

EXECUTIVE SUMMARY

A. Introduction

Agency Profile

The Municipality of Gattaran was founded on May 20, 1963, during the Spanish Expedition to the Philippines, through the leadership of Juan De Salcedo. It was discovered as a tribal community, together with the Municipality of Buguey. And in 1877, by virtue of the Diocesan Order from the Bishop of Nueva Segovia, it was declared as the seat of civil government covering Dummun and Nassiping as the attached community, by the recommendation of Fray Francisco Suejos, O.P.

The Municipality is located at the center of the Province of Cagayan. It is approximately 66 kilometers from Tuguegarao City and 40 kilometers from Aparri. The mountain ranges on the east are a portion of the Sierra Madre Mountain and are bounded on the north by the Municipality of Lallo, west by the Municipality of Lasam and in the south by the Municipalities of Baggao and Alcala. It has 50 barangays and is classified as a 1st class municipality, with a land area of 70,750 hectares.

The enactment of Republic Act 7160, otherwise known as the “Local Government Code of 1991”, extended the powers of Local Government Units to include not only the ability to create other sources of funds but also give them total independence in managing, deciding and planning its own administrative and financial affairs in conformity with the national government’s thrust for sustainable social and economic development.

Scope of Audit

The audit covered the accounts and operations of the Municipality of Gattaran, Cagayan for CY 2019 and was aimed at determining whether management presented fairly the financial statements of the Municipality in adherence to the generally accepted accounting principles and whether prevailing laws, rules and regulations have been complied with. Financial and compliance audits were conducted to achieve these audit objectives.

B. Financial Highlights

The highlights of the financial condition, results of operation, appropriations, allotments and obligations of the Municipality of Gattaran, Cagayan for the year ended December 31, 2019, with comparative figures for CY 2018, are as follows:

Particulars	2019	2018	Increase (Decrease)
<u>Financial Condition</u>			
Total Assets	P525,958,378.04	P460,894,964.90	P65,063,413.14

Total Liabilities	56,858,624.10	45,602,824.11	11,255,799.99
Total Government Equity	469,099,753.94	415,292,140.79	53,807,613.15
Results of Operations			
Total Income (Includes Total Operating Income and Subsidy from Other Funds)	272,098,315.47	278,291,245.48	(6,192,930.01)
Total Expenses (Includes Total Operating Expenses, Subsidy to NGAs, Subsidy to Other Funds and Donations)	P218,836,200.88	P219,754,347.15	P(918,146.27)
b) Appropriations, Allotments and Obligations:			
Appropriations-Current	P283,821,234.29	P283,061,293.63	P759,940.66
Appropriations-Continuing	48,952,124.95	37,683,643.46	11,268,481.49
Allotments – Current	283,821,234.29	283,061,293.63	759,940.66
Allotments –Continuing	48,952,124.95	37,683,643.46	11,268,481.49
Obligations – Current	210,969,439.68	226,192,415.45	(15,222,975.77)
Obligations -Continuing	36,783,864.07	12,158,940.03	24,624,924.04
Funds Received from Other Agencies			
NGAs	P14,445,100.00	P 8,043,583.98	P 6,401,516.02
LGUs		4,861,922.90	(4,861,922.90)
)NGO/POs		-	-
Others		7,384,654.70	(7,384,654.70)
Total	P14,445,100.00	P 20,290,161.58	P(5,845,061.58)
Funds Transferred to Other Agencies			
NGAs	P -	P -	P -
LGUs	-	-	-
NGO/POs	-	-	-
Others	-	-	-
Total	P -	P -	P -

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a Qualified Opinion on the fairness of presentation of the financial statements of the Municipality of Gattaran for the year-ended December 31, 2019 due to the following:

1. The reliability and existence of Property, Plant and Equipment (PPE) and Inventories accounts, with carrying amounts of P323,979,374.63 and P840,120.31, respectively, could not be ascertained due to (a) non-submission of the Report on Physical Count of Property, Plant and Equipment; (b) non-conduct of physical count of the Inventories; (c) PPE Ledger Cards, Supplies Ledger Cards and Stock Cards were not maintained; (d) Power Supply Systems and Other Infrastructure Assets accounts, with carrying values of P15,364,381.59 and P13,469,731.59, respectively, were presented as part of the

balance of Land and Land Improvements account in the detailed financial statements, thus understating the Infrastructure Assets account; and (e) an unreconciled balance between the Statement of Financial Position and PPE Lapsing Schedule by P70,662,943.76.

2. The reliability and correctness of the Cash in Bank-Local Currency account totaling to P162,658,616.34 could not be ascertained due to the: (a) non-submission of bank statements, which are considered integral support of the bank reconciliation statements; and (b) Cash in Bank-Time Deposit amounting to P80,406.60 was not supported with documents that would identify its bank details and existence.
3. The reliability of the Other Receivables account amounting to P12,589,418.14 could not be ascertained due to the unreconciled balance between the financial statements and the subsidiary ledger amounting to P1,413,621.19. In addition, this account included long outstanding receivables, thus, any additional income that could be derived from the collection of the said receivables that may augment the revenue of the Municipality was not realized during the year.
4. The Accounts Payable account amounting to P12,241,649.70 could not be ascertained as to its validity and propriety due to incomplete details in the subsidiary ledgers and non-submission of the required supporting documents, which may affect the fair presentation of the balances in the Financial Statements.

D. Summary of Significant Observations and Recommendations:

The following are among the Audit Team's significant audit observations and recommendations:

1. The Local Disaster Risk Reduction and Management Fund Investment Plan did not incorporate the unexpended balance of previous LDRRMF charged to the Special Trust Fund as required under Item 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012. Thus, the propriety of charges and the disaster risk reduction and management activities supporting the said funds could not be easily ascertained.

We recommended that the MDRRMC prepare the LDRRMFIP by adopting the prescribed format in the Annex A of the COA Circular 2012-002. Likewise, review and update annually the LDRRMFIP to include activities to be funded from the unexpended QRF and DRRMF-MOOE of the previous years, which were transferred to the Special Trust Fund within the next five (5) years.

2. Cash Advances granted to the Disbursing Officer and various officers and employees of the Municipality, with a total balance of P657,350.51, have

remained unliquidated at year-end or as soon as the purpose for which it was granted has been served, which is contrary to Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002 dated February 10, 1997. Thus, affect the reliability of the related assets, expenses and government equity accounts.

We recommended that the Municipal Accountant direct the accountable officers to liquidate/settle their outstanding cash advances in compliance with the regulations of COA Circular 97-002 and PD 1445. In addition, additional cash advance shall not be granted to any officials and employees unless the previous cash advance given is first settled or a proper accounting thereof is made.

3. Several purchases under small value procurement were paid thru cash advances instead of paying it directly thru check to the supplier, which is not in accord with Item 3 of COA Circular 97-002 and Section 93 of Presidential Decree.

We recommended that the Management instruct the Municipal Treasurer to issue the check directly in the name of the supplier to stop the practice of granting cash advances to the various Department Heads or other officials for disbursements, which could be practically made through check payable directly in the name of supplier/payee in conformity with Section 93 of PD 1445.

E. Summary of total Suspensions, Disallowances and Charges

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<u>Suspensions</u>					
Prior Years	-	-	-	-	-
Current Year	-	-	-	-	-
Total	-	-	-	-	-
<u>Disallowances</u>					
Prior Years	P31,200.00	-	-	P31,200.00	-
Current Years	-	-	-	-	-
Total	P31,200.00	-	-	P31,200.00	-
<u>Charges</u>					
Prior Years	-	-	-	-	-
Current Years	-	-	-	-	-
Total	-	-	-	-	-

F. Status of Implementation of Prior Years' Audit Recommendations

Out of the 20 audit recommendations in the CY 2018 Annual Audit Report, seven (7) were implemented, 11 were partially implemented and two (2) were not implemented and reiterated in Part II of this Report.