

EXECUTIVE SUMMARY

A. Introduction:

Cabug was the former name of Enrile when it was one among the barrios of Tuguegarao. It was established as a separate town in September 1841 and was named in honor of Governor Pascual Enrile who was the prime mover for the construction of roads in Northern Luzon. However, there was no enabling law or records available showing the creation of the municipality. This 3rd class municipality produces rice, corn, tobacco, peanuts and sugar cane.

Financial, compliance and value for money audit were conducted on the accounts and operations of the LGU-Enrile, Cagayan for the calendar year 2016. The audit objectives were to ascertain the propriety of the disbursements, the reliability of the financial reports, the adequacy of accounting records, compliance with laws, rules and regulations as well as adherence to prescribed policies and procedures. Likewise, the audit was conducted to determine whether plans, programs, activities and projects for the year were attained at an efficient, economic and effective manner.

B. Financial Highlights:

The financial condition and results of operations of LGU-Enrile, Cagayan for CY 2016 with comparative figures for CY 2015 are as follows:

Accounts	2016	2015	Increase/(Decrease)
Assets	P187,328,242.14	P165,138,224.26	P22,190,017.88
Liabilities	78,473,731.40	83,499,059.64	(5,025,328.24)
Government Equity	108,854,510.74	81,639,164.62	27,215,346.12
Income	113,889,008.37	102,894,761.63	10,994,246.74
Expense	90,241,119.03	79,727,765.28	10,513,353.75
Appropriation	111,022,964.00	101,075,440.00	9,947,524.00
Obligation	89,612,937.14	77,443,486.13	12,169,451.01

The funds received by the LGU and transferred to other agencies and non-government and people's organizations for CY 2016 with comparative figures for CY 2015 are presented in the following table:

Funds Received from Other Agencies	2016	2015	Increase/(Decrease)
NGAs	P 7,252,920.00	P 9,130,380.00	P (1,877,460.00)
LGUs	9,860,000.00	11,329,675.00	(1,469,675.00)
NGOs/POs	0.00	0.00	0.00
Others	200,000.00	0.00	200,000.00
Total	P 17,312,920.00	P 20,460,055.00	P (3,147,135.00)

Funds Transferred to Other Agencies	2016	2015	Increase/(Decrease)
NGAs	0.00	0.00	0.00
LGUs	0.00	0.00	0.00

NGOs/POs	0.00	0.00	0.00
Others	0.00	0.00	0.00
Total	0.00	0.00	0.00

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the LGU-Enrile, Cagayan as of December 31, 2016 due to the following:

- (a) the non-submission of the Report on the Physical Count of Property, Plant and Equipment and the non-preparation of subsidiary ledgers rendered the Property, Plant and Equipment accounts with a net book value of P145,711,233.73 doubtful;
- (b) the non-provision of current year depreciation for PPE accounts with a total cost of P34,726,779.40 resulted in the misstatement of the assets, expenses and government equity accounts;
- (c) the balance of the accounts Due from Other Funds and Due to Other Funds is not reliable due to an unreconciled balance of P2,231,479.96;
- (d) the balance of the accounts Due from LGUs and Due from NGAs is misstated because transfers to public schools amounting to P426,320.00 were recorded under Due from LGUs, instead of Due from NGAs; and
- (e) the failure to request from the COA for authority to write-off the Other Receivables in the amount of P673,282.40 which remained outstanding/dormant for eight to thirty five years, thereby affecting the fairness of the presentation of the affected accounts in the financial statements.

D. Summary of Significant Observations and Recommendations:

- 1. Disbursements totaling P22, 426,623.01 were not supported with complete a documentary requirement which is contrary to existing rules and regulations, thus affecting the validity and legality of the disbursements.**

We recommended that the Municipal Accountant ensure that the supporting documents of the disbursement vouchers are complete to prove the validity and legality of the claims pursuant to existing law, rules, and regulations.

Moreover, he must submit the lacking documents and comply with the other deficiencies noted to avoid the suspension/disallowance of subject transactions.

- 2. Deficiencies were noted in the procurement of various projects of the Municipality totaling P23, 676,623.01 which were not in accordance with**

pertinent provisions of the Revised Implementing Rules and Regulations of Republic Act No. 9184.

We recommended the following:

Procurement of 2 units Rescue Vehicles (Multi-purpose Vehicle and 3.5 Crane Truck)

- Management should require Central Luzon Prime Mover, Inc. to submit special bank guarantee equivalent to at least ten percent (10%) of the total contract price which will cover its warranty obligation pursuant to Section 62.1 of the Revised IRR of RA 9184.
- The Bids and Awards Committee post the Notice of Award, Notice to Proceed and the approved contract in the PhilGEPS in compliance with the aforementioned provisions of the Revised IRR of RA 9184.
- Moreover, the BAC should give their justifications/explanations for declaring Central Luzon Prime Mover Inc. with the lowest calculated responsive bid and recommending the award of the project even if the Tax Clearance submitted was already expired prior to the opening of bids. Also, the BAC should issue Notice of Post-Qualification to the Lowest Calculated Bidder to inform that it will be subjected to post-qualification.
- The Bids and Awards Committee exercise prudence in the review of eligibility requirements to determine whether prospective bidders are eligible to participate in the Municipality's various procurement projects in faithful observance to Section 23.1 of the Revised Implementing Rules and Regulations of Republic Act No. 9184.

Construction of Day Care Center at Brgy. San Jose and at Brgy. Liwan Norte

- The Bids and Awards Committee exercise prudence in the review of eligibility requirements to determine whether prospective bidders are eligible to participate in the Municipality's various procurement projects in faithful observance to Section 23.1 of the Revised Implementing Rules and Regulations of Republic Act No. 9184 and review the content of the Notice of Post-Qualification and ensure that it serves the purpose set out under Section 34.2 of the same rules and regulations.

Three Phase Electrical System and Feeder Lines (Phase II)

- The Bids and Awards Committee should evaluate the eligibility documents submitted by the bidder to ensure compliance with the requirements of the Revised IRR of RA 9184 before recommending the award of the contract. Moreover, the BAC should submit their explanation/justification for recommending the award of the project to the contractor even if the eligibility requirements were not complied with.

Construction of Local Core Road

- The Bids and Awards Committee submit an explanation on discrepancies and irregularities noted. Also, the BAC should ensure that relevant

provisions of the Revised IRR of RA 9184 are followed in all procurement activities of the LGU.

- Management check the sufficiency of the amount of the performance security and that it is submitted by the winning bidder prior to the signing of contract to ensure adherence to the provisions of the Revised IRR of RA 9184.

Improvement of the Parking Area, Construction of Concrete Pavement, Construction of Foot Bridge (Tabba Bridge), Regravelling of Roads at Sitio Dapang, San Jose to Liwan Norte

- The Bids and Awards Committee submit an explanation on discrepancies and irregularities noted. Also, the BAC should ensure that relevant provisions of the Revised IRR of RA 9184 are followed in all procurement activities of the LGU.

Supply and Installation of Waterproofing Materials

- Management should strictly comply with the provisions of the Revised IRR of RA No. 9184 in the LGU's procurement activities.
- Moreover, the BAC should give their justifications/explanations on the errors/discrepancies noted and for declaring the contractor with the lowest calculated responsive bid and recommending the award of the project even if the eligibility requirements were not complied with.

Procurement for Generator Set

- Management stop the practice of using alternative modes of procurement for projects that should have been subjected to public bidding and ensure that relevant documents pertaining to procurements do not indicate brand names or models that are exclusively identifiable with a particular brand in strict compliance to Section 10 and Section 18 of the Revised Implementing Rules and Regulations of Republic Act No. 9184.
- Management should submit their explanation or justification for the not adopting competitive bidding in the subject procurement.
- Management should require Mutico Prime Power, Inc. to submit special bank guarantee equivalent to at least ten percent (10%) of the total contract price which will cover its warranty obligation pursuant to Section 62.1 of the Revised IRR of RA 9184.

- 3. Had the management of the LGU fully utilized the funds allotted for its major programs and projects under the 20% Development Fund, the constituents could have benefited from the planned programs/projects. As of year-end, only 24.98% of the appropriated fund of P18, 204,592.00 for CY 2016 was implemented.**

We recommended that management implement the LGU's programs and projects without delay so that public funds may be utilized at the optimal level and the constituents would immediately enjoy the benefits from the projects.

4. Various programs/activities/projects on the GPB were not funded as shown in the GAD Accomplishment Report, thus the purpose of the GAD was not fully attained. Moreover, the LGU had only implemented 23.79 % of its funded GAD programs/activities/projects.

We recommended that management ensure the implementation of the municipality's Gender and Development projects so that the purpose of the GAD is fully realized.

E. Summary of Total Suspensions, Disallowances and Charges

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<i>Suspensions:</i>					
Prior Years	5,000,000.00	0.00	0.00	5,000,000.00	0.00%
Current Year		60,414,091.37	17,100.00	60,396,991.37	0.03%
Total	5,000,000.00	60,414,091.37	17,100.00	65,396,991.37	0.02%
<i>Disallowances:</i>					
Prior Years	74,804.60		0.00	74,804.60	0.00%
Current Year		7,602,679.12	27,294.94	7,575,384.18	0.35%
Total	74,804.60	7,602,679.12	27,294.94	7,650,188.78	0.35%
<i>Charges:</i>					
Prior Years	0.00	0.00	0.00	0.00	0.00
Current Year	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

F. Status of Implementation of Prior Years' Unimplemented Audit Recommendations:

Of the 24 prior years' audit recommendations embodied in the 2015 Annual Audit Report, four were fully implemented, 12 were partially implemented, and eight were not implemented.