

## EXECUTIVE SUMMARY

### Introduction

The Municipality of Tanay was founded on November 12, 1606, it is among the oldest towns in the Province of Rizal. Before the coming of the Spaniards, the Indonesian and Malay voyagers have already settled in the locality. It became an independent town of Rizal by virtue of Republic Act No. 137, enacted on June 1901 by the Philippine Commission. Tanay is located at the foot of Sierra Madre Mountains, it lies at approximately 14° 30' North and 121° 17' East, in the island of Luzon. It is now classified as a first class Municipality in the Province of Rizal with 19 barangays under its jurisdiction.

For Calendar Year (CY) 2019, the organizational structure of the Municipality is as follows:

#### a. Key Officials

Mayor	: Hon. Rex Manuel C. Tanjuatco
Vice-Mayor	: Hon. Jaime B. Vista
Members of the Sangunian	: Hon. Allan T. Sacramento Hon. Ricardo S. Bernados Hon. Romel A. Magwili Hon. Ivan Allen B. Tongohan Hon. Santos P. Santos Hon. Luis C. Catolos Hon. Rafael A. Reyes Hon. Rading G. Juco
Liga ng Barangay President	: Hon. Ruel P. Estrella
Sangunian Kabataan President	: Hon. Jovel M. Caisip
OIC-Municipal Accountant	: Mr. Leo Anthony A. Santos
Municipal Treasurer	: Ms. Joyce B. Flores
Municipal Budget Officer	: Ms. Leilanie L. Pacardo

#### b. No. of Personnel Complement

Elective	13
Permanent	197
Temporary	1
Co-terminous	8
Job Order	382
Contract of Service	<u>3</u>
<b>Total</b>	<b><u>604</u></b>

### Scope of Audit

Financial and compliance audits were conducted on the accounts and operations of the Municipality of Tanay for Calendar Year 2019. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the agency to laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

The audit also aimed to determine whether programs, projects and activities were implemented in accordance with plans and specifications.

### Financial Highlights

For CY 2019, the Municipality generated total income of ₱433,040,869.25 from local taxes, permits, licenses, service income, business income, internal revenue allotment and other income. The total expenses reached ₱303,477,374.00, an increase of ₱44,878,123.08 or 15 percent from last year's ₱258,599,250.92.

On the other hand, total appropriations totaled to ₱620,795,585.81 of which ₱399,741,743.52 were expended during the year.

The Municipality's consolidated assets, liabilities and equity as of December 31, 2019 compared with the preceding year are as follows:

	<b>CY 2019</b>	<b>CY 2018</b>	<b>Increase</b>
Total Assets	₱2,209,162,605.74	₱2,013,859,804.27	₱195,302,801.47
Total Liabilities	945,266,885.88	856,290,193.72	88,976,692.16
Equity	1,263,895,719.86	1,157,569,610.55	106,326,109.31
Total Income	433,040,869.25	406,441,295.61	26,599,573.64
Total Expenses	303,477,374.00	258,599,250.92	44,878,123.08

### Operational Highlights

The Municipality's major accomplishments for CY 2019 are as follows:

<b>Award</b>	<b>Award Giving Body</b>
Seal of Child Friendly Local Governance	Department of Social Welfare and Development (DWSD)
Platinum Award - LGU Compliance Assessment on Manila Bay Clean-up Rehabilitation and Preservation Program	Department of Interior and Local Government (DILG) Cavite, Laguna, Batangas, Rizal, Quezon (CALABARZON)
Third Rank - Same-day Destination (Municipal Category)	Department of Tourism (DoT) CALABARZON
Top Overnight Destination (Municipal Category)	DoT CALABARZON
Highest Number of Accredited Establishments and Frontliners (Municipal Category)	DoT CALABARZON
2019 Kaunlarang Pantao Award (KPA) National Finalist	Commission on Population and Development (POPCOM) Region IV
Plaque of Recognition - Establishment of Local Migration Info System (20 Barangays)	POPCOM - CALABARZON
Plaque of Appreciation - For the Invaluable Support of LGU Tanay to Bureau of Jail Management and Penology (BJMP)	BJMPRO - CALBARZON

Plaque of Recognition - For Remarkable Support - Donation of Lot - for Bureau of Fire Protection (BFP) Building	BFP - CALABARZON
Seal of Good Local Governance	DILG
Hall of Fame Award: Best Tourism Oriented LGU - Municipality	14 <sup>th</sup> Association of Tourism Officers of the Philippines (ATOP)-DOT Pearl Awards, DoT
Grand Winner - Best Tourism Oriented LGU - Municipality	14 <sup>th</sup> ATOP-DOT Pearl Awards, DoT
Grass Root Implementer Award - Implementation of e-NGAS and eBudget down to Barangay Level	Government Financial Management Innovators Circle (GFMIC), Inc.
Kapit-Bisig Award (Municipal Level) Finalist	Bangko Sentral ng Pilipinas
Certificate of Appreciation - Invaluable Contribution and Support - Tourism Industry	DoT - Office of Standards and Regulation
Association of Southeast Asian Nations (ASEAN) Community Based Tourism Award	ASEAN

### **Audit Opinion on the Financial Statements**

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

1. The correctness of the recorded balance of the Cash in bank - Local Currency, Current Account (CIB-LCCA) of ₱553,907,722.04 at year-end is doubtful due to the discrepancies of the balances of the bank accounts appearing in the Accounting, Treasury and bank records; unadjusted/unrecorded reconciling items and inclusion of closed bank account with negative balance of ₱(1,595,151.27), contrary to Section 111 of Presidential Decree (PD) No. 1445.
2. The correctness of the year-end balances of the Property, Plant and Equipment (PPE) accounts totaling ₱1,046,316,956.48 is unreliable due to: (a) the discrepancies between the accounting records and the corresponding Report on the Physical Count of Property, Plant and Equipment (RPCPPE) totaling ₱165,594,754.66; (b) inclusion of inventoried items for write-off, unserviceable, damaged, demolished, unconfirmed status/condition and unaccounted properties totaling ₱46,469,149.21 in the RPCPPE; (c) non-maintenance of PPE Ledger Card (PPELC) by Municipal Accounting Office; and (d) non-renewal of Acknowledgement Receipt of Equipment (ARE), contrary to Section 111 of Presidential Decree (PD) No. 1445, and Sections 120 and 123 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I.
3. The reported balance of the Road Networks account totaling ₱116,535,826.27 as of December 31, 2019 could not be relied upon since the Municipality was still not compliant with the transition provision on the phased recognition of the Local Road

Networks in the books of accounts, which requires 100 percent compliance at the end of year 2019, contrary to COA Circular No. 2015-008.

4. Municipal Public Market Building and the corresponding land where the public market was situated totaling ₱34,974,100.25 were misclassified as Investment Property instead of Property, Plant and Equipment under Markets and Land accounts, contrary to International Public Sector Accounting Standards (IPSAS) 16 and Section 272(g) of Government Accounting Manual (GAM) for Local Government Units (LGUs), thus affecting the fair presentation of accounts in the financial statements. Moreover, the misclassified property includes an unaccounted balance of ₱6,964,200.11 and demolished structures totaling ₱448,661.47, thereby casting doubt on the correctness of the recorded balance of the same.
5. The accuracy and validity of the recorded balances of Due from Local Government Units (LGUs) and Due to LGUs accounts amounting to ₱7,787,488.74 and ₱77,313,860.39, respectively, is doubtful due to unreconciled differences of ₱(3,925,883.07) and ₱(13,711,544.36), respectively, with the reciprocal accounts in the books of the Provincial Government of Rizal, thereby affecting the fair presentation of those accounts in the Municipality's financial statements.

#### **Significant Audit Observations and Recommendations**

For the exceptions cited above we recommended that the Municipal Mayor:

1. Direct the: (a) OIC-Municipal Accountant and the Municipal Treasurer to intensify reconciliation of their respective records to determine the reason/s for the discrepancies between their records and immediately make the necessary corrections in order to ensure completeness of the recorded transactions as well as the accuracy of the balances of CIB-LCCA account; (b) Municipal Treasurer to immediately submit the corresponding paid DVs and checks of the unrecorded disbursement to the Municipal Accounting Office for the immediate recording of the same in the books of accounts; and (c) OIC-Municipal Accountant to conduct a further inquiry on the closed account with negative balance to determine details and make the necessary adjustments; and immediately adjust/record the book reconciling items presented in the BRS in order to present the correct balance of CIB-LCCA account in the financial statements.
2. Instruct the: (a) OIC-Municipal Accountant and the General Services Officer to conduct thorough reconciliation of their respective records in order to determine the details and causes of discrepancies between the balances per accounting records and physical count and make the necessary adjustments to present the true value of PPE accounts in the financial statements; (b) Inventory Committee to conduct a complete and accurate physical inventory of all the Municipality's property in order to confirm its existence or condition and prepare/submit the required report thereon to the Audit Team. Inventory and Inspection Report of Unserviceable Property (IIRUP) shall be prepared to account for all unserviceable and obsolete items previously taken up in the books as assets, so that they may be properly disposed of and dropped from the accounts; and (c) Municipal Accounting and the General Services Offices to maintain a complete and updated PPELCs and ARE, respectively, in order to substantiate the balances of PPE accounts presented in the financial statements and to facilitate reconciliation of

their respective property records. Moreover, renew all AREs every three years to update the signature and information like designation/position of the holder of each item listed in the RPCPPE.

3. Require the: (a) General Services Officer to coordinate with the Municipal Engineer to prepare the Report on Local Road Network and Road Map of the Municipality to facilitate the preparation of a proper inventory and reporting of the Municipality's road network system; (b) Municipal Engineer to provide the OIC-Municipal Accountant and the Municipal GSO with the complete description and cost segregation of road components of the road projects; and thereafter (c) OIC-Municipal Accountant to record the amount of road networks in the books of accounts in accordance with the accounting procedures of the abovementioned Circular.
4. Direct the OIC-Municipal Accountant to coordinate with the General Services Officer to determine the details of the unaccounted and demolished properties recorded under Investment Property-Building account; analyze the details and information gathered; and thereafter, prepare the necessary adjusting journal entry to present the correct balances of affected accounts in the financial statements.
5. Direct the OIC-Municipal Accountant to coordinate with the Provincial Accountant for the reconciliation of Due from and Due to LGUs accounts so that appropriate adjustments could be made on the affected accounts for fair presentation in the Municipality's financial statements.

The following are the other significant audit observations and recommendations, which were all discussed with the concerned Municipal officials:

1. Breeding stocks in the amount of ₱837,359.00 as of December 31, 2019 is of doubtful validity due to the failure of the Municipality to properly monitor the existence and condition of the dispersed breeding stocks/animals, maintain the required records and prepare an inventory report thereon, contrary to Section 114 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I.

We recommended the Municipal Mayor to direct the:

- a. Municipal Agriculturist to establish the actual status of the breeding stock dispersal program by tracing the whereabouts and condition of the original breeding stocks and their offspring, if any. After which, he/she should render a report to the Accounting and Property Officers for recording in their respective subsidiary ledger cards for breeding stocks;
- b. OIC-Municipal Accountant to maintain the Work, Other Animals and Breeding Stocks Ledger Card (WOABSLC) as provided under Section 114 of the MNGAS for LGUs;
- c. Inventory Committee to conduct the physical inventory of the breeding stocks/animals and recommend the participation/inclusion of the Municipal Agriculturist or his staff as member of the Inventory Team; and

- d. OIC-Municipal Accountant and General Services Officer to make a thorough analysis/investigation on those recipients who refunded/sold the animals assigned/dispersed to them (if any).
2. Funds withheld due to Bureau of Internal Revenue (BIR), Government Service Insurance System (GSIS), Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth) recorded under Inter-Agency Payables accounts were still not remitted in full to the concerned government agencies, which in effect, may result in the imposition of surcharges, interests and penalties in the case of taxes, may cause forfeiture of claims/benefits due to the respective GSIS and Pag-IBIG members/employees of the Municipality and may deprive the concerned agencies of the timely use of the funds due them. Moreover, the balances of Due to GSIS and Due to Pag-IBIG accounts in the Trust Fund books include the amounts of ₱3,908.48 and ₱26,130.37, respectively, which remained non-moving or dormant for more than ten years in the books of accounts.

We recommended that the Municipal Mayor direct the:

- a. OIC-Municipal Accountant and the Municipal Treasurer to reconcile the above subject accounts and remit whatever the balance due to the agencies concerned to avoid incurrence of penalties, surcharges and inconveniences to the employees concerned. Strictly remit in full the withheld taxes, premium contributions and loan amortizations to the respective government agencies in accordance with the cited regulations and
  - b. OIC-Municipal Accountant to hasten and prioritize the reconciliation of the said dormant account balances of ₱30,038.85 with the concerned government agencies so that appropriate disposition on the said balances can be undertaken.
3. Disbursement and collection reports including their supporting documents, Bank Reconciliation Statements and Trial Balance were not submitted within the prescribed period, contrary to Section 7.2.1 of COA Circular No. 2009-006; Section 3.4 of COA Circular No. 96-011; and Section 70 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I, thus resulted in the delay of review and verification of the related transactions of the Municipality.

We recommended the Municipal Mayor to consider assigning or hiring additional personnel to the Municipal Accounting Office to ensure the timely submission of accounts of the Municipality to the Audit Team pursuant to the above-mentioned regulations .

4. The vacant plantilla position of Municipal Accountant was not filled up as of December 31, 2019, contrary to Section 474 of the Republic Act (RA) No. 7160.

We recommended that the Municipal Mayor direct the Human Resource Management Officer (HRMO) to open the vacant position to all qualified applicants to be able to filled up the position of Municipal Accountant that will take charge of

both the accounting and internal audit services of the Municipality to help ensure the proper stewardship of public funds pursuant to Section 474 of RA No. 7160.

5. The Bids and Awards Committee (BAC) failed to submit to the Government Procurement Policy Board (GPPB) the Annual Procurement Plan (APP) for posting in the GPPB website to promote transparency and public monitoring of the procurement process of the Municipality, contrary to Section 7.3.5 of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 thus, deprived the stakeholders of the needed information relative to the procurement activities of the Municipality.

We recommended that the Municipal Mayor thru the BAC Chairperson direct the BAC Secretariat to submit the APP of the Municipality to the GPPB in printed and electronic format within the first month of the year in accordance with Section 7.3.5 of the 2016 Revised IRR of RA No. 9184 and furnish the Audit Team a printed copy of the APP and its submission to GPPB to serve as basis for monitoring the status of procurement activities of the Municipality.

6. The requirements to provide the respective assigned Supervising Auditors and Audit Team Leaders with a list of all ongoing projects of the Municipality and those that are to be implemented during the year was not complied with, contrary to Commission on Audit (COA) Circular No. 2013-004, thus contributing to the delays in project validation by the Audit Team.

We reiterated our prior year's recommendation that the Municipal Mayor direct the concerned officials to prepare the required report on time and provide the assigned Supervising Auditor and Audit Team Leader with a list of all ongoing PPAs, and those that are to be implemented during the year, for audit validation and verification. Moreover, comply strictly with the provisions of the afore-cited regulations.

7. Only 24 or 43.64 percent out of the 55 Programs/Projects/Activities (PPAs) funded under the 20% Development Fund (DF) were fully implemented as at year-end, leaving an unutilized balance of ₱88,481,623.54 or 60.85 percent of the total DF, contrary to Item 5.0 of Department of the Interior and Local Government (DILG) and Department of Budget and Development (DBM) Joint Memorandum Circular (JMC) No. 2017-01 dated February 22, 2017, thus resulting in the limited attainment of socio-economic development environmental outcomes enjoyed by the general public.

We recommended that the Municipal Mayor direct the:

- a. Municipal Engineer to expedite the implementation of development projects of the Municipality for the benefit of the general public; and
- b. Municipal Planning and Development Coordinator (MPDC) to evaluate and assess the actual necessity of the unimplemented PPAs under continuing appropriations and consider re-programming the corresponding funds for PPAs that are viable to implement and responsive to the actual needs of the

constituents to ensure the attainment of socio-economic development and environmental outcomes.

8. Out of the total appropriations of ₱46,256,803.50 for Gender and Development (GAD) Programs, Projects, Activities (PPAs), the amount of ₱31,124,796.10 or 67.29 percent only was utilized during the year, thus the intent of the Municipality of promoting gender-responsive governance, protecting and fulfilling women's human rights, and promoting women's empowerment as mandated by the policies enumerated in Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01, was not fully achieved to the detriment of the intended beneficiaries.

We recommended the Municipal Mayor to direct the GAD Focal Point System to fully implement the GPB so that the intent of GAD on promoting gender-responsive governance, protecting and fulfilling women's human rights and promoting women's empowerment as mandated could be fully achieved.

Management's reactions and comments were appropriately incorporated in this report.

#### **Summary on the Status of Audit Suspensions, Disallowances and Charges**

No audit suspensions, disallowances and charges remained unsettled as of year-end.

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

Of the 22 prior year's audit recommendations embodied in the CY 2018 Annual Audit Report, nine were fully implemented, eight were partially implemented and five remained unimplemented by the Municipality.