

## EXECUTIVE SUMMARY

### Introduction

Ormoc City is a 1<sup>st</sup> class independent component city located at the western part of the Province of Leyte. It has one hundred ten (110) barangays with local autonomy to enable them to attain their fullest development as self-reliant communities.

An audit was conducted on the accounts and operations of the City of Ormoc for CY 2016 with particular emphasis on cash, receivables, property, plant and equipment accounts, fund transfers, the procurement activities of the city as well as their compliance with pertinent provisions of RA 9184, the Ecological Solid Waste Management Act of 2000, utilization of the 20% Development Fund, Special Education Fund, LDRRM Fund and 1% Local Council for the Protection of Children Fund. The audit was conducted to ascertain the propriety of financial transactions, the accuracy of financial records and reports as well as compliance of the agency with prescribed rules and regulations. It was also made to ascertain whether the programs as envisioned were attained in an economical, efficient and effective manner.

The audit was conducted in accordance with laws and the Philippine Public Sector Standards on Auditing. It included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. Verification, inspection, confirmation, analysis of accounts, and such other procedures considered necessary were conducted by the team during the audit.

### Financial Highlights

The City's assets, liabilities and equity as of December 31, 2016 and income and expenses in comparison with that in CY 2015 are as follows:

	2016	2015	Increase (Decrease)	
			Amount	%
Assets	5,566,756,127.99	4,246,306,888.46	1,320,449,239.53	31%
Liabilities	599,268,929.28	877,512,378.51	(278,243,449.23)	-32%
Equity	4,967,487,198.71	3,368,794,509.95	1,598,692,688.76	47%
Income	1,266,501,549.52	1,068,430,406.72	198,071,142.80	18%
Expenses	759,945,627.65	1,736,584,707.76	(976,639,080.11)	-56%

Appropriations, allotments and obligations for CY 2016, as compared with that in CY 2015 as well as funds received from other government agencies and funds transferred to other government agencies are tabulated below:

<b>Particulars</b>	<b>CY 2016</b>	<b>CY 2015</b>	<b>Increase/(Decrease)</b>
Appropriations	1,309,802,072.41	1,253,032,947.90	56,769,124.51
Allotments	1,309,802,072.41	1,253,032,947.90	56,769,124.51
Obligations	792,850,108.44	968,317,021.35	(175,466,912.91)
Funds Received From National Government Agencies (NGAs)	83,044,051.30	946,333,187.00	(863,289,135.70)
Funds Transferred to Other Agencies	1,487,219.60	3,152,358.45	(1,665,138.85)

### **Independent Auditor's Opinion**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to doubtful existence and accuracy of Property, Plant and Equipment amounting P306 million which could not be identified since there was no actual inventory conducted and no other documents were available to ascertain what properties comprise the amount. Also, the increase of P15.5 million of the Liabilities accounts could not be validated and confirmed due to un-submitted Journal Entry Vouchers (JEVs) and supporting documents on the recorded transactions.

### **Summary of Significant Observations and Recommendations**

In addition to the exceptions cited above, the following are the significant audit observations and recommendations:

1. The existence of receivables amounting to P2million is doubtful.

**We recommend that the OIC - City Accountant initiate the request for write off of the dormant accounts pursuant to COA Circular No. 2016-005.**

2. Projects identified in the Annual Investment Plan with appropriations from the 20% Development Fund totaling P121.9 million were not implemented.

**We recommend that the City Development Council, through the City Mayor, review, update and prioritize the projects in the Annual Investment Plan so that the funds intended for projects which are no longer feasible can be re-appropriated for other development projects. Also, plan adequately and thoroughly all infrastructure projects prior to its inclusion in the Annual Investment Plan to ensure that only those which can be implemented within two years are included.**

**We also recommend that the City Engineer ensure immediate implementation and completion of projects within the specified timeframe to guarantee the full utilization of the 20% Development Fund and attain continuous development of the city.**

3. Only 3.6% of the P35 million appropriations for programs, projects and activities (PPAs) under the 70% Mitigation Fund of the Local Disaster Risk Reduction Management Fund (LDRRMF) for CY 2016 were implemented.

**We recommend that the City Disaster Risk Reduction Management Council, through the CDRRM Officer, review the LDRRMIP and include all aspects (proper fund utilization & identification of PPAs, time table, people, workload, weather and others) in its preparation in order to accelerate the implementation of projects, programs and activities within the year and the 70% Mitigation Fund of the LDRRMF will be fully utilized in accordance with the purpose.**

4. The LDRRM Fund was appropriated for expenditure items amounting to P9,075,000.00 which were not authorized to be funded therefrom.

**We recommend that the City Disaster Risk Reduction and Management Council, through the City Mayor as Chairman, include in the LDRRMF Investment Plan and budget only the projects, programs and activities which are authorized to be incurred therefrom. More importantly, utilize the LDRRMF only for activities for which the fund is intended.**

5. Funds received from National Government Agencies (NGA) for the implementation of various programs and projects totaling P17,859,318.87 were not utilized as of December 31, 2016.

**We recommend that the City Mayor require the Department Heads/ Project Coordinators and other personnel involved in the implementation of the projects to implement all projects within the timeframe specified in the MOA.**

6. Absence of a specific date of completion in the MOA and late submission of liquidation reports on funds previously transferred caused the 3-year delay in the implementation of the Rehabilitation and Improvement (Revised 1) along Ebony Street, Ormoc City Project amounting P2,379,931.40.

**We recommend that the City Mayor request the source agencies to include among the provisions in the MOA the timetable on project implementation to guide the LGU in its completion. Also, require the City Engineer to closely monitor and evaluate the implementation of all projects of the LGU in accordance with the timelines set thereon to ensure the prompt submission of liquidation reports to the source agencies**

7. Demonstration by the supplier for the Supply and Installation of Multi-Pattern Modular Fountain amounting P10.3 million was made prior to the submission of bids, while the notification to the public about the project through a Signboard was not made.

**We recommend that the City Mayor through the BAC Chairman submit an explanation why the supplier was informed and was allowed to demonstrate its product before the bidding was conducted and prior to his participation therein. Also, we recommend that the BAC follow strictly the provisions of RA 9184 and its IRR to ensure regularity and legality of all procurements. Finally, we recommend that the Heads of Implementing Offices set up the required Signboard at the project site for all the PPAs of the LGU so that the public is duly notified of the essential features/elements of the PPAs.**

8. Allowances granted to teachers amounting P9,493,500.00 were not supported with document(s) to prove that said allowances has been given by the LGU as of December 31, 1997, while the amount of P518,000.00 were granted to non-teachers.

**We recommend that the City Mayor and Accountant submit documents to prove that the grant of allowances to teachers were existing as of December 31, 1997 to ensure that the grant of the same is valid. Also, to stop the grant of allowances to individuals who are not teachers and/or handling classes in public schools to avoid disallowances in audit.**

9. The budget for Special Education Fund (SEF) included expenditure items which were not identified as to which specific programs, projects or activities the fund was to be utilized while disbursements amounting P340,532.96 were incurred for expenses which were not authorized to be paid out of SEF.

**We recommend that the Local School Board, through the City Mayor as Chairman, identify the specific projects, programs and activities for which the expenditure items in its Budget for Special Education Fund are to be incurred. Also, utilize the SEF only for activities which the SEF is intended, particularly the improvement of school facilities.**

10. The City's Solid Waste Management Plan for CY 2006-2016 was not approved by the National Solid Waste Management Commission.

**We recommend that the City Mayor, through the City's SWM Board, prepare the Solid Waste Management Plan CY 2017-2027 in accordance with the provisions of RA 9003, secure the approval of the NSWMC and ensure its full implementation.**

11. Separate collection schedules and separate trucks or haulers for specific types of wastes were not adopted by the LGU while personnel dealing with the collection of solid wastes were not provided with any protective equipment.

**We recommend that the City Mayor and the City General Services Officer (CGSO) improve the implementation of Solid Waste Management Plan pursuant to RA 9003 through the following:**

- a.) adopt a viable and effective collection schedule for specific types of wastes to be collected;**
- b.) acquire additional garbage trucks to implement waste segregation at source and point of collection;**
- c.) widen the coverage of the city's garbage collection system;**
- d.) provide personal protective equipment and training on the proper handling of wastes to all collectors/personnel handling solid wastes to ensure their safety during garbage collection.**

#### **Summary of Audit Suspensions, Disallowances and Charges**

The City of Ormoc has unsettled suspensions and disallowances as of December 31, 2016 amounting to P21,734,506.12 and P9,857,382.28, respectively.

#### **Status of Implementation of Prior Years' Unimplemented Audit Recommendations**

Of the forty eight (48) audit recommendations embodied in the CY 2015 and prior years' Annual Audit Report of the City of Ormoc, only twelve (12) were implemented, twenty nine (29) were partially implemented while seven (7) were not implemented.