

EXECUTIVE SUMMARY

Introduction

Many stories tell about how the town got its present name – that of “Abelnan”, a legendary tree belonging to the gods and “A Boar Land” as the place was once haven of wild boars. The most popular is the story of one American who, standing in the midst of the forest, was amazed at the sight of so many wild boars that he exclaimed, “This is a boar land!” From then on, the place was called “a boar land”. With the passing of time, it was changed to Aborland and finally at present it is now known as Aborlan.

Aborlan was officially created as a municipality on June 28, 1949 by virtue of Executive Order No. 232 under the presidency of President Elpidio Quirino of the Republic of the Philippines.

Aborlan is a first-class municipality and situated on the central portion of the island of Palawan. The seat of the municipal government is located 70 kilometers southeast of Puerto Princesa City. It is bounded on the north by Puerto Princesa City, on the south by the Municipality of Narra, on the southwest by the Municipality of Quezon and on its east by Sulu Sea and west by West Philippine Sea. Stretching to an area of 80,733 hectares, the Municipality is divided into nine coastal barangays and ten non-coastal barangays. It has total population of 35,091 according to 2015 census.

The Municipality of Aborlan serves as the gateway to the southern municipalities. It is accessible from the major growth centers of the province through the Palawan South National Road extending from Puerto Princesa City down to the Municipality of Brookes’ Point and Bataraza via Aborlan. It is the only town in the province with an agricultural college, now called the Western Philippines University.

Financial Highlights

For CY 2019, the Municipality of Aborlan generated a total income of ₱257,597,234.73 from local taxes, permits and licenses, service and business income and Internal Revenue Allotment. The total funds utilized for the current year amounted to ₱202,246,570.06 or 52.95% of the total appropriations of ₱381,955,408.15.

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	₱827,401,479.83	₱711,636,074.48	₱115,765,405.35
Liabilities	279,366,363.10	249,956,769.47	29,409,593.63

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Equity	548,035,116.73	461,679,305.01	86,355,811.72
Income	257,597,234.73	220,356,229.65	37,241,005.08
Expenses	180,241,329.17	164,433,995.22	15,807,333.95

Scope of Audit

The Audit Team conducted financial and compliance audits on the accounts, transactions and operations of the Municipality of Aborlan 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 Aborlan 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 ₱22,498,163.08 or 9.60% of the total PPE of ₱234,356,689.66, excluding construction in progress accounts and incomplete physical inventory of the remaining PPE of ₱211,858,526.58 or 90.40% 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) Inventory Committee prioritize the completion of the physical inventory count and submit RPCPPE to the Audit Team; (b) require the GSO to exert diligent effort in the retrieval of the PPE records, reconstruct the property cards and thereafter, maintain and establish a database of all PPE of the Municipality to facilitate its reconciliation with accounting records and RPCPPE; (c) require the Municipal Accountant to (i) maintain the

RPLC indicating therein the basic information about the real properties owned by the Municipality; (ii) record PPE based on its individual cost and not on the total acquisition cost; and (iii) recompute the Accumulated Depreciation-Local Road Network account with no salvage value on the Road Network account in compliance with Part IV.14. of COA Circular No. 2015-008; and (d) upon completion of the physical count by the Inventory Committee, require the GSO to initiate the proper disposal of all obsolete and unserviceable properties.

We further recommended that the Municipal Accountant and the GSO provide adequate description of the PPE in their respective reports/records.

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

1. The Municipality failed to fully implement the programs and projects funded out of the 20% Development Fund, registering a rather low utilization rate of 19% for total obligations of ₱21,473,811.58 out of ₱112,011,231.04 appropriations, thus depriving the constituents of the benefits that could be derived from the development projects had they been implemented.
 - a) The 20% Development Fund continuing appropriations balance in the Status of Appropriations, Allotment and Balances (SAAOB) as at December 31, 2019 was understated by ₱37,380,857.99.
 - b) Of the 35 Programs, Projects and Activities (PPAs), only three PPAs or 9% are completed, fifteen or 43% are ongoing and 17 or 48% are not yet started.
 - c) Prior Sangguniang Bayan (SB) approval is required for all projects under Executive Budget before project implementation because the projects were not specifically described and without sufficient details.

We recommended that the Municipal Mayor:

- a. Maximize the utilization of the 20% Development Fund by speeding up the implementation of the prioritized programs, projects and activities to achieve desirable socio-economic developments and environmental outcomes;
- b. Ensure that coordination among officials involved in planning, execution and monitoring of PPAs is being undertaken to achieve desired level of outcome;
- c. Instruct the Municipal Planning Development Officer to immediately look into the status of the unimplemented developmental projects, identify causes of non-implementation and develop feasible and specific solutions to effectively implement the projects;
- d. Instruct the Municipal Budget Officer to review the balances of the 20% Development Fund of prior years and initiate appropriate action for inclusion of

the same in the Status of Appropriation Allotment Obligation and Balances for proper implementation and monitoring; and

- e. Ensure that a more detailed local development plan and annual investment plan are prepared for the priority development projects funded out of the 20% DF, such that programs and projects are specifically identified and provided with complete information including sufficient description, cost allocation and project location.

We further recommended that the Sangguniang Bayan limit requiring prior approval on the implementation of PPAs that are already included in the approved Annual Budget to only those described in generic terms.

2. Various minimum criteria in operating the controlled dumpsites were not met by the Municipality in violation of Rule XIII 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 posing health hazards and environmental risks.

We recommended that the Municipal Mayor, through the MENRO to:

- a. Ensure proper soil cover of the wastes daily to avoid foul odor and hazardous effects;
 - b. Maintain a logbook to record data on daily weights or volume of wastes and occurrences such as fires, flooding, accidents and other unusual occurrences and other relevant information pertaining to the disposal site;
 - c. Formulate appropriate policy and/or regulation on authorized waste picking at the disposal site to ensure proper control and order while they are inside the site;
 - d. Construct monitoring wells at strategic locations of the dumpsite to monitor the quality of groundwater supply;
 - e. Ensure to carry out the activities listed yearly in the SWMP for CYs 2018-2028, particularly the improvements pertaining to perimeter fence and access roads to address the deficiencies noted; and
 - f. Amend or revise the SWMP accordingly to include installation/rehabilitation of drainage in the disposal site and provide an appropriation for that purpose.
3. The Municipality failed to execute lease contracts for its 173 market stallholders as at December 31, 2019 due to absence of provision therefor in the 2018 Revised Revenue Code thereby causing difficulty in enforcing civil remedies in case of default and may expose the Municipality to legality and regularity issues.

We reiterated our recommendation that the Municipal Mayor, with the help of the Market Supervisor, execute lease contracts agreements with all the market stallholders.

We recommended that the Market Committee review the terms and conditions stipulated in the contract of lease and ensure it conformity with the provisions of the Revenue Code.

We recommended that the Sangguniang Bayan revisit and amend the Revenue Code to include a provision requiring all lessee awarded with market stalls to enter into a contract of lease with the Municipality to protect its interest.

4. The Market Committee failed to cancel the lease contract of six (6) stallholders who failed to pay the rental fees for two (2) or more consecutive months and sub-leased their stall/space to third party contrary to Sections 5A.04 (a) and 5A.06 (d) of the Revenue Code, respectively, thus 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 Sections 5A.04(a) and 5A.06(d) of the Revenue Code; (b) declare the stalls vacant for adjudication to any willing and interested applicant.

We recommended that the Sangguniang Bayan revisit and amend the Revenue Code to include provision for penalties and remedies in case of abandonment or cessation of business activity by the stallholders occupying either government-constructed or privately constructed stalls.

5. The Municipality did not implement sound internal control in safeguarding its Disaster Response and Rescue Equipment and relief goods as manifested by insufficient records and reports such as Property Cards, Stock Cards, reconciliation report and lack of full time staff in the Office of the MDRRMO in violation of Section 124 of Presidential Decree (PD) No. 1445 and Paragraph VI of COA Circular No. 2014-002 dated April 15, 2014 thus, proper disposition and monitoring of rescue equipment and relief goods cannot be attained affecting its readiness in responding to the needs of the constituents in times of calamity.

We recommended that the Municipal Mayor:

- a. Through the LDRRMO and GSO, implement sound internal control at the LDRRM Office by maintaining stock cards, property cards, Acknowledgement Receipt for Equipment and Inventory Custodian Slip, reconciliation of records with that of accounting records, and logbook for better transparency, efficiency and accountability in the receipt and disposition of disaster risk reduction and management equipment and inventories; and

- b. In coordination with the Members of the MDRRM Council, come up with the solution to satisfy the personnel requirement, preferably permanent in status, as required under Section 12 of R.A. No. 10121 without prejudice to the accounting, auditing, budgeting, and civil service rules.

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 fourteen (14) audit recommendations embodied in the 2018 Annual Audit Report, four (4) were fully implemented; four (4) were partially implemented while the remaining six (6) were not implemented by the Municipality.