

EXECUTIVE SUMMARY

A. INTRODUCTION

Cabugao was created as a “pueblo” (a full-pledged town) in 1781 by Spanish Royal decree.

The Municipality of Cabugao, Ilocos Sur is a local government unit mandated by the Local Government Code of 1991 to deliver basic services and facilities enumerated in section 17 (b) (2) of said code.

Cabugao, Ilocos Sur is a first class municipality with thirty-three (33) barangays. It is one the municipalities dotting the long and narrow Ilocos coast on the Northwestern rim of the island of Northern Luzon. Facing the China Sea on the west, it is bounded on the south by San Juan (Lapog), on the east of the Province of Abra and Ilocos Norte, on the north by the Municipality of Sinait. It comprises 2.4% of the whole area of the province of Ilocos Sur with an area of 8,568 hectares.

The municipality is predominantly agricultural. The dominant crops are rice, tobacco, tomato, onion, and corn. As the municipality is bordering along the China Sea, fish is also a major product.

The municipality is under the leadership of the Honorable Josh Edward S. Cobangbang assisted by Vice Mayor Deogracias Jose Victorino H. Savellano.

As of December 31, 2018 the municipality has a total of 113 officials and employees distributed among the different offices.

The LGU is envisioned to live together as dignified, peaceful and united people living in sustainable, eco-friendly and safe environment under a value-oriented leadership moving onward to mold a vibrant economy that is globally competitive and become a progressive trade center of the north.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Cabuago, Ilocos Sur for calendar year 2018. Our audit was aimed at determining whether financial statements were presented in accordance with Philippine Public Sector Accounting Standards, (PPSASs), whether the resources of the municipality were utilized in conformity with applicable laws and regulations, and to assess or determine whether the resources of the municipality were disbursed or utilized economically, effectively, and efficiently. The audit was focused on the audit thrusts issued by the Local Government Sector for CY 2018. The audit consisted of review of operating procedures; inspection and validation of the programs and projects; interview with concerned Municipal officials and employees; verification, reconciliation and analysis of accounts; and such other procedures deemed necessary under the circumstances.

B. FINANCIAL HIGHLIGHTS

The total assets, liabilities, government equity, income and expenses for the year as compared to the previous year are shown below:

Accounts	2018	2017	Increase/ (Decrease)	Percentage
▪ Assets	1,235,868,863.11	834,870,448.35	400,998,414.76	48.03%
▪ Liabilities	157,339,437.38	151,648,810.90	5,690,626.48	3.75%
▪ Government Equity	1,078,529,425.73	683,221,637.45	395,307,788.28	57.86%

	2018	2017	Increase/ (Decrease)	Percentage
▪ Income	664,087,514.35	152,700,930.54	511,386,583.81	334.89%
▪ Expenses	268,791,814.31	126,516,425.59	142,275,388.72	112.46%

C. OPERATIONAL HIGHLIGHTS

The total appropriations, allotments, and obligations for the year as compared to previous year are as follows:

	2018	2017	Increase/ (Decrease)	% of Increase/ (Decrease)
Appropriation	715,416,040.98	299,455,122.55	415,960,918.43	138.90%
Allotment	715,416,040.98	299,455,122.55	415,960,918.43	138.90%
Obligation	355,073,955.66	229,440,445.68	125,633,509.98	54.76%

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the balance of Property, Plant and Equipment (PPE) account as appearing in the financial statements showed a difference of ₱656,554,095.16 as against the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) hence, the accuracy and reliability could not be ascertained.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Favorable Observations

1. Taxes withheld from employees, contractors and suppliers were remitted promptly and regularly to the Bureau of Internal Revenue in compliance with the Revenue Regulation No. 2-98 dated April 17, 1998, thus the national government was benefited on the immediate use of the much needed fund.
2. The Municipal Accountant submitted the year-end financial statements ahead of the deadline.

B. Areas For Improvement

1. The balance of Property, Plant and Equipment (PPE) account as appearing in the financial statements showed a difference of ₱656,554,095.16 as against the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) hence, the accuracy and reliability could not be ascertained.

We recommended that the reconciliation of the results of the count with the property and accounting records be given priority. Likewise, we recommended that the Inventory Committee ensure that the submitted Report on the Physical Count of Property, Plant and Equipment is complete in details.

2. Major repairs and improvements of the Municipality's infrastructure assets that extend the life of the assets amounting to ₱4,988,074.79 were charged to various repairs and maintenance accounts which is not in compliance with Paragraph 14 and 24 of the Philippine Public Sector Accounting Standards 17 (PPSAS 17), Volume II hence, resulting in the understatement of net income.

We recommended that the Municipal Accountant reclassify the recorded transactions of major repairs and improvements which are capital in nature from repairs and maintenance to the asset account by debiting the asset account such as Buildings and Other Structures and crediting Government Equity.

3. Payments of salaries and wages of job orders who are performing clerical works assigned to different public schools in the total amount of ₱728,740.94 were paid out of the Special Education Fund, which were not among those authorized under Section 272 of the Republic Act 7160 and DEPED, DBM and DILG Joint Memorandum Circular No. 1, dated January 19, 2017, thus, defeating the purposes for which the fund was created.

We recommended that the Municipal School Board limit the utilization of the SEF to the operation and maintenance of public schools and the programs and projects defined under RA 7160 and DEPED, DBM and DILG Joint Memorandum Circular No. 1, dated January 19, 2017.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS AT YEAR-END

	Balance as of 12/31/2017	This Period January - December 31, 2018		Balance as of 12/31/2018
		NS/ND/NC	NSSDC	
• Notice of Suspension (NS)	₱ 378,844.09	₱ 0.00	₱ 4,500.00	₱ 374,344.09
• Notice of Disallowance (ND)	1,485,741.87	0.00	0.00	1,485,741.87
• Notice of Charge (NC)	0.00	0.00	0.00	-
Total	₱ 1,864,585.96	₱ 0.00	₱ 4,500.00	₱1,860,085.96

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 10 prior year's audit recommendations embodied in the 2017 Annual Audit Report, two or 20% were fully implemented, five or 50% were partially implemented, and three or 30% were not implemented by the Municipal Government.