

EXECUTIVE SUMMARY

1. Introduction

The Municipality of Iguig, Province of Cagayan was founded by Rev. Ambrocio de la Madre de Dios, O.P on December 8, 1607. It was created as "Pueblo" along with the earlier towns where Spanish Encomienderos enjoyed the friendly atmosphere and willingness of residents to embrace Christianity. It is known for its pottery making supplying particularly the whole province.

Iguig is a fourth class municipality composed of 23 barangays. It is located approximately 16 kilometers away from Tuguegarao City. The agency's vision is to be self-reliant, productive agricultural community, vibrant in trade and industry and well known tourist destination where every Iguiguenos can live peacefully and prosperously.

The audit covered the accounts and operations of the Municipality of Iguig for the year 2017 and was aimed at determining whether management presented fairly the financial statements of the municipality in adherence to the generally accepted accounting principles; whether prevailing laws, rules and regulations were complied with; and whether funds were utilized in the most efficient, effective and economical manner. Financial, compliance and value-for-money audit were conducted to achieve these audit objectives.

2. Financial Highlights

For CY 2017, the financial information of the municipality is presented below with the comparative figure for CY 2016:

Particulars	2017	2016	Increase/ (Decrease)	
			Amount	Percentage
Financial Condition				
Assets	170,086,595.29	140,277,378.88	29,809,216.41	21.25%
Liabilities	63,640,226.09	51,298,316.78	12,341,909.31	24.06%
Government Equity	106,446,369.20	88,979,062.10	17,467,307.10	19.63%
Result of Operations				
Income	96,247,974.69	83,277,914.90	12,970,059.79	15.57%
Expenses	77,553,492.79	60,824,842.15	16,728,650.64	27.50%

Particulars	2017	2016	Increase/ (Decrease)	
			Amount	Percentage
Appropriations, Allotments and Obligations				
Total Appropriation	104,512,357.00	97,713,296.96	6,799,060.04	6.96%
Total Obligations	88,252,014.24	86,093,274.29	2,158,739.95	2.51%
Comparative Statements of Funds Received from NGAs, LGU, NGOs, & POs				
Nat'l Gov't Offices	34,759,089.05	27,683,089.62	7,075,999.43	25.56%
Local Gov't Units	1,000,000.00	3,200,000.00	(2,200,000.00)	-68.75%
Comparative Statements of Funds Transferred to NGAs, LGU, NGOs, & POs				
Local Gov't Units	100,000.00	1,297,114.54	(1,197,114.54)	-92.29%

3. Independent Auditor's Report on the Financial Statements

The auditor rendered a qualified opinion on the financial statements due to the effect of the non-preparation of bank reconciliation statements for CY 2017 rendering the Cash in Bank account balance under all funds of P17,216,912.94 unreliable; Property, Plant and Equipment of P138,065,697.83 is doubtful due to non-preparation and non-submission of the Report on the Physical Count of PPE.

4. Summary of Significant Observations and Recommendations

- a. Special Educational Fund for CY 2017 amounting to P 900,000.00 did not include allocations for Early Childhood Care and Development (ECCD) programs and activities, which is not consistent with Section 7 (b) of Republic Act No. 10410 dated March 26, 2013, thereby depriving children from age zero (0) to four (4) of additional projects that would promote their welfare and development.

We recommended Management through the Local School Board, to include programs, projects and activities for Early Childhood Care and Development (ECCD) in the Annual Budget of Special Education Fund in adherence to Section 7(b) of Republic Act No. 10410.

- b. Two (2) projects funded out of 20% development fund for CY 2017 totaling P3,500,000.00 were not implemented at year end due to inability of management

to properly implement these projects on time resulting to the delayed delivery of the socio-economic development and environmental outcomes in the municipality as provided under DILG DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.

We recommended that Management implement projects as planned and address the causes of delays in the implementation of the two (2) programmed developmental projects in order to maximize the utilization of the funds and ultimately achieve desirable socio economic development and environmental outcomes in the municipality.

- c. Government Services Insurance System (GSIS) Consolidated Loan payments of some LGU Officials and employees were paid in cash thru the Municipal Treasurer's Office which is not in accord with the payment mechanism indicated in the terms and conditions of the Loan, thus making the LGU a collecting agent of the GSIS.

We recommend that the Municipal Treasurer and Municipal Accountant to adhere strictly with the payment mechanism stipulated in the terms and conditions of loan applications and to avoid employing the LGU as a collecting agent in behalf of any loaning institution. The sole responsibility of an agency is to withhold and remit loans deducted from the payrolls and not to collect.

- d. Fund transfer amounting to P15,437,000.00 was recorded under the general fund which is not in compliant with the policy guidelines and procedures provided under DILG DBM Joint Memorandum Circular No. 2017-03 dated May 23, 2017 resulting to the overstatement of the Cash in Bank and Due to NGAs account in the general fund and understatement of the affected accounts in the trust fund.

We recommended Management, to comply with the specific policy guidelines in the implementation of projects funded from LGSF ADM under DILG DBM Joint Memorandum Circular No. 2017-03 dated May 23, 2017 and to effect necessary adjustment on the transfer of funds from general fund to trust fund.

- e. Various Fund Transfers from National Government Agencies in the total amount of P11,254,000.00 were not recorded in the LGU books as of December 31, 2017 which is not in accord with the faithful representation principle of the Philippine Public Sector Accounting Standards (PPSAS) thereby affecting the reliability of the Due to NGAs account.

We recommended that the Municipal Accountant will take up in the LGU books the aforementioned fund transfers to adhere with the provisions of the Philippine Public Sector Accounting Standard and sustain the reliability of the Financial Statements.

5. Summary of Suspensions, Disallowances and Charges

The following are the summary of suspensions, disallowances & charges as of December 31, 2017:

Particulars	Beg. Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<u>Suspensions</u>					
Prior Years	0.00	10,000,000.00	0.00	10,000,000.00	0
Current Year	0.00	0.00	0.00	0.00	0
Total	0.00	10,000,000.00	0.00	10,000,000.00	0
<u>Disallowances</u>					
Prior Years	32,125.00	0.00	0.00	32,125.00	0
Current Year	0.00	0.00	0.00	0.00	0
Total	0.00	0.00	0.00	32,125.00	0
<u>Charges</u>					
Prior Years	0.00	0.00	0.00	0.00	0
Current Year	0.00	0.00	0.00	0.00	0
Total	0.00	0.00	0.00	0.00	0

6. Status of Implementation of Prior Years' Audit Recommendations

Out of the six (6) prior years' audit recommendations embodied in the 2016 Annual Audit Report, four (4) were fully implemented, one (1) was partially implemented and one (1) was not implemented.