

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 2014 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, 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 October 12, 2017 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 2017 audit foci, we covered in audit the Cash and Cash Equivalents, Financial Liabilities, Fund Transfers (Due from/Due to NGOs/POs, NGAs, GOCCs and LGUs), Funds Directly Released by the DBM to LGUs From the Appropriations for Local Government Support Fund (LGSF) (including Governance Fund releases CY 2016 KALSADA and CY 2017 Conditional Matching Grant to Provinces), Local Disaster Risk Reduction Management Fund, Compliance with RA 9184, Compliance and Performance Audit of 20% Development Fund, Revenue-Generating Program, Enforcement of COA Disallowances and Charges, Compliance to Tax Laws, Remittance of Mandatory Contributions (GSIS, Philhealth and Pag-IBIG), Compliance with Programs and Projects related to Gender and Development, and Statement of Audit Suspensions, Disallowances and Charges. Result of audit with significant observations were discussed in Part II of this 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 2018 and 2017.

Account	2018	2017	Increase/ (Decrease)
Financial Condition			
Assets	₱386,016,077.12	₱315,170,959.86	₱70,845,117.26
Liabilities	72,886,914.84	53,914,995.20	18,971,919.64

Equity	313,129,162.28	261,255,964.66	51,873,197.62
Results of Operations			
Income	186,646,264.93	175,225,518.92	11,420,746.01
Expenses	152,774,352.46	139,747,571.14	13,026,781.32
Excess of Income over Expenses	₱33,871,912.47	₱35,477,947.78	(₱1,606,035.31)
Sources and Application of Funds			
Allotment	₱219,175,951.59	₱178,137,584.28	₱41,038,367.31
Obligation	215,142,353.73	175,972,937.53	39,169,416.20
Balances	₱4,033,597.86	2,164,646.75	₱1,868,951.11

D. Independent Auditor's Report

We rendered a qualified opinion on the fairness of presentation of the financial statements because of misstatements and possible misstatements of accounts as manifested in the unreliability of the (1) reported balances of Cash-in-Bank (CIB) accounts as of December 31, 2018 totaling ₱25,394,201.49 due to (a) unaccounted net difference of ₱511,809.19 between adjusted book and bank balances; and (b) uncanceled stale checks of ₱573,183.00; and (2) year-end balance of Property Plant and Equipment (PPE) totaling ₱324,841,822.87 due to (a) unreconciled difference of ₱210,712,849.87 between the Accounting records and the report in the physical count of PPE.

For the above mentioned exceptions, we recommended the following courses of actions, (1) for the unreliable Cash-in-Bank balances the Municipal Mayor instruct the Municipal Accountant to (a) continue investigating the causes of the discrepancies in the book and bank record and to effect the necessary adjustments in the books to establish the correct account balance; and (b) cancel the stale checks and make proper adjustments in the municipality's books of accounts.; and (2) for the unreliable PPE the Management to (a) prioritize the initiation of comprehensive physical count of its property in order to reconstruct the subsidiary ledgers supporting the reliability of books; (b) maintain property records in accordance with the New Government Accounting Manual; and (c) conduct/organize trainings regarding property management to equip its designated officers with knowledge and skills necessary to perform their duties and responsibilities.

E. Summary of Other Significant Observations and Recommendations

1. The Municipality was able to significantly decrease cash overdraft recorded in CY 2017 of ₱10,468,460.20 to ₱5,549,274.90 in CY 2018, due to improved collection performance. However, a cash overdraft of ₱5,549,274.90 in General Fund was still noted as of December 31, 2018 contrary to Section 337 of RA 7160. **(Observation No. 3)**

We reiterated our prior year's recommendations to: (a) further improve its cash management with a view of meeting the Municipality's obligations as they become due;

(b) ensure that monies held in trust are used only on purposes for which it was created or received; (c) prioritize settlement of prior years' trust obligations; and (d) pursue feasible solutions that can address the issue on cash deficits.

2. The rules and regulations on granting and liquidation of cash advances were not being strictly observed resulting in the accumulation of unliquidated cash advances at year – end in the aggregate amount of ₱1,006,352.20 contrary to COA Circular No. 97-002 dated February 10, 1997 and COA Circular No. 2012-001 dated June 14, 2012. **(Observation No. 4)**

We recommended and management agreed that the Municipal Mayor instruct the Municipal Accountant to (a) require the concerned personnel to liquidate/submit liquidation reports as soon as the purpose thereof had been accomplished and refund/return the excess cash advance, if any, for the full settlement of cash advance; (b) update and monitor regularly the liquidation of cash advances and send demand letters to the personnel with outstanding cash advance; and (c) refrain from granting new cash advance to personnel without the liquidation of the previous cash advance.

3. The Municipality registered a high utilization rate of 89.26% for its 20% Development Fund for the calendar year 2018. However, liquidated damages were not imposed for two projects that have exceeded the specified period of completion with proper approval from management, thereby, violating Section 8.1 of Annex E of the Revised IRR of RA No. 9184. **(Observation No. 7)**

We recommended and the management agreed to (a) continue develop/invest in high-impact capital expenditures projects in the utilization of its 20% Development Fund and ensure the effective and efficient implementation of the projects; and (b) instruct the Municipal Engineer to (i) strictly monitor implementation of awarded projects to ensure that these are completed as scheduled; and (ii) compute for the liquidated damages to be imposed to the contractors for failure to complete the projects within the specified contract time.

4. The overall collection performance of the Municipality showed an accomplishment rate of 109% or ₱15,571,968.93 over its estimated collections of ₱171,074,296.00. However, it still failed to meet its targeted income for various local taxes by ₱2,611,351.24 as contained in the summary of receipts in Annual Budget for CY 2018 in pursuance with the pertinent provisions of R.A. No. 7160, which may possibly defeat the delivery of public services. **(Observation No. 13)**

We commended the effort of the management in surpassing the targeted collections for various income accounts. Nonetheless, we still recommended and management agreed that the Local Finance Committee make a systematic and realistic forecasting to set-up attainable performance targets on all possible income accounts.

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

	Beginning Balance (As of December 31, 2017)	This period January 1, 2018 to December 31, 2018		Ending Balance (As of December 31, 2018)
		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
Total	₱483,541.14	₱0.00	₱0.00	₱483,541.14

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Of the 40 audit recommendations embodied in our previous years' audit report, 24 or 60% was fully implemented, 15 or 37.5% were partially implemented and one or 2.5% were not implemented, some of which were reiterated in this report.