

EXECUTIVE SUMMARY

A financial, compliance and value for money audit was conducted on the accounts and operations of the Municipality of Aglipay, Quirino for the year ended December 31, 2019. The audit aimed to verify the level of assurance that maybe placed on management assertions on the financial statements, compliance with rules and regulations and determine whether its financial resources were managed economically and efficiently.

A. FINANCIAL HIGHLIGHTS

The financial highlights of the Municipality of Aglipay for CY 2019 as compared to the figures of CY 2018, are summarized as follows:

Particulars	2019	2018	Increase (Decrease)	
			Amount	%
Financial				
Total Asset	₱ 233,957,225.31	₱ 177,540,546.08	₱ 56,416,679.23	32%
Total Liabilities	51,846,734.68	20,033,780.68	31,812,954.00	159%
Total Equity	182,110,490.63	157,506,765.40	24,603,725.23	16%
Results of Operation				
Total Revenues	133,802,037.43	120,236,526.78	13,565,510.65	11%
Total Expense	108,708,667.89	100,012,615.69	8,696,052.20	9%
Net Income	25,093,369.54	20,223,911.09	4,869,458.45	24%
Sources of Application of Funds				
Appropriation/ Allotment				
Current	135,037,268.53	125,416,233.87	9,621,034.66	8%
Continuing	–	24,585,755.56	(24,585,755.56)	-100%
Obligations				
Current	126,845,886.51	104,800,250.33	22,045,636.18	21%
Continuing	–	17,143,564.26	(17,143,564.26)	-100%
Balances				
Current	(8,191,382.02)	20,615,983.54	(28,807,365.56)	-140%
Continuing	–	7,442,191.30	(7,442,191.30)	-100%

B. OPERATIONAL HIGHLIGHTS

For the calendar year 2019, the Municipality of Aglipay sustained its major accomplishments in the areas of infrastructure development, health, social, education and agriculture projects.

Among the notable implemented infrastructure projects are the following:

Project Name	Project Cost	Amount Disbursed	Status
Procurement, Supply and Delivery of Brand-new Glass-Bottle Crusher Pulverizer and Multi-Purpose Shredder	1,495,000.00	1,495,000.00	100% Completed
Completion of Municipal Hall Comfort Room and Two (2) units of Public Comfort Room	1,178,647.74	1,178,647.74	100% Completed
Construction of 6 Units Gazebo	1,938,215.16	1,938,215.16	100% Completed
Construction of Proposed Municipal Entrance	1,027,205.79	1,027,205.79	100% Completed
Construction of 75.00 Lin. M. perimeter Fence (25 Spans @ 3M)	1,551,035.92	1,551,035.92	100% Completed
Construction of 2-units public comfort room	2,707,300.46	2,706,770.58	100% Completed
Concreting of Dumpsite Road with Slope Protection (Phase I)	1,400,000.00	1,340,778.94	100% Completed

C. SCOPE OF AUDIT

The audit covered the period January 1 to December 31, 2019 which was focused on the 2019 Audit Focus and Thrusts for the Local Government Sector (LGS) Memorandum dated July 10, 2019. Identified audit areas were looked into and the team conducted the audit through employment of audit techniques and procedures deemed necessary under the circumstances including validation of reported accomplishments.

D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the following reasons, namely:

1. Unreconciled Cash in Bank balance of ₱20,830,542.46.
2. Existence and correctness of Property, Plant and Equipment amounting to ₱165,401,525.01 cannot be ascertained due to failure to conduct actual physical count and maintain PPE ledger cards.

E. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. Collections were not deposited intact with the authorized government depository bank, contrary to Paragraph 1 of Section 69 of the Presidential Decree (PD) No. 1445 and COA Memorandum No. 2013-004 dated June 9, 2013 thus resulting to undeposited collections amounting to ₱2,428,607.28 as of December 31, 2019 and exposing government funds to possible theft or loss.

We recommended that the Local Chief Executive instruct the Municipal Treasurer and the Liquidating Officer to deposit all collections as required by rules and regulations to prevent misappropriation, theft and loss of funds. Impose administrative sanctions if warranted.

2. Cash advances to officers and employees granted in prior and current years amounting to ₱13,747,797.04 as at year-end remained unsettled or unliquidated contrary to Section 89 of PD 1445 resulting to the accumulation thereof.

We recommended that cash advances which remained unliquidated beyond the allowed time of liquidation be withheld from the salaries of the accountable officers and proper charges be made, if warranted. Strict adherence to the provisions of COA Circular Nos. 97-002 and 2012-004 is enjoined.

3. Other Receivables account of ₱1,180,846.07 has been outstanding for more than ten (10) years and the probability of collections is doubtful due to its nature thus, affecting the fair presentation of accounts in the financial statements.

We reiterated our recommendation that the Municipal Accountant should review the said account, secure the necessary supporting documents needed as required by COA Circular 2016-005 dated December 19, 2016, and submit a request for authority to write off from COA, in order to remove the long-outstanding and dormant accounts from the books of the agency.

4. The existence and correctness of the Property, Plant and Equipment balance amounting to ₱165,401,525.01 cannot be ascertained due to the failure of the LGU to conduct annual physical count in accordance with Section 156 of COA Circular 92-386 thus affecting the reliability of the PPE accounts in the financial statements.

We reiterated our recommendation that management should conduct actual inventory of all properties owned by the LGU and the corresponding report be prepared and submitted to comply with COA Circular No. 92-386. The inventory

report prepared by the Municipal Treasurer should reconcile with accounting records and necessary adjustments should be made to present a reliable balance in the financial statements.

5. The procured supplies of the Municipality amounting to ₱3,733,929.61 were directly charged to expense accounts upon purchase contrary to Philippine Public Sector Accounting Standard (PPSAS) 12 resulting to overstatement and understatement of related expense and inventory accounts, respectively.

We recommended that the Local Chief Executive should instruct the Municipal Accountant and the Municipal Treasurer to comply with the provisions of PPSAS 12 relative to the recording of inventories.

6. The existence and correctness of the recorded Road Networks account amounting to ₱16,686,318.63 cannot be ascertained due to the failure of management to submit the Report on the Physical Count of the Road Network System of the local government unit pursuant to COA Circular No. 2015-008 dated November 23, 2015. In addition, the road network system was not disclosed in the Notes to Financial Statements of the Municipality.

We recommended the following to the Management:

- a. The Municipal Engineer provide the Municipal Accountant with the complete description and cost segregation of road components for road projects.
- b. The LGU maintain a Local Road Inventory and Road Map and keep a complete Local Road Network Property Card for all roads and its components.
- c. The Municipal Accountant prepare the Journal Voucher to record the inventory of the local road network and its components in the general ledger and the Local Road Network Ledger Card. He shall keep and maintain subsidiary records for roads and road components for every road network, and ensure that 100% of the value of road network of the Municipality shall be booked-up in 2019 consistent with COA Circular No. 2015-008. Full disclosure on road networks should be made in the Notes to the Financial Statements of the Municipality.

F. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the twenty-three (23) audit recommendations embodied in the 2018 Annual Audit Report, seven (7) were fully implemented, eight (8) were partially implemented, and eight (8) were not implemented.