

EXECUTIVE SUMMARY

1. Introduction

The original town of Dupax was the largest municipality of the province of Nueva Vizcaya in terms of land area. But in 1971, Congress passed into law Republic Act 6372 otherwise known as "*An Act Creating the Municipality of Dupax del Sur from the Municipality of Dupax in the province of Nueva Vizcaya*", sponsored by then Congressman Benjamin B. Perez in the Philippine House of Representatives and Senator Leonardo B. Perez in the Philippine Senate. On November 26, 1974, PD No. 586 paved the way for the division of Dupax into two municipalities: Dupax del Norte and Dupax del Sur. Dupax del Sur which is composed of nineteen (19) barangays is classified as a second (2nd) class municipality.

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Dupax del Sur. The audit objectives were to ascertain the propriety of disbursements, the reliability of financial reports, the adequacy of accounting records, compliance with laws, rules and regulations as well as adherence to prescribed policies and procedures. Likewise, the audit was conducted to determine whether plans, programs, projects and activities for the year were attained in an efficient, economic and effective manner.

2. Financial Highlights

The highlights of the financial position, financial performance and appropriations, allotments and obligations of the Municipality of Dupax del Sur, Nueva Vizcaya for the year ended December 31, 2017, with comparative figures for CY 2016, are as follows:

Particulars	2017	2016	Increase / (Decrease)
Financial Position			
Total Assets	₱ 257,403,698.28	₱ 236,365,417.76	₱ 21,038,280.52
Total Liabilities	52,891,949.43	48,958,278.76	3,933,670.67
Total Government Equity	204,511,748.85	187,407,139.00	17,104,609.85
Financial Performance			
Revenue	₱ 141,547,577.38	₱ 124,019,303.54	₱ 17,528,273.84
Expense	90,561,350.51	80,555,191.54	10,006,158.97
Surplus	50,986,226.87	43,464,112.00	7,522,114.87
Appropriations, Allotments and Obligations			
Current Year Appropriations	₱ 153,817,351.16	₱ 125,643,000.00	₱ 28,174,351.16
Continuing Appropriations	37,300,221.31	30,339,105.19	6,961,116.12
Current Year Obligations	112,337,337.53	92,500,916.20	19,836,421.33
Continuing Obligations	11,245,757.77	8,232,694.43	3,013,063.34
Unobligated Balance	67,534,477.17	55,248,494.56	12,285,982.61

During CY 2017, the revenue increased by ₱17,528,273.84 bulk of which coming from the increase in IRA. The total allotments of the municipality amounting to ₱191,117,572.47 and obligations incurred totaling ₱123,583,095.30 leave a balance of ₱41,480,013.63 and ₱26,054,463.54 for current year appropriations and continuing appropriations, respectively.

Comparative Statement of Fund Transfers to and from NGAs, GOCCs, LGUs,
NGOs and POs

Particulars	2017	2016	Increase /
			(Decrease)
Fund Transferred to Other Agencies			
Due from NGAS	₱ -	₱ -	₱ -
Due from GOCCs	-	-	-
Due from Other LGUs	9,199.99	9,199.99	-
Due from NGOs / POs	-	-	-
Total	₱ 9,199.99	₱ 9,199.99	₱ -
Fund Received from Other Agencies			
Due to NGAs	₱ 2,566,716.49	₱ 2,708,750.53	-₱ 142,034.04
Due to GOCCs	80,764.20	115,115.05	(34,350.85)
Due to Other LGUs	676,456.49	808,826.61	(132,370.12)
Due to NGOs / POs	-	-	-
Total	₱ 3,323,937.18	₱ 3,632,692.19	-₱ 308,755.01

3. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the municipality for the year ended December 31, 2017 due to the effects of the following findings as discussed in Part II of this report:

- a. Failure to initiate the recognition of prior years' infrastructure assets previously logged to the Registry of Public Infrastructures back to the books of accounts of the Municipality.
- b. The validity of Property, Plant and Equipment (PPE) amounting to P77,200,522.07 cannot be determined due to the absence of actual physical inventory thereof contrary to Section 124, Volume I of the MNGAS, hence unreliable.
- c. Unspent appropriation of CY 2017 Local Disaster Risk Reduction and Management Fund's (LDRRMF) Quick Response Fund (QRF) and DRRMF-MOOE was not transferred to Trust Liabilities-DRRM.

- d. The discrepancy/difference noted between the balances of “Due from Other Funds” and “Due to Other Funds” of the Municipality totaling P4,947.29 as at December 31, 2017 renders doubt on the reliability of the reported balance on the financial statements.

4. Summary of Significant Findings and Recommendations

The findings and recommendations were discussed with the Management in an exit conference held on March 12, 2018. Management comments were incorporated in the report where appropriate.

1. The Municipality did not fully implement and deliver ten (10) out of nineteen (19) identified programs, projects and activities (PPAs) under the Local Disaster Risk Reduction and Management Fund (LDRRMF) for CY 2017, thus, the desired goals and objectives of reducing disaster risk and enhancing disaster preparedness and response capabilities may not be optimally achieved contrary to RA No. 10121, the Philippine Disaster Risk Reduction and Management Act of 2010, and its IRR.

We recommended that management through the Municipal Disaster Risk Reduction and Management Office:

- a. Monitor the utilization of LDRRMF focusing on programs, projects and activities (PPAs) requiring the highest priority in terms of urgency and/or impact on the four thematic areas of Disaster Risk Reduction and Management; and
 - b. Ensure efficient and effective implementation of all programmed projects identified during each budget year to optimize the utilization of the fund and to warrant that goals and objectives of reducing disaster risk and enhancing disaster preparedness and response capabilities are achieved.
2. The Municipality did not particularly allocate one percent (1%) of its Internal Revenue Allotment (IRA) for the strengthening and implementation of the Local Council for the Protection of Children (LCPC) contrary to Section 15 of Republic Act No. 9344 or the Juvenile Justice and Welfare Act of 2006, hence the objective of preventing and responding to violence, exploitation, and abuse against children were not fully served.

We recommended that Management comply with the allocation of one percent (1%) of the municipality’s IRA for the strengthening and implementation of the programs of the LCPC. Moreover, we recommended that management earmark the allocated fund for Programs, Projects and Activities (PPAs) addressing measures and structures to prevent and respond to abuse, neglect, exploitation and violence affecting children and ensure their full implementation.

3. Cash advances totaling P1,197,000.00 were granted to officials not duly appointed or designated as disbursing officers contrary to Section 101 of Presidential Decree (PD) No. 1445, Section 4.1.5 of COA Circular No. 97-002 and Section 4.1.3(iv) COA Circular No. 2009-002, consequently, the Municipality may not be adequately indemnified in the event of misappropriation or loss of funds under the custody of the accountable officers.

We recommended that Management, whenever the need arises to grant cash advances to officers other than those existing Disbursing Officers, ensure that authority issued by the Head of the Agency is availed of and documented, along with the certification from the Accountant that previous cash advances have been liquidated and accounted for in the books, and the duly approved application for fidelity bond adequately covering total cash advances granted.

4. Cash advances totaling P2,940,462.87 remained unliquidated at year-end contrary to Section 89 of Presidential Decree (P.D.) No. 1445 and the guidelines in the granting, liquidation and utilization of cash advances set forth under COA Circular No. 97-002.

We recommended that rules on proper granting and liquidation of cash advances be strictly implemented in accordance with the provisions of COA Circular No. 97-002 and Section 89 of PD 1445 to avoid accumulation of long outstanding balances. Likewise, Management should continue to monitor, issue demand letters to officials and employees with overdue unliquidated accounts and enforce pertinent sanctions provided for in COA Circular 2012-004.

5. Municipal motor vehicles were not marked “For Official Use Only” and do not bear the municipal logo contrary to the provisions of Section 5.2 of COA Circular No. 75-6 and the Manual on Audit for Fuel Consumption of Government Motor Vehicles prescribed by COA Cir. No. 77-61.

We recommended that Management cause the immediate marking of all municipal motor vehicles with the word “For Official Use Only” (3 inches) with the name or logo of the office/agency operating or using the same as required under the COA Circular No. 75-6 and Manual on the Audit of Fuel Consumption of Government Motor Vehicles.

6. Walk-through of disbursement process disclosed preparation/accomplishment of inspection and acceptance report prior to the actual delivery of purchases, consequently, payments are being processed before the actual inspection and certification of completeness of purchases which exposes to risk of paying partial/incomplete deliveries.

We recommended that the preparation/accomplishment of inspection and acceptance report be made simultaneous with the actual delivery of goods purchased, after which, the processing for the payment of the purchases shall commence to ensure that payments are made for complete deliveries.

5. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
Suspensions					
Prior Years	204,906.00	-	-	204,906.00	0.00%
Current Year	-	-	-	-	0.00%
Total	204,906.00	-	-	204,906.00	
Disallowances					
Prior Years	143,297.23	-	143,297.23	-	100.00%
Current Year	-	-	-	-	0.00%
Total	143,297.23	-	143,297.23	-	
Charges					
Prior Years	-	-	-	-	0.00%
Current Year	-	-	-	-	0.00%
Total	-	-	-	-	

6. Status of Implementation of Prior Year's Recommendations

Out of the twenty-eight (28) recommendations embodied in the 2016 Annual Audit Report, fourteen (14) were fully implemented, nine (9) were partially implemented and five (5) were not implemented.

The implementation of audit recommendations enabled Management to attain more efficient utilization of government resources in its operations.