

## EXECUTIVE SUMMARY

### A. Introduction

We conducted an audit on the Municipality of Guiguinto, a first-class municipality located at the heart or mid west part of the province of Bulacan. For CY 2018, the Municipality has been a recipient of 19 various awards given by various prestigious institutions among them garnering a three-time Seal of Good Local Governance Awardee, 3-time Seal of Child-Friendly LGU, 2018 Most Outstanding Mayor Award by Superbrands Marketing and Most Supportive Mayor for Youth Development.

Our audit was made in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

The audit covered the financial transactions and operations of the Municipality for the calendar year 2018. The objectives of the audit were (a) to 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. Financial Highlights

The data on the financial condition, results of operation and sources and application of funds of the Municipality for the year 2018 are presented below:

	Amounts In Thousand Pesos			
	2018	2017	Increase(Decrease) Amount	%
<b>Financial Condition</b>				
Total Assets	891,362	726,620	164,742	23%
Total Liabilities	380,589	373,627	6,962	2%
Total Equity	510,773	352,993	157,780	45%
<b>Results of Operations</b>				
Total Revenues	470,167	399,459	70,708	18%
Total Expenses	361,372	324,477	36,895	11%
Excess of Income Over Expenses	114,365	81,982	32,383	40%
<b>Sources and Application of Funds</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>	<b>Percentage</b>
Revenue/Receipt	359,307	379,826	(20,519)	(5%)
Appropriation	386,988	348,860	38,128	11%
Surplus	(27,681)	30,966	(58,647)	(189%)

### **C. Scope Audit – Sampling basis**

The audit covered the financial transactions and operations of the Municipality for the calendar year 2018 using the modified sampling scheme, specifically the 2018 audit focus and thrusts for Local Government Sector in compliance with the unnumbered Memorandum dated July 9, 2018 by the Commission on Audit Assistant Commissioner Rizalina Q. Mutia in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, as follows:

#### *A. Audit of Financial Statements:*

On top of the identified accounts for audit as a result of agency risk assessment, the following accounts shall be prioritized:

- a. Financial Liabilities
- b. Due from NGOs/POs and Other LGUs

#### *B. Performance and Compliance Audit*

- a. Fund Transfers from National Government Agencies (NGAs) to Local Government Units (LGUs)
- b. 20% Development Fund
- c. Local Disaster Risk Reduction Management Fund (LDRRMF) on Disaster Preparedness thematic area
- d. Solid Waste Management/Environmental Compliance
- e. Special Education Fund (SEF)

#### *C. Audit of Revenue-Generating Programs*

#### *D. Other Audit Areas*

- a. Payment to casuals, job orders, contractuels and consultants pursuant to COA Memorandum No. 2012-010 dated October 17, 2012, regardless of fund source and account charged;
- b. Enforcement of COA Disallowances and Charges as prescribed in COA Memorandum No. 2009-084 dated November 16, 2009;
- c. Compliance with tax laws;
- d. Remittance of mandatory GSIS and HDMF contributions and remittance of loan amortization; and
- e. Compliance with Programs and Projects related to Gender and Development

### **D. Auditor's Opinion**

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality owing to the exceptions noted in the audit as stated in the Independent Auditor's Report in Part I of the report. As discussed in Part II of this report,

the Property, Plant and Equipment (PPE) amounting to ₱41,185,311.57 procured by the Municipality during the year for its various programs and projects were validated and included in the Report of Inventory submitted by the General Services Officer. However, several deficiencies were found in the audit of the PPE account: a) Four parcels of Land were not supported with Transfer Certificates of Titles; b) absence of property, plant and equipment ledger cards, real property cards for land and property cards to substantiate the details of the PPE account; c) non- disposal of unserviceable assets which were still recognized in the property and accounting records; and d) non recognition of various disaster equipment purchased totaling ₱310,461.00 contrary to the provisions of Sections 39 and 79 of P.D. No. 1445, the NGAS Manual Volume 1 for LGU's and the Philippine Public Sector Accounting Standards (PPSAS) No. 17.

#### **E. Summary of Other Significant Observations and Recommendations**

Summarized below are the other significant audit observations with their recommendations, the details of which are presented in Part II of this report. Management views and comments, including those offered during the exit conference were incorporated in the report, where appropriate.

1. Cash Advances were not liquidated by the Municipal officials/employees within the prescribed period contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997 and Section 89 of P.D. No. 1445. (*Observation No. 1*)

We recommended that the Municipal Accountant (a) compel all AOs to liquidate immediately their outstanding cash advances for the current and prior years and cause the withholding of the salaries of those accountable officers who failed to submit liquidation report within the prescribed period; (b) strictly monitor the liquidation of cash advance particularly the CA of the non-employee of the Municipality; and (c) consider designating a disbursing officer for the SEF to monitor the accountability in the utilization of the fund.

2. The amount of ₱568,042.84 of the Other Receivables account presented in the Financial Statements was dormant for nearly ten years. However, dropping off of the account was not yet requested by the Municipality due to lack of information and documents to establish the details of the loan agreement depriving the Municipality of additional funds for its operation and affecting the fair presentation of said account in the Financial Statements. (*Observation No. 2*)

We recommended that the Municipal Mayor require the Municipal Accountant and the MAO to continue to exert best efforts by coordinating with the farmers to discuss the issues and concerns regarding their possible payment/return of the money to the Municipality; and (b) if the circumstances warrant, and after exhausting all possible remedies, to gather and submit all available documents necessary for the filing of the request for write-off of dormant receivable accounts to the COA Auditor's Office.

3. The developmental projects utilizing the 20% Economic Development Fund and identified in the CY 2018 Annual Investment Program were fully implemented during the year. However, prior year's balances of the fund amounting to ₱28,655,343.41 were not properly identified as to the programs and projects to be implemented and re-appropriated due to the incomplete awareness of the concerned officials on the policies relative to fund utilization pursuant to the provisions of Joint Memorandum Circular No. 2017-1 dated February 22, 2017. This deprived the constituents of the benefits to be derived from the proper implementation of these projects, hence, the desirable socio-economic development and environmental outcomes were not achieved. (*Observation No. 5*)

We recommended that the Municipal Mayor (a) direct the Municipal Planning and Development office and Municipal Engineer to monitor the effective and efficient implementation of the projects under the 20% Development Fund so that timely interventions may be made for the attainment of the objectives of the programs; (b) properly identify the PPAs constituting the balance of the 20% DF for re-appropriation; and (c) provide the necessary Sangguniang Bayan Resolution for the unexpended balances of the fund at year end to finance the development projects identified in the Annual Investment Program of the Municipality.

4. Several deficiencies were noted in the evaluation of the project implemented and funded out of the fund transfer – Assistance to Disadvantaged Municipality (ADM) such as: (a) non-imposition of liquidated damages despite delay in the completion of the project; (b) lapses in contract implementation; and (c) non preparation of the Approved Budget for the Contract (ABC) as part of the detailed engineering contrary to the provisions of the RIRR of R.A. No. 9184. (*Observation No. 6*)

We recommended that Management (a) compute for the liquidated damages to be imposed to the contractor equal to at least one tenth (1/10) of one (1) percent of the cost of the unperformed portion of the works for every day of delay; (b) require the Bids and Awards Committee (BAC) to strictly comply with the provisions of R.A. No. 9184 in all procurements; and (c) prepare and submit the ABC as part of the supporting documents in the detailed engineering of the projects implemented and for implementation.

5. The Municipality did not maintain a database of disaster victims and had no allocation for procurement of relief goods in the Annual Investment Plan, which clearly defeated the purpose on disaster preparedness and response contrary to R.A.No.10121 and NDRRMC, DBM and DILG JMC No. 2013- 1 dated March 25, 2013 depriving the disaster victims of immediate appropriate assistance such as relief goods to ease their discomforts in times of calamity. (*Observation No. 7*)

We recommended that the (a) MSWDO conduct actual validation of the families and individuals in the affected barangays to come up with the victim profiles/database; (b) submit to MDRRMO the provision for data base generation of disaster victims and relief goods for inclusion in the AIP for DRRMF; (c) MDRRMO prepare the monthly and annual report on the utilization of the LDRRMF and involve the MSWDO and other

concerned offices in the AIP deliberation to include database generation, stockpile of relief goods, and ensure appropriateness of procurement for disaster need.

6. The Municipal Government of Guiguinto exerted its best efforts to comply with the provision of R.A. No. 9003 or the Ecological Solid Waste Management Act of 2000 by providing funds for the construction of Barangay MRFs and rehabilitation of the Municipality's recovery facility as well as purchase of equipment for waste reduction. However, 50% compliance rate on the solid waste segregation at source and delay in the construction of Barangay MRFs was observed hence, compliance with the law was partially attained. (*Observation No. 8*)

We recommended that the Municipal Mayor (a) continue to exert best efforts to be fully compliant with Solid Waste Management Program; (b) instruct the Municipal Engineer and MENRO to hasten the construction of the remaining 10 MRFs in the Barangay to help in achieving waste reduction within the Municipality; (c) intensify the conduct of people assemblies/forums to discuss issues on proper segregation and disposal of solid wastes; and (d) coordinate with the Barangay officials to address the power supply problems in the operation of the newly acquired equipment for the use of MRF.

7. The Municipality's GAD Focal Point System had been compliant with the GAD program on the formulation and submission of the GAD Plan and Budget and Accomplishment Report for CY 2018. However, the validity and propriety of the reported charges to the fund of ₱11,218,571.00 could not be determined due to the absence of the details of expenses contrary to PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-01, and its amendments under JMC No. 2016-01 which provides for the Guidelines on the Localization of the Magna Carta of Women. (*Observation No. 9*)

We recommended that the Municipal Mayor require the: (a) GFPS or the MPDO to cause the setting up and maintenance of the GAD database which will serve as basis for planning, formulating GAD responsive projects, programs and activities; and (b) establish and submit the details of accomplishment reports together with its supporting documents to validate the expenses charged to GAD fund.

8. Taxes withheld and other trust collections totaling ₱ 4,467,397.61 at the end of the year were remitted to the government agency/corporation concerned within the prescribed period. (*Observation No. 10*)

We recommended that the Municipal Accountant and the Municipal Treasurer continue to remit immediately all trust obligations to the respective national agency and Government Corporation concerned.

#### **F. Summary of Total Suspensions, Disallowances and Charges at year-end**

Suspensions, disallowances and charges as of December 31, 2018 stood at ₱0.00, ₱3,694,477.06 and ₱0.00, respectively.

**G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations**

Of the 17 audit recommendations in the prior years' audit reports, nine were fully implemented, three were partially implemented and the remaining five were not implemented by management. Those not fully implemented were accordingly reiterated in this audit report to draw attention for their implementation.