

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Rosario was the only town established by the Augustinian Missionaries. It was reorganized on June 9, 1902 by a council of town citizens and acknowledged by the American Civil Government in Act No. 958 enacted on October 23, 1903.

The Municipality is situated in the fourth district of Batangas having a total land area of 22,526 hectares comprising of 48 barangays. It was considered a first class municipality on January 28, 2002 under Memorandum Circular No. 01- (M) 12 issued by the Department of Finance.

The Municipality maintains books for the General Fund, Special Education Fund and Trust Fund. It operates market, slaughterhouse and cemetery for its economic enterprise.

The Municipality of Rosario, Batangas has the following Mission and Vision:

Mission

To improve the quality of life of the people of the City of Rosario, Batangas, through sustainable development with equity.

Vision

The Municipality of Rosario, the premiere center of Eastern Batangas for commerce, agri-industry, sustainable forest management, agri-eco-tourism, and agricultural production with God-loving and empowered community, dynamic and self-reliant economy, enjoying viable natural environment and livable human settlements with sufficient infrastructure governed by the principle of sustainable development with equity.

The organizational structure of the Municipal Government of Rosario is as follows:

a. Key Officials

Municipal Mayor	Hon. Manuel B. Alvarez
Vice Mayor	Hon. Leovigildo K. Morpe
Members of the Sanggunian	Hon. Anatanacio G. Zara Hon. Angelito M. Gulfo Hon. Angel B. Alvarez Hon. Aldwin G. Garcia Hon. Arnold T. Austria Hon. Christopher A. Conti Hon. Marilou V. Magdangal Hon. Edward B. Aguilar

Hon. Isagani C. Laroza
(ABC President)
Hon. Herman Paolo Castillo
(SK Federation President)

Municipal Accountant

Ms. Guilliane B. Arias

Municipal Treasurer

Ms. Carina I. Sulit

b. Number of Personnel Complement

Elective Officials	12
Permanent	208
Job Order	210
Co Terminus	9
Temporary	5
Vacant	<u>10</u>
Total	<u>454</u>

B. Financial Highlights

For the Calendar Year (CY) 2021, the Municipal Government of Rosario generated revenue of ₱434,789,486.17 sourced from local taxes, Internal Revenue Allotment (IRA), service, business and other sources of income. Total current appropriations/allotments were ₱517,229,586.39, of which ₱398,172,262.28 or 76.98 per cent was obligated during the year, thus leaving an unexpended balance of ₱119,057,324.11 or 23.02 per cent. While continuing appropriations was ₱145,403,575.44 of which ₱87,564,900.05 was obligated with a balance of ₱57,838,675.39.

The total assets, liabilities, equity, income and expenses of the Municipality for CYs 2021 and 2020 are as follows:

	2021	2020	Increase/Decrease
Assets	₱893,164,968.38	₱865,569,762.68	₱27,595,205.70
Liabilities	151,609,224.14	172,879,377.73	(21,270,153.59)
Equity	741,555,744.24	692,690,384.95	48,865,359.29
Income	434,789,486.17	420,733,888.49	14,055,597.68
Expenses	381,803,253.01	327,642,089.24	54,161,163.77

C. Scope and Objectives of the Audit

The audit covered the accounts and operations of the Municipal Government of Rosario, Batangas for the period January 1 to December 31, 2021. The objectives of the audit are to (a) verify the assurance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; (c) determine compliance with existing laws, rules and regulations; and (d) determine the extent of implementation of prior year's audit recommendations.

D. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Rosario, Batangas due to the following:

1. The reliability and existence of the Property, Plant and Equipment (PPE) accounts with total recorded cost of ₱731,175,275.51, gross amount excluding Construction in Progress account, was not ascertained due to the failure of the Municipality to conduct the actual physical count of its PPE and prepare required reports thereof, contrary to Paragraph 27 of International Public Sector Accounting Standards (IPSAS) 1 and Section 124 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Chapter 7, Volume 1, thus affecting the fair presentation of the reported PPE account balances in the financial statement;
2. Despite previous years' recommendations, the Municipality still failed to prepare and submit Monthly Bank Reconciliation Statements (BRS) for the General Fund; discrepancies among the balances of the bank accounts appearing in the accounting, treasury and bank records were once more noted and stale checks under the Special Education Fund and Trust Fund were still not cancelled, contrary to Section 74 of Presidential Decree (PD) No. 1445, Section 3.2 of COA Circular No. 96-011 dated October 2, 1996 and Section 59, Chapter 3, Volume III of the New Government Accounting System (NGAS) Manual for Local Government Units, thus rendering the accuracy and reliability of the balances of the Cash and Cash Equivalent accounts of ₱235,024,539.09 at year-end doubtful.

For the exceptions cited above, we recommended that the Municipal Mayor:

1. a. reconstitute an Inventory Committee for the conduct of complete and detailed physical count of all the Municipality's properties taking into account the provisions mandated under Paragraph 27 of IPSAS 1, Section 124 of MNGAS, COA Circular No. 2020-006, particularly on the one-time cleansing of PPE accounts and the provisions stated under Section 122 (2) of PD 1445;
- b. require the Inventory Committee, Office of the Municipal Accountant and the Designated GSO to work coordinately on the conduct and completion of the one-time cleansing of PPE accounts and include also the inspection of transferred infrastructure projects from the DPWH to be led by the Municipal Engineer;
- c. order the Office of the Municipal Accountant to prepare Property Ledger Cards for all PPEs;
- d. require the Office of the Designated GSO to prepare Property Cards and ARE for all PPEs; and
- e. consider the appropriation of funds in the ensuing year for filling up the position of the GSO to address the recurring issues on property management of the Municipality.

We also recommended that the Sangguniang Bayan consider the request of the Office of the Mayor for the creation of positions for the General Services Office.

2. reiterated that the Municipal mayor to instruct:

- Municipal Accountant to:
 - a. prepare and submit the year-end BRS for all bank accounts within the prescribed period to the Audit Team for review and verification to establish the correct balances of the bank accounts of the Municipality with its depository banks and to detect immediately fraud/irregularities in the use of cash resources, if any and as mandated under Section 122 of PD No. 1445;
 - b. make a detailed verification and effect the necessary corrections on the discrepancies in the bank accounts appearing in the books with those of the Treasury and bank records; and
 - c. adjust immediately all reconciling items, either in the books of the Municipality or the depository banks, which should be properly notified, to avoid accumulation thereof.
- Municipal Treasurer to send written notice to the payees of the existence of the stale checks for replacement, if applicable, and comply with the procedures in the handling of stale/spoiled checks as stated in Section 59 of the NGAS Manual Volume III.
- Municipal Accountant and Municipal Treasurer to work rigidly and immediately determine the cause/s of the difference between their records and reconcile them.

The other significant observation and recommendation in the audit of the Municipal Government of Rosario for CY 2021 is summarized as follows:

1. Due to the absence of complete and specific description/identification on both records, units of Motor Vehicles listed on the Schedule of Depreciation Expense of the Municipal Accounting Office and List of Motor Vehicles provided by the General Services Office, could not be reconciled contrary to Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1, thereby affecting the fair presentation of the Motor Vehicles' balances of ₱91,163,711.11 as of year-end.

We recommended that the Municipal Mayor require the:

- a. Municipal Accountant to review all recorded units of motor vehicles and reclassify to appropriate account (e.g., Construction and Heavy Equipment or Other Transportation Equipment accounts) if warranted.
- b. General Services Officer to:

- locate the supporting documents of the 104 units of vehicles and accordingly verify their specific description, acquisition costs and owner to tally records with the Accounting;
 - present for inspection to the Audit Team the remaining 57 units listed on the List of Motor Vehicles;
 - secure immediately the documents pertinent to the registration of the municipal vehicles and process the transfer of name to the Municipal Government, if applicable;
 - exert all efforts for the yearly renewal of registration of all motor vehicles;
 - prioritized the process of obtaining the corresponding red plate number for the motor vehicles of the Municipality to ensure proper handling and maintenance of the property as required by existing regulations; and
 - separately report those items that should be taken up under Construction and Heavy Equipment accounts from the List of Motor Vehicles.
- c. Municipal Accountant and the General Services Officer to:
- reconcile respective records bearing in mind the proper classification and right details of the items listed on both records;
 - provide complete and definite details regarding each item such as brand, plate number or other distinguished feature of the vehicles being logged on each record to facilitate ease of reconciliation; and
 - locate documents pertaining to the donated motor vehicles and take up its fair value on the books of accounts for computation of depreciation.

The foregoing observations and recommendations in Part II of this report were discussed in an exit conference conducted with the concerned Municipal officials and employees on June 14, 2022. Management's views and comments were considered in the Report, where appropriate.

E. Status of Implementation of Prior Years' Audit Recommendations

Of the 129 audit recommendations embodied in the CY 2020 and prior years' Annual Audit Reports, 21 were fully implemented, 35 were partially implemented while the remaining 73 were not implemented by the Municipal Government of Rosario, Batangas.