

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Dimataling, Province of Zamboanga del Sur, was created by virtue of Republic Act No. 555 which was approved on June 17, 1950 by former President Elpidio Quirino.

It is a 4th class municipality with 24 barangays and belonged to the 2nd district of Zamboanga del Sur. The municipality has a total land area of approximately 14,180 hectares and a population of about 26,401 as of CY 2004 census. Major crops are rice, corn and coconuts. Fishing and farming are the main source of livelihood.

The objectives of the municipality are the development of infrastructures like construction and rehabilitation of school buildings, maintenance of municipal and barangay roads, assistance to various sectors, improvement of the water system of the municipality, increased agricultural productivity and upliftment of the living condition of the populace through livelihood projects.

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 (IRRBA) Methodology, was applied in the audit of the accounts and operations of the LGU.

Scope of Audit

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

Specifically, the objective of the audit is to ascertain the propriety of the 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.

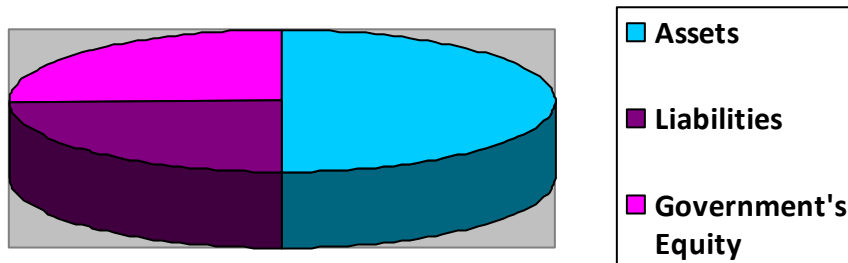
As a result of the risk assessment conducted and in compliance with the identified audit thrust of the Local Government Sector for CY 2016, the following audit areas/accounts were looked into:

1. Cash and Cash Equivalents
2. Cash Advances
3. Property, Plant and Equipment
4. Revenue
5. Disbursements
6. Claim of Councilors for attendance in the Philippine Councilors League (PCL) activities.
7. Payment of Honorarium and Allowances
8. Hiring of Casuals, Job Orders, Contractual, Consultants
9. Local Disaster Risk Reduction and Management
10. Environmental Compliance (Ecological Solid Waste Management National Greening Program)
11. Gender and Development
12. Special Education Fund'
13. 20% Development Fund

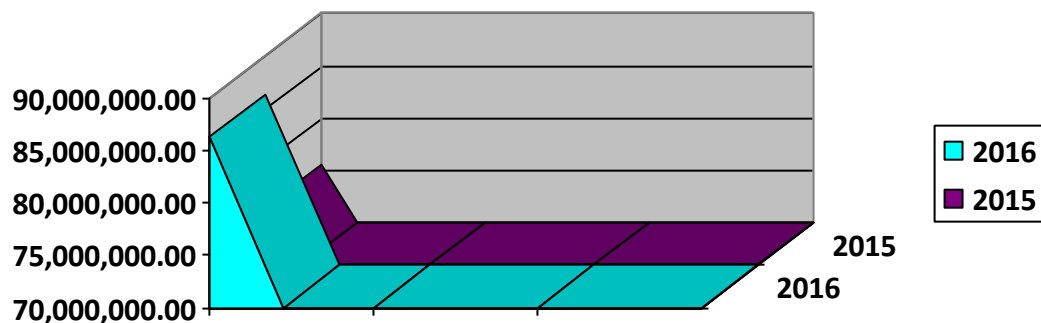
However, due to the following limitations and constraints, the audit areas on Fund Transfer to Other LGUs and Fund Transfers to Non-Government Organizations/People's Organization identified in the Audit Instructions for CY 2016 audit as mandatory audit areas could not be evaluated due to delayed submission of reports.

FINANCIAL HIGHLIGHTS

The total assets, liabilities and government equity for the year increased by 15.47%, 14.62% and 16.32%, respectively, over that of last year. The financial condition and results of operation of the Agency as of December 31, 2016 are summarized as follows:



	2016	2015	Increase (Decrease)
Assets	₱ 141,951,000.00	₱ 119,987,087.00	₱ 21,963,913.00
Liabilities	70,552,098.00	60,240,383.00	10,311,715.00
Equity	₱ 71,398,902.00	₱ 59,746,704.00	₱ 11,652,198.00



For the calendar year 2016 the Municipality collected a total income of ₱86,242,696.00 which is higher by ₱10,579,713.36 or 12.27% than of CY 2015.

	2016	2015	Increase (Decrease)
Tax Revenue	₱2,048,561.00	₱ 1,644,397.61	₱ 404,163.39
Business & Service Income	4,454,691.00	897,446.32	3,557,244.68
Other Income/Receipts	507,913.00	169,456.71	338,456.29
IRA	79,231,531.00	71,951,682.00	7,279,849.00
Subsidy Income	0.00	1,000,000.00	(1,000,000.00)
Grand Total	₱86,242,696.00	₱ 75,662,982.64	₱ 10,579,713.36

The approved budget of the Municipality for the year 2016 totaled ₱84,051,087.00. The obligations charged against it totaled ₱74,617,995.00 as follows:

	2016	2015	Increase (Decrease)
Appropriations	₱84,051,087.00	₱74,951,682.00	₱ 9,099,405.00
Obligations:			
Personal Services	41,088,107.96	32,098,349.40	8,989,758.56
MOOE	31,647,715.39	19,567,084.10	12,080,631.29
Capital Outlay	1,882,171.65	5,092,000.00	(3,209,828.35)
Other purposes (Amortization)	0.00	10,175,000.00	(10,175,000.00)
Balances	₱9,433,092.00	₱ 8,019,248.50	₱ 1,413,843.50

Operational Highlights

In line with the province's thrust for development, the following were some of the major accomplishments duly validated by the auditor on a selective basis:

<u>Programs/Projects</u>	<u>Targets</u>	<u>Projected Cost</u>	<u>Accomplished</u>
1. Construction of RHU Perimeter Fence		₱ 500,000.00	90% completion
2. Construction of Banana Factory Building		880,000.00	Completed
3. Construction of Three (3) units Day Care Center Package 1:			
- Mahayag Day Care Center		785,000.00	92% completion
- Binuay Day Care Center		785,000.00	88% completion
- Sitio Codilog Poblacion Day Care Center		785,000.00	92% completion
4. Construction of Six (6) units Day Care Center Package 2:			
- Sitio Quarry Kagawasan Day Care Center		785,000.00	88% completion
- Balanagan Day Care Center		785,000.00	88% completion
- Tinggabulong Day Care Center		785,000.00	88% completion
- Sumpot Day Care Center		785,000.00	88% completion
- Mercedes Day Care Center		785,000.00	82% completion
- Saloagan Day Care Center		785,000.00	82% completion
5. Construction of Two (2) units Day Care Center Package 3:			
- Lalab Day Care Center		785,000.00	92% completion
- Upper Ludiong Day Care Center		785,000.00	80% completion
6. Construction of Health Center – Libertad Health Center		1,335,000.00	78% completion
7. Buburay Water System level 111		485,000.00	75% completion
8. Magahis Water System level 111		285,000.00	75% completion

INDEPENDENT AUDITOR'S REPORT

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Dimataling, Zamboanga del Sur for the calendar year 2016 which are discussed in detail in the attached Report.

Among the significant findings and observations noted in audit are the following:

1. The correctness and validity of Cash in Bank account as of December 31, 2016 cannot be ascertained due to the failure of the Municipal Accountant to prepare the Bank Reconciliation Statements (BRS) totaling to ₱9,499,360.43, non-submission of copies of BRS to the resident auditor within ten (10) days and the non-preparation of the corresponding journal entries for matters that require adjustment totaling to ₱764,749.85, respectively, as required in COA Circular No. 96-011 dated October 2, 1996.
2. Cash advances for travelling expenses totaling ₱788,195.83 remained unliquidated at the end of the year contrary to COA Circular No. 97-002 and Section 89 of PD 1445.
3. The validity, correctness and existence of the reported balance of the Property, Plant and Equipment (PPE) account amounting to ₱16,285,851.19 could not be ascertain due to the failure of the Municipality to conduct a complete physical inventory of the latter's property. Moreover, the municipality has no inventory report to ascertain the veracity of the PPE book balances contrary to Section 156 of COA Circular No. 92-386.
4. The Municipality failed to discuss in the Notes to the Financial Statements the amount and details of the unexpended balance of LDRRMF in contrary to COA Circular 2012-002 dated September 12, 2012 thus, precluding the users of the Financial Statement in verifying and accessing the additional information that is useful in making sound judgment and economic decisions.

The details of these significant findings as well as other findings and observations are discussed in the Observations and Recommendations portion of this Report.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the significant audit observations and recommendations noted in the course of audit:

1. Cash in treasury amounting to ₱752,936.23 as reflected in the financial statements for all funds remained undeposited as of year-end, in violation of Section 307 of

RA 7160 and Paragraphs 32, 33 and 33a of the Revised Cash Examination Manual.

We recommend that the Municipal Treasurer deposits her collection regularly as prescribed and to adopt necessary control measures in the handling deposits of cash collections so as not to expose the scarce government monies to the risk of loss and misuse by not depositing it intact to government depository banks as prescribed.

2. The Accountable Officers were inadequately bonded handling an average monthly accountability that was beyond their applied maximum cash accountability contrary to what was provided in the pertinent provisions of Presidential Decree No. 1445, Section 305 (f) R.A. No. 7160 and Treasury Circular 02-2009 dated 06 August 2009.

We recommend to require the Accountable Officers/Collecting Officers to apply for sufficient fidelity bond in accordance to the Bureau of Treasury Circular No. 2-2009 dated August 6, 2009 commensurate to their maximum cash accountability to provide sufficient protection and indemnification in cases of losses.

3. Collections amounting to ₱204,009.42 as of the date of the cash examination was not remitted or turned over intact thus exposing these funds to possible misuse or loss thru theft or fortuitous event.

We recommend that collections be remitted or deposited/liquidated intact and daily or where collections are minimal and daily deposit thereof becomes costly and impractical, the collecting officer shall deposit their collections at least once a week, or as soon as the collections reach ₱10,000.00.

4. Procurement of tires and batteries for motor vehicles totaling ₱150,400.00 and ₱15,630.00, respectively, were made through Shopping which management failed to justify the necessity of using such alternative mode of procurement there were no unforeseen contingencies requiring immediate purchases nor these were procurement of ordinary or regular office supplies and equipment, which apparently constitutes splitting of contracts as presented by its circumstances contrary to Section 10, 52 and 54 of Republic Act (RA) No. 9184 and its Implementing Rules and Regulations (IRR).

We further recommend that all procurements should be meticulously and judiciously planned by the Municipality to avoid procurement through alternative mode of procurement without justifiable conditions provided in RA 9184.

5. Management failed to justify the necessity of using Direct contracting as the alternative mode of procurement of fuel, oil and lubricants amounting to

₱566,039.68 when any of the conditions provided in using such alternative mode are not met contrary to Section 50 of Republic Act (RA) 9184 and its Implementing Rules and Regulations (IRR).

We recommend the management to faithfully adhere to the provisions of R.A. 9184 and its IRR in all procurement activities. The persons responsible in the procurement are mandated to ensure that the applicable provisions of RA 9184 for every procurement process are adhered to. Stop the practice of procuring fuel, oil and lubricants through Direct Contract when the conditions enumerated under Section 50 of RA 9184 are not present.

6. Various procurements of goods and services amounting to ₱686,758.12 were made through alternative method of procurement which did not bear the Bids and Awards Committee (BAC) resolutions recommending and justifying its use and approval by the HOPE, contrary to Republic Act (RA) No. 9184 and its Implementing Rules and Regulations (IRR) and COA Circular No. 2012-001, dated June 14, 2012, causing difficulty in determination of the appropriateness of the alternative method used.

We recommend proper faithful adherence to the provisions of RA No. 9184 and its IRR for all procurement activities so as not to defeat the purpose of the law to have a judicious use of the government resources and ascertain the legality, validity and propriety of transactions to prevent misuse, loss or wastage of government resources.

7. Disbursements totaling ₱152,671.00 which were made on reimbursement basis by the municipal officials and employees were inconsistent to Section 93 of Presidential Decree (PD) 1445 and COA Circular 97-002, thus indicating irregular expenditures as defined in COA Circular 85-55A dated September 8, 1985.

We recommend that management should adhere strictly to COA Circular 97-002 and Section 93 of PD 1445 requiring payments for government transactions be made by check and payable directly to the creditor or thru a cash advance granted to the disbursing officer for a specific purpose. Stop the practice of disbursing government funds thru reimbursement to officials who earlier paid the transaction in cash. Only Disbursing Officers are authorized to pay in cash through the cash advance issued to them.

We further recommend that procurement of supplies and construction materials should be governed by R.A. 9184 known as “Government Procurement Reform Act”

8. Disbursements totaling ₱247,250.51 were paid without DVs and supporting documents, contrary to the provisions of Section 4.6 and 91 of P.D. 1445 otherwise known as the Government Auditing Code of the Philippines, Rule XVI

of Revised Implementing Rules and Regulations (RIRR) of R.A. 9184 and Volume I of the New Government Accounting System (NGAS) for Local Government Units (LGUs).

We recommend to management to observe proper and effective internal control in the disbursement of public funds and see to it that all claims against the government funds are covered with duly approved DVs and complete documentation to ascertain the disbursements were actually incurred and delivery of items procured have been ensured.

9. The Municipality of Dimataling, Zamboanga del Sur failed to obtain an Environment Compliance Certificate (ECC) from the Department of Environment and Natural Resources prior to site preparation and construction of a new solid waste management facility in Barangay Tinggabulong, contrary to Section 38 of Republic Act (RA) 9003 which may expose the public health and environment in danger.

We recommend to secure first the ECC before continuing the construction of the said solid waste facility.

10. The Accountable Officers failed to render a report to the COA Unit Auditor on their accountability for Accountable Forms *at least once a month* in the prescribed form in contrary to Section 50 and 51 of the Manual on the New Government Accounting System (NGAS) for LGU – Volume II.

We recommend that the accountable officers be directed to comply and render the above-said report to the COA unit auditor as prescribed in Sec. 98, of the GAAM Vol. I and prescribed forms provided under Section 50 and 51 of NGAS for LGU.

11. Transaction documents and other periodic reports were not submitted on time or beyond the reglamentary period in violation of Section 70, COA Circular No. 2002-003 dated June 20, 2002, and Section 122 of the P.D. 1445.

We recommend the Officer/s concerned to prepare the necessary reports cited above and to furnish copies to the Auditor as required. Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission as provided in paragraph 2, Section 122 of PD 1445.

12. The LGU failed to create or strengthen GAD Focal Point System (GFPS) or similar GAD mechanism as required under Philippines Commission on Women (PCW) Memorandum Circular No. 2011-01.

We recommend that management create/strengthen GFPS or similar GAD mechanism to catalyze and accelerate gender mainstreaming within the agency.

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:

	Beginning Balance 01.01.2016	This Period January 1, 2016 to December 31, 2016		Ending Balance 12.31.2016
		NS/ND/NC	NSSSDC	
Notice of Suspension	₱ 686,279.57	₱1,496,692.52	₱1,496,692.52	₱ 686,279.57
Notice of Disallowance	16,320.00	0.00	0.00	16,320.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 702,599.57	₱1,496,692.52	₱1,496,692.52	₱ 702,599.57

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

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 49 audit recommendations in the prior years' Annual Audit Reports, twenty-five (25) were fully implemented, twelve (12) were partially implemented and twelve (12) were not implemented.