

EXECUTIVE SUMMARY

A. Introduction

Peñablanca is one of the 29 towns of Cagayan. It is approximately 9 kilometers road distance to Tuguegarao City. It has a total land area of 119,320 hectares with 24 barangays.

Peñablanca means “white rock” named after the beautiful drift of Callao Caves of which the Municipality takes pride.

The Municipality’s vision is to be a premier eco – tourist destination of the country that guarantees not only the sustainable growth and development of Peñablanca but also to ensure the optimum preservation and protection of the environment with people living in an improved quality of life dignity and good moral values distinct only to the Filipinos.

To fulfill this vision, the Municipal Government program is centered on the provision of basic services, through enhancement of productivity on agricultural sector, electrification of remote barangays, promotion of optimal use of available resources through cooperatives, full support on social and health programs centered on the poor of Peñablanca.

The audit covered the year 2018 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 were complied with; and whether funds were utilized in the most efficient, effective and economical manner. Financial, compliance and value-for-money audit were conducted to achieve these audit objectives.

B. Financial Highlights

The highlights of the financial condition, results of operation, appropriations, allotments and obligations of the Municipality of Peñablanca for the year ended December 31, 2018, with comparative figures for CY 2017, are as follows:

Accounts	2018	2017	Increase/ (Decrease)
Assets	395,001,526.48	342,268,780.59	52,732,745.89
Liabilities	11,053,179.56	12,633,510.38	(1,580,330.82)
Government Equity	383,948,346.92	329,635,270.21	54,313,076.71
Income	292,906,645.28	270,652,297.81	22,254,347.47
Expenses	238,599,908.57	213,005,934.18	25,593,974.39

Accounts	2018	2017	Increase/ (Decrease)
Appropriation	352,555,376.43	286,734,186.56	65,821,189.87
Obligations	254,544,558.23	219,435,118.00	35,109,440.23

The funds received by the LGU and funds transferred to other agencies and non-government and people's organizations for CY 2018, with comparative figures for CY 2017, are shown below:

Fund Transferred to Other Agencies	2018	2017	Increase/ (Decrease)
Local Gov't Units	350,000.00	230,400.00	119,600.00

Fund Transferred from Other Agencies	2018	2017	Increase/ (Decrease)
Nat'l Gov't Offices	32,528,218.00	0.00	32,528,218.00
Local Gov't Units	3,000,000.00	0.00	3,000,000.00

C. Independent Auditor's Report on the Financial Statements

The auditor rendered a qualified opinion on the presentation of the financial statements of the Municipality of Peñablanca as of December 31, 2018 due to the following:

1. The Year-end Cash in Bank, Local Currency Current account that pertains to the two (2) bank accounts of the LGU totaling to P759,976.50 could not be relied upon due to the non-preparation of Monthly Bank Reconciliation Statements by the Municipal Accountant; while the difference of P355,261.83 between the Bank Balance per BRS in the General Fund Proper account and the bank confirmation reply cannot be verified due to the non-submission of the supporting documents.
2. The correctness and existence of the Property, Plant and Equipment account appearing in the Financial Statements, with the total amount of P349,063,393.95 (net of Road Networks) cannot be relied upon due to the following: (a) the non-maintenance of Property, Plant and Equipment ledger cards by the Accounting Office; (b) the failure of the Accounting and General Services Office to correct, adjust and record the unreconciled balances between the books and the physical inventory reports.
3. The Road Network account appearing in the financial statements amounting to P45,462,716.13 cannot be relied upon due to unavailability of Local Road Network Ledger Card and Local Road Network Property Card, which is not in accord with Item VII of COA Circular 2015-008.

D. Summary of Significant Observations and Recommendations

The following are the audit team's significant audit observations and recommendations, which were discussed with the concerned Management officials in an exit conference conducted on April 1, 2019:

1. Procurement of Infrastructure Projects and Various Equipment were not included in the Annual Procurement Plan, which is not in accord with Sections 7.1 and 7.2 of the 2016 Revised Implementing Rules and Regulation of Republic Act 9184; while all other procurements in the Annual Procurement Plan did not indicate the mode their of procurement, which is not in accord with Item IV.A of Annex H of the same IRR, thus the optimum benefits of planning were not attained by the LGU.

We recommended that the LGU ensure that all procurements are included in the Annual Procurement Plan to achieve an economical and efficient procurement program/activity.

2. The LGU did not submit the monthly Report on Sources and Utilization of Disaster Risk Reduction Management Fund (DRRMF) provided under Paragraph 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, thus, causing the delay in the evaluation of the LDRRMF plan, accomplishments and fund utilization.

We recommended that the Management require the concerned officials to prepare and submit a duly certified Report on Sources and Utilization of LDRRMF on or before the 15th day after the end of each month, in compliance with Item 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012. We also required the immediate submission of the CY 2018 Monthly Report on Sources and Utilization of LDRRMF.

3. Job Order personnel are performing the functions of regular employees in the Local Disaster Risk Reduction Office due to unfilled permanent positions, which is not in accord with Items 5.2 and 5.5 of Joint Memorandum Circular No. 2014-1, thus exposing the LGU to possible investment loss in human resources, thru skills development and knowledge innovation of the Job Order personnel.

We recommended that the LGU fully comply with the staffing requirement in the Local Disaster Risk Reduction and Management Office and stop employing job order personnel in performing the mandatory functions to avoid possible investment loss in human resources.

E. Summary of Suspensions, Disallowances and Charges

The following are the summary of suspensions, disallowances and charges as of December 31, 2018:

Particulars	Beg. Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<u>Suspensions</u>					
Prior Years	2,426,008.00	0.00	0.00	2,426,008.00	0.00
Current Year	0.00	595,474.67	595,474.67	0.00	100.00%
Total	2,426,008.00	595,474.67	595,474.67	2,426,008.00	19.71%
<u>Disallowances</u>					
Prior Years	295,251.72	0.00	93,276.00	201,975.72	31.59%
Current Year	0.00	0.00	0.00	0.00	0.00
Total	295,251.72	0.00	93,276.00	201,975.72	31.59%
<u>Charges</u>					
Prior Years	0.00	0.00	0.00	0.00	0.00
Current Year	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

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

Out of the 20 audit recommendations embodied in the 2017 Annual Audit Report, 15 were implemented, two (2) were partially implemented, and three (3) were not implemented.