

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Flora was created on June 22, 1963 by virtue of Republic Act 3670. It was named Flora as a tribute to the former Florence Busacay, the wife of then Congressman Alfredo Lam-en who authored the bill of its creation.

Flora is a third class municipality situated in the northeast part of Apayao. It is bounded on the north by the Municipality of Sta. Marcela, Apayao; on the south by the Municipality of Kabugao, Apayao; on the east by the Municipality of Allacapan, Cagayan; and on the west by the Municipality of Luna and Pudtol, Apayao.

B. FINANCIAL HIGHLIGHTS

The LGU's financial condition, sources and application of funds are as follows:

I. Comparative Status of Financial Condition

Particulars	2017	2016	Increase/ (Decrease)	%
Assets	232,703,568.21	163,222,638.40	69,480,929.81	43%
Liabilities	109,967,118.25	81,770,902.22	28,196,216.03	34%
Equity	122,736,449.96	81,451,736.18	41,284,713.78	51%

II. Comparative Sources and Application of Funds

Particulars	2017	2016	Increase/ (Decrease)	%
Appropriations	114,473,641.30	102,553,455.00	11,920,186.30	12%
Revenues	108,466,414.72	96,227,921.80	12,238,492.92	13%
Expenses	79,335,086.05	77,015,430.69	2,319,655.36	3%

C. SCOPE OF AUDIT

A Financial and Compliance audit was conducted on the accounts and operations of the municipality for the Calendar Year 2017 to determine the propriety of its transactions and the accuracy and reliability of financial records and reports.

D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements because of the following:

- a. The reliability of the balances of receivable and liability accounts amounting to ₱20,311,269.38 and ₱79,535,841.08, respectively as of December 31, 2017 could not be ascertained due to incomplete data presented on the schedules submitted.
- b. The validity, reliability and accountability of the reciprocal accounts Due from Other Funds and Due to Other Funds could not be ascertained due to failure of the Municipal Accountant to reconcile the said accounts with a variance of ₱782,767.61.
- a. Advances accounts in the total amount of ₱8,294,940.20 were no longer reported as outstanding in the books as of December 31, 2017, although reports/documents were not submitted to support their liquidation.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The reliability of the balances of receivable and liability accounts amounting to ₱20,311,269.38 and ₱79,535,841.08, respectively as of December 31, 2017 could not be ascertained due to incomplete data presented on the schedules submitted.

We recommended that the Municipal Accountant adequately support the general ledger accounts (both real and nominal) in the financial statements with complete subsidiary schedules and submit them to the Audit Team immediately for review and analysis.

2. The validity, reliability and accountability of the reciprocal accounts Due from Other Funds and Due to Other Funds could not be ascertained due to failure of the Municipal Accountant to reconcile the said accounts with a variance of ₱782,767.61.

We recommended that Management exert effort to reconcile the reciprocal accounts by identifying the causes of the discrepancies and effect immediate adjustments in the books.

3. Advances accounts in the total amount of ₱8,294,940.20 was no longer reported as outstanding in the books as of December 31, 2017, although reports/documents to support their liquidation were not submitted.

We recommended that the Municipal Accountant ensure that all liquidation of advances are duly supported in order to establish accuracy of the account balances. Likewise, submit immediately the lacking supporting documents and/or liquidation reports on cash advances.

4. Various procurement of the municipality totaling ₱1,145,034.43 were done through shopping, instead of public bidding and small value procurement, rendering the transactions irregular.

We recommended that the BAC shall only resort to shopping and other alternative mode of procurement, when conditions warrant as provided for under the RA 9184 & its IRR.

5. The propriety of fund transfer amounting to ₱60,000.00 from the Special Education Fund (SEF) of the Municipality to Allig National Agricultural and Trade High School could not be ascertained due to non-liquidation and incomplete documentation thereof.

We recommended that Management require ANATHS to liquidate the fund transfer immediately.

6. The municipal government failed to remit taxes withheld amounting to ₱285,576.78 contrary to Revenue Regulation No. 6 – 2001, thereby depriving the government of timely use of the said fund.

We recommended that Management remit all taxes withheld to the BIR within the required period.

7. Purchase of equipment used in the operation of the Flora Water Supply System (FWSS) amounting to ₱67,200.00 was inappropriately charged to the 20% development fund, precluding the optimal utilization of the latter contrary to DILG and DBM Joint Memorandum Circular (JMC) of the DILG and DBM No. 2011-1 dated April 13, 2011.

We recommend that Management should stop charging FWSS expenses to the 20% Development Fund to enable optimal utilization of the latter fund for its priority development projects in pursuance of Item 5 of DILG and DBM Joint Memorandum Circular (JMC) of the DILG and DBM No. 2011-1 dated April 13, 2011.

8. Stockpile of basic emergency supplies for disaster preparedness was used for death assistance and food for work projects of the municipality contrary to the purpose for which the stockpile was established.

We recommended that Management stop the utilization/release of stockpile for the food for work projects and death assistance; likewise, maintain stockpile of basic emergency supplies ready to be used during disasters and calamities.

F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 27 audit recommendations embodied in the 2016 Annual Audit Report, 14 were fully implemented, five were partially implemented and eight were not implemented.