

EXECUTIVE SUMMARY

INTRODUCTION

Historical sources indicated that Bacolor was a well-established “sitio” even before the Spanish Era. When the Spaniards arrived, under the leadership of Ferdinand Blumentrit, they found “Baculud” which was its original name, meaning high and level ground. Baculud was actually founded in 1576 by a landlord name Guillermo Manabat.

Pursuant to R.A. No. 7160, known as the Local Government Code of 1991, the Municipality of Bacolor enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the national government thrust for sustainable social and economic growth. Its ultimate development goal is to improve the quality of life of its people.

FINANCIAL HIGHLIGHTS

The financial highlights of the Municipality of Bacolor for CY 2017 with comparative figures for CY 2016 follow:

Type of Accounts	2017	2016	Increase (Decrease)	Percentage
Assets	₱ 263,198,453.97	₱ 171,846,267.66	₱ 91,352,186.31	53.16%
Liabilities	₱ 106,313,090.61	₱ 85,983,238.96	₱ 20,329,851.65	23.64%
Government Equity	₱ 156,885,363.36	₱ 85,863,028.70	₱ 71,022,334.66	82.72%

The Municipality’s financial performance resulted in increase in surplus of ₱3,685,039.37 or an increase of 9.03% compared with last year’s operations, with details presented as follows:

Type of Accounts	2017	2016	Increase (Decrease)	Percentage
Total Revenue	₱ 174,797,722.16	₱ 145,134,323.53	₱ 29,663,398.63	20.44%
Less: Operating Expenses	120,121,651.58	98,656,513.81	21,465,137.77	21.76%
Surplus (Deficit) from Current Operation	54,676,070.58	46,477,809.72	8,198,260.86	17.64%
Less: Transfers from General Fund of Unspent DRRM	2,361,104.68	1,346,354.36	1,014,750.32	75.37%
Subsidies/Donations	7,821,208.92	4,322,737.75	3,498,471.17	80.93%
Surplus (Deficit)	₱ 44,493,756.98	₱ 40,808,717.61	₱ 3,685,039.37	9.03%

SCOPE OF AUDIT

The audit covered the examination, using risk-based approach, of the accounts and financial transactions of the Municipality of Bacolor, Province of Pampanga for CY 2017 particularly those contained in the Memorandum dated October 12, 2017 of the COA Local Government Sector Assistant Commissioner. Part II of this Report contains the audit exceptions on the 2017 Audit Focus and Thrusts for the Local Government Sector and other high-risk accounts.

The audit was aimed to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) determine compliance of management with the laws, rules and regulations on the pre-identified audit thrusts/areas and recommend agency improvement opportunities thereon ; and (c) determine the extent of implementation of prior year's audit recommendations.

INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Bacolor, Province of Pampanga for the year ended December 31, 2017 because of the following: (a) unreliable balances of Property, Plant and Equipment of ₱79,046,264.09 owing to the non-conduct of regular physical count of properties, non-maintenance of property records and inaccurate recording thereof; (b) unreliable balances of Inventory account of ₱1,321,022.82 because of non-adoption of Perpetual Inventory Method and non-conduct of physical inventory; (c) prior year's expenses of ₱920,831.61 were recorded in the current year; (d) unreliable balance of Due to GSIS account of ₱1,010,665.15 because of possible unremitted premiums and/or contributions from prior years; and (e) several deficiencies noted in the audit of cash such as: (a) difference in the cashbook and SL balances amounting to ₱415,979.13; (b) cash shortage of ₱252,000.00 from a robbery incident in CY 2015 which remained unsettled; (c) inadequate internal control as manifested in (i) allowing job order personnel to perform collecting functions without supervision; (ii) failure to update individual cashbooks of collecting officers on a daily basis; (iii) disbursing officer still in-charge of depositing collections; and (iv) no segregation of duties of accounting personnel in-charge in the reconciliation of cash as well as processing cash transaction.

To address said accounting deficiencies, we offered the following recommendations, to wit:

1. We reiterated that the Local Chief Executive direct the (a) Inventory Team to regular conduct physical count of all properties and submit the prescribed report thereon to COA on or before January 31 of each year; (b) Disposal Committee to undertake the proper disposal of unserviceable assets in accordance with applicable rules and regulations on disposal procedures; (c) Municipal Accountant to observe PPSAS 17 and initiate efforts towards the recognition in the books using cost or appraised value of unrecorded PPE for fair presentation of the accounts in the financial statements.

We also recommended that the LCE direct the: (a) Municipal Treasurer to handle the inventory of PPE and monitoring thereof to prevent opportunities for fraud.

2. We reiterated our recommendation that the LCE require the MTO to (a) conduct physical count of all inventory items regularly at the end of every semester and render a report thereon within the prescribed deadline; and (b) reconcile the records of the MTO with the Accounting records on a per category basis.

We further recommended that the LCE require the (a) MTO to consolidate weekly the RIS using the SSMI and submit to the Accounting office for recording of issued supplies; and (b) Accounting office to follow the procedure of recording in the books the procurement of supplies inventory.

3. We recommended that management: (a) communicate with the suppliers regarding the timely delivery of the billings; (b) consider enrolling accounts for various utilities under paper-less billing if possible; (c) henceforth, require the Municipal Accountant to comply with the modified accrual basis of accounting of transactions for complete and reliable reporting of all financial transactions; and (d) improve completeness in the capture of liabilities as of the end of the accounting period for fair presentation of accounts.

4. We reiterated our previous year's recommendations that the Municipal Accountant (a) exert further efforts to reconcile employees' records at GSIS to identify the affected employees on the unremitted accumulated balance of the Due to GSIS account, if any; (b) check with the records whether all Personal Share (PS) deducted from the payroll of employees and Government Share (GS) and Employee's Compensation Contribution (ECC) for all employees were remitted; and (c) cause the immediate remittance to GSIS for the unremitted premiums and contributions of employees, as warranted by the results of the research.

5. We recommended that management: (a) require the ICO-MT to produce the missing funds of ₱252,000.00 and deposit the same to the authorized government depository bank; (b) require the ICO-MT and the Municipal Accountant to (i) perform reconciliation of accounts and records at least quarterly; (ii) exert best efforts to locate records pertaining to prior year's difference of cash balances and prepare adjusting entries thereat; and (iii) review reconciling items for proper adjustment in appropriate books; (c) apply for the appropriate fidelity bond coverage for the job-order personnel assigned in the collection of market fees; (d) continue to improve compliance on the need to update the cashbooks on a daily basis for proper determination of accountabilities; (e) instruct the ICO-AMT to refrain from assigning personnel to handle incompatible functions such as disbursing officer who deposits collections of the Municipality; (f) require the Municipal Accountant to assign different personnel in processing cash transactions and reconciliations; (g) require MT to reflect collections in the RCD and cashbooks on a timely basis; and (h) continue to deposit daily and intact the collections.

OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the other significant audit observations noted during the audit and the corresponding recommendations that are discussed in detail in Part II of the report. Management views and comments including those given during the exit conference were incorporated in the report where appropriate:

1. The continuous failure of the Municipality to require the supplier to post warranty security on the procurement of goods resulted in additional repair and maintenance expense of ₱45,610.00 for the newly procured Farm Equipment of ₱4,490,000.00 which were still under the warranty period. Moreover, it also failed to withhold 10% retention fee and warranty security on selected Infrastructure Projects contrary to pertinent provisions of Republic Act No. 9184.

We recommended that the General Services Officer/Procuring Officer/Municipal Engineer, as the case may be, require awardees of contracts/purchase order to comply with the submission of the appropriate warranty security at the prescribed amount, as necessary, to protect the interest of the Municipality.

2. The Municipality was substantially compliant in the appropriation and utilization of the 20% DF as it registered an overall 85% completion rate of the programs and projects in its Annual Investment Plan (AIP) for CY 2017, in compliance with Joint Memorandum Circular (JMC) No. 2017-1 dated February 2, 2017 of the Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) thus, providing desirable socio-economic development and environmental management outcomes to its constituents.

We recommended that Management: (a) ensure full completion of the remaining projects identified in the AIP for CY 2017; (b) continue to comply with the regulations in the appropriation and utilization thereof; (c) continue to implement projects which are capital or investment in nature; (d) continue to implement projects on a timely basis to attain desirable socio-economic development and environmental management outcomes of the said fund.

3. The Special Education Fund's (SEF) purpose/objective of providing supplementary budgetary needs for the operation and maintenance of public schools within the Municipality to improve the delivery of basic education services as provided for in DepEd-DBM-DILG Joint Circular No. 1, s. 2017 was not substantially attained due to the minimal utilization thereof at 49.65% or ₱2,680,367.28.

We recommended that the Local School Board of Municipality of Bacolor: (a) improve the utilization rate of the SEF and implement programs, projects, especially construction of school buildings and classrooms to provide a convenient facility that is conducive for learning; and (b) utilize the Special Education Fund only for purposes explicitly allowed in DepEd-DBM-DILG Joint Circular No. 1, s. 2017. We also recommended that the Accounting Office make the necessary adjustment on the

improperly recorded improvement of school buildings and continue to monitor the proper utilization of the fund.

4. Programs/projects totaling ₱14,800,000.00 funded under the CY 2016 Bottom-Up-Budgeting (BUB) and infrastructure projects of ₱15,865,000.00 sourced from the Assistance to Disadvantaged Municipalities (ADM) Program were all implemented in CY 2017. However, issues were noted in the utilization and necessity of the completed projects such as: (a) medical equipment procured not being used by Barangay Health Stations; (BHS); (b) inadequate control on the use of rice harvester and four-wheeled tractor as well as collection of fees by a person not related to the Municipality; and (c) lack of control and monitoring on the current status of distributed “Nego-karts” by concerned office. The aforementioned deficiencies may lead to the non-attainment of the program objectives in the delivery of basic services as contemplated in Joint Memorandum Circular No. 7 dated November 3, 2015 of the DBM, DILG, DSWD, and NAPC.

We recommended that the Local Chief Executive: (a) require the GPBP focal person of the respective implementing offices to make use of lessons learned from the completed projects to improve efficiency in the implementation of similar NGA-funded projects in the future; (b) aim to reduce further unnecessary delays in project implementation to allow the early enjoyment of benefits by the general public; (c) ensure that needs and capacity of BHS is properly considered before procurement of medicine/equipment to assure proper storage/housing thereof to prevent deterioration from non-use and further wastage of government funds; (d) maximize the use of distributed equipment by deploying them to needy BHS or other health facility; (e) implement control in the management of rice-harvester and four-wheeled tractor by assigning one Municipal employee from the MAO in the monitoring thereof together with the preparation of accomplishment/monitoring reports; (f) as far as availability of time and personnel permit, conduct monitoring and validation of the current status of all beneficiaries of “Nego-karts” given accompanied by a report; (g) ensure that actual addresses are indicated to facilitate better monitoring of the project; and (h) install sufficient controls before, during, and after the program is implemented to improve effectiveness of the program and maximization of the use of the funds.

5. Delay was noted in the utilization of Supplemental Feeding Program for CY 2014 funds from DSWD of ₱1,886,400.00 thus the school children-beneficiaries were denied the early enjoyment of the benefits thereof contrary to the signed Memorandum of Agreement (MOA) and COA Circular No. 94-013.

We recommended that the Local Chief Executive require the MSWD officer to closely monitor the fund utilization and anticipate possible issues in the program implementation for the early introduction of remedial interventions to forestall or reduce unwarranted delays in the enjoyment of the program benefits.

6. Expenditures for out-of-town seminars and purchase of cellphone units were found excessive as defined under COA Circular 2012-003 dated October 29, 2012, hence,

proper utilization of funds and/or management of resources was not observed contrary to Section 2 of P.D. No. 1445.

We recommended that the Local Chief Executive: (a) require the concerned end-users to submit an explanation on the excessive claim of cellphone units and (b) exercise prudence and economy in the disbursement of funds especially for those expenses relating to authorized out-of-town seminars and similar situations.

7. Management has substantially observed the provisions of R.A. No. 10121 on the following: (a) 5% allocation of the Local Disaster Risk Reduction and Management (LDRRM) Fund; and (b) creation of Comprehensive Land Use Plan (CLUP) for the Municipality of Bacolor for CY 2016-2025. Moreover, some of the minimum standards set forth in the National Disaster Risk Reduction and Management Council (NDRRMC) Disaster Preparedness Minimum Standards Volume 2 were essentially met. However, as in the previous years, the Long-Term LDRRM Plan which could serve as the guide in building the calamity preparedness and adaptive capacity of the Municipality in terms of disasters was not yet developed.

We commended the Management on its efforts in establishing its comprehensive land use planning (CLUP) for CY 2016-2025, in complying with some of minimum standards of disaster preparedness as required by the National Disaster Risk Reduction and Management Council, and in establishing a permanent evacuation center despite its income limitation.

However, for the Municipality to be considered fully disaster-prepared, we recommended that the Management, thru the MDRRM Office, prioritize the preparation and completion of a 10-Year DRRM Plan that will serve as the general strategy in addressing disaster risk reduction and management as prescribed in R.A. No. 10121.

8. The Municipality was able to implement the requirements of Republic Act (RA) 9003 or Ecological Solid Waste Management Act of 2000 on the creation of a 10-Year Solid Waste Management Plan (SWMP) (2014-2023). However, as in the previous years, it failed to substantially comply with the said Act as manifested by: (a) poor segregation of waste at source, improper disposal of solid wastes and existence of open dump sites; (b) failure to consistently monitor the implementation of solid waste management at barangay level owing to absence of a Municipal Environment and Natural Resources Office (MENRO); and (c) absence of an ordinance imposing fines and penalties for prohibited acts under R.A. No. 9003 hence, the protection of public health and environment was not fully achieved.

We recommended that the: (a) Sangguniang Bayan in coordination with the Solid Waste Management Board formulate ordinances to carry out the requirements of R.A. No. 9003, specifically the imposition of fines and penalties to strengthen the implementation of solid waste management plan throughout the Municipality; and (b) Local Chief Executive (LCE) and the Solid Waste Management Board (SWMB): (i) as soon as the budget allows, prioritize the creation of Municipal Environment and Natural

Resources Office (MENRO); and (ii) impose the “no segregation no collection policy”, especially at the barangay level.

We also reiterated our previous year’s recommendation that the Management, through the SWMB: (a) consider developing concrete programs and projects that are supportive of proper solid waste management and reduction of waste at source e.g. reuse, reduce and recycle of non-biodegradable materials; (b) conduct information and education campaigns on the hazards of open burning and strictly monitor compliance thereof especially at the barangay level; and (c) strengthen the information campaign by putting up signages in public places displaying the acts prohibited under Section 48 of R.A. No. 9003 and the corresponding sanctions thereof.

9. The Municipality was substantially compliant with GAD rules and regulations except that the monitoring of its GAD programs could have been enhanced from the use of monitoring tools like Harmonized Gender and Development Guidelines (HGDG) and Program and Project Implementation, Management and Monitoring and Evaluation (PIMME) by the Technical Working Group (TWG) to ensure that projects are gender-responsive as espoused in Joint Memorandum Circular 2013-01 of the Department of the Interior and Local Government (DILG), Philippine Commission on Women (PCW), Department of Budget and Management (DBM), and National Economic and Development Authority (NEDA).

We recommended that the Local Chief Executive encourage the TWG to use monitoring tools such as the HGDG and PIMME in monitoring and evaluating GAD activities as required under JMC No. 2013-01.

10. The Municipality’s Local Council for the Protection of Children (LCPC) has been consistently functional in the implementation of various child development programs as manifested by the receipt of Seal of Child-Friendly Local Governance Award for CY 2016. However, it was unable to allocate the required one percent (1%) of the IRA for the strengthening and implementation of programs, projects and activities (PPAs) as suggested under Section 15 of R.A. No. 9344.

We recommended that the Management, thru the LCPC, continue to implement programs, activities and projects that will protect the interest of children based on Annual Work and Financial Plan as stipulated in Section 15 of R.A. No. 9344 and henceforth aim to sustain its Seal of Child-Friendly Local Governance Award.

11. Several deficiencies were observed in the hiring of job order (JO) personnel namely: (a) job-order personnel who are performing regular functions; (b) hiring of researchers who are unfit for the position; (c) employees under the legislative branch who did not undergo the proper hiring process under the HRMO; (d) presence of nepotism; and (g) doubtful accomplishment reports and attendance of job-order personnel under the legislative branch, exposing the Municipality to possible wastage of government funds because of unnecessary and unproductive labor force, contrary to the pertinent provisions of the Local Government Code and applicable CSC Resolutions.

We recommended that management: (a) strengthen its recruitment and selection process in hiring job order personnel by reviewing its current workforce, specific work to be done, and objectives before hiring personnel; (b) reduce the hiring of personnel whose functions do not contribute to the attainment of the Municipality's objectives; (c) refrain from hiring personnel who is a relative within the fourth civil degree of consanguinity of the appointing or recommending authority unless the nature of the work is highly confidential in nature; (d) require the HR Officer to conduct the proper selection and recruitment process such as the conduct of written, oral, and medical examinations in order to ascertain applicant's qualifications; (e) require the concerned SB official to explain in writing the reasons why their personnel were not regularly reporting to office but stayed only at their residences and those who work on on-call basis; (f) require the concerned official to explain in writing the payment of wages of personnel assigned at the personal residences of the official; (g) consider reducing the number of job-order personnel at the legislative department; and (h) require all department heads to carefully evaluate or assess the need for job order personnel with due consideration on their fitness to the job requirement.

12. The Municipality has consistently complied with the Revenue Regulations in the withholding of taxes from the salaries and wages of personnel and payments of purchases and business contracts for CY 2017 and in the remittance thereof to the Bureau of Internal Revenue (BIR) through Electronic Filing Payment System (EFPS) within the prescribed period. However, the Due to BIR account showed unremitted amount of ₱141,444.06 pertaining to prior years.

We recommended that the Municipal Accountant (a) continue being compliant with the revenue regulations on the withholding of taxes from compensation of employees and creditable taxes for payments to suppliers and contractors and the remittance thereof within the prescribed period; (b) continue with the efforts to resolve the carry-over discrepancy on the Due to BIR account balance.

13. For CY 2017, the Municipality adhered to the provisions of HDMF Law of 2009 or R.A. No. 9679 on the proper deduction of HDMF contributions and repayments of loan amortizations of its personnel and the remittance thereof to the HDMF. However, an accumulated balance totaling ₱38,716.03 was noted on the Due to Pag-IBIG account as of year-end which might have resulted from possible unremitted contributions and/or loan repayments to the HDMF from prior years.

We recommended that the Municipal Accountant (a) exert best efforts to reconcile employees' records at HDMF to be able to trace the affected employees on the unremitted accumulated balance of the Due to Pag-IBIG account, if any; (b) check with the records whether all Pag-IBIG premiums, Multi-Purpose Loan repayments and Housing Loan repayments deducted from the payroll of employees and Government Share (GS) for all employees were remitted; and (c) cause the immediate remittance to Pag-IBIG for the unremitted premiums and contributions of employees, as warranted by the result of inquiry and reconciliation with HDMF.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

Total suspensions, disallowances and charges at year end stood at ₱0.00, ₱915,851.13 and ₱0.00.

IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 97 prior year's audit recommendations contained in the CY 2016 Annual Audit Report, 66 were implemented, 3 were partially implemented, and 28 were not implemented. Details are discussed in Part III of this Report.