

EXECUTIVE SUMMARY

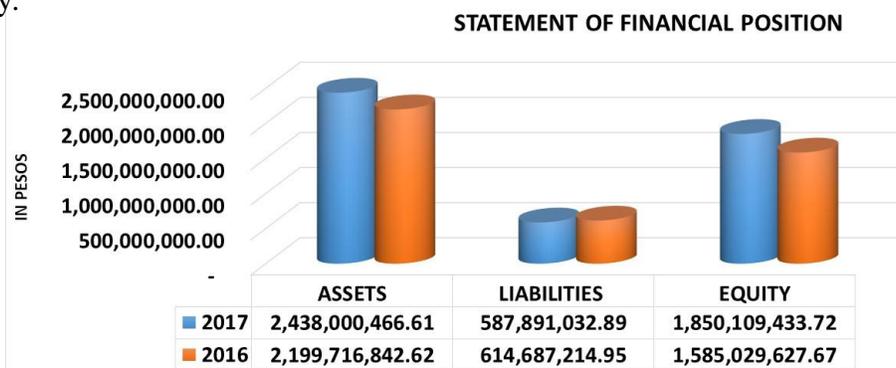
INTRODUCTION

The City of Dumaguete is the capital of the Province of Negros Oriental and was created on June 15, 1948 by virtue of Republic Act No. 327. On June 21, 1969, Republic Act No. 5797, otherwise known as the “Revised Charter of Dumaguete of City,” was enacted. It is classified as a 3rd class City pursuant to the Bureau of Local Government Finance Memorandum Circular No. 01-C(a)-05 dated December 16, 2005. It has a personnel complement of:

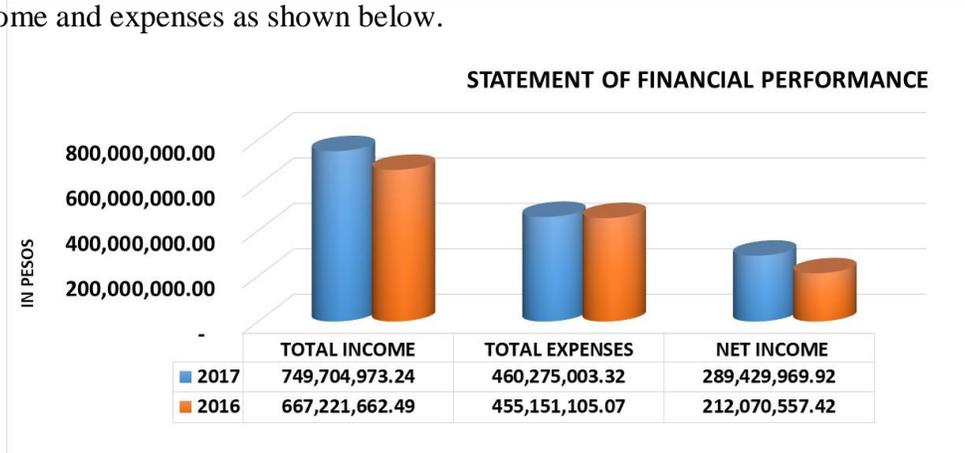
<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	13
Coterminous Positions	3
Permanent Positions	466
Casuals (with Plantilla)	436
Job Orders (Office based)	773
Total	1,691

FINANCIAL HIGHLIGHTS

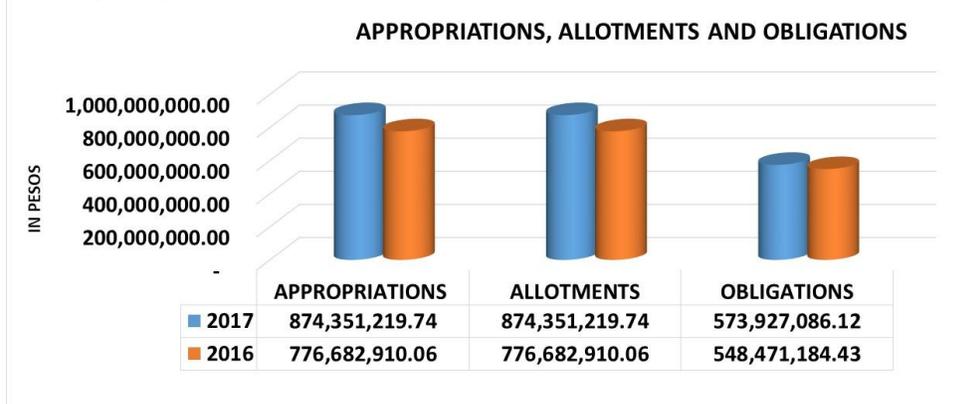
Comparative analysis of the Statement of Financial Position as graphically illustrated below showed an increase in assets, decrease in liabilities and increase in equity.



Likewise, the Statement of Financial Performance reflects an increase in both income and expenses as shown below.



The following graph also illustrates the increase in appropriations, allotments and obligations during the year:



SCOPE OF AUDIT

The audit covered the operations of the City of Dumaguete for CY 2017. The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the fairness of presentation of the financial statements.

Examinations consisted of the verification of records on a test basis, review of operating procedures, interview with concerned officials and employees, analysis of accounts and such other procedures necessary in the circumstances.

In compliance with unnumbered Memorandum dated October 12, 2017 of the Assistant Commissioner, Local Government Sector, COA, Quezon City, the following are the significant thrust areas that were looked into by the Audit Team:

1. 20% Economic Development Fund
2. Local Disaster Risk Reduction Management Fund
3. Gender and Development
4. Bottoms Up Budgeting
5. Ecological Compliance

Based on the Audit Team's assessment on the Agency's accounts, the following areas were likewise covered in audit:

1. Cash in Bank
2. Property, Plant and Equipment
3. Accounts Payable
4. Advances to Officers and Employees
5. Receivables - Others

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the City for the year 2017 due to the deficiencies enumerated below:

1. The reliability of the balance of the Property, Plant and Equipment (PPE) accounts amounting to ₱1.29 billion remained doubtful because PPE accounts amounting to ₱41.39 million are still for identification, accounting records do not agree with the General Service Office (GSO) records, and the conduct of

physical count of PPE was not completed. Moreover, the correct valuation of the Land account amounting to ₱155.65 million could not be ascertained while absolute ownership over these properties totaling ₱59.43 million could not be established due to lack of supporting documents;

2. The balance of the Cash in Bank amounting to ₱361.12 million is misstated in the financial statements because stale checks amounting to ₱0.22 million aged nine to 111 months were still included as outstanding checks at year-end and reconciling items of ₱0.95 million still remained unadjusted in the books;
3. The balance of the Accounts Payable amounting to ₱74.76 million is unreliable due to errors in recording liabilities, inclusion of accounts totaling ₱2.33 million aged more than five years, existence of negative subsidiary ledger balances totaling ₱3.64 million and inclusion of accounts without specific claimants;
4. The accuracy of the Due from Non-Governmental Organizations/People's Organizations (NGOs/POs) and Due to Other National Government Agencies (NGAs) accounts amounting to ₱50.55 million and ₱65.77 million, respectively, is unreliable due to lack of sufficient details and supporting records;
5. Cash advances totaling ₱23.16 million aged more than five to ten years remained unliquidated as of December 31, 2017, thus, possibly misstating the cash and equity accounts; and
6. The balance of Loans Receivable – Others account of ₱4.52 million is rendered doubtful as not all loan payments were taken up in the books because the Sectoral Desk Office instead of the City Treasurer's Office received payments for loan amortization from various people's organizations without the issuance of official receipts.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following is the summary of significant observations and recommendations in the audit of the operations of the City of Dumaguete for the year 2017:

- 1. The year-end balance of the Property, Plant and Equipment (PPE) account of ₱1.29 billion could not be relied upon because the PPE accounts amounting to ₱41.39 million are still for identification, accounting records do not agree with the General Service Office (GSO) records, and the conduct of physical count of PPE was not completed, thereby affecting the fair presentation of the financial statements.**

We recommended that management implement the following courses of action to establish the accuracy/validity of the PPE accounts in the ensuing year (a) Direct the Inventory Committee to complete the conduct of the physical inventory of properties and prepare the RPCPPE; (b) Direct the City Accountant and City General Services Officer to reconcile their records with the RPCPPE not later than September 30, 2018 and effect the necessary adjustments in either the property records or in the

books of accounts; and (c) Require the Accounting Office to identify items marked as “for identification” and to update the PPELCs as this subsidiary record shall support the PPE controlling account balance.

- 2. The balance of the accounts payable amounting to ₱74.76 million is unreliable due to errors in recording liabilities, inclusion of accounts totaling ₱2.33 million aged more than five years, existence of negative subsidiary ledger balances totaling ₱3.64 million and inclusion of accounts without specific claimants, defeating the purpose of the financial statements that is to provide useful information for decision making.**

We recommended that the City Accountant (a) Review all outstanding payables, validate available supporting documents, and revert those which are not supported with valid claims and those which are aged two years or more; (b) Investigate accounts payable which have remained dormant and those with negative balances and determine the cause/s and prepare adjusting journal entries for all errors noted; and (c) Record accounts payable in accordance with the regulations provided in the Manual on NGAS for LGUs, Volume I and maintain subsidiary ledgers indicating the name of creditor including the address to allow confirmation.

- 3. Cash advances granted to officers and employees totaling ₱23,166,200.95 aged more than five to ten years remained unliquidated, possibly misstating the asset and equity accounts.**

We recommended that (a) Management require the immediate liquidation of cash advances by sending out another demand letters signed both by the City Accountant and by the City Mayor or his authorized representative; (b) The Accounting Office verify and analyze the negative balances noted in the Due from Officers and Employees. If there was over-settlement of cash advances or error in recording, effect the necessary adjustments; and (c) The City Accountant request write-off for long outstanding cash advances, especially of those who are deceased pursuant of the guidelines/procedures set forth in COA Circular No. 2016-005 dated December 19 2016.

- 4. Eighteen stale checks totaling ₱328,922.48 aged nine to 111 months were still reported as outstanding checks in the bank reconciliation, thereby understating the Cash in Bank and Accounts Payable accounts.**

We recommended that the City Accountant review and analyze the list of outstanding checks and regularly draw a JEV for the cancellation of stale checks to reflect the correct monthly balances of the affected accounts in the financial statements.

- 5. Several reconciling items totaling ₱218,175.17 were not immediately adjusted but simply carried over from one bank reconciliation statement to the next. Moreover, some of the bank accounts maintained by the City were already dormant and were not verified, thus, rendering the Cash in Bank account balances as of December 31, 2017 of ₱361,125,876.25 doubtful and unreliable.**

We recommended that the City Accountant (a) verify the reconciling items and draw a JEV to adjust all valid reconciling items pursuant to Section 3.3 of COA Circular No. 96-011 dated October 2, 1996; (b) conduct a thorough verification of the dormant bank accounts and to effect the necessary adjustments; and (c) provide copies of the bank reconciliation statements to the depository banks so that any discrepancies noted between the records of the banks and of the City can be immediately resolved.

- 6. Had the 53 projects with a total appropriation of ₱37.77 million been implemented in CY 2017, the City Government could have been more efficient and effective in providing its constituents with the basic services and facilities as mandated under Section 17 of R. A. 7160.**

We recommended that the City Engineer implement without delay the projects by taking appropriate action to address the cause of the delay and, henceforth, implement the projects on schedule. We further recommend that the CPDC closely monitor and evaluate the implementation of the different PPAs of the City in accordance with the approved development plan as required of her under Section 476 (4) of RA 7160.

- 7. Total appropriations for Local Disaster Risk Reduction and Management Funds (LDRRMF) for CY 2017 amounting to ₱32.12 million was not optimally utilized with a very low percentage rate of 34.64%, which critically impact on the capacity of the City Government to reduce and manage disaster risks.**

We recommended that management expedite the implementation of all PPAs under the LDRRMF to strengthen the capacity of the City Government to avoid or mitigate the adverse effects of disasters or calamity.

- 8. Expenditures totaling ₱1.64 million which are not gender-related were charged to the appropriations for Gender and Development (GAD) contrary to the provisions of Joint Memorandum Circular No. 2013-01 dated July 18, 2013 of the PCW, DILG, DBM and NEDA, adversely affecting the attainment of GAD goals.**

We recommended that management immediately stop the unauthorized use of GAD funds and, henceforth, include in their Annual GAD Plan and Budget PPAs that address gender issues only.

SETTLEMENT OF ACCOUNTS

As at December 31, 2017, suspensions and disallowances amounting to ₱303,422,104.49 and ₱51,827,298.00, respectively, remained unsettled.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

Of the 42 audit recommendations contained in the 2016 Annual Audit Report, 12 were fully implemented, 26 were partially implemented and four were not implemented.