

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Boston had gained its corporate status by virtue of R.A. 5820, duly enacted on June 20, 1969. It is the farthest among the eleven (11) Municipalities of Davao Oriental, which is approximately 178.11 kilometers from the City of Mati, Davao Oriental. Boston is comprised of eight (8) barangays and has a total population of 10,424 covering an area of 33,750 hectares more or less. It has a rugged mountainous terrain covered mostly by forest while the eastern parts are plain and fertile land and facing the Pacific Ocean.

Like any other local government units, the Municipality enjoys total independence in managing its own fiscal and developmental affairs in conformity with the national government's thrust for sustainable social and economic growth, and environmental development.

The Municipality of Boston is headed by Mayor Rebecco B. Rosit, Sr. and Vice Mayor Allen S. De Jesus. They are ably assisted by their respective Department Heads and 8 Sangguniang Panlungsod who were duly elected last May 2016.

AUDIT METHODOLOGY

The Commission has been implementing the 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 agency.

SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of the Municipality of Boston, Davao Oriental for CY 2016. The audit consisted of review of operating procedures, evaluation of the LGU's program and projects; interview of concerned government officials and employees; verification; reconciliation; and analysis of accounts; and such other procedures considered necessary.

FINANCIAL HIGHLIGHTS

Shown in the next page are the comparative figures of the assets, liability, income & expenses of Municipality of Boston as at December 31, 2016 and 2015:

Account	CY 2016	CY 2015	Difference	
			Increase (Decrease)	
			Amount	%
Assets	135,413,063.50	163,506,556.84	(28,093,493.34)	-17.18%
Liabilities	80,190,607.10	111,988,106.72	(31,797,499.62)	-28.39%
Equity	55,222,456.40	51,518,450.12	3,704,006.28	7.19%
Income	87,736,800.77	78,459,072.09	9,277,728.68	11.82%
Total Expenses	67,074,295.04	54,671,114.91	12,403,180.13	22.69%
Net Income	20,662,505.73	23,787,957.18	(3,125,451.45)	-13.14%

The total assets and liabilities of the Municipality for the year 2016 are P135,413,063.50 and P80,190,607.10 with a decrease of 17.18% or P28,093,493.34 and 28.39% or P31,797,499.62 respectively. The decrease was due to the implementation of program and projects from fund transfer from National Government Agencies.

For Calendar Year (CY) 2016, income increased by P9,277,728.68 or 11.82% as compared to that of 2015. The total expenses of CY 2016 in the amount of P67,074,295.04 is 22.69% higher than that of CY 2015 due to the increase of income for the year 2016. The decrease of 13.14% of net income in CY 2016 was derived from the increase of expenses from Personal Services, MOOE and Financial Expenses.

Below is the summary of allotment and obligations incurred for the year ended December 31, 2016:

➤ **Appropriations per Fund**

The appropriations for the year consist of:

Fund	Personal Services	MOOE	Capital Outlay	Total
Current Appropriations				
General Fund	39,048,823.33	29,697,423.07	23,500,027.00	92,246,273.40
Special Education Fund		228,000.00	35,548.00	263,548.00
Sub-total	39,048,823.33	29,925,423.07	23,535,575.00	92,509,821.40
Continuing Appropriations				
General Fund	-	1,514,666.02	29,210,727.63	30,725,393.65
Special Education Fund				-
Sub-total	-	1,514,666.02	29,210,727.63	30,725,393.65
Total Appropriations	39,048,823.33	31,440,089.09	52,746,302.63	123,235,215.05

➤ **Appropriations, Obligations, and Balances for all funds**

Expenditure Items	Appropriations	Obligated	Unexpected Balances		
			Total	Reverted	Extended
General Fund					
Current Appropriations					
PS	39,048,823.33	39,048,823.33	-		-
MOOE	29,697,423.07	24,761,796.88	4,935,626.19		4,935,626.19
CO	23,500,027.00	5,995,547.44	17,504,479.56		17,504,479.56
Sub-total	92,246,273.40	69,806,167.65	22,440,105.75	-	22,440,105.75
Continuing Appropriations					
MOOE	1,514,666.02	285,485.38	1,229,180.64		1,229,180.64
CO	29,210,727.63	9,806,368.39	19,404,359.24		19,404,359.24
Sub-total	30,725,393.65	10,091,853.77	20,633,539.88	-	20,633,539.88
Total	122,971,667.05	79,898,021.42	43,073,645.63	-	43,073,645.63
Special Educational Fund					
Current Appropriations					
PS	-	-	-		-
MOOE	228,000.00	170,585.56	57,414.44		57,414.44
CO	35,548.00	-	35,548.00		35,548.00
Total	263,548.00	170,585.56	92,962.44	-	92,962.44
Grand Total	123,235,215.05	80,068,606.98	43,166,608.07	-	43,166,608.07

Under the General Fund, the amount totaling P122,971,667.05 was appropriated with the corresponding obligations of P79,898,021.42 leaving a balance of P43,073,645.63. A total appropriation for Special Education Fund of P263,548.00 with the corresponding obligations of P170,585.56 leaving a balance of P92,962.44 for Maintenance and Other Operating Expenses (MOOE) and Capital Outlay (CO).

AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the presentation of the accompanying Financial Statements, due to the continuous failure of the accounting office to prepare Bank Reconciliation Statements on all depository accounts amounting to P73,212,073.82. Likewise, inclusion of unliquidated but expended cash advances for operating and travelling expenses which resulted to overstatement of accounts by P22,305,633.07 and understating the Government Equity/ Prior Years’ Adjustments account for the year.

Moreover, the existence, accuracy and validity of the recorded Property, Plant and Equipment accounts amounting to P49,406,863.79 as at December 31, 2016 could not be ascertained due to failure of the Local Government Unit to conduct annual physical count and provide depreciation of its Property, Plant and Equipment (PPE); thereby affecting the fair presentation of financial statements.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the significant findings together with their corresponding recommendations for the period ended December 31, 2016:

- 1. One Hundred Seventeen (117) Disbursements Vouchers (DVs) totaling P6,873,073.43 were not submitted to the Office of the Auditor because the DVs were not claimed by the payee as at year-end ; thus prevented timely review and evaluation of the accounts and operations of the Municipality.**

Direct the OIC-Municipal Accountant to submit immediately the aforementioned paid disbursement vouchers to the Commission on Audit so that timely audit of the transactions of the municipality can be performed.

- 2. Sixteen development programs and projects in an aggregate amount of P10,034,000.40 as embodied in the Annual Investment Plan were not fully implemented during the year, thus depriving the constituents of the benefits that could be derived therefrom.**

Hasten the implementation of developmental projects embodied in the Municipal Annual Investment Plan within its time frame to accelerate socio-economic growth and environmental development in the barangay.

Direct the Municipal Planning Development Council or the Municipal Project Engineer to exercise diligently their monitoring function to immediately identify and address any problem(s) that tend to hamper / slow down the implementation.

- 3. Six projects totalling P5,482,100.00 funded by NGAs through fund transfer remained unimplemented as at year-end because the office concerned did not submit the Purchase Requests (PRs) of the materials and equipment to be procured, to the Bids and Awards Committee; thus, no procurement activities were undertaken during the year.**

Direct the Municipal Agriculture Officer/BUB Focal Person to immediately forward the Purchase Requests of the materials and equipment to be procured to the Bids and Awards Committee. Upon submission, require the Bids and Awards Committee to expedite the procurement process.

- 4. The MDRRMF totaling P2,880,734.33 for disaster prevention and mitigation, preparedness, response, rehabilitation and recovery was not optimally utilized, thereby depriving the intended beneficiaries of benefits that may be derived therefrom. Likewise, the required monthly Report of Sources and Utilization thereof was not submitted contrary to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012.**

Direct the MDRRMO to fast track the procurement of the identified equipment, rescue vehicles and reconstruction of building included in MDRRM Plan.

Also, direct the Municipal Accountant to prepare the Report of Sources and Utilization of LDRRMF monthly and submit same to the Office of the Auditor through the LDRRMC and Local Development Council.

5. Implementation of the project Design and Build of Water Supply System Level II – Barangay San Jose exceeded the specified period of completion by fifty (50) days, in violation of Section 8.1 of Annex E of the Revised IRR of RA No. 9184, thereby, incurring liquidated damages totalling P18,185.53.

Direct the Municipal Treasurer to collect the liquidated damages amounting to P18, 185.53 from the contractor for failure on their part to complete the project within the specified contract time in accordance with Section 8.1 of Annex E of Revised IRR No. 9184.

Direct the Municipal Engineer to monitor the project implementation to ensure timely completion of the projects.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES and CHARGES AS OF YEAR END

	Beginning Balance (As of January 1, 2016)	This Period January 1, 2016 to December 31, 2016 (See Below)		Ending Balance (As of December 31, 2016)
		NS/ND/NC	NSSDC	
		Notice of Suspension	-	
Notice of Disallowance	-	-	-	-
Notice of Charge	-	-	-	-
Total	-	2,192,614.72	-	2,192,614.72

STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS

Of the Twenty six (26) prior years’ audit recommendations, six (6) or 23.07% was fully implemented, two (2) or (7.70%) was partially implemented, while eighteen (18) or (69.23%) remained unimplemented as indicated under Part III of the report.