

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Abucay, Bataan is a developing town located in the northern part of Bataan and Pampanga, composed of nine barangays with a total land area of 7,970 hectares. It is mainly agricultural and fishing town: 44% of its land area is ideal for habitation and lowland rice cultivation and fish farming. Existing fishponds cover 1,512.2 hectares of which 319.25 hectares are under intensive use while the rest are non-functioning but available for utilization. Among the commercial marine species found in the area are milkfish, tilapia, pla-pla and shrimps and agricultural produce are rice, corn, root crops, legumes, vegetable and various kinds as well as forest grown bamboo and buho.

B. FINANCIAL HIGHLIGHTS

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Financial Position			
Assets	₱443,218,542.81	₱396,919,781.96	₱ 46,298,760.85
Liabilities	97,188,229.11	149,542,925.82	(52,354,696.71)
Net Asset/Equity	₱346,030,313.70	₱247,376,856.14	₱98,653,457.53
Financial Performance			
Revenue	₱156,742,570.13	₱141,017,775.95	₱15,724,794.18
Current Operating Expenses	117,242,243.40	135,763,211.61	18,520,968.21
Surplus/(Deficit) from Current Operations	₱39,500,326.73	₱ 5,254,564.34	₱34,245,762.39
Sources and Application of Funds			
Appropriations	₱178,803,789.38	₱144,259,084.80	₱ 34,544,704.58
Obligations	106,410,383.81	144,206,299.59	(37,795,915.78)
Balance	₱72,393,405.57	₱ 52,785.21	₱72,340,620.36

C. SCOPE OF AUDIT

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). It covers the financial transactions and operations of the Municipality of Abucay for CY 2019 particularly those contained in the Memorandum dated July 3, 2019 of the COA Local Government Sector Assistant Commissioner. It included the examination of supporting documents of pre-selected accounts and areas, employing audit procedures and techniques such as analysis of accounts and such other procedures considered necessary. The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine compliance of management with the laws, rules and regulations on the identified audit/thrust areas and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior year's audit recommendation.

D. INDEPENDENT AUDITOR'S REPORT

A qualified opinion was rendered due to the errors and deficiency that misstated the affected account balances, summarized as follows: (a) unreliable balance of RPT/SET Receivables amounting to zero (₱0.00) due to the failure to ascertain and substantiate the reported figures with subsidiary records; (b) inaccurate value of Land account due to twenty-one (21) parcels of land amounting to ₱46,284,355.00 with no transfer certificates of title; and (c) unreliable balances of PPE account due to non-performance of actual physical inventory.

For the above deficiencies, we recommended and Management agreed to do the following:

(a) For the unreliable balance of RPT/SET Receivables -

(i) Municipal Treasurer and Municipal Assessor to coordinate and follow up with the Provincial Government of Bataan for the immediate action in resolving the errors encountered in the PATAS in the Treasury Department; and

(ii) Municipal Accountant to update and complete the corresponding subsidiary ledgers (SLs) once the Assessor updated their assessment rolls based on the new tax mapped real properties to monitor tax collections and delinquencies in compliance with Section 20 of the Manual on the NGAS, Volume I.

(b) For the unreliable balances of Property, Plant and Equipment (PPE) accounts -

(a) Management

(i) assigned a focal person as additional member of the Inventory Committee created that will initiate and focus on the conduct of the annual physical inventory of PPE by type, with the end view of establishing the correctness of the reported balances as well as the existence, condition and custodianship of the municipal assets and submit the RPCPPE not later than January 31 of each year to enable reconciliation with the accounting and property records and correction of verified discrepancies; and

(ii) allocate fund for the expenses to secure copies of the title of the declared real properties;

(b) Municipal Treasurer

(i) request and assigned personnel that will prepare and maintain updated property cards to enable reconciliation with the general ledger balances and the inventory report;

(ii) coordinate with the Municipal Assessor to obtain copies of the tax declarations of all properties, verify the inclusion of all land in the inventory list against the tax

declarations obtained and act on any discrepancy noted, determine whether all lands where the buildings/facilities owned by the LGU are built are titled to the Municipality; and

(iii) maintain a Summary List with costs of all the real properties;

(c) Municipal Accountant

(i) maintain updated PPELC; and

(ii) coordinate with the Treasury Department for proper recording of each lot/land owned by the municipal government; and

(d) Municipal Treasurer, Assessor and Accountant exert effort to verify the existence of the title of the declared real properties and secure copies thereof.

E. OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. Through the Solid Waste Management Board's (SWMB) determination and team work in overcoming various challenges, the LGU's compliance with Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000 is substantially attained. Though, there are still factors that need to be addressed, the general welfare of the constituents on the aspect of public health and safety is not compromised and is a Management's priority. (*Observation No. 6*)

We commended the Management for their efforts which led to the approval of its ten-year solid waste management plan and in ensuring that the closure of the existing dumpsite was done in a proper manner, with environmental protection and safeguard in place.

We also commended the Management in effectively implementing its centralized MRF and sanitary landfill in accordance with pertinent provisions of Republic Act No. 9003.

Likewise, we recommended that the Management:

a) through the Solid Waste Management Board, encourage active participation of Barangay Officials to support the solid waste management program of the Municipality and take appropriate action, if possible and feasible, to established their own MRF;

b) strictly enforce the garbage collectors to wear their personal protective gears to ensure safety and protection.

c) ensure full implementation of the PPA's under 20% development fund that were not implemented in CY 2019 to continuously develop the eco waste facility; and

d.) continue all its efforts and initiative in maintaining the operations of a Sanitary Landfill in accordance with Section 42 of the Act on the compliance with the minimum requirements for the operation of SLF.

2. Management did not meet the timetable for the execution of the different programs/projects as per approved Annual Investment Program (AIP) contrary to Section 5 of the DBM-DILG JMC No. 2017-1. Out of the ten (10) projects funded under the 20% Development Fund, only one was implemented which translated to low utilization rate of the Municipality. Consequently, the desired development outcomes were not substantially attained. (*Observation No. 3*)

We recommended that Management through the Municipal Planning and Development Officer in coordination with the Municipal Engineer and the Local Development Council to abide strictly with the guidelines on the planning and implementation of the projects/activities funded under the 20% Development Fund so as not to delay the desired development outcomes for its people.

3. Owing to leniency in monitoring the implementation of the BUB program, beneficiaries did not submit post-harvest utilization report and does not maintain detailed logbook of operations of machineries and equipment contrary to the Memorandum of Agreement. In addition, the BUB focal person does not prepare validation report which is not in adherence with Section 5.1.4.5 DBM-DILG-DSWD-NAPC JMC No. 7 hence, the assessment of sustainability and fulfillment of the purpose of the BUB program which is to enable small farmers improve their productivity through appropriate and efficient mechanization technologies could not be made. (*Observation No. 5*)

We recommended that Management through the Municipal Agriculturist as the BUB Focal person prepare validation report and require the submission of post-harvest utilization report and maintenance of detailed logbook of operations of machineries and equipment in accordance with the Memorandum of Agreement and Section 5.1.4.5 DBM-DILG-DSWD-NAPC JMC No. 7 for proper validation thereof.

4. Amongst the Gender and Development (GAD) mechanisms and processes, two (2) were not complied such as (a) compliance with the timely submission of GAD Plan and Budget (GPB) and complete Annual GAD Accomplishment Report (AR); and (b) establishment of proper GAD Database in contravention with PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001 dated March 18, 2014, hence the task to ensure and sustain the LGU's critical consciousness in supporting gender and development, women's empowerment and responding to gender issues were partially achieved. (*Observation No. 7*)

We recommended that the Management (a) submit a copy of the Annual GPB to the COA Audit Team within five (5) workings days from the receipt of the approved plan and annual GAD Accomplishment Report complete with the required documents for proper evaluation thereof; (b) continue to established the CBMS to facilitate and develop the Municipality's GAD Database; and (c) reorganize the GAD Monitoring and

Evaluation (M&E) Team to include CSO representatives from women's organization, the academe and representatives of LCE for proper representation and evaluation of its GAD policies, programs and projects.

5. Owing to multiple positions conferred to the MDRRMO, developmental actions and measures to strengthen the LGU's capability in disaster response and preparedness was not prioritized by Management, hence, manifested the non-optimization of the Mitigation Fund and several deficiencies noted in the audit of LDRRMF which are not in adherence with the pertinent sections of the Implementing Rules and Regulations (IRR) of RA No. 10121, Joint Memorandum Circular No. 2014-1 of NDRRMC, DILG, DBM and CSC dated April 4, 2014 and Section 4 (5) and (6) of PD 1445..*(Observation No. 8)*

We commended the Municipal Accountant and Municipal Treasurer for transferring the unexpended balance at year-end and the Municipal Budget Officer for the creation of LDRRMO III position. We recommend that the Management prioritize the filling-up of the LDRRMO Head in the MDRRMO to strengthen its function.

We also recommended that LDRRM Officers (a) monitor the full implementation of the LDRRMP towards the achievement of the objectives of RA No. 10121 specifically utilizing the yearly 70% Mitigation Fund of the LDRRMF for the programs, project and activities identified for disaster preparedness, prevention and mitigation; (b) submit the monthly Report on Sources and Utilization of DRRMF with the prescribed signatories; and (c) submit List of attendance, Certificate of Appearance and Certificate of Training or Completion of participants from the ICS Training Seminar.

These and the other observations are included in Part II of this report and were discussed with concerned officials and employees.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

During the year, no notice of suspension, disallowance and charge was issued to the municipality.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 33 recommendations embodied in the 2018 Annual Audit Report, 10 were implemented, 7 were not implemented and 16 were partially implemented.