

## EXECUTIVE SUMMARY

### A. INTRODUCTION

Dapitan City is the place of exile of Dr. Jose Rizal, the Philippines' National Hero, from July 17, 1892 to July 31, 1896. It became a chartered city by virtue of Republic Act (RA) No. 3811 on June 23, 1963, the first chartered city in the Province of Zamboanga del Norte and officially called the "Shrine City of the Philippines" on January 24, 1971 by virtue of Presidential Decree (PD) 105. It is a 3<sup>rd</sup> class City with fifty (50) barangays and is 15 kilometers from the City of Dipolog.

When RA 7160, otherwise known as the Local Government Code of 1991 was implemented, the City became the partner of the National Government in the delivery of basic services to the people. It also became one of the tourist attractions of the country.

#### Background

1. Legal Basis: Republic Act 3811  
Date: June 23, 1963
  
2. Organizational Set-up
  - a. Key Officials
    - City Mayor: Ms. Rosalina G. Jalosjos
    - City Vice Mayor: Atty. Ruben E. Cad
    - City Treasurer: Ms. Medelyn B. Pacatang
    - City Accountant: Ms. Joseline J. Saycon
    - City Administrator: Mr. Wilberth G. Magallanes
    - City Budget Officer: Ms. Cecilia N. Jumawan
  
  - b. Personnel Complement
    - Permanent: 489
    - Temporary/Co-Terminus/Job Orders: 1 / 22 / 400
    - Elective Officials: 13
    - Total Personnel Complement: 925

#### Audit Methodology

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRBBA) Methodology, was applied in the audit of the accounts and operations of the Local Government Unit (LGU).

## Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the City of Dapitan for 2016. The audit consisted of review of operating procedures, evaluation of some of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, and analysis of accounts, and such other procedures considered necessary.

Specifically, the objective of the audit was to ascertain the propriety of financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of the financial records and reports as well as fairness of the presentation of the financial statements. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

## B. FINANCIAL HIGHLIGHTS

The comparative financial condition and results of operation of the Agency as of December 31, 2015 and 2016 are summarized as follows:

Account	2016	2015
Assets	P 1,759,267,227.25	P 1,55,880,209.94
Liabilities	473,538,687.86	414,077,510.86
Equity	1,285,728,539.39	1,145,802,699.08
Income	548,231,741.20	502,503,345.17
Expenses	417,106,502.85	393,478,361.82

The LGUs appropriations and obligations for the year were as follows:

Description	Appropriation		Obligations	
	2016	2015	2016	2015
Current Legislative – General Fund (GF)				
Personal Services	P 177,832,348.61	P 168,293,468.36	P 171,647,974.70	P 167,950,044.33
Maintenance and Other				
Operating Expenses	172,352,806.82	157,483,551.90	152,663,345.56	148,435,693.37
Capital Outlay	10,963,250.00	14,573,647.00	8,751,918.00	8,480,978.80
Sub-total	P 361,148,405.43	P 340,350,667.26	P 333,063,238.26	P 324,866,716.50
Current Legislative – Special Education Fund (SEF)	8,333,047.10	10,952,000.00	3,251,508.52	9,702,277.19
<b>Total – Current Legislative Appropriations</b>	<b>P 369,481,452.53</b>	<b>P 351,302,667.26</b>	<b>P 336,314,746.78</b>	<b>P 334,568,993.69</b>
Continuing Legislative – GF (including 20% CDF)	P 11,537,226.86	P 17,674,712.28	P 89,268.85	P 12,452,329.18
	121,259.57	121,672.76	0.00	107,009.29
Continuing Legislative – SEF				
<b>Total – Continuing Legislative Appropriations</b>	<b>P 11,658,486.43</b>	<b>P 17,796,385.04</b>	<b>P 89,268.8</b>	<b>P 12,559,338.47</b>

During the year, the LGU received funds from various National Government Agencies (NGAs) (*Appendix F*) in the total amount of P49,309,717.00. On the other hand, it transferred a total of P17,946,599.89 to the Trust Fund representing LGU counterpart for various projects and Unspent CY 2015 Calamity Fund (*Appendix G*).

### Operational Highlights

In line with the City's thrust for development and disaster preparedness, the following were some of the notable accomplishments duly validated by the auditor on a selective basis:

Development Programs/Projects	Date completed	Appropriation	Actual Cost
1. Concreting and Rehab of one lane 1.4 km Brgy. Rd - Ilaya Hilltop (Prk Bononao)	6/13/2016	4,200,000.00	4,115,242.40
2. Concreting of one lane Brgy. Road (approaching Resettlement Site)	6/20/2016	1,000,000.00	982,000.00

Disaster Preparedness Programs/Projects	Date completed	Appropriation	Actual Cost
1. Construction of drainage Canal from Sunset Blvd. Going to Rd # 17 - Phase II	6/20/2016	2,000,000.00	1,813,995.42

### C. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of financial statements of the LGU as of December 31, 2016 due to the following:

- Accumulation of Advances to Payrolls of P7,909,926.58; Advances to Special Disbursing Officers of P88,336,525.87; and Advances to Officers and Employees of P1,474,462.34 which affected the timing recognition of expense accounts and accumulated surplus;
- Due from Other Funds of P7,140,275.50 and Due to Other Funds of P19,398,782.38 which are reciprocal accounts were not reconciled;
- Real Property Tax Receivables and Special Education Tax Receivables (SETR) were not set up at the beginning of the year thus, showing a negative balance of the SETR of P3,165,236.91; and
- Absence of records of real estate of P17,370,282.93

## **D. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

In addition to the deficiencies noted as basis of qualification of the audit opinion, the following significant audit observations and recommendations were noted in the course of audit.

1. A project costing P14.3M for dredging of Liboran River was not implemented despite the awarding of the contract, depriving the residents of protection against disasters, calamities and complex emergencies.

We recommended that management:

- a. Require the contractor to refund to the Local Government Unit (LGU) the 15% mobilization in the amount of P2.1M;
  - b. Initiate proceedings/collection on the performance security against Liberty Insurance Corporation for the non-performance of obligation which resulted in the failure of the contractor to implement the dredging project as provided in Section 39.3 of the Revived IRR of R.A. 9184.
  - c. Prohibit/bar/blacklist the subject contractor to enter into any future contracts with the LGU.
2. Ten real estate purchased by the City totaling P1.7M were not transferred in the name of the LGU, casting doubt on the reliability and validity of the ownership of the land.

We recommended that management initiate the titling of the parcels of land to establish legal and true ownership of the land.

3. Unexpended Priority Development Assistance Fund (PDAF) and Disbursement Acceleration Program (DAP) funds in the total amount of P13.4 million were not reverted to the National Treasury contrary to the Supreme Court Decision on the matter, issued in 2013.

We reiterated our prior year recommendation for management to return/refund immediately the unused/unutilized balances from PDAF and DAP to the Bureau of Treasury (BTr).

4. Unutilized Rapid Composting Machine (RCM) costing P3,243,240.00 deprived the LGU of additional income and other benefits that the LGU could have derived from its use.

We recommended that management:

- a. Fast track the acquisition of land where the MRF will be constructed.

- b. Keep the machine in a covered storage place to protect it against all weather condition and prevent pilferage of parts; and
- c. Find ways to put into use the RCM to generate additional income.

**E. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END**

The reported audit suspensions, disallowances and charges of the LGU as of December 31, 2016 were as follows:

Audit Action	Balances as of January 01, 2016	Issuances during the Year	Settlement during the Year	Balance as of December 31, 2016
Notice of Suspension	2,683,862.88	725,574.93	115,104.00	3,294,333.81
Notice of Disallowance	82,128.64	353,777.94	84,532.30	351,374.28
Notice of Charge	1,459,566.37	-	90,612.92	1,368,953.45
<b>Total</b>	<b>4,225,557.89</b>	<b>1,079,352.87</b>	<b>290,249.22</b>	<b>5,014,661.54</b>

This does not include disallowances, suspension and charges prior to the effectivity of COA Circular No. 2009-006 dated September 15, 2009.

**F. STATUS OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Of the 30 audit recommendations contained in the CYs 2013, 2014 and 2015 Annual Audit Reports, 14 were fully implemented, 14 partially implemented and 2 were not implemented.