

## EXECUTIVE SUMMARY

### A. Introduction

The Municipality of Cuyapo, having a total land area of 18,893, is a first class municipality. It is composed of 51 registered barangays. It became a municipality on October 29, 1859.

The Municipality of Cuyapo was awarded Seal of Good Financial Housekeeping (Silver) for the year 2011 and Seal of Good Local Governance for the Year 2019 by the Department of Interior and Local Government.

### B. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of Cuyapo for the year ended December 31, 2019. The objectives of the audit were to (a) ascertain the degree of reliance on the management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the audit results. The audit included the examination of supporting documents, on a sampling basis, of pre-selected accounts and thrust areas based on the audit instructions of the COA-Local Government Sector (LGS). Audit procedures and techniques were employed such as analysis of accounts and such other procedures considered necessary. All observations noted in audit are discussed in Part II of the report.

### C. Financial Highlights

The following comparative data show the financial condition, results of operation, and sources and application of funds for the calendar years 2019 and 2018.

Account	2019	2018	Increase/ (Decrease)
Financial Condition			
Assets	₱ 456,756,605.66	₱ 386,016,077.12	₱70,740,528.54
Liabilities	98,192,932.54	72,886,914.84	25,306,017.70
Equity	358,563,673.12	313,129,162.28	45,434,510.84
Results of Operations			
Income	204,586,737.97	186,646,264.93	17,940,473.04
Expenses	171,900,079.70	152,774,352.46	19,125,727.24
<b>Excess of Income over Expenses</b>	<b>₱32,686,658.27</b>	<b>₱33,871,912.47</b>	<b>(₱1,185,254.20)</b>
Sources and Application of Funds			
Allotment	₱ 241,403,737.97	₱219,175,951.59	₱22,227,786.38
Obligation	238,291,768.72	215,142,353.73	23,149,414.99
<b>Balances</b>	<b>₱ 3,111,969.25</b>	<b>₱4,033,597.86</b>	<b>(₱921,628.61)</b>

## **D. Independent Auditor’s Report**

We rendered an unmodified opinion on the fairness of presentation of the financial statements because in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality of Cuyapo, Province of Nueva Ecija as at December 31, 2019, and its financial performance, its cash flows and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

## **E. Summary of Other Significant Observations and Recommendations**

1. The recorded year-end balances of the Property, Plant and Equipment (PPE) accounts amounting to ₱391,343,765.73 remained unreliable due to non-completion of the actual physical count of all PPE which resulted in unreconciled variance of ₱161,260,547.44 between the accounting records and the submitted Report on the Physical Count of Property, Plant and Equipment (RPCPPE). (*Observation No. 1*)

We recommended and the Management agreed to require (1) the Inventory Committee to complete the physical count of the PPE; (2) Municipal Accountant and Property Officer to continue their efforts in resolving the discrepancy and in completing the reconciliation process; and (3) the Property officer to facilitate correct updating of the RPCPPE and Acknowledgement Receipt for Equipment.

2. The Municipality had properly recognized and presented the account of loans payable amounting to ₱43,989,871.98 in the financial statements for Calendar Year 2019. However, the interest expense incurred on loans for the construction of Public Market and Infirmary totaling ₱1,871,866.41 were not capitalized contrary to IPSAS No. 5. (*Observation No. 5*)

We recommended and the Local Chief Executive agreed to require the Municipal Accountant to draw an adjusting entry recognizing the capitalizable borrowing costs through the following journal entry:

CIP- Building and Other Structures	1,839,450.36	
Hospitals and Health Centers	32,416.05	
Prior Year Adjustment		1,871,866.41

3. Several provisions under the market code were not strictly enforced, hence full compliance with the Municipal Ordinance No. 118 series-2011 was not attained, which resulted in inefficient operation of the Public Market and uncollected revenues from business permits amounting to ₱236,297.30 for CY 2019. (*Observation No.10*)

We recommended and the Municipal Mayor agreed to direct the Municipal Treasurer and Market Supervisor to (a) draw the lease contract for all existing market stallholders; (b) enforce Section 2D.06 of the Market Code and (i) prohibit the occupation of more than two stalls per person and (ii) ensure that rented stalls adjoin one another and located in the same

section of the public market; (c) ensure that the market stallholders obtain the necessary business permit before allowing them to operate their business; and (d) ensure that all other provisions of the Market Code of Municipality of Cuyapo are properly and fully enforced.

4. The constructed Infirmary funded from a loan of ₱5,700,000.00 remained idle and already incurred minor damages a year after the same was constructed, which defeated the purpose of the loans and deprived the public of medical benefits which could have been derived therefrom. Moreover, infractions of the DOH- approved floor plan and failure to meet the minimum requirements for equipment could result in the non-issuance by the DOH of permit to operate, which may put to waste the government fund invested on the project. **(Observation No.11)**

We recommended and the Local Chief Executive agreed to require the (a) Municipal Health Officer to (i) make constant follow-up with the DOH for the immediate delivery of the requested medical equipment; and (ii) coordinate with the Municipal Budget Office for the funding of other items missed in the list submitted to the DOH; (b) Municipal Engineer, in coordination with the RHP, to take appropriate actions in ensuring conformance of the building with the approved design of the DOH, or request for the approval of the actual floor plan; and (c) Municipal Administrator to provide adequate physical safeguard and regular maintenance on the building.

**F. Summary of Total Suspensions and Disallowances as of December 31, 2019**

	Beginning Balance (As of December 31, 2018)	This period January 1, 2019 to December 31, 2019		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱483,541.14	₱0.00	₱0.00	₱483,541.14
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b>₱483,541.14</b>	<b>₱0.00</b>	<b>₱0.00</b>	<b>₱483,541.14</b>

**G. Status of Implementation of Prior Year’s Unimplemented Audit Recommendations**

Of the 47 audit recommendations embodied in our previous years’ audit report, 34 or 72% were fully implemented, five or 11% were partially implemented and eight or 17% were not implemented, some of which were reiterated in this report.