

EXECUTIVE SUMMARY

1. Introduction

Cabagan began as a barrio of San Pablo, the northernmost town of Isabela. It was separated from the mother town sometimes in 1761 by a Royal Decree of the Spanish Crown. The municipality is composed of twenty six (26) barangay, categorized as urban and rural. Nine (9) barangays categorized as urban, seventeen (17) were categorized as rural of which 11 are situated on the eastern and are accessible via the national road and six (6) riverside barangays.

The audit covered the accounts and operations of the Municipal Government of Cabagan for the year 2016 and was aimed at determining whether management presented fairly the financial statements of the Municipality in adherence to the generally accepted accounting principles; whether prevailing laws, rules and regulations have been complied with; and funds were utilized in the most efficient, effective and economical manner. Financial and compliance audits were conducted to achieve these audit objectives.

2. Financial and Operational Highlights

A. Financial Highlights

The highlights of the financial condition, results of operation, appropriations, allotments and obligations of the Municipality of Cabagan for the year ended December 31, 2016, with comparative figures for CY 2015, are as follows:

	2016	2015	Increase (Decrease)
<u>Financial Condition</u>			
Assets	P215,111,356.70	P 195,809,371.13	P19,301,984.57
Liabilities	154,361,654.27	159,648,105.27	(5,286,450.00)
Net Assets/Equity	60,749,702.43	36,161,265.86	24,588,436.57
<u>Results of Operation</u>			
Income	153,358,854.74	139,372,108.92	13,986,745.82
Expenses	132,179,004.16	125,095,675.07	7,083,329.09
<u>Appropriations, Allotments and Obligations</u>			
Appropriations- Current	149,420,313.31	135,635,078.59	13,785,234.72
Appropriations-Continuing	0.00	0.00	0.00
Allotments-Current	149,867,673.37	126,554,404.79	23,313,268.58
Allotments-Continuing	0.00	0.00	0.00
Obligations-Current	149,867,673.37	126,554,404.79	23,313,268.58
Obligations- Continuing	0.00	0.00	0.00

Comparative Statement of Funds Transfer to and from NGAs, LGUs, NGOs and POs.

	2016	2015	Increase(Decrease)
Fund Transferred to Other Agencies:			
Due from NGAs	0.00	0.00	0.00
Due from GOCCs	0.00	0.00	0.00
Due from LGUs	8,844.75	8,844.75	0.00
Due from NGOs/POs		0.00	0.00
TOTAL	8,844.75	8,844.75	0.00
Fund Received from Other Agencies:			
Due to Other NGAs	541,823.42	602,386.61	(60,563.19)
Due to LGUs	50,115,407.29	53,862,340.34	(3,746,933.05)
Due to NGOs/POs	0.00	0.00	0.00
TOTAL	54,464,726.95	54,464,726.95	(3,807,496.24)

B. Operational Highlights

For CY 2016, the LGU was able to implement the following projects:

Name of Project	Target Cost	Percent of Completion
Rehabilitation of Multi Purpose DA Building	495,740.68	100.00%
Concreting of Barangay Road	495,768.19	100.00%
Concreting of Barangay Road along Binag Area and Marayag Gap	495,113.19	100.00%
Concreting of Barangay Road	794,794.03	100.00%
Concreting of Barangay Road	995,093.03	100.00%
Concreting of Local Access Road	914,870.46	100.00%
Concreting of Local Access Road	684,525.63	100.00%

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements on the basis that the existence of an obligation representing the Due to LGUs account amounting to P50.11 Million under the general fund cannot be verified due to the unavailability of records and subsidiary ledgers.

D. Summary of Significant Findings and Recommendations

1. LGU Funds amounting to P4,639,131.67.00 were given to private individuals as livelihood assistance without clear provisions and guidelines, thus exposing the resources to possible wastage and improper disposition.

We recommended that management formulate a policy implementing guidelines for granting financial assistance, and the basic requirements like letter request, barangay certification, and social case study be attached to the disbursement voucher

2. The validity of gasoline expenses amounting to P1,651,624.72 could not be ascertained due to failure of management to enforce proper preparation of the Daily Trip Tickets before the use of government vehicle in violation of COA Circular 75-6, resulted in inadequate control in gasoline consumptions.

We recommended that the General Service Officer requires the submission of duly accomplished daily trip tickets before the use of government vehicles.

3. Burley and Tobacco Excise Tax amounting to P57,668,317.92 remained unutilized as of December 31, 2016, hence the use of said fund was not maximized.

We recommended that the management maximize the use of burley and tobacco excise tax so that the tobacco farmers would be fully benefitted from said fund.

4. Copies of Purchase Orders (PO) and Government Contracts together with the supporting documents were not submitted for review and evaluation to the Office of the Auditor in violation of COA Circular No. 2009-001 dated February 12, 2009.

We recommended that the concerned office submit the required documents as mandated by COA Circular No. 2009-001 dated February 12, 2009.

E. Summary of Total Suspensions, Disallowances and Charges as of year-end

Notice of Suspension amounting to P145,560.00 remained unsettled as of December 31, 2016. Notices of Disallowance amounting to P42,000.00 were issued and subsequently settled during this year.

F. Status of Implementations of Prior Year's Audit Recommendations

Out of eight (8) audit recommendations in 2015 Annual Audit Report (AAR), three (3) were fully implemented, four (4) were partially implemented and one (1) was not implemented.