

EXECUTIVE SUMMARY

A. Introduction

We conducted an audit on the Municipality of San Ildefonso, a first class municipality located at the northern part of Bulacan.

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

The audit covered the financial transactions and operations of the Municipality of San Ildefonso, Bulacan for the calendar year 2019. 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 year's audit recommendations.

B. Financial Highlights

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

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Financial Condition				
Total Assets	1,205,162,717.67	1,045,984,108.73	159,178,608.94	15.22%
Total Liabilities	706,645,187.91	618,590,507.83	88,054,680.08	14.23%
Total Equity	498,517,529.76	427,393,600.90	71,123,928.86	16.64%
Results of Operations				
Total Revenues	433,067,235.22	385,035,266.47	48,031,968.75	12.47%
Total Expenses	355,861,139.27	297,826,852.83	58,034,286.44	19.48%
Excess of Income Over Expense	77,206,095.95	87,208,413.64	(10,002,317.69)	(11.47)%
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>%</u>
Sources and Application of Funds				
Total Revenues and Receipts	376,638,166.00	371,984,156.97	4,654,009.03	1.25%
Total Appropriations	458,170,526.83	396,114,789.78	62,055,737.05	15.67%
Surplus/(Deficit)	(81,532,360.83)	(24,130,632.81)	(57,401,728.02)	237.88%

C. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of San Idefonso, Bulacan for the calendar year 2019, using the Simplified Sampling Scheme, specifically the 2019 audit focus and thrusts for Local Government Sector in compliance with the unnumbered Memorandum dated July 3, 2019 by the Commission on Audit Assistant Commissioner Joseph B. Anacay 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
- 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 (LGUs)
- b. 20% Development Fund
- c. Local Disaster Risk Reduction Management Fund (LDRRMF) on Disaster Preparedness thematic area
- d. Solid Waste Management

3. Audit of Revenues

4. Other 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 and HDMF contributions and remittance of loan amortization; and
- e. Compliance with Programs and Projects related to Gender and Development

D. Independent Auditor's Report

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 the report. As discussed in Part II of this report, cash advances totaling ₱10,129,000.97 remained outstanding as of December 31, 2019 resulting in the overstatement of receivables for the advances deemed expended for time-bound activities and of the government equity account. In addition, the accuracy, existence and ownership assertions of the Property, Plant and Equipment (PPE) account was doubtful due to (a) absence of transfer certificate of title/ownership of four lots recognized under the Land account contrary to Section 39, of P.D. 1445; (b) PPE was not supported with ledger cards, real property cards for land, and subsidiary ledgers at the accounting and property offices contrary to Section 114 of P.D. No. 1445 and Section 119 of the NGAS Manual for LGUs Volume I; and (c) non-disposal of unserviceable assets which were still recognized in the Accounting and GSO records contrary to the provisions of Section 79 of P.D. No. 1445.

For the above noted exceptions, we recommended that Management (a) the immediate liquidation of the cash advances of the concerned officials and employees; (b) Municipal Accountant to issue demand letters to the various officials and employees of their responsibility to settle their unliquidated cash advances; and (c) Municipal Treasurer to withhold the salaries of the said officials and employees who have been notified and given ample time to liquidate their cash advances but failed to do so. Moreover, Management was recommended to (d) require the Municipal Assessor and other officials concerned to immediately facilitate the processing of the land titles for the four untitled lots purchased by the Municipality; (e) direct the GSO to maintain Property Cards for land for easy reconciliation of the account; and (f) immediately request for disposal of unserviceable property to prevent further deterioration.

E. Summary of Significant Observations and Recommendations

However, the following are the other significant observations and recommendations that need immediate action:

1. Out of the total carrying value of the Municipality's insurable Property, Plant and Equipment (PPE) of ₱284,406,094.79, 86.19% or ₱245,127,738.04 were not covered by insurance, contrary to Section 5 of the Republic Act No. 656, and Section 489 of the Government Accounting and Auditing Manual (GAAM), Volume I. (***Observation No. 3***)

We reiterated that the LCE require the Municipal Treasurer to facilitate the submission of the updated list of inventory of insurable properties with the GSIS so that the necessary insurance coverage can be applied with the GSIS insurance fund.

2. The pertinent provisions of Republic Act (R.A.) No. 9003, or the Ecological Solid Waste Management Act of 2000, were not strictly complied with as manifested by the (a) continued inability of the agency to fully impose the anti-littering and waste segregation

ordinances; (b) non-establishment of a Material Recovery Facility (MRF) for the Municipality and Barangays; and (c) ineffective implementation of program on composting, recycling, re-use, and recovery of solid waste generated. (**Observation No. 4**)

We recommended that the LCE (a) enforce strictly the sanctions on violators of the ordinances/laws/regulations pertaining to solid waste management; (b) further intensify and involve the barangay governments in monitoring the compliance of its constituents with environmental laws, rules and ordinances; (c) provide resources for the establishment of Material Recovery Facilities and effectively implement programs on composting, recycling, re-use, and recovery of solid waste generated which would reduce the residual waste being hauled and collected by the service provider; and (d) continue to properly inform and encourage the constituents on the proper segregation of waste.

3. The Municipal Government of San Ildefonso appropriately provided a budget for the 20% Development Fund (DF) in the amount of ₱45,017,633.20 for CY 2019 in compliance with DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017. Out of the 54 projects appropriated under the 20% Development Fund, 27 were 100% completed, 18 were partially completed, two were on-going and seven were not implemented. Accomplishment report showed a utilization rate of 74% of the total budget or ₱34,720,756.42, thus, the Municipality failed to maximize outcomes as envisioned in its Annual Investment Plan. (**Observation No. 5**)

We recommended that LCE instruct the Municipal Engineer's Office to properly identify, supervise and closely monitor the timely and effective implementation of the development projects under the 20% Development Fund.

4. The Municipality's GAD Focal Point System (GFPS) was compliant with the GAD program on the formulation and submission of the GAD Plan and Budget (GPB) and Accomplishment Report (AR) for CY 2019. However, there was no updated GAD database that contains all sex-disaggregated and gender statistics of the Municipality as the basis of their GAD Plan and Budget contrary to PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-01, and its amendments under JMC No. 2016-01 which provides for the Guidelines on the Localization of the Magna Carta of Women. (**Observation No. 6**)

We recommended that the LCE require the GFPS or the MPDO to cause the updating of the GAD database which will serve as basis for planning, programming and formulating GAD responsive projects, programs and activities.

5. The Municipality did not maintain a stockpile of relief goods, which clearly defeated the purpose on disaster preparedness and response as prescribed under Republic Act (R.A.) No. 10121 and NDRRMC, DBM and DILG JMC No. 2013- 1 dated March 25, 2013. Moreover, the monthly report on utilization of the fund was not submitted to the Audit Team. (**Observation No. 7**)

We recommended that the LCE (a) continue to be compliant with the provisions of R.A. No. 10121 in the allocation of LDRRMF and institutionalizing the disaster risk reduction and management plan; (b) maintain a stockpile of relief goods; and (c) require the LDRRMO, through the LDRRMC and Local Development Council (LDC), to prepare the Report on Sources and Utilization of DRRMF to be certified correct by the Local Accountant and submitted to COA Auditor of the LGU on or before 15th day after the end of each month.

6. Out of seven projects funded from various National Government Agencies (NGAs), three were fully implemented by the Municipality, while four projects were on-going as of December 31, 2019. **(Observation No. 8)**

We recommended that the LCE continue to satisfactorily implement the projects, programs and activities funded by National Government Agencies (NGAs) and promptly liquidate the utilized funds to its respective sources.

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

Suspensions, disallowances and charges as of December 31, 2019 stood at ₱3,987,141.00, ₱0.00, ₱0.00, respectively.

G. Status of Implementation of Prior Year's Audit Recommendations

Out of the 24 unimplemented recommendations embodied in the previous years' Annual Audit Reports, 13 were fully implemented, nine were partially implemented, and two were not implemented. Those not implemented were accordingly addressed and discussed with the management to draw attention for their implementation.