

EXECUTIVE SUMMARY

Introduction

The Municipality of Taytay, Palawan is located on the western portion of the Philippines, comprising one of the northern towns in the Province of Palawan. It is bounded on the north by the Municipality of El Nido, on the south by the Municipalities of Roxas and Dumaran and on the southwest by the Municipality of San Vicente.

In line with Republic Act No. 7160, otherwise known as the Local Government Code of 1991, the Municipality, like any government units, enjoys total autonomy in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

Financial Highlights

As of December 31, 2019, total assets amounted to ₱1,019,673,548.07 which increased by ₱51,910,054.66 while liabilities of ₱271,977,759.29 decreased by ₱64,081,383.33. Government Equity in the amount of ₱747,695,788.78 showed an increase of ₱115,991,437.99. Total realized revenue increased by ₱49,172,744.52 along with an increase in the total expenses by ₱20,176,582.23.

The total assets, liabilities, government equity, income and expenses for CY 2019 compared with that of the preceding year are as follows:

	CY 2019	CY 2018	Increase (Decrease)
Total Assets	₱1,019,673,548.07	₱967,763,493.41	₱51,910,054.66
Total Liabilities	271,977,759.29	336,059,142.62	(64,081,383.33)
Total Equity	747,695,788.78	631,704,350.79	115,991,437.99
Total Income	410,753,713.97	361,580,969.45	49,172,744.52
Total Expenses	300,052,211.77	279,875,629.54	20,176,582.23

Scope of Audit

The Audit Team conducted financial and compliance audits on the accounts and operations of the Municipality of Taytay, Palawan for Calendar Year 2019. The audit was conducted on a test basis to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality to laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports. 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.

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 financial statements presentation due to the following:

1. The accuracy of the balances of RPT and SET Receivable as well as their corresponding deferred income accounts amounting to ₱32,414,841.16 and ₱42,578,687.02, respectively, remained doubtful due (a) non-establishment of the receivable accounts at the beginning of the year; and (b) the material variance between these receivable accounts amounting to ₱10,163,845.86;
2. The existence and accuracy of Property, Plant and Equipment accounts with net book value of ₱236,492,696.60 as of December 31, 2019 could not be ascertained because it was not supported by physical inventory reports duly reconciled with property cards and property ledger cards and Road Network Ledger Cards; and
3. Disbursement vouchers and supporting documents of recorded check and cash disbursements totaling ₱75,711,184.89, 440 journal entry vouchers (JEVs) and supporting documents for collections and deposits and 389 JEVs for other transactions were not submitted to the Audit Team.

Significant Observations and Recommendations

For the above exceptions, we recommended that the:

1. Municipal Treasurer update the Real Property Tax Account Registers or Taxpayer's Index Cards, prepare and submit to the Municipal Accountant the certified list of taxpayers and the amount due and collectible at the beginning of every year; and b) the Municipal Accountant reconcile the recorded Real Property Tax Receivable, Special Education Tax Receivable, Deferred Real Property Tax Income and Deferred Special Education Tax Income accounts with the Treasury report on the unpaid taxes for the current year as well the uncollected taxes in prior years and effect the necessary adjustments, as appropriate.

2. Inventory Committee (i) immediately complete the physical inventory of all municipal property; (ii) prepare the Report on the Physical Count of PPE and Report on the Physical Count of the Local Road Network System to be reconciled with the Property Cards, PPE Ledger Cards, Road Network Ledger Cards and other accounting records; and (iii) submit a copy thereof to the Audit Team; and

In addition, Municipal Engineer (i) submit a complete report on the costs, description and specifications and cost segregation of the road components to the Municipal Accountant as bases for disclosures in the NTFIS; and (ii) regularly assess each road component for impairment.

3. Municipal Accountant immediately submit the disbursement vouchers, obligation requests, journal entry vouchers, copies of accountable forms issued and supporting documents for the subject financial transactions since these were already recognized in the books of accounts; and (b) henceforth, ensure strict adherence to the provisions of Section 347 of R.A. No. 7160 and Section 7.2.1(a) of COA Circular No. 2009-006 on the prompt rendition of accounts.

For calendar year 2019, the following are the other significant observations and recommendations:

1. The accuracy and existence of Inventories totaling ₱852,881.00 as of December 31, 2019 could not be ascertained because it was not supported by physical inventory report duly reconciled with supplies ledger cards contrary to Section 124, MNGAS for LGUs, Volume I.

We recommended that the Inventory Committee complete the actual physical count of all supplies and materials and prepare the report thereon, reconcile the results of the count with available records in the Accounting and General Services Offices and submit the RPCI to the Auditor pursuant to Section 124 of the MNGAS for LGUs, Volume I.

2. Ownership of the Land account totaling ₱7,571,565.90 as of December 31, 2019 could not be established due to the absence of Certificates of Title and Tax Declarations in the name of the municipal government contrary to Section 148 of COA Circular No. 92-386 dated October 22, 1992.

We recommended that the GSO (a) present to the Auditor the copies of TCTs and Deed of Sale/Donation establishing ownership in favor of the municipality for verification and audit; (b) conduct inventory of all its real properties whether acquired, donated or reclaimed; (c) institute proceedings for the issuance of tax declarations and TCTs in the name of the municipal government in coordination with the Municipal Assessor; and (d) regularly inspect the real properties owned by the municipal government to keep track of their condition and to safeguard them from squatters, unlawful occupants or the like.

3. Reconciling items totaling ₱62,509,838.94 were not itemized in the Reconciliation Statement of Actual Amounts presented in the Statement of Comparison of Budget and Actual Amounts (SCBAA) and in the Statement of Financial Performance (SFPer) and variances totaling ₱42,944,585.27 between the amounts presented in the Reconciliation Statement, SCBAA and the SFP were noted contrary to Paragraph 47 of the International Public Sector Accounting Standards (IPSAS) 24, thus, the accuracy of the Reconciliation Statement and the actual amounts of Personal Services (PS), Maintenance and Other Operating Expenses (MOOE) and Capital Outlay expenditures presented in the SCBAA could not be determined.

We recommended that the Municipal Accountant and the Municipal Budget Officer submit the details of reconciling items totaling ₱62,509,838.94 and henceforth reconcile their records on allotments and obligations monthly, verify resulting discrepancies and submit the required budget reports and reconciliation statement within the prescribed period.

4. Claims for reimbursement of travel expenses totaling ₱509,735.87 were paid despite non-adherence to the provisions of Executive Order (EO) No. 298 dated March 23, 2004 and EO No. 77 dated March 15, 2019, resulting in excessive and extravagant expenditures amounting to ₱99,849.26 and ₱291,710.00, respectively.

We recommended that the (a) Municipal Mayor issue an order to all officials and employees concerned to refund the excessive and extravagant payment of travel expenses totaling ₱99,849.26 and ₱291,710.00, respectively; and (b) Municipal Accountant, henceforth, enforce strict adherence to EO No. 77 and DILG MC No. 2019-82 in order to prevent the incurrence of excessive and extravagant expenditures as defined under Sections 5.1 and 6.1 of COA Circular No. 2012-003.

5. Personnel performing similar functions pertaining to regular positions were hired through Contract of Service (COS) contrary to Section 133 of 2017 Omnibus Rules on Appointment and Other Human Resource Actions (ORAOHRA) and Section 4(c) of CSC Resolution No. 020790 while (a) three COS personnel received wage rate higher than the rate for salary grade of comparable positions in the government plantilla contrary to Item 6.6 of DBM Local Budget Circular No. 118 dated January 15, 2019 thereby resulting in excess payment of salaries and wages totaling ₱56,268.00 in CY 2019; (b) Job Order (JO) agreements without the specific duties and the expected outputs, thus the necessity of hiring JO personnel, the corresponding accomplishments or work done and the capabilities and skills needed cannot be ascertained; and (c) monthly payrolls of JOs were not supported by verified accomplishment report contrary to Section 1.2.1 of COA Circular No. 2012-001.

We recommended that the:

- a. Local Chief Executive (i) re-evaluate, thru Human Resource Management Officer, the existing contracts of services that need to be converted to contractual or casual appointment and ensure that the contracts or

appointments contain the position titles and salary grade allocation patterned to the Compensation and Position Classification System and DBM Budget Circular No. 2018-4 for uniformity and consistency of salary rates; (ii) strictly comply with the provisions of Section 133 of 2017 ORAOHRA that no individual COS employees shall be made to perform functions pertaining to regular positions; and (iii) ensure that JO agreements specifically state the duties and responsibilities of each contracting party and the expected output or work to be performed

- b. Municipal Accountant review the completeness and propriety of supporting documents attached to the payrolls/DVs covering payment of salaries/wages of COS/JO personnel to ensure compliance with pertinent rules and regulations and the regularity of their claims before processing them for payment.
6. The aid for the Gobyerno sa Barangay Program extended by the Municipality to 11 barangays totaling ₱275,000.00 during CY 2019 were not covered by Official Receipts and any Memorandum of Agreement or Contract setting out the conditions governing the use of funds and the responsibilities of the recipient barangays contrary to COA Circular 2012-001 dated June 14, 2012 and Section 168(c) of the Government Accounting and Auditing Manual (GAAM) Volume I, thus no basis for receipt of funds and monitoring and reporting of fund utilization raising doubts on the validity and propriety of the transactions and gave rise to the risk of misuse and misapplication of the fund.

We recommended that (a) the Municipal Accountant and the Municipal Treasurer ensure that the assistance to the Barangays are paid thru issuance of check under the name of the Barangay; and duly supported with official receipts; and (b) Municipal Accountant cause the submission of the official receipts and related MOA and henceforth, review the completeness and propriety of supporting documents before processing claims for payment.

7. Advances and progress billings to three contractors for five infrastructure projects with total contract costs of ₱26,067,137.87 charged under the 20% Development Fund and Local Government Support Fund-Assistance to Municipalities (LGSF-AM) and the materials and labor component of infrastructure projects implemented “by administration” were paid despite incomplete supporting documents and deficiencies contrary to the provisions of Item 9.0 of COA Circular No. 2012-001 and Section 4(6) of PD No. 1445, thereby precluding the conduct of technical evaluation, inspection/validation of work accomplishments and determination of the reasonableness of project costs and validity of expenditures incurred thereon.

We recommended that the:

- a. Municipal Mayor (i) issue termination of contract to erring contractor who has negative slippage of ten percent (10%) or more in the completion of the work

pursuant to Section III-A(2) of the Guidelines on Termination of Contracts and cause the forfeiture of their performance security pursuant to Section 8.5 of the Revised I.R.R. of R.A. No. 9184; and (ii) submit a written explanation regarding the change in contract time relative to the project “Construction of Evacuation Center Phase II” with project cost of ₱14,790,965.07 funded by the LGSF-AM;

- b. Municipal Accountant, Municipal Engineer and the BAC Secretariat (i) immediately submit to the Audit Team the lacking documents which are necessary in the technical evaluation and validation of the projects; and (ii) henceforth, strictly comply with the provisions of COA Circular No. 2012-001, R.A. No. 9184 and its Revised I.R.R. on the procurement and implementation of infrastructure projects.
8. Deficiencies were noted in the implementation of 343 projects totaling ₱410,062,654.63 funded by the General Fund, 20% Development Fund, GAD Fund, LDRRM Fund, BUB Fund and LGSF-Assistance to Municipalities such as: (a) non-submission of list of all completed and on-going government projects and those that are to be implemented during the year as required under COA Circular No. 2013-004 dated January 30, 2013, thus the existence and status of project implementation for CY 2019 could not be determined; (b) snail-paced implementation of various infrastructure projects due to lack of proper monitoring by the Municipal Planning and Development Coordinator and the Municipal Engineer in violation of Sections 476(b.4) and 477(b.3) of R.A. No. 7160 thereby delaying enjoyment of benefits therefrom; (c) unreconciled subsidiary ledger balances of Construction-in-Progress accounts with the budget records; and (d) unsubmitted vouchers and supporting documents required for technical evaluation and inspection of infrastructure projects.

We recommended that the:

- a. Local Chief Executive (LCE) (i) reevaluate, through the Municipal Engineer and Municipal Planning and Development Coordinator (MPDC), the number of infrastructure projects which were identified to be undertaken “by administration” and assess whether the Municipality’s limited manpower as well as the technical capability to undertake is sufficient to allow project implementation and completion within the time schedule; and (ii) weigh the advantages and disadvantages of a “by administration” scheme and straight contracting and thereafter consider which is better without sacrificing the timely delivery of basic services and facilities needed by the public;
- b. Municipal Engineer and the MPDC (i) reevaluate and complete the list of infrastructure projects in the monitoring report and provide all the minimum required information on the implementation of each project; and (ii) immediately submit to the Audit Team the consolidated status report/information of all the infrastructure projects started, completed and still on-going as of December 31, 2019;

- c. Municipal Accountant and the Municipal Budget Officer, in coordination with the Municipal Engineer, reconcile their records to determine the total cost incurred for each project;
 - d. Municipal Engineer (a) hasten the implementation of the infrastructure projects and make sure that all projects are strictly monitored and implemented in accordance with plans and schedules; and (b) immediately submit the documents required for technical evaluation and inspection;
 - e. Municipal Mayor, MPDC and the Municipal Engineer evaluate the programs and projects with remaining appropriations as of December 31, 2019, recommend to the Local Development Council reprogramming of those which the municipal government will no longer be able to implement due to causes not attributable to the fault or negligence of the municipal government and its officials, determine unexpended balances of completed projects and recommend to the Local Finance Committee the re-appropriation of said balances to fund other priority programs and projects of the municipal government;
 - f. MPDC and the Local Development Council establish priorities during investment programming and include in the Annual Investment Program only those programs and projects which are feasible, specifically identified and with resource requirements that are based on duly approved POWs and Detailed Cost Estimates; and
 - g. LCE, ME and MPDC strictly comply with the guidelines of COA Circular No. 2013-004 regarding information and publicity of PPAs.
9. Audit disallowance amounting to ₱3,740,000.00 which have become final and executory was not recorded in the books of accounts and remained unsettled as of December 31, 2019 contrary to the provisions of Sections 7.1 and 7.2 of COA Circular No. 2009-006 dated September 15, 2009.

We recommended that a) the Municipal Mayor require the full settlement of the disallowance; and b) the Municipal Accountant transmit the proof of settlement of ND to the Audit Team for issuance of NSSDC and henceforth, ensure that all NDs covered with NFD are promptly recorded in the books of accounts.

Status of Implementation of Prior Year's Audit Recommendations

Of the 17 audit recommendations contained in the 2018 Annual Audit Report (AAR), five (5) were partially implemented and twelve (12) remained unimplemented.