

EXECUTIVE SUMMARY

Introduction

The Municipality of Dolores, is a 3rd class municipality located in the northern part of the Province of Eastern Samar. It was created by virtue of a Decree issued by the King of Spain as a Pueblo on April 4, 1674. The Municipality of Dolores is predominantly agricultural. It has a land area of 14,387.41 hectares, which are utilized as follows: 55% devoted to rice production, 41.70% to coconut land, 2.88% to root crops, vegetable and fruit trees and the coast is devoted to abaca.

To stabilize the economy of the Municipality and in line with national and regional goals of the Government to reduce unemployment and minimize insurgency, the Municipal Government of Dolores has deemed it necessary to engage in agriculture and infrastructure development programs.

The Municipality is under the leadership of Hon. Mayor Shonny Niño R. Carpeso and the Hon. Vice-Mayor Ronald Ong with the Sangguniang Bayan Members. As of December 31, 2016 the workforce consists of one hundred five (105) personnel including the elective and regular officers and employees.

The Administration expects to attain the following objectives within the approved Annual Budget of the municipality for CY 2016:

1. Increase local taxes through updated ordinances on regulatory fees and permits.
2. Enhance tax collection via vigorous tax campaigns.
3. Increase agricultural productivity and enhance delivery of health care and services
4. Continuous infrastructure programs for growth and development
5. Augment local resources thru the operation of bus terminal and slaughterhouse.
6. Provide full accessibility to all basic needs and services to constituents.

HIGHLIGHTS OF FINANCIAL OPERATION

Sources and Application of Funds

A. Income

The Municipality collected a total income of P121,440,411.48 from various sources. This year's collection showed an increase by P102,352,107.09 or 18.65% from that of 2015, as follows:

Income Sources	2016	2015	Increase/Decrease	
			Amount	%
Tax Revenue	3,172,993.12	2,825,288.66	347,704.46	12.31
Share from Internal Revenue Collection	112,876,259.00	89,817,156.00	23,059,103.00	25.67
Service & Business Income	4,641,771.96	3,484,049.56	1,157,722.40	33.23
Other Income	749,387.40	6,225,612.87	(5,476,225.47)	(87.96)
Total	121,440,411.48	102,352,107.09	19,088,304.39	18.65

B. Appropriations and Expenditures

a. Appropriations per Program/Projects

Appropriations for the current year amounted to 124,012,105.17 which increased by 15.74% compared to that of last year's appropriations of P107,149,627.55, to wit:

Function/Program/Projects	2016	2015	Increase(Decrease)	
			Amount	%
General Public Services	70,953,983.36	60,129,906.40	10,824,076.96	18.00
Health Services	7,583,806.61	7,133,718.04	450,088.57	6.31
Social Welfare Services	3,383,665.18	3,260,914.08	122,751.10	3.76
Economic Services	9,650,615.24	22,633,117.16	(12,982,501.92)	(57.36)
Other Purposes	32,440,034.78	13,991,971.87	18,448,062.91	131.85
Total	124,012,105.17	107,149,627.55	16,862,477.62	15.74

b. Expenditures per Program/Project

Total expenditures incurred from current appropriations amounted to 113,449,003.49, an increase by P6,522,382.61 or 6.16% over that of CY 2015 as tabulated below:

Function/Program/Projects	2016	2015	Increase(Decrease)	
			Amount	%
General Public Serv.	70,101,193.16	60,023,826.29	10,077,366.87	16.79
Health Services	7,011,565.11	6,371,230.74	640,334.37	10.05
Social Welfare Services	2,938,430.35	3,169,913.10	(231,482.75)	(7.30)
Economic Services	8,206,141.72	22,458,078.13	(14,251,936.41)	(63.46)
Other Purposes	25,191,673.15	13,903,572.62	11,288,100.53	81.19
Total	113,449,003.49	105,926,620.88	6,522,382.61	6.16

c. Appropriation per Expense Classification

Appropriations per expense classification are summarized as follows:

Expense Classification	2016	2015	Increase(Decrease)	
			Amount	%
Personal Services	70,643,127.03	58,548,873.68	12,094,253.35	20.66
Maintenance & Other Operating Expenses	31,458,857.24	36,371,353.79	(4,912,496.55)	(13.51)
Capital Outlay	21,857,391.19	8,630,000.00	13,227,391.19	153.27
Financial Expenses	52,729.71	3,599,400.08	(3,546,670.37)	(100)
Total	124,012,105.17	107,149,627.55	16,862,477.62	15.74

d. Expenditure per Expense Classification

Expenditures per Expense classifications are summarized as follows:

Expense Classification	2016	2015	Increase(Decrease)	
			Amount	%
Personal Services	65,556,394.92	58,029,227.59	7,527,167.33	12.97
Maintenance & Other Operating Expenses	23,290,203.58	35,758,543.21	(12,468,339.63)	(34.87)
Capital Outlay	16,215,087.54	8,539,450.00	7,675,637.54	89.88
Financial Expenses	52,729.71	3,599,400.08	(3,546,670.37)	(100)
Total	105,114,415.75	105,926,620.88	(812,205.13)	(0.77)

C. **Financial Condition and Performance**

The comparative financial condition and performance of the LGU are as follows:

	2016	2015	Increase(Decrease)	
			Amount	%
Financial Condition				
Assets	433,875,541.41	217,528,569.45	216,346,971.96	99.46
Liabilities	183,037,548.18	139,869,342.07	43,168,206.11	30.86
Deferred Credits				
Equity	250,837,993.23	77,659,227.38	173,178,765.85	223.00
Financial Performance				
Income	215,589,266.48	102,352,107.09	113,237,159.39	110.63
Expenses	185,576,923.31	81,514,505.72	104,062,417.59	127.66

SIGNIFICANT ACCOMPLISHMENTS OF THE LGU

The LGU reported the following completed infrastructure and other projects during Calendar Year 2016 per Accomplishment Reports and Quarterly Reports of Projects, Programs and Activities, to wit:

1. Rehabilitation of Cagustan Diversion Dam, So. Cagustan, Brgy. Cagtabon;
2. Opening of National Road – Riverbank FMR (Phase 1) Brgy. Malaintos;;
3. Completion of Function Hall (Phase III), Brgy. 10;
4. Repair/concreting of Public Plaza, Brgy. 10;
5. Concreting of Roxas Street Extension, Brgy. 02;
6. Repair of Dolores Mun. Hospital;
7. Concreting of 543rd ECB Street, Brgys. 12 & 13;
8. Concrete Paving of Carolina Street & Camacho Street Extension, Brgy. 12;
9. Construction of Pharmacy and Dental Clinic, Brgy. 7; and
10. Concreting of Municipal Hall Ground.

SCOPE OF AUDIT

An audit was conducted on the accounts and operations of the Municipal Government of Dolores, Eastern Samar for the Calendar Year 2016. The audit was aimed to ascertain the propriety and validity of disbursements and receipts as well as the reliability of accounts as presented in the financial statements. The audit included a review of operating procedures, verification and analysis of accounts, interview with concerned officials and employees, and such other audit procedures necessary under the circumstances.

Disbursement vouchers and official receipts for the period January to December 31, 2016, covered by CY 2016 Audit Thrust were verified and examined.

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered a qualified opinion on the financial statements due to:

- a. The Cash in Bank account balances of P77,776,920.42 is unreliable due the failure of the Municipal Accountant to prepare monthly reconciliation between the book and bank balances contrary to Section 74 of P.D. 1445 and COA Circular No. 96-011, thus errors were not immediately detected and corrected.
- b. The accuracy, correctness and existence of the reported balance of Property, Plant and Equipment valued in the books at P304,286,734.39 could not be ascertained due to the absence of complete list of specific property which comprise each PPE classification, unreconciled property and accounting

records and incomplete Report on the Physical Count of Property, Plant and Equipment.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

A. Financial and Compliance Audit

1. Cash in Bank account balances of P77,776,920.42 is unreliable due the failure of the Municipal Accountant to prepare the Monthly Bank Reconciliation Statement between the book and bank balances contrary to Section 74 of P.D. 1445 and COA Circular No. 96-011, thus errors were not immediately detected and corrected.

We recommend that the Municipal Accountant should prepare and submit monthly Bank Reconciliation Statements for all bank accounts pursuant to Section 74 of P.D. 1445 and COA Circular No. 96-011 dated October 2, 1996.

We also recommend that the Local Chief Executive should provide assistance to the Municipal Accountant's Office, in terms of additional personnel, in order to facilitate and update the preparation of Bank Reconciliation Statements.

2. The accuracy, correctness and existence of the reported balance of Property, Plant and Equipment valued in the books at P304,286,734.39 could not be ascertained due to the absence of the complete lists of specific property which comprise each PPE classification, unreconciled property and accounting records and incomplete Report on the Physical Count of Property, Plant and Equipment.

We recommend that the Local Chief Executive direct the (a) conduct a complete physical count of all properties of the Municipality and submit a complete report on the physical count, using the prescribed format, (b) maintain and update Property, Plant and Equipment Ledger Cards (PPELC) and Property Cards, and (c) require the General Services Officer and Municipal Accountant to reconcile their records to address the huge discrepancy in the amounts of PPE in the Report on the Physical Count of PPE and that in the books maintained by the Accounting Section.

3. Cash advances totalling P1,790,866.70 were not liquidated as of December 31, 2016, of which 75.44% or P1,350,940.70 have been outstanding for over two years, contrary to Section 89 of PD 1445, COA Circular No. 97-002 and COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01, thus exposing government funds to the risk of misuse.

We recommend that the Local Chief Executive direct the concerned officials and employees of the LGU and other Accountable Officers concerned to liquidate immediately their outstanding cash advances in accordance with

Accounting Circular No. 2006-001 and COA Circular No. 97-002, otherwise, withhold payments of any money due them in accordance with Section 5.9 of COA Circular No. 97-002 and Section 37 of PD 1445.

4. Various Disbursement Vouchers, payrolls, liquidation reports, official receipts, and other financial reports were not submitted by the Municipal Treasurer and Accountant, contrary to Section 347 of RA 7160, Section 100 of PD 1445, COA Circular 95-006 dated May 18, 1995, COA Circular No. 2009-001 dated February 12, 2009, and other pertinent sections of NGAS Manual for LGUs, thus depriving management on the prompt communications of the audit results.

We recommend that the management should ensure that all executive officials and employees of the municipality faithfully discharge their duties and functions as provided by regulations pursuant to Section 444.b.1.X of RA 7160. Likewise, require the Municipal Treasurer and Accountant to render their accounts, and all official and employees concerned to submit the other financial reports.

B. Financial Assistance

5. The required Final Accomplishment Report and/or Liquidation Report for financial assistance granted by the Municipality amounting to P4,199,564.00 were not submitted by the recipients/implementing units, thus preventing management from monitoring the utilization of the fund and determine whether the projects have been successfully implemented, contrary to the Memorandum of Agreement between the Municipality and the grantee.

We recommend that the Local Chief Executive direct personnel concerned to strictly enforce the preparation and submission of the Final Accomplishment Report and/or Liquidation Report by the recipients of financial assistance within the time prescribed under the Memorandum of Agreement. Further, he should also direct the monitoring and evaluation on the utilization of fund to determine compliance with the agreement and institute measures to protect the fund if necessary.

6. Several financial assistance were granted even with incomplete supporting documents, contrary to Section 4(6) of Presidential Decree 1445 and COA Circular No. 2012-001.

We recommend to require the Municipal Accountant to submit immediately the lacking documents to the Audit Team for review, and henceforth require the Municipal Accountant and Municipal Treasurer to pay only those claims with complete and appropriate documents as required per COA Circular 2012-001 dated June 14, 2012.

C. 20% Development Fund

7. Expenditures totaling to P5,230,352.99 which are considered operating and administrative expenses were charged to 20% Development Fund contrary to DILG-DBM Joint Memorandum Circular No. 2011-001, thus the objectives of the fund were not totally attained.

We recommend that the Municipal Mayor direct the Municipal Budget Officer and Municipal Accountant to stop charging expenditures that are operating and administrative in nature against the 20% Development Fund.

We also recommend that the Municipal Mayor thru the Municipal Development Council include in their Annual Investment Plan (AIP) those programs and projects that are specifically included in the DILG-DBM Joint Circular No. 2011-1 and any applicable issuance to ensure the attainment of desirable social, economic and environmental outcomes for the constituents.

D. Compliance with RA 9003, otherwise known as Philippine Ecological Waste Management Act of 2000

8. The municipality failed to properly implement the Ecological Solid Waste Management Act of 2000 or Republic Act 9003, thus the intended purpose of law was not attained.

We recommend that the Local Chief Executive or the Municipal Mayor direct personnel and barangay concerned to strictly observe the mandatory segregation of waste as provided for in Sections 21 and 22 of RA 9003. Likewise, he should also direct adherence to the prohibition against the use of open dumps for solid waste by hastening the closure of its existing open dump site as provided under Section 37 of the same Act.

E. Local Disaster Risk Reduction Management Fund

9. The Local Disaster Risk Reduction Management Officer and the Municipal Accountant failed to prepare and submit the Monthly Report on Sources and Utilization of DRRMF and failed to maintain a separate Registry of Appropriation, Allotments and Obligations (RAAO) for the LDRRMF, contrary to COA Circular No. 2012-002.

We recommend that:

- a. **Monthly Report on Sources and Utilization of DRRMF should be prepared by the LDRRMO and certified correct by the Accountant and submit to the COA Auditor on or before the 15th day after the end of each month**

- b. The Municipal Budget Officer maintain a separate Registry for Appropriations, Allotments and Obligations (RAAO) for the LDRRMF such as RAAO - for QRF, RAAO - for MOOE, and RAAO - for CO**
- c. Require the Municipal Accountant and the Municipal Treasurer to facilitate the transfer of unexpended balance of QRF and MOOE of the LDRRMF for the year 2016.**

F. Gender and Development (GAD)

- 10. The Gender and Development (GAD) Plan and the Accomplishment Report were not prepared in accordance with the prescribed template and the programs and projects outlined in the Plan and the related expenses for CY 2016 did not address problems and concerns on gender issues contrary to Joint Circular No. 2012-01 of the Philippine Commission on Women (PCW), National Economic Development Authority (NEDA) and the Department of Budget and Management (DBM) and COA Circular No. 2014-001.

We recommend that that the Local Chief Executive direct the preparation of the Annual Gender and Development (GAD) Plan and Budget and the Annual GAD Accomplishment Report in accordance with the template prescribed in the PCW-NEDA-DBM Joint Circular No. 2012-01.

Moreover, the Municipality should align their GAD Plan and programs with the Philippine Plan for Gender-Responsive Development intended to address gender issues prevailing in the Municipality. In order to address this, the Local Chief Executive should designate a GAD Technical Working Group that will identify gender issues prevailing in the Municipality and undertake activities to address the issues identified.

G. Compliance with Tax Laws

The LGU remits regularly taxes withheld in compliance with BIR Regulation No. 4-93 and DOF-DBM-COA Joint Circular No. 1-2000. For the period ended December 31, 2016, the LGU withheld P7,018,581.25 and remitted P6,142,095.32.

As of December 31, 2016, the Municipality's Due to BIR account had a balance of P876,485.93.

H. Revenues

The Municipality collected from local revenue sources the total amount of P6,901,619.43 or 90.24% of its estimated revenues of P7,647,684.04. It fell short of

its revenue collection goal by 9.76% or P746,064.61. We enjoin management to exert extra efforts to meet its revenue targets.

I. Statement of Audit Suspensions, Disallowances and Charges (SASDC)

The total audit suspensions, disallowances, and charges issued in the course of audit of various transactions of the Municipality of Dolores as of December 31, 2016 amounted to P27,046,458.10.

J. Status Of Implementation of Prior Years' Audit Recommendations

Of the eighteen (18) audit recommendations embodied in the CY 2015 Audit Report, three (3) were implemented, eleven (11) were partially implemented and four (4) were not acted upon by management.