

EXECUTIVE SUMMARY

Introduction

Pola is third-class municipality by virtue of Department of Finance Order No. 23-08 dated July 29, 2008, as implemented by Bureau of Local Government Finance (BLGF) Memorandum Circular No. 01-M (47)-08 issued on November 12, 2008. It is located in the second district of the Province of Oriental Mindoro, and is composed of 23 barangays.

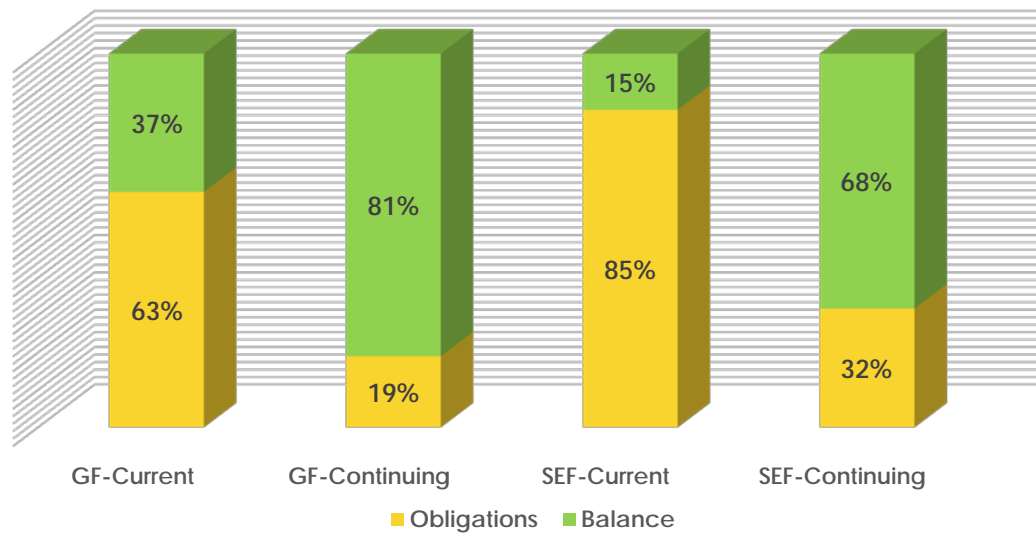
Municipal Mayor Jennifer M. Cruz heads the Municipal Government of Pola. Vice Mayor Leandro P. Panganiban, Jr. and the nine (9) active Sangguniang Bayan Members ably assist her in the administration of the Municipality.

Highlights of Financial Operations

The Municipal Government of Pola generated a total income of ₱126.368 million for Calendar Year (CY) 2019 from Internal Revenue Allotment (IRA), tax revenue, service and business income and other income. The largest income of the Municipality came from IRA which constitutes 92% of its total revenue. Total expenditures incurred in the amount of ₱93.636 million, sizeable of which were expenditures for Personal Services and Maintenance and Other Operating Expenses (MOOE) accounting 54% and 36% of the total expenditures, respectively.

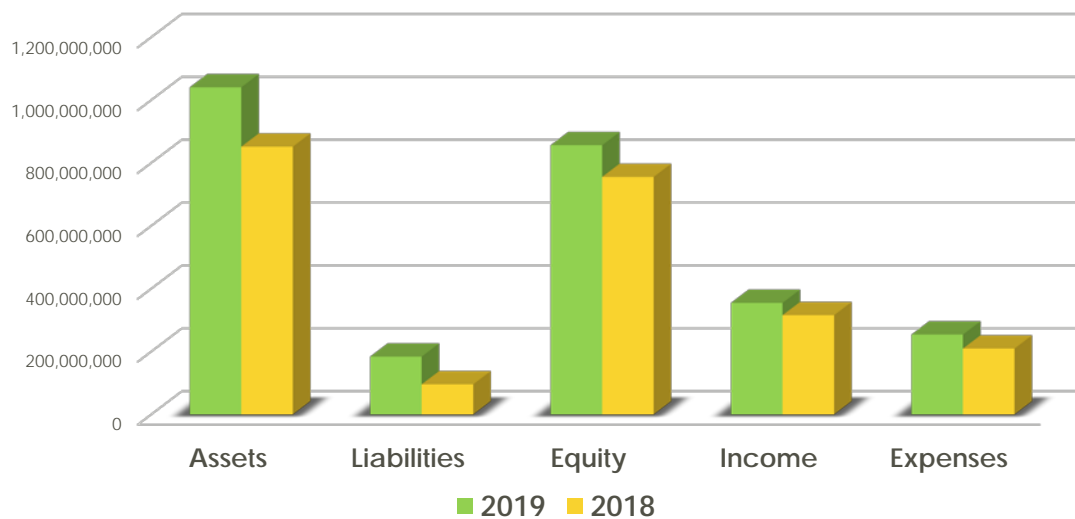
For CY 2019, the appropriation of the Municipality of Pola for the General and Special Education Funds totaled ₱197.953million. Obligations charged against these appropriations amounted to ₱103.848 million.

	Appropriations	Obligations
Current Appropriations		
General Fund	₱ 146,297,154.28	₱ 92,177,423.79
Special Education Fund	2,165,461.56	1,839,614.60
Total	<u>148,462,615.84</u>	<u>94,017,038.39</u>
Continuing Appropriations		
General Fund	46,246,582.47	8,798,954.73
Special Education Fund	3,244,058.39	1,032,186.00
Total	<u>49,490,640.86</u>	<u>9,831,140.73</u>
Grand Total	<u>₱ 197,953,256.70</u>	<u>₱ 103,848,179.12</u>



The assets, liabilities, equity and expenses of the Municipality of Pola compared with the preceding year are as follows:

	2019	2018	Increase (Decrease)
Assets	₱ 419,653,934	₱ 493,258,543	₱ (73,604,609)
Liabilities	67,185,437	197,793,439	(130,608,003)
Equity	352,468,497	295,465,104	57,003,394
Income	126,368,399	113,083,268	13,285,131
Expenses	93,635,869	82,580,257	11,055,612



Major Accomplishments for CY 2019

For CY 2019, the Municipal Government of Pola received various awards and recognitions from various Government Agencies, such as 1st place – Most Improved Municipality LGU Health Scorecard 2018 – Internal Benchmark from the Department of Health and Busilak and Kabalikat Award from the Oriental Mindoro Blood Council

Scope of Audit

The audit conducted on test basis on the accounts and operations of the Municipality of Pola, Oriental Mindoro for CY 2019 focused on the CY 2019 audit thrusts provided under Unnumbered Memorandum dated July 3, 2019 of the Assistant Commissioner, Local Government Sector. It was aimed (a) at determining whether Management presented fairly the financial statements in adherence to the Philippine Public Sector Accounting Standards (PPSAS); (b) to ascertain the level of assurance that may be placed on management assertions on financial statements; (c) to recommend agency improvement opportunities; and (d) to determine the extent of implementation of prior years' audit recommendations.

The completed projects out of local fund and fund transfers are still subject to technical evaluation by COA Technical Audit Specialists and its results will be reported through the issuance of Audit Observation Memorandum.

Audit Opinion on the Financial Statements

We rendered a qualified opinion in the fairness of the presentation of the financial statements for CY 2019 of the Municipal Government of Pola because the accuracy and reliability of the following accounts as of December 31, 2019 could not be ascertained: (a) Property, Plant and Equipment (PPE) account of ₱220.732 million due to (i) discrepancy of ₱86.575 million between the accounting records and the Report of Physical Count of Property, Plant and Equipment (RPCPPE) caused by the failure to complete the actual inventory of all PPE items and deficiencies noted on the submitted RPCPPE; prepare and submit the RPCPPE for certain accounts; and maintain the required property cards/ledger cards of the General Services Office (GSO) and Municipal Accounting Office under Section 114 of the Manual on New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I; (ii) unreconciled balances between RPCPPE and separate inventory reports/schedules; and (iii) non-preparation and submission of complete Report on Physical Count of Local Road Network (RPCLRN) by the Inventory and Disposal Committee which was not in accordance with COA Circular No. 2015-008 dated November 23, 2015; (b) Cash in Bank -Local Currency, Current Account (LCCA) and Cash in Bank - Local Currency, Time Deposits (LCTD) accounts amounting to ₱147,256,480.77 and ₱2,565,474.90, respectively due to (i) failure to prepare and submit the Bank Reconciliation Statements (BRS) for two (2) depository accounts; (ii) unreconciled cash balances between the

accounting ledger, treasury cash book and bank records; (iii) identified reconciling items with net amount of ₱84,661.01 which remained unadjusted in the books; (iv) stale checks totaling ₱64,732.88 remained unadjusted in the books of the Trust Fund at year-end; and (v) failure to maintain cashbooks for GTZ and Time Deposit funds and subsidiary ledger for the CIB-LCCA account; and (c) Inventory accounts totaling ₱3,611,728.66 due to (i) direct recording of inventory items as expense instead of the appropriate inventory account and non-maintenance of the required property/stock cards of the GSO-Designate and Municipal Accountant contrary to Section 114, Volume I of the Manual on the New Government Accounting System (NGAS); (ii) failure of the Municipal Inventory Committee to conduct physical count and prepare the Report of the Physical Count of Inventories (RPCI) disregarding Section 124 of the Manual on the NGAS, Volume I; and (iii) existence of long outstanding inventory account amounting to ₱254,080.00.

To correct these deficiencies, we recommended that the (a) Inventory Committee (i) conduct a complete physical count and technical valuation of the property, plant and equipment to establish existence, ownership and condition of the properties for the year especially for the local road network to determine the current value of the road components to facilitate the preparation of the RPCLRN; (ii) ensure that the required details in the reports were accurately and completely filled up; (iii) ensure the preparation and submission of RPCPPE for all PPE accounts; (iv) conduct and prepare a semestral physical count of all inventory items and submit to the Audit Team to validate the existence of the inventories as of a certain date in accordance with the provisions of Section 124 of the Manual on the NGAS; (b) Municipal Accountant and GSO-Designate allot time and effort to (i) coordinate and prepare supporting schedules to facilitate the proper reconciliation of the property accounts and establishment of actual existence, ownership and condition of the properties especially the previous year's PPE acquisitions; (ii) prepare and maintain appropriate and required property records and reports for all PPE accounts especially for the Road Networks; (iii) coordinate with the Municipal Engineer to complete the maintenance of a road map with complete description and cost segregation of road components for road projects; (iv) maintain supplies ledger card and supplies stock card, respectively, for each stock of inventory to properly account the issuance of its inventories to avoid possible misuse and wastage; and (v) conduct regular reconciliation between the Accounting and GSO records for inventory accounts and effect the necessary adjustments, if warranted; (c) Municipal Accountant and Treasurer reconcile their cash records and settle the disparity in the balances of cash accounts per GL and cashbooks; (d) Municipal Treasurer maintain and update cashbooks of all bank accounts to monitor daily transactions, and discontinue the practice of depositing collections in advance and observe the implementation of sound internal control for handling cash; and (e) Municipal Accountant (i) submit the BRS or status report for the General Fund and the GTZ; (ii) ensure immediate preparation and submission of all BRS for all bank accounts; (iii) conduct detailed review and checking of bank records/reports and request for the necessary documents to support the recording of the reconciling items, if any; (iv) exert effort to substantiate the identified reconciling items and prepare the necessary adjustments; (v) maintain the required records pursuant to the Manual on the NGAS for LGUs; (vi) review the long outstanding/stale checks specifically those checks without identified payees, and require the Municipal Treasurer

to cancel the unclaimed stale checks and furnish the Accountant with the original DVs and its supporting documents, for the preparation of the JEV following the procedures prescribed under the Manual on the NGAS Manual for LGUs to ensure recording of the cancellation; (vii) record the supplies and materials to Inventory account upon purchase and Expense account upon issuance thereof pursuant to the asset method of accounting for recording purchases of supplies and materials as prescribed under Section 114 of the Manual on the NGAS for LGUs; and (vii) review and analyze the recorded Inventory account in the financial statements and effect the necessary adjustment if warranted

Significant Observations and Recommendations

The following are the other significant audit observations and recommendations in the audit of the Municipality for CY 2019, details of which are presented in Part II of this report. Management's views and reactions were considered in the Report, where appropriate.

1. The year-end balances of the Inter-agency payable accounts totaling 1.7 million includes unidentified balances totaling ₱813,542.15, thus affecting the fair presentation of the balances in the financial statements. Moreover, the Municipal Government of Pola (MGP) incurred delays in the remittance of taxes withheld to the Bureau of Internal Revenue (BIR) which is not in accordance with Revenue Regulation (RR) No. 2-98 dated April 17, 1998 and its amendments on the withholding and remittances of the taxes withheld. Furthermore, the MGP paid ₱2,464.21 for interest due to the late remittance of the PhilHealth monthly contributions. (*Observation No. 7*)

We recommended that the Municipal Mayor instruct the (a) Municipal Accountant ascertain the unidentified balances recorded in the inter-agency payable accounts and effect the necessary adjustments, if warranted; (b) Municipal Treasurer provide explanation on the noted delays in the remittance of taxes withheld to BIR and ensure that taxes withheld are remitted to the BIR in timely manner as prescribed in RR No. 2-98 dated April 17, 1998, as amended by RR Nos. 14-2002 dated September 9, 2002 and No. 10-2008 dated July 8, 2008; and (c) Municipal Accountant and Municipal Treasurer provide acceptable explanation on the delay in the remittance of PhilHealth dues which resulted in the MGP paying interest for late payment.

2. The accuracy and reliability of the balance of Other Maintenance and Operating Expenses (OMOE) account amounting to ₱5.318 million could not be ascertained due to (a) existence of lump-sum amounts of ₱1,194,832.00 charged under the account; and (b) misclassification of expenses totaling ₱1,298,687.55 contrary to COA Circular No. 2015-009 dated December 1, 2015, thus affecting the fair presentation of the amount in the financial statements. (*Observation No. 8*)

We recommended that the Municipal Mayor instruct the (a) Municipal Accountant to (i) review and analyze the charges under the OMOE account and

effect the necessary adjustments, if warranted; and (ii) be guided by COA Circular No. 2015-009 regarding the proper classification of accounts; and (b) Municipal Budget Officer to review the budget for succeeding years covering lump sum appropriations to OMOE, and make revision of the budget in accordance with the results of the review following the account description mentioned in COA Circular No. 2015-009 dated December 1, 2015.

3. Claims for various projects totaling ₱3,457,179.80 funded under the General Fund was doubtful due to deficiencies noted in the compliance with the provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, Government Procurement Reform Act, such as (i) non-posting of NOA and NTP in the PhilGEPS; (ii) incomplete details in the Statement of Largest Completed Contract (SLCC); (iii) undated bid evaluation report; (iv) awarding of projects prior to or during the posting of RFQs in the PhilGEPs; and (v) lacking bidding documents and doubtful details in the supporting documents. Moreover, failure to comply with COA Circular No. 2015-009 dated December 1, 2015 regarding the proper classification of accounts affects the fair presentation of the financial statements. (*Observation No. 9*)

We recommended that the (a) Municipal Accountant and BAC Chairperson thru the BAC Secretariat: (i) submit the evidence of posting of NOA and NTP in PhilGEPS for the above projects and ensure compliance to Section 37.1.6 and Section 37.4.2 of the Revised IRR of RA 9184 in subsequent transactions; and lacking bidding documents for the Construction of Batuhan Pula Road Phase III; (ii) provide explanation on the discrepancies noted in the bidding documents of Concerting of Access Road to New Municipal Building at Brgy. Bayanan, manually written dates of certain supporting documents, and awarding of contracts prior to or during the submission of RFQs for projects procured under Section 8 Annex H of the Revised IRR of RA No. 9184; (iii) require supplier/contractors to strictly comply with the Instruction to Bidders issued by MGP especially in the accomplishment of their respective eligibility documents; and (iv) ensure bid evaluation reports are properly dated so that compliance to Section 32.4 of the Revised IRR of RA 9184 and abide by Section 8 Annex H of Revised IRR of RA 9184 in awarding of projects procured under small value procurement; and (b) Municipal Accountant review the entries made for the above projects and effect necessary adjustments, if warranted, and be guided by COA Circular No. 2015-009 regarding the proper recording of transactions in the books of MGP.

4. The procurement and payment for various projects funded by the different National Government Agencies (NGAs) totaling ₱16.982 million were doubtful due to (a) deficiencies noted in the compliance with the provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, Government Procurement Reform Act, such as (i) improper treatment of 15% advance payment under Section 4.3 of Annex E; (ii) delay in the execution of performance security and Notice of Award (NOA) pursuant to Section 37.2.1; (iii)

delays in the posting of NOA and Notice to Proceed (NTP) in PhilGEPS pursuant to Section 37.1.6 and Section 37.4.2; (iv) undated receipt of NTP by the contractors/suppliers contrary to Section 37.4.1; (v) delayed payment to contractors; and (vi) doubtful grant of claim for progress payment; (b) doubtful details in supporting documents; (c) failure to attach evidence of compliance to DILG and DBM Joint Memorandum Circular (JMC) No. 2017-3 dated May 23, 2017 and DILG Memorandum Circular (MC) No. 2018-47 dated April 5, 2018; and (d) failure to attach various documents pursuant to COA Circular No. 2012-001 dated June 14, 2012. Moreover, the misclassification of accounts contrary to COA Circular No. 2015-009 dated December 1, 2015 affects the fair presentation of the financial statements. Further, the deficiencies in compliance to the project proposal for the Construction of Small-Scale Irrigation Project at Barangay Casiligan may defeat the project's goal in the judicious use of available water resources for sustainable rice production. (**Observation No. 10**)

We recommended that Municipal Mayor instruct the (a) Municipal Accountant (i) abide by Annex E of the Revised IRR of RA 9184 for the proper treatment of advance payments; (ii) provide explanation on the noted delays in the payment of claims by contractors of progress payments; and (iii) review the entries made relevant to the above projects and effect the necessary entries, if warranted and ensure compliance with COA Circular No. 2015-009 in recording similar transactions in the books of the MGP; (b) BAC Chairperson, through the BAC Secretariat (i) provide explanation on the noted delays in the posting of performance security and NOA and NTP in PhilGEPS and ensure compliance to the provisions of the Revised IRR of RA 9184 relative to the said documents in future transactions; and (ii) provide justification on the noted absence of the date of conforme by the contractor/ supplier of the NTP; (c) Municipal Engineer and the Municipal Accountant provide acceptable justification on the payment of progress billing for the Construction of Evacuation Center at Barangay Bayanan despite the fact that the request for payment was only received by the Municipal Engineering Office after the date the claim was paid and the fact that the contractor claimed for future work to be accomplished; (d) BAC Secretariat Municipal Accountant and the concerned municipal officials and employees: (i) provide explanation on the manually written dates in the supporting documents; and (ii) submit the lacking necessary documents to support the propriety and validity of the disbursements and ensure that claims for the future transactions were supported with necessary documents before payments were made; and (e) Municipal Agriculturist provide explanation on the noted deficiencies in the compliance to the Project Proposal and corresponding list of beneficiaries for the Construction of Small-Scale Irrigation Project at Barangay Casiligan such as the understatement of the intended beneficiaries of the project and non-compliance with the criteria in the selection of the beneficiaries.

5. The operation of an open dumpsite and the inability to find suitable landfill site approved by Department of Environment and Natural Resources (DENR)-Mines and Geosciences Bureau (MGB) resulted in the failure of the Municipality to

secure approval of its 10-year SWM Plan from the National Solid Waste Management Commission (NSWMC) thus, the achievement of the purpose of Republic Act (RA) No. 9003 in institutionalization of a national program that will manage the control, transfer, transport, processing and disposal of solid waste in the country was hindered. Moreover, the existence of the unutilized funds and resources for SWM programs casted doubt on the effectivity of the measures taken by the Municipality to address SWM issues present in the locality. **(Observation No. 11)**

We recommended that the MSWMB strictly adhere to the mandates of RA No. 9003, oversee proper control on operation of the open dump in Barangay Bayanan, fast track the implementation of the SCRPP to close and rehabilitate the open dump, and continue to locate suitable landfill site to initiate establishment of an operational SLF as mandated by RA No. 9003 and secure approval of the Municipality's 10-year SWM Plan. Moreover, we recommended that the Management assess the funding and resource requirements to ensure implementation and realization of all SWM programs and projects in time.

6. Failure to substantially implement disaster prevention and preparedness programs and projects of the Municipality resulted to a utilization rate of only 18.41% or ₱3 million out of the ₱16.8 million available DRRM Fund during CY 2019, thus casting doubt on the capability of the MGP to effectively address disaster vulnerabilities and defeating the purpose of Republic Act (RA) No. 10121, otherwise known as the "Philippine DRRM Act of 2010", to establish disaster resilient communities. Moreover, failure to properly account the Special Trust Fund recorded under the Trust Liability-LDRRM account affects the fair presentation of the financial statements. Furthermore, the unaccounted distribution of relief goods totaling ₱1,680,756.00 for the affected households of typhoon Tisoy were not supported with valid distribution lists casting doubt on the validity and propriety of the relief operation. **(Observation No. 12)**

We recommended that the (a) MDRRM Council review and evaluate the identified PPAs in the LDRRMFIP taking into consideration priorities, needs, and desired outcomes, and make amendments thereto as deemed necessary, to facilitate realization and implementation of disaster-responsive and resilient projects; (b) MDRRMO, Municipal Engineer and BAC fast track the implementation of the PPAs under LDRRMFIP by monitoring the period of implementation and if applicable, implement the PPAs in the year it was programmed and appropriated to improve the capacity of the Municipality to cope with potential hazards and disasters; (c) Municipal Accountant properly account the Special Trust Fund recorded under the Trust Liability DRRM account by maintaining proper records and ensuring the same account is fairly presented in the financial statements including the required disclosure in the notes; and (d) MDRRMO provide a valid distribution list to account the exact amount of the procured and distributed relief goods totaling ₱1,680,756.00 and ensure future relief operations are properly accounted.

7. The Municipal Government of Pola (MGP) registered completion of 14 programs/projects/activities (PPAs) totaling ₱3.248 million out of the 36 targeted projects or 38.89% accomplishment rate for CY 2019 under 20% Development Fund due to (i) contract termination; (ii) heavy equipment break down; (iii) projects still on the preparatory process of project implementation; (iv) no suitable location for the proposed projects; (v) lack of manpower; (vi) right of way problem; (vii) insufficiency of funds; and (viii) lack of concrete plan for the implementation of the projects, thus the optimal utilization of the fund in accordance with the Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-01 dated February 22, 2017 was not attained and the expected benefits out of such projects were not achieved. (*Observation No. 13*)

We recommended that the (a) Local Development Council, Implementing Office and Municipal Planning and Development Officer in the planning stage (i) consider various factors such as urgency of the project and the climate or weather factor in stating the period of implementation of the PPAs; (ii) adopt a mode of implementation that will fast track the completion of their programmed developmental projects especially those that are in its preparatory stages; and (iii) evaluate the viability of the projects as well as the need for any additional fund needed to complete a project programmed in the previous year; (b) Municipal Engineer and the concerned implementing department heads (i) provide the status of projects undertaken by the MGP as basis of the Municipal Budget Officer and Municipal Accountant in their periodic review and monitoring of balances of continuing appropriations, (ii) submit a list of all completed projects to support the reprogramming to other developmental projects or reversion to the unappropriated surplus; and (iii) specify the planned implementation period of projects under the Annual Investment Plan to serve as a guide for the effective implementation of the projects; and (c) The Municipal Budget Officer and the Municipal Accountant review and analyze the unexpended balances of appropriations of completed projects for reversion to the unappropriated surplus in accordance with Section 322 of RA 7160.

8. Deficiencies noted in the compliance with Philippine Commission on Women (PCW) – Department of the Interior and Local Government (DILG) - Department of Budget and Management (DBM) – National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2016-001 dated January 12, 2016, amending PCW-DILG-DBM-NEDA JMC No. 2013-01 dated July 18, 2013 such as (a) failure to secure the Certificate of Endorsement of the Gender and Development (GAD) Plan and Budget (GPB) for CY 2019 of the MGP from the Provincial DILG; (b) late preparation and submission of GAD Accomplishment Report (AR); (c) failure to identify the reasons for changes between the GAD Plan and the GAD AR, and analyze and complete the data required for an operational GAD database; (d) non-preparation of GAD Agenda; and (e) non-attendance of GAD Focal Point System (GFPS) members to all

required GAD trainings, thus affecting the gender mainstreaming in the Municipality's processes, structures, and systems towards gender-responsive programs, projects, and activities as required by Republic Act No. 9710, otherwise known as The Magna Carta of Women. Moreover, the absence of implementing rules and regulations for the established GAD Code pursuant to PCW Memorandum Circular No. 2009-001 dated September 16, 2009 precludes the Municipality to have concrete commitments on gender equality, women's human rights and women's empowerment. (*Observation No. 14*)

We recommended that the Municipal Mayor instruct the GAD Focal person as well as the GAD key personnel to (a) ensure the submission of GPB and AR to the DILG Provincial Office pursuant to Section 4.0 of PCW-DILG-DBM-NEDA JMC No. 2016-01, amending Section C.5 of PCW-DILG-DBM-NEDA JMC 2013-01; (b) ensure that changes in the GPB are well reflected in the GAD AR pursuant to Annex E of PCW-DILG-DBM-NEDA JMC No. 2016-01; (c) facilitate the preparation of the GAD Agenda as well as the updating and completion of the needed data for a functional GAD database pursuant to PCW-DILG-DBM-NEDA JMC No. 2013-01, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01 to provide as basis in the preparation of the annual GPB and AR; (d) ensure and monitor the attendance of the GFPS and GAD key personnel to GAD required trainings to capacitate its members and enhance their knowledge and build their competencies on GAD related laws and GAD-related tools, among others; and (e) facilitate the drafting of the IRR for the Municipal GAD Code and ensure compliance of the same for its effective implementation.

Summary of Audit Disallowance, Suspension and Charge

As of December 31, 2019, the Municipality of Pola has no unsettled suspension, disallowance and charge.

Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Validation of the status of implementation of the 44 prior years' audit recommendations disclosed that four were fully implemented and 30 were partially implemented and the remaining 10 were not implemented. Those audit observations having material effects on the fairness of the presentation of the financial statements are reiterated in this report.