

EXECUTIVE SUMMARY

1. Introduction

The Municipality of Abulug lies along the northwestern part of the province of Cagayan. Tulug, the original name of Abulug had been a flourishing fishing village long before Don Juan Salcedo sailed to the mouth of Abulug River in 1572. In 1969, the name ""Tulug"" was changed into Abulug including two barangays of Fotel and Capinatan. Abulug has a total land area of 19,969 hectares or 199.69 square meters representing 2.22% of the total area of the province.

The audit covered the accounts and operations of the Municipality of Abulug 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 Audit 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 P396,488,332.90, 105,359,802.89 and 291,128,530.01, with an increase/(decrease) of 5.75%, (7.72%) and 11.65% respectively from last year's figures.

On the other hand, income earned and expenses incurred during the year amounted to P129,899,901.10 and 114,319,571.04, which increase by 9.22% and 10.48% respectively from last year's figures.

Particulars	2019	2018	Increase (Decrease)	
			Amount	Percentage
Financial Position				
Assets	396,488,332.90	374,929,110.19	21,559,222.71	5.75%
Liabilities	105,359,802.89	114,169,039.03	-8,809,236.14	-7.72%
Government Equity	291,128,530.01	260,760,071.16	30,368,458.85	11.65%
Financial Performance				
Income	129,899,901.10	118,939,219.38	10,960,681.72	9.22%
Expenses	114,319,571.04	103,478,476.80	10,841,094.24	10.48%
Appropriations, Allotments and Obligations				
Appropriations	160,954,453.37	159,783,912.97	1,170,540.40	0.73%
Allotments	156,660,893.16	159,544,129.64	-2,883,236.48	-1.81%
Obligations	126,400,887.11	127,566,834.16	-1,165,947.05	-0.91%

3. Independent Auditor's Report on the Financial Statements

We rendered an Unqualified Opinion on the fairness of the presentation of the financial statements of the Municipality of Abulug, Cagayan as at December 31, 2019.

4. Summary of Significant Audit Observations and Recommendations

The findings and recommendations were discussed with LGU officials and employees. Management comments were incorporated in the report, where appropriate. The significant findings and recommendations are as follows:

1. Fund Transfers for various projects and programs from the Department of Health (DOH) amounting to P1,472,260.00 remained unutilized for a period of three (3) to four (4) years notwithstanding the urgent need and nature of the fund and the specific purpose for its release thus, depriving the beneficiaries of the immediate benefit from the intended purpose.

We recommended that the concerned officials and employees should be careful/proper planning and implementation of projects and programs so as not to waste the opportunity in the delivery of basic services to the people most especially to the intended beneficiaries, the municipality's constituents.

2. Several fund transfers from national government agencies and local government units amounting to P12,662,715.91 and P7,618,973.34, respectively, for different projects and programs implemented by the Municipality were not returned to the source agencies, despite completion, or had remained unutilized contrary to Section 4 of COA Circular No. 94-013 dated December 13, 1994 and Section 3.1.2 of COA Circular No. 2012-01 dated June 14, 2012.

We recommended that Management instruct the Municipal Accountant to:

1. Cause the immediate full liquidation of outstanding fund transfers received from National Government Agencies and other Local Government Units and strictly adhere with the provisions of Section 4 of COA Circular No. 94-013 dated December 13, 1994 and Section 3.1.2 of COA Circular No. 2012-001 dated June 14, 2012; and
2. Collate records to ensure that all unspent balances of fund transfers for completed projects irrespective of source agency be returned.
3. Fast track the implementation of the fund transfers since the resources are readily available, and in order not to deprive the Municipality of the PPAs where the funds are intended for.

4. Record/Reclassify the accounts to their appropriate classification for fair presentation in the Financial Statements.
3. Of the total projects budgeted at P22,579,134.80 from the 20% Development Fund for CY 2019, 5 projects aggregating to P5,117,275.10 or 23% were not implemented as of year-end contrary to the intent of DBM-DILG Joint Memorandum Circular No. 2017-01 dated February 22, 2017, thus depriving the constituents of the benefits to be derived therefrom which adversely affected the efficiency of the municipality towards the achievement of its goals.

We recommended that management implement strictly all the priority development projects as planned in order to achieve desirable socio-economic development and environmental outcomes in the municipality and eventually deliver timely benefits to its constituents. Submit explanation or justification why these projects were not implemented.

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 Year	-	-	-	-	-
Total	-	-	-	-	-
Disallowances					
Prior Years	P556,501.93		P84,610.69	P471,891.24	
Current Year	-	-	-	-	-
Total	P556,501.93		P84,610.69	P471,891.24	
Charges					
Prior Years	-	-	-	-	-
Current Year	-	-	-	-	-
Total	-	-	-	-	-

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

Out of eleven (11) audit recommendations of prior year's, four (4) were fully implemented and seven (7) were partially implemented as at year-end.