

## EXECUTIVE SUMMARY

### INTRODUCTION

The Municipality of Abucay, Bataan is a developing town located in the northern part of Bataan and Pampanga, composed of nine barangays with a total land area of 7,970 hectares. It is mainly agricultural and fishing town: 44% of its land area is ideal for habitation and lowland rice cultivation and fish farming. Existing fishponds cover 1,512.2 hectares of which 319.25 hectares are under intensive use while the rest are non-functioning but available for utilization. Among the commercial marine species found in the area are milkfish, tilapia, pla-pla and shrimps. Agricultural produce rice, corn, root crops, legumes, vegetable and various kinds as well as forest grown bamboo and buho.

For CY 2016, management prioritized the following projects so as to attain its goals and objectives in economic development such as the construction of Arcade and development and improvement of Sibul. Also, the management prioritized projects for the environmental development such as concreting of roads at dumpsite, completion of the construction of municipal landfill and development of dumpsite.

The audit covers the financial transactions and operations of the Municipality of Abucay for CY 2016. It included the examination of supporting documents of pre-selected accounts and areas, employing audit procedures and techniques such as analysis of accounts and such other procedures considered necessary. The audit was aimed to determine propriety of financial transactions, compliance by the auditee to prescribed laws, rules and regulations and accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

### FINANCIAL HIGHLIGHTS

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b>Financial Position</b>			
Assets	₱288,811,546.72	₱213,579,105.69	₱ 75,232,441.03
Liabilities	<u>90,056,101.89</u>	<u>49,068,521.75</u>	<u>40,987,580.14</u>
Net Asset/Equity	<u>₱198,755,444.83</u>	<u>₱164,510,583.94</u>	<u>₱ 25,138,693.18</u>
<b>Financial Performance</b>			
Revenue	₱117,898,572.04	₱105,593,669.63	₱ 12,304,902.41
Current Operating Expenses	<u>85,336,480.07</u>	<u>79,508,225.07</u>	<u>5,828,255.00</u>
Surplus/(Deficit) from Current Operations	<u>₱ 32,562,091.97</u>	<u>₱ 26,085,444.56</u>	<u>₱ 6,476,647.41</u>
<b>Sources and Application of Funds</b>			
Appropriations	₱131,366,322.40	₱123,734,425.15	₱ 7,631,897.25
Obligations	<u>126,363,322.40</u>	<u>114,387,048.32</u>	<u>11,976,274.08</u>
Balance	<u>₱ 5,003,000.00</u>	<u>₱ 9,347,376.83</u>	<u>₱ 4,344,376.83</u>

## AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Abucay, Bataan for the year ended December 31, 2016 due to deviations from prescribed procedures and non-compliance with rules and regulations resulting in accounting deficiencies affecting the financial statements enumerated as follows:

1. Due to lack of manpower, the amount set up as Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable at the beginning of the year were based on the Assessor's Report on Real Property Assessments contrary to Section 20 of the Manual on the NGAS, Volume I. Moreover, no subsidiary ledgers were maintained, thus rendering the accuracy and validity of the year-end balances of RPT and SET Receivables of ₱4,470,726.86 and ₱4,573,772.37, respectively, unreliable. **(Observation No. 1)**

We recommended that the (a) LCE request the Provincial Government of Bataan that the offices of the Municipal Treasurer, Accountant and LCE be provided linkage to the PATAS but meantime, assign personnel to assist the Treasurer to prepare the Certified List of Taxpayers to be submitted to the Accountant; and (b) Accountant take up in the books, the RPT/SET Receivables and prepare the corresponding subsidiary ledgers (SLs) to monitor tax collections and delinquencies in compliance with Section 20 of the Manual on the NGAS, Volume I.

2. The accuracy, validity and existence of the Property, Plant and Equipment (PPE) accounts with a net book value of ₱132,104,939.92 could not be ascertained due to non-performance of actual physical inventory, the inability to reconcile the general ledger balances with the inventory report, accounting and property records and unreconciled inventory list of parcels of land between the accounting and treasury/assessor as prescribed under Sections 114 and 124 of the Manual on the NGAS for LGUs, Volume I, Chapter 4 of the Handbook on Property and Supply Management System, and Item No. 44 of Philippine Public Sector Accounting Standards 17-Property, Plant and Equipment (PPSAS) thus, the account balances were unreliable. **(Observation No. 2)**

We recommended and Management agreed that the (a) Management (i) create an inventory committee to conduct an annual physical inventory of PPE by type, with the end view of establishing the correctness of the reported balances as well as the existence, condition and custodianship of the municipal assets and submit the RPCPPE not later than January 31 of each year to enable reconciliation with the accounting and property records and correction of verified discrepancies; and (ii) allocate fund for the expenses to secure copies of the title of the declared real properties; (b) Municipal Treasurer (i) prepare and maintain updated property cards to enable reconciliation with the general ledger balances and the inventory report; (ii) obtain copies of the tax declarations of all properties; (iii) verify the inclusion of all land in the inventory list against the tax declarations obtained and act on any discrepancy noted; (iv) determine whether all lands where the buildings/facilities owned by the LGU are built are titled to the Municipality; and maintain a Summary List with costs of all the real properties; (c) Municipal

Accountant maintain updated PPELC and coordinate with the Treasury Department for recording the distinctiveness of each lot/land owned by the municipal government; and (d) Municipal Treasurer, Assessor and Accountant exert effort to verify the existence of the title of the declared real properties and secure copies thereof.

## **SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

1. Due to lack of monitoring and insufficient knowledge of the rules and regulations, projects amounting to ₱23,023,326.00 were paid out of the 20% Development Fund, Special Education Fund and Trust Funds in spite of lack of complete documentations contrary to the revised IRR of RA No. 9184, Item Nos. 2 and 3 of DPWH Department Order No. 216, series of 2000 dated November 16, 2000, Item Nos. 9.1, 9.1.1 and 9.1.1.4 of COA Circular No. 2012-001 dated June 14, 2012 and Section 5 of DOLE Department Order (DO) No. 13 series of 1998, thereby casting doubt on the propriety and validity of the transactions. (*Observation No. 3*)

We recommended that Management require the (a) Engineering Division to submit to the Auditor's Office the set of approved plans and drawings with technical specifications and PERT/CPM analysis and other required documents specified in Annex A in compliance with Section 17 of the Revised IRR of RA No. 9184, Item Nos. 2 and 3 of DPWH Department Order No. 216, series of 2000 dated November 16, 2000 and Item Nos. 9.1, 9.1.1 and 9.1.1.4 of COA Circular No. 2012-001 and Section 5 of DOLE Department Order (DO) No. 13 for all projects implemented by the Municipality; (b) BAC to specify clearly the provision on warranty security in the Bidding Documents; and (c) Contractors to (i) maintain log book, prepare As Built Plans and submit them to the Auditor's Office; and (ii) post warranty security for the infrastructure projects which were completed and finally accepted by the Municipality.

2. Due to the absence of the Local Disaster Risk Reduction and Management Office, non-inclusion of AFP and PNRC representatives in the Local Disaster Risk Reduction and Management Council and deficiencies noted in the preparation and utilization of the Local Disaster Risk Reduction Plan, programs/projects/activities were not implemented as required under RA No. 10121 and NDRRMC/DBM/DILG Joint Memorandum Circular No. 2013-01 dated March 25, 2013, which prevented management from maximizing and fully utilizing the fund to attain its objectives. (*Observation No. 4*)

We recommended and Management agreed that the (a) Local Chief Executive fill the positions created in the LDRRMO who will comprise the governance framework for management of disaster risk reduction and mitigation activities; (b) designated LDRRM Officers monitor the full implementation of the LDRRMP towards the achievement of the objectives of RA No. 10121 and; (c) Acting LDRRMO, Accountant, Budget Officer and Treasurer to strictly adhere to the policies and procedures on the preparation of LDRRMP, utilization of the LDRRM Fund and transfer the unutilized balance thereof to the Special Trust Fund.

3. Owing to the agency's failure to strengthen their Gender and Development Focal Point System (GFPS), insufficient technical knowledge of the GFPS as well as the Technical Working Group (TWG) in the performance of their functions stated in Sections 4-6 of the PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013- 01, non-formulation of a GAD Code and non-establishment and maintenance of GAD database as basis for gender-responsive planning, programming and policy formulation, the objectives of the JMC were not achieved. (*Observation No. 5*)

We recommended that the (a) GFPS, TWG and all officials concerned attend relevant trainings on GAD to acquire technical know-how and continue their efforts in gathering knowledge and information to be utilized as guide in the formulation of GAD Plan as well as other reports required; (b) Chairman of the GFPS assist the Local Sanggunian in the formulation of GAD Code to support the LGU's efforts in promoting, protecting and fulfilling women's human rights, women's economic empowerment and gender-responsive governance towards the attainment of gender equality; (c) Local Planning and Development Office spearhead the setting up and maintenance of the GAD database to serve as basis for gender-responsive planning, programming and policy formulation; and (d) reconcile the amount of utilization of accomplishments as per reports of the Municipal Accountant and GFPS-TWG Chairperson.

4. The Municipality failed to fully comply with requirements under RA No. 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, thus, the objectives provided for by the Act were not achieved. (*Observation No. 8*)

We recommended and Management agreed that the Local Chief Executive (a) enjoin the barangay officials to establish their own MRF; (b) exert effort to finalize the revised 10-year SWMP and submit to EMB for review and approval; and (c) ensure immediate compliance with the requirements imposed by the National Solid Waste Management Commission within the reglementary period.

5. The financial reports, supporting documents and other schedules from January to December 2016 were not submitted on time by the Municipal Accountant in contravention of Section 7.2 of COA Circular No. 2009-006 dated September 15, 2009, thus resulting in the inability of the Audit Team to conduct an extensive and efficient examination/audit of the accounts and financial transactions of the municipal government within the prescribed period. (*Observation No. 9*)

We recommended and Management agreed that the Municipal Accountant submit the financial reports, supporting documents and other schedules to the Audit Team within the period prescribed by existing rules and regulations to evade any disciplinary action that may be instituted against them.

We also recommended that the LCE augment the manpower needed by the accounting office to properly distribute the workload and help the Municipal Accountant expedite the submission of the financial reports, supporting documents and other schedules.

6. Various deficiencies were noted on the operation of three-wheeled public conveyances within the Municipality roads, such as non-issuance of local ordinances notwithstanding the requirements of Section 447 of RA No. 7160, The Local Government Code of 1991, and directives from the Department of the Interior and Local Government (DILG) relative thereto and failure to monitor implementation of ordinances issued therefor, which conditions may (a) expose both pedestrians and motorists to increased risk to accidents; and (b) compromise the safety of the tricycle-riding public. *(Observation No. 10)*

We recommended and Management agreed that the (a) LCE ensure strict implementation of the ordinances issued for the operations and franchising of tricycles and pedicab for hire especially on proper checking and inspection of the tricycles for the minimum requirements prior to the issuance or renewal of the franchise; and (b) SB members revisit/review the municipal ordinances already enacted for the franchising/operations of tricycles/pedicab units and issue other ordinances, if necessary, in compliance with DILG Memorandum Circular No. 2007-01.

These and the other observations are included in Part II of this report and were discussed with concerned officials and employees.

#### **SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES**

During the year, no notice of suspension, disallowance and charge was issued to the municipality.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Of the eight recommendations embodied in the 2015 Annual Audit Report, one was implemented, four were not implemented and three were partially implemented.