

## EXECUTIVE SUMMARY

### INTRODUCTION

Teresa, a second class municipality lies approximately 35 kilometers east west of Manila. It became independent on January 1, 1919 which was approved and declared by then Governor General Charles E. Yeaster with Mr. Roberto De Jesus as the first elected Municipal Mayor.

Under the territorial jurisdiction of the Municipality of Teresa are nine barangays.

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

#### a. Key Officials

Mayor	:	Hon. Raul S. Palino
Vice-Mayor	:	Hon. Jose Jeriel SD Villegas
Members of the Sanggunian	:	Hon. Hoaward C. Francisco Hon. Aurelio G. Selibio Jr. Hon. Anthony S. Damaso Hon. Victorius Joshua T. San Jose Hon. Ferdinand N. Santiago Hon. Fernand N. Dela Cruz Hon. Cris J. Francisco
LnB President	:	Hon. Jose M. Manlangit
SK President	:	Hon. Jerrie Vonn F. Bertiz
Municipal Accountant	:	Lily S.J. Mendoza
Municipal Treasurer	:	Janet A. Bañes

#### b. No. of Personnel Complement

Permanent	92
Co-Terminus	13
Casual	69
Job Order	223
Contract of Service	6
<b>Total</b>	<b><u>403</u></b>

### FINANCIAL HIGHLIGHTS

For CY 2019, the Municipality generated total revenue of ₱222,812,335.10 from local taxes, permits and licenses, services, business and other income and internal revenue allotment excluding fund transfer received amounting to ₱24,403,369.72. Total revenue is ₱17,223,925.05 or 8.38 percent higher than last year's revenue of ₱205,588,410.05. On the other hand, expenses reached the amount of ₱199,357,389.43 excluding subsidies to NGAs, LGUs and interfund transfers totaling ₱11,474,542.18, an increase of ₱33,568,255.83 or 20.25 percent from last year's level of ₱165,789,133.60.

Total appropriations under the General Fund (GF) amounted to ₱249,614,242.76, while under the Special Education Fund (SEF), amounted to ₱41,429,726.55 of which ₱210,542,166.66 and ₱26,371,323.85, respectively, were obligated during the year.

The following is the Municipality's total assets, liabilities and equity, and total revenue and expenses for CYs 2019 and 2018:

	<b>2019</b>	<b>2018</b>	<b>Increase</b>
Assets	449,646,124.63	412,639,321.83	37,006,802.80
Liabilities	159,959,362.98	161,139,397.94	(1,180,034.96)
Equity	289,686,761.65	251,499,923.89	38,186,837.76
Revenue	247,215,704.82	243,063,552.60	4,152,152.22
Expenses	210,831,931.61	185,364,489.39	25,467,442.22

## **OPERATIONAL HIGHLIGHTS**

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

### **Major Accomplishments**

Garnered 101.29% revenue collection efficiency.

Increased tax assessment and increased assessment in Real Property Unit

Improved information technology - computing technology such as networking, hardware, software, internet and people that work with these technologies:

- New telephone system
- #PALIBRENG wifiNiMayor project

Widened social welfare services support to the poor, the vulnerable and disadvantages sector

More accessible, affordable and available health services

Increased capacity development on disaster response and risk reduction management

High Functionality Certificate of Commendation from DILG with a rating of 88% for the Anti-Drug Abuse Council (ADAC) Performance Audit.

Gold Award - Manila Bay sa Daluyang Kasaysayan

Environmental Compliance Audit (ECA) – three time Platinum Award (Provincial Level) ECA Top 20 LGUs (CALABARZON):

Best Environmental Technology

Best Available Practices

Best Implementor on Adopt An Estero/River Program

## **SCOPE OF AUDIT**

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Teresa, Rizal for CY 2019. The audits were conducted to ascertain the fairness of the presentation of the financial statements, determine compliance of the Municipal Government with laws, rules and regulations, as well as the economical, efficient and effective utilization of resources.

## **AUDIT 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 Teresa, Rizal due to the following:

1. The correctness of the balances of the Property, Plant and Equipment (PPE) accounts with carrying amount of ₱190,534,839.73, at year-end remained unreliable, and their existence and conditions could not be ascertained due to: (a) non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE), contrary to Section 124 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I; (b) incomplete PPE Ledger Cards (PELCs) Property Cards (PCs) and Acknowledgment Receipt for Equipment (ARE) being maintained by the Accounting and General Services Offices; (c) non-preparation of required records for Local Road Network; and (d) over provision of depreciation for Machinery and Equipment costing ₱1,393,467.50, thus resulted in the understatement of the reported balance of such property by ₱209,416.25.
2. The year-end balance of the Cash in Bank - Local Currency, Current Account of ₱32,254,572.73 in the Trust Fund was understated by ₱79,400.00 due to failure of the Municipal Accounting Office to recognize in the books of accounts the Credit Memo (CM) representing payment from PhilHealth for Medical Workers employed by the Municipality in the amount of ₱79,400.00. Likewise, unaccounted reconciling items amounting to ₱260,653.37 since year 1997 remained unadjusted, thus rendering the balance of the aforementioned account unreliable.
3. Outstanding balances of the Due from LGUs and Due to LGUs accounts in all funds of the Municipality have discrepancies of ₱841,176.52 and ₱28,353,056.74, respectively, with their reciprocal accounts in the respective books of the Provincial Government of Rizal, thus rendering the recorded balances of the Due from LGUs and Due to LGUs account of the Municipality unreliable.

## **SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATION**

For the exceptions cited above we reiterated/recommended that the Local Chief Executive (LCE) direct the:

- a. Inventory Committee to continue its efforts in completing the physical count of the properties of the Municipality and prepare and submit the required report thereon, in proper form, summarized according to type of PPE and properly accomplished in all particulars, in accordance with Section 124 of the MNGAS for LGUs, Volume I;

- b. GSO and the Municipal Accountant to maintain a complete and updated PCs and PPELCs, respectively, and issue ARE to pinpoint accountability based on the reconciled inventory report of PPE;
- c. GSO to continue its efforts in making a complete record of all Local Road Network of the Municipality;
- d. Municipal Accountant to make the necessary adjustments to correct the over provision for depreciation in the Machinery and Equipment accounts and thereafter, exercise caution in providing depreciation on PPE accounts;
- e. Municipal Accountant make necessary adjustments in her records to reflect the correct balances of Cash in Bank in their records;
- f. Municipal Accountant to exert extra effort to identify the unaccounted reconciling items amounting to ₱260,653.37 reported in the BRS; and
- g. Municipal Accountant to continue coordinating with the Provincial Accounting Office to verify the discrepancies of ₱841,176.52 and ₱28,353,056.74 between the recorded balances of the Due from and Due to LGUs accounts of the Municipality and their respective reciprocal accounts Due to and Due from LGUs reflected in the books of the Province; and subsequently prepare the necessary adjusting journal entries to present the true balance of the said accounts in the financial statements. Likewise, strictly enforce the collection and settlement for the receivables and payables found to be valid.

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

1. Various transactions related to the procurement of goods totaling ₱2,304,500.00 were either erroneously recorded or not recorded as Accounts Payable in the Municipality's books, contrary to Section 4(s), Chapter 2 of the MNGAS for LGUs, Volume I, thus resulted in the understatement of such account by ₱2,132,300.00.

We recommended that the LCE direct the Municipal Accountant to:

- a. ensure that all financial transactions of the Municipality are properly recognized in the books in accordance with the prescribed accounting and auditing rules and regulations; and
  - b. prepare necessary adjusting journal entries to present the correct balances of the Accounts Payable and other affected accounts in the financial statements.
2. Same as in the previous year, the Municipality was not able to set up the Real Property Tax (RPT) and Special Education Tax (SET) Receivables at the beginning of the year, contrary to Section 20 of the MNGAS, Volume I, due to the continued failure of the Municipal Treasury Office to prepare and submit to the Municipal Accountant at the start of the year a certified list of taxpayers and the amount of tax due and collectible as a basis thereof, thus rendering the correctness of the year-end balances of the RPT/SET Receivables and its corresponding Deferred RPT/SET accounts, doubtful.

We recommended that the LCE direct the Acting Municipal Treasurer and the Municipal Assessor to coordinate with the system provider to expedite the updating of records in the newly installed system in order to facilitate the preparation and submission of the required certified list of taxpayers and the tax collectible from each at the beginning of the year to the Municipal Accountant as a basis of recording the RPT/SET Receivable in the Municipality's books of accounts.

3. Disbursement and collection reports and their supporting documents covering the months of January to December 2019 were not submitted to the Audit Team within the prescribed period as required under Commission on Audit (COA) Circular Nos. 95-006 and 2009-006, thus resulted in the delay of review and verification of the transactions of the Municipality.

We recommended that the LCE direct the Municipal Accountant to submit all of the cited financial reports and their supporting documents to the Audit Team within the period prescribed by regulations to facilitate the review and verification of the same. If not, any unjustified failure on the part of the official concerned to submit the required reports shall be considered a ground for the automatic suspension of payment of his salaries until he shall have complied therewith without prejudice to any disciplinary action that may be instituted against him, pursuant to Section 122 of PD No. 1445 (The Government Auditing Code of the Philippines).

4. The Municipality did not optimally utilize its total appropriations for the 20% Development Fund (DF) wherein six projects with a total estimated cost of ₱10,140,593.53 were not implemented as of year-end, contrary to Section 5 of Department of Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1, thus depriving the constituents of the benefits that could be derived therefrom.

We reiterated our prior year's recommendation that the LCE direct the Bids and Award Committee Chairman, Municipal Planning and Development Coordinator and Municipal Engineer to implement all programmed PPAs under 20% Development Fund to ensure that intended beneficiaries could avail of the maximum benefits that could be derived therefrom.

5. The Gender and Development (GAD) programs, projects and activities (PPAs) of the Municipality amounting to ₱12,833,460.08 out of the total budget of ₱16,407,856.08 were not efficiently implemented in accordance with the Gender and Development Plan and Budget (GPB), thus implemented activities may not fully address the gender gaps/issues in the Municipality, contrary to the provisions of Philippine Commission on Women (PCW) - Department of the Interior and Local Government (DILG) - Department of Budget and Management (DBM) - National Economic and Development Authority (NEDA) JMC No. 2013-01 dated July 18, 2013, as amended. Also, the Municipality did not inform in writing the DILG Provincial Office on the modifications made in the DILG endorsed GPB before implementing the changes made, contrary to Item No. 6.2 of PCW-DILG-DBM-NEDA JMC No. 2016-01, thus resulted in the difficulty in determining whether the objectives of planned GAD programs/projects were attained.

We recommended that the LCE direct the GAD Focal Point Person to efficiently implement the GAD PPAs in accordance with DILG endorsed GPB and regularly review

and monitor the status and accomplishments and the utilization of the GPB during the year of its implementation.

We also recommended that the Municipality, through the LCE, should inform the DILG Provincial Office in writing the changes in the DILG endorsed GPB as required in the provisions of the said JMC.

6. The Municipality procured Rescue Equipment amounting to ₱2,194,400.00 funded from the Local Disaster Risk Reduction and Management Fund (LDRRMF), however a unit of the delivered equipment did not conform with the required specification indicated in the purchase order, contrary to Section 118 of the MNGAS for LGUs, thus resulted in cost deficiency of ₱47,700.00.

We recommended that the Local Chief Executive require the persons liable for the immediate settlement of the amount disallowed in audit totaling ₱47,700.00.

### **SUMMARY ON THE STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

Audit suspensions and disallowances amounting to ₱492,862.52 and ₱1,791,955.93, respectively, remained unsettled as of year-end, the details are as follows:

Nature	Amount				Status/ Remarks
	Beginning Balance	Issuance	Settlement	Ending Balance	
Notice of Suspension	₱506,693.57	₱492,862.52	₱506,693.57	₱492,862.52	
Notice of Disallowance	1,791,955.93	0.00	0.00	1,791,955.93	

### **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 28 audit recommendations embodied in the CY 2018 Annual Audit Report, 11 were fully implemented, six were partially implemented and the remaining 11 were not implemented by the Municipal Government.