

# EXECUTIVE SUMMARY

## 1. Introduction

The Municipality of Claveria, Cagayan was created by virtue of Royal Decree of Spain on June 5, 1865. It is a third class municipality situated on the northwestern coast of the Province of Cagayan.

The audit covered the accounts and operations of the Municipality of Claveria 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 (IPSASs), 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 audit were conducted to achieve these audit objectives.

## 2. Highlights of Financial Information

The table below shows that the Municipality's Assets, Liabilities Government Equity as of December 31, 2019, were P289,288,308.01, P69,918,276.72, P219,370,031.29, with an increase of 13.59% and 16.72% and 12.63%, respectively from last year's figures.

On the other hand, income earned and expenses incurred during the year amounted to P134,895,378.92 and P110,102,121.83, which increased by 7.52% and 16.79% respectively from last year's figures.

Particulars	2019	2018	Increase (Decrease)	%
<b>Financial Position</b>				
Assets	289,288,308.01	254,669,673.14	34,618,634.87	13.59%
Liabilities	69,918,276.72	59,900,603.04	10,017,673.68	16.72%
Government Equity	219,370,031.29	194,769,070.10	24,600,961.19	12.63%
<b>Financial Performance</b>				
Income	134,895,378.92	125,461,059.09	9,434,319.83	7.52%
Expense	110,102,121.83	94,274,789.44	15,827,332.39	16.79%
<b>Appropriations, Allotments and Obligation</b>				
Appropriations	143,069,376.38	127,768,935.00	15,300,441.38	11.98%
Allotments	143,069,376.38	127,768,935.00	15,300,441.38	11.98%
Obligations	119,430,578.06	97,974,266.44	21,456,311.62	21.90%

### **3. Independent Auditor's Report on the Financial Statements**

We rendered a Qualified Opinion on the fairness of the financial statements since the correctness and validity of the Property, Plant and Equipment account valued at P130,345,703.87 (net of depreciation) could not be ascertained due to the non-recognition of 100% of Local Road and Road Network System in the books of the Municipality. The audit team was not able to apply other alternative audit procedures in determining the correct amount of said accounts.

### **4. Summary of Significant Audit Observations and Recommendations**

1. Some programs, projects, and activities under the 20% Development Fund (DF) amounting to P4,500,000.00 or 17.07% of the total Development Fund were not fully implemented during the year, hence deprived the intended beneficiaries of the socio-economic benefits that could have been derived thereat.

We recommended that Management fast track the completion of all on-going and unimplemented projects funded under the 20% Development Fund including continuing appropriations to fully deliver on time these benefits to the community.

Likewise, the concerned department was advised to monitor regularly the implementation of the 20% Development Plan, including continuing appropriations and closely coordinate with other departments to fully achieve the desired goals and benefits as planned.

2. The municipality paid wages amounting to P3,462,631.86 to an average of forty-two (42) contract of services personnel without a clear indication as to the reasonable number of personnel needed in the Policy Guidelines in hiring contract of service, which may result to excessive workforce, work duplication and eventual waste of financial resources.

We recommended that Management enhance the Policy Guidelines in the hiring contract of service employees by setting standards or parameters to clearly determine the reasonable number of the contract of service personnel to be assigned in different offices to avoid excessive manpower, work duplication, and unnecessary expenditures for wages.

## 5. Summary of Total Suspensions, Disallowances and Charges

Settlement of Suspensions and Disallowances is shown on table below:

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
Suspensions					
Prior Years	-	-	-	-	
Current Year	-	-	-	-	
Total	-	-	-	-	
Disallowances					
Prior Years	423,560.46	-	248,996.25	174,564.21	58.79%
Current Year	-	-	-	-	
<b>Total</b>	<b>423,560.46</b>	<b>-</b>	<b>248,996.25</b>	<b>174,564.21</b>	<b>58.79%</b>
Charges					
Prior Years	-	-	-	-	
Current Year	-	-	-	-	
Total	-	-	-	-	

## 6. Status of Implementation of Prior Years' Audit Recommendations

Out of the eight (8) audit recommendations in the prior years' report, two (2) were fully implemented and six (6) were partially implemented.