

EXECUTIVE SUMMARY

A. Introduction

Cabug was the former name of Enrile when it was one among the barrios of Tuguegarao. It was established as a separate town in September 1841 and was named in honor of Governor Pascual Enrile, who was the prime mover for the construction of roads in Northern Luzon. However, there was no enabling law or records available showing the creation of the municipality. This 3rd class municipality produces rice, corn, tobacco, peanuts and sugar cane.

Financial, compliance and value for money audit were conducted on the accounts and operations of the Municipality for calendar year 2019. The audit objectives were to ascertain the propriety of the disbursements, reliability of the financial reports, adequacy of accounting records, compliance with laws, rules and regulations, as well as adherence to prescribed policies and procedures. Likewise, the audit was conducted to determine whether plans, programs, activities and projects for the year were attained at an efficient, economic and effective manner.

B. Financial Highlights

The financial condition and results of operations of the Municipality for CY 2019, with comparative figures for CY 2018, are as follows:

Accounts	2019	2018	Increase/(Decrease)
Assets	214,973,582.47	203,864,093.62	11,109,488.85
Liabilities	79,331,044.00	73,910,986.48	5,420,057.52
Government Equity	135,642,538.47	129,953,107.14	5,689,429.33
Income	149,096,323.88	154,958,321.33	(5,861,997.45)
Expense	139,601,753.05	150,389,857.54	(10,788,104.54)
Appropriation	148,554,433.00	150,672,940.00	9,496,126.50
Obligation	126,761,544.43	139,058,306.50	(12,296,762.07)

The funds received by the Municipality and transferred to other agencies and non-government and people's organizations for CY 2019, with comparative figures for CY 2018, are presented in the following table:

Funds Received from Other Agencies	2019	2018	Increase/(Decrease)
NGAs	16,468,000.00	36,047,079.00	(19,579,079.00)
LGUs	0.00	0.00	0.00
NGOs/Pos	0.00	0.00	0.00
GOCCs	500,000.00	0.00	500,000.00
Total	16,968,000.00	36,047,079.00	(19,079,079.00)

Funds Transferred to Other Agencies	2019	2018	Increase/(Decrease)
NGAs	1,469,915.25	2,528,500.00	(1,058,584.75)
LGUs	6,239,517.00	687,210.00	5,552,307.00
NGOs/POs	0.00	0.00	0.00
Others	0.00	0.00	0.00
Total	7,709,432.25	3,215,710.00	4,493,722.25

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality as of December 31, 2019 due to the effects of the noted deficiencies on the balances of some accounts, as summarized in the succeeding paragraph and as discussed in detail in part II of the Report.

D. Summary of Significant Observations and Recommendations

1. The year-end carrying value of the Property, Plant and Equipment was overstated due to the non-provision of depreciation for some PPEs totaling P33,337,481.39, contrary to Item 59 of International Public Sector Accounting Standards 17. Moreover, differences were noted between the balances presented in the financial statements and the general ledgers by (P10,087,719.05) and between the balances in the General Ledger and the Report of Physical Count of PPE by P36,249,586.46. Finally, the Accounting Office did not maintain PPE Ledger Cards, which is contrary to Section 114 of Volume I of the Manual on National Government Accounting System (NGAS) for LGUs. In view of the foregoing, the Property, Plant and Equipment presented in the financial statements is doubtful.

We recommended that the Local Chief Executive require the:

- a) Municipal Accountant to prepare the necessary journal entries to take up the depreciation expense for the current year, update the related Accumulated Depreciation accounts, as well as record adjustments in the government equity account for Prior Years' depreciation expense not previously recorded;
- b) Municipal Accountant to review and reconcile the discrepancies noted on the balances of the PPE account as reported in the Statement of Financial Position as against the corresponding schedules, to fairly present the Financial Statements;
- c) Municipal Accountant and the General Services Officer to:
 - i. regularly conduct reconciliation of their reports so that any discrepancy noted could promptly adjusted and reconciled; and

- ii.* maintain the required Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards and Property Cards, respectively.
- 2. The year-end balances of various accounts under the General Fund, Special Education Fund and Trust Fund totaling P36,217,898.01 were of doubtful validity due to the absence of subsidiary ledgers, resulting in the misstatement of the affected balances in the financial statements.

We recommended that the Management:

- a. Exert all efforts to reconcile and analyze the accounts to determine whether they warrant adjustment in accordance with existing COA rules and regulations;
 - b. Furnish certification and/or reasons why the books of accounts/records/financial statements/schedules and supporting documents cannot be located; and
 - c. Require proper turn-over of documents/pending work from officials and employees retiring/separating from office/service to ensure completeness of records.
- 3. Granting of financial assistance totalling P1,218,342.04 to constituents by the Vice Mayor and the members of the Sangguniang Bayan does not conform with the defined powers, duties and functions of the Sangguniang Bayan under Section 445, Article Two and Section 447, Article Three of Republic Act. No. 7160.

We recommended the Vice Mayor and members of the Sangguniang Bayan cease the granting of financial assistance to its constituents and adhere strictly to the aforesaid regulations and to act as legislators of the municipal government. The Vice Mayor and Members of the Sangguniang Bayan should rather endorse or recommend the requests for financial assistance from their constituents to the Office of the Municipal Mayor, for the Municipal Social Welfare and Development Office to evaluate the request and for appropriate action. This is also in harmony with the “ONE ENRILE” movement of the Municipality.

- 4. Several procurements categorized as Small Value Procurements were not processed in accordance with Section 53.9 of the Revised Implementing Rules and Regulations of R.A. No. 9184, thus, the regularity of the procurement process is unreliable.

We recommended that the Management ensure that all procurements are in accord with the provisions of Republic Act No. 9184 and its Revised Implementing Rules and Regulations. It should be the BAC who determines and recommends to the HOPE the mode of procurement to be adopted in all of the Municipality’s procurement activities.

- The Municipality granted financial assistance to its barangays totaling P4,200,000.00, which was charged against the 20% Development Fund and the purpose of which was not among the those prescribed under DILG-DBM Joint Memorandum Circular 2017-01 dated February 22, 2017.

We recommended that the Management utilize the 20% Development Fund in compliance with the pertinent provisions of DBM-DILG JMC 2017-01 and COA Circular 2012-003.

- Various expenses of the Municipality totaling P4,341,421.58 were considered irregular and unnecessary expenditures as defined under the pertinent provisions of COA Circular No. 2012-003. Thus, these transactions shall be disallowed in audit.

We recommended that the Management exercise prudence and caution in disbursing public funds in compliance with the pertinent provisions of COA Circular No. 2012-003. We recommended further that the Management require the refund of the aforementioned irregular and unnecessary expenditures.

E. Summary of Total Suspensions, Disallowances and Charges

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<i>Suspensions:</i>					
Prior Years	64,996,366.27	2,148,105.99	54,649,859.07	12,494,613.19	84.08%
Current Year	0.00	0.00	0.00	0.00	0.00%
Total	64,996,366.27	2,148,105.99	54,649,859.07	12,494,613.19	0.00%
<i>Disallowances:</i>					
Prior Years	3,252,239.03	0.00	0.00	3,252,239.03	0.00%
Current Year	0.00	0.00	0.00	0.00	0.00%
Total	3,252,239.03	0.00	0.00	3,252,239.03	0.00%
<i>Charges:</i>					
Prior Years	0.00	0.00	0.00	0.00	0.00
Current Year	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

F. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Of the 37 audit recommendations embodied in the CY 2018 Annual Audit Report, four (4) were fully implemented, 13 were partially implemented and 20 were not implemented. The details of implementation of prior year's audit recommendations are discussed in Part III of this Report.