

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Calaca was created on May 10, 1835 and it is known for its people's courage and industry. It is located on the western part of Batangas Province and bounded on the north by the Province of Cavite and Municipality of Nasugbu, on the east by Municipalities of Lemery and Laurel, on the south by Balayan Bay and on the west by Municipalities of Balayan and Tuy.

The Municipality of Calaca is a first class municipality in the Province of Batangas with a total land area of 11,270.94 hectares, total population of 64,966 and politically subdivided into 40 barangays.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	Sofronio Manuel C. Ona
Municipal Vice-Mayor	Renante L. Macalindong
Members of the Sanggunian	Hon. Michael Jones C. Salazar Hon. Emelyn D. Alcazar Hon. Igmidio R. Pastoral Jr. Hon. Romeo T. Alamag Hon. Maria Vicente L. Vidal Hon. Divina A. Opelanio Hon. Jerry Raphael I. Katigbak Hon. Orlando E. Noche Hon. Felipe V. Gatdula
Municipal Accountant	Marites S. Aristo
Municipal Treasurer	Milagros V. Tenorio

b. Number of Personnel Complement

Permanent	104
Contractual	339
Elective Officials	11
Coterminous	7

FINANCIAL HIGHLIGHTS

The funds of the Municipality of Calaca for Calendar Year 2016 totaling P441,431,633.15 were sourced from local taxes, permits and licenses, service and business income, and internal revenue allotment. To carry out the programs, projects

and activities of the Municipality, the total appropriations and allotments for Calendar Year 2016 totaled ₱561,999,045.69 in addition to ₱72,159,637.69 continuing appropriations while the obligations at the end of the year amounted to ₱377,443,587.78.

The total assets, liabilities, equity, income and expenses for Calendar Year 2016 are as follows:

	CY 2016	CY 2015	Increase/ Decrease
Total Assets	₱1,006,341,358.74	₱800,007,986.00	₱206,333,372.74
Total Liabilities	489,211,635.78	490,709,349.00	(1,497,713.22)
Total Equity	517,129,722.96	309,017,499.00	208,112,223.96
Total Income	441,431,633.15	354,517,628.00	86,914,005.15
Total Expenses	259,872,223.56	236,439,816.00	23,432,407.56

SCOPE OF AUDIT

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality of Calaca, Batangas for Calendar Year 2016. It included analysis of accounts of the financial statements, review of transactions and test of compliance with financial rules and regulations. The objectives of the audit are to ascertain the fairness and reliability of the municipality's financial position and results of operations, and to determine whether the operations were conducted in compliance with applicable laws, rules and regulations.

AUDIT OPINION

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

1. The accuracy, completeness and existence of Property, Plant and Equipment accounts balances shown in the municipality's financial statements amounting to ₱670,664,215.87 net of depreciation or book value of ₱828,585,680.28 were doubtful due to the discrepancy with the physical count totaling ₱228,901,998.93. Also, the materiality of the variance was contrary to the LGUs' commitment to promote good governance which is fundamentally accountability and transparency in the use of public funds. Moreover, 25 percent Infrastructure Assets – Road Networks has not yet been recognized in the books of accounts as of December 31, 2016 contrary to COA Circular No. 2015-008 and understated the reported property, plant and equipment and related accounts by undetermined amount.
2. Bank Reconciliation Statements of the Municipality showed stale checks for more than one year but not yet cancelled amounting to ₱8,709,984.60 that understated Cash in Bank and Accounts Payable accounts.

3. The Receivables totaling ₱670,698.51 remained outstanding in the books for more than five years, thus rendering the accounts unreliable.
4. Expenses totaling ₱8,006,466.37 incurred for food, office supplies, water bills and honorarium were charged to Other Maintenance and Operating Expenses (OMOE) account instead to the proper expense accounts contrary to COA Circular No. 2015-009, thus, affects fair presentation of the financial statements.
5. Land purchased totaling ₱8,480,405.00 was not yet transferred and remained untitled in the name of the Municipality thereby casting doubt on the legal rights on its possession, utilization or development and at risk of third party claim.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exceptions cited above, we recommended that the:

- a. We recommended that the Local Chief Executive require:
 - The Inventory Team to conduct complete inventory-taking of all the LGU's properties and prepare the Report on the Physical Count of Property, Plant and Equipment to be submitted to the Auditor concerned not later than January 31 of each year; and
 - The Municipal Accountant and the GSO/Property Officer to maintain complete and updated PPE Ledger Cards and Property Cards, respectively, to facilitate the reconciliation of both records.
- b. We recommended that the Municipal Mayor instruct the Municipal Treasurer to effect the cancellation of the stale checks and the Municipal Accountant to make proper adjustments in the municipality's books of accounts to fairly present its financial statements as of December 31, 2016.
- c. We recommended that the Municipal Accountant and the Municipal Treasurer expedite the submission of the request for write-off of these dormant accounts to the Commission on Audit supported with Sangguniang Bayan Resolution requesting the same and certification as to extent of management validation on these accounts, aging schedule and available records pertaining to these dormant accounts, if any.
- d. We recommended that the Local Chief Executive instruct the Municipal Accountant to record expenses according to the corresponding accounts prescribed under the Revised Chart of Accounts for Local Government Units.

Likewise, we recommended that the Honorable Mayor require the Municipal Accountant to immediately submit the required documents noted therein and to stop the practice of paying disbursement vouchers with incomplete

supporting documents. Strict compliance with Section 4(6) of PD 1445 is highly recommended.

- e. We recommended that the Municipal Mayor cause the production of all legal documents from the Office of the Municipal Assessor for the issuance of Tax Declaration in the name of the Municipality and the Land Registration Authority/Register of Deeds for the issuance of an appropriate Certificate of Title/Transfer Certificate of Title.

We also advised the Municipal Accountant to strictly comply with the requirements on the procurement of land as mandated in Section 13 of COA Circular No. 2012-001 and pertinent provision of Presidential Decree No. 1529. Ensure that all claims against government funds be supported with all the required documentations. Require submission of all lacking documents. Refrain from paying disbursement vouchers with incomplete supporting documents.

In addition, other significant audit observations and recommendations are summarized as follows:

1. Funds amounting to ₱2,003,599.07 remained outstanding in the Trust Liability accounts in the Trust Fund book for several years now due to continuous failure of the Municipality to remit to proper agencies or National Treasury as required under Section 122 of GAAM, Volume I and Sections 4.9 and 6.7 of COA Circular No. 94-013 dated December 13, 1994, hence, deprived the government of the benefits that could be derived from the use of these funds through other productive program/project.

We recommended that the Municipal Mayor instruct the Accountant and the Treasurer to evaluate the long outstanding Due to Other NGAs accounts amounting to ₱2,003,599.07 and effect appropriate disposition/return to the source agency or to the National Treasury pursuant to Section 122 of GAAM, Volume I and Sections 4.9 and 6.7 of COA Circular No. 94-013.

2. Procurement of motor vehicles totaling ₱3,355,000.00 were not supported with necessary documents contrary to Section 4(6) of PD 1445. Moreover, one of these vehicles worth ₱1,585,000.00, purchased for use of Municipal Disaster Risk Reduction Management Office (MDRRMO) was undertaken without the approved Annual Procurement Plan (APP), appropriated budget and in violation of Section 324 (d) of RA 7160 as amended by R.A. 8185. Thus, affecting the reliability of the municipal procurement system and creating doubts on the validity and propriety of the claims.

We recommended that the Local Chief Executive require the Municipal Accountant to submit the lacking documentation stated therein to ensure validity and propriety of this transaction, otherwise, the procurement shall not

be allowed in audit.

Likewise, we recommended that the Local Chief Executive require the Municipal Accountant, the Municipal Budget Officer and the members of the Bids and Awards Committee to explain why the procurement was made without sufficient budget and inclusion in the Annual Procurement Plan. In addition, we recommended that the defaulting supplier be responsible for the payment of the corresponding liquidated damages computed based on the number of delays incurred.

We also advised the Municipal Accountant to ensure that all claims against government funds are supported with all the required documentations as required in Section 4(6) of P.D. 1445. Refrain from paying disbursement vouchers with incomplete supporting documents.

We also recommended that all procurements to be undertaken for the year be included in the Approved Annual Procurement Plan supported with sufficient budget. Ensure that notice of bidding be given widest dissemination to encourage competitive bidders so that the Municipality can avail of the best quality at lowest cost of items procured.

3. Delay in the implementation of Bottom-up-Budgeting (BuB) project of the Municipality resulted in the loss of opportunity to avail of subsequent funds for the future, thus, affecting the efficiency and effectiveness of the Municipality in the delivery of programs/projects for the development of its constituents particularly the marginalized sector and also deprived its constituents of the immediate benefits that could be derived therefrom. Furthermore, payments were made despite lack of supporting documents which is not in accordance with DBM-DILG-NAPC Joint Memorandum Circular No. 6 and COA Circular No. 2012-001 thus, rendering the validity and propriety of the claims doubtful.

We recommended that the Municipality implement immediately program/projects under BuB projects for the development of its constituents. We also recommended that the Municipal Accountant strictly comply with the requirements set forth in the DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 6 and COA Cir. No. 2012-001. Ensure that all claims against government funds be supported with all the required documents. Require submission of lacking documents and refrain from paying disbursement vouchers with incomplete supporting documents.

4. Sections 2, 8 and 11 of the Contract of Lease between the Municipality of Calaca and stallholders were not strictly implemented thereby resulting in the accumulation of delinquent market fees totaling ₱6,687,256.00. Likewise, income from market and slaughterhouse operation amounting to ₱16,107,349.35 had decreased by ₱3,628,672.31 or 18.4% over last year's

₱19,736,021.66, thus, affects the effective and efficient performance of service to the public.

We recommended that the Local Chief Executive instruct the Municipal Treasurer and the OIC-Market Administrator to vigorously enforce the provisions of the Contract of Lease to collect the delinquent accounts amounting to ₱6,687,256.00, otherwise, file the necessary legal action against defaulting stallholders.

Likewise, we recommended that the Local Chief Executive and concerned municipal officials conduct review and evaluation of the public market operational performance. The ₱3,628,672.31 or 18.4% gross income decrease was a huge fallback of what was achieved in the previous year.

5. Procurement for infrastructure projects for Calendar Year (CY) 2016 totaling ₱106,241,067.10 was undertaken without the Project Procurement Management Plan (PPMP) and approved Annual Procurement Plan (APP), contrary to Section 7.1 and 7.3.2 of the Revised Implementing Rules and Regulations (IRR) of Republic Act 9184 thus, affecting the reliability of the municipal procurement system on infrastructure and the validity and propriety of the claims.

We recommended that the Municipal Mayor and other concerned officials stop the practice of procuring infrastructure without the approved Annual Procurement Plan and Project Procurement Management Plan. Otherwise, any procurement not included in the approved APP and PPMP shall not be allowed in audit.

Likewise, require all the department heads to prepare and submit their respective PPMP for their programs, activities and projects (PAPs) to support the submitted APP.

6. The 20 percent Development Fund of the Municipality for Calendar Year (CY) 2016 had an unutilized balance of ₱19,639,130.17 or 74 percent of the total statutory appropriation of ₱26,378,440.00, thereby depriving its constituents of the benefits from timely implementation of the planned priority development projects. Also, all projects but one listed in the Annual Investment Program under the development fund were in lump sum amounts or not itemized contrary to Article 454(d) of the same Implementing Rules and Regulations. Moreover, inspection conducted on the implemented projects showed that public notification of the PPA on its essential features/elements in the conspicuous places within the agency premises and in the project venue was not observed contrary to COA Circular No. 2013-004

We recommended that the Municipal Mayor ensure the efficient and effective utilization of the 20% Development Fund which is primarily intended to fund

projects that shall contribute to the attainment of desirable socio-economic development and environmental management outcomes. We further recommended that required development planning shall be observed particularly the enumeration of specific development projects or activities and the itemization of its appropriation. Likewise, the Municipality shall implement the provisions of COA Circular No. 2013-004 dated January 30, 2013 to publicize the projects/programs/activities or notify the public on its essential features/elements in the conspicuous places within the agency premises and in the project venue.

7. As of December 31, 2016 the Municipality's solid waste disposal facility remained a controlled dumpsite; its minimum requirements to operate were not strictly observed; mandate to establish Material Recovery facility were not yet implemented; the Municipal Ecological Management Board was not functional; the Ten-year Solid Waste Management Plan has not yet been approved; and planned sanitary landfill was not yet operational contrary to the provisions of RA 9003 otherwise known as the Ecological Solid Waste Management Act of 2000, its Implementing Rules and Regulations and DENR Administrative Order (DAO) No. 9, Series of 2006.

We recommended that the Municipality fully implement the provisions of Republic Act No. 9003 or "Philippine Ecological Solid Waste Management Act of 2000" that espouses on the implementation of the 3R or the reduce, reuse and recycle concept with focus on reduction of pollution and waste generation.

8. The LGU has not yet fully implemented the strategies of gender mainstreaming in its locality. Institutional mechanisms or processes such as establishment of GAD Database and mainstreaming gender in local development plans were not yet in place. Likewise, the GAD Plan and Budget implemented in Calendar Year 2016 were not reviewed and approved by DILG Provincial Office. Those were contrary to Joint Memorandum Circular No. 2013-01 and 2016-01 of Philippine Commission on Women, Department of the Interior and Local Government, Department of Budget and Management and National Economic and Development Authority. Moreover, the Municipality reported accomplishments totaling ₱8,412,954.52 was only 45% of the planned GAD activities amounting to ₱18,750,000.00 in the year.

We recommended that the Municipality pursue gender mainstreaming completely in the locality. Establish the GAD Database and mainstream gender perspectives in the local development plans to institutionalize the processes/mechanisms in the implementation of the Magna Carta of Women in the LGU. It was said policy and program were considered defective because of lack of attention to gender considerations and thus did not provide men and women equal opportunity to achieve a better life.

9. Failure of the Municipality to implement fully the program/projects under the 70% Mitigation Fund defeat the purpose to which it was created and depriving its constituents of the benefits that may be derived from the implementation of the project. Also, the unexpended balance of the Quick Response Fund and DRRMF-MOOE amounting ₱13,829,879.30 for the current year was not yet transferred to the Special Trust Fund under the Trust Liability – DRRM Account 438 in the Trust Fund book were not in accordance with Section 21 of the Philippine Disaster Risk Reduction and Management Act (PDRRMA) thus, understated the expense and liability accounts while those of the preceding years was not recorded in the subsidiary ledger by year, contrary to COA Circular 2012-002 dated September 12, 2012.

We recommended that the Municipal Mayor instruct the official concern to properly utilize the fund for the implementation of programs/projects under Local Disaster Risk Reduction Management Fund(LDRRMF) for the benefit of constituents particularly in the affected and vulnerable areas and to refer to Section 5.1.10 of COA Circular No. 2012-002 dated September 12, 2012 and Section 21 of Republic Act 10121 for the recording and reporting of LDRRMF and use of 30 percent and 70 percent calamity fund.

We also recommended the Municipal Accountant prepare subsidiary ledger by year for prior years' unexpended balances of the fund under the account Trust Liability – DRRMF and the Treasurer transfer the current year's unexpended balance of the QRF and Mitigation Fund at the end of the year.

10. The Special Education Fund (SEF) of ₱7,470,310.91 was disbursed for non-priority expenditures, contrary to Joint Circular No. 1 s. 1998 of the Department of Budget and Management (DBM), Department of Education, Culture and Sports (DECS) and Department of the Interior and Local Government (DILG) and Section 272 of the Local Government Code of 1991, hence depleted the fund for the purpose it was created.

We recommended that the Local School Board strictly comply with the provisions of Section 272 of RA 7160 and Joint Circular No. 01 s. 1998 of the Department of Budget and Management (DBM), Department of Education Culture and Sports (DECS) and Department of the Interior and Local Government (DILG) in order to ensure that Special Education Fund (SEF) will be utilized for the intended purpose and to promote quality education in every public schools in the Municipality of Calaca. The non-chargeable expenses are disallowed in audit and shall be refunded by the officials who allowed the incurrence of expenditures not included in the prioritized expenses.

The above observations and recommendations contained in the report were discussed with the concerned municipal officials and employees in an exit conference

conducted on June 8, 2017. Management's views and reactions were considered in the report, where appropriate. Those are presented in Part II of this report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 19 audit recommendations embodied in the 2015 Annual Audit Report, 10 were fully implemented, 6 were partially implemented and 3 were not implemented by the Municipality.