EXECUTIVE SUMMARY

Introduction

The Municipality of Cajidiocan is classified as a 4th class municipality. It acquired its political status as a municipality on October 1, 1946. Its vision is to have a "sustainable human development and increased family income through an innovative market-driven livelihood, improved quality health, education services, law enforcement, conservation and protection of physical and natural environment under participatory governance in partnership with civil society."

Financial Highlights

The municipality generated a surplus of ₱28,166,943 for CY 2019, lower by ₱3,642,254 or by 11.45% compared with last year's surplus of ₱31,809,196. The Internal Revenue Allotment (IRA) of ₱101,925,384 represents 94.10% of the total revenue.

The total assets, liabilities, government equity, income and expenses for CY 2019 compared with that of the preceding year are as follows:

	CY 2019	CY 2018	Increase/(Decrease)
Total Assets	₱ 385,724,484	₱346,474,117	43,311,457
Total Liabilities	46,263,755	57,321,732	(6,996,887)
Total Equity	339,460,729	289,152,385	50,308,344
Total Income	108,515,026	97,652,376	10,862,650
Total Expenses	80,348,083	65,843,179	14,504,904

Scope of Audit

The Audit Team conducted financial and compliance audits on the accounts and operations of the Municipality of Cajidiocan for CY 2019. The audit was aimed to *(a)* determine whether Management presented fairly the financial statements in adherence to the Philippine Public Sector Accounting Standards; *(b)* ascertain the level of assurance that may be placed on management's assertions in the financial statements; *(c)* evaluate the extent of compliance with laws and regulations as well as the propriety and validity of transactions; *(d)* recommend measures to improve the efficiency and effectiveness of the agency's operations; and *(e)* determine the extent of implementation of prior year's audit recommendations.

Audit Opinion on the Financial Statements

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the Municipality of Cajidiocan.

Significant Observations and Recommendations

For calendar year 2019, the following are the significant audit observations and recommendations:

1. Cash in Bank – Local Currency, Current Account (CIB-LCCA) of ₱3,210,752.54 out of the balance of ₱202,082,729.99 as at December 31, 2019 could not be ascertained as to accuracy and reliability due to non-preparation of Bank Reconciliation Statement (BRS) contrary to Section 74 of Presidential Decree (P.D.) No. 1445. Moreover, stale checks and other reconciling items totaling P199,036.72 remained unadjusted contrary to Item 3.3 of COA Circular No. 96-011 dated October 2, 1996 thereby understating the said account. Lastly, five bank accounts were still maintained with the Philippine National Bank (PNB) contrary to Department of Finance (DOF) Department Circular (DC) No. 01-2017 dated May 11, 2017, thus exposed the government funds to risk of loss in the event the private bank becomes insolvent.

   We recommended that the Municipal Mayor: *(a)* enjoin the depository banks with which they maintain bank accounts to furnish them with bank statements regularly and promptly; *(b)* make sure that the request is communicated in writing for documentation and reference; *(c)* require the Municipal Accountant to prepare BRS, submit the same to the Audit Team on time, and reflect in the books all valid reconciling items; *(d)* require the Municipal Treasurer to monitor all checks and cancel any stale check and replace them with a new one if necessary; and *(e)* comply with DOF DC No. 01-2017 by closing all bank accounts with the PNB and transfer them to the AGDBs within the province.

2. Total collections from Real Property Tax (RPT) and Special Education Tax (SET) was only ₱1,403,783.89 which represents 16.69% of the total tax due and demandable, inconsistent with Section 247 of Republic Act (R.A.) No. 7160 thereby depriving the municipality of huge income for basic services. Moreover, total account balance of RPT and SET Receivables of ₱7,006,617.59 as at December 31, 2019 was unreliable due to discrepancy between the balance per books versus the balance per Certified List of All Real Property Tax Delinquencies contrary to Section 20 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs). Lastly, the municipality had not conducted tax mapping contrary to Section 472(b)(5) of the same Act, hence, the reports from which the receivable accounts were based had been incomplete and outdated.

We recommended that the Municipal Mayor *(a)* instruct the Municipal Treasurer to adopt strategies in intensifying the collection of real property tax such as information campaign to encourage taxpayers to take advantage of early payment discount; *(b)* require the Municipal Accountant and Treasurer to reconcile their records and present the correct amount of tax delinquencies; and *(c)* require the Municipal Assessor to conduct a tax mapping to update the real property units and their corresponding assessed value.

3. Property, Plant and Equipment (PPE) accounts with book value of ₱79,070,412.44 as at December 31, 2019 were not provided with depreciation contrary to Paragraphs 4 and 5 of Philippine Public Sector Accounting Standard (PPSAS) 17 – PPE, thereby resulting in understatement of expense and overstatement of asset and net income. Moreover, we noted deficiencies in the submitted Report on Physical Count of PPE (RPCPPE) contrary to Section 124 of Volume I and Section 57 of MNGAS for LGUs Volume II, and the inclusion of unserviceable properties of ₱13,950,521.27 which should have already been disposed of pursuant to Section 79 of P.D. No. 1445 and COA Circular No. 89-296 dated January 27, 1989.

   We recommended that the Municipal Mayor require: *(a)* the Municipal Engineer to determine the useful life of the infrastructure assets and the Municipal Accountant to provide depreciation allowance for the said accounts; *(b)* the Municipal Treasurer or the Inventory Committee to use the prescribed format of the RPCPPE and make sure to reconcile the same with the accounting records; and *(c)* cause the disposal of the unserviceable properties in compliance with the pertinent guidelines.

4. The municipality did not secure copies of Transfer Certificate of Title (TCT)/Certificate of Land Title (CLT) for its parcels of land totaling ₱4,232,810.40 contrary to Section 39.2 of Presidential Decree No. 1445. Moreover, documentary deficiencies were noted in the payment of the newly acquired land totaling ₱649,540.00 contrary to Item 13.1 of COA Circular No. 2012-001 dated June 14, 2012 thereby casting doubt to the regularity of payment.

   We recommended that the Municipal Mayor require the Municipal Assessor to process in the Registry of Deeds the TCT/CLT of the parcels of land of the municipality. Also, secure and submit to the Audit Team the noted lacking documents to support the disbursements made for the lot acquisition. Henceforth, all claims against government funds shall be supported with complete documentation as required by Section 4.6 of P.D. No. 1445.

5. Eighteen (18) infrastructure projects with total contract cost of ₱23,778,648.58 were awarded to contractors whose submitted financial and technical documents have errors or deficiencies thereby casting doubt to the propriety of the post-qualification conducted by the Bids and Awards Committee (BAC) contrary to Section 34, Rule X of the 2016 Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184.

We recommended that the Municipal Mayor require: *(a)* the Municipal Engineer to submit the approved Bill of Quantities and Detailed Engineering Estimate; *(b)* the BAC to explain the deficiencies noted and to submit all lacking bid documents to the Audit Team and henceforth to adhere strictly to the provisions of the 2016 Revised IRR of R.A. No. 9184 in all stages of procurement process; and *(c)* the Municipal Accountant to scrutinize every voucher for the completeness and veracity of supporting documents prior to processing of claims for the infrastructure projects.

6. Seven programs, projects and activities (PPAs) totaling ₱1,363,500.00 under the LDRRMF were not implemented because of the slow pace of processing procurement thereby resulting in low fund utilization rate of only 32% contrary to Item 7 of the JMC No. 2014-01 dated April 4, 2014 of the National Disaster Risk Reduction and Management Council-Department of the Interior Local Government-Department of Budget and Management-Civil Service Commission (NDRRMC-DILG-DBM-CSC) and Section Nos. 1 and 3, Rule 18 of the IRR of the R.A. No. 10121, thereby defeating the purpose for which the fund was established and depriving the target beneficiaries of the benefits therefrom.

   We recommended that the Municipal Mayor enjoin the Local Disaster Risk Reduction and Management Officer (LDRRMO) to ensure henceforth that the PPAs identified for disaster prevention and mitigation, preparedness, response, rehabilitation and recovery be implemented and the funds therefore be utilized for the benefits of the target beneficiaries or constituents.

7. Out of 37 programs, projects and activities (PPAs) funded by 20% Development Fund, 24 PPAs with total appropriations of ₱13,272,696.00 were not completed within the target date specified in the Annual Investment Plan (AIP) due to slow implementation of projects contrary to Item 5 of the Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017 of the Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM), thereby depriving the constituents of the benefits that could be derived therefrom. Moreover, copies of contracts and its supporting documents for the on-going infrastructure projects totaling ₱4,572,696.00 were not submitted to the Audit Team contrary to Item 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009.

   We recommended that the Municipal Mayor: *(a)* instruct the Municipal Planning and Development Coordinator and Municipal Engineer to justify/explain the non-implementation of three PPAs for the current appropriation and one PPA from continuing appropriation, and update the Audit Team of the status of the 24 ongoing PPAs; *(b)* fast track the implementation of identified developmental PPAs and maximize the utilization of the said fund; and *(c)* instruct the BAC to submit the copies of contracts and its bidding documents that form part of the contract for the nine ongoing projects and henceforth comply with COA Circular No. 2009-001 in the submission of contracts.

Status of Implementation of Prior Year's Audit Recommendations

Out of the 11 audit recommendations contained in the Annual Audit Report of the Municipality of Cajidiocan for the year ended December 31, 2018, two were fully implemented, eight were partially implemented and one was not implemented.