

EXECUTIVE SUMMARY

Introduction

The Municipality of Gamay, Northern Samar, was created by virtue of R.A. No. 90 which was enacted on February 26, 1947. It is a 4th class municipality composed of twenty six (26) barangays. Fishing and farming are the main sources of livelihood.

The municipality is headed by Municipal Mayor Hon. Timoteo T. Capoquian Jr. MD. He is assisted by Vice Mayor Glenn P. Doxi; Mr. Sannie Porteza, Municipal Treasurer; Ms. Rowena G. Montances, Municipal Accountant; and Mr. Edwin Galvez, Municipal Budget Officer. The present personnel complement is composed of fifty eight (58) permanent employees and ten (11) elective officials.

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Gamay, Northern 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 the accounts as presented in the financial statements. The audit consisted of review of operating procedures, interview with concerned municipal officials and employees, verification and analysis of accounts, and such other procedures considered necessary under the circumstances. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management; as well as evaluating the overall presentation of the financial statements.

Financial Highlights

The financial position and results of operation of the municipality for the current and previous year are presented below:

<u>Account</u>	<u>2016</u>	<u>2015</u>	<u>Increase(Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Assets	P 283,677,860.82 P	209,107,861.36 P	74,569,999.46	35.66%
Liabilities	160,643,959.82	122,764,094.26	37,879,865.56	30.86%
Equity	123,033,901.00	86,343,767.10	36,690,133.90	42.49%
Income	98,385,628.67	80,576,251.44	17,809,377.23	22.10%
Expenses	67,287,141.27	62,601,393.60	4,685,747.67	7.49%

The total appropriations for calendar year 2016 amounted to P76,294,014.23 representing an increase of P1,612,215.23 or 2.16% over last year's appropriations. The table below shows its breakdown with comparative figures for 2015, as follows:

Allotment Class		2016	2015	Increase/(Decrease)	
				Amount	%
Personal Services	P	31,665,979.00	P 35,763,974.66	P (4,097,995.66)	-11.46%
Maintenance and Other					
Operating Expenses		24,982,406.61	23,416,146.38	1,566,260.23	6.69%
Capital Outlay		19,645,628.62	15,501,677.96	4,143,950.66	26.73%
Total	P	<u>76,294,014.23</u>	<u>P 74,681,799.00</u>	<u>P 1,612,215.23</u>	<u>2.16%</u>

While, the total obligations from current appropriations amounted to P61,339,687.88. There was an increase of P5,976,029.38 or 10.79% compared to that of last year as shown below:

Allotment Class		2016	2015	Increase/(Decrease)	
				Amount	%
Personal Services	P	30,671,695.02	P 25,417,303.89	P 5,254,391.13	20.67%
Maintenance and Other					
Operating Expenses		17,194,223.67	20,429,950.94	(3,235,727.27)	-15.84%
Capital Outlay		13,473,769.19	9,516,403.67	3,957,365.52	41.58%
Total	P	<u>61,339,687.88</u>	<u>P 55,363,658.50</u>	<u>P 5,976,029.38</u>	<u>10.79%</u>

Independent Auditor's Report

The Auditor rendered unqualified opinion on the fairness of presentation of the financial statements

Summary of Significant Observations and Recommendations

Financial and Compliance Audit-

1. The beneficiaries of the Cash for Work Program for typhoon "Ruby" of the DSWD could have enjoyed immediate benefits of said program had they been paid by the LGU as the implementing agency, right after the rendition of actual service.

We recommend that the LGU submit justification on the delayed payout. Henceforth, implement the program in accordance with the MOA and the provision of COA Circular No. 94-013.

2. Repair of roofing of the Legislative Building in the total amount of ₱442,000.00 was charged against the 20% Development Fund of the LGU which do not partake the nature of investment or capital expenditure thus, the constituents were deprived of the benefits that could be derived had the fund been utilized for eligible projects.

We recommend that management strictly observe the provisions of DILG-DBM Joint Memorandum Circular No. 2011-001 dated April 13, 2011.

3. Receipts and issuances of donated relief goods were not covered by Acknowledgment Receipt and Issuance Form In-Kind Donations for DRRM and were not reported in the Registry of Donated Relief Goods for DRRM, while, the inventory list of all procured and donated items were not prepared thus, hindered the determination of accountability whether said goods were actually received and distributed to intended beneficiaries, and the ultimate evaluation of the DRRM Program.

We recommend that the Municipal Mayor direct the Property and Supply Officer to coordinate with the Municipal Social Welfare and Development Officer for the submission of the documents relative to the receipt and distribution of the relief goods to facilitate accounting and reporting thereof, pursuant to COA Circular No. 2014-002. Henceforth, all receipts and issuances of relief goods and property shall be undertaken by the Property and Supply Office. All goods shall be sorted, inventoried, counted and recorded upon receipt before repacking. Issuance and distribution of goods shall be based on the prescribed Issuance Form duly approved by the Municipal Mayor or his authorized representative pursuant to existing regulations.

4. The Municipality has formulated its ten-year Solid Waste Management Plan (2011-2021) in July 2011. However, local ordinances on the “no segregation, no collection” policy and “no littering” policy were not effectively enforced and implemented as evidenced by unsorted/unsegregated wastes collected at the Barangay Materials Recovery Facility (BMRF) and garbage found in some areas hence, the maximum protection of the environment and the general welfare of the public has not been substantially attained.

We recommend that the Local Chief Executive and the MENRO strictly implement the existing environmental laws and intensify the information campaign on the “no segregation, no collection” policy and “no littering” policy among the residents as mandated in R.A. No. 9003. Moreover, utilization of the appropriated fund shall be strictly in accordance with its purpose/objectives.

5. Various expenses totaling ₱71,496.00 were inappropriately charged to Special Education Fund (SEF). Moreover, repair of school buildings and improvement of school site appropriated in the amount of ₱35,000.00 were not implemented, thereby defeating the purpose for which the fund was established.

We recommend that the Local Chief Executive ensure that Special Education Fund is utilized for purposes provided under RA 7160 and DECS, DBM and DILG Joint Circular No. 01 dated April 14, 1998 and ensure the full implementation of all projects within the budget year.

6. Procurement of goods and services totaling ₱493,310.20 were done on reimbursement basis instead of direct payment to suppliers/creditors and the same did not follow the proper procurement process.

We recommend that management strictly comply the provisions of Section 2.2 of COA Circular 97-002 dated February 10, 1997 and RA 9184 and its IRR in all its procurement transactions.

7. Collections were not deposited daily or intact thus, exposing the undeposited collections amounting to ₱937,650.83 as of December 31, 2016 to the risk of possible loss or misuse.

We recommend that the Municipal Treasurer deposit all collections intact in accordance with COA Circular No. 92-382 or where collections are minimal and daily deposits thereof becomes costly and impractical, the collections shall be deposited at least once a week, or as soon as the collections reach ₱10,000.00 to prevent possible loss or misuse of the fund.

8. The reliability, accuracy and existence of the Property, Plant and Equipment (PPE) with a net book value of ₱80,739,527.22 (excluding Construction in Progress) could not be ascertained due to inability to submit a complete and accurate inventory report, and inadequate and unreconciled records of the Accounting and General Service Office.

We recommend that the Inventory Committee strictly adhere to Section C.3, Chapter V of the Manual on Property Custodianship.

9. Payment of registration fees to Philippine Councilor's League (PCL) amounting to ₱117,600.00 for attendance to seminars and trainings by the Sangguniang Bayan (SB) members in CY 2016 were issued with personalized receipts, which may result to unaccounted collection and possible loss of government funds.

We recommend that management require the Philippine Councilor's League and all other leagues organized by elected officials, to issue a government official receipt (Accountable Form No. 51) for all collections made so that proper financial accountability could be established. Furthermore, ensure that all future registration fee payment for PCL conducted trainings/seminars be receipted with a government official receipt which is AF No. 51 to avoid audit suspensions/disallowances.

10. Honorarium granted to Municipal Nutrition Action Officer and Municipal Local Government Operations Officer (MLGOO) assigned in the Municipality totaling ₱44,000.00 were not subjected to withholding tax resulting to under collection/remittance to BIR of the supposed taxes.

We recommend that the Municipal Accountant properly withhold income taxes from the honorarium paid to national agency personnel assigned in the local government unit and municipal employee in compliance with Section 2.79 of Revenue Regulations No. 2-98 as amended in Section 3 of RR No. 10-2008 dated July 8, 2008 to help the government accelerate/increase the collection of income.

Statement of Audit Suspensions, Disallowances and Charges as of December 31, 2016

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality of Gamay, Northern Samar is ₱1,491,252.80 based on the Notice of Suspensions/Notice of Disallowances/Notice of Charge issued by this Commission.

Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Of the thirteen (13) audit recommendations embodied in the CY 2015 Annual Audit Report, eight (8) were implemented and five (5) were partially implemented.