

EXECUTIVE SUMMARY

Introduction

Victoria is a second class Municipality in the province of Oriental Mindoro created by virtue of Executive Order (EO) No. 620 dated September 18, 1953 through the effort of the former Mayor Marciano Roldan and named in honor of the late President Elpidio Quirino's daughter, Victoria. It has a total land area of 29,185 hectares and politically divided into 32 barangays.

The Municipality was headed by Honorable Joselito C. Malabanan. Honorable Vice Mayor Marlo V. Nuarin and the Sangguniang Bayan Members ably assist him in the administration of the Municipality to attain its vision "A safe and progressive municipality with sustainably-managed natural resources, healthy and spiritually-upright citizenry, governed by responsive leaders, climate-resilient and self-reliant communities."

Financial Highlights

For CY 2019, the appropriations of the Municipal Government of Victoria, Oriental Mindoro for the General and Special Education Funds totaled ₱236,322,093. Obligations charged against these appropriations amounted to ₱179,035,506 as follows:

	Appropriations	Obligations
Current Appropriation -General Fund (GF) and Special Education Fund (SEF)	₱183,640,573	₱141,405,980
Continuing Appropriation-GF & SEF	<u>52,681,520</u>	<u>37,629,526</u>
Total	<u>₱236,322,093</u>	<u>₱179,035,506</u>

The assets, liabilities, equity, income and expenses for CY 2019 compared with that of the preceding year are as follows:

	CY 2019	CY 2018	Increase (Decrease)
Assets	₱ 367,329,131	₱ 377,153,441	₱ (9,824,310)
Liabilities	75,036,541	91,467,664	(16,431,123)
Equity	292,292,590	285,685,778	6,606,812
Income	165,959,324	153,219,757	12,739,567
Expenses	153,378,087	130,015,892	23,362,195

Scope of Audit

The audit conducted on test basis on the accounts and operations of the Municipality of Victoria, Oriental Mindoro for the 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 at (a) determining whether Management presented fairly the financial statements in adherence to the Philippine Public Sector Accounting Standards; (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 on the fairness of the presentation of the financial statements of the Municipality of Victoria because the accuracy and reliability of the following accounts as of December 31, 2019 could not be ascertained: (a) PPE totaling ₱200,318,664.09, net of accumulated depreciation of ₱90,513,858.11 on account of the Municipality's failure to comply with the pertinent provisions of the Manual on the NGAS for LGUs, Volume I such as (i) conduct of complete physical inventory and preparation of the RPCPPE, (ii) provision of monthly depreciation, and (iii) preparation and maintenance of the ledger and property cards; and (b) prepare a complete RPCLRN as provided in COA Circular No. 2015-008 dated November 23, 2015; and (b) Accounts Payable account under the General and Trust Funds totaling ₱24,267,250.20 as of year-end due to inclusion of obligations for payment of eight infrastructure projects totaling ₱13,115,034.53 which were neither completed as of year-end nor supported with progress billings and letter requests from the contractors for progress payment for the work accomplished contrary to Section 4 of the Manual on the NGAS for LGUs, Volume I, hence overstating the pertinent PPE accounts by the same amount.

To correct these deficiencies, we recommended that the (a) Inventory Committee prepare a concrete plan for the conduct of a complete physical inventory which shall include the time frame to complete inventory count, and prepare the inventory report taking into consideration the present condition and location of the properties; (b) OIC-GSO update the property cards and accomplish the form as to the required details specified in the Manual on the NGAS for LGUs, and prepare and submit Report on Local Road Network to account for the local roads; (c) Municipal Accountant (i) prepare the PPE ledger cards as required by the manual to serve as tool and reference in the inventory taking, (ii) provide for the monthly depreciation on all of the Municipality's depreciable properties and (iii) draw JEV to adjust the affected accounts for the fair presentation in the financial statements and strictly adhere to the provision of the Manual on the NGAS for LGUs, Volume I on the recognition of liability; (d) Municipal Accountant and OIC-GSO 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; and (e) Municipal Engineer prepare a schedule of local road network

indicating therein the cost of each road network component such as (i) road lot, (ii) road pavement, (iii) drainage and slope protection structures, and (iv) other miscellaneous structures to be submitted to the OIC-GSO and Accounting Office. Moreover, subsequent road projects of the Municipality should clearly indicate the separate cost of each road component for easy reference. The Engineering Office is also vested to determine the life of the local roads taking into consideration the design, type of users, and volume of users of the roads. Such detail should also be included in the report as basis for the depreciation of the road components to be applied by the Accounting Office.

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 including those offered during the exit conference on February 26, 2020 were considered in the Report, where appropriate.

1. Lapses in the implementation of various PPAs out of fund transfer were observed such as (a) payment despite incomplete supporting documents for the procurement of goods and infrastructure projects totaling ₱16,112,865.38; (b) failure to observe the prescribed dates in the stages of the contract and prescribed format of BSD and OSS; and (c) failure to impose liquidated damages despite late delivery of hammer mill-single stage, thus casting doubt on the propriety of the claims. Moreover, there were inconsistencies with reference to the conditions in the MOA and policy guidelines of the SA. Likewise, the procured feed milling equipment remained non-operational due to the absence of electric transformer in the building, thus exposing the equipment to further deterioration.

We recommended that the (a) Municipal Accountant and BAC Secretariat submit the lacking documents for audit purposes and ensure that claims for future transactions be supported with the necessary documents before payment; (b) Officials and employees concerned provide explanation on the failure to observe the prescribed dates in the stages of the contract and format of BSD and OSS, and ensure that future transactions must comply with the provisions of the Revised IRR of RA No. 9184; (c) Municipal Accountant assess and demand the supplier liquidated damages for its delay in the delivery of one unit Hammer Mill-Single Stage and record in the books of accounts the Road Networks completed pursuant to Item 7.1.1 of DILG MC No. 2018-01 in accordance with COA Circular No. 2015-008; (d) Municipal Agriculturist secure and maintain the Feed Milling Equipment to prevent deterioration before the full operation of the Small Scale Feed Mill; and (e) Municipal Engineer ensure the fabrication and installation of the permanent marker required by Item No. 5.4.5 of the Operational Guidelines on the Implementation of the 2018 PCF.

2. The delayed or non-implementation of nine projects funded out of the 20% DF totaling ₱19,862,567.83 deprived the constituents of the timely socio-economic and environmental benefits that can be availed therefrom as provided in DILG-DBM JMC

No. 2017-1 dated February 22, 2017. Further, the implementation of the infrastructure projects did not conform to the guidelines on information and publicity of PPAs prescribed under COA Circular No. 2013-004 dated January 30, 2013.

We recommended that the (a) Municipal Mayor together with the SB and Municipal officials concerned make the appropriate and immediate action to address or resolve the identified issues and concerns and/or fast track the implementation of programmed developmental projects, and ensure that projects proposed to be undertaken during the budget year are implemented or completed in the same year; and (b) Municipal Mayor direct the Municipal Engineer to comply with the provisions of COA Circular No. 2013-004 so that the public will be properly informed of the PPAs undertaken by the agency to promote good governance through transparency and accountability, and provide notice to the Audit Team within the prescribed period that the signboards are already posted.

3. Deficiencies in the procurement process for infrastructure projects totaling ₱8,857,567.99 such as (a) non-evaluation of the availability of the key personnel assigned/equipment pledged to the contracts during the post-qualification process, (b) delayed posting of the NOA, NTP and contract agreement in the PhilGEPs, and (c) failure to attach the CAF and affix the signature of the Municipal Accountant to the contract as witness. Further, payments pertaining thereto lacked the necessary supporting documents contrary to Section 4(6) of PD No. 1445, thus casted doubt on the propriety and validity of claims.

We recommended that the (a) BAC strictly adhere to the provisions of the 2016 Revised IRR of RA No. 9184 for the procurement of infrastructure projects specifically on the conduct of post-qualification, and posting of the NOA, NTP and contract agreement in the PhilGEPs and warranty security; (b) Municipal Accountant submit the pertinent CAF for audit purposes, and comply with Section 86 of PD No. 1445 and Section 1 of LOI 968 dated December 17, 1979; and (c) Municipal Accountant and other employees concerned submit the lacking necessary supporting documents required under Item 9.0 of COA Circular No. 2012-001 dated June 14, 2012.

4. The environmental laws on preserving and protecting the environment required under RA No. 9003, the Ecological Solid Waste Management Act of 2000 were not complied with on account of the lapses in the implementation of SWM Program such as failure to (a) strictly enforce the mandatory segregation of wastes at source and upon collection; (b) establish MRF in 22 out of the 32 barangays for re-use, recycling and composting of wastes; and (c) secure ECC from the DENR for the operation of the SLF. Moreover, the conditions in the MOU between the Municipality and DENR-EMB on the use and safekeeping of the mobile shredder with chipper were not observed, instead the shredder and chipper were allowed to be borrowed without any written agreement.

We recommended that the Municipal SWM Board through the MENRO-Designate (a) enforce the strict implementation of the mandatory segregation of wastes at source and upon collection, consider the “No segregation, No collection” policy to instill discipline to the residents on the proper segregation of wastes, and conduct trainings on the segregation of wastes; (b) encourage the other barangays to establish their own MRF in coordination with the Punong Barangays; (c) submit the lacking documents or information required in the ER to hasten the release of the ECC for the operation of the SLF; and (d) submit the copy of signed MOU to the Audit Team for audit purposes and conform to the conditions cited on the use and safekeeping of the mobile shredder machine.

5. The institutional mechanisms and processes to implement the MCW required under Item 4 of the PCW, DILG, DBM and NEDA JMC No. 2013-01 dated July 18, 2013, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016 were not complied with such as failure to (a) strengthen the LGU GFPS; (b) maintain GAD Database; (c) observe the schedule of GAD Planning and Budgeting; and (d) prepare and submit the GAR. Moreover, the IRR for the GAD Code was not yet formulated since its establishment on April 2, 2012.

We recommended that the Municipal Mayor through the GAD Focal Person (a) prioritize the attendance of the GFPS Executive Committee, TWG and MET to various GAD-related trainings and seminars to accelerate the gender mainstreaming in the Municipality; (b) coordinate with the MPDC for the updated data of Community Based Monitoring System (CBMS) that will be used in the maintenance of the GAD Database with sex-disaggregated data and other relevant data that will aid in identifying GAD-responsive PPAs which is either client-focused or organization-focused; (c) comply with the provisions of PCW-DILG-DBM-NEDA JMC No. 2013-01 dated July 18, 2013, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016 and COA Circular No. 2014-001 dated March 18, 2014 relative the observance of timelines in the preparation and submission of GPB and GAR. Moreover, submit explanation on the noted inconsistencies in the amounts indicated in the DILG-approved GPB and GAR; and (d) require the Drafting Committee to prepare the IRR of the CY 2012 GAD Code of the Municipality to effectively implement the provisions contained therein.

6. Failure to strictly enforce relevant rules and regulations in the operation of the new and old Municipal Public Market resulted in the toleration of the irregularities committed by the stall holders such as (a) failure to bill extra space occupied by stallholders, (b) allowing the stallholders to carry on their business despite their failure to renew business permit, (c) bringing of motorcycles inside the market compound and (d) non-cancellation of the rights of the delinquent stallholders. Moreover, the accuracy of the recorded operating lease receivable amounting to ₱910,636.79 could not be ascertained due to the non-submission of supporting schedule, and the recognition of income from market during the current year were on cash basis instead of accrual basis.

We recommended that the (a) Local Administration devise plans and strategies to facilitate effective management of market operations which may include (i) appointment of a full pledged Market Supervisor whose tasks solely focus on market operations; (ii) creation of a Market Development Plan for the organization and classification of market sections; (iii) imposition of additional stall fees to lessees who continuously occupy excess spaces; (iv) issuance of demand letters to stallholders to encourage the timely payment of rental dues and avoid penalties; (v) compel stallholders to renew their business permits immediately; and (vi) issuance of Notice of Suspension and/or Eviction to lessees who habitually and/or continuously violate the regulations set forth by the Market Code; (b) Designated Market Supervisor and Acting Municipal Treasurer coordinate in the enforcement of collection of rental fees and corresponding surcharges from the delinquent stallholders, and establish the actual number of stalls occupied by updating the map or plan of the market and prepare report of the amount to be collected per month and submit the report to the Municipal Accountant for proper recording of receivable; and (c) Municipal Accountant adopt the accrual basis instead of the cash method of recording the monthly market rental to reflect the balances of the income and receivable accounts from market operations.

Summary of Audit Suspensions, Disallowances and Charges

The Municipality has no unsettled suspensions, disallowances and charges as of December 31, 2019.

Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Monitoring of the implementation of 15 prior years' audit recommendations embodied in the CY 2018 and previous years' Annual Audit Reports revealed that four were fully implemented and 11 were partially implemented by the Municipality.