

## EXECUTIVE SUMMARY

### A. INTRODUCTION

Cabugao was created as a “pueblo” (a full-pledged town) in 1781 by Spanish Royal decree.

The Municipality of Cabugao, Ilocos Sur is a local government unit mandated by the Local Government Code of 1991 to deliver basic services and facilities enumerated in section 17 (b) (2) of said code.

Cabugao, Ilocos Sur is a first class municipality with thirty-three (33) barangays. It is one the municipalities dotting the long and narrow Ilocos coast on the Northwestern rim of the island of Northern Luzon. Facing the China Sea on the west, it is bounded on the south by San Juan (Lapog), on the east of the Province of Abra and Ilocos Norte, on the north by the Municipality of Sinait. It comprises 2.4% of the whole area of the province of Ilocos Sur with an area of 8,568 hectares.

The municipality is predominantly agricultural. The dominant crops are rice, tobacco, tomato, onion, and corn. As the municipality is bordering along the China Sea, Fish is also a major product.

The municipality is under the leadership of the Honorable Josh Edward S. Cobangbang assisted by Vice Mayor Deogracias Jose Victorino H. Savellano.

As of December 31, 2017 the municipality has a total of 112 officials and employees distributed among the different offices.

The LGU is envisioned to live together as dignified, peaceful and united people living in sustainable, eco-friendly and safe environment under a value-oriented leadership moving onward to mold a vibrant economy that is globally competitive and become a progressive trade center of the north.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Cabuago, Ilocos Sur for calendar year (CY) 2017. The audit was aimed at determining whether financial statements were presented in accordance with Philippine Public Sector Accounting Standards, whether the resources of the Municipality were utilized in conformity with applicable laws and regulations, and to assess or determine whether the resources of the Municipality were disbursed or utilized economically, effectively, and efficiently. The audit consisted of review of operating procedures; inspection and validation of the programs and projects; interview with concerned Municipal officials and employees; verification, reconciliation and analysis of accounts; and such other procedures deemed necessary under the circumstances. Furthermore, the audit thrusts provided in CY 2017 by the Local Government Sector-Central Office were adopted.

## B. FINANCIAL HIGHLIGHTS

Comparative financial highlights of the Municipality for the CY 2017 and 2016 are as follows:

<b>Accounts</b>	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>	<b>% of Increase / (Decrease)</b>
▪ Assets	834,870,448.35	793,703,982.87	41,166,465.48	5.19%
▪ Liabilities	151,648,810.90	164,809,655.06	(13,160,844.16)	(7.99%)
▪ Government Equity	683,221,637.45	628,894,327.81	54,327,309.64	8.64%

	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>	<b>% of Increase / (Decrease)</b>
Income	152,700,930.54	462,041,584.38	(309,340,653.84)	(66.95)
<b>Total Income</b>	<b>152,700,930.54</b>	<b>462,041,584.38</b>	<b>(309,340,653.84)</b>	<b>(66.95%)</b>

<b>Application of Funds</b>	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>	<b>% of Increase/ (Decrease)</b>
▪ Personal Services	49,527,586.03	47,687,883.71	1,839,702.32	3.86%
▪ MOOE	76,988,839.56	89,941,958.89	(12,953,119.33)	(14.20%)
<b>Total Expenses</b>	<b>126,516,425.59</b>	<b>137,629,842.60</b>	<b>(11,113,417.01)</b>	<b>8.07%</b>

## C. OPERATIONAL HIGHLIGHTS

The total appropriation, allotment, and obligation for the year as compared to previous year are as follows:

	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>	<b>% of Increase/ (Decrease)</b>
Appropriation	299,455,122.55	570,948,307.54	(271,493,184.99)	(47.55%)
Allotment	299,455,122.55	570,948,307.54	(271,493,184.99)	(47.55%)
Obligation	229,440,445.68	403,906,584.26	(174,466,138.58)	(43.19%)

## **D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the reliability, accuracy and existence of the recorded Property, Plant and Equipment (PPE) in the amount of P712,916,234.06 as of December 31, 2017 were not ascertained due to the inability of the municipality to conduct the required annual physical count as of December 31, 2017, hence reconciliation of the result of the count with the accounting records was not also done.

## **E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

### **A. Favorable Observations**

1. The municipality was able to withhold taxes pertaining to documentary stamps, income of officials and employees, payment to suppliers and contractors, and value-added taxes for the calendar year 2017 on a regular basis and remit them promptly and regularly to the Bureau of Internal Revenue (BIR) in compliance with the Revenue Regulation No. 2-98 dated April 17, 1998, thus the national government was benefited on the immediate use of the much needed fund.
2. The Municipality was able to implement its programs, projects and activities embodied in its 20% Annual Development Plan as of December 31, 2017.
3. The municipality was able to provide at least five percent (5%) of the LGU budget appropriations for CY 2017 for the activities supporting Gender and Development (GAD). Also, almost all of the GAD Programs/Projects/Activities (PPAs) of the municipality for CY 2017 were implemented which supports the objectives of the Joint Memorandum Circular (JMC) No. 2013-01 re: Guidelines on the Localization of the Magna Carta of Women.

### **B. Areas For Improvement**

1. Ownership of some utility vehicles of the Municipal Government remained in the name of the seller contrary with Section 39 of Presidential Decree 1445.

We recommended that management facilitate the transfer of Certificates of Registration of the said vehicles in the name of the Municipality so that the Local Government Unit can claim full ownership thereof and to avoid problems that may arise in the claim of insurance. We further recommended that a Team be created on the proper Appraisal and Disposal of some unserviceable motor vehicles and later forward a request for inspection to the Commission on Audit.

2. Funds allocated for the Local Council for the Protection of Children (LCPC) were not fully implemented, hence the purpose and objective of the program to promote and protect the interest and welfare of the children was not attained as embodied in Republic Act 9344, known as the “Juvenile Justice and Welfare Act of 2006.”

We recommended that the municipal officials concerned require the Chairperson of the LCPC to review the guidelines specified under RA 9344 and to implement programs/projects funded under the same Act for the promotion of interest and welfare of children in the country. We further recommended that the Budget Officer compute properly the 1% fund from the proceeds of the IRA to finance projects programmed thereto.

**F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS AT YEAREND**

	Beg. Balance (As of December 31, 2016)	This period (CY 2017)		Ending Balance (As of December 31, 2017)
		NS/ND/NC	NSSDC	
• Notice of Suspension (NS)	P 378,844.09	P -	P -	P 378,844.09
• Notice of Disallowance (ND)	1,447,311.87	98,241.76	59,811.76	1,485,741.87
• Notice of Charge (NC)	-	-	-	-
<b>Total</b>	<b>P 1,826,155.96</b>	<b>P 98,241.76</b>	<b>P 59,811.76</b>	<b>P 1,864,585.96</b>

**G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 11 audit recommendations contained in the CY 2016 Annual Audit Report, two or 18% were fully implemented, four or 36% were partially implemented, and five or 46% were not implemented by the municipal government.