

## EXECUTIVE SUMMARY

### Introduction

A first class municipality with a total land area of 78.24 square kilometers comprising 41 barangays, Tanza was originally a part of San Francisco de Malabon (now known as General Trias) called Estancia. It was decreed into a town on August 29, 1890 and was named Sta. Cruz de Malabon.

In 1909, a resolution was passed by the Municipal Council of San Francisco de Malabon making Sta. Cruz de Malabon a separate and independent town with its president and other officials chosen by acclamation. The town completely became independent in 1910. The name was changed to Tanza by virtue of Philippine Legislative Act No. 2390 dated February 28, 1914 thru the effort of Atty. Florentino Joya who was then a representative of Cavite to the National Assembly.

### Organizational Structure

#### a. Key Officials

Municipal Mayor	Hon. Yuri A. Pacumio
Municipal Vice Mayor	Hon. Raymundo A. Del Rosario
Members of the Sanggunian Bayan:	Hon. Alexis B. Dones
	Hon. Sheryl Lyn L. Gervacio
	Hon. Rosenda D. Go
	Hon. Niño Federico B. Matro
	Hon. Maricel D. Morales
	Hon. Victor A. Murillo
	Hon. Rossano E. Torres
	Hon. Emilio A. Torres, Jr.
	Hon. Arch Angelo B. Matro – ABC President
	Hon. Rhon Jay P. Perdito – SK Federation President
Municipal Treasurer	Ms. Marciana L. Joya
Municipal Accountant	Ms. Orlyn G. Ebal
Municipal Budget Officer	
Municipal General Services Officer	Ms. Rosa Rosal Calantog
Municipal Planning and Development Coordinator	Engr. Allan P. Mella
Municipal Engineer	Engr. Virgilio Dimapilis

#### b. No. of Personnel Complement

Permanent	318
Elective Officials	12
Co-terminous	<u>8</u>
<b>Total</b>	<b><u>338</u></b>

## Financial Highlights

For Calendar Year (CY) 2019 the Municipality of Tanza generated a total income of ₱618,084,413.84 from local taxes, permits and licenses, service and business income and internal revenue allotments.

It has a total appropriation of ₱737,840,263.72, of which ₱593,633,472.27 was obligated, leaving an unobligated balance of ₱144,206,791.45.

The total assets, liabilities, equity, revenue, expenses and surplus for CY 2019 compared with that of last year are as follows:

	<b>CY 2019</b>	<b>CY 2018</b>	<b>Increase/ (Decrease)</b>
Assets	₱ 1,190,313,610.49	₱ 1,055,812,627.99	₱ 134,500,982.50
Liabilities	300,614,814.80	271,117,209.47	29,497,605.33
Equity	889,698,795.69	784,695,418.52	105,003,377.17
Revenue	616,348,439.65	560,783,268.87	55,565,170.78
Other Non-Operating Income/(Loss)	1,735,974.19	7,133,157.00	(5,397,182.81)
Expenses			
Personal Services	150,568,234.05	132,490,345.44	18,077,888.61
Maintenance and Other Operating Expenses	334,266,060.82	258,740,415.53	75,525,645.29
Financial Expenses	47,150.24	5,250.00	41,900.24
Non-Cash Expenses	36,786,850.51	35,331,171.84	1,455,678.67
Transfers, Assistance and Subsidy to	7,009,622.75	10,396,783.35	(3,387,160.60)
Surplus	89,406,495.47	130,952,459.71	(41,545,964.24)

## Scope of Audit

Financial and compliance audits were conducted on the accounts and operations of the Municipality of Tanza, Cavite for CY 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.

## 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:

- a) The Municipality was not able to complete the physical count of the Property, Plant and Equipment (PPE) during the year and reconcile the net variance amounting to ₱543,799,955.19 between the balance of the PPE in the Report on the Physical Count of PPE (RPCPPE) and the accounting records, thereby casted doubt on the

validity and correctness of the year-end balances of PPE totaling ₱543,917,948.58, net of depreciation; and

- b) The reliability of Inventory accounts totalling ₱1,946,592.18 as of December 31, 2019 could not be ascertained due to the inability of the Municipality's Inventory Committee to conduct inventory taking and submit the Report on the Physical Count of Inventories, contrary to Section 124 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs).

### **Significant Observations and Recommendations**

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

- a) the Inventory Committee to conduct a complete physical count of all PPE of the Municipality to include those which are located outside the premises of the Municipal Hall and submit the RPCPPE to the Auditor not later than January 31 of each year;
- b) the Municipal Accountant and General Services Officer to continue the reconciliation of their respective records to establish the correctness and reliability of the balances of the PPE accounts reflected in the Municipality's financial statements; and
- c) the Inventory Committee to conduct physical count of all inventory items and prepare and submit the corresponding Report of the Physical Count of Inventories to the Office of the Auditor within the prescribed period.

The other significant audit observations and recommendations are as follows:

1. Unserviceable Property, Plant and Equipment (PPE) with acquisition cost totaling ₱6,128,376.32 had not been disposed as of year-end, contrary to Section 79 of PD No. 1445 and Section 125 of the Manual on the New Government Accounting System (MNGAS) for LGUs, Volume I, thus exposed them to further deterioration and reduction of economic value.

We recommended that the Municipal Mayor direct the Disposal Committee to facilitate the immediate disposal of the unserviceable properties in accordance with the policies and procedures provided in the Manual on Supply and Property Management in the Local Governments prescribed under COA Circular No. 92-386 dated October 20, 1992.

2. The Municipality was not fully compliant with the basic environmental regulations on preserving and protecting the environment required under Republic Act (RA) No. 9003 or the Solid Waste Management Act of 2000, hence susceptible to creating negative impacts on the environment and health of its citizens. Moreover, its inability to strictly implement the "no segregation/no collection policy", attain the waste diversion target on the Municipal Solid Waste Management Plan and put in full operation Material Recovery Facilities (MRFs) caused additional tons of wastes collected by the Municipality that resulted in additional costs for the collection, hauling and disposal of garbage.

We recommended that the Municipal Mayor direct:

- a) the Municipal Environment and Natural Resources Officer (MENRO) to intensify the information, education, communication and advocacy campaign program of the Municipality specially on the segregation, reduction, re-use and recycling of waste;
  - b) the Municipal Engineer to expedite the construction of the Sanitary Landfill Facility with MRF in Barangay Sajud-Ulan;
  - c) the MENRO and Municipal Engineer to facilitate the repair of shredder machine in the Public Market so that the existing MRF would be operational;
  - d) the MENRO to adopt a system of monitoring its waste diversion target congruent to the Municipality's Solid Waste Management Plan; and
  - e) concerned officials to provide the necessary support in establishing functional MRF to other Barangays and strictly implement the no segregation/no collection policy and comply with all other prescribed procedures and guidelines under RA No. 9003 to avoid additional cost for collection, hauling and disposal of garbage.
3. The 70 per cent portion of the Local Disaster Risk Reduction Management Fund (LDRRMF) was not optimally utilized as only ₱13,352,909.00 or 55 per cent out of ₱24,459,736.56 allocation for disaster preparedness programs and projects in CY 2019 was used due to non-re-programming of the PPAs under the continuing appropriations which may affect the Municipality's preparedness and response capabilities to disaster or calamities.

We reiterated our prior year's recommendations that the Municipal Mayor direct the MDRRMO and the Officer in Charge (OIC), Municipal Planning and Development Coordinator (MPDC) to:

- a) provide definite timetables or schedules of implementation of all the projects and activities in the LDRRMFIP for proper monitoring and evaluation of its implementation; and
  - b) evaluate the programs of the unexpended balances and determine whether these are still feasible and if not, re-program the funds allotted for each project to a new expenditure item/program in accordance with the provision stated in item 6.5 of NDRRMC, DBM and DILG JMC No. 2013-002 dated March 25, 2013.
  - c) ensure that all the projects, programs and activities to be included in the LDRRMFIP are in accordance with RA 10121 and NDRRMC, DBM and DILG JMC No. 2013-002 dated March 25, 2013.
4. Only ₱56,316,409.52 or 50.04 per cent out of the total available appropriation of ₱112,541,167.66 for 20 per cent Development Fund was utilized by the Municipality in Calendar Year (CY) 2019, due to the lack of proper planning and monitoring of projects, contrary to Item 5.0 of Department of the Interior and Local Government (DILG) and the Department of Budget and Management (DBM) Joint Memorandum

Circular No. 2017-1 dated February 22, 2017, thus the desired socio-economic development and environmental outcomes were not fully met.

We reiterated our prior year's recommendations that the Municipal Mayor direct the:

- a) Officer-in-Charge (OIC), Municipal Planning and Development Coordinator (MPDC) to ensure that all information that will facilitate the timely and effective implementation of projects such as the location of the projects and specific schedules of their implementation are incorporated in the 20 per cent Development Fund Annual Investment Plan; and
  - b) Municipal Development Council and OIC-MPDC to review the unimplemented projects covered by the continuing appropriation to determine whether they are still feasible and priority of the Municipality, otherwise, it is recommended that they be re-programmed in accordance with existing budgeting and accounting rules and regulations.
5. Despite the availability of Automated Teller Machine (ATM) payroll system, the Municipality was still resorting to the manual and/or cash advance system of processing the salaries of its employees, which amounted to ₱171,904,838.37 in calendar year 2019, thus the benefits of the electronic payroll system such as greater control over handling of cash and administrative efficiency were not enjoyed by the Municipality.

We recommended that the Municipal Mayor require the Municipal Treasurer and other concerned officials to study and consider shifting to automated payroll system, to ensure better control over handling of cash and administrative efficiency.

6. The GAD Database that could have supported the Municipality's GAD gender-responsive planning, programming and policy formulation was still not in place as of year-end of CY 2019, contrary to Item 4.B.1 of the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus giving no assurance that all programs, projects and activities (PPAs) integrated in the GAD Plan and Budget addressed the existing gender issues and concerns within the Municipality.

We reiterated our prior year's recommendation that the Municipal Mayor direct the OIC-Municipal Planning and Development Officer to expedite the establishment and maintenance of a comprehensive GAD Database to serve as basis for gender-responsive planning, programming and policy formulation and facilitate the monitoring of the improvement of status or changes in the condition of men and women within the Municipality.

7. The Tanza Business Center Building with construction cost of ₱29,988,561.17 remained unoccupied and has not been utilized since its completion in June 30, 2016 due to the absence of a clear and comprehensive business plan, thereby resulting to lost income opportunity estimated at ₱4,308,480.00 per year.

We recommended that the Municipal Mayor issue a directive that will create a technical working group or equivalent team of competent officials and employees that will focus on the preparation and adoption of a comprehensive business plan for the Tanza Business Center, including formulating the guidelines that will govern its

management and operation for the purpose of ensuring the Center's competitiveness, sustainability and profitability, subject to existing laws, rules and regulations on the establishment of local economic enterprise.

8. Request for Quotations (RFQs) for various goods/supplies with an aggregate amount of ₱1,285,495.00 charged against the LDRRMF purchased through Small Value Procurement were not posted in the Philippine Government Electronic Procurement System (PhilGEPS) website, website of the Municipality, and at the conspicuous place reserved for this purpose in the premises of the Municipality, contrary to the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184, thus wide dissemination of the procurement to obtain the most advantageous price was not achieved. Moreover, the BAC did not require the supplier/contractor to submit the prescribed documents for alternative mode of procurement, thus casting doubt on the eligibilities and qualifications of the latter.

We recommended the Municipal Mayor as the Head of the Procuring Entity (HoPe) require the Bids and Awards Committee to:

- a) post in the PhilGEPS website, website of the Municipality and at the conspicuous place reserved for this purpose in the premises of the Municipality for a period of three calendar days the RFQs for goods/infrastructure projects costing more than ₱50,000.00 whenever Small Value Procurement is resorted by the Municipality;
  - b) require the suppliers/contractors to submit all documentary requirement for the alternative mode of procurement and indicate in the RFQ in what stage of the procurement process these requirements must be submitted, that is on the submission of offer/s, evaluation offer/s, before issuance of Notice of Award or prior to payment; and
  - c) ensure that the RFQs contain all the necessary information such as the complete specifications of the items to be purchased, ABC for the item, the exact addresses of the suppliers, and the name and signature of the authorized official or employee requesting the quotations.
9. Copies of the approved contracts of the 166 implemented projects and 717 Purchase Orders (POs) for goods involving a total amount of ₱93,488,623.67 and ₱140,968,470.46, respectively, together with other required supporting documents, were not submitted to the Office of the Auditor within five working days from the execution thereof, contrary to COA Circular No. 2009-001, thus prevented the timely auditorial review of the contracts and technical evaluation and inspection of the relevant activities and projects.

We recommended that the Municipal Mayor direct the Municipal Engineering Office, the BAC Secretariat and the Municipal General Services Office to furnish the Audit Team with copies of approved contracts, purchase orders and all the documents forming part thereof within five days from their execution as prescribed under COA Circular No. 2009-001 dated February 12, 2009, to facilitate prompt review and evaluation of the contracts and early communication to Management of the deficiencies, if any.

10. The practice of the Municipality of assigning the same serial numbers to different Purchase Orders (POs) casted doubt on its compliance with the regular steps involved in the procurement process prescribed under the Manual on New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I.

We recommended that the Municipal Mayor direct the Municipal General Services Office to ensure that the serial number to be assigned to the PO is unique to each PO and does not include a letter-suffix to avoid the impression that the Municipality is deviating from the normal sequence of procurement activities, specifically that POs are prepared, processed and approved only after deliveries, acceptance and/or inspection of the items had already been made.

11. Several motor vehicles owned by the Municipality were not marked “For Official Use Only” and did not bear government plates, contrary to COA Circular No. 77-61 dated September 26, 1977, thus the risk that they may be used for purposes other than official business is not reduced or eliminated.

We recommended that the Municipal Mayor direct the Municipal General Services Officer to:

- a) Have all service vehicles owned by the Municipality be marked with “For Official Use Only” under which should be written the name of the Municipal Government of Tanza to properly identify the vehicles as government property; and
- b) To secure government plates for the 31 government motor vehicles.

The above observations were discussed with concerned municipal officials and staff through Audit Memoranda (AOMs). Management views and reactions were considered in the report, where appropriate.

### **Summary of Suspensions, Disallowances and Charges**

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

### **Status of Implementation of Prior Year’s Audit Recommendations**

Of the 25 audit recommendations embodied in the 2018 Annual Audit Report, eight were fully implemented, six were partially implemented and 11 were not implemented by the Municipality.