

EXECUTIVE SUMMARY

A. Introduction

Marilao is a first class municipality in the Southwestern part of Bulacan. It used to be a barrio of Meycauayan, but it became a separate municipality on April 21, 1796.

Our audit was made in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

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 comparative data on the financial condition, results of operation and sources and application of funds of the Municipality for the years 2017 and 2016 are presented below:

			Increase(Decrease)	
	2017	2016	Amount	%
Financial Condition				
Total Assets	₱1,203,233,184.66	₱988,302,319.45	₱214,930,865.21	21.75
Total Liabilities	344,853,934.85	255,113,888.77	89,740,046.08	35.18
Total Equity	858,379,249.81	733,188,430.68	125,190,819.13	17.07
Results of Operations				
Total Revenues	691,361,404.62	594,892,766.29	96,468,638.33	16.22
Total Expenses	549,278,469.23	498,696,345.82	50,582,123.41	10.14
Excess of Income Over Expense	₱142,082,935.39	₱96,196,420.47	₱45,886,514.92	47.70
Sources and Application of Funds	Budgeted Amount	Actual Amount	Difference	%
Revenue and Receipts	₱737,269,829.21	₱691,361,404.62	₱45,908,424.59	6.64
Appropriations	737,269,829.21	640,900,965.10	96,368,864.11	15.04
Surplus	0.00	₱ 50,460,439.52	(₱50,460,439.52)	

C. Scope of Audit

The audit covered the financial transactions and operations of the Municipal Government of Marilao for the calendar year 2017, specifically the 2017 audit focus and thrusts for Local Government Sector in compliance with their unnumbered Memorandum dated October 12, 2017 and in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, as follows:

1. Financial Audit

Audit of Financial Statements:

- a. Cash and Cash Equivalents
- b. Financial Liabilities
- c. Fund transfers Received from/Given to
- d. Funds Directly Released by the Department of Budget and Management (DBM) to Local Government Units (LGUs) from the Appropriations for Local Government Support Fund (LGSF)
- e. Local Disaster Risk Reduction Management Fund (LDRRMF)

2. Compliance Audit

- a. 20% Development Fund
- b. Local Disaster Risk Reduction Management Fund (LDRRMF)
- c. Solid Waste Management/Environmental Compliance
- d. Special Education Fund (SEF)

3. Performance Audit

- a. Fund Transfers from National Government Agencies (NGAs) to Local Government Units (LGUs)
- b. 20% Development Fund
- c. LDRRMF
- d. Solid Waste Management/Environmental Compliance

4. 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 the financial statements because the reported net carrying values of the Property, Plant and Equipment (PPE) accounts totaling ₱725,812,405.31 was doubtful due to (a) non-provision of allowance for depreciation on Agricultural and Forestry Equipment account; (b) non-submission of Report on the Physical Count of Property, Plant and Equipment (RPCPPE); (c) non-maintenance of property records at the Municipal Treasurer's Office (MTO) and Accounting Office; and (d) lack of ownership documents over the recorded lots, thereby affecting the reliability of the reported balances of these accounts and the fairness of the presentation of the financial condition of the Municipality.

For the above deficiencies, we recommended that the Local Chief Executive (a) require the Municipal Accountant to provide the corresponding depreciation for all properties and equipment; (b) require the inventory committee to submit the inventory reports; (c) instruct the Municipal Accountant and the Municipal Treasurer to maintain subsidiary records for PPE and undertake regular reconciliation of their records; and (d) exert best efforts to make the necessary research for the retrieval of documents supporting the untitled parcels of land.

E. Summary of Significant Observations and Recommendations

Summarized below are the other significant audit observations and recommendations noted during the audit and the corresponding recommendations which were discussed in detail in Part II of the report.

1. Despite previous year's audit recommendation, the dormant asset accounts amounting to ₱694,931.00 remained unresolved. This is contrary to Section 111 of P.D. No. 1445, and COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the reliability of the reported balances of these accounts and the fairness of the presentation of the financial condition of the Municipality. (*Observation No. 1*)

We reiterated our recommendation that the Local Chief Executive (a) require the Municipal Accountant to (i) analyze, review and monitor all recorded receivables to ensure that only valid ones are recognized; and (ii) ensure that dormant, long outstanding and unsubstantiated accounts are appropriately derecognized; and (b) prepare a formal request to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA) for the write-off of these dormant accounts to pave the way for their derecognition and/or adjustment in the books of accounts.

2. The unexpended balances of trust funds recorded under the Due to NGAs account aggregating to ₱941,384.42 remain unreturned to the source agencies, or not reverted to the unappropriated surplus of the general fund, contrary to COA Circular No. 94-013 dated December 13, 1994 and Executive Order No. 431, depriving the government of the use of the funds for other developmental projects. (*Observation No. 3*)

We recommended that Management remit to the source agencies the unexpended balance of the trust funds, and to the Bureau of the Treasury the unused balances of the SEA, KKK, and TUPAD whose source agencies are unknown.

3. Disbursements intended for financial assistance/aid to individuals in crisis situation were not supported with the specific policy guidelines concurred by the Sangguniang Bayan (SB), through a Resolution, hence may result in excessive grant of financial assistance to unqualified individuals/families. (*Observation No. 4*)

We recommended that Management establish detailed policy guidelines, concurred by the SB, in the grant of various types of financial assistance parallel to the provisions of the DSWD MC to ensure that only those qualified constituents in crisis situation are extended financial assistance.

4. The five day requirement to submit to COA Auditor's Office the perfected contracts/purchase orders from the date of execution/approval was not met by the Bids and Awards Committee contrary to COA Circular No. 2009-001 dated February 12, 2009. Also, the Audit Team was not notified of deliveries by the Municipal Treasurer's Office within twenty-four hours from their acceptance in violation of COA Circular No. 96-010, thus hampered the timely auditorial and legal review thereof. (*Observation No. 5*)

We recommended that the Municipal Mayor require the BAC to: (a) submit to the COA Auditor's Office the advance copies of the duly signed contracts/purchase orders and the notice of deliveries within the prescribed period; and (b) provide copies of the approved contracts/purchase orders to the Municipal Treasurer/Acting GSO for inspection and monitoring.

5. The Municipality appropriately provided budget for the 20% Development Fund (DF) in the total amount of ₱67,500,000.00 for CY 2017 in compliance with DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017. Of the total budget, ₱55,779,392.52 was expended, registering a utilization rate of 82.64%. (*Observation No .6*)

We recommended that Management (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 and necessary interventions, and full implementation of the planned development projects may be made for the attainment of the objectives of the programs; and (b) continue to maximize the use of the 20% DF on priority projects of the Municipality.

6. The LDRRMF Utilization Report was not prepared and submitted on a monthly basis contrary to NDRRMC, DBM and DILG Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013 and COA Circular No. 2012-002 dated September 12, 2012, thus stakeholders were denied of early availability of information on the use of

LDRRMF. Moreover, the deficiency prevented the timely review by the Audit Team of the fund utilization in order to determine whether or not the activities to address the Municipality's disaster preparedness and mitigation were implemented accordingly. **(Observation No. 7)**

We recommended that Management (a) require the LDRRMO, through the LDRRMC and Local Development Council (LDC), to prepare the Report on Sources and Utilization of DRRMF to be certified correct by the Local Accountant and submitted to the COA Auditor of the LGU on or before the 15th day after the end of each month; and (b) continue to allocate 5% of the budget for the Local Disaster Risk Reduction and Management Fund and utilize it in accordance with the guidelines on the matter.

7. Several infractions were noted in the granting and utilization of cash advances such as (a) granting of cash advances to personnel who were neither appointed or designated as disbursing officers; (b) granting of additional cash advances despite non-liquidation of previous ones; and (c) insufficiency of fidelity bond of the designated disbursing officer, contrary to Commission on Audit (COA) Circular No. 97-002 dated February 10, 1997 and Treasury Circular No. 02-2009 dated August 6, 2009. **(Observation No. 8)**

We recommended that Management ensure that (a) the applicable laws, rules, and regulations affecting cash advances and disbursement of funds are strictly adhered to; and (b) the cash advances granted to the accountable officers are limited only to their maximum accountability guaranteed by the posted fidelity bond.

8. Payments to Job Orders, casuals, and consultants were not supported with accomplishment reports contrary to Section 4(6) of Presidential Decree 1445 and COA Circular No. 2012-001 dated June 14, 2012, thus the necessity of hiring them could not be properly ascertained. Moreover, the Municipality still paid casual and job orders employees in hard cash resulting in higher risk of fraud and potential loss of government funds. **(Observation No. 9)**

We recommended that the Local Chief Executive (a) direct the Human Resource Management Office to require the submission of an accomplishment report of job orders, casuals, and consultants every month together with the approved DTR; and (b) install tighter internal control of its payroll funds for casual and job order employees by using the automated teller machine (ATM) payroll system.

9. Several infractions were noted in the allocation and utilization of the Special Education Fund due to improper planning, budgeting and non-adherence to laws, rules and regulations, contrary to Sections 100 and 272 of Republic Act (R.A.) No. 7160, and Department of Education (DepEd), Department of Budget and Management (DBM), Department of Interior and Local Government (DILG) Joint Circular (JC) No. 1 series of 2017, thus defeating the purpose for which the fund was established. **(Observation No. 11)**

We recommended that Management through the Local School Board (a) give priority to programs, projects and activities enumerated in the JC in the preparation of the SEF budget and (b) stop the practice of improperly charging ineligible expenses to SEF which the DepEd has the mandate to disburse out of its own appropriation.

10. Some provisions of the Republic Act (R.A.) No. 9003, known as the Ecological Solid Waste Management Act of 2000 were not strictly adhered by the Municipality. *(Observation No. 10)*

We recommended that the Local Chief Executive and the MENRO (a) involve closely the barangay officials in solid waste management and activate the Solid Waste Management Committees in every barangay for the strict enforcement and continuous implementation of the existing environmental laws; (b) intensify information campaign on solid waste management and educate the constituents on the necessity of establishing MRF in every barangay; (c) consider extending financial assistance, resources, and technology to all of the 16 component Barangays who have remained non-compliant to the basic requirements of R.A. No. 9003; and (d) install control measures in regulating wastes collection at source to final disposal to ensure correctness of amounts paid for wastes disposal.

11. The Municipality's Gender and Development (GAD) mechanisms and processes were not substantially complied with to pursue gender mainstreaming within the entire locality in accordance with the provisions of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01. Moreover, a number of programs, projects and activities were not implemented, thus the GAD objectives were not fully attained to the disadvantage of the intended recipients who could have benefited from the fund. *(Observation No. 12)*

We recommended that the Management instruct the GAD Focal Point System to (a) instruct the GFPS TWG to coordinate efforts among implementing offices of the Municipality to ensure full implementation of GAD PPAs; and (b) to submit all the reports required under MCW.

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

Suspensions, disallowances and charges as of December 31, 2017 stood at ₱0.00, ₱13,114,000.00 and ₱0.00, respectively.

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

Of the 43 audit recommendations of the past year, 15 were fully implemented, 20 were partially implemented and eight were not implemented. Those not fully implemented were accordingly reiterated in this audit report to draw attention for their implementation.