

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Bagac has the largest land area in Bataan with a total area of 23,120 hectares or 231.20 square kilometers and occupies 16.84% of the province's total area. With its current situation, it envisions itself "To be a municipality whose thrust in its governance is dedicated and committed to its constituents and general public, general welfare of the people, protection of the environment and ecologically-balanced and equitable developments." This vision is supported with the mission to serve the people of Bagac and the public with professional integrity, politeness, consciousness and accountability.

The Municipality is headed by Honorable Rommel V. del Rosario, who is ably assisted by Honorable Vice Mayor Ron Michael Alexis R. del Rosario, the Municipal Council and the Municipal Department Heads.

The audit covers the financial transactions and operations of the Municipality of Bagac for CY 2019. 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 the 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.

B. FINANCIAL HIGHLIGHTS

Particulars	2019	2018
Financial Condition		
Total Assets	₱ 491,099,932.93	₱ 398,211,715.59
Total Liabilities	196,432,020.83	202,094,977.20
Total Equity	<u>₱ 294,667,912.10</u>	<u>₱ 196,116,738.39</u>
Results of Operations		
Total Revenues	₱ 151,086,518.90	₱ 131,144,254.45
Total Expenses	122,753,237.64	109,424,215.03
Net Income	<u>₱ 28,333,281.26</u>	<u>₱ 21,720,039.42</u>

C. SCOPE OF AUDIT

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). It covers the financial transactions and operations of the Municipality of Bagac for CY 2019 particularly those contained in the Memorandum dated July 3, 2019

of the COA Local Government Sector Assistant Commissioner. 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 conducted to (a) ascertain 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.

D. AUDITOR'S REPORT

A qualified opinion was rendered because the accuracy of the recorded Real Property Tax (RPT) and Special Education Tax (SET) Receivables with an aggregate of ₱95,760,343.04 as of December 31, 2019 could not be ascertained due to the (i) absence of duly certified list of taxpayers, indicating the corresponding amount due and collectible for the year; and (ii) non-preparation of subsidiary ledgers for the receivables. Also, obsolete and unserviceable assets amounting to ₱5,107,225.39 were not disposed off contrary to Section 125 of Chapter 7, New Government Accounting System (NGAS) for Local Government Units (LGUs) Volume I and Section 79 of Presidential Decree (PD) No. 1445, thus resulting to overstatement of Property, Plant and Equipment (PPE) accounts and further decline of the units' value.

For the mentioned deficiencies, we recommended and Management agreed to do the following:

- a) Doubtful RPT and SET Receivable accounts –
 - Municipal Treasurer provide the Municipal Accountant the certified list showing the name of taxpayers and the amounts due and collectible for the year to serve as basis for setting up RPT/SET receivables and maintenance of subsidiary ledger in the Accounting Office in compliance with Section 20, Volume 1 of NGAS Manual for LGUs; and
 - Accounting and Treasury Offices reconcile the records of taxpayers and the amount due and collectible with the annual assessment roll prepared by the Municipal Assessor to attain the intended check and balance.

- b) Undisposed obsolete and unserviceable PPEs
 - prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) as basis for the proper disposal thereof; and
 - effect the eventual derecognition/dropping from the books of the disposed properties for proper presentation of the accounts in the financial statements.

E. OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The correctness of inventory balances totaling to ₱1,779,560.87 as of December 31, 2019 could not be ascertained due to weaknesses in inventory management of both Municipal Accounting Office and General Services Office (GSO) contrary to the provisions of Sections 114, 115 and 121 of NGAS Volume I hence, resulting to unreliability of the inventory balances presented in the financial statements. (*Observation No. 3*)

We recommended and Management agreed to instruct the concerned officials to – (a) maintain supplies ledger cards and stock cards, containing the details for each receipts, issuances and remaining balances of all supplies; (b) use moving average method as basis for the costing of supplies; (c) submit the summary of supplies and materials issued regularly to the Accounting Office for proper accounting thereof; and (d) assign additional personnel to the Accounting Office who will assist in the preparation of the necessary records and reconciliation with the GSO.

2. Due to lack of proper monitoring, various deficiencies were noted in the procurement and implementation of the Department of Interior and Local Government (DILG) Memorandum Circular (MC) No. 2019-71 dated May 20, 2019 and Republic Act (RA) No. 9184 which casts uncertainty on the accountability and transparency in the implementation of the project. (*Observation No. 4*)

We recommended and Management agreed to instruct the concerned officials to (i) observe strict compliance with the revised Implementing Rules and Regulations (IRR) of RA No. 9184 regarding conduct of competitive bidding; (ii) scrutinize thoroughly the legality, technicality and validity of the submitted documents; (iii) justify the deficiencies in the procurement of the project and absences of the documents mentioned; (iv) strictly adhere to the Department of Public Works and Highways (DPWH) standards relative to the project being implemented; (v) comply firmly to the stipulations mentioned in the Construction Safety and Health Program (CSHP); (vi) adhere strictly with the reportorial and posting requirements under DILG MC No. 2019-71; (vii) revert the unutilized fund to the Bureau of Treasury; and (viii) study the provisions of the guidelines before implementing the project.

3. Various deficiencies were observed in the implementation of Gender and Development (GAD) programs, projects and activities (PPAs) which were not in accordance with Joint Circular (JC) 2013-01 issued by Philippine Commission on Women (PCW), Department of Budget and Management (DBM), DILG, National Economic and Development Authority (NEDA) and RA No. 9710 or Magna Carta of Women (MCW), thus, defeated GAD's objective. (*Observation No. 5*)

We recommended and Management agreed that the GFPS/Committee on GAD to (i) require the Accounting Unit to immediately submit the GAD Utilization Report which tally

with the amount reported in the GAD AR; (ii) adhere strictly to the provisions of PCW-DBM-DILG-NEDA JMC 2013-01 to ensure proper implementation of GAD PPAs; and (iii) establish and maintain fully the GAD Database.

The details of these and the other observations noted are included in Part II of this report.

F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of year-end, the Municipality has no Notice of Suspensions, Disallowances And Charges.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 16 audit recommendations embodied in the 2018 Annual Audit Report, six (6) were fully implemented, eight (8) was partially implemented and two (2) were not implemented, some of which are reiterated in this report.