

EXECUTIVE SUMMARY

Introduction

The Municipality of Giporlos is a 5th class municipality located at the Southern part of Eastern Samar. It was created into Municipality by virtue of Executive Order No. 255 on August 19, 1949. The municipality is headed by Honorable Mayor Mark S. Biong. He is supported by Vice Mayor Fritzie D. Odrón and 8 Sangguniang Bayan Members. The municipality is composed of 18 barangays and 10 operating units with 29 regular workforces.

The Administration expects to attain the following objectives during the budget year.

1. Supervise and control programs, projects and activities of the municipality.
2. Enforce all laws and ordinances for effective governance of the municipality.
3. Implement such policies, programs and services.
4. Initiate and maximize the generation of resources and revenue and apply the same for the implementation of development plans and program objectives and priorities especially for agro-industrial development and countryside growth and progress of the municipality.
5. Ensure the delivery of basic services and provide for adequate facilities.

Highlights of Financial Operation

Income

The Municipality collected a total income of P 54,428,244.01 from various sources for CY 2016. This year's collection showed an increased by P 4,665,435.67 or 9.38% from that of 2015, as follows:

Sources of Fund	2016	2015	Increase/(Decrease)	
			Amount	%
Local Income	767,856.49	939,417.35	(171,560.86)	(18.26)%
Internal Revenue Allotment	53,330,515.00	48,500,791.00	4,829,724.00	9.96%
Service and Business Income	329,872.52	322,149.99	7,722.53	2.40%
Other Income	-	450.00	(450.00)	(0.00)%
Total	54,428,244.01	49,762,808.34	4,665,435.67	9.38%

Appropriations

Appropriations for the current year amounted to P 65,205,225.86 which increased by 36.80% compared to that of last year's appropriations of P 47,663,250.44 as herein presented:

Allotment Class	2016	2015	Increase/(Decrease)	
			Amount	Percent
Personal Services	30,879,089.10	24,201,241.52	6,677,847.58	27.59%
Maintenance and Other Operating Expenses	14,639,317.11	12,411,894.55	2,227,422.56	17.95%
Capital Outlay	19,686,819.65	11,050,114.37	8,636,705.28	78.16%
Total	65,205,225.86	47,663,250.44	17,541,975.42	36.80%

Expenditures

Total expenditures incurred from current appropriations amounted to P 48,959,021.65. There was an increase of P 14,521,544.47 or 42.17% over that of CY 2015 as tabulated below:

Allotment Class	2016	2015	Increase/(Decrease)	
			Amount	Percent
Personal Services	27,163,725.94	23,113,283.51	4,050,442.43	17.52%
Maintenance and Other Operating Expenses	12,304,609.32	9,188,441.72	3,116,167.60	33.91%
Capital Outlay	9,490,686.39	2,135,751.95	7,354,934.44	344.37%
Total	48,959,021.65	34,437,477.18	14,521,544.47	42.17%

Financial Position

	2016	2015	Increase/(Decrease)	
			Amount	Percent
Assets	197,394,273.10	183,805,739.15	13,588,533.95	7.39%
Liabilities	40,382,476.46	37,075,582.93	3,306,893.53	8.92%
Government Equity	157,011,796.64	146,730,156.22	10,281,640.42	7.01%

Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Giporlos, Eastern Samar for the calendar year ended December 31, 2016. The audit was conducted in accordance with laws and Philippine Public Sector Standards in Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, verification and analysis of the accounts, and such other procedures considered necessary under the circumstances. The audit was aimed to ascertain the propriety and validity of disbursements and receipts as well as the reliability of the accounts presented in the financial statements. This year's audit was focused on the selected thrust areas for local government sector and pursuant to Audit Instructions dated July 28, 2016, and on such others that were deemed necessary during the course of our actual audit.

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Giporlos, Eastern Samar in view of the effects of the matters discussed in the Independent Auditor's Report on the agency's accounts and of other deficiencies discussed in Part II of the report, and the partially implemented and unimplemented recommendations found in Part III, also of the report.

Summary of Significant Findings and Recommendations

1. The completeness and accuracy of the Property, Plant and Equipment account balance of P 159,485,505.43 could not be ascertained due to the absence of physical inventory report and non-preparation of a detailed schedule of depreciation expense for depreciable properties.

We recommend that the Local Chief Executive create an Inventory Committee that will focus on the conduct of the physical inventory of all properties of the LGU. Their reports will be reconciled with the book balances, and the differences should be properly accounted for. The periodic physical inventory shall strictly be conducted onwards after the initial count in compliance with Sections 102 and 111 of PD 1445 and COA Circular No. 80-124. The GSO should be responsible for the submission of the required RPCPPE, so that all properties of the LGU could be completely or accurately accounted for, and the unserviceable properties be properly accounted, disposed and recorded.

Also, we recommend that the LCE require the Municipal Accountant to prepare and update a schedule of depreciation expense showing the cost, acquisition date,

useful life, monthly depreciation charges, accumulated depreciation and net book balance of each item of depreciable properties.

2. The agency did not provide information within ten (10) days to the audit team whether appropriate project signboards and/or public notices were already posted on projects implemented during the year totalling P 9,172,221.32 hence we were not able to validate the same. Also, a list of all on-going government projects/ programs/ activities (PPAs) were not submitted at the beginning of the year and those that are to be implemented during the year contrary to Section 2.1 of COA Circular No. 2013-004.

We recommend that the Local Chief Executive enjoin the concerned officials to comply with the regulations provided in COA Circular No. 2013-004 to uphold good local governance through transparency and accountability. Also, the LCE should require the Municipal Engineer to inform our Office within ten (10) days after the award of the infrastructure project or before the start of the program/project/activity that the appropriate projects signboards and/or public notices are already posted at the project site in order for us to validate the same.

3. The contracts of service of Job Order personnel with a total expenditure of P 1,992,320.00 do not stipulate the specific duties and responsibilities of the hired workers and were not submitted to our Office within five (5) working days from approval or execution.

We recommend that the LCE require the concerned officials:

- a. **To stipulate in the Job Order Contract or Contract of Service the specific nature of work or duties and responsibilities and the desired work outputs of the JO personnel to facilitate comparison and evaluation of the accomplishments of these personnel.**
 - b. **To submit copies of Job Order Contract or Contract of Service to the Auditor within five (5) days from its issuance as required in COA Circular No. 2009-001.**
4. Non-compliance with the prescribed rate on the allowable indirect cost for the VAT component of the ABC of three (3) infrastructure projects resulted to excessive mark-up on contracts totalling P 573,173.70.

We recommend that the LCE:

- a. **Discuss with contractors the error in the preparation of the ABC and require them to refund the excess mark up on cost of projects for the completed projects;**
- b. **Require the Municipal Accountant to deduct the claims of contractors for the excess VAT for on-going and unpaid projects; and**
- c. **Require the Municipal Engineer's Office to adhere to DPWH Order No. 22, series of 2015 in the preparation of the ABC in all of its projects.**

5. The municipality released Financial Assistance from its 20% development fund and from Grants and Donations for various programs and projects of the barangays amounting to P 385,000.00 without the required memorandum of agreement executed relative to the utilization of the fund, the period for the recipient barangays to implement the project and the submission of the liquidation report/accomplishment report, leaving no assurance whether the funds were utilized for its intended purpose.

We recommend that the Local Chief Executive require the MPDO to conduct close monitoring and periodic evaluation/inspection on the status of implementation of barangay projects, especially those that the municipality has subsidized. We also recommend that management prepare a Memorandum of Agreement (MOA) prior to the release of funds to the barangays containing therein the terms, conditions and obligations of the source and implementing agencies, particularly the submission of accomplishment or liquidation reports.

6. The planned GAD activities for CY 2016 were not fully implemented due to lack of a detailed plan, thus problems and concerns on gender issues within the municipality were not fully addressed contrary to DBM-NED-NCRFW Joint Circular No. 2004-1 dated April 5, 2004.

We recommend that the Local Chief Executive require the GAD Focal Person to plan, focus and undertake definite activities which will:

- a. **Enhance women's access to all types of health care;**
 - b. **Lower maternal mortality rates and provide adequate family planning services;**
 - c. **Enhance the situation of women in the informal economy;**
 - d. **Encourage women victims of violence to report their ordeal.**
7. The Local Disaster Risk Reduction Management Plan of the municipality with a total appropriation of P 2,698,243.54 was not fully implemented during the year and unrelated or inappropriate expenses totalling P 867,547.84 were charged to the 70% of the LDRRM Fund.

We recommend that the LCE require the concerned officials to comply with the regulations provided in NDRRMC, DBM and DILG Joint Circular No. 2013-01 on the utilization of the Local Risk Reduction and Management Fund (LDRRMF). The LCE should require the LDRRM to ensure that lined programs and activities under the 70% LDRRMF will directly address disaster mitigation, prevention and preparedness issues in the locality and that the same be fully implemented during the year.

8. The municipality is still operating an open dumpsite for solid waste posing possible health and environmental risks/hazards to the inhabitants living near the area.

We recommend that Management adopt measures to mitigate the effects of the current open dump site by fencing the perimeter area and assigning personnel to

segregate biodegradable and non-biodegradable wastes for possible recycling. Also, Management must provide an adequate appropriation to fully implement its Solid Waste Management Plan and ensure effectiveness and sustainability of its Solid Waste Management Program. Barangays should be required to create Barangay SWM Committee and prepare and implement solid waste management policies.

Credit Financing/Debt Servicing

The municipality did not obtain any loans for CY 2016. It however availed of a long-term loan with the Land Bank of the Philippines in CY 2007 amounting to P 21,500,000.00 for the Development/Construction of Municipal Water System Project. As of December 31, 2016 the loan's outstanding balance is P 9,923,076.92.

Compliance with Tax Laws

For calendar year 2016, taxes were withheld monthly from payments to suppliers, contractors and employees' salaries and these were regularly remitted to the Bureau of Internal Revenue pursuant to tax regulations.

Status of Settlement of Audit Suspensions, Disallowances and Charges

The total audit suspensions, disallowances and charges as of December 31, 2016 based on the Status of Audit Suspensions, Disallowances and Charges (SASDC) was P 12,400,672.29. For details please see *Annex G*.

Status of Implementation of Prior Years' Audit Recommendations

Of the twenty one (21) audit recommendations embodied in the CY 2015 Annual Audit Report, seven (7) or 33% were fully implemented, four (4) or 19% were partially implemented, and ten (10) or 48% were not yet implemented by management.