

EXECUTIVE SUMMARY

Introduction

The Local Government Unit of GINGOOG CITY was created by the passage of R.A. 2668 on June 18, 1960 and operates under the authority of R.A. 7160 otherwise known as “The 1991 Local Government Code of the Philippines”. The mandate of the City Government of Gingoog is to deliver quality services to the public.

The city was founded by Spanish missionaries in 1750. It was the oldest city in Misamis Oriental Province, even older than the province’s capital and economic hub, Cagayan de Oro, which was founded in 1871.

The term Gingoog originally came from the word “Hingoog”, which means “Goodluck”, from a Lumad tribe of Manobo who settled in the area. The word implies good fortune, thus Gingoog City means the City of Good Luck. The natives of this place are the ones with the family names of “Gingco”, and “Gingoyon”.

The City Government of Gingoog is currently under the leadership of Honorable Marie L. Guingona. Her administration is gearing towards task mandated by the Local Government Code, and the realization of the eight-point agenda of the administration “TATAK GUINGONA”:

1. **Good Governance, Transparency and Accountability;**
2. **Utilizing Agricultural Resources and Environment Protection;**
3. **Infrastructure and Housing Development;**
4. **Natural Resources Conservation and Tourism Development;**
5. **Good Education, Technical Skills and Youth Development;**
6. **Orderly, Peaceful and Secure Community;**
7. **Nutrition and Adequate Health Services; and**
8. **Alleviation of Poverty**

The city used to have 71 barangays only. By virtue of SP Res. No. 270 and SP Code Ordinance Series of 1986, eight more barangays were created. Of the total 79 barangays 29 are in the Urban Center and 50 are in the Rural Area.

For CY 2016, the city had a total of 2,624 personnel complement distributed as follows: permanent – 571; elective – 14; casual – 83; temporary –3; Job Orders/contractual – 1,950; co-terminus – 3; and 117 not filled-up.

Financial Highlights

A. Financial Condition

The consolidated financial condition of the City as of December 31, 2016, excluding the 79 Barangays, is as follows:

	<u>2016</u>	<u>2015</u>
Assets	₱ 1,971,326,472	₱1,714,257,004
Liabilities	413,470,235	402,158,251
Government Equity	1,557,856,237	1,312,098,753

B. Results of Operations

	<u>2016</u>	<u>2015</u>
Income	₱ 784,728,032	₱706,460,186
Expenses	589,610,463	565,187,045
Net Income	₱ 195,117,569	₱141,664,591

C. Sources & Application of Funds

	<u>2016</u>	<u>2015</u>
1. Current Appropriation		
Personal Services	₱ 277,835,366	₱ 251,822,423
MOOE	302,517,334	278,460,304
Capital Outlay	50,719,830	27,005,800
Financial Expenses	25,200,000	35,300,000
2. Obligations		
Personal Services	₱ 241,515,677	₱ 227,677,646
MOOE	257,912,919	232,720,626
Capital Outlay	24,046,929	13,834,886
Financial Expenses	22,603,480	21,922,990

Operational Highlights

Calendar year 2016 is another remarkable year for the City Government of Gingoog. Shown below are the significant accomplishments of the City:

Implemented the Multi-million Peso Infrastructure Project of the City, namely:

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| a. Construction of Local Roads | ₱50,000,000.00 |
| b. Rehabilitation and Maintenance of Barangay Roads | ₱15,000,000.00 |
| c. Construction of Barangay Samay-Ricorro-Lunotan Road | ₱50,000,000.00 |
| d. Repair/Rehab and Construction of Farm to Market Road | |
| d.1 Concreting of Kalagunoy FMR | ₱ 5,000,000.00 |
| d.2 Concreting of FMR (San Miguel-Kipuntos-Kalagunoy) | ₱50,000,000.00 |
| d.3 Concreting of National Highway to Bakid-bakid FMR | ₱ 5,000,000.00 |

Scope of Audit

The audit covered the accounts and operations of the City Government of Gingoog as of the period December 31, 2016 to determine whether the management presented fairly the financial statements in accordance with state accounting principles and whether it complied with applicable laws, rules and regulations. To achieve these objectives, financial and compliance audits were undertaken.

Audit Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the City Government of Gingoog as of the year ended December 31, 2016 due to Accounts Payable amounting to P55,992,035.00 remained outstanding for two (2) years or more and were not reverted to the unappropriated surplus as required under Section 98 of P.D. 1445 and paragraph 3.1 and 3.3 of DBM-COA Circular No. 99-6.

In addition, the audit of cash in Bank accounts for all funds showed some deficiencies/errors: (a) The type of deposits which was High Yield Savings Accounts (HYSA) for nine (9) accounts were recorded as Time Deposits totaling P177 Million; (b) Time Deposits for four (4) accounts were recorded as Current Accounts totaling P23 Million; (c) Savings Regular Government for two (2) accounts were recorded as Current Accounts totaling P3.5 Million; (d) Most Cash in Bank accounts per Accounting records were not kept updated, thus a total difference of P12.4 Million; (e) the City Treasurer's Office (CTO) recorded 28 cash accounts whose type of deposits is recorded differently from City Accounting Office and from the bank passbooks and/or Bank Statements.

Also, the Due from Accounts with a year-end balance P 38,109,000.00 had remained unliquidated for over one (1) to ten (10) years, thereby rendering the validity of the account balance doubtful and resulted to an overstatement of an asset account and understatement of expenses and/or appropriate asset accounts of the same amount. Further, no Subsidiary Ledgers (SLs) were maintained for the account balance of P 13,686,831.00 hence the non-ascertainment of the balance.

Furthermore, cash advances granted to City's Disbursing Officers/Officers and Employees amounted to P 20,578,492.00 remained unliquidated as of year-end in violation of the provisions of COA Circular No. 97-002 dated February 10, 1997 thus, affecting the fair presentation of the financial statements.

Significant Observations and Recommendation

The audit disclosed the following other significant observations, which were discussed with the concerned management officials in the exit conference held on February 23, 2016, and whose comments were incorporated in this report, where appropriate:

1. Expenditures of the City Disaster Risk Reduction and Management Fund amounting to ₱5,336,453 charged to Trust Liability – DRRM were not judiciously planned because they were not among those found in the Local Risk Reduction and Management Fund Investment Plan (LDRRMFIP), thus, the disbursements of which contravene the requirements contained in Sections 4.4 and 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012.

We recommended that management to require the LDRRMO to submit the required LDRRMFIP in a standard format as prescribed in the above cited Circular; Require the LDRRMO to incorporate all expenditures on all programs, projects and activities in the LDRRMFIP as required including the expenditures chargeable under the special trust fund, infrastructure projects of the LDRRMF and the unforeseen/unplanned expenditures; and Revised regularly the LDRRMFIP upon approval by proper authorities the work and financial plan of the LDRRMF for any unforeseen/unplanned expenditures to be added therein.

2. Infrastructure projects of the Disaster Risk Reduction and Management Fund in the amount of ₱14,839,331 were not implemented during the year. Various projects intended to be executed in Calendar Years 2013-2015 amounting to ₱10,603,770 were not yet implemented in violation with the provisions of Section 2(e) of RA 10121 and Section 3 of NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.

We recommend that management to implement the projects, programs and activities under the calamity fund; and require the City Engineer's Office to prioritize and fast track the preparation of the Program of Work for all CDRRM projects, programs and activities and proceed with the implementation of the same.

3. The Disbursement Vouchers on the procurement of goods amounting to P52,803,515 were not supported with evidences that are required by the Revised IRR of RA No. 9184, such that our review of which from the planning phase up to its award of the contract was not thorough due to the absence of some documents essential to audit.

We recommend to the Bids and Award Committee (BAC), the Secretariat, TWG, and End-Users to implement and be apprise of the updated requirements of the IRR of RA 9184 on the procurement activities of the City government.

4. The BAC Secretariat failed to consolidate the Project Procurement Management Plans (PPMP) of the city's various offices into an Annual Procurement Plan (APP) as required under Section 7, IRR of RA 9184.

We recommended that the Head of the Procuring Entity (HOPE) should strictly abide by the provision of Section 7 of the IRR of RA 9184 on the preparation of the Annual Procurement Plan as important basis in the budget preparation and execution.

5. Accounts Payable amounting to P55,992,035 remained outstanding for two (2) years or more and were not reverted to the unappropriated surplus as required under Section 98 of P.D. 1445 and paragraph 3.1 and 3.3 of DBM-COA Circular No. 99-6.

We recommend that the City Accountant re-evaluate each payable accounts to ascertain the existence of actual claims, whether administrative or judicial so that the required reversion of items which had been in the books for two years or more would be effected and so with the necessary adjusting entries to revert them to the unappropriated surplus; submit to the Audit Team, the actions taken by the Office of the City Accountant to address the significant long outstanding accounts, payable aged two years old and prior years.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit suspensions, disallowances and charges found in the examination of various transactions for all funds of the Agency, are as follows:

	Balance, 01/01/2016	CY 2016 Issuances	CY 2016 Settlement	Balance, 12/31/2016
Prior to December 31, 2010 (COA Memo 2009-084)				
Those without Final Order of Adjudication and/or COA Order of Execution (COE)				
Disallowances	39,458,674.77			39,458,674.77
Disallowances with Final Order of Adjudication and/or COA Order of Execution (COE)				
Suspensions	-	-	-	
Disallowances	359,618.78	-	6,067.62	353,551.16
Charges	-	-	-	-
Upon effectivity of COA Circular No. 2009-006 (RRSA – Rules & Regulations on Settlement of Accounts)				
Suspensions	1,373,041.99	1,104,974.50	487,232.15	1,990,784.34
Disallowances	14,672,644.37	50,795.26	-	14,723,439.63
Charges	-	-	-	-
<i>Recapitulation:</i>				
Suspensions	1,373,041.99	1,104,974.50	487,232.15	1,990,784.34
Disallowances	34,490,937.92	50,795.26	6,607.62	54,535,665.56
Charges	-	-	-	-

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT
RECOMMENDATIONS**

Monitoring and validation of the actions taken by the management relative to the implementation of prior years' audit recommendations disclosed that out of 29 audit recommendations embodied in the Annual Reports of the City, 17 were fully implemented, Nine (9) were partially implemented and three (3) were not implemented.