

EXECUTIVE SUMMARY

1. Introduction

The township of Aparri, Cagayan is a first class municipality located at the northernmost tip of Luzon Island 595 kilometers from Manila. It is a coastal community situated at the mouth of the mighty Cagayan River dividing it into two geographical areas – Aparri East and Aparri West. The municipality is composed of 42 barangays sprawled within its 27,600.88 hectares land area with a population of 65,649 inhabitants. The town proper is made up of 15 Centro block units, the rest in its immediate environs and the western barangays including the island barangay Fuga.

Farming and fishing are the people's main sources of livelihood. The vast fertile agricultural land produces abundant quantity of rice, corn, vegetables and legumes. The gently rolling hills are dotted with fruit bearing trees and an excellent grazing land for livestock. Fishing and fish processing are vital industries. The bodies of water around and within Aparri are teemed with fishes and other marine resources. Nipa shingle sewing and wine-making are thriving enterprises in the western barangays where nipa palms abound.

The strategic location of Aparri makes it a legitimate convergent zone. Since Spanish times, the town had already been the trade and commercial center in Northern Cagayan. It is also the hub and heart of education and learning, and finance institutions in the region. The presence of educational institutions of higher learning, banks and other financial establishments, and national government agencies magnetize people from other municipalities and locations to Aparri.

In the passing times, Aparri has evolved from its lowly status to its current highly esteemed standing as the premiere municipality in Northern Cagayan. The institution of responsive and committed local leadership had merited numerous local and national awards and commendations for the municipality.

The municipal government was not only concerned of the material welfare and benefits of the people. It earnestly endeavored for the social and cultural transformation of the populace by adopting character traits for each month of the year – virtues which every Aparriano ought to internalize and exhibit in life. These are: discipline, loyalty, gratefulness, forgiveness, hospitality, determination, cleanliness, patience, responsibility, faith, resourcefulness and benevolence. This scheme had evolved Aparri into a TOWN OF CHARACTER.

Indeed, the once obscure town from the North known only because of the popularity of the mapping phrase “from Aparri to Jolo” has gained national fame and prominence. This was made possible because of the unselfish support and cooperation of Aparrianos themselves to their duly constituted local authorities.

The audit covered the accounts and operations of the Municipality of Aparri for the year 2019 and was aimed at determining whether management presented

fairly the financial statements of the Municipality in adherence to the International Public Sector Accounting Standards, whether prevailing laws, rules and regulations have been complied with, and funds were utilized in the most efficient, effective and economical manner. Financial, compliance and performance audits were conducted to achieve these audit objectives.

2. Financial Highlights

The highlights of the financial condition, financial performance, appropriations, allotments and obligations of the Municipality of Aparri, Cagayan for the year ended December 31, 2019, with comparative figures for calendar year 2018 are as follows:

Particulars	2019	2018	Increase (Decrease)	
			Amount	Percentage
Financial Position				
Assets	834,103,956.02	729,833,072.49	104,270,883.53	14.29%
Liabilities	120,580,856.18	116,469,905.97	18,467,067.94	3.52%
Govt. Equity	713,523,099.84	613,363,166.52	100,159,933.32	16.33%
Financial Performance				
Income	233,060,976.96	212,493,958.32	20,567,018.64	9.68%
Expense	154,895,270.14	134,516,980.32	20,378,289.82	15.15%
Appropriations and Obligations				
Appropriations	381,022,190.88	305,075,693.38	75,946,497.50	24.89%
Obligations	273,430,760.00	190,867,639.04	82,563,120.96	43.26%

3. Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Aparri, Cagayan as at December 31, 2019 due to the following:

1. The amount of "Road Network" account in the financial statements of the municipality amounting to P172,919,317.17 is unreliable due to the non-reconciliation with the Road Map and the Local Road Inventory Report, thus, the 100% phased recognition of the Local Road Networks in the books of the Municipality was not complied with contrary to Item IX of COA Circular No. 2015-008 dated November 23, 2015.
2. Various Property, Plant and Equipment (PPE) owned by the Municipality with a total cost of P422,693,286.20 were not provided with annual depreciation contrary to Paragraph 71 of the International Public Sector Accounting Standards (IPSAS) 17, thus, casts doubt on the fair presentation of the financial statements.

3. Intra-agency accounts amounting to P38,058,162.68 presented in the financial statements as at December 31, 2019 were not supported with subsidiary ledgers or schedules containing the breakdown or listing of outstanding transfers among the three funds maintained by the Municipality, casting doubt on the validity of said transfers contrary to Section 10 and 72 of the New Government Accounting System (NGAS) Manual for LGUs.

4. Summary of Significant Audit Observations and Recommendations

Below are the recommendations on the above-stated basis for qualified opinion:

1. We recommended that the Municipal Mayor direct the:
 - a) Municipal Accountant to reconcile accounting records of the road network with the complete Local Road Inventory Report containing complete description and cost segregation of the road components and provide proper disclosure of the road networks in the Notes to Financial Statements;
 - b) General Service Officer (GSO) to maintain an updated Local Road Inventory and Road Map and keep a complete Local Road Network Property Card of all roads within its area of jurisdiction;
 - c) Municipal Engineer to provide the Municipal Accountant and the GSO with the complete description and cost segregation of the components of all roads within its area of jurisdiction; and
 - d) Inventory Committee to conduct inventory of local roads, highways and bridges within its area of jurisdiction which were acquired thru purchase or construction, donations or transfers without cost.
2. We recommended that the Municipal Accountant:
 - a) Trace the period or date of acquisition of each item of PPE and its components and compute their respective depreciation based on the estimated useful life of assets determined appropriate by management and book-up prior years' depreciation as prior year adjustment to be closed to the Government Equity Account and;
 - b) Recognize the annual depreciation of the abovementioned assets from 2019 onwards pursuant to Paragraph 4 and 6 of PPSAS 17
3. We recommended that the Municipal Accountant analyze the intra-agency accounts and trace outstanding fund transfers among each fund maintained by the Municipality by setting up the supporting subsidiary ledger in accordance with the Section 10 and 72 of the New Government Accounting System (NGAS) for LGUs.

The other significant audit observations and recommendations are the following:

1. Some procurement procedures were not properly conducted and vital contract documents relative to infrastructure projects were not submitted to the Auditor for review contrary to procedures prescribed in the Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 9184, thereby, casting doubt on the regularity of the procurements of the Municipality.

We recommended that Management instruct the BAC to:

- a) Conduct bid evaluation procedure during the procurement process pursuant to Sections 32 and 34 of the RIRR to ensure award of contract to the responsive and eligible bidders;
 - b) Submit to the Audit Team copies of the approved Bidding Documents intended for sale to prospective bidders prepared in accordance with Section 17 of the RIRR;
 - c) Upload the Bidding Documents in the PhilGEPS as required in Section 17.4 of the RIRR to give interested bidders sufficient information about the procurement at hand;
 - d) Require the bidders to submit statements of their SLCC, as specified in the Bidding Documents, in compliance with Section 23 of the RIRR so as to ensure that the prospective bidder has the technical and financial capability to undertake the contract; and
 - e) Send invitations to representatives from a) duly recognized private group and b) non-government organization (NGO) to attend as observers in the procurement proceedings in compliance with Section 13 of the Revised Implement Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.
2. Progress and final payments to various contractors were not reduced by retention money equivalent to ten percent (10%) of the amount due prior to any deduction contrary to Item 6 of Annex E of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act, thus deprived the LGU from available fund intended to cover uncorrected discovered defects and third party liabilities.

We recommended that the Management instruct the Municipal Accountant to strictly observe the policies regarding the withholding of retention money to cover the defects that may arise before final acceptance of the project, pursuant to Item 6 of Annex E of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184.

3. The unlimited hiring of job order workers and consultants which increased by 66.23% in number from prior year without proof of necessity for the additional

manpower was unregulated due to the absence of a comprehensive human resources policy of the Municipality, resulting in duplication of duties and functions of the regular employees, absence of accountability to the government due to temporary work status, and payment of unnecessary expenditures during the year.

We recommended that:

- a) The Executive Office through the Human Resources Management Office revisit the present manpower complement of the LGU and propose to the Legislative Body for the opening and funding for additional plantilla positions, as the budgetary limit for personnel services may allow, in order to reduce hiring of unlimited job order workers thereby promote accountability in terms of output and deliverables and prevent incurrence of unnecessary cost of manpower; and
- b) The Legislative Body of the Municipality formulate a policy ordinance to govern the minimum qualification standards and the financial parameters for the maximum limit of job order/contract of service workers that may be hired for specific non-regular functions and tasks towards the efficient, effective and economical implementation of programs, projects and activities of the LGU and operations of economic enterprises.

5. Summary of Total Suspensions, Disallowances and Charges

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
Suspensions					
Prior Years	-	-	-	-	-
Current Years	-	-	-	-	-
Total	-	-	-	-	-
Disallowances					
Prior Years	108,080.22	-	108,080.22	-	100%
Current Years	-	-	-	-	-
Total	108,080.22	-	108,080.22	-	100%
Charges					
Prior Years	-	-	-	-	-
Current Years	-	-	-	-	-
Total	-	-	-	-	-

6. Status of Implementation of Prior Years' Audit Recommendations

Out of the thirteen (13) audit recommendations in the prior year's report, five (5) were implemented, four (4) were partially implemented and the remaining four (4) were not implemented as at year-end.