

EXECUTIVE SUMMARY

Introduction

The Municipality of Quezon, Palawan is one of the municipalities in the Second District of Palawan. It is a First Class Municipality with a total land area of 94,921 hectares and is considered as one among the largest towns in the Province. It is located between 117 degrees 45-118 degrees 35'36 longitude and 8 degrees 45'4"-9 degrees 30' 15" latitude and is bounded on the Northeast by the towns of Aborlan and Narra, on Southeast by the towns of Sofronio Espanola and Brooke's Point, respectively, and South by Rizal. The western coastline is bordered by Treacherous Bay, Malanut Bay, Narode Bay and the West Philippine Sea.

The continuous growth and development of the municipality due to its potential business opportunities in agriculture, fishing and mining industry had enticed influx of migrants notably from the Mindanao and Visayas provinces. The Municipality has a population of 60,980 based on the 2015 report of the Philippine Statistics Authority.

On January 1, 1984, eleven (11) barangays were separated from the Municipality paving the creation of the Municipality of Rizal (formerly Marcos town) under Republic Act No. 6652 leaving fourteen (14) barangays to the Municipality of Quezon namely: Berong, Aramaywan, Kalatagbak, Isugod, Maasin, Pinaglabanan, Tabon, Alfonso XIII, Panitian, Malatgao, Sowangan, Tagusao, Calumpang and Quinlogan, each actively participates in the development and enjoys the democratic rights and privileges embodied in Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

The Municipality is becoming one of the well-known and interesting tourist destinations in the province with the discovery of Tabon Cave by American anthropologist Doctor Robert Fox on May 28, 1962.

The Municipality is rich in natural resources namely: mineral deposits, forest and wide track of agricultural lands endowed with favorable climate. The main source of income is the share from the Internal Revenue Allotment. Other sources are real property taxes, business and licenses taxes, receipts from mining, operations of market, building rental and other income generating projects.

Financial Highlights

For CY 2019, the Municipality realized a total income of ₱318,044,818.99 from internal revenue allotment, local taxes and other income.

The total assets, liabilities, government equity, income and expenses for CY 2019 compared with that of the preceding year are as follows:

	<u>CY 2019</u>	<u>CY 2018</u>	<u>Increase/ (Decrease)</u>
Total Assets	₱917,886,901.51	₱767,265,101.31	₱150,621,800.20
Total Liabilities	413,276,074.60	336,346,199.13	76,929,875.47
Total Equity	504,610,826.91	430,918,902.18	73,691,924.73
Total Income	318,044,818.99	283,709,650.18	34,335,168.81
Total Expenses	243,497,901.15	213,820,247.42	29,677,653.73

Scope of Audit

The Audit Team conducted financial and compliance audits on the accounts, transactions and operations of the Municipality of Quezon, Palawan for CY 2019. The audit consisted of review of operating procedures, inspection and evaluation of the Municipality's programs and projects, interview with concerned municipal government officials, verification, confirmation, reconciliation and analysis of accounts on a test basis and such other procedures considered necessary under the circumstances.

The objectives of the audit are to (a) ascertain the level of assurance that may be placed on Management's assertions in the financial statements; (b) evaluate the extent of compliance with laws and regulations as well as the propriety and validity of transactions; (c) recommend measures to improve the efficiency and effectiveness of the agency's operations; and (d) determine the extent of implementation of prior years' recommendations.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements as the existence and accuracy of Property, Plant and Equipment (PPE) account with net book value of ₱82,158,924.65 (excluding Land and Land Improvements and Construction-in-Progress account balances) as at December 31, 2019 could not be ascertained because it was not supported by physical inventory report and complete and accurate property cards and PPE ledger cards. The inadequacy of reliable records did not permit us to apply alternative procedures to determine accuracy, existence and completeness of this account.

Significant Observations and Recommendations

For the exception cited above, we recommended that the (a) Municipal Mayor require the Inventory Committee to complete the annual physical count of PPE, reconcile the results of the count with the property and accounting records, and submit the Report on the Physical Count of PPE to the Audit Team, pursuant to Section 124 of the Manual on the NGAS for LGUs, Volume I. All discrepancies between physical and book inventories must be investigated, cleared and reconciled immediately. If necessary,

written explanation should be required from accountable and responsible person. He should likewise ensure that physical inventory is undertaken annually and reports are submitted accordingly; (b) Property Officer and the Municipal Accountant reconstruct and thereafter maintain the property cards and PPE ledger cards, respectively, in the forms prescribed in the said Manual. Also, the Property Officer should ensure that all issued PPE for official use of officials and employees are covered by ARE which shall be renewed every January of the third year after issue; and (c) Municipal Accountant (i) review the PPE schedule for the unidentified PPE items and exert efforts to identify these properties; and (ii) coordinate with the Inventory Committee in the physical count of fully depreciated PPE items to assess their condition whether still serviceable or not and consider derecognition of its carrying amount from the books of accounts.

For CY 2019, the following are the other significant audit observations and recommendations:

1. The Municipal Treasurer failed to reconcile the Cashbooks against the Subsidiary Ledgers of the Cash in Bank (CIB) and Cash in Local Treasury (CLT) accounts maintained by the Municipal Accountant due to un-updated excel files that are being maintained in lieu of the required cashbooks contrary to Section 63.F. of the Local Treasury Operations Manual (LTOM) and Section 181(c) of the Government Accounting and Auditing Manual (GAAM), Volume I, thus the accuracy of the CIB and CLT account balances reported at ₱464,312,384.60 and ₱9,413,770.13, respectively, as at December 31, 2019 could not be ascertained.

We recommended that the Municipal Treasurer maintain the prescribed cashbooks, keep them updated and reconcile the cashbooks with the Subsidiary Ledgers of the Municipal Accountant for both the Cash in Local Treasury and Cash in Bank accounts every end of the month pursuant to Section 63.F. of the LTOM.

We also recommended that the Municipal Accountant furnish the Municipal Treasurer with copies of Subsidiary Ledgers, Bank Statements and Bank Reconciliation Statements for her reference in reconciling her cashbooks with accounting records, and issue a certification on the balances of all Accountable Officers who maintain cashbook for their reference in its reconciliation with the SLs.

2. Unliquidated cash advances accumulated to ₱21,749,013.61 as at December 31, 2019 due to non-compliance with the provisions of COA Circular No. 97-002 dated February 10, 1997, thereby overstating the receivable and equity accounts as the expenses were not recorded in the books in the year these were incurred.

We recommended that the Municipal Mayor thru, the Municipal Accountant, regularly serve written notice to AOs concerned to demand settlement of their outstanding cash advances and institute the necessary legal action against those who failed to settle their accountabilities.

The Municipal Accountant exert efforts to locate documents and previous records to facilitate reconciliation and/or determination of the causes of the negative cash advance balances of various AOs and effect the necessary adjustment in the books of accounts, as appropriate.

In all instances, the Municipal Mayor and the Municipal Accountant must ensure that the provisions of COA Circular No. 97-002 are strictly observed and that all cash advances are fully liquidated at the end of the year.

3. The former Disbursing Officers (DOs) with unliquidated cash advances of ₱9,268,468.40 failed to submit a report of their accountabilities to the Auditor upon ceasing to act in their official capacity as Disbursing Officers contrary to Section 80 of Presidential Decree (P.D) No. 1445, otherwise known as the Government Auditing Code of the Philippines, thus casting doubts on the full liquidation of all their cash advances as reflected in the cash book.

We recommended that the:

- a. Municipal Mayor require the previous DOs to reconcile their accountabilities against the records of the Municipal Accountant and settle any remaining balance, otherwise file a case against the concerned DOs, if warranted;
 - b. Municipal Accountant send demand letters to the former DOs giving full details of their accountabilities appearing in the books of accounts that need to be settled immediately and require them to turn over their cashbooks as soon as possible; and
 - c. Administrative Officer II of the Accounting Office prepare and submit to the Audit Team the reconciliation report of the concerned DOs' accountabilities including the certified copy of their cashbook for reference in audit.
4. The Municipal Accountant failed to transfer 100% of the Local Road and Road Network System recorded in the Registry of Public Infrastructures to the respective asset accounts under the Property, Plant and Equipment due to incomplete data and information contrary to COA Circular No. 2015-008 dated November 23, 2015, thus the total assets was misstated in the Statement of Financial Position as at December 31, 2019.

We recommended that the Municipal Accountant coordinate with the Municipal Engineer for the completion of required data and information regarding the Local Road Network to facilitate its recognition in the books of accounts including adequate disclosure thereof in the Notes to Financial Statements pursuant to COA Circular No. 2015-008.

5. Twenty-eight out of thirty-five real properties acquired/owned by the Municipality of Quezon valued at ₱21,975,887.82 as of December 31, 2019 were not transferred under its name contrary to Section 23(2), Title I-B, Book V, 1987 Administrative Code, thereby casting doubt on the validity of ownership of said real properties. Moreover, Real Property Ledger Cards were not maintained therefor by the Municipal Accountant contrary to the provisions of Section 120 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), thus information about property description, location, acquisition cost, additions and dispositions of municipal lots are not readily available.

We reiterated our recommendation that the Management, through the (a) Municipal Assessor facilitate the transfer of the title of the real properties under the name of the Municipal Government of Quezon to prevent future dispute of ownership; and (b) Municipal Accountant maintain Real Property Ledger Cards for all municipal lots to support the general ledger account.

6. Variance of ₱7,425,382.22 was noted between the approved budget and actual cost of implementing Gender and Development (GAD) programs, projects and activities (PPAs) in CY 2019, thus indicating that budget for the said PPAs was inadequately planned.

We recommended that the GAD Focal Point System-Technical Working Group (GFPS-TWG) improve in establishing clear baselines and realistic estimates in budget preparation for PPAs translated from the demands/commitments identified in the GAD agenda. The GFPS-TWG should also provide justification for all variances in the GAD AR to facilitate proper evaluation of PPAs.

7. The two (2) statutory Disaster Risk Reduction and Management (DRRM) positions remained vacant and unfilled as at December 31, 2019 contrary to Section 12 (b) of R.A. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010, thus it could affect the efficiency and effectiveness in the discharge of its services to the general public.

We reiterate the previous audit recommendation that the Municipal Mayor, through the Human Resource Officer, consider filling up or appointing personnel for the remaining two (2) support staff plantilla position in compliance with Section 12 of R.A. 10121.

8. The Municipality appropriated an amount of ₱4,156,463.63 in CY 2016 for the construction of evacuation center but remained unimplemented as at December 31, 2019 thus, a disaster-resilient refuge and the basic needs of displaced constituents may not be provided in times of emergencies and calamities.

We recommended that the Municipal Mayor, through the Municipal Engineer, cause the preparation of the engineering design plan and necessary documents to facilitate the construction of evacuation center taking into considerations the basic

facilities and standards of disaster-resilient evacuation center management set forth in DEPED-DSWD-DILG-DOH JMC No. 1, s. 2013 for the safety and protection of the evacuees in times of calamities.

9. The audit recommendations on the operations of the Public Market embodied in the CY 2017 Annual Audit Report were not yet implemented despite the lapse of two years thereby casting doubts on the capability of the Municipal Administrator and the Market Supervisor to perform their duties and responsibilities laid down in Sections 4.C. and 4.D. of Ordinance No. 2015-123 or the Market Code of 2015.

We recommended that the Municipal Mayor direct both the Municipal Administrator and the Market Supervisor to implement the audit recommendations embodied in the Annual Audit Report of CY 2017 to improve the operation of public market, otherwise consider appointing a new Market Supervisor.

10. Out of the ₱125,283,324.55 Continuing Appropriations (CYs 2011-2018) and ₱75,897,459.66 Current Appropriations for the 20% Development Fund (DF), only 18.52% or ₱23,207,374.99 and 31.98% or ₱24,272,689.31, respectively, were utilized during the year. Likewise, projects under the CY 2019 20% DF totaling ₱31,295,644.61 remained unimplemented as of December 31, 2019 thereby depriving constituents of timely, basic and value added services and benefits which could have contributed to their socio-economic development.

We recommended that the:

- a. The Local Development Council and the Municipal Planning and Development Office (MPDO), together with the concerned implementing offices, in coordination with the Bids and Awards Committee (i) immediately look into the unimplemented projects under the 20% Development Fund and determine the causes of their non-implementation; (ii) formulate/develop specific strategies/solutions to effectively implement development projects; (iii) consider formulating a timetable or a catch-up plan within which to complete the unimplemented projects; and (iv) review the costing of projects programmed two to eight years ago to conform to the present conditions and costs;
- b. The Municipal Engineering Office (MEO) (i) improve the planning and scheduling of work activities and manpower in order to facilitate completion of the Program of Work of unimplemented projects; and (ii) ensure that plans are accurate and projects estimates are based on standard and realistic amounts;
- c. The MPDC (i) enhance monitoring of implementation of projects in coordination with the implementation of projects in coordination with the implementing offices; and (ii) submit regularly status reports of

implementation to the Municipal Mayor for his information so that appropriate measures can be instituted to obtain optimal utilization of fund; and

- d. Municipal Mayor (i) ensure the full or optimum utilization of the 20% Development Fund in accordance with Section 5 of DILG and DBM JMC No. 2017-1 dated February 22, 2017; (ii) ensure the effective and efficient implementation of the projects to maximize the developmental benefits of the intended beneficiaries; and (iii) convene MPDO, Municipal Engineering and other offices department heads concerned to strongly pursue the completion of the projects to be implemented the soonest time possible in order to achieve the objectives of the said projects in providing socio-economic benefits to the intended beneficiaries and remind them of their duties and responsibilities.

Status of Implementation of Prior Year's Audit Recommendations

Of the sixteen (16) audit recommendations contained in the 2018 Annual Audit Report, three (3) were fully implemented, ten (10) were partially implemented and three (3) were not implemented by the Management during the year.