EXECUTIVE SUMMARY

Introduction

The Municipality of Ponot was created by virtue of Batas Pambansa Bilang 15 dated April 3, 1979. On April 8, 1983, Parliamentary Bill 1957 renamed the Municipality to Jose Dalman in honor of the late Jose C. Dalman. The Municipality is approximately 54 kilometers from the City of Dipolog. It is bounded on the north and west of Municipality of Manukan and Municipality of Pres. Manuel Roxas respectively, the southern borders are Sindangan and Siayan Municipalities, the western side is bordered by Sulu Sea. The Municipality has a total land area of approximately 13,500 hectares distributed among the 18 barangays. Its population was reported at 27,033 during the 2010 census on population and housing and it is classified as a fourth class municipality.

The LGU of Jose Dalman envisioned, “To uplift the quality of life of its constituents in the area by providing basic services and maintaining the quality of its environment and ensuring a just and humane society through a committed public service by transforming Jose Dalman into a God centered, empowered, healthy community towards a better and sustainable quality of life.”

The LGU received a Bronze Award during the Dugong Bayani Awards 2019 at Grand Astoria Hotel, Zamboanga City on November 22, 2019 in recognition of its meritorious performance in the implementation of the National Voluntary Blood Services Program as exemplified by its achievement of 1.08 per cent Blood Donation Rate.

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 for 2019. 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 of accounts, 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 thrusts of the Local Government Sector for CY 2019, the following audit areas/accounts were looked into:

1. Cash and cash equivalents
2. Financial Liabilities
3. Fund Transfers
a. Due from NGOs/POs, Due from NGAs, Due from GOCCs and Due to LGUs
b. Due to NGOs/POs, Due to NGAs, Due to GOCCs and Due to LGUs
4. Funds Directly Released by the Department of Budget and Management (DBM) to Local Government Units (LGUs)
   a. Bottom-Up Budgeting (BuB) and Assistance to Disadvantaged Municipalities (ADM)
   b. Governance Fund releases CY 2016 KALSADA and for CY 2017 Conditional Matching Grant to Provinces (CGMP)
5. 20% Development Fund
6. Local Disaster Risk Reduction Management Fund (LDRRMF)
7. Special Education Fund (SEF)
8. Solid Waste Management/Environmental Compliance
9. Audit of Revenue Generating Programs
10. Evaluation on the payment to casuals, job orders, and contractuals
11. Enforcement of COA disallowances
12. Implementation of the 1% of IRA Allocation for the Local Councils for the Protection of Children (LCPC) Programs

Financial Highlights

The financial condition and results of operation of the Agency as of December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>163,423,789.01</td>
<td>189,208,279.66</td>
<td>(25,784,490.65)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>48,183,819.38</td>
<td>59,066,050.52</td>
<td>(10,882,231.14)</td>
</tr>
<tr>
<td>Equity</td>
<td>115,239,969.63</td>
<td>130,142,229.14</td>
<td>(14,902,259.51)</td>
</tr>
</tbody>
</table>
The LGU’s appropriations and obligations for the year were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Legislative Appropriation - GF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>43,410,286.76</td>
<td>43,330,729.65</td>
<td>41,171,194.49</td>
</tr>
<tr>
<td>Maint. &amp; Other Operating Expenses</td>
<td>45,465,029.02</td>
<td>44,761,598.56</td>
<td>40,095,107.15</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>19,120,280.41</td>
<td>15,855,499.59</td>
<td>19,409,125.57</td>
</tr>
<tr>
<td></td>
<td>107,995,596.19</td>
<td>103,947,827.80</td>
<td>100,675,427.21</td>
</tr>
<tr>
<td>Current Legislative Appropriation - SEF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>24,000.00</td>
<td>-</td>
<td>18,000.00</td>
</tr>
<tr>
<td>Maint. &amp; Other Operating Expenses</td>
<td>681,929.15</td>
<td>550,115.23</td>
<td>366,000.00</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>-</td>
<td>-</td>
<td>384,000.00</td>
</tr>
<tr>
<td></td>
<td>705,929.15</td>
<td>550,115.23</td>
<td>357,149.00</td>
</tr>
<tr>
<td>Total Current Legislative Appropriation</td>
<td>108,701,525.34</td>
<td>104,497,943.03</td>
<td>101,059,427.21</td>
</tr>
<tr>
<td>Continuing Legislative Appropriation - GF</td>
<td>2,590,941.01</td>
<td>758,285.50</td>
<td>1,623,545.98</td>
</tr>
<tr>
<td>Continuing Legislative Appropriation - SEF</td>
<td>83,477.46</td>
<td>52,531.37</td>
<td>39,946.09</td>
</tr>
<tr>
<td>Total Continuing Legislative Appropriation</td>
<td>2,674,418.47</td>
<td>810,816.87</td>
<td>1,777,591.60</td>
</tr>
<tr>
<td>Grand Total</td>
<td>111,375,943.81</td>
<td>105,308,759.90</td>
<td>102,766,450.65</td>
</tr>
</tbody>
</table>

During the year it also received funds from other government agencies in the total amount of P37.728 million

**Independent Auditor's Report**

We rendered a qualified opinion on the fairness of the presentation of the financial statements. The following significant observations and recommendations are the bases of our opinion:

1. Erroneous Recoupment of 15 per cent Mobilization on Concreting of Local Core Road at Marupay-Lipay resulting to overpayment to Contractor amounting to P0.66 million thus, overstating the receivables and understating the cash in bank accounts;

2. Completed projects costing P13.022 million were not appropriately reported thus affected the timely accounting and recognition of Asset and Government Equity Accounts.

**Summary of Significant Observations and Recommendations**

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

1. Existing equipment and facilities for disaster preparedness of the LGU did not meet the minimum standards, thereby, preventing them from further strengthening its capacity to become disaster resilient as specified in the National DRRM Plan 2011-2028.
We recommended that management thru the Local Disaster Risk Reduction Management Office to:
  o Procure and maintain availability of all the basic equipment for disaster preparedness as specified in the Minimum Standards for Disaster Preparedness, especially on the items identified;

  o Include in the LDRRM Investment Plan, the establishment of toilets for PWDs as well as an appropriate storage area in their designated evacuation center, and ensure its implementation;

  o Install Rainwater Collection System as alternative sources of water supply for the evacuation center; and

  o Evaluate and monitor the existing equipment and facilities for disaster preparedness to ensure compliance with the minimum standards and to further improve the LGUs capabilities to be disaster resilient.

2. Various deficiencies in the administration of the Water Works System affected the effectiveness of the operations and revenue generation of the municipality.

   a. Prescribed Water Rates as embodied in the Local Revenue Code were not systematically carried out and implemented.

   b. Sanctions were not imposed to Delinquent Customers thus, affecting the collection efficiency of the water works.

   c. The management did not apply accrual basis in accounting Service Income earned from waterworks system fees resulting to understatement of the account by ₱0.10 Million.

We recommended that the Municipal Mayor to direct the following personnel:
A. The Municipal Treasurer to:
   • Impose the prescribe rates as embodied in the Local Revenue Code to enable the LGU earn substantial amount of income that could be useful for betterment of the water works services.
   • Improved collections efficiency by imposing appropriate sanctions to delinquent customers
   • Submit the monthly report of bills rendered to market occupant which will be made as basis in the accrual and recording of rental income.
B. The Municipal Engineer to:
   • Look into ways and means of improving the services so that all customers could enjoy the same privilege of having sufficient supply of water at all times.
   • Replace damaged and defective water meters to have an accurate water consumption and billing.
   • Further, investigate causes extremely high water consumption before granting discounts to customers and let them repair leaks of pipelines immediately to avoid further loss of water and revenue.

3. The Municipal Assessor did not conduct field inspection and verification as required under provision 2.5.1 of the Mass Appraisal Guidebook, A Supplement to the Manual on Real Property Appraisal and Assessment Operations, resulting to misclassification, non-declaration, and misdeclaration of some properties resulting to its under assessment and understatement of revenue of the Municipality.
We Recommended that:
- Municipal Assessor to follow the process of tax assessment by following the assessment calendar as required in the Mass Appraisal Guidebook in order to implement general revision in a manner in consonance to the provision of Section 215 of RA 7160;
- Revised the Tax Declaration under TD No. 04-0001-00257; 04-0001-00838; 04-0001-285; 04-0001-285 and 04-0017-00200 effecting the changes as observed in audit and submit to the Auditor a certified copy of the revised TDs.; and
- Submit action plan to conduct a field inspection and verification in order to check whether there are other properties which might be misclassified, not declared or erroneously declared.

4. The Vice Mayor and Sangguniang Bayan Members were paid full Transportation Allowance (TA) despite of using government vehicle, not in accordance with LBC No.103 dated May 15, 2013.

We Recommended that:
- Municipal Accountant to deduct the equivalent TA of Officials with assigned/using government vehicles.
- Require drivers to attached trip tickets and accomplishments as supporting documents to their salaries.
- Vice Mayor and Sangguniang Bayan Members to maintain Logbook for each vehicle to record the whereabouts of the vehicle.

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, 2019 were as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Beginning Balance January 1, 2019</th>
<th>this Period January 1, 2019 to December 31, 2019</th>
<th>Ending Balance December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NS/ND/NC</td>
<td>NSSDC</td>
<td></td>
</tr>
<tr>
<td>Notice of Suspension</td>
<td>11,590.00</td>
<td>-</td>
<td>11,590.00</td>
</tr>
<tr>
<td>Notice of Disallowance</td>
<td>352,278.42</td>
<td>305,500.00</td>
<td>46,778.42</td>
</tr>
<tr>
<td>Notice of Charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>363,868.42</td>
<td>305,500.00</td>
<td>58,368.42</td>
</tr>
</tbody>
</table>

**Status of Implementation of Prior Years’ Audit Recommendations**

Of the thirty three (32) audit recommendations stated in 2018, Annual Audit Report, twenty (20) are implemented, and twelve (12) are yet to be implemented by the LGU.