

EXECUTIVE SUMMARY

1. Introduction

The Municipality of Langgangan, now Sta. Praxedes, Cagayan was formally established when it became a township of Cagayan Valley by virtue of Executive Order No. 65 of Governor Leonard Wood on November 11, 1922. It was renamed Sta. Praxedes in 1977 by virtue of Republic Act No. 1449. It consists of ten (10) barangays with a total land area of 110 sq. km. It is classified as a fifth class municipality.

The audit covered the accounts and operations of the Municipality of Sta. Praxedes 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 audits were conducted to achieve these audit objectives.

2. Highlights of Financial Information

The table below shows that the Municipality's Assets, Liabilities and Government Equity as of December 31, 2019, were P116,822,544.28, P26,466,498.89 and P90,356,045.39, with an increase of 12.28%, 49.03 and 1.52% respectively from last year's figures.

On the other hand, income earned and expenses incurred during the year amounted to P61,004,816.07 and P58,254,829.53, which increased by 6.91% and 13.10% respectively from last year's figures.

Particulars	2019	2018	Increase(Decrease)	
			Amount	%
Financial Position				
Assets	116,822,544.28	102,473,346.17	14,349,198.11	12.28%
Liabilities	26,466,498.89	13,489,731.46	12,976,767.43	49.03%
Government Equity	90,356,045.39	88,983,614.71	1,372,430.68	1.52%
Financial Performance				
Income	61,004,816.07	56,790,223.57	4,214,592.50	6.91%
Expense	58,254,829.53	50,620,918.71	7,633,910.82	13.10%
Appropriations, Allotments and Obligation				
Appropriations	70,783,693.48	70,783,693.48	-	-
Allotments	70,783,693.48	68,583,693.48	2,200,000.00	3.21%
Obligations	53,702,880.73	53,702,880.73	-	-

3. Independent Auditor's Report on the Financial Statements

We rendered a Modified Opinion on the fairness of the financial statements in view of the non-recognition of the 100% Local Road and Road Network System account as part of LGUs Property, Plant and Equipment (PPE) amounting to P66,189,438.60 which cast doubt as to the reliability and accuracy of the balances of the affected accounts. The audit team was not able to apply other alternative audit procedures in determining the correct amount of said account.

4. Summary of Audit Observations and Recommendations

- a. The municipality was not able to comply with the transition provision on the phased recognition of the Local Road Networks in the books of accounts which requires 100% compliance at the end of year 2019 as stated under Item IX of COA Circular No. 2015-008 due to the absence of Local Road Inventory and Road Map..

We recommended that the Municipal Mayor direct the:

1. GSO to coordinate with the Municipal Engineer to prepare the road map of the municipality to facilitate the preparation of a proper inventory and reporting of the municipality's road network system;
 2. Municipal Engineer to provide the Municipal Accountant and the GSO with the complete description and cost segregation of the road components for road projects; and thereafter,
 3. Municipal Accountant to record amount of road networks equivalent to the required transition provision percentage every year starting 2016 up to 2019.2. Copies of government contracts for infrastructure projects and their supporting documents were not submitted within the prescribed period as required under COA Circular No. 2009-001 dated February 12, 2009, thereby, precluding the timely evaluation of the same and the late communication of deficiencies noted for corrective measures.
- b. Copies of government contracts for infrastructure projects and their supporting documents were not submitted within the prescribed period as required under COA Circular No. 2009-001 dated February 12, 2009, thereby, precluding the timely evaluation of the same and the late communication of deficiencies noted for corrective measures.

We recommended management, thru the BAC Secretariat, to strictly comply with the requirements of COA Circular No. 2009-001 on submission

of copies of perfected contracts within five (5) days after their execution. Any unjustified failure of the officials and employees concerned to comply with the requirements herein imposed shall be subject to the administrative disciplinary action provided in (a) Section 127 of Presidential Decree No. 1445; (b) Section 55, Title I-B, Book V of the Revised Administrative Code of 1987; and (c) Section 11 of Republic Act No. 6713.

Moreover, instruct the Municipal Accountant to defer processing of claims/payment of billings for infrastructure projects until the submission or transmittal of all the required copies of contracts and all required supporting documents as stated in the above-mentioned regulation.

- c. Infrastructure project amounting P2,325,861.32 was awarded to the bidder with incomplete or patently insufficient information of his submitted technical eligibility requirement contrary to Section 23.1(iv) of the 2016 Revised Implementing Rules and Regulation of Republic Act No. 9184.

We recommended management to terminate the contract with the winning bidder for unlawful deeds and behaviors before the contract acquisition. The violations made also warrants the initiation of blacklisting procedures for submission of eligibility requirements containing false information or falsified documents. The guidelines and procedures for termination of contracts (Annex I - 2016 Revised IRR RA 9184) and blacklisting procedures (Appendix 17-2016 Revised IRR RA 9184) must be appropriately observed.

Likewise, the BAC and TWG should be more cautious in the post qualification of all Lowest Calculated Bid and should judiciously undertake extensive or beyond the ordinary verification and validation of the submitted eligibility requirements to fully determine the Lowest Calculated and Responsive Bidder pursuant to Sec. 23 (iv) of the 2016 Revised Implementing Rules and Regulation of R.A. 9184.

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	198,637.00	-	197,483.00	1,154.00	99.42%
Current Year	-	-	-	-	
Total	198,637.00	-	197,483.00	1,154.00	99.42%
Charges					
Prior Years	-	-	-	-	
Current Year	-	-	-	-	
Total	-	-	-	-	

6. Status of Implementation of Prior Year's Audit Recommendations

Out of the eleven (11) audit recommendations in the prior year's report, three (3) were fully implemented, five (5) were partially implemented, and three (3) were not implemented as of the year ended.