

EXECUTIVE SUMMARY

Introduction

The Municipality of Brooke's Point was created by virtue of Executive Order No. 232 dated June 28, 1949 and was named in honor of Sir James Brooke, a British adventurer thought to be the son of Judge Bornassi, who was the first white man to land in the area.

It is classified as first (1st) class municipality located in the 2nd District of Palawan presently composed of 18 barangays, of which 15 are rural and 3 are urban under its jurisdiction. It has a population of 66,374 according to 2015 census. It has a total land area of 85,064.90 hectares. It is bounded on the north by Municipality of Sofronio Española, on the south by Municipality of Bataraza, on the west by Municipality of Dr. Jose P. Rizal and on the east by the Sulu Sea.

Financial Highlights

For CY 2019, the Municipality of Brooke's Point generated a total income of ₱459,554,565.29 from local taxes, permits and licenses, service and business income and Internal Revenue Allotment. The total funds utilized for the current year amounted to ₱347,881,182.46 or 73.99% of the total appropriations of ₱470,164,172.78 while the funds utilized for the continuing appropriations amounted to ₱393,068,049.89 or 66.13% of the total continuing appropriation of ₱594,347,405.64.

The Municipality's financial condition and results of operations for Calendar Year (CY) 2019 compared with that of the preceding year are summarized below and shown in detail in the attached audited financial statements.

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Assets	₱1,123,769,352.07	₱979,279,357.55	₱144,489,994.52
Liabilities	308,999,890.16	323,279,295.83	(14,279,405.67)
Equity	814,769,461.91	656,000,061.72	158,769,400.19
Income	459,554,565.29	399,204,990.08	60,349,575.21
Expenses	349,971,622.68	330,691,446.65	19,280,176.03

Scope of Audit

The Audit Team conducted financial and compliance audits on the accounts, transactions and operations of the Municipality of Brooke's Point for CY 2019. The audit consisted of review of operating procedures, inspection and evaluation of the Municipality's programs and projects, interview with concerned municipal government

officials, verification, confirmation, reconciliation and analysis of accounts on a test basis and such other procedures considered necessary under the circumstances.

The audit was conducted to (a) determine whether Management presented fairly the financial statements in adherence to the International Public Sector Accounting Standards; (b) ascertain the level of assurance that may be placed on management's assertions in the financial statements; (c) evaluate the extent of compliance with laws and regulations as well as the propriety and validity of transactions; (d) recommend agency improvement opportunities; and (e) determine the extent of implementation of prior years' audit recommendations.

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 Brooke's Point for CY 2019 due to the: (1) non-reconciliation of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) with accounting records for Property, Plant and Equipment (PPE) amounting to ₱33,497,457.58 or 3.96% of the total PPE of ₱523,456,526.70, excluding construction in progress accounts and incomplete physical inventory of the remaining PPE of ₱489,959,069.12 or 96.60% rendering the existence and valuation of the PPE doubtful; and (2) failure of the Municipality to transfer 100% of the Local Road and Road Network System recorded in the Registry of Public Infrastructures to the respective asset accounts under the PPE and thus misstating the Road Networks account in the Financial Statements as at December 31, 2019, as discussed in detail in Part II of the Report.

Significant Observations and Recommendations

For the exceptions cited above, we reiterated our recommendation that the: (a) General Services Officer (GSO) and the Municipal Engineer complete the conduct of physical count of the remaining PPE of the Municipality and submit to the Audit Team the Report on the Physical Count of PPE together with its summary showing the PPE classification for verification and reference in audit; (b) GSO and the Municipal Accountant thereafter reconcile the Report on the Physical Count of PPE, Property Cards, Property Ledger Cards, and accounting records, taking into consideration the noted deficiencies in audit, and furnish the Audit Team with the said report; and (c) Municipal Accountant (i) provide adequate description of the PPE recorded in the eNGAS; (ii) create subsidiary ledgers for the depreciation expenses; (iii) determine the unidentified PPE for proper valuation and allocation of its cost against its estimated useful life; (iv) prospectively record the PPE's useful life in accordance with COA Circular No. 20013-007 and DPWH DO No. 176, series of 2015; (v) recognize subsequent cost of ₱34,330,195.51 in the Land account in the appropriate fund/book; and (vi) review the subsidiary ledgers in the eNGAS taking into consideration the other noted deficiencies.

We also recommended that the (a) Municipal Mayor, Municipal Planning and Development Coordinator (MPDC) and the Municipal Engineer prioritize the implementation of road projects only within their administrative jurisdiction; (b)

Municipal Mayor instruct the Municipal Engineer to complete the inventory of the road network system and submit the report thereon to the Municipal Accountant for proper recording in the books; and (c) Municipal Accountant adequately disclose the Road Network System in the Notes to Financial Statements.

The following are the other significant audit observations and recommendations in the audit of the Municipality of Brooke's Point for the year 2019:

1. Road Lots or Right-of-Way (ROW), a major asset component of the Road Network Account, was not recognized in the books contrary to COA Circular No. 2015-008 dated November 23, 2015 thereby resulted in the material understatement of the Road Network Account in the financial statements as at December 31, 2019.

We recommended that the Municipal Mayor instruct the Municipal Assessor and the MPDC to revalidate and verify any third party claims on the road lots before the Municipal Accountant finally recognize the same in the books for better presentation of the Road Network Account balance in the financial statements.

2. Twenty-five capital expenditures projects totalling ₱5,864,918.20 were recorded as expenses in the books of accounts contrary to International Public Sector Accounting Standards (IPSAS) No. 17, thereby misstating the balances of Property, Plant and Equipment (PPE) and Expense accounts as at December 31, 2019.

We recommended that the Municipal Accountant prepare correcting entries to recognize PPE in the books of accounts pertaining to project expenditures totaling ₱5,864,918.20. Prospectively, record procurement of materials and labor directly necessary for the construction or improvement of infrastructure assets and considered as an investment and capital expenditures as PPE pursuant to IPSAS No. 17.

3. The provisions of the Deed of Donation and approved E-Trike Deployment Plan were not complied by the Municipality in the implementation and deployment of 50 units E-Trike vehicles totaling ₱26,650,474.70 which could possibly result in non-sustainability of the project and defeating the purpose of providing alternative mode of transportation to local residents and tourists.

We recommended that the Municipal Mayor and the Focal Person:

- a. Enter into a Purchase Agreements with the Potential New Owners (PNOs), taking into consideration the requirements laid down in Item 4.2 and 4.3 of the Deployment Plan;
- b. Properly explain to the concerned PNOs that the value of the e-trikes based on the Property Transfer Report is USD10,249.00 or ₱533,009.49 at the time of its turnover to the Municipality;
- c. Compel the PNOs to submit the requirements enumerated in Item 4.1. of the Deployment Plan;

- d. Designate qualified employees of the Municipality to be the Fleet Manager and staff, who will be responsible for the overall operation of the program;
 - e. Collect from the PNOs the applicable contributions to the different funds for the sustainability of the program;
 - f. Register the E-Trikes under the name of the Municipality to easily facilitate the transfer of ownership to the PNOs;
 - g. Construct the charging station in accordance with the proposal in the Deployment Plan; and
 - h. Submit the required reports and notify the DOE in writing of any non-compliance of the terms as provided for in the Deployment Plan and the Deed DOD for proper resolution.
4. Various minimum criteria in operating the sanitary landfill were not met by the Municipality in violation of Section 42 of the Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, thereby affecting the engineering control over significant potential environmental impacts arising from the development and operation of the facility.

We recommended that the Municipal Mayor and MENRO to:

- a. Construct monitoring wells at strategic locations of the SLF to monitor the quality of groundwater supply;
- b. Assign a permanent equipment in the facility to undertake daily soil cover on collected residual wastes;
- c. Install water connections in the toilet, handwashing and washing bay areas. In addition, rectify the deficiencies noted in these facilities like the construction of concrete drainage/pipe leading to the leachate collection chamber, among others, and proper explanation for the faulty water connection;
- d. Install communication facilities in the site for monitoring and to facilitate real-time response in case of emergency;
- e. Facilitate the fast installation of electricity connection and additional lighting facilities in strategic locations within the SLF; and
- f. Amend/revise the SWMP accordingly to include the additional facilities like the electricity, water connection, washing bay and communication, and provide appropriation in the Municipality's next budgetary year.

5. The Municipal Economic Enterprise Development Officer (MEEDO) and the Municipal Treasurer failed to (a) impose and collect additional 25% on the prescribed rental fees of corners stalls or those fronting the streets; and (b) strictly adhere on the prescribed manner of granting discount and imposing/collecting surcharge for late payment of rental fees contrary to Sections C.03 and C.10, respectively, of the Brooke's Point Market Code of 2010, thereby reducing the income from market operations during the year by ₱236,702.75.

We recommended that the MEEDO and the Municipal Treasurer enforce and collect the additional rental fees from the concerned stallholders. Henceforth, impose and collect rental fees strictly in accordance with the pertinent provisions of the Market Code to ensure uniformity and equity.

6. The Market Committee failed to cancel the lease contract of eleven (11) stallholders for violating Sections C.17 and D.08 of the Market Code by non-payment of rental fees for more than three (3) consecutive months, thus unpaid rental fees and surcharges accumulated to ₱116,307.25 at yearend and other willing and interested applicants were not given the chance to conduct business in the public market because the stalls were not declared vacant for adjudication.

We recommended that the Market Committee (a) cancel the lease contract and blacklist the stallholders who violated the provisions of the Market Code and demand for the immediate settlement of all unpaid rents including surcharges; and (b) declare the stalls vacant for adjudication to any willing and interested applicant

7. The unexpended balances of LDRRMF for CYs 2014 to 2018 totaling ₱1,685,303.05 was transferred to the Trust Fund Proper account together with other trust receipts instead of depositing the same to a Special Trust Fund solely for the 5% DRRM activities in violation of Section 21 of Republic Act No. 10121 and contrary to Section 5.1.10 of COA Circular No. 2012-002 thereby, exposing the funds to possible misuse.

We recommended that the Municipal Mayor and the Municipal Treasurer: (a) transfer the current and continuing appropriations of the LDRRMF from the separate depository account into the General Fund Proper; (b) if warranted, convert the Depository Account No. 2022-1009-66 into a special trust fund solely for prior years' unexpended LDRRMF, otherwise, obtain authority from the Sangguniang Bayan to close the said account and open a new depository account for that purpose; and (c) transfer all of the prior years' unexpended LDRRMF into the newly converted/created depository account and henceforth, ensure that all unexpended LDRRMF are transferred to the said account in accordance with Section 21 of R.A. No. 10121.

The audit observations and recommendations contained in the Report were discussed with the concerned officials and staff of the Municipality. Management's views and comments were incorporated in the Report, where appropriate.

Status of Implementation of Prior Years' Audit Recommendations

Of the ten (10) audit recommendations embodied in the 2018 Annual Audit Report, five (5) were fully implemented; four (4) were partially implemented while the remaining one (1) was not implemented by the Municipality.