

## EXECUTIVE SUMMARY

### A. Introduction

1. The Municipality of Dinagat, Province of Dinagat Islands was created on April 25, 1855 by virtue of Direction General No. 5505 signed by Governor General Manuel Crespo.
2. It was once a part of the Province of Surigao del Norte but is now one of the seven municipalities of the newly created Province of Dinagat Islands starting October 2, 2006.
3. The Municipality of Dinagat, which has a total land area of 3,287 hectares and a total population of 10,632, is a fifth-class municipality. The municipality thru the leadership of Mayor Craig Ecleo and supported by the Sangguniang Bayan members and various department heads, continued to discharge its function in managing and planning its administrative, fiscal and development affairs pursuant to its programs for a wide disposition of available resources especially for the delivery of basic services to the constituents.
4. The audit was conducted in accordance with applicable legal and regulatory requirements, and the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
5. The audit covered the accounts and operations of the municipal government for the year 2018 and was aimed at ascertaining the propriety of financial transactions, management's compliance to prescribed rules and regulations and the fairness of the presentation of the financial statements. Value for money was also conducted on the selection and implementation of projects funded out of the 20% development fund to determine whether the objectives of the projects were attained in the most efficient, effective and economical manner.

### B. Financial Highlights

6. Comparative Financial Position and Results of Operations

Particulars	2018	2017	Increase/ (Decrease)
Assets	202,990,042.70	189,596,489.89	13,393,552.81
Liabilities	30,563,897.20	20,976,911.09	9,586,986.11
Government Equity	172,426,145.50	168,619,578.80	3,806,566.70
Income	69,718,753.39	64,548,810.19	5,169,943.20
Expenses	54,465,966.36	46,802,603.66	7,663,362.70
Net Operating Income	15,252,787.03	17,746,206.53	(2,493,419.50)

## 7. Comparative Sources and Applications of Funds

<b>Particulars</b>	<b>2018</b>	<b>2017</b>	<b>Increase/ (Decrease)</b>
Appropriations	82,433,664.21	66,869,914.92	15,563,749.29
Allotment	82,433,664.21	66,869,914.92	15,563,749.29
Obligations	69,049,062.15	58,198,472.63	10,850,589.52
Funds received from other agencies	28,560,593.00	-0-	28,560,593.00
Funds received from NGOs/POs	-0-	-0-	-0-
Funds transferred to other agencies	-0-	-0-	-0-
Funds transferred to NGOs/POs	-0-	-0-	-0-

### C. Audit Opinion

8. We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Dinagat for the Calendar Year 2018 due to the following observations that affect the fair presentation of the account balances in the financial statements:
  - a. The reliability of the net book value of Property, Plant and Equipment (PPE) accounts of Php155,722,930.38 as of December 31, 2018 could not be ascertained as to existence and valuation due to non-conduct of complete physical count and the non-reconciliation of property and accounting records due to the absence of property and ledger cards and other property records, in violation of Sections 119, 120 and 124 of the Manual on the New Government Accounting System, Volume 1 for LGUs;
  - b. Management failed to compute and provide for the depreciation of depreciable Property, Plant and Equipment (PPE) totaling Php40,668,634.98 for CY 2018, contrary to Section 58 of P.D. No. 1445, Item 2 COA Circular No. 2003-007, and Section 4(o) of the MNGAS, Vol. I, thereby resulting to the understatement of the depreciation expense and its Accumulated Depreciation accounts and correspondingly overstatement of its Asset and Government Equity accounts; and
  - c. Various receivables totaling Php2,618,196.26 remained outstanding in the books for more than five (5) years due to the failure of the management to exert efforts to enforce collection, thus, resulting to losses of funds and affecting the fair presentation of the account balances in the financial statements.

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

9. For the above-mentioned audit observations which have caused the issuance of a qualified opinion, we recommended that management:
  - a. Submit within the reglementary period a complete and accurate RPCPPE to the Audit Team pursuant to Section 124 of the NGAS for the LGUs, Volume 1;
  - b. Instruct the Municipal Accountant to effect the necessary adjustments in the books of accounts and regularly compute, on a monthly basis, the depreciation of all depreciable assets, in order to present fairly the PPE accounts in the financial statements; and
  - c. Direct the Municipal Account to review and analyze the receivables account. Exert extra efforts in recovering the said receivables by exhausting all possible means and seeking legal advice. Likewise, adequately document the actions taken thereon. Should all efforts fail, request for a write-off to the COA of the subject accounts and support the letter of request with (a) proof or evidences that could substantiate efforts exerted to review and validate the account, and attached the demand letters as evidence that they enforce the collection thereof; (b) list of available records and extent of validation made on the said accounts; and (c) a certification ascertaining the reasons why pertinent records and documents could not be located, as the case may be.
  
10. The other significant audit findings and recommendations are as follows:
  - 10.1 **Disbursements not related to Local Disaster Risk Reduction and Management Program totaling Php116,433.98 was charged to the LDRRMF, in violation of Sec. 1 of Rule No. 18 of the IRR of R.A. No. 10121, thereby depleting the funds for which it was intended.**

Stop the practice of charging expenses to LDDRMF which are not related to activities enunciated under the Disaster Risk Reduction and Management Program. Moreover, adhere strictly to the guidelines set under Sec.1, Rule No.18 of IRR of R.A. 10121 in the utilization of LDRRMF.
  - 10.2 **No database of Agency's Gender and Development (GAD) Focal Point was established and maintained as of CY 2018 in pursuant to Department of Interior and Local Government (DILG) Memorandum Circular (MC) 2005-01 dated January 4, 2005, thus, no available data could be used as inputs in determining the appropriate interventions for women empowerment and gender equality at the local level.**

We recommended that the Agency should established database for GAD so appropriate programs will be executed in addressing pressing client-focused and organization-focused gender issues.

- 10.3 **Payment of honoraria totaling to Php33,000.00 has either no legal basis or supporting documents to the claim, contrary to the provision of Sec. 55 of General Provisions, General Appropriations Act 2015 and COA Circular No. 2012-001.**

We recommended that Management refrain from granting honoraria without legal basis and follow the provisions of law. Moreover, the Municipal Accounting Office is enjoined to meticulously check the supporting documents of the claims of honoraria before certifying the completeness and validity thereof.

- 10.4 **Optimal utilization of the Local Disaster Risk Reduction and Management Fund was not fully achieved as only a total of Php667,282.00 or 35.90% out of Php1,858,872.67 LDRRMF – Special Trust Fund was utilized during the year. Further, the total available fund, comprised of the 70% Mitigation Fund and Special Trust Fund, was mostly spent for traveling, training and supplies expenses leaving other priority programs/projects/activities unallocated, thus, depriving the end-users of benefits that can be derived therefrom had other priority programs/projects/activities were addressed and carried out.**

We recommended to that Management to substantially utilize the Local Disaster Risk Reduction and Management Fund for the whole year, and prioritize the implementation of laudable projects/programs/activities to attain fully their LDRRM objectives.

- 10.5 **Of the Php347,000.00 Budget for Special Education Fund for CY 2018 only Php140,136.78 was utilized, of which, Php74,672.28 was spent for office equipment contrary to Section 272 of RA 7160 and DepEd-DBM-DILG Joint Circular No. 01, s. 2017, and thus, manifesting failure to maximize utilization of funds for essential and productive activities that could benefit public schools.**

Direct the members of the Local School Board to allocate and maximize the utilization of the Special Education Fund for programs, projects and activities that adhere to the provisions stipulated in Section 272 of RA 7160 and DepEd-DBM-DILG Joint Circular No. 01, s. 2017.

- 10.6 **Various projects received from National Government Agencies totaling to Php19,836,343.00 were either not carried out and still on-going as of year-end, thus, depriving the end users of the timely benefits that may be derived therefrom, had all the projects been completed as planned.**

We recommended that the implementation of the above-mentioned projects should be fast tracked so that these can be used by the intended beneficiaries.

- 10.7 **Of the Php15,000,000.00 amount of fund transfer received in CY 2017 from the Provincial Government for the Rehabilitation of Municipal Gymnasium, only Php9,441,941.61 or 63% was utilized as of the end of year 2018, thus, depriving the end users of the timely benefits that may be derived therefrom, had the project been completed as planned.**

We recommended that the implementation of the above-mentioned project should be fast tracked so that these can be used by the intended beneficiaries.

- 10.8 **Disbursements amounting to Php56,123.22 for payment of Toys as g Handog to indigent children is deemed to be unnecessary expenditures for not being adherent to the mission and thrust of the agency, thereby not fully responsive to the demands of good governance, contrary to Section 4 (4) of PD 1445 and COA Circular 2012-003 dated October 29, 2012.**

We recommended that the Management conduct a thorough study and evaluation to properly identify appropriate programs and projects to be undertaken during the year based on their Local Investment Plan for Children (LIPC) in order to deliver appropriate services to its constituents.

#### **E. Summary of total Suspensions, Disallowances, and Charges**

11. No Notices of Suspension/Disallowance was issued in CY 2018. However, the audit disallowance balance of Php973,728.59 as of December 31, 2017 remained unsettled in CY 2018.

#### **F. Statement on the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.**

12. Out of the audit recommendations contained in the CY 2017 Annual Audit Report, five were fully implemented and three were partially implemented.