

EXECUTIVE SUMMARY

A. INTRODUCTION

The Local Government Code of 1991 was promulgated purposely to give local government unit with genuine and meaningful local autonomy with its main objective of attaining fullest development as self-reliant communities.

As a local government unit, the municipality has for its purpose, as mandated under the code of providing basic services to its constituents, accelerate its economic development, upgrade the quality of life of the people and be an effective partner in the attainment of national goals. Local government unit was also given power necessary for its efficient and effective governance essential to the promotion of the general welfare of the people as such the municipality shall ensure and promote health and safety, enhance the right of the people to balance ecology, enhance economic prosperity, promote full employment, maintain peace and order, preserve the comfort and convenience of the inhabitants

At present, the municipality is headed by Mayor Allan Xystus A. Gamilla, with the able assistance of the Sangguniang Bayan and 13 departments/offices responsible to carry out the designed plans and programs toward the attainment of its goals. It is classified as a second class municipality.

The audit covered the financial transactions and operations of the Municipality of Bongabon, Nueva Ecija for the year ended December 31, 2019. The objectives of the audit were to (a) 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. SCOPE OF AUDIT

The audit covered the financial transactions and operations of the Municipality of Bongabon for the year ended December 31, 2019. The objectives of the audit were to (a) ascertain the degree of reliance on the 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.

In compliance with the Unnumbered Memorandum dated July 9, 2018 by the Commission on Audit Assistant Commissioner for Local Government Sector (LGS) and in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, which identify the CY 2018 audit foci, we covered in audit the Cash and Cash Equivalents, Financial Liabilities, Fund Transfers (Due from/Due to NGOs/POs, NGAs, GOCCs and LGUs), Funds Directly Released by the DBM to LGUs From the Appropriations for Local Government Support Fund (LGSF), Local Disaster Risk Reduction Management Fund, Compliance with RA 9184, Compliance and

Performance Audit of 20% Development Fund, Revenue-Generating Program, Payments to casual, job orders, contractuels and consultants, Enforcement of COA Disallowances and Charges, Compliance to Tax Laws, Remittance of Mandatory Contributions (GSIS, Philhealth and Pag-IBIG), Compliance with Programs and Projects related to Gender and Development, and Statement of Audit Suspensions, Disallowances and Charges. Result of audit with significant observations were discussed in Part II of this Report.

C. FINANCIAL HIGHLIGHTS

The following comparative data show the financial position, results of operation and application of funds of the Municipality of Bongabon for the years 2019 and 2018.

	2019	2018	Increase/ (Decrease)
Financial Status			
Assets	₱609,488,487.95	₱579,827,157.87	₱29,661,330.08
Liabilities	381,690,602.12	365,186,845.52	16,503,756.60
Government Equity	227,797,885.83	214,640,312.35	13,157,573.48
Results of Operation			
Income	222,181,198.66	223,227,229.50	(1,046,030.84)
Expenses	216,060,127.13	212,931,599.03	3,128,528.10
Excess of Income Over Expenses	6,121,071.53	10,295,630.47	(4,174,558.94)
Sources and Application of Funds			
Appropriations	244,435,888.91	209,877,543.38	34,558,345.53
Obligations	218,211,059.03	187,629,737.23	30,581,321.80
Balance	26,224,829.88	22,247,806.15	3,977,023.73

D. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered an unmodified opinion on the fairness of the presentation of financial statements of Municipality of Bongabon for the year ended December 31, 2019. There is a reasonable assurance that the financial statements are free of material misstatements and were presented in accordance with applicable laws, rules and regulations and in conformity with the International Public Sector Accounting Standards.

E. OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The Management was able to reduce the balance of its unliquidated cash advances over the year, exclusive of those drawn for Confidential and Intelligence Fund, from ₱200,880.00 as at end of CY 2018 to ₱2,000.00 or by 99% as at end of CY 2019. Nonetheless, with a total unliquidated balance of ₱2,152,950.00 as at December 31, 2019, full compliance with COA Circular No. 97-002 dated February 10, 1997 remained not achieved thus, delaying the recognition of asset and expense accounts that were paid out of the remaining unliquidated cash advances, and/or exposed to loss or misuse any unused portion thereof. (*Observation No. 1*)

We recommended that the Local Chief Executive (a) require the Municipal Accountant to (i) send demand letters for the settlement of the outstanding cash advances and take appropriate legal action in case of unjustified non-compliance therewith; and (ii) strictly observe the guidelines provided in COA Circular No. 97-002 and Section 89 of P.D. 1445 on the grant and liquidation of cash advances; and (b) provide the Audit Team and the Municipal Accountant with a copy of the Liquidation Reports reportedly submitted to COA in CY 2015, and any credit notice that may have been issued therefor.

2. The Municipality was generally compliant with the DILG-DBM Joint Memorandum Circular No. 2017-01 and have appropriated at least 20% of the IRA for development project and registered a 93.87% utilization rate on its Development Fund (DF) in CY 2019, thus was able to stay on track towards its medium-term development goals. (*Observation No. 2*)

We recommended that the Local Chief Executive would instruct the (a) BAC members and the Municipal Engineer to continue planning for and timely schedule all procurement and implementation of future development projects; and (b) Municipal Planning and Development Officer and Municipal Engineer to regularly monitor the status of project implementation to allow timely interventions against possible delays.

3. The Municipality has substantially implemented their CY 2019 Gender and Development (GAD) Plans. However, reliance on their responsiveness to gender issues could not be confidently made because the plan and the identified programs were not based on a complete GAD database, contrary to the provision of DILG/DBM/NEDA Joint Circular No. 2013-01, hence may not have reasonably reflected the gender issues prevailing in the community. Meanwhile, expenses of ₱57,570.80 not related to GAD were charged against GAD appropriations. (*Observation No. 3*)

We recommended that management (a) revisit the provisions of PCW/DILG/NEDA Joint Circular No. 2013-01 pertaining to the chargeable and

non-chargeable expenses to GAD Budget; and (b) comply with the provisions of DILG/DBM/NEDA Joint Circular No. 2013-01 to institutionalize a GAD Database to enable the management to prepare GPB that is more effective and gender-responsive.

4. The Municipality was compliant with the guidelines, rules and regulations set for the appropriation and utilization of the LDRRM Fund. Furthermore, the management has utilized 76.89% of their appropriated LDRRMF, which is significantly higher compared to the previous years' utilization rate of 41.29%. *(Observation No. 4)*

We recommended that management (a) continue to adhering with the provisions of R.A. 10121 or the PDRRM Act of 2010, and all other rules and regulations pertaining to the utilization of LDRRMF; (b) develop PPAs that will help mitigate the risk of vulnerability to calamities; and (c) update the LDRRMC organizational chart to establish more reliable information that distinguish the roles of each members.

5. The LGU was not able to fully realize the target revenue of P813,348.00 from recycling and sale of recyclable items provided in Section 11.3, Chapter XI of the approved Solid Waste Management (SWM) Plan, hence, additional funding for more solid waste projects and maintenance of the material recovery facility were not provided. *(Observation No. 5)*

We recommended that management (a) revisit their NSWMC approved 10-Year Solid Waste Management Plan, particularly Section 11.3, Chapter XI on the targeted revenue collections from recycling and sale of recyclable materials; (b) provide policy on the disposition of processed products from MRF and sale of recyclable materials; and (c) tap other income sources to support SWM activities of the Municipality.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As of December 31, 2019, the municipality had unsettled suspension and disallowances totaling ₱288,553.70.

G. STATUS OF IMPLEMENTATION BY THE AGENCY OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Monitoring and evaluation of the management action on the 22 recommendations contained in the CY 2018 Annual Audit Report revealed that 18 were fully implemented and 4 were partially acted upon.