223.05	1,959,234.98	482,988.07
Business Income	1,833,886.26	1,548,598.26	285,288.00

- **Health**

- The Municipal Health Office served 13,306 out patients for medical check-up, more than 354 women for maternal health care, and 365 child care services, among others.

- **Social Welfare and Development**

- The Municipal Social Welfare and Development Office conducted programs addressing poverty-related concerns and protection and rehabilitation of individuals, families, groups and communities including supplemental feeding (520 Day Care beneficiaries), Ligtas Tigdas Immunization, Cleanliness/Anti-Dengue program, and Medical Dental Mission.

- **Engineering**

- The major infrastructure projects undertaken which were validated in 2019 are as follows:

- Flood Control in Brgy. Halog East (Tambakan), with a contract cost of ₱999,962.40
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    - Flood Control in Brgy. Halog East (Bugarin), with a contract cost of ₱999,962.40
    - Flood Control in Brgy. Leones East, with a contract cost of ₱1,851,429.30
    - Farm to Market Road in Brgy. Linapew-Caoigue, with a contract cost of ₱2,309,060.15
    - Improvement of Dumpsite Road in Brgy. Caoigue, with a contract cost of ₱2,903,732.37
    - Construction of Access Road in Brgy. Linapew-Caoigue, with a contract cost of ₱1,811,615.82
    - Flood Control in Brgy. Magsaysay, with a contract cost of ₱999,962.40
    - Farm to Market Road in Brgy. Garcia, with a contract cost of ₱553,572.94
    - Flood Control in Brgy. Rizal (Bintukan), with a contract cost of ₱999,962.40
    - Flood Control in Brgy. Rizal (Gunitaban), with a contract cost of ₱999,962.40

#### **D. Scope of Audit**

The audit was conducted on the accounts and operations of the Municipality of Tubao, La Union for the calendar year ended December 31, 2019.

The audit was done on sampling basis and various audit techniques were used like confirmation, inspection, interview, evaluation of control system/s, and other auditing procedures and techniques necessary under the circumstances.

The audit focused on the audit thrusts/areas issued by the Local Government Sector of the Commission.

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

A qualified opinion on the fairness of the financial statements was rendered because the year-end balances of Property, Plant and Equipment with a total book value of ₱112,869,277.92 could not be ascertained as to its correctness, completeness and physical condition because records and reports do not supply complete information and evidence in support of management assertions that could be critical to true and fair presentation of the account.

#### **F. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

We commend the Municipality for compliance with the following:

##### **1. Special Education Fund properly utilized**

The utilization of Special Education Fund (SEF) was compliant with Section 272 of Republic Act 7160 which provides that:

*“...That the proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the Local School Board.”*

SEF for the year amounting to ₱888,226.36 was utilized in accordance with the above-mentioned law.

##### **2. Compliance with Tax Laws**

The Municipality of Tubao has complied with existing tax laws and regulations imposed by the Bureau of Internal Revenue (BIR), thus, helping the national government in the collection of tax revenues. It regularly deducts withholding taxes on salaries and wages of officials and employees, and from payments to suppliers and contractors, and remitted the same to the BIR within the prescribed period.

##### **3. Compliance with the Gender and Development (GAD) issues and concerns**

The GAD programs and projects of the municipal government in conformity with the desired outcomes and goals embodied in the Magna Carta of Women (MCW), other relevant laws, Philippine Plan for Gender-Responsive

Development (PPGD), Women's Empowerment and Development toward Gender Equality Plan, 2012-2016 (WEDGE Plan), succeeding term plans for GAD as well as the United Nation Convention on the Elimination of All Forms of Discrimination against Women (UN CEDAW), and other relevant international commitments.

However, the audit team noted the following significant audit observations on the financial and compliance audits performed on the accounts of the Municipal Government of Tubao, La Union and the corresponding recommendations are summarized as follows:

1. Accounting and reporting guidelines on local roads asset management embodied in COA Circular No. 2015-008 were not strictly observed by the concerned department heads, thus, the correctness and completeness of the balance of Road Networks account totaling P21,568,306.16 could not be relied upon.

We have recommended that Management (1) Require the Inventory Committee to conduct physical count of all road networks in the LGU's jurisdiction and instruct them to prepare and submit complete Report on Physical Count of Local Road Network (RPCLRN); (2) Direct the Municipal Engineer to provide the Municipal Accountant and the General Services Officer with the complete description and cost segregation of road components for all existing road projects to facilitate recording in the books and the preparation of subsidiary ledgers for road and its components; components without cost maybe recognized at fair value or depreciated replacement cost; (3) Require the Municipal Accountant and the General Services Officer to maintain complete and updated Local Road Network Ledger Cards and Property Cards, respectively, for each road component of every road network; (4) Instruct the Municipal Accountant to provide depreciation cost for the road networks account and to check and verify the recorded road networks previously carried in the Registry of Public Infrastructures if these were included in the inventory and still existing, and make the necessary adjustment in the books to reflect the correct balance of the account.

2. The 20% Development Fund projects were implemented and paid during the 1st semester of CY 2019 even when there is shortfall of fund which compromised the implementation of Programs, Projects and Activities (PPAs) under the LDRRMF-70% Mitigation and PPAs under the Continuing Appropriations contrary to Section 344 of Republic Act No. 7160.

We have recommended that the Local Chief Executive (LCE) enjoin the Municipal Development Council (MDC), end-users and Bids and Awards Committee (BAC) to completely fill-up the AIP and APP particularly the timelines as basis in the implementation but ensuring that funds are already

available at the time of implementation. We also recommended that while implementation of projects is utmost priority, pertinent laws, rules and regulations be strictly observed in disbursement of funds.

2. The LGU's programs do not reflect a coordinated long-term management of solid waste, thus, need to establish a comprehensive Solid Waste Management Plan and Programs which will be implemented and monitored to ensure the protection of public health and the environment.

We have recommended that the Head of Procuring Entity (HOPE) (1) direct the BAC on the compliance of RA 9184 in the conduct of bidding of its solid waste collection and disposal and to stop awarding of contracts to bidders without complying the eligibility requirements; (2) direct the Local Finance Committee to prioritize funding or the inclusion of projects particularly the purchase of its garbage truck with consideration of other costs that may be incurred in relation thereto for a long-term approach to its garbage collection management; and (3) instruct the OIC-Municipal Environment and Natural Resources Officer to conduct studies and provide plans and recommendations in view of consideration of long-term impacts to the municipality.

3. Verification and validation by the BAC and its Technical Working Group (TWG) to ascertain the validity of all statements made and documents submitted by the bidders with Lowest Calculated Bid for the 20 infrastructure projects totalling ₱48,038,646.74, were not undertaken under the post-qualification process, resulting in simultaneous awards of contracts to the same contractors who pledged the same key personnel and equipment.

We have recommended that the LCE direct the BAC and TWG to include in their post-qualification a comparative evaluation showing the number of projects with the same equipment and key personnel pledged and assigned by the same lowest calculated bidder for different projects with simultaneous or overlapping implementation period; to formulate policies on the sufficiency and availability of equipment pledged by the contractors with regard to projects simultaneously awarded to the same contractors to avoid delay in project implementation; and to set limits for the number of contracts to be handled by key personnel, in order to ensure reasonableness of performance without sacrificing quality and timeliness of project completion.

4. The monetization of leave credits of the LGU to its officials and employees showed infractions as to retention of leave credits and the timing of payment which are inconsistent with the guidelines of CSC and other pertinent issuances thus depleting the fund without considering the purpose of allowing portion of leave credits to be monetized be equitable and responsive to the needs of officials and employees.

We have recommended that the grant of monetization especially in allowing of more than 50% of leave credits be made judiciously and be equitable and responsiveness to the needs officials and employees. Specifically, ensure that at least five days leave credits are retained after monetization of leave in the ensuing years; give priority to officials and employees for which the budgeted amount of monetization of leave credits was intended. The grant of monetization of more than 50% should only be made if there were savings from the budgeted amount; and grant payment of terminal leave benefits only after severance from office.

**G. SUMMARY OF TOTAL SUSPENSIONS, CHARGES AND DISALLOWANCES AS OF YEAR-END**

Particulars	Balance as of December 31, 2019	
	Prior to 2009 RRSA	2009-2019
Suspensions	0.00	0.00
Charges	0.00	0.00
Disallowances	0.00	0.00

**H. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Status of Implementation	Quantity
Fully Implemented	2
Partially Implemented	3
Not Implemented	3