

## EXECUTIVE SUMMARY

### 1. Introduction

The Municipality of Gonzaga, Cagayan was established as a regular municipality in 1918. It was first named as “Rumang-ay”, meaning progressive, and was later renamed in honor of Graciano Gonzaga, the first Filipino Governor of Cagayan. It was found, however, that there is no record available that should show any specific law for its creation.

A financial and compliance audit was conducted on the operations of the municipal government of Gonzaga, Cagayan for the year ended December 31, 2016. The audit was made in accordance with generally accepted and prescribed government auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary under the circumstances. The audit consisted of review of operating procedures, processes and practices being done by the municipality, the books of accounts and subsidiary records and the reliability of the financial reports. Financial transactions, accounts and reports were examined to ascertain the extent of compliance with laws, rules and regulations and budgetary requirements with due regard to economy, efficiency and effectiveness of its operations.

### 2. Financial Highlights

The highlights of the financial position financial performance, appropriations, allotments and obligations of the Municipality of Gonzaga for the year ended December 31, 2016, are as follows:

	2016	2015	Increase (Decrease)
<b><u>Financial Position</u></b>			
Total Assets	459,896,514.49	312,544,058.92	147,352,455.57
Total Liabilities	89,429,407.29	48,208,412.59	41,220,994.70
Total Government Equity	370,467,107.20	264,335,646.33	106,131,460.87
<b><u>Financial Performance</u></b>			
Total Income	163,279,075.64	147,856,982.23	15,422,093.41
Total Expenses	134,258,239.06	126,010,018.50	8,248,220.56
<b><u>Appropriations, Allotments and Obligations</u></b>			
Appropriations - Current	179,111,524.00	154,655,463.00	24,456,061.00
Appropriations – Continuing	16,987,010.28	8,625,854.67	8,361,155.61
Allotments – Current	179,111,524.00	154,655,463.00	24,456,061.00
Allotments – Continuing	16,987,010.28	8,625,854.67	8,361,155.61
Obligations – Current	129,673,103.98	124,087,079.73	5,586,024.25
Obligations – Continuing	7,181,545.69	4,421,948.91	2,759,596.78

The table above shows that the Municipality's assets, liabilities and government equity as of December 31, 2016 were P459,896,514.49, P89,429,407.29 and P370,467,107.20 with an increase of 47.15%, 85.51% and 40.15%, respectively from last year's figures.

On the other hand, income earned and expenses incurred during the year amounted to P163,279,075.64 and P134,258,239.06 which increased by 10.43% and 6.55%, respectively, from last year's figures.

Comparative Statement of Fund Transfers from NGAs, other LGUs, and Non-Government Organizations/People's Organizations are detailed below:

	2016	2015	Increase (Decrease)
<b>Funds Transferred from Other Agencies:</b>			
Fund transfers from NGAs	12,633,880.96	18,759,515.00	(6,125,634.04)
Fund transfers from other LGUs	0.00	0.00	0.00
<b>TOTAL</b>	<b>12,633,880.96</b>	<b>18,759,515.00</b>	<b>(6,125,634.04)</b>
<b>Funds Transferred from NGOs/POs</b>			
Fund transfers from NGOs	0.00	0.00	0.00
Fund transfers from POs	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Funds transferred to the Municipality from Other Agencies for CY 2016 amounted to P12,633,880.96 with a decrease of 32.65% from last year's figures. There were no funds transferred from NGOs and POs for the years 2016 and 2016, respectively.

### 3. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the financial statements of the Municipality of Gonzaga due to the effects of failure of the agency to conduct physical inventory of its *Property, Plant and Equipment* with net book value amounting to P221,443,383.11 as of year-end.

### 4. Summary of Significant Observations and Recommendations

#### Financial and Compliance Audit

- a. **Huge amounts of cash advances was being handled by Disbursing Officer every month for salaries and allowances due to manual distribution of pay envelops, thus, may expose the fund to possible loss or misapplication of funds and the possible delay in the liquidation thereof.**

We recommended management to adopt a system of payroll payment through the Automated Teller Machine (ATM) of Government Banks. The ATM

payroll system provides convenience on the part of management since payroll payments are distributed from the payroll account maintained in an authorized government depository bank to the individual account of the regular employees. The system will eliminate risk of loss or misapplication of funds and will reduce cash advances being handled by the Disbursing Officer.

- b. Collections totalling P112,698.62 were not deposited intact at the end of the year contrary with COA Circular No. 92-382 dated July 3, 1992 and Section 32, Volume I of the Manual on the New Government Accounting System for Local Government Units.**

We recommended that the Municipal Treasurer deposit intact all collections of the municipality with its authorized depository bank pursuant to the aforementioned regulation and to avoid exposing the funds to the risk of possible loss, misapplication or misappropriation.

- c. Cash advances totaling to P572,486.64 had remained unliquidated as of year-end due to the failure of concerned accountable officers and employees to settle their accountabilities and strictly enforce the rules and regulation on the granting, utilization and liquidation of cash advances as provided under pertinent provisions of Presidential Decree No. 1445 and COA Circular No. 97-002 dated February 10, 1997.**

We recommended that management strictly enforce the rules and regulation on the granting, utilization and liquidation of cash advances. Require the Municipal Accountant not allow the grant of additional cash advance to officials and employees unless the previous cash advance have been first liquidated or a proper accounting thereof had been made.

Issue demand letter for the immediate liquidation of cash advances to those not active/employed in the municipality.

- d. The annual GAD Plan and Budget (GPB) amounting to P10,615,000.00 was not reviewed and approved by the DILG Regional Office as provided under PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus, identified programs, projects and activities cannot be ascertained whether it is in response with the gender issues and concerns of the locality.**

We recommended management to comply with the provisions of PCW-DILG-NEDA-DBM Joint Circular No. 2013-01 dated July 18, 2013 on the preparation, review and approval of GAD Plan and Budget.

- e. The amount of P1,536,026.00 allocated for Ecological Solid Waste Management Plan have not been completely implemented contrary with the provision of Section 12(6) of Republic Act. No. 9003, also known as the Ecological Solid Waste Management Act of 2000.**

We recommended that management thru the MSWMB, fully execute the programs and activities contained in the ESWMP, make a review their 10-Year Municipal Solid Waste Management Plan, undertake self-assessment report and make corrective action plan to address the present issues and concerns on ecological environment.

- f. **The Special Education Fund (SEF) of the Municipality estimated budget at P1,488,000.00 in 2016 were not fully utilized in accordance with the purpose for which it was intended, as provided for in Section 272, Chapter 7 of Republic Act No. 7160 and DECS, DBM and DILG Joint Circular No. 01-B dated June 25, 2001, thus improvement of public school services and facilities were not fully undertaken, and the expected benefits therefrom were not made available to the intended recipients.**

We recommend that the concerned officials to provide equal priority to those programs/projects and activities that were identified in Section 272, Chapter 7 of Republic Act No. 7160 and DECS, DBM and DILG Joint Circular No. 01-B dated June 25, 2001 to benefit the targeted recipients.

#### **Value for Money Audit**

- g. **Several programs, projects and activities under the 20% development fund amounting to P8,500,000.00 were not fully utilized during the year, hence deprived the intended beneficiaries of the socio-economic benefits that could have been derived thereat**

We recommend to management to fast tract the completion of all on-going and not implemented projects funded under the 20% Development Fund to optimize utilization thereof and timely brings the desired benefits to the intended beneficiaries. Likewise, the concerned department is advised to monitor regularly the status of implementation of the 20% Development Plan.

#### **5. Summary of Total Suspensions, Disallowances and Charges**

<b>Particulars</b>	<b>Beginning Balance</b>	<b>Issued During the Year</b>	<b>Settlement During the Year</b>	<b>Ending Balance</b>	<b>% of Settlement</b>
<b><u>Suspensions</u></b>					
Prior Years	0.00	0.00	0.00	0.00	0 %
Current Year	0.00	571,351.70	571,351.70	0.00	100%
<b>Total</b>	<b>0.00</b>	<b>571,351.70</b>	<b>571,351.70</b>	<b>0.00</b>	<b>100%</b>
<b><u>Disallowances</u></b>					
Prior Years	0.00	0.00	0.00	0.00	
Current Year	0.00	0.00	0.00	0.00	
Total	0.00	0.00	0.00	0.00	

<b>Charges</b>					
Prior Years	0.00	0.00	0.00	0.00	
Current Year	0.00	0.00	0.00	0.00	
Total	0.00	0.00	0.00	0.00	

The Notice of Suspension issued for CY 2016 amounting to P571,351.70 were fully settled on February 10, 2017 upon submission of the lacking documents pertaining to transactions that were suspended in audit.

**6. Status of Implementation of Prior Year's Unimplemented Audit Recommendations**

Of the eleven (11) audit recommendations embodied in the 2015 Annual Audit Report, two (2) was fully implemented, six (6) were partially implemented and three (3) were not implemented as shown in Part III of this report.