

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Minalin is considered the largest egg-producing municipality of Central Luzon. Aside from poultry raising the town is also engaged in casket making, peddling business, fishpond operation and rice production. At present, two cooperatives are operating for the people. They aim to help and give opportunities for the people's livelihood and the young entrepreneurs who wish to engage in the town's known business.

With the implementation of the Local Government Code of 1991, the primary role of the municipality is to serve as a general purpose whose main task is the coordination and delivery of basic services and to ensure effective governance of the inhabitants within its territorial jurisdiction.

The LGU is envisioned to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful, friendly atmosphere through a God centered leadership of the incumbent elected officials.

The Municipality of Minalin, Pampanga is headed by Honorable Mayor Edgardo G. Flores, assisted by the Municipal Vice Mayor Hon. Noel Philip S. Naguit and the members of the Sangguniang Bayan, Hon. Rondon M. Mercado, Edgar G. Tizon, Gregorio Maria T. Yambao, Richelle P. Naguit, Querolico D. Daag, Louie G. Lacsiba, Danilo S. Singa, Eduardo M. Garcia, Noel Y. Glores and Richard Dean Martin L. Daracan.

B. FINANCIAL HIGHLIGHTS

The following comparative data show the financial condition, results of operations and sources and application of fund of the Municipality of Minalin, Pampanga:

Particulars	2019	2018	Increase/ (Decrease)	
			Amount	%
Financial Position				
Assets	₱100,726,571.71	₱ 78,005,654.25	₱ 22,720,917.46	29.13%
Liabilities	38,787,272.66	18,575,216.27	20,212,056.39	108.81%
Net Assets/Equity	61,939,299.05	59,430,437.98	2,508,861.07	4.22%

Results of Operations				
Income	₱133,508,849.32	₱124,104,401.71	₱ 9,404,447.61	7.58%
Expenses/Losses	131,005,319.33	118,258,713.50	12,746,605.83	10.78%
Subsidies and Donations	0.00	-2,345,343.61	2,345,343.61	100.00%
Surplus/(Deficit)	2,503,529.99	3,500,344.60	-996,814.61	-28.48%
Sources and Application of Funds				
Appropriations	₱208,438,489.62	₱201,707,692.36	₱ 6,730,797.26	3.34%
Obligations	196,108,358.70	194,176,752.60	1,931,606.10	0.99%
Balances	₱ 12,330,130.92	₱ 7,530,939.76	₱ 4,799,191.16	63.73%

A. SCOPE OF AUDIT

The audit covered the examination, using risk-based approach of the accounts and financial transactions of the Municipality of Minalin for CY 2019, particularly those contained in the Memorandum dated July 9, 2018 of the COA Local Government Sector Assistant Commissioner. Part II of this Report contains the audit exceptions on the 2018 Audit Focus and Thrusts for the Local Government Sector and other high-risk accounts.

The audit was aimed to (a) verify 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 pre-identified audit thrusts/areas and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior year's audit recommendations.

C. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality for the year ended December 31, 2018 because the validity, accuracy and existence of the reported balances of Property, Plant and Equipment (PPE) accounts with a reported carrying value of P47,050,888.08 as of December 31, 2019 remained doubtful due to (a) partial physical inventory-taking; (b); failure to prepare and submit complete Report on the Physical Count of Property, Plant and Equipment (RPCPPE); (c) undisposed unserviceable properties contrary to pertinent Sections of the New Government Accounting System (NGAS) Manual and Philippines Public Sector Accounting Standards (PPSAS) 17; (d) non-reconciliation of property records by the Municipal Accountant's Office and the Property Custodian; (e) unrecognized 34 parcels of land (including donated lots); and (f) unascertained ownership of several parcels of land without TCT's with total market value of ₱3,119,641.60 and assessed value of ₱573,250.00 contrary to Volume I of the Manual on New Government Accounting System and the New Chart of Account.

For the above deficiencies, we recommended that the Local Chief Executive require the (a) conduct complete physical count of all properties and submit the required Report of Physical Count of Property, Plant and Equipment; (b) prepare and maintain property cards for each category of assets starting with current year's acquisition; (c) adopt all the principles prescribed in PPSAS 17 for proper accounting of PPEs and fair presentation of the asset accounts in the financial statements; (d) Municipal Accountant and the designated Property Officer to accelerate joint efforts towards the reconciliation of the balances per books (All Funds) with that of the inventory report and (e) Municipal Treasury, Supply Officer and the Municipal Assessor to ascertain the status of parcels of land owned by the agency with titling issues and work for the titling thereof in the name of the Municipality of Minalin, assuming funds have been provided therefor.

D. OTHER SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The other significant findings and recommendations on the accounts and operations of the Municipality are as follows:

1. The Municipality continuously disbursed funds through reimbursements contrary to Section 93 of PD No. 1445 and Paragraph 2 of COA Circular 97-002, thereby, exposing the funds to the personal discretion of the authorities concerned, and resulting in the non-withholding of taxes due the government. (*Observation No. 2*)

We reiterated our recommendations that the Local Chief Executive, thru the BAC and offices concerned to (a) improve procurement planning so that all anticipated purchases are included in the Annual Procurement Plan for a more organized and planned manner of procurements; (b) enjoin all employees to refrain from procuring capital expenditure items and other similar items thru cash; and (c) require the Municipal Treasurer to pay all purchases through checks except for petty expenditures to avoid the possible misuse of government funds and to be able to comply with the BIR regulations pursuant to Section 93 of PD 1445 and COA Circular No. 97-002.

2. The Municipality was unable to establish a GAD database as a basis for its gender planning, programming and policy formulation as prescribed by Joint Memorandum Circular 2013-01 of the Department of the Interior and Local Government (DILG), Philippine Commission on Women (PCW), Department of Budget and Management (DBM), and National Economic and Development Authority (NEDA). (*Observation No. 3*)

We recommended that the Local Chief Executive direct the Municipal Planning and Development Officer, together with the GAD Focal Person and TWG, to pursue its plan of building up a CBMS that can be used as well as database for GAD to serve as basis for gender-responsive planning, programming and policy formulation.

3. Only 6.58 % of the reported ₱780,007.42 Office Supplies Expense was procured from the Procurement Service (PS) of the Department of Budget and Management (DBM) contrary to Sections 52 and 53.5 of the Revised IRR of RA 9184, Section 4 of Administrative Order No. 17 dated July 28, 2011 and GPPB Resolution No. 24-2014 dated October 31, 2014. (*Observation No. 4*)

We recommended that the General Services Officer, as far as practicable and feasible, procure directly from the PS-DBM all anticipated common-use supplies, and resort to local suppliers only upon unavailability of supplies needed using the prescribed modes of procurement.

4. The Municipality failed to comply with the budgetary and utilization guidelines set out in DILG-DBM Joint Memorandum Circular No. 2017 – 1 dated February 22, 2017 on the appropriation of the 20% Internal Revenue Allotment for developmental projects by charging unrelated expenditures, depriving the public of the optimum desired socio-economic development and environmental benefits that could be derived therefrom. (*Observation No. 5*)

We recommended that the Local Chief Executive (a) lead the Local Development Council in improving the planning and project identification of projects for funding under the 20% Development Fund by referring to the latest guidelines under DILG-DBM Joint Memorandum Circular No. 2017 – 1 dated February 22, 2017, giving priority to capital investments; (b) continue to invest in high-impact capital expenditure projects in the utilization of its 20% Development Fund and refrain from proposing non-capital investment projects/programs under the Fund; and (c) maintain a special account and subsidiary ledgers for the Development Fund to easily access financial information and improve monitoring on its utilization.

5. The Municipality registered a utilization rate of 40.62% or ₱12,811,250.09 out of the ₱31,538,637.37 funds received in CY 2019 and prior years from several national and local agencies for the implementation of identified projects. However, the Fund Transfers from Bureau of Fisheries and Aquatic Resources (BFAR) Region 3 and DENR-EMB Region III were not fully implemented as of year-end. (*Observation No. 6*)

We recommended that the Local Chief Executive and heads of concerned implementing offices implement without further delay those remaining projects not completed/implemented in CY 2018 and to continue to monitor and supervise the effective and efficient implementation of projects funded from various source agencies within the timelines of the MOA, as far as feasible.

6. The non-enforcement of the mandatory segregation of waste at source and the non-operationalization of the Materials Recovery Facility (MRF) of the 15 barangays for the whole CY 2019 had cost the Municipality of ₱4,999,670.00 in tipping fee otherwise, it could have saved in tipping fees by as much as ₱2,499,835.00 (based on 50% of garbage belonging to recyclable/biodegradable materials) that could have been used for other effective solid waste management programs or projects. (*Observation No. 7*)

We recommended that the Local Chief Executive become more active in the implementation of the Solid Waste Management Act (a) through the Liga ng mga Barangay, encourage active participation of barangay officials to support the solid waste management program of the government by educating their respective constituents on the proper segregation of reusable or recyclable materials from compostable wastes and coordinate efforts in the implementation of the five basic environmental laws on preserving and protecting the environment required under R.A. No. 9003 and (b) as far as the Municipal budget permits, provide necessary support in enjoining the barangays to make their MRF fully operational.

7. Management has substantially observed the provisions of R.A. No. 10121 on the following: (a) 5% allocation of the Local Disaster Risk Reduction and Management (LDRRM) Fund; and (b) development of the Comprehensive Land Use Plan (CLUP). However, some of the standards set forth in the National Disaster Risk Reduction and Management Council (NDRRMC) Disaster Preparedness Minimum Standards Volume 2 were not essentially met, thereby compromising the protection and safety of the residents particularly those from the low-lying areas at the strike of heavy typhoon/monsoon rains and other similar disasters. (*Observation No. 8*)

We commended the Management for its efforts in the establishment and approval of its CLUP for CY 2016-2025, Comprehensive Development Plan (CDP), and in complying with some of minimum standards of disaster preparedness as required by the National Disaster Risk Reduction and Management Council. Likewise, we recommended that the officials concerned continue to accelerate efforts in training its emergency rescue team to be able to be well prepared when disaster strike.

However, for the Municipality to be considered fully disaster-prepared, we recommended that the Management, thru the MDRRM Office, comply with the completion of items listed in the checklist cited in the NDRRMC Disaster Preparedness Minimum Standards, Vol. 2 pursuant to RA 10121. If the Municipality's budget may not permit it, request financial assistance from the Provincial Government of Pampanga or other source agencies, as the case may be, for the funding of high-value requirements such as the construction of a permanent evacuation center and disaster-heavy equipment.

8. The Municipality did not submit to the Auditor's Office copies of purchase orders/contracts together with the supporting documents, and Acceptance and Inspection Reports relative to the procurement of goods and services within the prescribed period, contrary to COA Circular Nos. 2009-001 and 95-006 resulting in the inability of the Auditor to perform inspection, review and evaluation of the transaction. (*Observation No. 9*)

We recommend that the General Services Officer and other officials/offices concerned improve compliance in furnishing the Audit Team with copies of contracts/purchase orders and supporting documents and Inspection and Acceptance Reports as required by COA Circular Nos. 2009-001 and 95-006. This is designed to enable the audit team to

perform its duties relating to post audit of the transactions, at the most appropriate time and manner without delaying or obstructing the implementation or prosecution of the project.

9. Several deficiencies were noted in the employment and payment of salaries of Job Order personnel namely: (a) automatic renewal of contracts every six months and/or upon expiration; (b) provision of salary rates on a monthly basis instead of daily basis and (c) non-referral to DTRs for payrolls and non-submission of accomplishment reports contrary to Section 77 of R.A. No. 7160, Section 2, Rule XI of the Revised Omnibus Rules on Appointments and Other Personnel Actions, under CSC Memorandum Circular No. 40 and Section 4 of P.D. No. 1445. (*Observation No. 10*)

We recommended that the Local Chief Executive and the Municipal HRMO:(a) revise the Contract of Service to include a clause stating that the employment of JO personnel is limited to “No work, No pay” basis, instead of monthly basis to avoid undue payment of wages; (b) require the submission of their duly verified/accepted Daily Time Records (DTRs) bi-monthly and monthly Accomplishment Report prior to the payment of their salaries; and (c) evaluate the performance of personnel and review the necessity of their employment.

10. The position of Accountant has been vacant for several years in violation of Section 474 of the Local Government Code of the Philippines 1991 (Republic Act No. 7160). (*Observation No. 11*)

We recommended that the Local Chief Executive and the Municipal HRMO undertake steps to immediately cause the hiring of Municipal Accountant which is mandatory for the provincial, city and municipal governments in compliance with R.A. No. 7160 otherwise known as the Local Government Code of 1991.

B. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AT YEAR-END

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

C. IMPLEMENTATION OF PRIOR YEAR’S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 27 audit recommendations for CY 2018, three or 11% were fully implemented, 12 were partially implemented and 12 were not implemented.