

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Caba is a 4th class municipality founded by the Augustinians in the year 1765 under the patronage of St. John the Baptist. It enjoys total autonomy in the management of its own affairs in conformity with the development thrust of the national government.

The Municipality of Caba, La Union is under the administration of Hon. Philip Caesar P. Crispino. It had a total working force of 133 personnel as of December 31, 2019.

B. FINANCIAL HIGHLIGHTS

The comparative data on the financial position and results of financial performance of the Municipality for the CY 2019 and 2018 are presented in Figures 1 and 2 as follows:

Figure 1. Financial Position

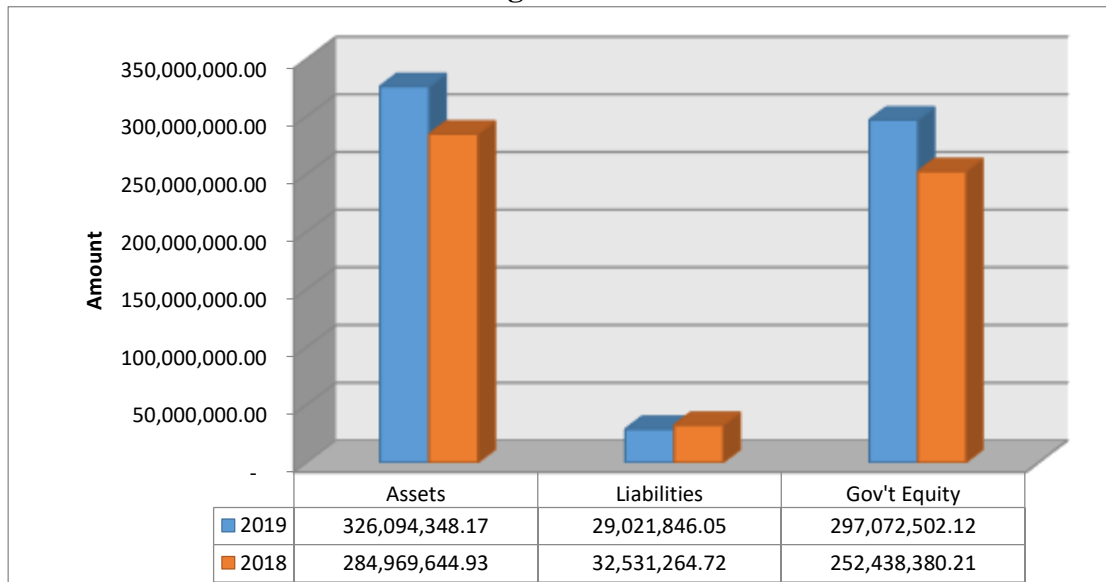


Figure 2. Results of Financial Performance

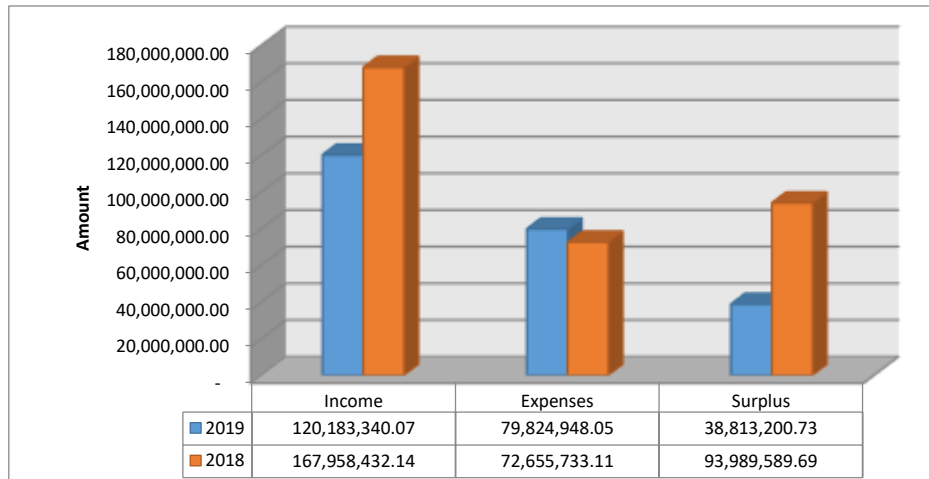


Table 1: Comparative Sources and Application of Funds for CY 2019 and 2018

	CY 2019	CY 2018
Sources and Application of Funds		
<i>General Fund:</i>		
Allotments	92,974,425.01	91,042,719.81
Obligations	84,220,432.95	80,356,965.71
Balance	8,753,992.06	10,685,754.10
<i>Continuing Appropriations</i>		
Allotments	5,772,120.85	9,290,183.63
Obligations	5,291,562.54	2,328,919.99
Balance	480,558.31	6,961,263.64
<i>Special Education Fund</i>		
Allotments	1,255,000.00	1,300,000.00
Obligations	1,134,806.58	1,071,760.11
Balance	120,193.42	228,239.89

C. OPERATIONAL HIGHLIGHTS

The Municipality of Caba had implemented projects and programs geared towards the improving the quality of life of the constituents such as:

Projects/Programs	Location	Contract Cost
Installation of street lighting system	Las-ud, Santiago Norte, San Carlos, Caba, La Union	₱3,197,418

Projects/Programs	Location	Contract Cost
Construction of Multi-Purpose Hall	San Gregorio, Caba, La Union	₱2,188,922
Construction of Evacuation Center (Cont.)	Poblacion Norte, Caba, La Union	₱987,277
Construction of Overflow Bridge Approach	Sitio Dos, San Gregorio, Caba, La Union	₱1,121,499.98
Construction of Multi-Purpose Hall	Poblacion Sur, Caba, La Union	₱2,188,922.12
Development of Caba Memorial Park and Public Cemetery	Bautista, Caba, La Union	₱987,921.04
Flood & Erosion Control Projects (River Control)	Poblacion Sur, Caba, La Union	₱1,038,568.20
Construction of Road Leading to Proposed Sanitary Landfill	Sitio Kalangkaan, San Gregorio, Caba, La Union	₱1,678,602.38

The Municipality of Caba received awards and recognition for its commendable performance for the year 2019, to wit:

1. 2019 Seal of Good Local Governance (SGLG) – DILG;
2. 2019 Seal of Good Financial Housekeeping;
3. 2019 National Anti-Drug Abuse Council Performance Award (Gold Awardee) – ADAC – DILG;
4. Natatanging Parangal ng Pagkilala – para sa kontribusyon at suporta sa mga programa ng Kagawaran DENR R1;
5. Plaque of Recognition – for the approval of their 10-Year Solid Waste Management Plan as mandated under RA 9003, DENR R1;
6. Certificate of Appreciation – for sharing their Best Practices on Ecological Solid Waste Management;
7. 1st Place for Cleanest, Safest and Greenest LGU 2018 under the 4th – 6th Class Municipality Category (Awarded in 2019); and
8. 2018 Seal of Child Friendly Local Governance (CFLG) – DILG/DSWD/Council for the Welfare of Children (Awarded in 2019)

D. SCOPE OF AUDIT

A financial and compliance audits were conducted on the accounts and operations of the Municipality of Caba, La Union for the period January 1 to December 31, 2019.

The audit was focused on the 2019 Audit Thrusts issued by the Local Government Sector of the Commission and other significant audit areas, of which, can be found in Part II of this report.

The Audit Team used various techniques and procedures considered necessary under circumstances.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements because the accuracy and existence of Property, Plant and Equipment (PPE) account in the net amount of ₱255,384,219.65 could not be ascertained due to a) non-maintenance of property records/documents and non-compliance in the conduct of complete physical inventory; b) non-compliance with COA Circular No. 2015-008 dated November 23, 2015 for Local Road Networks Management System; and c) incomplete disclosures.

F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

We commend the municipal government in its compliance with the requirements covering the following areas:

1. Gender and Development (GAD) Fund

The municipality has complied with the PCW-DILG-DBM-NEDA Joint Circular Nos. 2016-01 and 2013-01 in the submission of its GAD Plan and Budget for CY 2019 and implementation of programs/projects/ activities (PPAs), thus, gender issues identified in relation to GAD activities were addressed.

2. Compliance with Tax Laws

The management had properly withheld taxes from salaries and wages of personnel as well as from payments of purchases and business contracts and remitted the same to the Bureau of Internal Revenue (BIR) within the prescribed period, thus avoiding the penalties and surcharges in compliance to Section 2.81 of Revenue

Regulations No. 2-98 dated April 17, 1998, Revenue Memorandum Circular Nos. 23-2007 and 23-2012 dated March 20, 2007 and February 14, 2012, respectively.

We commend Management for its strict compliance with existing revenue regulations and prompt remittance of the taxes due to the BIR, thus avoiding penalties and surcharges.

However, the audit team noted the following significant audit observations and recommendations on the operations of the Municipality of Caba, La Union during the year:

1. Accuracy and existence of Property, Plant and Equipment (PPE) account in the net amount of ₱255,384,219.65 could not be ascertained due to a) non-maintenance of property records/documents and non-compliance in the conduct of complete physical inventory; b) non-compliance with COA Circular No. 2015-008 dated November 23, 2015 for Local Road Networks Management System; and c) incomplete disclosures thereby misstating the financial statements and casting doubt on the existence of the assets.

- a. Non-maintenance of property records/documents and non-compliance in the conduct of complete physical inventory contrary to the provisions of Manual on the New Government Accounting System.

We reiterated our recommendation and the Local Chief Executive agreed to direct the:

- a. Inventory Committee to conduct a complete physical inventory of all Property, Plant and Equipment and consequently prepare and submit a Report on the Physical Count of Property, Plant and Equipment (RPCPPE) not later than January 31 of each year;
- b. Property Officer Designate to:
 - i. maintain property cards per category of PPE;
 - ii. ensure that all equipment procured and issued to end-users have property tags of the Municipality for easy identification; and
 - iii. keep and maintain copies of all Acknowledgment Receipt for Equipment (ARE);
- c. OIC Municipal Accountant to:
 - i. maintain Subsidiary Ledger Cards for all PPEs;
 - ii. exert effort in reconciling her records with the Property Officer Designate.

- b. The accounting and reporting procedures on the Local Roads Asset Management System was not complied as prescribed under COA Circular No. 2015-008 dated November 23, 2015.

We recommended that the Local Chief Executive direct the:

- i. Municipal Engineer to complete the cost segregation and mapping of Local Road Network and furnish copy of report to the Municipal Accountant and the Property Officer Designate;
 - ii. Property Officer Designate to render a Report on Local Road Network and Road Map using the format prescribed under COA Circular No. 2015-008 dated November 25, 2015; and
 - iii. Inventory Committee to prepare and submit Report on the Physical Count of the Road Network System.
- c. Incomplete disclosures for Property, Plant and Equipment contrary to Section 91 and 94 of Philippine Public Sector Accounting Standards.

We reiterated our recommendation that the Local Chief Executive direct the Accounting unit to disclose in the notes to financial the necessary information that may be relevant for decision-making of stakeholders.

- 2. Cash in Bank – Local Currency Current Account was understated by ₱3,478,201.64 (See Annex A-1) due to unrecorded deposits totaling to ₱2,942,995.21 and outstanding checks which are already stale totaling to ₱535,206.43 contrary to COA Circular No. 96-011 dated October 2, 1996.**

We recommended and the Local Executive Officer agreed to direct the:

- i. Municipal Treasurer to timely submit all documents to the OIC-Municipal Accountant in order to avoid delay in recording all transactions and to cancel the unclaimed stale checks and furnish the accountant with the duplicate copies of Disbursement Voucher (DV) and its supporting documents, for the preparation of the Journal Entry Voucher following the procedures prescribed to ensure recording of cancellation;
- ii. Municipal Treasurer to call the attention or inform the payees of those cancelled checks to surrender the stale checks to her so she could issue new checks;
- iii. OIC-Municipal Accountant to exert efforts to obtain necessary documents to support the identified reconciling items to effect the needed adjustments; and henceforth, ensure that all identified reconciling items are analyzed, fully documented and recorded in the books.

- 3. Current Year Appropriations and Obligations amounting to ₱32,015,475.00 and ₱3,413,250.97, respectively for RA No. 7171 and RA No. 8240 and Prior years' appropriations for capital outlays were not reflected in the 2019 Statement of Comparison of Budget and Actual Amounts (SCBAA) hence, users of the Financial Statements were not provided with complete overview of the accountability cycle whether the resources obtained and used are in accordance with the approved budget.**

A. We recommended the OIC-Municipal Accountant and Budget Officer to present the correct amounts pertaining to the appropriation and obligation under the current appropriations for Republic Act No. 7171 and Republic Act No. 8240 in the 2019 Statement of Comparison of Budgeted and Actual Amounts. Likewise, we recommended the OIC-Municipal Accountant to provide disclosures for the above funds and its utilization.

Thereafter, unutilized balances must be forwarded in the continuing appropriations and its utilization in the succeeding years.

B. We recommended the Local Chief Executive to direct the Municipal Budget Officer to assist the OIC-Municipal Accountant in the preparation of the SCBAA through regular reconciliation and review prior to submission of the Financial Statements.

We also recommended that the OIC-Municipal Accountant revise the SCBAA to include in the presentation the unutilized balances of the 20% Development Fund and RA 7171 and RA 8240 and utilization during the year.

- 4. Due from Non-Government Organizations/People's Organizations account totaling to ₱466,829.86 was not fairly presented in the Financial Statements because the OIC- Municipal Accountant did not determine and assess presence of objective evidence that these assets could still be collected or already impaired, hence useful financial information for decision making was not provided.**

We recommended and the Municipal Mayor agreed to:

- a. Assign a personnel who will represent the Municipality to communicate with the concerned NGOs/POs to discuss with them their loan balances;
- b. Direct the Municipal Treasurer to exert more effort in collecting the said receivables from NGOs/POs; and
- c. Instruct the OIC-Municipal Accountant to conduct further assessment as to collectibility or impairment. Thereafter, recognize provision for doubtful accounts for the accounts determined to have a no and/or low collection rate

and include adequate disclosure pertaining to the provision on the Notes to Financial Statements.

- 5. Priority projects under the 20% Development Fund (DF) from current appropriations were not fully implemented at year-end due to inefficient planning leaving an unutilized balance amounting to ₱3,154,918.71 contrary to DILG and DBM Joint Memorandum Circular No. 2017-01, thus precluding the attainment of desired socio-economic development and environmental management outcomes of the Municipality and depriving the constituents of the maximum benefits that could have been realized from its implementation.**

We recommended the Management to:

- a. Ensure and monitor the full implementation of the PPAs programmed under the 20% development fund in order to address the needs of the constituents; and
- b. Provide specific target dates of implementation of the PPAs identified in the AIP and target schedule for each activities in the AIP.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

Particulars	Balance as of December 31, 2019	
	Prior to 2009 RRSA	2009-2017
Suspensions	-	-
Charges	-	-
Disallowances	-	₱37,330.00

For the calendar year 2019, no settlement was made resulting to an unsettled balance of ₱37,330.00 at year-end.

H. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Status of Implementation	Quantity
Fully Implemented	5
Partially Implemented	7
Not Implemented	2