

## EXECUTIVE SUMMARY

### A. Introduction

The Davao Integrated Development Program-Project Management Office (DIDP-PMO) was formally organized on July 15, 1994 with the signing of the Memorandum of Agreement in socio-economic cooperation and development. The legal basis for such creation was extracted from Article X, Section 13 of the 1987 Philippine Constitution and from Section 33, Chapter 3, Article 3, of the Republic Act 7160.

The DIDP is a development strategy anchored in the concerted effort to pursue an integrated development by mustering the various strengths and resources of Local Government Units (LGUs) in the area. The planning and coordinating functions at the local level is strengthened at the proper regional level to provide technical support and guidance to all LGUs.

Owing to its significant role in the attainment of the development goals and objectives of the National Government, then President Joseph Estrada signed Executive Order No. 144 dated August 23, 1999 “**Establishing the Coordinative and Integration Mechanism for the Implementation of the Davao Integrated Development Program**”. It mandates the DIDP to promote harmonious working relationship and maintain an effective coordination and integration mechanism among the development players in the DIDP Area.

The DIDP-PMO is headed by Atty. Wendel E. Avisado, Executive Director. The PMO serves as the Secretariat of the Board and at the same time provides technical and staff support.

As at December 31, 2017, the DIDP-PMO has a manpower complement of five contractual and two job order personnel.

### B. Audit Methodology

The Commission has been implementing the risk-based audit in the conduct of its audit services. However, to meet the evolving development 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.

### C. Scope of Audit

The audit covered the review of accounts and operations of DIDP-PMO, Davao City for CY 2017. The audit was aimed to ascertain the propriety of the disbursements,

the adequacy of recording of the transactions in the books of accounts and the fairness and reliability of the financial reports. Transactions of the agencies were also examined to determine whether existing laws, rules and regulations were complied with.

#### **D. Financial Highlights**

The financial condition and results of operation of the Agency as at December 31, 2017 with comparative figures of 2016 are summarized as follows:

Account	CY 2017	CY 2016	Increase (Decrease)	
			Amount	%
Assets	9,640,448.13	8,796,485.37	843,962.76	10%
Liabilities	249,864.34	39,496.31	210,368.03	533%
Equity	9,390,583.79	8,756,989.06	633,594.73	7%
Revenue	6,152,768.01	6,824,556.35	-671,788.34	-10%
Operating Expenses	5,519,173.28	6,437,249.53	-918,076.25	-14%
Surplus from Current Operations	633,594.73	387,306.82	246,287.91	64%

The increase in assets by 10% is a result of: (1) the increase in cash and cash equivalents by PhP913,931.04 or 11% and (2) the decrease in non-current assets by P69,968.28 or 15%.

Liabilities increased by 533% due to the reversal of checks drawn for the payment of expenses incurred during the year but were not issued to other government agencies, employees and service providers as at December 31, 2017, in compliance with COA GAFMIS Circular Letter No. 2002-001 dated December 16, 2002.

The decrease in the operating expenses by 14% affected the increase in equity by 7%. The decrease in revenues is caused by uncollected annual contribution in the amount of PhP750,000.00 for the calendar year 2017 as well as the decrease in the income by PhP69,678.51 or 12.5% on the rental of the geo-water resistivity meter equipment to various LGUs and private individuals.

Over all, there was an increase in the surplus from current operations of PhP246,287.91 or 64% for the year ended December 31, 2017.

#### **E. Independent Auditor's Report**

The Auditor rendered a qualified opinion due to non-conduct of the annual physical count of the agency's PPE and the non-submission of the corresponding Report on the Physical Count of PPE (RPCPPE) as at December 31, 2017, thus created doubt on the accuracy and reliability of the reported year-end balances of the PPE accounts

amounting to PhP384,376.60. In addition, the non-submission of the financial reports and disbursement documents within the prescribed period affected the timely evaluation and determination on the validity and accuracy of the agency accounts presented in the financial statements.

## **F. Summary of Significant Observations and Recommendations**

The following are some of the audit observations and corresponding recommendations, which were discussed with Management officials concerned during the exit conference conducted on February 22, 2018, details of which were discussed in Part II of the Report. Management's views and comments were incorporated in the report, where appropriate:

### **1. Erroneous computation of the government share in the Pag-IBIG contributions of the DIDP-PMO contractual employees for CY 2017 exceeded by PhP31,225.90 contrary to Section 3 of COA Circular 2012-003, Section 46 of the General Provisions of the General Appropriations Act (GAA) for the Fiscal Year 2017 and Section 1, Rule VI of the Implementing Rules and Regulations (IRR) of the Republic Act No. 9679, thus creating doubt on the regularity of the transactions.**

We recommended that management:

- a. Request from the HDMF to generate a list of contributions made to the account of each DIDP-PMO employee to determine the following:
    1. the 1<sup>st</sup> monthly contribution when the government started to contribute more than PhP100.00 per month per employee; and
    2. the total excess amount contributed by the government, and to be used as reference for the refund of the excess government share by the employees concerned;
  - b. Direct the Administrative Officer to comply with the rules and regulations in the computation of the Pag-IBIG contributions to ensure propriety of the transactions;
  - c. Instruct the accountant to review the correctness and regularity of the deductions from employees' salaries; and
  - d. Revisit relevant rules and regulations pertaining to salaries and wages, its mandatory deductions and other transactions related to Personal Services to ascertain that fundamental principles of government financial transactions and operations are properly observed.
- ### **2. Management failed to submit to the Office of the Auditor the CY 2017 financial reports and disbursement documents within the prescribed period, contrary to**

**the Government Accounting Manual and COA Circular 95-006, thus hindering the Auditor from verifying the accuracy and completeness of the accounts balances in the financial statements and other financial reports, as well as the legality of the recorded transactions.**

We recommended that Management:

- a. Direct the officers concerned to immediately submit the lacking financial reports and disbursement vouchers together with all the supporting documents;
  - b. Require the present Disbursing Officer and Accountant to strictly observe the timely submission of paid vouchers and all financial reports;
  - c. Direct the officials concerned to enroll at the LBP weAccess Online Viewing internet banking facility to avail on real time basis the account statement and other related financial records and information necessary in the preparation of the BRS; and
  - d. Ascertain that despite the presence of other commitments by the Office, priority should also be given to the timely submission of financial reports and transaction documents through effective management of time.
3. **Management failed to conduct the annual physical count of the agency's property, plant and equipment (PPE) and submit the corresponding Report on the Physical Count of PPE (RPCPPE) as at December 31, 2017, contrary to pertinent provisions in the Government Accounting Manual (GAM), thus accuracy and reliability of the PPE account balance totaling P384,376.60 could not be ascertained.**

We recommended that management:

- a. Direct all personnel concerned to conduct immediately the physical count of all agency property and reclassify the items, whether PPE or SEP, in accordance with the provisions of GAM;
- b. Submit the corresponding Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as well as another report for SEP, duly supported with the required Property Acknowledgement Receipts and Inventory Custodian Slips, respectively;
- c. Communicate with the former Acting Accountant to turn-over the financial records of the Office to the newly hired Accountant to enable the reconciliation of the PPE account with the AO's records;

- d. Strictly observe the time frame in which the annual physical count of PPE is conducted at the end of every year and the corresponding RPCPPE is submitted to the Auditor not later than January 31 of the following year; and
- e. Ensure that clearances of outgoing personnel are issued only when proper turnover of their accountabilities have been accomplished.

#### **G. Summary of Audit Suspensions, Disallowances and Charges as at Year-end**

As at December 31, 2017, the agency has a total unsettled disallowances of P12,795.50 which consists of disallowed transactions prior to the implementation of the Revised Rules on the Settlement of Accounts (RRSA) on October 6, 2009, hence, not reflected in the Statement of Audit Suspensions, Disallowances and Charges (SASDC). These are overpayments of salaries of former DIDP employees who are currently no longer connected with DIDP.

#### **H. Status of Implementation of Prior Years' Audit Recommendations**

Of the four (4) prior years' audit recommendations, three (3) were partially implemented and one (1) was not implemented. The results of the validation of the implementation of the prior years' audit recommendations are presented in Part III of this Report.