

EXECUTIVE SUMMARY

A financial, compliance and value for money audit was conducted on the accounts and operations of the Municipality of Cabarroguis, Quirino for the year ended December 31, 2018. The audit aimed to verify the level of assurance that maybe placed on management assertions on the financial statements, compliance with rules and regulations and determine whether its financial resources were managed economically and efficiently.

A. FINANCIAL HIGHLIGHTS

The financial highlights of the Municipality of Cabarroguis for CY 2018 as compared to the figures of CY 2017, are summarized as follows:

Particulars	2017	2016	Increase (Decrease)	
			Amount	%
Financial				
Total Asset	₱ 263,659,902.93	₱ 222,024,654.06	₱ 41,635,248.87	19%
Total Liabilities	78,800,428.73	55,952,084.90	22,848,343.83	12%
Total Equity	184,859,474.20	166,072,569.16	18,786,905.04	11%
Results of Operation				
Total Revenues	202,314,022.16	153,337,596.37	48,976,425.79	32%
Total Expense	177,967,065.01	111,088,370.24	66,878,694.77	60%
Net Income	24,346,957.15	42,249,226.13	(17,902,268.98)	(42%)
Sources of Application of Funds				
Appropriation/ Allotment				
Current	159,791,814.12	160,694,188.18	(902,374.06)	.5%
Obligations				
Current	146,758,087.63	124,403,040.59	22,355,047.04	18%
Balances				
Current	13,033,726.49	36,291,147.59	23,257,421.10	(64%)

B. OPERATIONAL HIGHLIGHTS

For the calendar year 2018, the Municipality of Cabarroguis sustained its major accomplishments in the areas of infrastructure development, health, social, education and agriculture projects.

Among the notable implemented infrastructure projects are the following:

Project Name	Project Cost	Status
Rehabilitation of Small Water Impounding Project, Zamora, Cabarroguis, Quirino	707,272.69	100% Completed
Backfilling of the Proposed Bus Terminal	758,594.18	100% Completed
Construction of Community Kitchen Cabarroguis, Quirino	697,398.46	100% Completed
Construction of Dike Flood Control Project (Phase-I), Burgos, Cabarroguis, Quirino	620,928.94	100% Completed
Improvement of Cemetery Road	661,426.39	100% Completed
Improvement of Water System Villamor, Cabarroguis, Quirino	3,603,480.08	100% Completed
Provision of Potable Water System (Lot 2) Burgos, Cabarroguis, Quirino	813,243.03	100% Completed
Provision of Potable Water System Mangandingay and Zamora	1,205,427.03	100% Completed

C. SCOPE OF AUDIT

The audit covered the period January 1 to December 31, 2018 which was focused on the 2018 Audit Instructions per LGS Memorandum dated July 19, 2018. Identified audit areas were looked into and the Team conducted the audit through employment of audit techniques and procedures deemed necessary under the circumstances including validation of reported accomplishments.

D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the failure of the management to conduct annual physical count of the Property, Plant and Equipment amounting to P121,221,753.90 thus affecting the reliability of the reported PPE account in the financial statement.

E. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. The outstanding balance of advances to officers and employees as of December 31, 2018 decreased by 14% compared to last year's balance, however, cash advances granted in prior and current years amounting to ₱ 3,691,254.38 remained unsettled or unliquidated contrary to Section 89 of PD 1445.

We recommended that the Municipal Accountant issue final demand letters to all active officials and employees with outstanding balances and suspend their salaries, if warranted. Strict adherence to the provisions of COA Circular Nos. 97-002 and 2012-004 is enjoined.

2. The existence and correctness of the Property, Plant and Equipment balance amounting to ₱121,221,753.90 cannot be ascertained due to the failure of the municipality to conduct annual physical count in accordance with Section 156 of COA Circular 92-386 and the failure of the accounting office to maintain individual property ledger cards thus affecting the reliability of the PPE accounts in the financial statements.

We recommended that the Municipal Accountant complies with the provisions of PPSAS 12 relative to the recording and costing of inventories of the municipality.

3. Management failed to submit copies of contracts and purchase/job orders as prescribed under COA Circular Nos. 2009-001 dated February 12, 2009, thus depriving the Auditor of the timely conduct of review and evaluation of stipulations in the contract and purchase/job orders.

We recommended that the BAC submit copies of approved contracts and purchase orders (POs) irrespective of amount and all related documents forming part thereof to COA within (5) working days upon perfection of contract and issuance of POs.

4. Employees who are granted with Transportation Allowance (TA) are also using government service vehicles in the performance of their duties and responsibilities which is in violation of the Manual on Position Classification and Compensation and COA Circular No. 77-61 which provided the Manual on Audit for Fuel Consumption of Government Motor Vehicles.

We recommended that management strictly comply with the Manual on Position Classification and Compensation and COA Circular No. 77-61 which provides the Manual on Audit for Fuel Consumption of Government Motor Vehicles. All expenses regarding any unauthorized use or misuse of government motor transportation shall be disallowed in audit.

5. Driver's trip tickets attached to the disbursement vouchers are not numbered and not properly accomplished which is not in accord with the provisions of the Manual on Audit for Fuel Consumption of Government Motor Vehicles and Section 4 (6) of Presidential Decree No. 1445, casting doubt on the authenticity of the documents and the transaction itself.

We recommended that management should ensure that all trip tickets should be properly filled-up and duly approved by the authorized approving officer of the LGU. Any unauthorized use or misuse of government motor transportation shall be disallowed in audit, if warranted.

6. Monthly Report of Official Travels and Monthly Report of Fuel Consumptions are not prepared monthly and submitted to the office of the auditors which is in violation of the COA Circular No. 77-61 which provided the Manual on Audit for Fuel Consumption of Government Motor Vehicles.

We recommended that management should strictly comply on the submission of the required reports in accordance with COA Circular No. 77-61.

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

Of the twenty (20) audit recommendations contained in the 2017 Annual Audit Report, nine (9) were fully implemented, ten (10) were partially implemented and one (1) was not implemented.