

EXECUTIVE SUMMARY

A. Introduction

We conducted the audit on the Municipality of Porac, a first class municipality comprising of 29 barangays.

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 audit covered the examination, using risk-based approach, of the accounts and financial transactions of the Municipality 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.

B. Financial Highlights

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

Particulars	2017	2016	Increase (Decrease)	
			Amount	%
Financial Condition				
Total Assets	361,075,037.65	255,596,089.64	105,478,948.31	41.26
Total Liabilities	27,097,722.61	40,381,418.52	(13,283,695.91)	(32.89)
Net Assets/Equity	333,977,315.04	215,214,671.12	118,762,643.92	55.18
Results of Operations				
Total Revenue	340,485,926.02	300,812,897.83	39,673,028.19	13.18
Total Expenses	251,126,997.18	226,816,210.83	24,310,786.35	10.71
Surplus(Deficit)	76,953,184.98	63,071,321.33	13,881,863.65	22.00
Sources and Application of Funds				
Appropriations	362,545,665.36	348,775,325.17	13,770,340.19	3.94
Allotments	362,545,665.36	348,775,325.17	13,770,340.19	3.94
Obligations	283,562,359.02	281,449,773.03	2,112,585.99	0.77
Balances of Allotments	78,983,306.34	67,325,552.14	11,657,754.20	17.31

C. Independent Auditor's Report

We rendered a qualified opinion on the fairness of presentation of the financial statements because the accuracy of the Land booked at ₱12,185,394.91 under the Property, Plant and Equipment (PPE) accounts as of year-end was not established due to the (a) unrecognized parcels of land of undetermined value owned by the Municipality; and (b) unascertained ownership of several parcels of land without TCTs.

For the above deficiency, we recommended that the Local Chief Executive (a) create an appraisal committee for the unrecognized parcels of land to arrive at the fair value thereof to pave the way for their recognition in the books; and (b) instruct the municipal officials concerned to ascertain the status of parcels of land owned by the Municipality with titling issues and work for the titling thereof in the name of the Municipality of Porac, assuming funds have been provided therefore.

D. Summary of Other Significant Observations and Recommendations

Summarized below are 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 conducted on February 27, 2018 were incorporated in the report, where appropriate.

1. The accuracy of the Land account booked at ₱12,185,394.91 under the Property, Plant and Equipment (PPE) accounts as of year-end was not established due to the (a) unrecognized parcels of land of undetermined value owned by the Municipality; and (b) unascertained ownership of several parcels of land without TCTs, contrary to Section 148 of COA Circular No. 92-386.

We recommended that the Local Chief Executive (a) create an appraisal committee for the unrecognized parcels of land to arrive at the fair value thereof to pave the way for their recognition in the books; and (b) instruct the municipal officials concerned to ascertain the status of parcels of land owned by the Municipality with titling issues and work for the titling thereof in the name of the Municipality of Porac, assuming funds have been provided therefore.

2. The former OIC-Municipal Treasurer (OIC-MT) had a cash shortage of ₱17,044,092.17 for failure to deposit collections daily and intact contrary to Section 32, Chapter 3, Volume I of the Manual on NGAS for LGUs, resulting in the malversation of public funds.

We recommended that the Local Chief Executive exert efforts to recover the said funds from the former OIC- MT given that criminal and administrative charges against Ms. Vitug have already been filed pursuant to Article 217 of the Revised Penal Code.

3. Cash advances were granted to an elective official for purposes other than for official travel in the amount of P200,000.00 contrary to Section 4.1.4 of COA Circular No. 97-002 dated February 10, 1997 which may lead to issues in their settlement upon the expiration of official's term.

We recommended that management discontinue the practice of granting cash advances to elective officials other than for official traveling expenses in consonance with COA Circular No. 97-002 and that cash advances for MOOE be granted only to permanently appointed/designated Disbursing Officer.

4. Some of the payments for gasoline, oil and lubricants were not supported with complete documentary requirements contrary to Section 361 of GAAM Volume 1, Section 4(6) of P.D. No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, thus, consumption of fuel, oil and lubricants for January to November, 2017 was not properly controlled, regulated, and accounted thereby opening opportunities to wasteful use or misuse thereof for non-official purposes.

We recommended that management: (a) institute necessary controls in the issuance of fuel to all of its government-owned motor service vehicles in order to abate possible wastage caused by unofficial trips; (b) instruct personnel in charge to attach properly and fully accomplished driver's trip tickets by supplying all data called for therein and submitting the Monthly Report of Fuel Consumption and Monthly Report of Officials Travels as required in the Government Accounting and Auditing Manual for proper monitoring and control; (c) see to it that under no circumstances should fuel be issued to privately owned motor vehicles. No reimbursement for the cost of fuel and oil shall be drawn where a private vehicle is used; and (d) require the immediate settlement of the disallowed amount of ₱197,317.45 from all the persons deemed liable.

5. The Municipality could have increased its revenue collections had the Sangguniang Bayan passed and approved the proposed Revised Revenue Code in accordance with the provisions of Republic Act (R.A.) No. 7160.

We recommended that the SB members prioritize the passing and approval of the Revised Revenue Code to increase the Municipality's revenue for the benefit of its constituents.

6. The lack of policy guidelines from the Municipality on the screening and hiring/recruitment of job order employees pursuant to Section 2, Rule XI of the Revised Omnibus Rules Implementing Book V of Executive (EO) No. 292, resulted in the failure to assess/evaluate, determine and monitor the necessity of the number of employees to be hired and set the rates to be paid, thereby giving undue strain to the scarce resources of the government.

We recommended that management (a) prepare and issue policy guidelines to address the necessity and propriety of hiring of job orders pursuant to Section 2, Rule XI of the Revised Omnibus on Appointments and Other Personnel Actions, Rules Implementing Book V of

EO No. 292, in order to limit the expenditures to programs that are highly essential to merit the recruitment of the same; (b) avoid the hiring of job orders whose functions overlap/duplicate those of the regular employees of the Municipality; (c) rationalize the daily rates granted to job orders which should be commensurate to the nature of work assigned to them; and (d) ensure that the Statement of Duties and Responsibilities are stipulated in the contract of service in order to match their skills against the work to be performed.

7. Management was unable to conduct gender mainstreaming or self-assessment, contrary to Section III, (4) of COA Circular No. 2014-001 dated March 18, 2014 and PCW-DILG-DBM-NEDA Joint Memorandum Circular 2013- 01 casting doubt whether the gender issues were identified based on the result of gender audit, gender analysis or sex disaggregated data to pave the way for an effective GAD intervention as necessary.

We recommended that the Local Chief Executive require the GAD Focal Person to initiate efforts towards compliance with the provisions of PCW, DILG, DBM and NEDA Joint Memorandum Circular No. 2013-01 and COA Circular No. 2014-001 starting with capacity building in the conduct of gender audit and gender mainstreaming in the Municipality.

E. Summary of Total Suspensions, Disallowances and Charges at Year-End

As of year-end, suspensions, disallowances and charges stood at ₱685,575.00, ₱7,047,000.00 and ₱0.00, respectively.

F. Status of Prior Year's Unimplemented Audit Recommendations

There were 33 observations contained in the 2015 Annual Audit Report for which 49 recommendations were offered. As of report date, 46 recommendations were fully implemented while 3 were partially implemented. The details are discussed in Part III of this report.