

EXECUTIVE SUMMARY

Introduction

The Municipality of Naic is a coastal town located at the western part of the Province of Cavite along the shorelines of Manila Bay. It is bounded on the north by Manila Bay and Municipality Tanza, on the east by Trece Martires City, on the south by the Municipalities of Indang and Maragondon and on the west by the Municipality of Ternate and Manila Bay. It is a first class municipality with a total land area of 8,600 hectares and is comprised of 30 barangays.

As mandated under Republic Act No. 7160, otherwise known as the Local Government Code of 1991, the Municipality of Naic shall endeavor to be self-reliant and shall continue to exercise the powers and discharge the duties and functions currently vested upon it, discharge the delegated functions and responsibilities of national government units devolved to it and exercise such other powers and discharge such other functions and responsibilities as necessary, appropriate or incidental to efficient and effective provisions of basic services and facilities.

Organizational Structure

The organizational structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor - Hon. Junio C. Dualan
Vice-Mayor - Hon. Rogelio H. Pangilinan

Members of the Sangguniang Bayan:

1. Hon. Anita M. Carta
2. Hon. Maximo F. Dagasdas
3. Hon. Cesar V. Loyola, Jr.
4. Hon. Cesar Ryan G. Nazareno
5. Hon. Nikko V. Pagdanganan
6. Hon. Sofia M. Poblete
7. Hon. Raul B. Villar
8. Hon. Ferdinand S. Wakay
9. Hon. Roger N. Camilo – ABC President

Municipal Planning and Dev't. Coordinator - Engr. Joel D. Antonio
Municipal Local Registrar - Ms. Gloria P. Bago
Municipal General Services Officer - Ms. Annaliza M. Maranan
OIC-Municipal Budget Officer - Ms. Melissa E. Dumalag
Municipal Accountant - Ms. Susan S. Martin
OIC-Municipal Treasurer - Ms. Edenlita V. Mojica

Municipal Assessor - Ms. Carolina E. Espineli
 Municipal Health Officer - Dr. Susan Anselmo-Se
 Municipal Social Welfare and Dev't. Officer - Ms. Cristina P. Ilagan
 Municipal Agricultural Officer - Ms. Leonila M. Flores
 Municipal Engineer - Engr. Rona M. Dela Cruz
 Mun. Environment & Natural Resources Officer - Ms. Evangelina P. Pangilinan
 Municipal Human Resource Management Officer - Ms. Divinia B. Tolentino

b. Personnel Complement

Permanent	153
Temporary	1
Elective Officials	11
Co-Terminus	<u>4</u>
Total	<u>169</u>

Financial Highlights

For the Calendar Year (CY) 2017, the Municipality of Naic, Cavite generated a total income of ₱322,947,774.45 from local taxes, permits and licenses, service and business income, internal revenue allotment and subsidies from national government and other local government units. Out of the total appropriation of ₱270,000,000.00, the amount of ₱190,354,198.76 was obligated for the year, leaving a balance of ₱79,645,801.24.

The total assets, liabilities, government equity, income and expenses for CY 2017 are as follows:

	2017	2016	Increase/ (Decrease)
Total Assets	₱ 679,415,355	₱ 525,671,382	₱ 153,743,973
Total Liabilities	151,613,987	126,081,217	25,532,770
Total Equity	527,801,368	399,590,165	128,211,203
Total Income	322,497,774	239,986,315	82,511,459
Total Expenses	194,407,085	163,409,764	30,997,321

Scope of Audit

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality of Naic, Cavite for Calendar Year 2017. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality to laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

Audit Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality due to the following observations:

1. There were unreconciled variances between the inventory reports and the accounting records of Investment Property in the amount of ₱1,822,675.30 and Property, Plant and Equipment (PPE) accounts in varying amounts that cast doubt on the validity and correctness of the year-end balances of these two accounts that comprised 47.47 percent of the Municipality's total assets as of December 31, 2017.
2. The valuation of 40 parcels of land and 13 road lots owned by the Municipality was still based on the assessed value, contrary to PPSAS 17, thus, understating the Land and Infrastructures Assets - Road Network accounts by ₱133,606,167.60 and ₱12,640,475.00, respectively, as of year-end of CY 2017. Moreover, two donated lots were not recognized in the books of accounts resulting in the understatement of the land account in the amount equivalent to the fair value of the lots at the time of donation.
3. The accuracy of the Real Property Tax (RPT) and Special Education Tax (SET) Receivables and its reciprocal accounts Deferred RPT and SET Income of ₱14,038,907.00 and ₱14,357,776.93, respectively, at year-end of CY 2017 could not be established with reasonable certainty as the amounts were based on the real property assessments prepared by the Municipal Assessor and not on the certified list of taxpayers with taxes due and collectible that should be prepared by the Municipal Treasurer as required under Section 20 of the Manual on NGAS for LGUs, Volume I.
4. Progress billings for on-going constructions amounting to ₱5,810,301.61 were directly recorded to the specific asset accounts instead of Construction-in-Progress account with corresponding charges to accumulated depreciation of ₱462,285.33, thus, overstating the asset, understating the Construction-in-Progress and overstating the accumulated depreciation as of year-end of CY 2017 by the same amounts, respectively.

Significant Observations and Recommendations

For the deficiencies cited above, we recommended that the Municipal Mayor direct:

- a. the General Services Officer and Municipal Accountant to continue their efforts in reconciling the noted variances to establish the reliability of the balances of the PPE accounts reflected in the financial statements;
- b. the Municipal Accountant and the General Services Officer to reclassify the road lots from Land account (1-07-01-010) to Infrastructure Assets - Road Network (1-07-03-010) account in conformity with COA Circular No. 2015-008; drop from the Land account and the RPCPPE the lot owned by the Provincial Government of Cavite with assessed value of ₱10,800.00 erroneously recorded in the books of accounts and the RPCPPE of the Municipality; adjust the recorded value of land and road lots base on acquisition cost and/or fair value as provided under PPSAS 17 for fair presentation of the land account in the financial statements and request the assistance of the appraisal committee in establishing the fair value of the two donated lots at the time of donation for proper recognition in the books of accounts;
- c. the Municipal Accountant and OIC-Treasurer to strictly comply with the provisions of Section 20 of the Manual on NGAS for LGUs, Volume I to be able to establish with certainty the reported Real Property Tax Receivable and Special Education Tax Receivable (RPT/SET Receivable) as of year-end; and the OIC-Municipal Treasurer to reconcile her records with that of the Assessor's Office to determine ownership and completeness of recorded properties and thereafter do the necessary updating.
- d. the Municipal Accountant to record the payment for partial accomplishments of on-going infrastructure projects to Construction-in-Progress account and debit the appropriate asset account only upon completion and acceptance of the same. Likewise, start the computation of allowance for depreciation and depreciation expenses using the estimated useful life provided under COA Circular No. 2003-007, only when the asset is already available for use, in conformity with PAG3 and PAG5 on PPSAS 17.

Other significant observations and recommendations in the audit of the Municipality for the year 2017 are as follows:

1. Four lots purchased by the Municipality at a total cost of ₱16,998,400.00 and two donated lots still remained under the name of the previous owners several years after they were purchased/donated thus, the risk of third party claim and payment of penalty and charges for late registration.

We reiterated our previous year's recommendation that the Municipal Mayor direct:

- a. the Municipal Assessor to coordinate with the Bureau of Internal Revenue (BIR) and the Cavite Provincial Treasurer's Office to determine the amount of taxes due and the possibility of entering into compromise agreement as to payment of penalties and surcharges;
- b. the Municipal Accountant and the General Services Officer to ensure that the Deed of Sale provides for the payment of taxes and other expenses related thereto and that all other pertinent documentary requirements for the titling of lands are promptly processed and submitted to the BIR and Register of Deeds, respectively;
- c. the Municipal Budget Officer to allocate funds for the titling of lands owned by the Municipality;
- d. the Municipal Assessor and General Services Officer to facilitate the immediate transfer of title of the 4 procured lots and 2 donated lots in the name of the Municipality.

We also recommended that verification as to the timeliness in the payment of taxes and other related expenses be made in order to avoid penalties and charges. In case of delays and incurrance of penalties and charges due to late payments, responsible officials/employees shall be personally held liable and be made to pay the same on their personal account.

2. Business taxes of ₱59,370.61 were not collected in CY 2017 from three suppliers/contractors, with business address in the Municipality of Naic that under declared their gross sales/receipts from their transactions with the Municipality in CY 2016 by as much as ₱12,327,239.68. Moreover, non-adoption of the provisions of DOF-Local Finance Circular No. 3-95 resulted in under assessment of business tax from construction contractor by ₱9,159.04.

We reiterated our recommendations that the Municipal Mayor direct the:

- a. The Municipal Treasurer's Office/Business Permit and Licensing Office (BPLO) to require business taxpayers to submit Sworn Statement of Gross Receipts or Sales for all their transactions for the proceeding year and other pertinent records/information for the determination of their gross receipts;
- b. The Municipal Accountant to submit to the Municipal Treasurer/BPLO a list of payments made to contractors/suppliers who transacted business with the municipal government in the preceding calendar year to serve as

one of the bases in the assessment of business taxes in the current year;
and

- c. The Municipal Treasurer/BPLO assess the gross receipts of the three sample contractors/suppliers and validate the reported under collection totaling ₱59,370.61 and enforce the collection of underpayment including penalties and surcharges, if applicable, pursuant to the rates provided in the 2014 Revised Revenue Measures of the Municipality of Naic. Absence of documented action or information to counter the under collection shall mean issuance of corresponding Notice of Charge.

We also recommended the Municipality to consider the adoption of the provisions of DOF-Local Finance Circular No. 3-95 in the revision of the Municipality's Revenue Code.

3. The GAD Database that will support the Municipality's GAD planned programs, projects and activities was not yet in place as of CY 2017, contrary to Item 4.B.1 of the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus, there was no assurance that the existing gender issues and concerns within the Municipality were properly addressed.

We reiterated our recommendation that the Municipal Mayor direct the Municipal Planning and Development Coordinator (MPDC) to expedite the establishment of the GAD Database to ensure that GAD formulated policies, programs, plans and activities are gender-responsive and address gender issues and concerns within the Municipality and facilitate the monitoring of the improvement of status or changes in the condition of men and women within the Municipality.

4. The Naic Grand Central Terminal constructed thru loan availment in the amount of ₱66,700,101.93 with Land Bank of the Philippines continuously failed to meet its income projections for Calendar Years 2014 to 2017, thereby, resulting in the Municipal Government having to appropriate certain amounts from the General Fund to answer the amortization payments for the said loan.

We recommended that the Municipal Mayor create a committee that maybe headed by the Municipal Accountant to examine what could be the possible causes for the non-attainment of the target revenues of the NGCT project by comparing the conditions and projections in the feasibility study with the actual situation and outcomes and appropriately address them in order to make the project viable and adequately or earn more than enough to pay off the loan used to finance the implementation of the same.

Status of Implementation of Prior Year's Audit Recommendations

Of the 30 audit recommendations embodied in the 2017 Annual Audit Report, 12 were fully implemented, 6 were partially implemented and the remaining 12 were not implemented by the Municipality.