

EXECUTIVE SUMMARY

INTRODUCTION

Municipality of Taal, Batangas is a heritage town founded by Spanish Friars in 1572. The origin of the name Taal is not actually known, some old folks believe that the name was originated from the wild palm trees on the shores of the lake and along the banks of the Pansipit River known as Tal-an, while others believe it was derived from Taad, an old Batangueño term for sugar cane points.

The Municipality is a third class municipality, with total land area of 2,976 hectares consisting of 42 barangays, and part of the 1st Congressional District of Batangas. It is located in the north western part of the Province of Batangas, bounded on the north by the Municipality of San Nicolas, on the east by the Municipality of Sta. Teresita, on the south by the Municipality of San Luis, and on the west by the Municipality of Lemery.

Awards and Recognition

For Calendar Year 2016, the Municipality received various recognition and awards given by different government agencies as follows:

1. National Level

- Seal of Good Local Governance and Seal of Child Friendly Municipality given by Department of Interior and Local Government

2. Regional Level

- Most Number of Placed Special Program Employment of Student Beneficiaries and Most Number of Placed Walk-In Job Applicants given by Department of Labor and Employment, Region IV-A.
- Public Health Facility in the Province of Batangas with Highest Treatment Success Rate for Municipalities with 50,000 to 100,000 Population, and Public Health Facility with Best Performance in the External Quality Assessment in the Sputum Microscopy given by Department of Health, Region IV-A.

3. Provincial Level

- 2nd Place Best Booth Provincial Trade Fair, Best Performance in the External Quality Assessment in the Sputum Microscopy, and Municipality with Best Practices on Drugs and Supplies Management, all of which were given by Provincial Government of Batangas

ORGANIZATIONAL STRUCTURE

a. Key Officials

Municipal Mayor	Hon. Fulgencio I. Mercado
Municipal Vice-Mayor	Hon. Jovito M. Albufera
Members of the Sanggunian	Hon. Erwin I. Reyes Jr. Hon. June C. Manimtim Hon. Emerson Reyes Hon. Severiano C. Alcantara Hon. Ricky Villanueva Hon. Juanito B. Legaspi Jr. Hon. Maria Adelaida S. Baleros Hon. Nelson B. Casanova Hon. Felixberto C. de Leon
Municipal Accountant	Mr. Joselito Panganiban
Municipal Treasurer	Ms. Angelita Malaluan

b. Number of Personnel Complement

Permanent	95
Elective Officials	11
Coterminous	8
Temporary	1
Job Order	<u>149</u>
Total	<u>264</u>

FINANCIAL HIGHLIGHTS

For the Calendar Year (CY) 2016, the Municipality of Taal collected total revenue of ₱130,336,006.00, excluding Subsidy from National Government amounting ₱1,700,000.00, which is 11.09 percent higher than last year's collection of ₱117,325,134.50. Such increase attributed to share from Internal Revenue Allotment received from national government, and service and business income.

To carry out the projects, programs and activities of the Municipality, the appropriations and allotments for CY 2016 was ₱136,734,333.33 and the amount of ₱121,904,068.10 was obligated leaving an unexpended allotment of ₱14,830,265.23. Continuing appropriations at the beginning of the year amounted to ₱11,418,177.83, of which ₱7,852,729.32 was obligated.

The total assets, liabilities, equity, income and expenses for CY 2016 compared with that of the preceding year are as follows:

	<u>CY 2016</u>	<u>CY 2015</u>	<u>Increase/(Decrease)</u>
Total Assets	225,981,943.49	191,874,053.03	34,107,890.46
Total Liabilities	72,682,679.30	58,765,056.54	13,917,622.76
Total Equity	153,299,264.19	133,108,996.49	20,190,267.70
Total Income	132,036,006.00	117,325,134.50	14,710,871.50
Total Expenses	106,239,383.05	96,590,035.78	9,649,347.27

SCOPE OF AUDIT

Financial, compliance and value for money audits were conducted on the accounts, transactions and operations of the Municipality of Taal, Batangas for Calendar Year 2016. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the agency to laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

AUDIT OPINION

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

1. The accuracy, reliability, and existence of Property, Plant and Equipment totaling ₱164,825,641.97 (net of depreciation) could not be ascertained due to the following: a) lapsing schedule was not tallied with the balances presented in the financial statements; b) the amount of ₱28,500,513.23 were not provided with depreciation; c) physical count was not conducted and no report was provided to the Accounting Office for reconciliation; d) PPE Ledger Card and Property Card were not maintained while Acknowledgement Receipt of Equipment was not updated, affecting the fair presentation of the financial statements.
2. Cash in Bank-Local Currency, Current Account in the General Fund amounting ₱6,255,017.87 as of year-end did not reconcile with the Cashbook balance amounting ₱1,827,864.59 or discrepancies of ₱4,427,153.28 due to reversion of unreleased checks, hence, may lead confusions to the users in making decision and affects the fair presentation of the financial statements.
3. The accuracy and reliability of Real Property Tax Receivable and Special Education Tax Receivable totaling ₱13,839,738.30, could not be ascertained due to discrepancies by ₱493,742.24 with the Municipal Treasurer's Office total reported delinquent Real Property and Special Education Taxes as of December 31, 2016 of ₱13,345,996.06, thus, affects the fair presentation of financial statements.

4. The accuracy, reliability, and existence of Inventories account totaling ₱4,500,957.84 could not be ascertained due to: a) non-conduct of physical count and non-preparation of Report of the Physical Count of Inventories; b) Stock Card and Supplies Ledger Card were not maintained by the General Services Office and Accounting Office, respectively; and c) purchases of supplies and materials totaling ₱3,179,901.00 were treated as outright expense instead of inventory account, affecting the fair presentation of the financial statements.
5. The balances of Due from and Due to LGUs accounts of the Municipality with the Province of Batangas had discrepancies of ₱370,265.94 and ₱1,142,988.93, respectively, thus, rendering the balances of the accounts doubtful.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exceptions cited above, the Audit Team recommended the following:

1. We recommended that the Municipal Mayor require the Inventory Committee to conduct the physical count of all Property, Plant and Equipment (PPE) at least once a year to ensure its existence, prepare the Report on Physical Count of Property, Plant and Equipment (RPCPPE) with complete information and submit to the Accounting Office for reconciliation.

We also recommended that the Municipal Mayor instruct the newly appointed General Services Officer to prepare and maintain Property Cards in order to provide the balances per card in the RPCPPE and immediately identified the missing properties or discrepancies, if any, of the PPEs on record against the actual count. Likewise, ensure that the Acknowledgement Receipt of Equipment was renewed at least every three years or whenever there is a change in custodianship to established proper accountability.

To ensure the accuracy, reliability and fair presentation of financial statements, we further recommended that the Municipal Mayor oblige the Municipal Accountant to:

- a. Prepare the lapsing schedule with complete information consistent with the balances presented in the financial statements;
 - b. Trace the records of all PPEs and provide the corresponding depreciation expenses; and
 - c. Prepare and maintain the required Property Plant and Equipment Ledger Card to facilitate the reconciliation of RPCPPE with the accounting records.
2. We recommended that the Municipal Mayor instruct the Municipal Accountant and the Municipal Treasurer to ensure that their respective reports were

reconciled so that Management will be properly guided in their decision making and avoid confusions to the users of their report.

We also recommended that the Municipal Accountant stop the practice of reverting the unreleased checks to Cash and Accounts Payable for fair presentation of the financial statements.

3. We recommended that the Municipal Mayor instruct the Municipal Accountant and the Municipal Treasurer to determine the cause of discrepancies of their respective reports and prepare the necessary adjustments for a fair presentation of the financial statements. Ensure that the accounts of the agency shall be kept in such detail as necessary and observe consistency in keeping of accounts to safeguard against inaccurate or misleading information pursuant to Section 111 of PD 1445.
4. We recommended that the Municipal Mayor require the:
 - a. Inventory Committee to conduct physical count of all supplies semestrally and prepare the corresponding Report of Physical Count of Inventories and submit to the Accounting Office and Auditor concerned within the prescribed period;
 - b. Municipal Accountant and General Services Officer to prepare and maintain the Supplies Ledger Cards and Stock Cards, respectively;
 - c. Municipal Officials concerned to implement the Requisition Procedures and the Reporting on Issuance of Supplies/Materials as required by the NGAS Manual for LGUs; and
 - d. Municipal Accountant to draw a Journal Entry Voucher to record the appropriate supplies expense accounts based on the Summary of Supplies and Materials Issued (SSMI).
5. We recommended that the Municipal Mayor require the Municipal Accountant to reconcile the municipal records with that of the Provincial Government of Batangas and settle the discrepancies between the balances of reciprocal accounts so that the Municipality will be able to present the correct balances of inter-agency receivables and payables in the financial statements.

Likewise, the Municipal Mayor instruct the Municipal Accountant to request from the Provincial Accountant the copies of JEVs showing all the transactions recorded in the books of accounts of the Province that should be taken up in the Municipality's book of accounts.

In addition, the following are the audit issues and concerns, together with our recommended remedial courses of actions:

1. Cash balance in all funds of ₱35,111,732.62 was not enough to cover all current obligations, trust funds, and continuing appropriations at year-end totaling ₱50,384,288.68 resulting in cash overdraft by ₱15,272,556.06 due to improper cash management, contrary to Section 309b and 337 of Republic Act No. 7160 and grossly affecting the Municipality's financial position and delivery of basic services to its constituents.

We recommended that the Municipal Mayor instruct the:

- a. Local Finance Committee to adopt strategy in order to increase revenue/collections and monitor properly the availability of cash every month to ensure that all income due the Municipality be collected in full and assure continuous flow of funds and that the trust funds received be utilized only for the specific purpose for which it was created; and
 - b. Municipal Budget Officer, Municipal Accountant and Municipal Treasurer to exercise diligence, prudence and proper control in the disposition of the Municipality's funds and limit expenditures within the total income realized and collected during the year to avoid incurrence of cash overdraft.
2. Four projects totaling ₱5,500,000.00 funded out of 20 percent Development Fund was changed to new programs, projects, and activities (PPAs) without proper consultation with the Municipal Development Council and approval of Sangguniang Bayan. In addition, implementation of PPAs with lump-sum appropriation were proceeded and disbursed the amount of ₱11,431,638.31 even without itemized appropriation and prior approval of the Sangguniang Bayan in violation of Republic Act 7160, its Implementing Rules and Regulations, and Supreme Court En Banc Decision G.R. No. 175527. Moreover, expenditures totaling ₱194,270.00 were charged against the fund contrary to DILG and DBM Joint Memorandum Circular No. 2011-1, thus, the desired results for which the fund was created cannot be fully achieved.

We recommended that the Municipal Mayor instruct:

- a. the Municipal Development Council to ensure that the Annual Investment Plan constitutes the LGUs' priority programs, projects and activities (PPAs) to be integrated into the annual budget and avoid changes of plan that will affect the realization of the Municipality's goals;
- b. the Municipal Development Council to clearly specify the detailed descriptions, locations and cost of priority programs, projects and activities funded out of 20 percent Development Fund and ensure that such projects partake the nature of investment or capital expenditures. For projects that are presented in generic

terms and with lump-sum appropriation, secure the approval of the Sangguniang Bayan before the implementation and disbursements of the fund; and

- c. the Municipal Budget Officer and Municipal Accountant to avoid charging expenditures that do not contribute to the attainment of desirable socio-economic development and environmental management outcomes and that the fund be utilized only for the projects identified and prioritized pursuant to the established rules and regulations.
3. Expenditures totaling ₱471,623.08 charged against the Special Education Fund (SEF) do not fall within the primary purpose of the fund contrary to Section 272 of RA 7160 as implemented by DECS, DBM and DILG Joint Circular Nos. 01, 01-A and 01-B, thus, defeating the purpose for which the fund was established. In addition, five percent of the total budget of Special Education Fund was allocated for Local Disaster Risk Reduction and Management Fund where programs and projects did not conform with the established rules and regulations on the utilization of the fund.

We recommended that the Municipal Mayor instruct the Local School Board, Municipal Budget Officer and Municipal Accountant to:

- a. strictly observe the laws, rules and regulations and that SEF be utilized exclusively for the purpose for which it was created to promote the quality of education in every public schools and to enhance the delivery of service to all constituents in the municipality. Avoid charging against the Special Education Fund the programs, projects and activities that can be funded out of MOOE of Department of Education allocated to schools pursuant to Department of Education Order No. 13 s. 2016. The amount of ₱471,623.08 will not be allowed in audit since it clearly violates Section 272 of RA 7160 and Joint Circular issued by the DBM, DECS and DILG; and
- b. stop the practice of allocating the five percent of the Special Education Fund budget for LDRRMF which is not in accordance with Sections 100(c) and 272 of RA 7160.

We also recommended that the Municipal Mayor require the Municipal Accountant and the Municipal Treasurer to transfer the corresponding cash balances amounting ₱307,850.00 in the Special Education Fund representing the unexpended balance of LDRRMF allocated from SEF and prepare the necessary adjusting entries amounting to ₱25,000.00 for a fair presentation of the financial statements.

4. The Municipality's Ecological Solid Waste Management was not efficiently and effectively discharged due to its failure to fully implement/comply with the provisions of Republic Act 9003, Ecological Solid Waste Management Act of 2000, thus, may result in negative impact on the environment and health of its citizens.

We recommended that the Municipal Mayor require the Municipal Environment and Natural Resources Officer and Municipal Solid Waste Management Board to:

- a. prioritize the preparation of Safe Closure and Rehabilitation Plan (SCRP) for the existing open disposal facility and submit to the Regional Office of the Environmental Management Bureau for their review and approval and be implemented once the Authority to Close was issued; and
- b. coordinate with the Regional Office of the Environmental Management Bureau the status of their 10-Year Solid Waste Management Plan and ensure that the same be approved by the National Solid Waste Management Commission within the year.

Moreover, we recommended that the Municipal Mayor to require all the barangay officials to establish a fully operational Materials Recovery Facility in every barangay or cluster of barangays pursuant to Section 32 of RA 9003.

5. Pertinent provisions of Republic Act (RA) No. 10121 and COA Circular No. 2012-002 in the utilization, accounting and reporting of Local Disaster Risk Reduction and Management Fund (LDRRMF) were not strictly observed by the Municipality, thus the desired results for which the fund was created cannot be fully achieved.

We recommended that the Municipal Mayor require the:

- a. Local Disaster Risk Reduction and Management Officer (LDRRMO) to prepare and submit to the local sanggunian through the Local Disaster Risk Reduction and Management Council and Local Development Council the annual LDRRM Plan and budget specifying in detail the list of programs, activities and projects which include under a separate caption those projects and programs charged to the unexpended LDRRMF of previous years, and implement at the intended period of its implementation to ensure that the purpose for which the fund was established are met;
- b. Municipal Treasurer to transfer the corresponding cash of the unexpended balance of DRRMF-MOOE and 30% QRF in the Trust Fund book;
- c. Municipal Accountant to disclose in the Notes to the Financial Statements the amount and details of the unexpended balance of LDRRMF in order to inform the users of relevant information; and
- d. LDRRMO to submit the Report on Sources and Utilization of DRRMF on or before the 15th day after the end of each month through LDRRMC and Local Development Council (LDC) to the COA auditor pursuant to COA Circular 2012-002.

6. Annual dues and membership fees totaling ₱23,500.00 were paid to various leagues considered as private organization since these were not identified in Title VI, Book III of Republic Act 7160 contrary to National Budget Circular No. 563. In addition, the amount of ₱140,000.00 paid to government organization were not acknowledged with the official receipt of the Republic of the Philippines, hence, propriety and validity of the transaction could not be ascertained.

We recommended that the Municipal Mayor, Vice-Mayor, Sangguniang Bayan Members and the Municipal Budget Officer strictly observe the provisions of RA 7160 and National Budget Circular No. 563 in the appropriation relative to payment to various leagues and ensure that payments of membership fees and annual dues to private organization shall not be charged against the government funds.

We also recommended that the Municipal Mayor instruct the Municipal Treasurer and Municipal Accountant to require the elected officials to submit the prescribed official receipt of the Republic of the Philippines in relation to the payment of their annual dues, membership fees and other fees paid to their respective leagues considering that they are government organization.

7. Shares of 42 Barangays on Real Property Tax (RPT) collections aggregating ₱1,425,696.33 for the year were not remitted on time, contrary to Section 271 (d) of RA 7160, thus, depriving the barangays of the immediate use of the amount for the implementation of their plans, programs and activities beneficial to their constituents.

We recommended that the Municipal Mayor instruct the Municipal Treasurer and the Municipal Accountant to address the causes for the delays in the remittance of the barangay shares from Real Property Tax (RPT) collection to enable the barangays to promptly meet the needs of their respective constituents.

8. Projects/Programs/Activities (PPA) either on going or for implementation by the Municipality in CY 2016 funded from the local budget, financial assistance and/or grants from national agencies, were not reported to the Audit Team in the manner and form prescribed in Sections 2.0 and 3.1 of COA Circular No. 2013-004, thus, timely reporting and validation cannot be undertaken.

We recommended that the Municipal Mayor require the Municipal Engineer and other concerned officials to submit at the beginning of the year the list of all on-going government projects/programs/activities (PPA) and those that are to be implemented during the year, in compliance with the above cited regulations.

9. Cash advance for Confidential/Intelligence Fund totaling ₱350,000.00 was not liquidated as of year-end while Disbursement Vouchers (DVs) and its transmittal letter enumerating the supporting documents for the cash advance of Confidential Fund were not submitted to the Audit Team within 7 days after the release of check and deficiencies on the submitted Peace and Order Programs Plan was observed contrary to Commission on Audit (COA), Department of Budget and Management

(DBM), Department of Interior and Local Government (DILG), Governance Commission for GOCCs, Department of National Defense (DND) Joint Circular No. 2015-01.

We recommended that the Municipal Mayor instruct the Municipal Accountant to submit all Disbursement Vouchers for the cash advance of Confidential and Intelligence Fund, with complete required supporting documents, to the concerned COA Audit Team within seven (7) working days from release of the check in accordance with the aforementioned rules and regulations. Henceforth, ensure that all officials and employees concerned to strictly comply with the requirements of COA, DBM, DILG, GOCCs and DND Joint Circular No. 2015-01.

10. Reconciliations of Statement of Net Cash Flows from Operating Activities and Statement of Comparison of Budget and Actual Amounts for CY 2016 were not disclosed in the Notes to Financial Statement contrary to COA Circular 2016-004, hence, casted doubts on the accuracy and reliability of the financial statements.

We recommended that the Municipal Mayor direct the Municipal Accountant to immediately submit the required reports and to strictly adhere with the rules on disclosing information in the notes to financial statements.

The above observations and recommendations were discussed with concerned Municipal officials and employees in an exit conference conducted on July 20, 2017. Their views and reactions were considered in the report, where appropriate. These are presented in Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 36 prior years' audit recommendations embodied in the 2015 Annual Audit Report, 15 were fully implemented, 14 were partially implemented and 7 were not implemented.