

EXECUTIVE SUMMARY

Introduction

The Municipality of Tagkawayan was organized by virtue of Executive Order No. 316 by President Manuel L. Quezon. It is a first-class Municipality located in the Fourth Congressional District of Quezon Province. It has an approximate area of 53,000 hectares comprising of 45 barangays.

Pursuant to Republic Act (RA) No. 7160, known as the Local Government Code of 1991, the Municipality, like other local government units, enjoys total independence in managing, deciding and planning of its own administrative, fiscal and development affairs with national government's thrust for sustainable social and economic growth. The Municipality has three economic enterprises being maintained: Market, Slaughterhouse and Cemetery.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	-	Hon. Luis Carlo T. Eleazar
Vice Mayor	-	Hon. Danilo L. Liwanag
Members of the Sanggunian:		
1. Hon. George A. Lopamia		
2. Hon. Gaudencio M. Hernandez		
3. Hon. Rosulo D. Magpantay		
4. Hon. Josefina W. Guarin		
5. Hon. Victoriano E. Salamat		
6. Hon. Justino E. Legaspi		
7. Hon. Rayman O. Salvo		
8. Hon. John Pocholo C. Eleazar		
9. Hon. Merlita A. Benedicto	-	Pambayang Pederasyon Liga ng mga Barangay – President)
10. Hon. Ace Jordan Liwanag	-	Pambayang Pederasyon ng Sangguniang Kabataan - President
ICO - Municipal Treasurer	-	Mr. Nestor S. Grefaldeo
Municipal Accountant	-	Ms. Maria Judith D. Batalla

b. No. of Personnel Complement

Permanent Employees	-	117
Elective Officials	-	12
Job Order	-	<u>160</u>
Total		<u>289</u>

Financial Highlights

For Calendar Year (CY) 2019, the Municipality generated a total income of P220,991,131.63 from local taxes, permits and licenses, service and business income, share from Internal Revenue Collections and other income. The current and continuing appropriations for the year totaled to P306,335,659.00 of which P213,969,953.92 was expended.

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

	2019	2018	Increase/ Decrease
Total Assets	P599,790,765.86	P576,757,922.19	P23,032,843.67
Total Liabilities	188,324,412.12	194,850,341.60	(6,525,929.48)
Total Net Assets/Equity	411,466,353.74	381,907,580.59	29,558,773.15
Total Income	220,991,131.63	200,191,161.44	20,799,970.19
Personnel Services	80,112,874.24	65,357,794.98	14,755,079.26
Maintenance and Other			
Operating Expenses	73,957,526.18	69,112,686.39	4,844,839.79
Financial Expenses	2,533,096.34	1,587,960.72	945,135.62
Non-Cash Expenses	21,500,738.66	17,173,030.92	4,327,707.74
Transfers, Assistance and Subsidy From	215,000.00	310,000.00	(95,000.00)
Transfers, Assistance and Subsidy To	7,051,783.98	7,901,313.77	(849,529.79)
Net Other Non- Operating Income/Losses	0.00	35,050.06	(35,050.06)
Net Income	<u>P36,050,112.23</u>	<u>P39,403,424.72</u>	<u>P(3,353,312.49)</u>

Scope of Audit

Financial and compliance audit was conducted on the accounts and operations of the Municipality of Tagkawayan 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 (FS). 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 of Tagkawayan due to the following:

- Property, Plant and Equipment (PPE) accounts except Land totaling P434,209,344.54 are unreliable due to the unreconciled balances between the recorded PPE and Report on the Physical Count of PPE (RPCPPE) with a difference of P220,057,578.88 and inclusion of unaccounted PPE amounting to P2,496,379.16, thus affecting the presentation of the account in the Financial Statements. Moreover, the Municipality

failed to require the accountable officers to pay the cost of missing properties amounting to ₱30,249.40 which may result in government loss, if not collected;

- The balances of Real Property Tax (RPT) and Special Education Tax (SET) Receivables amounting to ₱86,664,641.40 are unreliable because: a) it is not supported with a certified list of taxpayers from whom the amount will be collected, and b) there is a discrepancy of ₱43,187,733.34 between the List of Real Property Delinquent Taxpayers as against the book balance. In addition, the Municipality was not able to fully exercise the statutory remedies available regarding collections of delinquent taxes, resulting in the accumulation of uncollected prior year's taxes amounting to ₱84,324,099.40;
- The balance of Land account amounting to ₱26,502,595.17 as of December 31, 2019 is unreliable due to: a) the market value in recording the 57 donated parcels of land was used instead of its fair value at the time of acquisition and b) non-recording of purchased lot amounting to ₱60,000.00. Moreover, ownership over the 16 donated parcels of land was not safeguarded because the same were not titled or no available copy of titles was on file with the Municipality;
- Accounts Payable and Guaranty/Security Deposits Payable amounting to ₱1,845,132.47 and ₱125,970.39, respectively, which have been outstanding for two years or more, were still not reverted to the Unappropriated Surplus of the General Fund due to non-confirmation of the account from the creditors, thus existence and correctness of the balance of the account cannot be relied upon;
- Cash Advances totaling ₱261,198.56 remain unliquidated as at year-end due to non-submission of various Accountable Officers and employees of the Liquidation Reports and its supporting document to the Office of the Municipal Accountant, thus exposing the funds to possible loss or misuse and resulting to overstatement of the asset account and the understatement of related expenses equivalent to the amount of unreported disbursements.

For the exceptions cited above, the Auditor recommended the Municipal Mayor of the following courses of action:

- instruct the Municipal Accountant and the Municipal General Services Officer (MGSO) to make a complete reconciliation for the noted difference in the recorded PPE as against the RPCPPE. We also recommended that the Municipal Mayor require the accountable officer to pay the cost of missing PPE amounting to ₱30,249.40;
- require the ICO-Municipal Treasurer to submit the duly certified list of taxpayers to the Municipal Accountant to be the basis of setting up of RPT/SET Receivables and analyze the unreconciled discrepancies to present accurate and reliable data in the Financial Statements. We also recommended that the Municipal Mayor make a representation with the Sangguniang Bayan to enact resolution or ordinance relative to the available remedies regarding collections of delinquent taxes;
- MGSO to furnish the Municipal Accountant the copy of Deed of Sale for the purchased lot where the dumpsite is located, in order for the latter to adjust the books of accounts

and Municipal Assessor and MGSO to facilitate the titling of 16 donated parcels of land in the name of the Municipality. We further recommended that the appraisal committee make a report/recommendation of the fair and reasonable appraisal of all donated properties to facilitate the adjustment in the books of accounts, for fair presentation in the financial statements;

- Instruct the Municipal Accountant to confirm with the account owners/creditors/employees of their claims and request them to submit supporting documents to the Municipality. In the event that they fail to support their claims, revert the account to the Unappropriated Surplus of the General Fund, subject to an authority from the Sangguniang Bayan through a Resolution with a condition that appropriation shall be made in the event that claim arises in the future; and
- require the Municipal Accountant to monitor the immediate liquidation of cash advances of all concerned accountable officers and employees whenever the purpose for which it was given has been served and see to it that all cash advances are liquidated at the end of the year for fair presentation of financial statements.

Significant Observations and Recommendations

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

1. Unserviceable properties with a total cost of ₱3,165,473.66 were still not disposed of as required under Section 79 of Presidential Decree (PD) No. 1445 due to absence of complete records and non-submission of the Inventory and Inspection Report of Unserviceable Property (IIRUP), thereby exposing these properties to further deterioration and depriving the Municipality of additional income that may be derived from sale thereof.

We recommended that the Municipal Mayor require the Municipal General Services Officer (MGSO) to submit the IIRUP with complete documentation based on the results of the physical inventory in order to facilitate the disposal of unserviceable properties in accordance with applicable rules and regulations.

2. The cash corresponding to the total unexpended balance of appropriation for CY 2014 Local Disaster Risk Reduction and Management Fund (LDRRMF) of ₱604,746.67 was not reverted back to the unappropriated surplus of the General Fund (GF) to the detriment of the other social services of the Municipality.

We recommended that the Municipal Mayor require the ICO-Municipal Treasurer to transfer the cash of ₱604,746.67 corresponding to the unutilized balance of the LDRRMF to GF in compliance with Commission on Audit (COA) Circular No. 2012-002 to avoid dormancy of fund and to ensure that activities therein are accomplished.

3. The designated Municipal Disaster Risk Reduction and Management Officer (MDRRMO) was not able to submit the Monthly Report on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF), thus prevented the Audit

Team from conducting audit to determine if utilization of the fund was in accordance with the guidelines.

We reiterated our recommendation that the Municipal Mayor require the MDRRMO to submit to the Audit Team the Monthly Report on the Sources and Utilization of DRRMF on or before the 15th day after the end of each month.

4. Eleven programmed projects totaling ₱11,000,000.00 funded under the 20 percent Development Fund for CY 2019 were not implemented due to the reprogramming and prioritization of national-funded projects, thus depriving the intended beneficiaries of the maximum benefits that could be derived therefrom.

We recommended that the Municipal Mayor require the Municipal Planning and Development Officer (MPDO) to maximize the utilization of the 20 percent Development Fund so that all its programmed development projects could be implemented immediately to ensure that intended beneficiaries avail of the maximum benefits that will be derived therefrom. Also, instruct the MPDO in coordination with the Office of the Municipal Engineer to observe timeliness/proper planning so that projects programmed for the year are fully implemented.

5. Only 58.33 percent or ₱9,362,213.14 out of ₱16,048,000.00 Gender and Development (GAD) fund were utilized, hence implementation of programs/projects/activities (PPAs) designed to address gender issues and promote women empowerment were not fully attained.

We recommended that the Municipal Mayor require the Municipal Social Welfare and Development Officer (MSWDO) to ensure that the utilization of GAD funds is maximized through the implementation of GAD related programs and projects in order to attain the objective for which funds were provided.

6. The Municipality is still not yet fully compliant with the requirements under Republic Act (RA) No. 9003, because the Municipality was not able to coordinate with all the Barangays regarding its program, thus may result in negative impact on the environment and health of its citizens. In addition, the Municipality is still operating an open dumpsite, thus, posing threat to public health and environment.

We reiterated our recommendation that the Municipal Mayor (a) provide the necessary support in enjoining all barangays to establish their own Materials Recovery Facility (MRF); (b) establish the sanitary landfill; and c) strictly comply with all other prescribed procedures and guidelines under RA No. 9003.

The above observations and recommendations contained in this report were communicated to the Municipal Mayor and other key officials under various Audit Observations Memoranda and presented to the Management through Audit Highlights/Summary of Observations and Recommendations (SAOR), wherein their comments were stated. This replaced the conduct of exit conference because the face to face discussion was discouraged due to COVID-19 Pandemic. Management's views and comments were considered in the report, where appropriate.

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

	Beginning Balance (As of December 31, 2018)	This Period January to December 31, 2019		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱22,255,987.67	₱ 0.00	₱28,287.00	₱22,227,700.67
Notice of Disallowance	<u>2,332.31</u>	<u>28,287.00</u>	<u>0.00</u>	<u>30,619.31</u>
Total	<u>₱22,258,319.98</u>	<u>₱28,287.00</u>	<u>₱28,287.00</u>	<u>₱22,258,319.98</u>

Status of Implementation of Prior Year's Audit Recommendations

Of the 42 prior year's audit recommendations embodied in the CY 2018 Annual Audit Report, 28 were fully implemented, five were partially implemented and nine were not implemented by the Municipality.