

EXECUTIVE SUMMARY

A. Introduction

Kasibu was first established as part of the Municipal District of Bambang, Nueva Vizcaya until the post-war year 1959-1969 and 1964-1967 when it was finally recognized as a Municipal District. The Municipality of Kasibu is classified as 3rd class municipality with (30) barangays.

The audit covered the accounts and operations of the Municipality of Kasibu, Nueva Vizcaya for the year 2019 and was aimed at determining whether management presented fairly the financial statements of the Municipality in adherence to the generally accepted accounting principles; whether prevailing laws, rules and regulations have been complied with; and funds were utilized in the most efficient, effective and economical manner. Financial and compliance audits were conducted to achieve these audit objectives.

B. Highlights of Financial Operation

Presented below is the financial position and financial performance of the Municipality of Kasibu for CY 2019 with comparative figures for CY 2018 as follows:

	2019	2018	Increase (Decrease)
<u>Financial Position</u>			
Total Assets	₱ 576,842,803.30	₱ 550,202,648.30	₱ 26,640,155.00
Total Liabilities	91,701,893.34	96,639,254.15	(4,937,360.81)
Total Government Equity	485,140,909.96	453,563,394.15	31,577,515.81
<u>Financial Performance</u>			
Total Revenue	₱ 273,871,731.61	₱ 278,972,314.14	(₱ 5,100,582.53)
Total Expenses	239,975,553.43	230,545,440.27	9,430,113.16
Surplus	33,896,178.18	48,426,873.87	(14,530,695.69)
<u>Appropriations, Allotments, and Obligations</u>			
Appropriations – Current	₱ 314,553,375.81	₱ 236,346,081.24	₱ 78,207,294.57
Appropriations – Continuing	248,495,571.10	347,824,432.41	(99,328,861.31)
Total Appropriations	563,048,946.91	584,170,513.65	(21,121,566.74)
Obligations – Current	197,965,529.30	163,552,957.66	34,412,571.64
Obligations – Continuing	160,734,759.79	227,680,419.80	(66,945,660.01)
Total Obligations	358,700,289.09	391,233,377.46	(32,533,088.37)
Unobligated Balance	₱ 204,348,657.82	₱ 192,937,136.19	₱ 11,411,521.63

During the year, the Surplus decreased by ₱14,530,695.69. The total appropriations of the Municipality amounted to ₱563,048,946.91 and obligations incurred amounted to ₱358,700,289.09 leaving a balance of ₱204,348,657.82 of

which the amount of ₱87,760,811.31 is a continuing appropriation and ₱116,587,846.51 is free of any obligation.

Comparative Statement of Funds Transfer to and from NGAs, LGUs, NPOs and Pos:

	2019	2018	Increase (Decrease)
Fund Transferred to Other Agencies:			
Due from NGAs	₱ 1,164,439.64	₱ 1,166,491.45	(₱ 2,051.81)
Due from GOCCs	38,478.00	38,478.00	0.00
Due from LGUs	459,362.48	1,110,646.68	(651,284.20)
Due from NGOs/POs	-	-	-
TOTAL	₱ 1,662,280.12	₱ 2,315,616.13	(₱ 653,336.01)
Fund Received from Other Agencies:			
Due to Other NGAs	₱ 28,920,134.42	₱ 17,900,555.21	₱ 11,019,579.21
Due to LGUs	6,508,784.11	5,484.25	6,503,299.86
Due to NGOs/POs	-	8,359,174.94	(8,359,174.94)
TOTAL	₱ 22,411,350.31	₱ 26,265,214.40	₱ 9,163,704.13

C. Independent Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Kasibu, Nueva Vizcaya for the year ended December 31, 2019 due to following:

1. The validity, existence and correctness of the Property, Plant and Equipment account amounting to ₱375,758,138.11 could not be established due to unreconciled difference of ₱127,258,701.00 between the accounting and property records which is not in accord with IPSAS 17, Sections 114 and 124, Volume I of the NGAS and Chapter 4 of the Handbook on Property & Supply Management System.
2. The validity, existence and correctness of receivable accounts totaling ₱6,178,112.35 which remained dormant and uncollected for several years cannot be ascertained due to non-maintenance of subsidiary ledgers for each debtor in violation of Section 2 and 112 of P.D. No 1445, Paragraph 27 of IPSAS 1 and Section 4(e) of the NGAS.
3. Liability Accounts totaling ₱950,346.22 which are over two (2) years and without valid claims as at year – end, were not reverted to the unappropriated surplus contrary to Section 98 of P.D. No. 1445. Hence, the liability accounts at year-end were overstated contrary to Paragraph 7 of IPSAS 1.

D. Significant Findings and Recommendations

Other significant findings and recommendations are as follows:

1. Difference of ₱500,602.65 between balances of reciprocal accounts *Due from Other Funds* of ₱1,177,452.80 and *Due to Other Funds* of ₱676,850.15 and non-disclosure of the nature thereof in the Notes to Financial Statements rendered the accounts doubtful contrary to Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 and Section 112 of P.D. No. 1445.

We recommended that the Municipal Accountant:

- a. analyze the *Due from Other Funds* and *Due to Other Funds* accounts and trace back differences by determining the nature of the accounts;
 - b. prepare the necessary adjusting entries to bring the correct balances of the accounts; and
 - c. maintain subsidiary ledger as necessary and include disclosure in the Notes to FS for fair presentation of Financial Statements.
2. The validity, existence and correctness of receivable accounts totaling ₱6,178,112.35 which remained dormant and uncollected for several years cannot be ascertained due to non-maintenance of subsidiary ledgers for each debtor in violation of Section 2 and 112 of P.D. No 1445, Paragraph 27 of IPSAS 1 and Section 4(e) of the NGAS.

We recommended that management:

- a. require the Municipal Accountant to conduct regular and periodic verification, analysis, and validation of the existence of the receivables and determine the concerned debtors to ascertain their collectability. If proven to be no longer collectible, request for authority to write-off dormant receivable accounts and attach required documents prescribed under COA Circular No. 2016-005; and
 - b. in the future, for transactions involving receivables, the Municipal Accountant should maintain subsidiary ledgers in accordance with Section 4 (e) of the NGAS to ensure complete information on the accounts and to facilitate the collection thereof.
3. Cash Advances totaling ₱1,020,003.71 as at December 31, 2019 were not liquidated as required under Section 89 of PD No. 1445 and COA Circular No. 97 – 002 resulting in the non-recognition of expenses in the period incurred and exposure of the fund to possible loss and/or misappropriation in the hands of the accountable officer.

We recommended that management:

- a. Require/demand the immediate settlement of all long overdue cash advances and if necessary, withhold the salaries of the concerned officials and employees for the settlement thereof; and
 - b. Strictly comply with the provisions of Section 89 of PD No. 1445 and COA Cir. No. 97 – 002 dated February 10, 1997 in the granting, utilization and liquidation of cash advances.
4. The current year and continuing Special Education Fund (SEF) appropriations were not optimally used with unexpended balances of ₱7,741,286.29 and ₱1,077,998.61, respectively or a total of ₱8,819,284.90, contrary to Section 1 of RA No. 5447 and Section 272 of RA No. 7160, hence the fund remained idle and precluded the timely utilization thereof by intended beneficiaries.

We recommended that the Local School Board, being the one responsible in the formulation, approval, and utilization of the SEF Budget as provided under RA No. 7160 or the Local Government Code:

- a. exert earnest efforts in ensuring that all budgeted projects, programs and activities are optimally and fully implemented;
 - b. remind all beneficiary schools as to the status of utilization and availability of their respective budgets;
 - c. revisit the revised guidelines on the use of SEF under DepEd-DBM-DILG Joint Circular No. 1, s. 2017 to ensure a more strategic and efficient formulation and utilization of resources for priority programs and projects; and
 - d. consider realignment of funds to other priority programs, projects and activities, if warranted by circumstances.
5. Disbursements of the 5% Local Disaster Risk Reduction Management Fund (LDRRMF) amounting to ₱52,225.39 were not aligned with the guidelines set forth under Section 3, COA Circular No. 2012-002 dated September 12, 2012; thus, said fund was not fully utilized to sustain disaster risk reduction activities.

We recommended that management comply with the proper utilization of LDRRMF and ensure that the programs and projects to be funded therefrom must be those that will support disaster risk management activities as provided under Section 3.0 of COA Circular No. 2012-002 dated September 12, 2012.

6. The Municipality did not fully implement and deliver nineteen (19) out of thirty – one (31) or 61.29% of the funded programs, projects and activities (PPAs) under the current year 20% development fund. Thus, the intended beneficiaries were deprived of the timely utilization of the projects, contrary to DILG – DBM Joint Circular No. 2017-1 dated February 22, 2017.

We recommended the management to fully implement all on – going and unstarted projects under the 20% Development Fund as mandated by DILG – DBM Joint Circular No. 2017 – 01 dated February 22, 2017.

E. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
Suspensions					
Prior Years	₱ 94,504.50	-	-	₱ 94,504.50	0.00%
Current Year	-	-	-	-	0.00%
Total	₱ 94,504.50	-	-	₱ 94,504.50	0.00%
Disallowances					
Prior Years	₱ 1,136,149.73	-	₱ 831,440.00	₱ 304,709.73	73.18%
Current Year	-	-	-	-	0.00%
Total	₱ 1,136,149.73	-	₱ 831,440.00	₱ 304,709.73	73.18%
Charges					
Prior Years	-	-	-	-	0.00%
Current Year	-	-	-	-	0.00%
Total	-	-	-	-	0.00%

F. Status of Implementation of Prior Years' Audit Recommendations

Of the twenty – two (22) recommendations embodied in the CY 2018 Annual Audit Report, eight (8) were fully implemented, eleven (11) were partially implemented and three (3) were unimplemented.