

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Casiguran was founded on June 13, 1609. It was created by virtue of Republic Act No. 649 dated June 14, 1951. Its territorial jurisdiction is composed of 24 barangays. It is surrounded by forest, mountains and sea. It is classified as a 2nd class municipality.

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipality of Casiguran, Aurora for the year ended December 31, 2018. The objectives of the audit were to: (a) ascertain the level of assurance that may be placed on 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.

B. Financial Highlights

The following comparative data show the financial condition, results of operation, and sources and application of funds for the calendar years 2018 and 2017.

	2018	2017	<u>Increase/ (Decrease)</u>
Financial Position			
Assets	₱373,318,319.40	₱282,861,053.44	₱90,457,265.96
Liabilities	115,422,569.90	74,073,573.21	41,348,996.69
Government Equity	257,895,749.50	208,787,480.23	49,108,269.27
Results of Operation			
Income	₱181,147,207.87	₱167,631,241.21	₱13,515,966.66
Expenses	134,583,332.04	133,538,711.28	1,044,620.76
Surplus (Deficit) for the Period	₱42,775,091.85	₱21,883,009.49	₱20,892,082.36

C. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of Casiguran, Aurora for the year ended December 31, 2018. 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.

In compliance with the Unnumbered Memorandum dated July 9, 2018 by the Commission on Audit Assistant Commissioner for Local Government Sector (LGS) and in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, which identify the CY 2018 audit foci, we covered in audit the Cash and Cash Equivalents, Financial Liabilities, Due from NGOs/POs and other LGUs, Funds Transfers from National Agencies (NGAs)

to LGUs, (BUB releases from CY 2013-2016, ADM releases in CY 2017, Assistance to Municipalities, Financial Assistance to LGUs releases from DBM in CY 2017 and 2018, KALSADA releases in CY 2016, Conditional Matching Grant to Provinces releases in CY 2017 and 2018, PAMANA, SALINTUBIG), 20% Development Fund, Local Disaster Risk Reduction Management Fund on Disaster Preparedness Thematic Area, Solid Waste Management, Compliance with RA 9184, Revenue-Generating Programs, payment to casuall, job orders, contractuall and consultant, Enforcement of COA Disallowance and Charge, Compliance to Tax Law, Remittance of Mandatory Contribution (GSIS, Pag-IBIG and Philhealth), and Compliance with Program and Project related to Gender and Development. Results of audit with significant observation were discussed in Part II of this Report.

D. Independent Auditor's Opinion

We rendered a qualified opinion because the correctness and existence of Property, Plant and Equipment (PPE) accounts with a reported net book balance of ₱217,856,691.52, which represents 58.44% of the total assets of the municipality as of December 31, 2018 remained unreliable due to (a) absence of complete accounting and property, records, and documents evidencing ownership on lots with a recorded value of ₱32,268,190.06; and (b) failure to conduct the physical count of PPEs inconsistent with the Manual on NGAS for LGUs, Volume II and Section 491 of GAAM Volume I.

For the above mentioned deficiencies, we recommended and management agreed that the Local Chief Executive direct the (a) Municipal Treasurer, in coordination with the Municipal Assessor's Office, to work on the titling of all lands owned by the Municipality; (b) acting GSO and the Accountant to update and maintain the required PPE records, and reports; and (c) members of the inventory committee, to conduct a physical count of PPEs in accordance with the prescribed procedures and to render a report thereon in the manner and frequency required by regulations.

E. Summary of Other Significant Audit Observations and Recommendations

Commendably, the Municipal Government of Casiguran was compliant with RA No. 9003 or the Ecological Solid Waste Management Act of 2000 and with the laws, rules and regulation on the withholding and remittance of (a) taxes to the Bureau of Internal Revenue, and (b) contributions and loan amortizations to the Government Service Insurance System and Home Development and Mutual Fund, and compulsory Philhealth contributions for the year in accordance with the provisions of Republic Act No. 7875 or the National Health Insurance Act of 1995.

On the other hand, the observations which need management action are briefly summarized as follows:

1. The reported balances of Cash-in-Bank(CIB) account totaling to ₱110,843,790.95 as of December 31, 2018 remained unreliable due to (a) non-reconciliation of the Cash-in-Bank ledger balances with treasury and bank records which showed a total variance of

₱19,923,081.61; and (b) existence of unadjusted reconciling items in net deductive amount of ₱2,479,945.94, contrary to Section 74 of P.D. No. 1445 and COA Circular No. 96-011 dated October 2, 1996. (*Observation No. 2*)

We recommended and management agreed that the Local Chief Executive instruct the Municipal Treasurer and the Municipal Accountant (a) conduct reconciliation of the Cash-in-Bank records with the depository banks within ten days from receipt of the bank statements and with the Treasurer's cash records at least on a quarterly basis; (b) regularly perform detailed analysis and review of cash accounts; and (c) combine their efforts to retrieve the documents relative the undocumented reconciling items to determine the appropriate action or disposition thereof.

2. The reported balances of the Real Property Tax (RPT)/Special Education Tax (SET) receivables and Deferred Credits totaling ₱10,511,763.87 and ₱10,562,520.36, respectively, as of December 31, 2018 were unreliable due to (a) failure to draw the Journal Entry Voucher (JEV) setting-up the tax receivables and deferred credits at the start of CY 2018; and (b) non-submission by the Treasurer to the Accountant of the Certified List of Taxpayers and Taxes Due to serve as basis for recording the amount of Real Property Tax/Special Education Tax Due and Collectible for the year, contrary to Sections 19 (b) and 20 of the Manual on the New Government Accounting System (NGAS) for Local Government Units, Volume I. (*Observation No. 3*)

We recommended and management agreed that the Local Chief Executive instruct the (a) Municipal Accountant (i) set-up the RPT/SET Receivable and Deferred Credits accounts at the beginning of the year; and (ii) maintain the appropriate records with the necessary details to support the balances of the receivable and deferred accounts; and (b) Municipal Treasurer at the beginning of every year, prepare a duly certified list showing the name of taxpayers and the amount due and collectible for the year and furnish the Accounting Office thereof for recording in the books of accounts, in accordance with Sections 19 and 20 of the Manual on New Government Accounting System for LGUs, Volume I.

3. The Municipality recognized ₱27,250,801.92 of Local Road Networks in the books of account in compliance of Item IX of COA Circular No. 2015-008. However, the recognition is doubtful due to incomplete documentation. (*Observation No. 4*)

We recommended and management agreed that the Local Chief Executive instruct (a) the acting General Services Officer and Municipal Accountant to (i) review the recorded road, highways and bridges which were closed to government equity in the prior years and subsequently record the same under Road Network account to reflect the required percentage according to the transition provision; and (ii) abide by the aforesaid Circular in maintaining the pertinent reports and ledgers to be able to provide reliable basis on the amounts presented in the financial statements; and (b) the Inventory Committee to conduct physical count of the local roads together with related components and furnish the original copy of the report thereon to COA Audit team.

4. Cash advances totaling ₱7,547,211.88 remained unliquidated as of December 31, 2018 contrary to COA Circular No. 97-002 dated February 10, 1997 which resulted in the delayed recognition of asset and expense accounts that were paid out of said cash advances, and/or exposure to loss or misuse of any unused cash advances. Moreover, outstanding cash advances increased by 32.25% indicating lapses of management observing rules on the grant and utilization of cash advances. (*Observation No. 5*)

We recommended and management agreed that the Local Chief Executive instruct the Municipal Accountant (a) send demand letters to the concerned accountable officers for the liquidation of their accountabilities; (b) stop the practice of granting new cash advances without the liquidation of previous ones; (c) require the concerned personnel to liquidate their cash advances as soon as the purpose thereof had been accomplished; and (d) maintain individual Subsidiary Ledgers of all accountable officers for accurate monitoring of their cash advances.

5. The desired goals and objectives of reducing disaster risk and enhancing disaster preparedness and response capabilities may not be optimally achieved by the Municipality due to inadequate planning and monitoring of the use of the fund, particularly those pertaining to prior years' balances of Local Disaster Risk Reduction and Management Fund (LDRRMF) inconsistent with the purpose and intents of R.A. No. 10121, the Philippine Disaster Risk Reduction and Management Act of 2010, and its IRR and COA Circular No. 2012-002 dated September 12, 2012. (*Observation No. 6*)

We recommended and management agreed that the Local Chief Executive (a) together with the Municipal Disaster Risk Reduction Management Council, carefully plan and implement the programs, project and activities to attain the utmost result and deliver the desired services to the residents of the Municipality; and (b) instruct the MDRRMO to submit to the audit team the Monthly Report on Sources and Utilization of DRRMF, through the LDRMMC and Local Development Council, in the manner and frequency prescribed by regulations.

6. The eligibility screening of bidders for the infrastructure projects was not in accordance with Section 23 of the Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184, which unduly allowed an ineligible contractor to undertake projects totaling ₱2,240,657.00. Also, the payments were not completely documented, which was inconsistent with Section 9 of COA Circular No. 2012-001 dated June 14, 2012, the RIRR of R.A. No. 9184 and Section 4 of Presidential Decree (PD) No. 1445 thus, Management's claim on the regularity of the payments totaling ₱22,536,231.18 could not be ascertained. (*Observation No. 7*)

We recommended and management agreed that the Local Chief Executive instruct (a)BAC and TWG to (i) explain why the contractor was declared eligible to undertake the projects despite the inappropriateness/insufficiency of its PCAB license for the project; and (ii) adhere to the provisions of the R.A. 9184 and its IRR regarding screening and post-qualification of bidders; (b) Municipal Accountant to submit the lacking documents and ensure that the submitted supporting documents are original copies and complete in

accordance with the aforesaid laws, agreement and rules and regulations; and (c) Municipal Engineer together with inspectorate team to explain the immediate issuance of certificate of final acceptance for completed projects.

7. Notable damages/defects are observed, merely 13 months after its completion, on a project implemented under Assistance to Disadvantaged Municipalities Program (ADM) by Department of Interior and Local Government (DILG), resulting from poor project monitoring, inconsistent with the provisions of Department of Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular No. 2017-3 dated May 3, 2017. Moreover, the payments were not completely documented, which is not in consonance with Section 9 of COA Circular No. 2012-001 dated June 14, 2012, the RIRR of R.A. No. 9184 and Section 4 of Presidential Decree (PD) No. 1445; thus, Management's claim on the regularity of the payments totaling ₱20,195,461.71 could not be ascertained. (*Observation No. 8*)

We recommended and management agreed that the Local Chief Executive to (a) instruct the OIC- Municipal Engineer to (i) explain why he failed to observe the provisions of JMC on ensuring the quality of works and conducting quality tests on the ADM and AM projects and (ii) initiate and pursue the claim for the warranty on the project in accordance with related laws, rules and regulations; and (b) instruct the Municipal Accountant, OIC- Municipal Engineer and Bids and Awards Committee to (i) submit to the Audit Team originals of lacking documents, or duly certified copies thereof, if not available and other lacking documentary requirements, and (ii) ensure that future disbursements are supported with complete documents before effecting payments.

8. Taxes withheld totaling to ₱6,186,814.97 were not remitted to the Bureau of Internal Revenue (BIR) within the prescribed time in violation of BIR Revenue Memorandum Circular (RMC) No. 23-2012 dated February 14, 2012 thus, may result in the incurrence of interests and surcharges thereon. (*Observation No. 10*)

We recommended that the Municipal Accountant cause the remittance of all taxes withheld within the prescribed period as provided in existing BIR regulations.

9. The implemented activities of the Municipality for Gender and Development GAD Plan and Budget (GPB) for CY 2018 was not approved by DILG, hence, the activities carried out for the year were not assured to be gender-responsive in accordance with provisions set forth in the Philippine College of Women (PCW), Department of Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01. (*Observation No. 15*)

We recommended and management agreed that the Local Chief Executive (a) instruct the GFPS to ensure that (i) the GAD Plan and Budget implemented is DILG approved and (ii) necessary adjustments are reflected and carried out on observations and recommendations by DILG regarding the GPB PPAs for its approval; and (b) comply with

the provisions of the aforementioned circular on the submission of GAD Accomplishment Report.

F. Summary of Total Suspensions and Disallowances as of December 31, 2018

Audit suspensions of ₱9,117,144.35 and audit disallowance of ₱52,409.79 were not yet settled as of year-end which was not in consonance with the COA 2009 Rules and Regulations on the Settlement of Accounts (RRSA).

G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Out of the 30 audit recommendations contained in our prior years' audit report, seven or 23.33% were fully implemented, four or 13.33% was partially implemented and 19 or 63.34% were not implemented as of December 31, 2018.