

EXECUTIVE SUMMARY

Introduction

Legend relates that Mulanay derived its name from the Tagalog word *Malunay* which means plenty of *lunay*. *Lunay* is the vernacular term of pili wax which is abundant in the area during the legendary period. The evangelization of Mulanay by the Franciscan Missionaries was in 1600 while its civil foundation as a Municipality was effected in 1745 through the approval of the King of Spain. During the Spanish regime, Mulanay was composed of the municipal territories of San Narciso, San Francisco, Catanauan and San Andres which was as big as the province of Bataan. In 1755, Catanauan attained its local autonomy followed by the remaining three Municipalities thus, reducing its territorial jurisdiction to 42,000 hectares.

At present, Mulanay is composed of 28 barangays, four of which comprise the Poblacion. The Municipality is envisioned to be a world-class archaeo-eco-tourist destination and agro-industrial community empowered by a healthy and God-loving citizenry.

The Organizational Structure of the Municipality is as follows:

A. Key Officials

Municipal Mayor	:	Hon. Jay Tito Q. Ojeda II
Municipal Vice Mayor	:	Hon. Elizabeth E. Acar
Members of the Sanggunian	:	<ol style="list-style-type: none">1. Hon. Jay E. Castilleja2. Hon. Alexander Derrick B. Morales3. Hon. Edgardo R. Sebuc4. Hon. Randy R. Riego5. Hon. Isidro M. Fuerte6. Hon. Rodrigo M. Dela Cruz7. Hon. Antonio R. Rodelas8. Hon. Renato T. Novela9. Hon. Gregorio L. Vasquez10. Hon. Maria Edhille F. Lopez
Municipal Accountant	-	Mr. John Carlo F. Mangalinao
Municipal Treasurer	-	Ms. Anita B. Romasanta

B. No. of Personnel Complement

Permanent	-	98
Casual	-	13
Co-Terminous	-	4
Job Order/Contractual	-	224
Elective Officials	-	<u>12</u>
Total	-	<u>351</u>

Financial and compliance audit was conducted on the accounts and operations of the Municipality of Mulanay, Quezon for Calendar Year (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 and analysis of accounts and such other procedures considered necessary.

Financial Highlights

For CY 2019, the Municipality generated a total income of ₱204,846,283.92 from local taxes, share from Internal Revenue Allotment, service and business income and other receipts. On the other hand, the expenditures for the year reached ₱179,452,002.11, including the subsidies to other funds.

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:

	2019	2018	Increase (Decrease)
Total Assets	₱ 388,725,923.22	₱ 361,959,283.78	₱ 26,766,639.44
Total Liabilities	184,752,960.68	180,817,557.51	3,935,403.17
Equity	203,972,962.54	181,141,726.27	22,831,236.27
Total Income	204,846,283.92	189,040,238.55	15,806,045.37
Total Expenses	179,452,002.11	153,069,165.61	26,382,836.50

Independent Auditor's Report on the Financial Statements

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

- a. Cash Advances totaling ₱30,000.00 were not liquidated as of December 31, 2019 because the accountable officer did not prioritize the submission of documents and return of unused funds, thus resulted to overstatement of asset account and understatement of relative expense account; and
- b. Beginning balance of ₱447,775.94 for collections from the sales of Bidding Documents was recorded as Other Payables instead of reverting back to the General Fund (GF), thus overstating the Other Payables account and understating the Government Equity both by the same amount.

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

- a. Municipal Accountant to enforce the liquidation of all cash advances at the end of the year in compliance with COA Circular 97-002; and
- b. Municipal Accountant to comply with the guidelines under Department of Budget and Management (DBM) Circular No. 2004-5A dated October 7, 2005 by reverting back to the General Fund all the unused funds of previous years' collection from sale of bidding documents.

Significant Audit Observations and Recommendations

The following is the summary of other significant observations and recommendations in the audit of the Municipality of Mulanay for the year 2019:

1. Loans granted to Non-Government Organizations (NGOs) and People's Organizations (POs) totaling ₱1,026,618.00 recorded under Other Receivables account remain uncollected for more than five to 20 years, since the Municipality was not able to implement aggressive collection strategies, thereby, depriving the Municipality of additional sources to finance its projects and may further result in the loss of government funds.

We reiterated our recommendation that the Municipal Mayor seek first the assistance of the Provincial Prosecutor in taking legal action in collecting the long overdue receivables to provide the Municipality additional source of funds to finance its projects and to avoid possible loss of government funds.

If to no avail, we recommended that request for write-off of receivables be filed with the Commission on Audit

2. Land account recorded in the books at ₱11,231,620.00 includes five parcels of land that were not supported with Transfer Certificate of Title in the name of the Municipality, thus, exposing the said lots to possible third party claims.

We recommended that the Municipal Mayor instruct the Municipal Assessor and the Municipal Treasurer to continue their effort in facilitating the immediate titling of subject lots in the name of the Municipality to avoid contingent claims that may arise in the future.

We further recommended that the Municipal Budget Officer include in the budget appropriation the funds for the titling of the said lots.

3. Real Property Tax (RPT) and Special Education Tax (SET) Receivables for CY 2019 were set-up at year-end instead of at the beginning of the year due to the absence of a Duly Certified List of Taxpayers, thus timely accrual was not performed. Moreover, the uncollected delinquent RPT/SET of ₱34,942,170.41 at year-end deprived the Municipality to use the funds for other public purposes.

We recommended that the Municipal Mayor instruct the:

- a. Municipal Accountant to follow the guidelines set forth in Republic Act (RA) No. 7160 in setting up RPT/SET Receivables at the beginning of the year; and

- b. Municipal Treasurer to:

- o submit at the beginning of the year the duly certified list showing the name of taxpayers and the amount due and collectible for the year;
- o exert effort and adopt measures to ensure collections of the RPT/SET delinquencies; and

- coordinate with the Municipal Assessor for the updating of the Assessment Roll in order to prepare a reliable list of real property taxes due and collectible for each year.
4. Honoraria of ₱73,500.00 paid to Bids and Awards Committee (BAC) for the month of August exceeded the amount collected from the sale of bidding documents during the said period by ₱38,000.00.

We recommended that the Municipal Mayor require the Municipal Accountant to pay the BAC honoraria within the collections received from the sale of bidding documents for a particular period. Also, revert to the Unappropriated Surplus of the General Fund any savings realized therefrom at the end of the year.

5. Various properties of the Municipality costing ₱60,847,884.00 were not covered with appropriate insurance, due to lack of information on Property Insurance Law, thus the government is denied of adequate and reliable protection against any damage to or loss of properties in case of fire and such other fortuitous events and forces of nature.

We recommended that the Municipal Mayor require the General Services Office (GSO) - Designate to ensure that all the insurable properties of the Municipality are covered with appropriate insurance with the Government Service Insurance System (GSIS).

6. Trust Liabilities account representing funds received in CY 2017 from the Provincial Government of Quezon amounting to ₱1,000,000.00 remain unutilized as of year-end due to the absence of a Memorandum of Agreement (MOA), hence the desired benefits were not provided to the constituents and the funds continued to be idle in the Municipality.

We recommended that the Municipal Mayor take initiative to utilize the funds intended for the FMR project; and make representation with the Provincial Government of Quezon relative to the MOA.

7. Contract cost of one infrastructure project with a total amount of ₱16,832,317.48 were excessive by ₱237,156.07 due to misapplication of Contractor's Profit Margin, hence, should be reduced by the excess amount.

We recommended that the Municipal Mayor instruct the Municipal Engineer:

- a. to exercise prudence in the preparation of Program of Work/ABC of the infrastructure projects to ensure that it will not exceed the allowable/reasonable ABC; and
 - b. reduce the contract cost of the Rehabilitation/Concreting of Sitio Bagong Pook – Maralahay – Brgy Bagupaye – Anonang – Burgos Farm-to-Market Road by ₱237,156.07. Also, require the contractor to refund the same if full payment has been made by the Municipality.
8. Various projects with a total appropriation of ₱8,683,135.75 chargeable to the Municipality's 20 percent Development Fund for CY 2019 remain unutilized as of year-end because of change in personnel responsible in the preparation of documents, and unresolved issue on the possible water source, thereby compromised the timely

attainment of the socio-economic development and environment management outcomes to the detriment of the constituents.

We recommended that the Municipal Mayor require the Municipal Planning and Development Officer (MPDO) to utilize the unexpended balance of allocated funds for the intended purposes after due evaluation whether these are still priority concerns taking into consideration current developments and to accordingly realign the funds of projects/program/activity which have become irrelevant or not responsive to current priority undertakings.

9. Programmed projects embodied in CY 2019 GAD Plan and Budget (GPB) totaling ₱3,412,000.00 were not incorporated in the GAD Accomplishment Report (AR), due to the change in GAD Focal Person, thus the efficiency and effectiveness of the utilization of the GAD funds in addressing gender issues might not be attained and may result to wastage of funds.

We recommended that the Municipal Mayor require the GAD Focal Person to use the GAD Plan and Budget in the preparation of the GAD AR and to attach the documents required in Paragraph 5 of Section 4.C.8 of Philippine Commission on Women (PCW)-Department of Interior and Local Government (DILG)-Department of Budget and Management (DBM)-National Economic Development Authority (NEDA) Joint Memorandum Circular No. 2013-01 to facilitate the monitoring and evaluation of the GAD programs and projects implemented during the year so that the utilization of GAD Funds be effective on addressing gender issues.

The above audit observations, together with the recommended courses of action are discussed in detail in Part II of this report.

Due to the Covid-19 pandemic, the exit conference with the Management officials and staff was not conducted. However, the audit observations, together with the recommended courses of action were summarized in the Summary of Audit Observations and Recommendations which were furnished to the Management on June 30, 2020. Their comments were acknowledged through their letter replies of various dates.

Summary of Total Suspensions, Disallowances and Charges as of year-end

As of December 31, 2019, the Municipality has no unsettled suspension, disallowance and charges.

Status of Implementation of Prior Year's Audit Recommendations

Of the 17 prior year's audit recommendations embodied in CY 2018 Annual Audit Report (AAR), twelve were fully implemented and five were partially implemented by the Municipality.