

EXECUTIVE SUMMARY

INTRODUCTION

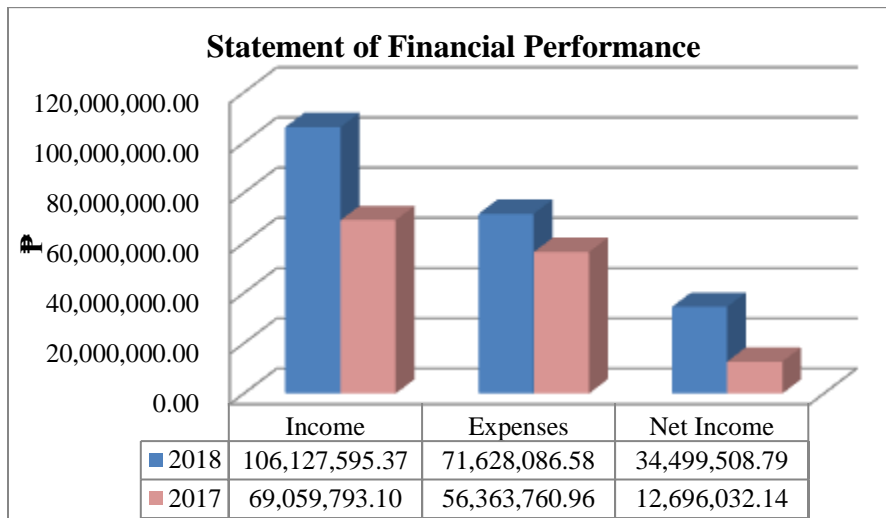
The Municipality of Bucay, Province of Abra was created in 1846 during the Spanish Regime. It was the first capital town of Abra. It is classified as a 5th class municipality, comprising of twenty one (21) barangays, namely: Abang, Bangbangcag, Bangcagan, Banglolao, Bugbog, Calao, Dugong, Labon, Layugan, Madalipay, North Poblacion, Pagala, Pakiling, Palaquio, Patoc, Quimloong, Salnec, San Miguel, Siblong, South Poblacion and Tabiog.

The Municipality is presently headed by Honorable Mayor Bernadette C. Baroña, assisted by Vice-Mayor Ludevina G. Co and eight (8) Sangguniang Bayan members. It has a total of 68 personnel complement, composing of 11 elective officials, 53 permanent employees, 3 casuals, and 1 co-terminus.

Like any other municipality, the Municipality of Bucay derives its mandate from Republic Act No. 7160, the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents.

FINANCIAL HIGHLIGHTS

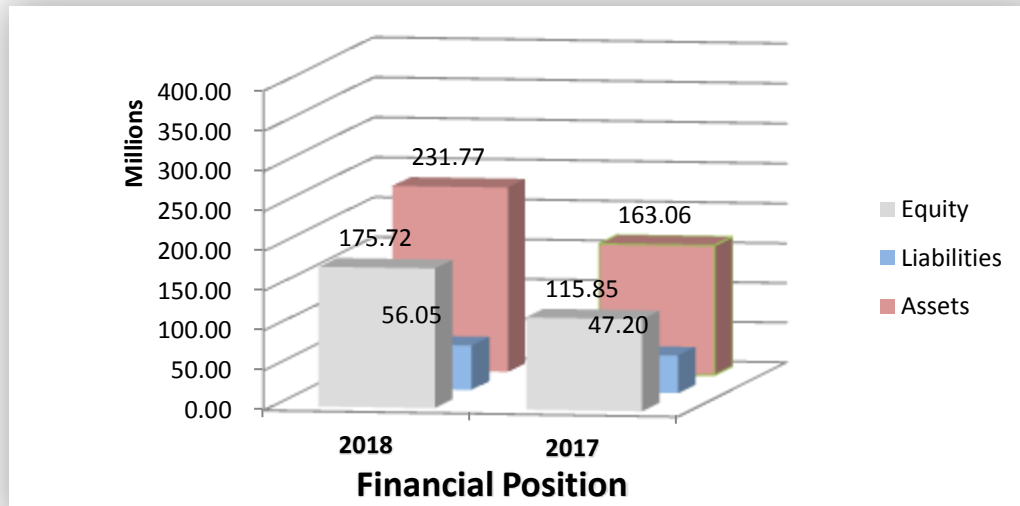
Comparative analysis of the Statement of Financial Performance as graphically illustrated showed an overall increase in the income of the Municipality as compared to the previous year.



The Municipality generated a total income of ₱106,127,595.37 for the year, showing an increase of ₱37,067,802.27 or 54% compared to last year's income of ₱69,059,793.10. The increase in income is significantly attributed to the increase of ₱31,989,309.00 in Share from Tobacco Excise Tax. Total expenses amounted to

₱71,628,086.58, showing an increase of ₱15,264,325.62 or 27% compared to last year's figure of ₱56,363,760.96.

On the other hand, the comparative Statement of Financial Position of the Municipality is summarized as follows:



Total assets, liabilities and equity as of December 31, 2018 amounted to ₱231,766,536.89, ₱56,049,632.75 and ₱175,716,904.14, respectively. Total assets, liabilities and equity increased by ₱68,711,141.22, ₱8,846,403.44 and ₱59,864,737.76, respectively.

OPERATIONAL HIGHLIGHTS

The Local Government Code of 1991 as embodied under Republic Act No.7160 provides the local government units the responsibility and authority to make use of their resources in order to attain development in line with the goals and vision of the National Government.

The goals and functions of the Municipality as promulgated under the provisions of the Local Government Code of 1991 is to render basic services to its constituents by utilizing the resources for programs and projects.

For the year 2018, the Municipality implemented the following projects, programs and activities under the 20% development fund:

Programs, Projects and Activities	Amount
2018	
Improvement of Bucay Gymnasium	699,454.60
Provision of Solar Power Street Lights (Bugbog-Siblong Provincial Road, North Poblacion Processional Route)	597,600.00
Repair of Classrooms (Bugbog Elementary School)	597,237.89

Programs, Projects and Activities	Amount
Livelihood Implementation on Cacao Production	200,000.00
Rehabilitation of Abang-Quimloong Access Road	998,909.91
Improvement of Metro-Bucay Drainage System (South Poblacion)	1,198,881.01
Rehabilitation of Pakiling-Layugan road	648,924.43
Improvement of RHU Building	496,523.03
Improvement of Bucay Multi-purpose Hall	499,109.00
Local Counterpart of DILG-PCF-Construction of Tourism Building/Pasalubong Center (Town Plaza)	997,170.09
Improvement of Equipment Housing and Perimeter fence (Pakiling Solid Waste Facility)	398,307.73
Purchase of 1 unit pre-owned Garbage Truck	1,795,000.00
Provision of Water System/Equipment and Raw Materials @ Salnec Organic Farm	236,685.60
Continuing Appropriations	
Improvement of RHU Building	348,760.00
Improvement of Borokibok Spring Resort	1,488,364.80
Construction of Madalipay Solar Power Water System	499,319.63
Improvement of Tourism Historical Sites	200,000.00
Total	11,900,247.72

In addition, the Municipality also implemented the following programs and projects funded from other sources:

Programs, Projects and Activities	Amount	Fund
Rehabilitation of Dugong-Sallapadan Provincial Road	24,752,524.35	PGA
Purchase of Tobacco Production Tools & Implements	1,908,500.00	RA 7171
Rehabilitation of Palaquio Access Road	1,996,616.37	RA 7171
Improvement of Bugbog-Ambiatriz Access Road	11,995,689.13	RA 7171
Rehabilitation of Quimloong-Abang Access Road	4,988,938.40	RA 7171
Construction of Tobacco Curing Barns	448,500.00	RA 7171
Construction of Salnec Access Road	2,216,254.96	RA 7171
Acquisition of Farm Tractors	4,920,000.00	RA 7172
Procurement of Certified Rice and Corn Seeds and Procurement of Tobacco, Rice and Corn Fertilizers	836,300.00	RA 8240
Construction of One Unit Classroom Building	994,414.47	RA 8240
Construction of Tobacco Curing Barn of Bangcagan	148,500.00	RA 8240
Purchase of One Unit Pre-owned Transport Vehicle	993,700.00	LDRRMF
Improvement of MRF	233,957.46	EMB-CAR
Purchase of One Unit Residual Pulverizer	148,500.00	EMB-CAR
Construction of Tourism Assistance Center	2,997,170.09	20% DF & DILG PCF
Purchase of Raw Materials & Equipment Rental for Cacao Processing	380,505.00	DOLE-CAR
Construction of Patoc Cable Footbridge	2,619,628.90	LGSF
Total	62,579,699.13	

The above projects were not yet inspected by the COA Technical Audit Specialist, due to non-submission of the necessary documents needed in the conduct of inspection.

SCOPE OF AUDIT

The audit covered the accounts, transactions and operations of the Municipality of Bucay, Abra for the year 2018. The audit was conducted to ascertain the fairness of presentation and reliability of the Municipality's financial position and performance, the propriety of financial transactions and compliance with laws, rules and regulations. It was also made to determine whether the programs, projects and activities for the year were implemented in an efficient, economical and effective manner.

OPINION IN THE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements for reasons stated as follows:

1. The non-submission of the Report of Physical Count of Local Road Networks (RPCLRN) in its prescribed format, non-maintenance of Local Road Network Ledger Card and Property Card as well as non-preparation of the Local Road Map casted doubt as to the existence, valuation, condition as well as propriety of the recorded balance of Road Networks account amounting to ₱100,306,867.45 in the year-end financial statements.
2. Construction in progress (CIP) accounts of various Infrastructure Assets totaling ₱8,550,516.42, and Buildings and Other Structures amounting to ₱447,298.01 remained uncompleted and dormant for several years, rendering the accuracy of the recorded amounts and existence of the assets doubtful.
3. Journal entry for the set-up of Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable amounting to ₱1,100,161.59 and ₱1,100,161.59 was not supported with Journal Entry Voucher and Certified List of Taxpayers, hence, the existence and accuracy of the ending balances of RPT and SET Receivables totaling ₱7,734,370.88 and ₱7,479,131.28, respectively, could not be readily determined.
4. The Due to National Government Agencies and Due to LGUs account totaling ₱7,483,681.28 and ₱75,419.45, respectively, were carried over in the books and remained dormant for ten (10) years, the purpose of which and corresponding cash funding could not be determined if still intact, thus, casting doubt as to the validity of the existence of such account in the Financial Statements.
5. Mandatory trust liability accounts totaling ₱1,668,817.56 were carried over in the books despite the absence of pertinent documents to support the validity of the recorded balances, casting doubt on the fairness of presentation of the Financial Statements.

6. Management failed to initiate action with regards to the absence of supporting documents for its dormant receivables totaling ₱1,386,361.75 thereby, casting doubt as to the propriety and validity of the recorded receivables.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following are the summary of significant findings and recommendations in the audit of accounts and operations of the Municipality of Bucay for CY 2018. These were discussed in an exit conference on April 23, 2019 with agency officials and employees concerned and their comments were incorporated in the report, where appropriate. Other audit observations are discussed in Part II of this report.

Solid Waste Management Plan

Policies and procedures as well as monitoring mechanisms for the effective and efficient implementation of the Municipal Solid Waste Management Plan (SWMP) are yet to be adapted by the LGU thereby threatening the success and sustainability of the program.

We have recommended the following:

- **The MPDC/MENRO sees to it that henceforth, all relevant cost for the implementation of the SWMP is integrated to the Annual Budget as well as Annual Investment Plan. Coordination among the different offices is hereby advised;**
- **The Municipal Mayor convenes the SWMB and seeks justification as to the reason for the low success rate for the implementation of SWM projects;**
- **The members of the SWMB revisit the provisions of the IRR of R.A. No. 9003. Henceforth, implement quality assurance/ monitoring mechanism to facilitate an efficient and effective implementation of the programs indicated in the SWMP**

Special Education Fund

Implementation of various PPAs totaling ₱181,000.00 under the Special Education Fund (SEF) could not be properly evaluated if appropriately implemented due to incomplete documentation.

We have recommended that:

- **The projects with lacking documents be submitted to the Audit Team for proper review and evaluation, and;**
- **The prescribed rules and regulations on processing of disbursements be strictly observed, Henceforth, ensure that all disbursements are properly supported with complete documentation before payments are made.**

20% Development Fund

The attainment of the desired economic and environmental management goals for the 20% Development Fund could not be readily evaluated due to various deficiencies noted in the appropriation and implementation of programs/projects and activities totaling ₱13,275,652.14.

We have recommended that the following actions be undertaken by management:

- **Seek a separate SB appropriation ordinance/resolution in cases of lump sum appropriations containing general terms, to serve as an authority to enter into contract in behalf of the Municipal Government in accordance with Section 22 (c) of R.A. No. 7160 and the applicable jurisprudence.;**
- **Strictly comply with the provisions of DILG and DBM Joint Memorandum Circular No. 2011-1 in the preparation and utilization of the 20% DF to attain the desired socio-economic and environmental outcomes;**
- **Instruct the Municipal Engineer to consult the duly prepared Annual Procurement Plan (APP) for infrastructure projects if any (for unimplemented projects), since said report include the timeline for the implementation of the project. Justification as to the reason for the non-implementation should also be sought to the responsible persons; and,**
- **Instruct the BAC/Municipal Accountant/Treasurer to immediately submit contract documents and other necessary documents for proper review and evaluation of the said projects funded under the 20% Development Fund.**

Local Disaster Risk Reduction Management Fund

1. Monthly Report on the Receipt and Utilization of the DRRMF sourced from GAA and Report on the Receipt and Utilization of Cash Donations were not prepared and submitted by the municipality to NDRRMC through the Office of the Civil Defense (OCD).
2. Implementation of programs/projects/activities (PPA) totaling ₱498,298.50 funded from lump sum appropriation of the Disaster Mitigation, Prevention, and Preparedness Fund lack the approval and authorization from the Sangguniang Bayan.
3. Bidding documents for the purchase of mass transport vehicle were not submitted for audit, thus, casting doubt as to the validity and propriety of the transaction.
4. Goods intended for distribution could not be ascertained whether actually received by the beneficiaries due to the noted deficiencies in the submitted liquidation documents.
5. Disbursements totaling ₱150,000.00 that could have been funded out of the regular MOOE from the General Fund were charged to the LDRRMF.

6. Expenditures totaling ₱1,058,223.23 incurred in the implementation of infrastructure projects charged against the LDRRMF could not be properly evaluated if properly implemented.

We have recommended that management:

- **Submit monthly Report on the Receipt and Utilization of the DRRMF sourced from GAA and Report on the Receipt and Utilization of Cash Donations of the municipality to NDRRMC through the OCD on or before the 5th day following the end of each month and furnish copy to the audit team for audit/evaluation.**
- **Sees to it that in cases of lump sum appropriations containing general terms, a separate SB appropriation ordinance/ resolution must always be secured by the Municipal Mayor to serve as an authority to enter into contract in behalf of the Municipal Government in accordance with Section 22(c) of R.A. No. 7160 and the applicable jurisprudence.**
- **Submit the bidding and other essential documents to support validity of the purchase of mass transport vehicle.**
- **Take up under the appropriate expense account of the inventory items upon distribution to end-users/beneficiaries. Said items shall be properly supported with RIS and listings of recipients/beneficiaries duly signed acknowledgment receipt showing the items and quantity actually received.**
- **Strictly comply with the relevant provisions with regard to the utilization of the LDRRM funds. Personal services, maintenance and other operating expenditures, and capital outlay of the LDRRMO as well as the regular MOOE and capital outlay of the municipality shall be sourced from the General Fund. The LDRRMF shall be strictly utilized for the implementation of DRRM programs.**
- **Submit the necessary documents for proper review and evaluation of the said projects funded under LDRRMF.**

STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

Audit suspensions totaling ₱542,375.88 were issued in the prior years due to non-submission of the disbursement vouchers and incomplete documentations, of which the amount of ₱38,157.90 was partially settled, leaving an unsettled balance of ₱504,217.98. There were no Notice of Disallowances and Charges issued during the year.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the thirty (30) recommendations embodied in the 2014 - 2017 Annual Audit Reports, ten (10) were fully implemented, eleven (11) were partially implemented, while nine (9) were not yet implemented or not substantially acted upon.