

EXECUTIVE SUMMARY

A. Introduction

We conducted an audit on the Municipality of Bocaue, a first-class municipality of the Province of Bulacan. Bocaue is bounded by the Municipality of Balagtas in the north, the Municipality of Sta. Maria in the east, and the Municipality of Marilao in the south.

Our audit was made in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

The audit covered the financial transactions and operations of the Municipality for the calendar year 2019. The objectives of the audit were (a) to ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

B. Financial Highlights

The data on the financial condition, results of operation and sources and application of funds of the Municipality for CY 2019 as compared with CY 2018 are presented below:

	2019	2018	Increase (Decrease)	
			Amount	%
Financial Condition				
Total Assets	495,073,967.81	430,215,554.88	64,858,412.93	15.08%
Total Liabilities	164,171,077.30	147,484,930.98	16,686,146.32	11.31%
Total Equity	330,902,890.51	282,730,623.90	48,172,266.61	17.04%
Results of Operations				
Total Revenues	400,470,120.01	354,352,563.80	46,117,556.21	13.01%
Total Expenses	343,710,111.32	326,188,500.79	17,521,610.53	5.37%
Surplus (Deficit) for the Period	56,760,008.69	28,164,063.01	28,595,945.68	101.53%
Sources and Applications of Funds	Budgeted	Actual	Difference	%
Revenue & Receipts	351,732,597.00	400,470,120.01	48,737,523.01	13.86%
Appropriations	490,701,284.29	428,492,270.63	-62,209,013.66	-12.68%
Surplus	-138,968,687.29	-28,022,150.62	110,946,536.67	-79.84%

C. Scope of Audit

The audit covered financial transactions and operations of the Municipality of Bocaue, Bulacan for the calendar year 2019, using the simplified sampling scheme, specifically the 2019 audit focus and thrusts for Local Government Sector in compliance with the unnumbered Memorandum dated July 3, 2019 by the Commission on Audit Assistant Commissioner Joseph B. Anacay in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, as follows:

1. Financial Audit

Audit of Financial Statements:

- a. Financial Liabilities
- b. Due from NGOs/POs and Other LGUs

2. Performance and Compliance Audit

- a. Fund Transfer from National Government Agencies (NGAs) to Local Government Units (LGUs)
- b. 20% Development Fund
- c. Local Disaster Risk Reduction Management Fund (LDRRMF) on Disaster Preparedness Thematic Area
- d. Solid Waste Management

3. Audit of Revenue-Generating Programs

4. Other Audit Areas

- a. Payment to casuals, job orders, contractuels and consultants pursuant to COA Memorandum No. 2012-010 dated October 17, 2012, regardless of fund source and account charged;
- b. Enforcement of COA Disallowances and Charges as prescribed in COA Memorandum No. 2009-084 dated November 16, 2009;
- c. Compliance with tax laws;
- d. Remittance of mandatory GSIS and HDMF contributions and remittance of loan amortization; and
- e. Compliance with Programs and Projects related to Gender and Development.

D. Independent Auditor's Report

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality owing to the exceptions noted in the audit as stated in the Independent Auditor's Report in Part I of the report due to the following errors and deficiencies: a) of the ₱5,673,266.00 total cash advances as of December 31, 2019, the amount of ₱657,816.00 was not liquidated within the reglementary period, resulting in the overstatement of the cash advance account and understatement of the related expenses; and b) the ownership, existence and accuracy assertions of the Property, Plant and Equipment (PPE) accounts with a total carrying value of ₱251,908,219.52 as of December 31, 2019 cannot be established due to (i) 12 lots recorded in the Land account with carrying value of ₱19,878,274.34 were not supported with Certificates of Title, while 23 properties donated to the Municipality of Bocaue remained unrecognized in the books contrary to Paragraphs 26 and 27 of International Public Sector Accounting Standards (IPSAS) No. 17 and Section 39, item (2) of P.D No. 1445, thus exposing government property to third party claims; and (ii) the continued inability of the Municipality to conduct physical inventory and maintain complete and accurate property records contrary to Sections 114, 119, 120 and 124, Volume I of the Manual on the New Government Accounting System (NGAS) for LGUs.

To address the above noted deficiencies, we recommended that the Local Chief Executive (a) (i) require the concerned accountable officers and employees to immediately liquidate the outstanding cash advances; (ii) resort to the withholding of salaries of accountable officers and employees if they still fail or persistently refuse to settle/liquidate their cash advances; and (b) (i) direct the General Services Officer, Municipal Treasurer and the Municipal Accountant to exert extra efforts in retrieving the supporting documents evidencing ownership of the recorded 12 parcels of land totaling ₱19,878,274.34 and facilitate the immediate registration and titling of the lots to the name of the Municipality; (ii) instruct the Municipal Accountant to effect the recognition of the 23 unbooked parcels of land with TCT under the name of the Municipality on the basis of the assessed /appraised value/s as prescribed in IPSAS 17; (iii) require the Municipal officials concerned to cause the conduct of the annual physical inventory of its PPE; and (iv) require the Municipal Accountant and the General Services Office to maintain PPELC and PC for each category of PPE.

E. Summary of Other Significant Audit Observations and Recommendations

We commend the Municipality of Bocaue for its satisfactory compliance with the laws rules and regulations governing the following:

1. Bureau of Internal Revenue regulations on the withholding and remittance of taxes within the prescribed period;
2. Deduction of GSIS premium contributions and remittance including government share within the prescribed period; and
3. RA No. 9679, the Home Development Mutual Fund Law

However, summarized below are the other significant audit observations that need immediate actions 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 were incorporated in the report, where appropriate.

1. Bank accounts maintained by the Municipality with the authorized government depository banks (AGDBs) in the aggregate amount of ₱16,637,288.80 remained inactive for more than five years, thus are considered idle funds under COA DOF-DBM Circular No. 4-2012 dated (*Observation No. 1*)

We recommended that the Local Chief Executive direct the officials concerned to (a) close the dormant bank account and revert the same to the General Fund so that the fund may be utilized to finance other projects of the Municipality; and (b) exert more efforts to trace back the documents to determine the source agency of the Trust Fund and seek authority from the Sanggunian for the utilization of the unexpended balance of the General Fund for such programs, projects and purposes that may be allowed by the said body.

2. Despite the availability of funds, PPAs under Bottom-Up Budgeting and Local Government Support Fund (LGSF) totaling ₱14,683,000.00 remained unimplemented as of December 31, 2019, thereby defeating the efficient use of government resources and depriving the beneficiaries of the full benefits that can be derived therefrom. (*Observation No. 4*)

We recommended that the Local Chief Executive instruct the Officials concerned to fast track the implementation of BUB and LGSF projects to efficiently and effectively ensure that the intended beneficiaries will timely benefit from it. If the projects could not be implemented, immediately cause the return and or refund of the unused fund to the source agency/ies so that the unused funds may be utilized for other projects of the government.

3. The Municipality complied with DILG-DBM Joint Memorandum Circular No. 2017-01 dated February 22, 2017 on the appropriation of 20% Development Fund (DF). However, some of the projects were not fully implemented thus, the maximum utilization of the fund for the attainment of the desired socio-economic development was not achieved. (*Observation No. 5*)

We recommended that the Local Chief Executive (a) continue to invest in high-impact capital expenditure projects in the utilization of its 20% Development Fund; and (b) ensure the effective and efficient implementation of the proposed projects within their targeted completion periods through close monitoring and supervision to maximize the developmental benefits and the early enjoyment thereof by the intended beneficiaries.

4. The Local Disaster Risk Reduction Management Fund (LDRRMF) in the Special Trust Fund amounting to ₱8,246,770.82 was utilized without incorporating the PPAs in the CY 2019 LDRRMF Investment Plan, contrary to Sections 4.4 and 5.12 of COA Circular No. 2012-002 dated September 12, 2012. Likewise, LDRRMF in the total amount of ₱2,819,420.32 was spent for activities that were not related to disaster risk

management, contrary to NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013. (*Observation No. 6*)

We recommended that the Local Chief Executive (a) enjoin the LDRRM Council to identify and incorporate, under a separate caption, in the LDRRMFIP the projects and activities to be charged out of the unexpended LDRRMF from previous years to facilitate monitoring and evaluation of the activities of the fund; and (b) strictly abide with the provision of NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013 and refrain from incurring and charging expenses not related to disaster risk reduction management activities to the DRRM Fund.

5. There was weak implementation and enforcement of the provisions of Republic Act (R.A.) No. 9003, also known as the Ecological and Solid Waste Management Act of 2000 due to ineffective guidelines and policies for solid waste avoidance and volume reduction through source reduction and waste minimization measures thus, resulted in failure to promote a more sustainable society. (*Observation No. 7*)

We recommended the Local Chief Executive enjoin the officials concerned to (a) strictly comply with the mandate of the above cited Act, especially on the establishment of SWMP and MRF; (b) assist barangays that cannot financially or adequately manage all waste segregation, sorting, recovery, recycling and composting conducted at the MRF; and (c) aim to develop public awareness of the ill-effects of improper waste disposal and the community-based solutions to the solid waste problem of the Municipality.

6. The newly-built slaughterhouse of the Municipality worth ₱15,054,826.50 remained non-operational since its completion in CY 2019 due to inadequate planning and ineffective implementation, thus, resulted in wastage of government resources. (*Observation No. 8*)

We recommended the Local Chief Executive to (a) submit a justification on the full payment of the unfinished contract on hog pen and demand the refund of the contract amount for the uncompleted phases of the project; (b) require the contractor to immediately finish all remaining jobs included in the Program of Works and impose liquidated damages from the contractor, if warranted; (c) oblige the Municipal Engineer to refrain from issuing a Certificate of Completion for unfinished projects; and (d) immediately start the operations of the newly-built slaughterhouse to enable the constituents to enjoy the benefits to be derived from the immediate and maximum use of the said facilities.

7. Obsolete checks of various depository accounts were found under the accountability of the Accountable Officer (AO) to which no proper disposition was made for several years. (*Observation No. 9*)

We recommended that the Local Chief Executive instruct the officials concerned to perform the required procedures in the immediate destruction of obsolete checks in

order to free the accountable officer of accountability over the checks which are no longer needed in the operations of the Municipality.

8. The fidelity bond of one Accountable Officer (AO) remained insufficient to cover his accountability since the amount of his cash advances was higher than the applied maximum amount of accountability stated in the bond policy. Thus, there is a risk that the Local Government Unit (LGU) concerned will not be adequately indemnified in the event of embezzlement or other kind of losses that may occur on the AOs cash and accounts contrary to Section 5.1 of Treasury Circular No. 02-2009 dated August 6, 2009. **(Observation No. 10)**

We reiterated our recommendation that Management increase the Accountable Officer's fidelity bond in accordance with Treasury Circular No. 02-2009 dated August 6, 2009.

9. The Accountable Officer (AO) did not maintain a cashbook for Petty Cash Fund while posting of the transactions in the Cash Advances cashbook was not updated and balanced daily, not footed, ruled and certified at the end of the month contrary to the Cash Examination Manual and Section 26 of the New Government Accounting System (NGAS) Manual for LGUs, Volume II. **(Observation No. 11)**

We recommended the Accountable Officer to (a) maintain a cashbook for Petty Cash Fund; (b) update and balance the cashbook daily to closely monitor cash advances /balance and payments/liquidations made by reconciling the cash on hand with the cash balance recorded in the cashbook; and (c) foot and close the books at the end of each month and prepare a monthly certification in the cashbook the total monthly cash accountabilities. Lastly, the AO and the Municipal Accountant should regularly reconcile the cashbook and general/subsidiary ledger at least at the end of each quarter.

10. Proper information and publicity on Programs/Projects/Activities (PPAs) of the Municipality was not achieved due to non-submission to the COA Auditor of the list of on-going PPAs at the beginning of the year. Moreover, the relevant information was not posted on signboards/billboards where the projects were located, contrary to the full disclosure policy under COA Circular No. 2013-004 dated January 30, 2013. **(Observation No. 12)**

We recommended that the Local Chief Executive direct the officials concerned to (a) adhere to the provisions of COA Circular No. 2013-004 dated January 30, 2013 by submitting to the COA Auditor at the beginning of the year the list of all on-going PPAs and those that are to be implemented during the year; and (b) comply with the required specifications on signboards/billboards to be posted at all venues where the PPAs of the Municipality will be implemented in order to fully adopt the full disclosure policy on all transactions on Programs/Projects/Activities (PPAs) of the Municipality governing public interest.

11. Significant delays in the submission of perfected contracts and related documents to the COA Auditor's Office were still incurred by the Bids and Awards Committee (BAC) due to Management's continuous disregard of the rules and regulations of COA Circular No. 2009-001 dated February 12, 2009, thus hampering the timely auditorial review of the contracts and preventing the audit team to conduct an ocular inspection at the most appropriate time and manner. **(Observation No. 13)**

We reiterated our recommendation that the Local Chief Executive require the BAC to submit copies of the perfected contracts and all its supporting documents to the COA Auditor within the prescribed period in compliance with COA Circular 2009-001 dated February 12, 2009, for the timely conduct by the Audit Team of the contract review, inspection and other necessary audit procedures.

12. Several Disbursement Vouchers for CY 2019 totaling to ₱48,138,045.54 remained unsubmitted to the Office of the Auditor as of to date, in violation of COA Circular No. 95-006 dated May 18, 1995 and Section 39 of Presidential Decree No. 1445. **(Observation No. 14)**

We reiterated our recommendation that the Municipal Accountant (a) submit promptly the original copies of the above-mentioned DVs with their supporting documents for verification; and (b) strictly observe the prescribed period on the submission of accounts pursuant to the above regulations.

13. The Municipality's Gender and Development (GAD) mechanisms and processes were not substantially complied with to pursue objectively and sustain effectively the gender and development mainstreaming within the entire locality in accordance with the provisions of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 or Guidelines on the Localization of the Magna Carta of Women. Moreover, PPAs included in the 2019 GAD Plan and Budget amounting to ₱17,224,129.85 could not be validated due to non-submission of accomplishment report. **(Observation No. 15)**

We reiterated our recommendation that the Local Chief Executive (a) exert efforts to comply with the provisions of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-02 or Guidelines on the Localization of the Magna Carta of Women; and (b) require the GAD Chairman, GFPS-TWG to prioritize the preparation and submission of the GAD accomplishment report within the prescribed timeline.

14. The report on compliance with COA observations and recommendations or the Agency's Action Plan and Status of Implementation (AAPSI) for Calendar Year (CY) 2018 was not accomplished and submitted to COA, as required under Section 93 of the General Provisions of R.A. No. 10964, the General Appropriations Act (GAA) for Fiscal Year 2018. **(Observation No. 16)**

We recommended that the Local Chief Executive strictly follow the above provisions of law on the submission of the AAPSI within the prescribed period to give

enough time for the Auditor to review, monitor and evaluate the actions taken by the Management on the audit recommendations.

F. Summary of Total Suspensions, Disallowances and Charges at year-end

Suspensions, disallowances and charges as of December 31, 2019 stood at ₱34,483,750.57, ₱864,713.57 and ₱0.00, respectively.

G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Of the 28 audit recommendations in the previous year's Annual Audit Reports, 11 were implemented, 12 were partially implemented and five remained unimplemented by the Municipality.