

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Botolan, Zambales was founded by Spanish Governor-General Juan de Salcedo in 1572. It is a first class municipality with a total land area of approximately 79,221 hectares divided into 31 barangays, and population of 67,214. It lies at the central region of the Province of Zambales bounded on the north by Iba, on the south by Cabangan, on the east by the Province of Pampanga and Tarlac, and on the west by the West Philippine Sea.

Through the leadership of Mayor Doris Ecdao-Maniquiz, with the able support of Vice Mayor Doris D. Ladines, Sangguniang Bayan Members, and the different department heads, the Municipality continued to deliver public services and provide improved facilities and infrastructures for the welfare of its constituents.

B. Financial Highlights

The following comparative data summarize the financial condition, results of operation, and sources and application of funds of the Municipality of Botolan, Zambales for calendar year 2017 with comparative figures in CY 2016:

	2017	2016	Increase/ (Decrease)
<i>Financial Condition</i>			
Assets	₱604,250,562.49	₱427,827,108.31	₱176,423,454.18
Liabilities	₱270,948,737.45	₱137,299,162.27	₱133,649,575.18
Government Equity	₱333,301,825.04	₱290,527,946.04	₱ 42,773,879.00
<i>Results of Operations</i>			
Income	₱255,195,868.06	₱229,668,833.06	₱ 25,527,035.00
Expenses	₱215,063,635.17	₱189,903,316.70	₱ 25,160,318.47
Surplus (Deficit)	₱ 40,132,232.89	₱ 39,765,516.36	₱ 366,716.53
<i>Sources and Applications of Funds</i>			
Appropriations	₱328,106,786.19	₱207,214,957.73	₱120,891,828.46
Allotment	₱328,106,786.19	₱206,952,512.41	₱121,154,273.78
Obligations	₱280,592,281.81	₱199,041,112.79	₱ 81,551,169.02
Balance	₱ 47,514,504.38	₱ 7,911,399.62	₱ 39,603,104.76

C. Operational Highlights

As reported by the Municipal Government, it had successfully implemented in CY 2017 the following major programs and projects costing ₱24,839,421.62. The existence of 27 projects were validated by the Audit Team; to wit:

Projects	No. of Projects Accomplished	Total Project Cost
Construction/Improvement of Multi-Purpose Hall	3	₱ 3,820,038.70
Construction of Classrooms with Comfort Rooms	9	8,380,991.89
Repair and Improvement of RHU I Building	1	1,547,930.18
Construction of Road	4	1,662,807.56
Installation of Water System	2	1,656,600.00
Purchase of Patrol and Sailing Boat	4	1,038,470.37
Development of Marine Protected Area	1	1,674,284.92
Livelihood Projects of Hog Fattening and Swine Production, and Goat Raising	2	3,454,048.00
Procurement of Agricultural Equipment	1	1,604,250.00
Total	27	₱24,839,421.62

D. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of Botolan for CY 2017 based on the audit instructions issued by the Local Government Sector (LGS), COA Central Office as embodied in the Unnumbered Memorandum dated October 12, 2017. The audit included the examination of supporting documents of pre-selected accounts and areas, on a sampling basis, employing audit procedures and techniques such as analysis of accounts and such other procedures considered necessary. The exceptions noted in audit are discussed in detail in Part II of the report.

The audit was aimed to (a) ascertain the level of assurance that may be placed on management's assertion on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

E. Independent Auditor's Report

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Botolan, Zambales for the year ended December 31, 2017 because of the (a) uncertainty of the accuracy and existence of Property, Plant and Equipment (PPE) accounts with a net carrying value of ₱378,154,499.35 as of year-end due to the (i) unreconciled difference of ₱369,967,057.68 between the results of physical inventory and the recorded balances; and (ii) inclusion in the Report on Physical Count of Property, Plant and Equipment (RPCPPE) of unserviceable properties subject to disposal, missing and transferred properties, and lost properties already paid/indemnified bloating the ledger balance by ₱10,973,644.07; and (b) unreliability of the Receivables account amounting to ₱4,617,004.68 due to (i) dormant/long outstanding collectibles under the Livelihood Program; and (ii) non-maintenance of subsidiary ledgers (SLs) and absence of documents to substantiate the loans granted per debtor/borrower.

We recommended to management the adoption of the following remedial measures; viz:

- *On the Property, Plant and Equipment*

- Require the participation and cooperation of all offices and the Committee of Inventory, thru issuance of an Office Memorandum, in the completion of physical count of the Municipality's property, plant and equipment, including land, books, equipment, furniture and fixtures, work animals and other property, plant and equipment recorded under the General Fund and Special Education Fund; conduct physical inventory of all infrastructure assets, buildings, and other structures; and complete the report on unserviceable properties to provide basis for the reconciliation of the GSO records with those of the Accounting Office; (b) create an investigation team, disposal committee, and appraisal committee to resolve issues, such as PPE variances, inexistence of properties, inaction on unserviceable properties, and absence of valuation for donated assets, respectively; (c) confer with the donors of motor vehicles to provide all documents related thereto, including the deed of donation to acquire absolute ownership of the properties; and (d) instruct the Municipal Accountant and the GSO to exert effort to locate/trace the documents of previous years to serve as reference of the investigating body in case of unlocated properties and in the adjustment of the unreconciled accounts; and prepare an ARE renewable at least every three years for each accountable officer as proof of receipt of the properties.

- *On the Receivables accounts*

- Instruct the Municipal Accountant to exhaust all possible remedies for the collection of the livelihood loans; issue Demand Letters to all debtors without exemption; communicate and meet personally with the debtors to determine the possibility of collection and the need to provide allowance for impairment; request for write-off of long outstanding and non-existing livelihood loans, if warranted; send confirmation to the DBM regarding the availability of funds for the MRF project and the overpayment of office supplies; and prepare the necessary adjustments to correct the Receivables account balance as at year-end.

F. Summary of Significant Audit Observations and Recommendations

Summarized below are the other significant observations and the corresponding recommendations which are discussed in detail in Part II of this report:

1. The Construction of Core Local Access Road Project funded out of the LGSF-ADM was satisfactorily executed and completed while the Provision of Potable Water System was only 24.56% accomplished as of to date which was behind the target accomplishment percentage of 34.80% by the end of December 2017, considering that a 42-day period already lapsed out of the total contract duration of 120 calendar

days. Meanwhile, except for the failure to conduct pre-procurement conference and some minor deficiencies in the documentary requirements, the bidding process undertaken for the projects was substantially in accordance with the provisions of the RIRR of R.A. No. 9184.

We recommended that management (a) inform the contractor awarded with the Provision of Potable Water System Project to expedite the execution of the project and finish the same within the contract duration of 120 days as stipulated in the Contract of Agreement; otherwise, liquidated damages shall be imposed on the contractor for the delayed completion thereof; and (b) require the BAC to (i) conduct pre-procurement process for projects costing above ₱5,000,000.00 to clear out issues and concerns prior to conduct of bidding, specifically on the timeframe; (ii) revise the format of the Certification regarding the posting of ITB in conspicuous places to include all essential information; and (iii) comply with the amendments of the Bid Securing Declaration and Omnibus Sworn Statement pursuant to the RIRR of R.A. No. 9184.

2. Contracts for the delivery of 24 units of agricultural equipment were awarded to an ineligible bidder in violation of the pertinent provisions of the Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 9184.

We recommended that management (a) conduct an intensive planning and constant monitoring of projects to preclude recurrence of unutilized funds; (b) efficiently and effectively execute the projects as planned to obtain maximum benefits therefrom; (c) revisit the 20% Development Plan and align PPAs along the perspective of the JMC of the DILG/DBM in order to ensure quality project outcomes that promise long-term benefits to the constituents; (d) require all or majority of BAC members to decide/certify/sign the Abstracts of Quotation, in case of procurement thru shopping and other alternative modes; and (e) oblige all bidders to include in their omnibus sworn statements a complete testimony to prove their integrity as contractors/suppliers in accordance with the requirements of Section 25.3 of the 2016 Revised Implementing Rules and Regulations of R.A. No. 9184.

3. Relevant documents and information, such as Sworn Statement of Gross Receipts or Sales, certified copy of Income Tax Return, asset size, and number of workers were not strictly required from business owners before payment of business taxes, fines and penalties, mayor's permit, occupational fees, inspection fees/sanitary permit and miscellaneous fees in violation of Sections 2C.03-.04, 3A.01, 3N.01 and 4D.01 of the 2014 Revised Revenue Code of Botolan, Zambales.

We recommended that management (a) instruct the Municipal Treasurer and the personnel in charge with the receipt of applications to require business owners without exception to fill up all information required in the Application of Business Permit and obtain certified copy of Income Tax Return as basis for the computation of business taxes, fines and penalties, mayor's permit, occupational fees, and inspection fees/sanitary permits; and (b) order the re-computation of the business

taxes collected in CY 2017 to determine the correct amount due the Municipal Government in accordance with Section 2C.04(e) of the 2014 Revised Revenue Code of Botolan, Zambales.

4. Late/non-submission of large volume of disbursement vouchers, official receipts, and payrolls for CYs 2016 and 2017 have not been given due attention by the concerned officials and employees contrary to Section 122 of P.D. No. 1445 and COA Circular Nos. 95-006 and 2009-006 dated May 18, 1995, and September 15, 2009, respectively.

We recommended that the Municipal Treasurer and the Municipal Accountant devise a procedure that would facilitate the timely preparation and submission of reports of their respective offices. Adhere strictly to the timeframes on the submission of accounts and financial reports pursuant to Section 122 of P.D. No. 1445 and COA Circular Nos. 95-006 and 2009-006. Suspend the payment of salaries and other emoluments of the Municipal Accountant and other municipal officials and employees in charge of the preparation and submission of the accounts and reports unless and until they have duly complied.

5. The desired goals of reducing disaster risk and enhancing disaster preparedness were not optimally achieved by the Municipality because the large volume of stand-by goods were released under the Food for Work Program which was not included in the LDRRM Plan and contingency plan in violation of Section 5 of the National Disaster Risk Reduction and Management Council, Department of Budget and Management and Department of the Interior and Local Government Joint Memorandum Circular No. 2013-1 dated March 25, 2013, Section 12 (b) of R.A. No. 10121, and COA Circular No. 2012-003 dated October 29, 2012.

We recommended that management (a) require the Local Risk Reduction Management Council to submit satisfactory written explanation on the approval of the large volume of goods for stockpiling even in the absence of approved policy or guidelines and the release of rice for the Food for Work Program which is outside of the LDRRM Plan and the contingency plan, rendering the expenditure irregular; (b) instruct concerned officials/employees to submit thru the Municipal Accountant, the required reports/documents on the release of medicines, payment of boring test, labor for clearing of creeks, and proof of service other than the copy of logbook and DTRs of four hired laborers to enable the Audit Team to evaluate and provide final audit decision regarding the validity and propriety of the transactions; and (c) advise the BAC to discharge its function of screening eligibility documents of suppliers/contractors with utmost care and prudence; otherwise, payments to ineligible supplier shall be disallowed in audit.

6. The objectives of the Program on Goat Raising and Hog Fattening and Swine Production towards a sustainable livelihood program at the community level were not successfully attained contrary to the Memorandum of Agreement (MOA) executed by the Municipality with the Department of Social Welfare Development

(MSWD) and Item Nos. 5.11.6 and 5.14 of DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 7 dated November 3, 2015.

We recommended that management (a) assist the officials of Kainomayan Goat Raiser Association of Botolan in the procurement of 80 goats for immediate release/distribution to beneficiaries; (b) require the supplier to refund the cost of 14 dead goats for inferior quality and/or charge concerned officials for negligence of duties at the time of delivery/inspection/acceptance of goats; (c) oblige the LPRAT to undertake periodic monitoring of the project and members' compliance to the project proposal; (d) require the officials of the Associations for the proper liquidation of the fund transfer; and (e) for future projects, develop a clear-cut policy regarding the system/procedures to be followed by the beneficiaries or enter into a Memorandum of Agreement (MOA) with them to achieve a more sustainable livelihood program.

7. The existing policies on the rental of market stalls were not strictly enforced, particularly those relating to the issuance of duly approved application for lease, adoption of the new rates, and imposition of surcharges and legal remedies in case of non-payment in violation of Sections 5A.02-.04, .06 and .07 of the 2014 Revised Revenue Code of Botolan, Zambales.

We recommended that management (a) obtain the assistance of the Committee on Award, Market Administrator, and Collector in the proper enforcement of the existing policies on the rental of market stalls; (b) ensure that all pertinent data and records are intact as basis for the determination of market fees due; (c) legalize the rental agreement thru issuance of duly approved Application for Lease to all stallholders; (d) maintain a complete and updated registry book containing vital information about the stallholder; i.e. names and addresses, number and description of stalls occupied, location, date and time of receipt of application and contract period; (e) review the existing contracts and re-examine the applicability of rates imposed based on actual stall size and site; (f) collect fees from stallholder/s occupying space intended for business and require to use the provided storeroom; (g) impose surcharges against delinquent stallholders to encourage prompt settlement of accounts and defer possible cancellation of their contracts unless with approved condonation and for valid reasons; (h) consider the revision of the policies concerning the rates for the Main Building – first floor (isle), second floor, Annex A, and big commercial establishments and define the coverage of the first to fourth layer of the stalls. Strict implementation of the provisions would benefit the Municipality from an increased collection of rental from market stalls.

G. Summary of Total Audit Suspensions, Disallowances and Charges

As of December 31, 2017, the Municipality had no unsettled audit suspensions, disallowances, and charges.

H. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Out of the 43 unimplemented recommendations contained in previous year's Annual Audit Report (AAR), 23 or 53.49% were implemented, 13 or 30.23% were partially implemented and seven or 16.28% were not implemented at all.