

EXECUTIVE SUMMARY

Introduction

The Municipality of Lopez came into existence on April 30, 1856. It was one of the barangays of Gumaca, Quezon known as “Talolong” before it was considered a separate entity approved by the Spanish Governor General with the intercession of his close friend, one Sra. Hermano Vito. There was no law or Republic Act (RA) which created the Municipality.

It is a first class Municipality located in the Fourth Congressional District of Quezon Province. It has an approximate area of 39,510 hectares comprising of 95 barangays, seven of which are urban and 88 are rural. Current estimates place the population of Lopez at 95,167.

The Municipality is envisioned to be a self-reliant and progressive, center of health and education, blessed with God-fearing and peace-loving populace, living in a protected and balanced environment.

Like other local government units, it enjoys total independence in planning, managing and deciding its own administrative, fiscal and development strategies and affairs in conformity with the national government thrust for sustainable social and economic growth.

The Local Economic Enterprise of the Municipality consists of the Public Market and Slaughterhouse created and approved under Municipal Ordinance No. 2010-002 on August 23, 2010.

The key officials of the Municipality are composed of the following:

Rachel A. Ubana	- Municipal Mayor
Maria Adeline A. Lee	- Municipal Vice Mayor
Aristotle R. Yumul	- Municipal Councilor
Rosemarie A. Olanda	- Municipal Councilor
Sheree Ann S. Alivio	- Municipal Councilor
Castor R. Alano	- Municipal Councilor
Alex V. Vergara	- Municipal Councilor
Arkie Manuel P. Yulde	- Municipal Councilor
Albino A. Arit, Jr.	- Municipal Councilor
Williard P. Tabien	- Municipal Councilor
Gilda S. Tanteo	- PPLB President
John Michael L. Tan	- PPSK President

Included also as part of key personnel of the Municipality are Ms. Abelia N. Villaseñor, Municipal Accountant, Mr. Hermes A. Argante, Municipal Treasurer and Ms. Basilisa E. Villasanta, Municipal Budget Officer.

As of December 31, 2019, the personnel complement of the Municipality totaled 387 which is composed of the following:

Elective Officials	12
Co-Terminus	5
Permanent Employees	170
Job Order	<u>200</u>
Total	<u>387</u>

Financial Highlights

For Calendar Year (CY) 2019, the Municipality generated a total income of ₱290,235,848.67 from local taxes, share from internal revenue collections, service and business income and other receipts. The current and continuing appropriations for the year amounted to ₱387,597,610.00 and ₱68,215,863.24, respectively, for a total of ₱455,813,473.24. The amount of ₱243,248,177.26 was expended under the current appropriations and ₱55,853,103.38 under the continuing appropriations.

The Municipality's financial condition and results of operations for CY 2019 with comparative figures for CY 2018 are summarized below and shown in detail in the attached audited financial statements (FS):

	2019	2018	Increase (Decrease)
Assets	₱806,585,051.16	₱ 739,334,495.82	₱ 67,250,555.34
Liabilities	260,582,313.66	281,310,994.93	(20,728,681.27)
Net Assets/Equity	546,002,737.50	458,023,500.89	87,979,236.61
Revenue	288,482,739.67	262,094,343.83	26,388,395.84
Expenses			
Personnel Services	98,650,243.50	84,552,512.61	14,097,730.89
Maintenance and Other Operating Expenses	86,122,955.77	69,523,416.13	16,599,539.64
Non-Cash Expenses	27,619,158.61	20,322,714.80	7,296,443.81
Financial Expenses	24,000.00	28,100.00	(4,100.00)
Transfers, Assistance and Subsidy From	1,753,109.00	70,000.00	1,683,109.00
Transfers, Assistance and Subsidy To	14,442,690.90	33,391,675.96	(18,948,985.06)
Surplus for the Period	63,376,799.89	54,345,924.33	9,030,875.56

Scope of Audit

Financial and compliance audit was conducted on the accounts and operations of the Municipality for CY 2019. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Municipality with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. The audit consisted of review of operating procedures, interview of concerned government officials and employees, verification, reconciliation, analysis of accounts and such other procedures considered necessary.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the FS of the Municipality due to the following:

1. The Property, Plant and Equipment (PPE) account balances totaling ₱160,913,905.81 are unreliable due to: a) inclusion of unserviceable properties totaling ₱21,110,648.17 and donated motor vehicles to barangays of ₱9,117,000.00; b) lack of inventory/status report of distributed agricultural equipment to barangays totaling ₱2,936,560.00; and c) unaccounted balances of ₱2,911,218.64 per books and ₱5,657,761.55 per count;
2. The balances of Real Property Tax (RPT) and Special Education Tax (SET) Receivables totaling ₱93,008,501.74 are unreliable because it was not supported with the list of individual taxpayers and amounts due and collectible. Moreover, the remedies on the collection of delinquent taxes were not applied, thus the uncollected prior years' taxes accumulated to ₱86,944,680.94 or 93.48 percent of the total RPT and SET Receivables at year-end.
3. The 14 parcels of land were recorded at their market values totaling ₱9,806,580.00 due to unavailability of records as basis for the appraisal, thus the balance of Land account of ₱11,308,580.00 is unreliable. Moreover, ownership over the two parcels of land valued at ₱211,930.00 was not secured because the copy of owner's title was still not obtained from the Registry of Deeds;
4. The balances of Inventory accounts totaling ₱1,733,344.50 were not supported with Report on the Physical Count of Inventories (RPCIs), hence unreliable while the issued inventories totaling ₱4,823,065.00 was charged to Prior Period Adjustment instead of the appropriate Expense account, hence the reported total expenses in the FS was understated by the same amount; and
5. Guaranty/Security Deposits Payable of ₱3,072,750.84 which have been outstanding for two to 16 years were not reverted to the Unappropriated Surplus of the General Fund, due to other prioritized activities, thus casting doubt on the reliability of the presented account balance in the FS.

For the exceptions cited above, the Auditor recommended that the Municipal Mayor instruct/require the:

- Disposal Committee/General Services Officer (GSO) to dispose the unserviceable properties following a specific timeline and the guidelines provided under Commission on Audit Circular No. 92-386 dated October 20, 1992;
- Municipal Agriculturist to prepare the inventory reports of distributed agricultural equipment to barangays and submit the same to the Inventory Committee/GSO for verification;
- GSO to submit to the Municipal Accountant the supporting documents/Deed of Donation for the donated motor vehicles;

- Municipal Accountant to derecognize the donated motor vehicles and record the same in the barangay books;
- Municipal Accountant and the GSO to designate personnel from both offices who will concentrate on identification and disposition of the unaccounted PPE and reconciliation of their records;
- Municipal Treasurer and the Municipal Assessor to:
 - a. prepare the list manually or adopt other alternative means to generate the list of taxpayers while it could not be provided yet by the system. The manual list is also necessary in the future to test the accuracy of the system-generated list;
 - b. follow up the status of the request to the Sangguniang Bayan (SB) on the enactment of an ordinance adopting the remedies provided in RA No. 7160;
- Appraisal Committee to determine/appraise the fair value of the 14 parcels of land at the time of acquisition to be used as basis in the adjustment of the book balance; and the Municipal Assessor to secure from the Registry of Deeds the copy of owner's title of the two parcels of land;
- GSO to submit immediately the Report on Physical Count of Inventories to support the year-end balance of Inventories of ₱1,733,344.50 and the Municipal Accountant to record the appropriate expense accounts for the issuance of inventories out of the beginning balances of Inventory accounts; and
- Municipal Accountant to revert the account to the Unappropriated Surplus of the General Fund, subject to the authority from the SB with a condition that appropriation shall be made available in the event that a claim arises in the future.

Significant Observations and Recommendations

The other significant audit observations and recommendations in the audit of the Municipality for CY 2019 are as follows:

1. The Lopez Municipal Economic Enterprises Unit (LMEEU) is still not self-sufficient after operating for several years as it incurred continuous operating losses due to outdated market fees and non-monitoring.

We recommended that the Municipal Mayor instruct the OIC-Market Supervisor to revisit the Manual on the Setting Up and Operation of Local Economic Enterprises and comply with the guidelines provided thereon, fast track the review of the proposed revised Market Code and submit the same to the SB for enactment; and formulate and implement strategies to improve the financial performance of the LMEEU.

We also recommended to observe proper charging of expenses for fair reporting and cause the immediate collection of the unpaid electric bills of the market stall owners to avoid accumulation of receivables.

2. The fixing of gaps by the Service Provider on the Computerization Program costing ₱7,008,891.00 is still ongoing despite the expiration of warranty period, which if remain unresolved may result to wastage of government funds.

We reiterated our recommendation that the Municipal Mayor require the Service Provider to fix the noted gaps on the Computerization Program. We also recommended to provide budget for the upgrading and preventive maintenance of its software and hardware components to maximize its full capacity.

3. Loans granted to various beneficiaries of livelihood projects in CYs 2007-2011 totaling ₱623,834.00 remain uncollected due to financial difficulties, death and unknown whereabouts of the beneficiaries, hence accounts may become dormant resulting to loss of government funds.

We recommended that the Municipal Mayor require the Municipal Treasurer, Municipal Social Welfare and Development Officer and Municipal Agriculturist to exert more effort and enhance the existing collection strategies to encourage debtors to pay their loans.

We also recommended to consider the filing of the request for authority to write-off of uncollectible/dormant accounts due to death and unknown whereabouts of the debtors.

4. The guidelines provided in the animal dispersal contract/agreement on death of animals were not strictly imposed due to lack of overseeing/monitoring personnel, hence may result to loss of government funds due to nonpayment.

We recommended that the Municipal Mayor require the Municipal Agriculturist to exert more effort to complete the necessary information and documents relevant to the deaths of animals; update the inventory and status report based on the gathered documents and submit the same to the Accounting Office for reconciliation/adjustment; and cause the refund of the book value or derecognition of the account amounting to ₱339,265.00.

Moreover, we recommended that the Municipal Agriculturist, with respect to death of animals, file immediately with the Audit Team the request for relief from accountability.

5. The monthly reports of all ongoing government programs/projects/activities (PPAs) were not submitted regularly while the information that the appropriate signboards and/or public notices have been already posted was not reported to the Audit Team within ten days after the award of the infrastructure project or before the start of the PPA, thus prevented the Audit Team to conduct timely validation of the implemented PPAs.

We reiterated our recommendation that the Municipal Mayor require the Municipal Engineer to submit the monthly monitoring reports regularly and inform the Audit Team within 10 days after the award of the infrastructure project or before the start of the program/activity that the appropriate project signboards and/or public notices were already posted.

6. Funds received from National Government Agencies (NGAs) totaling ₱11,178,113.22 remain unutilized or were not returned to the source agencies/National Treasury due to non-implementation of the projects, thus depriving the intended beneficiaries of the benefits that could be derived therefrom and the National Government of additional funds that could be used for its PPAs.

We recommended that the Municipal Mayor instruct the OIC-Municipal Planning and Development Coordinator (MPDC) and the concerned implementing office to a) coordinate with the source agency for the implementation of the projects; and b) advise the Municipal Accountant and the Municipal Treasurer to return the unexpended balances to the source agencies/National Treasury if the projects are already completed.

7. Sixteen development projects with total appropriations of ₱35,400,787.73 were not implemented during the year due to various planning and procurement issues, thus depriving the intended beneficiaries of the desired benefits and services that could be derived from the socio-economic and environmental development.

We recommended that the Municipal Mayor require the Municipal Engineer and the OIC-MPDC to exert more effort in the implementation of the planned PPAs for 20 percent DF to ensure timely execution and fully achieve the desired socio-economic development and environmental management outcomes within the target period.

8. Only ₱1,182,853.00 or 12.36 percent of the current year's Mitigation Fund was utilized because the prioritized Disaster Risk Reduction and Management (DRRM) PPAs were not fully and timely implemented during the year, thus defeating its objectives to strengthen the capacity of the Local Government Units, build the disaster resilience of communities and institutionalize arrangements and measures for reducing risks, and enhancing disaster preparedness and response capabilities.

We recommended that the Municipal Mayor require the OIC-Local DRRM Officer to ensure that the DRRM PPAs are implemented within the target schedule during the year to maximize the utilization of Local Disaster Risk Reduction and Management Fund by proper planning and monitoring, minimize the socio-economic and environmental impacts of disasters in the community and disaster risks and enhance disaster preparedness and response capabilities of the community.

9. The Municipality has not yet fully complied with the provisions of the Ecological Solid Waste Management Act of 2000, because the 10-Year Solid Waste Management (SWM) Plan is still for presentation and approval by the SWM Board and the site for sanitary landfill is still for acquisition, thus the protection of public health and environment remain at risk.

We recommended that the Municipal Mayor and the SWM Board ensure the Municipality's compliance with RA No. 9003 by expediting the review and approval of the 10-Year SWM Plan and acquisition of sanitary landfill site and implementing more SWM activities and campaigns towards a cleaner community and environment.

10. The Municipality's Gender and Development (GAD) budget of ₱13,816,281.80 was not fully utilized due to lapses in the implementation and monitoring of various PPAs, thus the identified gender issues were not addressed and the overall GAD objective

was not fully attained. Moreover, the inclusion of attributed programs in the GAD Plan and Budget (GPB) was not compliant due to lack of training, hence the attributed PPAs may not be gender-responsive.

We recommended that the Municipal Mayor require the GAD Focal Person to enhance and strengthen the existing monitoring and evaluation system to ensure that the programmed GAD PPAs are fully implemented and the GAD funds are fully utilized within the year; and include a training program on the Harmonized Gender and Development Guidelines (HGDG) in the GPB for the succeeding year and seek the assistance of a gender analysis specialist/expert in the use of and administration of the HGDG.

The above-cited observations and recommendations contained in the Report were communicated to the Municipal Mayor and other key officials under various Audit Observation Memoranda. Due to the Covid-19 pandemic, the exit conference with the Management officials and staff was not conducted. In lieu of this, their views and comments were acknowledged through the duly signed Management's reply letters and were considered in the report, where appropriate.

Summary of Total Suspension, Disallowances and Charges as of Year-End

As of December 31, 2019, the Municipality's unsettled disallowances and charges amounted to ₱13,865,823.63 and ₱1,159,753.47, respectively.

Status of Implementation of Prior Year's Audit Recommendations

Of the 43 prior year's audit recommendations embodied in CY 2018 Annual Audit Report, 16 were fully implemented, 23 were partially implemented and four were not implemented by the Municipality.