

EXECUTIVE SUMMARY

1. Introduction

In 1904, the Municipality of Magallanes was reverted to a barrio of Maragondon, when its annual income was not sufficient to maintain its status as an independent municipality. In 1916, when Magallanes regained and maintained its economic progress and became free from political unrest, it was reverted back to its status as an independent municipality. And in 2009, Magallanes became a fourth class Municipality composed of 16 barangays.

Pursuant to Republic Act No. 7160 also known as the Local Government Code of 1991, the Municipality like other local government units enjoy total independence in managing, deciding and planning its own administrative, fiscal and development affairs in line with the national government's thrust for sustainable social and economic growth.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	-	Hon. Jasmin Angelli M. Bautista
Vice-Mayor	-	Hon. Renato M. Dimapilis
Member of the Sanggunian		

1. Mr. Jesus B. Antazo
2. Mr. Francisco M. Vidallo
3. Mr. Aina Mari M. Sisante
4. Mr. Elissa E. Hierco
5. Mr. Renato M. Villanueva
6. Mr. Wilson C. Atienza
7. Mr. Toribio V. Tafalla
8. Mr. Renato C. Ramos
9. ABC President Honorato D. Limboc
10. SK President Karl Renz Dendiego

Municipal Accountant	-	Ms. Marie Mcgee J. Gloriani
Municipal Treasurer	-	Ms. Adelina M. Martal

b. No. of Personnel Complement

Permanent	-	85
Temporary	-	2
Co-Terminous	-	2
Job Order	-	37
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Scope of Audit

Financial and Compliance audits were conducted on the accounts and operations of the Municipality of Magallanes, Cavite for Calendar Year 2019. 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.

2. Financial Highlights

Comparative Financial Position and Results of Operations for CY 2019 are as follows:

Financial Position

	2019	2018	Increase/ (Decrease)
Total Assets	₱ 202,856,710.90	₱ 178,107,878.10	₱ 24,748,832.80
Total Liabilities	57,327,377.66	58,618,674.23	(1,291,296.57)
Total Equity	145,529,333.24	119,489,203.87	26,040,129.37

Results of Operations

Total Income	107,572,557.90	98,445,934.01	9,126,623.89
Personal Services	48,214,263.53	43,783,038.71	4,431,224.82
Maintenance and Other Operating Expenses	39,093,300.94	33,776,767.09	5,316,533.85
Financial Expenses	192,078.97	303,092.91	(111,013.94)
Non-Cash Expenses	10,437,493.18	4,524,953.79	5,912,539.39
Transfer, Assistance and Subsidy to Loss on Sale of Property, Plant and Equipment	1,340,502.40	2,382,624.88	(1,042,122.48)
Net Profit/ (Loss)	81,313.23	0.00	81,313.23
	8,213,605.65	13,675,456.63	(5,461,850.98)

3. Independent Auditor's Report on the Financial Statements

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

1. The validity, reliability and accuracy of the Real Property Tax (RPT) Receivables and Special Education Tax (SET) Receivables and their reciprocal accounts Deferred Real Property Tax and Deferred Special Education Tax Income with balances of ₱307,638.65 as of December 31, 2019 could not be fully ascertained due to a.) the incorrect computation and recording of RPT and SET receivables set up at the beginning of Calendar Year (CY) 2019 and b.) erroneous reversal of uncollected prior years RPT and SET receivables balances, contrary to Section 20 of Chapter 3, Volume I of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs) resulting in the understatement of RPT Receivables, SET Receivables, Deferred RPT and Deferred SET by ₱7,856,917.45.

Moreover, the balances of uncollected prior years' RPT and SET receivables and the Certified List of Real Property Tax Delinquencies from the Municipal Treasurers Office did not reconcile, disclosing a difference of ₱1,308,033.12.

2. Accounts Receivable-Community Water System (AR-CWS), which included accounts from the active and inactive water concessionaires totaling ₱3,092,740.50

as of December 31, 2019, was not provided with an Allowance for Doubtful Accounts (ADA), contrary to Section 4(q) of the Manual on New Government Accounting System (MNGAS), thereby affecting the fair presentation of the AR-CWS account in the financial statements.

4. Significant Observations and Recommendations

For the deficiencies cited above, we recommended the following to the Municipal Mayor:

- a) direct the Municipal Accountant to comply with the provisions of Sections 20 and 23, Chapter 3, Volume I of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs) and Sections 233 and 235 of Republic Act (RA) in setting-up the Real Property Tax (RPT) and Special Education Tax Receivables (SET) as well as the Deferred RPT and SET Income accounts;
- b) require the Municipal Accountant to rectify and reconstruct the incorrect entries made in CY 2019 on the set-up of Real Property Taxes (RPT) and Special Education Taxes (SET) applying the recommended correcting entries provided in Appendix 1;
- c) direct the Municipal Accountant, in coordination with concerned officials, to initiate and facilitate the drafting or preparation of a policy on the provision of ADA on AR-CWS, taking into consideration the age of the accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts, after which, make the necessary adjustment to ensure that the AR-CWS account is presented in the financial statements at its net realizable value.

Other significant audit observations and recommendations are as follows:

1. The balances of the Due from and to LGUs accounts amounting to ₱26,132.51 and ₱129,979.93, respectively, in the books of the Municipality as of year-end did not reconcile with the balance of the reciprocal account Due to and from LGUs - Municipality of Magallanes totaling ₱8,426.19 and ₱63,323.15, respectively, in the books of the Province, thus, casting doubt on the reliability of the Due from and to LGUs accounts.

We recommended that that the Municipal Mayor instruct the Municipal Accountant to coordinate with the Provincial Accountant to verify the discrepancy in the Due from LGU account of the Municipality with the corresponding reciprocal account in the books of the Province and thereafter, make the necessary adjustments.

Likewise, it was recommended that the Municipal Accountant request the Provincial Accountant to furnish her with copies of the Journal Entry Vouchers showing the amount collected by the Province in favor of the Municipality to serve as basis in recording the Due from LGU in the books of the Municipality as provided under Section 20 of the Manual on NGAS for LGUs, Volume I.

2. The Municipality utilized a total of ₱112,550.00 from the Local Disaster Risk Reduction and Management Fund (LDRRMF) for the procurement of air conditioning units and personnel uniforms/gears which were not directly related to the four

thematic areas of disaster risk reduction management set forth under NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1, thereby defeating the purpose for which the fund was created.

We recommended that the Municipal Mayor instruct the Municipal Budget Officer to refrain from obligating and charging LDRRMF for expenditures which are not directly related to the implementation of disaster risk management activities and ensure strict compliance with the guidelines set forth under NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1. It is recommended that administrative and operating expenses be charged instead against the respective General Fund appropriations of the office concerned as provided under NDRRMC-DILG-DBM-CSC Joint Memorandum Circular No. 2014-1 dated April 4, 2014.

3. Various deficiencies were noted in the granting, utilization and liquidation of cash advances (CAs), contrary to the pertinent provisions of Presidential Decree (PD) No. 1445, COA Circular No. 97-002 and Treasury Circular No. 002-2009.
 - a. Additional cash advances were granted to Accountable Officers (AO) despite non-liquidation of prior cash advances, contrary to Section 89 of P.D. No. 1445 and Item 4.1.2 of COA Circular No. 97-002, resulting in the accumulation of unliquidated cash advances of the accountable officers.

We recommended that the Municipal Mayor direct the Municipal Accountant to refrain from granting additional cash advances to any official or employee without liquidating first his/her prior cash advance and to designate another employee as Special Disbursing Officer if it is necessary to make additional cash advances for special activities/projects.

- b. Several cash advances granted in CY 2019 amounting to ₱2,066,974.33 were liquidated beyond the prescribed period, ranging from one to 89 days, in violation of Item 5.1 of COA Circular No.97-002.

We recommended that the Municipal Mayor direct concerned officials and employees to ensure that all cash advances granted to them are liquidated within the prescribed period. Further, we recommended that she requires the Municipal Accountant to regularly send demand letters to officers and employees who would fail to liquidate their advances on due dates with a warning that their salaries would be withheld should they still fail to liquidate after demand.

- c. The fidelity bonds of two Accountable Officers (AO) were insufficient to cover their cash advances, contrary to Treasury Circular No. 002-2009, COA Circular No. 97-002 and Section 101 of Presidential Decree (PD) No. 1445, thus there is a risk that the government may not be fully indemnified in cases of loss of funds through theft, robbery, force majeure, defalcations, shortages or unrelieved accountabilities.

We recommended that the Municipal Mayor direct the Municipal Treasurer to increase the amount of fidelity bond of the subject accountable officers to cover the large amount of their cash advances pursuant to Treasury Circular No. 02-2009 to protect the interest of the Municipal Government, otherwise, limit the

amount of their cash advances up to the maximum cash accountability of their fidelity bond.

4. The laxity of the Municipality in enforcing its right to collect real property taxes resulted to a relatively low collection efficiency of 33.80 per cent and incurrence of operational loss of ₱1,293,988.64 in the Special Education Fund, thereby depriving it of funds that could have been used to finance various projects/programs/activities.

We recommended that the Municipal Mayor direct the Municipal Treasurer to:

- a) adopt stringent and additional measures such as deputizing barangay treasurers, deploying collection caravans, conduct intensive/aggressive tax campaign and information drive, particularly explaining the legal obligation of every lot owner, including their heirs, to pay taxes on their property whatever personal circumstances they may have, and the administrative and other legal remedies that the Municipality may take to enforce its right under R.A. 7160 in order to encourage or compel more taxpayers to settle their obligations;
 - b) send demand letters or Notice of Delinquencies to delinquent taxpayers and apply the appropriate administrative and other legal remedies provided for under R.A. 7160 against those taxpayers who will still refuse to pay their tax liabilities despite valid demands from the Municipality;
 - c) direct the Municipal Treasurer and Municipal Accountant to facilitate reconciliation of the RPT/SET Receivables balances to arrive at the correct adjusted amounts of the accounts; and
 - d) instruct the Municipal Treasurer to coordinate with the Municipal Assessor in the computation of the correct Real Property Taxes (RPT) and Special Education Taxes (SET) to be subjected for collections.
5. The Municipality of Magallanes spent the total amount of ₱552,673.95 for the assembly/seminar attended by the elected officials and officers and employees outside its territorial jurisdiction, contrary to the directive of the Department of the Interior and Local Government (DILG) under DILG Memorandum Circular No. 2011-59 for local government officials to be more prudent in their use of scarce financial resources.

Moreover, claims of per diem by the officers and employees during these travels in Calendar Year (CY) 2019 were not in accordance with the provisions of Section 6 of Executive Order (EO) No. 298, thereby exceeded the allowable per diem by ₱15,120.00.

We recommended that the Municipal Mayor:

- a. instruct Municipal Officials and Employees to adhere strictly to DILG Memorandum Circular No. 2011-59 by discouraging the conduct of or attendance to trainings, seminars, workshop or similar activities outside the geographical island where the concerned local government unit is located and to exercise prudence in disbursing government funds and to iterate these policies to seminars providers and

- other institutions who send invitations to the Municipality to send participants to said seminars;
- b. submit justification/explanation why concerned Officials and Employees were allowed to attend the above cited seminars despite the directive of the DILG; and
 - c. require strict adherence to Section 6 of Executive Order No. 298 and cause the refund of ₱15,120.00 representing the excess claims of per diem.
6. Disbursements totaling ₱9,474,373.77 for CY 2019 were paid by the Municipality of Magallanes despite incomplete documentation, contrary to Section 4 (6) of Presidential Decree No. 1445 and COA Circular No. 2012-001 dated June 14, 2012 thus, casted doubts on the validity and propriety of the said expenditures.

We recommended that the Municipal Mayor:

- a. direct the Accountant to check whether the required documents are attached to the DVs before processing the same for approval and payment in compliance with Section 4 (6) of Presidential Decree No. 1445 and COA Circular 2012-001 dated June 14, 2012; and
 - b. direct all concerned employees to submit all the lacking documents listed in *Appendix 1* as required in COA Circular No. 2012-001 for further review and evaluation of the Audit Team, otherwise a Notice of Suspension (NS) will be issued in accordance with the Rules and Regulations on Settlement of Accounts (RRSA).
- 5. Summary of total Suspension, Disallowances and Charges**

There are no unsettled suspensions, disallowances and charges as of December 31, 2019.

6. Statement on the quantity/ number of Prior Year's Audit Recommendations

Of the 17 audit recommendations, nine audit recommendations were fully implemented and eight were partially implemented.