

## **EXECUTIVE SUMMARY**

### **Introduction**

The Local Government Unit of Plaridel was created by virtue of Republic Act No. 3493, the barrios of Siain, Ilosong, Concepcion, Duhat and Tanauan in the municipality of Atimonan, Province of Quezon, were separated and constituted into a distinct and independent Municipality known as the Municipality of Plaridel, Quezon.

The Act further decreed that the seat of government of the new Municipality shall be in the urban center of the present barrio of Siain and that the first mayor, and Sangguniang Bayan members of the new Municipality shall be appointed by the President with the consent of the Commission on Appointments and shall hold office until their successors shall have been elected in the next general elections for local officials and shall have been qualified.

President Diosdado Macapagal signed the Act into law on June 1962. It was based on the House Bill No. 822 introduced by Congressman Eladio A. Caliwara of the second district of Quezon and passed by both Houses of the Fifth Congress on its first regular session. Thus was born Quezon's newest town. The inauguration of the independent and district Municipality of Plaridel took place on October 27, 1962.

The Municipality mandates the promotion of autonomy to develop local political units into self-reliant communities and make them more effective partners in the attainment of national goal. The Municipality maintains three funds, namely the General, Special Education and Trust Funds. It operates the cemetery, the market and the slaughterhouses as economic enterprises.

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

Hon. Bernardo V. Tumagay	Municipal Mayor
Hon. Jose D. Saavedra	Municipal Vice-Mayor
Hon. Sixto A. Alva	Municipal Councilor
Hon. Victor V. Tumagay	Municipal Councilor
Hon. Rolando V. Borja	Municipal Councilor
Hon. Darwin B. Alvarez	Municipal Councilor
Hon. Serafin V. Valonzo	Municipal Councilor
Hon. Rodrigo B. Burac	Municipal Councilor
Hon. Estelita M. Javier	Municipal Councilor
Hon. Razel V. Espos	Municipal Councilor
Hon. Calixto S. Lopez	PPLB President
Hon. Mel Clarise M. Revaño	PPSK President

Included also as part of key personnel of the Municipality are Mr. Michael John L. Boragay, Municipal Accountant, Ms. Dulce N. Alvarez, Municipal Treasurer, and Ms. Sonia R. Del Rosario, Municipal Budget Officer.

As of December 31, 2019, the personnel complement of the Municipality totaled 75 which is broken down as follows:

Elective Officials	12
Permanent	32
Casual	7
Job Order	<u>24</u>
Total	<u>75</u>

### Financial Highlights

For the Calendar Year (CY) 2019, the Municipality collected a total income of ₱63,523,304.67 from local taxes, business and service income, Internal Revenue Allotment (IRA) and other income. The IRA for the year totaling ₱56,728,480.00 increased by ₱4,857,208.00 compared with last year's figure of ₱51,871,272.00. Total appropriations for the year amounted to ₱66,733,966.00, of which ₱64,079,043.76 was expended.

The Municipality's comparative financial condition and results of operations for CYs 2019 and 2018 are summarized below and shown in detail in the attached audited financial statements:

	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
Assets	₱ 127,383,695.96	₱ 91,704,801.72	₱ 35,678,894.24
Liabilities	20,364,827.94	12,123,811.31	8,241,016.63
Net Assets/Equity	107,018,868.02	79,580,990.41	27,437,877.61
Income	63,523,304.67	68,958,897.78	(5,435,593.11)
Expenses	55,292,891.84	46,388,510.48	8,904,381.36

### Scope of Audit

Financial and compliance audit were conducted on the accounts and operations of the Municipality of Plaridel, Quezon for CY 2019 to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality with laws, rules and regulations. 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.

### Auditor's Opinion 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:

1. Individual year-end balances of the Cash in Bank (CIB) and other asset accounts in the Trust Fund books totaling ₱14,486,763.36 do not reconcile with the balances of the recorded liability accounts corresponding to the CIB and other asset accounts due to possible erroneous disbursement and recording of transactions, thus affecting the accuracy and reliability of the aforementioned accounts.
2. The Real Property Tax (RPT) and Special Education Tax (SET) Receivables totaling ₱2,701,430.10 as of December 31, 2019 is based on estimates, hence was unreliable as the Municipal Treasurer is yet to provide the Municipal Accountant of a complete Certified

List of Taxpayers with amounts due and collectible to comply with the accrual of RPT/SET receivables at the beginning of the year.

3. The condition and valuation of the biological assets recorded in the Breeding Stocks account amounting to ₱669,300.00 could not be determined as of year-end due to non-submission of a monitoring report by the Municipal Agriculturist to the Municipal Accountant, rendering the year-end balance of the account unreliable.
4. Cash advances for travelling purposes of the municipal officers and employees totaling ₱180,280.00 remain unliquidated as of year-end due to late/non-submission of liquidation reports, thereby resulting to the overstatement of the Advances to Officers and Employees account and the understatement of the Travelling Expenses – Local account by the amount of the unreported expenses and exposure of the government funds to loss or possible misuse.
5. The reconciliation of the cashbook and ledger balances for Cash-Local Treasury accounts under Special Education Fund and Trust Fund and Cash in Bank, Local Currency, Current Account, was not undertaken due to time constraint in updating the cashbook maintained by the Municipal Treasurer, hence the exact accountability for cash at year-end could not be immediately determined and likewise casts doubt on the accuracy and reliability of the cashbook and ledger balances.

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

1. Instruct the Municipal Accountant to reconcile with the Municipal Treasurer the balances of the specific accounts to establish the correct CIB balance per bank account in the TF books as well as the corresponding related asset accounts and make the necessary adjustments after reconciliation to reflect the correct balances of the respective accounts in the financial statements;
2. Instruct the Municipal Treasurer to prioritize the review of the Real Property Tax Account Registers to provide the Municipal Accountant of a complete Certified List of Taxpayers with amounts due and collectible so that the Municipal Accountant will be able to make the proper RPT/SET receivable setup at the beginning of the year and provide the breakdown/schedule of RPT/SET receivable balances at year-end;
3. Instruct the Municipal Agriculturist to submit to the Municipal Accountant a monitoring report stating the condition and the fair value less cost to sell of the biological assets as of year-end of CY 2019;
4. Require the Municipal Accountant and the Municipal Treasurer to ensure that all cash advances are liquidated at the end of each year;
- 5.a. Require the Municipal Treasurer to update the cashbook for the affected cash accounts and reconcile with the ledger balances of the Municipal Accountant; and
- 5.b. Require the Municipal Accountant and the Municipal Treasurer to henceforth reconcile the balances of their respective records, at least quarterly.

## Significant Audit Observations and Recommendations

The other significant audit observations and recommendations other than the bases for the qualified opinion that need immediate attention and action by the Head of the Agency for CY 2019 are as follows:

1. Four parcels of land owned by the Municipality recorded at a total amount of ₱2,460,900.00 were still not titled in the name of the Municipality as the concerned officials are still working on its process, thus exposing the same to third party claims and possible land disputes.

We recommended that the Municipal Mayor require the Municipal Assessor to continue in exerting extra efforts to complete the titling process of the aforementioned parcels of land.

2. Payments for various expenditures totaling ₱566,601.67 were made through reimbursements to the municipal officials and employees due to either lack of details, manner, and schedule of its procurement in the Annual Procurement Plan (APP) or non-inclusion of the said items in the APP and absence of willing supplier to transact with the Municipality for petroleum products within its locality, hence exposing the funds to the personal discretion of the personnel concerned and avoiding timely and immediate collection of taxes for the government through the withholding of the corresponding tax.

We recommended that the Municipal Mayor:

- a. require all departments to submit their respective Project Procurement Management Plans with complete details, manner, and schedule of procurement to the Bids and Awards Committee prior to its inclusion to the APP to minimize reimbursement;
  - b. consider other suppliers of petroleum products in nearby municipalities who are willing to supply their products following the guidelines set forth in RA No. 9184; and
  - c. require the Municipal Accountant and the Municipal Treasurer to ensure that all applicable taxes are withheld and remitted within the prescribed period in accordance with tax laws and regulations.
3. Barangay shares from the proceeds of RPT collected in CY 2019 totaling ₱168,542.97 were not remitted within the prescribed period to the concerned Barangay Treasurers due to the practice of remitting the same on a yearly basis, thus depriving the intended Barangays of the immediate use of the said funds for various projects/programs.

We recommended that the Municipal Mayor direct the Municipal Treasurer to remit the RPT shares of the barangays on a quarterly basis to provide for the immediate use of the funds in various projects/programs of the Barangays.

4. Unexpended balances of the Due to NGAs account totaling ₱99,500.08 were not reverted or fully liquidated due to non-remittance of the excess balances of completed projects to its Source Agency (SA), thereby depriving the national government of the opportunity to use the excess funds for other vital projects/programs.

We recommended that the Municipal Mayor require the Municipal Treasurer to remit the unexpended balances to its respective SAs.

5. Cash Advance (CA) for Confidential Fund (CF) amounting to ₱47,500.00 was not submitted to the Audit Team within 7 days after release of check and its corresponding Liquidation Report (LR) was not submitted to the Intelligence and Confidential Fund Audit Unit (ICFAU), together with its supporting documents, as the Municipal Accountant was not aware of such requirement, thus precluding the Audit Team in conducting timely review of the aforementioned cash advance and resulting in the non-compliance of the required submission of the LR to ICFAU prior to the recording of its liquidation.

We recommended that the Municipal Mayor instruct the Municipal Accountant to submit to the Audit Team the CA voucher and its supporting documents for all CAs for CF within seven days after the release of check and submit the LR to ICFAU prior to the recording of its liquidation in the books of accounts to comply with the requirements of the Joint Circular.

6. Collections of the Municipal Collectors were not remitted daily to the Municipal Treasurer due to non-preparation of the Report of Collections and Deposits (RCD) of the MCs on a daily basis, thus exposing collections to possible loss or misuse. In addition, the MT did not indicate in the RCDs the date the collections were remitted by the MCs, thus the Audit Team was not able to immediately determine whether collections were deposited within the prescribed period.

We recommended that the Municipal Mayor require the Municipal Treasurer to:

- a. require all Municipal Collectors to prepare the RCDs and remit collections to the Municipal Treasurer on a daily basis; and
  - b. indicate in the RCDs the date such collection was received from the Municipal Collectors and ensure that collections are deposited within the prescribed period.
7. The Municipality was still not able to register two of their motor vehicles with the Land Transportation Office for CY 2019, as the concerned officials were still locating for the necessary documents to facilitate said registration, thus the Municipality is exposed to penalty charges for late registration.

We recommended that the Municipal Mayor require the designated General Services Officer to:

- a. exert effort in locating all the necessary documents for the registration of the two vehicles and immediately facilitate its registration; and
  - b. closely monitor its annual registration to avoid penalties and charges.
8. The Municipality was not able to transfer the cash from General Fund to Trust Fund to settle the recorded reciprocal accounts Due to/Due from Other Funds totaling ₱1,908,273.96 for the unutilized Local Disaster Risk Reduction and Management Fund (LDRRMF) of CYs 2015 to 2018 as well as to transfer the cash of ₱1,030,806.65 from Trust Fund to General Fund for the reverted unutilized LDRRMF of CYs 2012 to 2013 due to oversight, resulting in the unavailability of the aforementioned cash in CY 2019 to fund the recorded Trust Liability-DRRMF of CYs 2015 to 2018 in the Trust Fund as well as the use of the reverted disaster funds for social services in the General Fund after subsequent enactment by the Sangguniang Bayan.

We recommended that the Municipal Mayor instruct the Municipal Accountant and Municipal Treasurer to:

- a. make the necessary cash transfers to settle the Due to/Due from Other Funds of the General Fund and General Fund relative to the unutilized LDRRMF of CYs 2015 to 2018 and reverted unutilized LDRRMF of CYs 2012 to 2013;
  - b. ensure that all corresponding cash of unutilized LDRRMF for the current year are transferred to General Fund and those that remain unutilized after five years are transferred/reverted to the General Fund; and
  - c. see to it that whatever is due from one fund to another is settled within the year to provide proper funding.
9. The Rehabilitation of the Multi-Purpose Hall Project of Barangay Ilosong amounting to P497,889.17, funded under the 20 Percent Development Fund and constructed from CY 2018 to CY 2019, could not be utilized, due to the absence of a usable portion of the project, thus the intended developmental outcome of the project was not achieved.

We recommended that the Municipal Mayor:

- a. advise the Municipal Development Council to ensure that the said project will be completed and be used according to its intended purpose; and
  - b. instruct the Municipal Engineer to make sure that all prepared program of works will cover at least a usable portion of the project in accordance with the requirements of the IRR of RA No. 9184.
10. The Municipality was not able to maintain a Gender and Development (GAD) Database as the Municipal Planning and Development Coordinator (MPDC) is yet to consolidate the Sex-Disaggregated Data gathered by her Office, thus GAD programs/activities that had been planned during the year totaling P3,054,400.00 may not fully address the actual gender issues of the Municipality.

We recommended that the Municipal Mayor require the MPDC to expedite the establishment of a GAD Database using the collected results and information that will assist the gender-responsive planning, programming and policy formulation of the Municipality.

11. The programs/projects/activities (PPAs) in the GAD Accomplishment Report (AR) do not exactly match with the PPAs in the GAD Plan and Budget (GPB) endorsed by the Department of the Interior and Local Government (DILG) for CY 2019 due to the inclusion of PPAs in the AR that were not included in the GPB, thus giving misconception that the total GAD accomplishments is more than the total GPB.

We recommended that the Municipal Mayor require the GAD Focal Person to prepare the annual GAD AR based on the Department of the Interior and Local Government-endorsed GPB.

12. The Solid Waste Management Projects under the 20 Percent Development Fund with an appropriated amount of P1,500,000.00 were not implemented in CY 2019 due to the delay

in the preparation of the necessary documents before its bidding process, thus the desired environmental outcomes of the developmental projects were not immediately achieved.

We recommended that the Municipal Mayor instruct the:

- a. BAC Chairperson and the Municipal Environment and Natural Resources Officer-Designate to fast-track the procurement of the brick-making equipment; and
  - b. MPDC to closely monitor the utilization of the Fund and ensure its optimal use.
13. Withholding taxes totaling ₱9,991.06 for the remaining accounts payable in the General Fund in CY 2019 was not remitted on the prescribed period due to the practice of the Municipal Accountant of remitting withholding taxes for paid transactions only, hence depriving the government of the immediate use of the said funds and may entail penalties to the concerned officials/employees for non-compliance.

We recommended that the Municipal Mayor instruct the Municipal Accountant and the Municipal Treasurer to immediately remit the said amount to the Bureau of Internal Revenue. Furthermore, see to it that the said regulation is being adhered to.

#### **Summary of Total Suspension, Disallowances and Charges as of Year-end**

As of December 31, 2019, the Municipality has unsettled suspensions of ₱9,853,906.50 only. There are no outstanding Notices of Disallowances and Charges.

#### **Status of Implementation of Prior Year's Audit Recommendations**

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