

EXECUTIVE SUMMARY

A. Introduction

We conducted an audit on the Municipality of Doña Remedios Trinidad, a first-class municipality located in the northern part of the province of Bulacan.

The Municipal Government is headed by Honorable Mayor Marita L. Flores who is ably assisted by Honorable Vice Mayor Ronaldo T. Flores and eight Sangguniang Bayan members. As of December 31, 2019, the municipal government has a personnel complement of 196 regular plantilla and personnel under job order.

B. Financial and Operational Highlights

The comparative data on the financial condition, result of operations and sources and application of funds of the Municipality for the years 2019 and 2018 are presented below:

	2019	2018	Increase (Decrease)	
			Amount	%
Financial Condition				
Total Assets	₱ 837,190,479.86	₱ 727,306,121.70	₱ 109,884,358.16	15.11%
Total Liabilities	188,396,175.91	165,407,556.99	22,988,618.92	13.90%
Total Equity	648,794,303.95	561,898,564.71	86,895,739.24	15.46%
Results of Operations				
Total Revenues	₱ 255,497,986.23	₱ 236,937,891.89	₱ 18,560,094.34	07.83%
Total Expenses	153,914,119.44	135,421,456.61	18,492,662.83	13.66%
Excess of Income				
Over Expense	101,583,866.79	101,516,435.28	67,431.51	00.07%
Sources and Application of Funds				
	Budgeted Amount	Actual Amount	Difference	%
Revenue and Receipts	303,844,643.25	257,121,378.06	46,723,265.19	18.17%
Appropriations	333,328,720.25	221,645,816.48	111,682,903.77	50.39%
Surplus/(Deficit)	(29,484,077.00)	35,475,561.58	(64,959,638.58)	(183.11%)

C. Scope of Audit

Our audit was made in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

The objectives of the audit were (a) to ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency

improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

The audit covered the financial transactions and operations of the Municipality of Doña Remedios Trinidad for the calendar year 2019. Specifically, the 2019 audit focus and thrust for the Local Government Sector in compliance with the unnumbered Memorandum dated July 3, 2019 by the Commission on Audit Assistant Commissioner Joseph B. Anacay and in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016 as follows:

1. Financial Audit

Audit of Financial Statements:

- a. Cash and Cash Equivalents
- b. Financial Liabilities accounts, particularly Loans Payable
- c. Due from NGOs/POs and Other LGUs

2. Performance and Compliance Audit

- a. Fund Transfers from National Government Agencies (NGAs) to Local Government Units
- b. 20% Development Fund
- c. Local Disaster Risk Reduction Management Fund (LDRRMF) on Disaster Preparedness thematic area
- d. Solid Waste Management

3. Audit of Revenue-Generating Programs

4. Inclusion of evaluation/audit observation on the following audit areas:

- a. Payment to casuals, job orders, contractuels and consultants pursuant to COA Memorandum No. 2012-010 dated October 17, 2012, regardless of fund source and account charged;
- b. Enforcement of COA Disallowances and Charges as prescribed in COA Memorandum No. 2009-084 dated November 16, 2009;
- c. Compliance with tax laws;
- d. Remittance of mandatory GSIS PhilHealth and Pag-IBIG contributions and remittance of loan amortization; and
- e. Compliance with Programs and Projects related to Gender and Development

D. Independent Auditor's Opinion

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality owing to the exceptions noted in the audit as stated in the Independent Auditor's Report in Part I of this report as follows: (1) the accuracy of the

Municipality's Cash in Bank – Local Currency, Current and Time Deposit accounts totaling ₱187,294,929.89 were doubtful due to non-submission of paid disbursement vouchers (DVs) totaling ₱388,065.07 by the MTO the MAO. This contravenes the provisions of the New Government Accounting System (NGAS), COA Circular No. 2009-006 dated September 6, 2009 and Section 122.2 of PD No. 1445; and (2) The validity and accuracy of the year-end Property, Plant and Equipment (PPE) balance of ₱566,644,001.08 could not be ascertained due to: (a) inclusion of Materials and Equipment items for distribution and semi-expendable items in PPE valued at ₱10,068,463.64; and (b) failure to recognize depreciation on the Road Network subaccount valued at ₱232,439,155.98, thus not in accordance with the relevant provisions of Section 113.a of the Manual on NGAS for Local Government Units, Volume 1, and COA Circular No. 2005-002 dated April 14, 2005 and constitutes a departure from IPSAS No. 17.

For the above noted exceptions, we recommended that the Local Chief Executive (LCE):

- 1) For the Cash in Bank – Local Currency, Current and Time Deposit account, (a) require the Municipal Treasurer to (i) immediately submit all paid DVs and supporting documents to the Accounting Office for recording in the books; (ii) exercise due diligence in the performance of her official duties and responsibilities as an accountable officer by desisting from the practice of entrusting paid disbursement vouchers and supporting documents to unauthorized persons; (b) require the Municipal Accountant to submit the disbursement vouchers to the Audit Team for verification and audit and record the deposits into a temporary trust liability account, which should be adjusted later in the books based on the result of the Municipal Treasurer's verification with the LBP; (c) cause the suspension of payment of the salaries of the officials concerned relative to the 20 unsubmitted DVs of prior years, until they shall have complied with the complete submission, pursuant to Section 122.2 of PD No. 1445; and (d) impose criminal sanction/administrative disciplinary action against concerned public officials for repeated unjustified failure to comply with the requirements of laws and regulations on the submission of DVs;
- 2) For the Property, Plant and Equipment (PPE) accounts, instruct the Municipal Accountant to (a) identify all the items which were incorrectly recognized as PPE in the books; (b) prepare the adjusting entries on the affected asset and equity accounts; and (c) recognize the appropriate Accumulated Depreciation based on the estimated useful life and recoverable value of the constructed road network.

The other significant observations and recommendations that need immediate action are as follows:

1. The Municipality complied with the guidelines of DILG Memorandum Circular (MC) No. 2019-71 dated May 20, 2019 regarding the implementation of the FY 2019

Local Government Support Fund – Assistance to Municipalities (LGSF-AM) Program as the two projects for implementation were still ongoing as of end-2019. (*Observation No. 3*)

We recommended that the Local Chief Executive direct the Municipal Engineer to fast-track the development of the FY 2019 LGSF-AM road projects before the fund expires on December 31, 2020.

2. Only six out of the 17 projects under the 20% Development Fund (DF) for CY 2019 were satisfactorily completed during the year due to (a) prioritization given to the implementation of General Fund (GF) capital outlays instead of those funded under the 20% DF; (b) completion of unfinished and unimplemented CY 2018 DF projects; and (c) a moratorium on public works projects imposed during the period March 29 to May 12, 2019 due to the national/local elections, thus, not in accordance with Paragraphs 2.3 and 5.0 of the Department of Interior and Local Government (DILG) and Department of Budget Management (DBM) Joint Memorandum Circular (JMC) No. 2017- 1 dated February 22, 2017. Moreover, billboards pertaining to the projects bore information which were not in accordance with the provisions of COA Circular 2013-04 dated January 30, 2013. (*Observation No. 4*)

We recommended that the Local Chief Executive (a) direct the MPDO and the Municipal Engineer to expedite and prioritize the implementation of projects under the 20% DF; (b) strictly observe the guidelines in project information dissemination as stated in COA Circular No. 2013-04 dated January 30, 2013.

3. Only 40% of the Local Disaster Risk Reduction Management Fund (LDRRMF) was disbursed for various projects aimed at disaster prevention, mitigation and preparedness, defeating the purpose set forth in Section 21 of RA No. 10121 or the Philippine Disaster Risk Reduction and Management (DRRM) Act of 2010. Moreover, several budgeted items under the LDRRMF were not pre-disaster or post-disaster programs/activities and did not include in the budget the purchase of paraphernalia, tools and equipment required under the Minimum Standards for Disaster Risk Reduction and Management. (*Observation No. 5*)

We recommended that the Local Chief Executive (a) ensure in the preparation of the next annual budget that the allocation of the repairs and maintenance of Repairs and Maintenance of Buildings, Other Structures and Infrastructure Assets shall be included in the budget for Repairs and Maintenance of the Municipality for General Fund instead of the LDRRMF; (b) expedite the disbursement of funds for the succeeding years; and (c) purchase the necessary disaster supplies and equipment consistent with the Minimum Standards for Disaster Risk Reduction and Management to help in preparedness and mitigation of disaster hazards.

4. The Municipality substantially complied with the general provisions of Republic Act (RA) No. 9003, and satisfactorily achieved the goals set in the Municipal Solid Waste Management Plan (SWMP) pursuant to R.A. No. 9003, otherwise known as the Ecological Waste Management Act of 2000. (*Observation No. 6*)

We recommended that the Municipality continuously abide by the provisions of R.A. No. 9003 or the Ecological Waste Management Act of 2000 to sustain its best environmental management practices and gain credence as a model of environmental sustainability.

5. The Municipality substantially complied with the provisions of PCW-DILG-DBM-NEDA Joint Circular No. 2013-01 as amended by PCW-DILG-DBM-NEDA Joint Circular No. 2016-01 dated January 12, 2016 re: Guidelines on the Localization of the Magna Carta of Women with regard to the responsiveness and proper attribution of Gender and Development (GAD)-related programs and activities. (**Observation No. 7**)

We recommended that the LCE require the MSWD Officer to continue to adhere to the pertinent provisions of PCW-DILG-DBM-NEDA Joint Circular No. 2013-01 as amended by PCW-DILG-DBM-NEDA Joint Circular No. 2016-01 dated January 12, 2016 on the responsiveness and proper attribution of the Municipality's GAD-related programs and activities.

6. The Municipality partly adhered to Bureau of Internal Revenue (BIR) Revenue Regulation No. 2-98 dated April 17, 1998 in the withholding and remittance of taxes for CY 2019. (**Observation No. 8**)

We recommended that the Local Chief Executive direct the Municipal Accountant to remit all tax dues regularly within the prescribed time frame.

7. The Municipality was able to appropriately handle the withholding of premium contributions and loan deductions and their remittance to the GSIS, in concurrence with Section 6 of Republic Act (RA) No. 8291 or the GSIS Act of 1997. (**Observation No. 9**)

We recommended that Management continue to faithfully comply with Section 6 of RA No. 8291 on the withholding and remittance of GSIS contributions and loan amortizations.

8. The Municipality substantially complied with Sections 2 and 3, Rule VII of Republic Act (RA) No. 9679 on the withholding of premium contributions and loan amortizations, and their remittance during CY 2019. (**Observation No. 10**)

We recommended that Management continue to faithfully comply with Sections 2 and 3 of RA No. 9679 on the withholding and remittance of Pag-IBIG contributions and loan amortizations.

9. The Municipality was able to appropriately handle the withholding of premium contributions and their remittance to the PhilHealth, in congruence with Section 20 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 7875, as amended by RA No. 9241. (**Observation No. 11**)

We recommended that Management continue to faithfully comply with Section 20 of the Revised IRR of RA 7875 on the withholding and remittance of PhilHealth contributions.

F. Summary of Total Suspensions, Disallowances and Charges at year-end

Suspensions, disallowances and charges as of December 31, 2019 stood at ₱0.00, ₱171,450.00 and ₱0.00, respectively.

G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Out of the 24 recommendations embodied in the prior years' Annual Audit Reports, 16 were fully implemented, four were partially implemented and four were not implemented by the Municipality.