

EXECUTIVE SUMMARY

Introduction

Magsaysay is a third class municipality in the Province of Occidental Mindoro. The Municipality was created under Republic Act No. 5459 on April 3, 1969 and was named after the late President Ramon Magsaysay. Based on the 2015 census, it has a population of 36,016. It is politically subdivided into 12 barangays occupying a land area of 29,670 hectares.

The Municipality is headed by the Municipal Mayor, Hon. Cesar M. Tria Jr. The Sangguniang Bayan is headed by Hon. Vice-Mayor, Edgar E. Eliscupidez.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions.

A comprehensive audit was conducted on the accounts and operations of the Municipal Government of Magsaysay, Occidental Mindoro for Calendar Year 2019. The audit was conducted (a) to ascertain the fairness of the presentation of the financial statements; (b) compliance of the agency with laws, rules and regulations as well as the economical, efficient and effective utilization of resources; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years audit recommendations.

Financial Highlights

The Municipality's financial position, financial performance and sources and application of funds for Calendar Year 2019 with comparative figures for 2018, as follows:

	2019	2018	Increase (Decrease)
Financial Position			
Assets	247,029,512	224,058,788	22,970,724
Liabilities	59,620,352	73,519,588	(13,899,236)
Equity	187,409,160	150,539,201	36,869,960
Financial Performance			
Income	162,356,062	162,418,471	(62,409)
Expenses	141,617,316	128,059,815	13,557,501
Surplus (Deficit)	20,738,746	34,358,656	(13,619,910)
Sources and Application of Funds			
Appropriations	145,197,240	130,893,181	14,304,059
Obligations	136,293,687	120,515,601	15,778,086
Balances	8,903,553	10,377,580	(1,474,027)

Audit Opinion on the Financial Statements

The Audit Team Leader rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Magsaysay due to the following:

- a. Balances of nine (9) financial statement accounts totaling ₱118,563,716.42 were not properly and accurately presented in the Statement of Financial Position as at December 31, 2019 due to errors in recording, misclassification of account, unadjusted reconciling items and unreconciled balances of reciprocal accounts; and
- b. The existence, completeness and valuation of the year-end balances of the Property, Plant and Equipment (PPE) amounting to ₱199,435,278.71 at gross amounts, net of the Construction-in-Progress (CIP) account, could not be ascertained due to the: (a) failure of the Inventory Committee to conduct complete physical count on all PPEs of the Municipality and submit all the corresponding Report on Physical Count of Property, Plant and Equipment (RPCPPE) in the prescribed format and with complete information; (b) PPE ledger balances at CY 2019 year-end was not reconciled with the RPCPPE as of December 31, 2019 showing a material discrepancy of ₱44,206,100.78; (c) Acting Property Officer and Municipal Accountant failed to maintain proper and complete perpetual inventory records; (d) Land costing ₱300,000.00 were still not covered with a Certificate of Title under the name of the Municipality; and (e) unserviceable properties totaling ₱22,885,096.27 were still not disposed.

For the exceptions cited above, we recommended that the:

- a. Municipal Mayor instruct the Municipal Accountant to: (i) prepare the Journal Entry Vouchers (JEV) to record the necessary adjustments to the affected accounts for fair and accurate presentation of the accounts in the Financial Statements; (ii) strictly monitor the grant and liquidation of cash advances to ensure that no additional cash advance is granted to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made; (iii) cause the immediate settlement of cash advances to avoid accumulation thereof; and (iv) verify the validity and existence of the Accounts Payable by informing the concerned payees of their outstanding claims and determine whether these are still valid and enforceable especially those that have been dormant for two (2) years or more, if found to be not valid, proper reversion should be made to the Unappropriated Surplus in the General Fund;
- b. Municipal Mayor require the: (a) Inventory Committee to conduct a complete physical count of all PPEs of the Municipality, prepare and submit the corresponding duly accomplished RPCPPE, and henceforth ensure that said physical count are strictly and timely conducted every year; (b) Storekeeper/Acting Property Officer and Municipal Accountant to reconcile the balances of RPCPPE with the corresponding ledger balances and maintain PPE Ledger Cards and Property Cards; (c) Municipal Accountant, upon reconciliation, to prepare the necessary adjustments on the affected

- accounts and determine the persons accountable, for any losses therein; and
- (d) Acting Property Officer to fast track the preparation of Inventory and Inspection Report of Unserviceable Property (IIRUP), together with the required supporting documents to facilitate the disposal of unserviceable items; and
- c. Municipal Mayor is advised to create the Disposal Committee to facilitate the preparation of the Appraisal Report for the eventual disposal of the unserviceable properties and to fast track the processing of the Deed of Donation for the transfer of ownership of the land Land costing ₱300,000.00 to Barangay Caguray for the eventual derecognition in the books of accounts.

Summary of Significant Observations and Recommendations

The following are the other significant observations and recommendations in the audit of the Municipality of Magsaysay for the year 2019:

1. Procurements for the four (4) goods totaling ₱2,208,591.35 were made not in accordance with the provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184. Moreover, payments thereof were made despite incomplete supporting documents contrary to COA Circular No. 2012-001 dated June 14, 2012 thus, casting doubts on the validity, legality, competitiveness and transparency of the procurement process and project implementations undertaken by the Municipality.

We recommended that the Municipal Mayor instruct the BAC and the TWG to ensure that all procurement activities undertaken by the Municipality are strictly in accordance with the provisions of the 2016 Revised IRR of RA No. 9184, particularly during the bid evaluation and post-qualification phase, for proper evaluation and assessment of the eligibility as to legal, technical and financial capacities of the prospective bidders.

We also recommended that the Municipal Mayor require the:

- a. BAC and its TWG to immediately submit the lacking documents to the Audit Team to arrive at a decision in audit, and henceforth ensure that perfected contracts are properly and completely documented before submitting the same to the Audit Team; and
 - b. Municipal Accountant to immediately submit the lacking supporting documents in the claims for payment, and ensure that all claims are duly supported with proper and complete supporting documents, as required under Section 9.1.3.1 of COA Circular No. 2012-001 before processing for payment.
2. Procurements for the eight (8) infrastructure projects totaling ₱27,918,404.62 were made not in accordance with the provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and the Department of Public Works and Highways

(DPWH) Department Order No. 197 series of 2016 dated October 7, 2016. Moreover, payments thereof were made despite incomplete supporting documents contrary to COA Circular No. 2012-001 dated June 14, 2012 thus, casting doubts on the validity, legality, competitiveness and transparency of the procurement process and project implementations undertaken by the Municipality.

We recommended that the Municipal Mayor instruct the BAC and TWG to ensure that all procurement activities undertaken by the Municipality are strictly in accordance with the provisions of the 2016 Revised IRR of RA No. 9184, particularly, during the bid evaluation and post-qualification phase for proper evaluation and assessment of the eligibility as to, legal, technical and financial capacities of the prospective bidders.

We further recommended that the Municipal Mayor require the:

- a. BAC and its Technical Working Group (TWG) to immediately submit the lacking documents to the Audit Team to arrive at a decision in audit, and henceforth ensure that perfected contracts are properly and completely documented before submitting the same to the Audit Team;
 - b. Municipal Engineer to: (i) ensure that all the requirements of the Detailed Engineering Design for infrastructure projects to be implemented are complete prior to the procurement proceedings so that information and/or specifications are duly incorporated in the bidding documents; and (ii) see to it that the computations of ABC are in accordance with the latest guidelines issued by the DPWH to prevent excessive project cost; and
 - c. Municipal Accountant to: (i) immediately submit the lacking supporting documents, and henceforth ensure that all succeeding payments are supported with complete and proper documents before processing claims for payment; and (ii) ensure that retention money equivalent to 10% of the total amount due are deducted from progress payments of projects with delays, even after completion of 50% of the value of works.
3. Utilization of the CY 2019 Local Disaster Risk Reduction and Management Fund (LDRRMF) showed various deficiencies such as: (a) ₱408,450.00 of the LDRRMF was utilized for programs/projects/activities (PPAs) which are not among the PPAs allowed to be charged against the said fund hence, undermining the objective of the fund; (b) receipt of in-kind donations from other local sources were not recorded in the books contrary to COA Circular No. 2014-004; and (c) payments for the procurement of goods, services and infrastructure projects were made despite incomplete documentation and irregularities in the supporting documents contrary to COA Circular No. 2012-001 dated June 14, 2012 and other relevant laws, rules and regulations thus, the validity, propriety and legality of the payments were doubtful.

We recommended that the Municipal Mayor, through the LDRRM Council, ensure that LDRRM Funds are used solely for disaster risk reduction and management activities pursuant to the provisions of R.A. No. 10121.

We further recommended the Municipal Mayor to instruct the:

- a. MDRRMO to (i) ensure that distribution lists for the distribution of relief goods are duly received and signed by the intended beneficiaries; and (ii) ensure that Invoice Receipt of equipment for the donated generator set transferred to various Barangays are properly and duly acknowledged by the concerned Punong Barangay for proper recording and monitoring;
 - b. Municipal Accountant to: (i) immediately submit the lacking supporting documents to the Audit Team to arrive at a decision in audit, and henceforth ensure that all succeeding payments are supported with complete and proper documents pursuant to COA Circular No. 2012-001 before processing claims for payment; (ii) refrain from recording purchases of goods and supplies as outright expense instead they shall be accounted for under the related inventory accounts and recorded as expense only upon consumption and/or distribution thereof for proper monitoring; (iii) coordinate with the MDRRMO for the proper inventory and reconciliation of the relief goods on hand as at December 31, 2019 and prepare the necessary adjustments for the correct presentation of the related inventory and expense accounts; and (iv) record the equipment and supplies received as donation in-kind from other local sources pursuant to Item IV.C of COA Circular No. 2014-002 for proper accounting and monitoring thereof; and
 - c. BAC to strictly comply with the provisions of the 2016 Revised IRR of RA No. 9184 in the procurement of goods and infrastructure projects.
4. The Municipality still failed to appropriate funds to support the completion of their 10-year Solid Waste Management Plan (SWMP) and the implementation of programs, projects and activities related thereto, which lead to open burning of solid wastes in most households within the Municipality contrary to Sections 16, 32 and 48 of Republic Act (RA) No. 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, which could have a long-term adverse effect on public health and the environment.

We recommended that the Municipal Mayor, through the: (i) SWMB to make representations and coordination with the CENRO and NSWMC to fast track the review of the SWMP; and (ii) Municipal Budget Officer to provide sufficient appropriation for the implementation of programs/projects/activities embodied in the Municipality's 10-year Solid Waste Management Plan pursuant to the provisions of RA No. 9003.

We also recommended that the Municipal Mayor, thru the Local Sanggunian, enact an ordinance that will restrict/halt the practice of open burning wastes in compliance with Section 48 of RA No. 9003 to avoid various health problems acquired through inhalation of

fine particles produced during incineration and to avoid long-term adverse effects on the environment.

5. Out of the ₱33,967,898.68 total current and continuing appropriations for the 20% Development Fund, ₱29,268,089.60 was utilized in CY 2019, registering an impressive overall financial delivery rate of 88.16% which is commendable since it has surpassed the 66% benchmark set by the Department of Interior and Local Government (DILG). However, the following deficiencies were observed: (a) one (1) project amounting to ₱2,247,829.03 included in the expenditure program is considered not among the priority PPAs under the Fund; (b) expenses that do not contribute to capital development totaling ₱1,800,765.90 were inappropriately charged against the 20% Development Fund contrary to the DILG and Department of Budget and Management (DBM) Joint Memorandum Circular No. 2017-001 dated February 22, 2017 thus, the enjoyment of long term benefits from development projects was not availed by the constituents; and (c) payments for the procurement of goods and services were made despite incomplete documentation and inconsistencies in the supporting documents contrary to COA Circular No. 2012-001 dated June 14, 2012 and other pertinent laws, rules and regulations, thus, regularity, validity, propriety and legality of the payments were doubtful.

We recommended that the Municipal Mayor, with the assistance of the Local Development Council, and the Municipal Planning and Development Officer, ensure strict compliance with the provisions of the DILG-DBM Joint Memorandum Circular No. 2017-001 dated February 22, 2017 particularly, on the priority projects and disbursements charged against the Fund.

We further recommended that the Municipal Mayor instruct the Municipal Accountant to immediately submit the lacking supporting documents to the Audit Team to arrive at a decision in audit, and henceforth ensure that all succeeding payments are supported with complete and proper documents pursuant to COA Circular No. 2012-001, before processing claims for payment.

6. Utilization of the Special Education Fund (SEF) showed various deficiencies such as: (a) the CY 2019 SEF Budget was prepared and approved beyond the prescribed period stipulated in the Department of Education (DepEd)-Department of Interior and Local Government (DILG)-Department of Budget and Management (DBM) Joint Circular No. 1, Series of 2017; (b) programs/projects/activities (PPAs) included in the CY 2019 SEF Budget totaling ₱150,000.00 were not among the expenses allowed to be charged against the Fund, of which, ₱44,742.00 were utilized during the year, thereby defeating the purpose of the Fund; and (c) procurement of goods and services were made not in accordance with the provisions of 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thereby violating the policy of the government to promote competitive and transparent procurement.

We recommended that the Municipal Mayor, through the Local School Board: (i) observe the timely preparation, submission and approval of the Annual SEF Budget as prescribed by the

DepEd-DBM-DILG Joint Circular No. 1, Series of 2017; and (ii) ensure that PPAs incorporated in the SEF Budget are only those expenses allowed to be charged against the fund as enumerated in the same Joint Circular to eliminate expenditures that are not among the primary purpose for which the fund was established.

We also recommended that the Bids and Awards Committee (BAC) ensure strict compliance with the provisions of the 2016 Revised IRR of RA No. 9184 pursuant to Item 6.3 of the DepEd-DBM-DILG Joint Circular No. 1, s. 2017.

The above findings and recommendations were earlier communicated to the Management through the issuance of Audit Observation Memorandum. Management's views and reactions thereon were considered in the report, where appropriate.

Summary of Suspensions, Disallowances and Charges

The Statement of Audit Suspensions, Disallowances and Charges (SASDC) of the Municipality as of December 31, 2019 showed total audit disallowances amounting to ₱2,098,449.84.

Status of Implementation of Prior Year's Audit Recommendations

Of the 10 prior year's audit recommendations embodied in the CY 2018 Annual Audit Report, six (6) were partially implemented and four (4) were not implemented by the Management, as discussed in Part III of this Report.