

EXECUTIVE SUMMARY

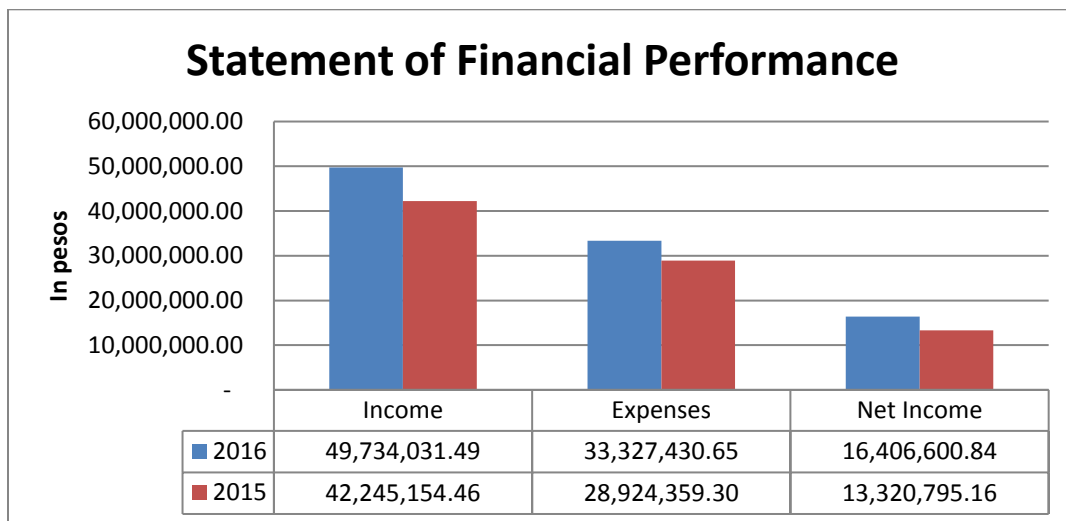
INTRODUCTION

The Municipality derives its mandates from Republic Act No. 7160, known as the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. It is committed to discharge its mandated functions and responsibilities with the highest degree of integrity, dedication and nationalism, and to deliver prompt, responsive and quality service to its constituents.

To improve the standard of living of all the constituents had always been the main thrust of the Municipal Government of Daguioman, Province of Abra. To attain this noble goal, the municipality uses its resources to the maximum level by implementing programs and projects for the benefit of its constituents.

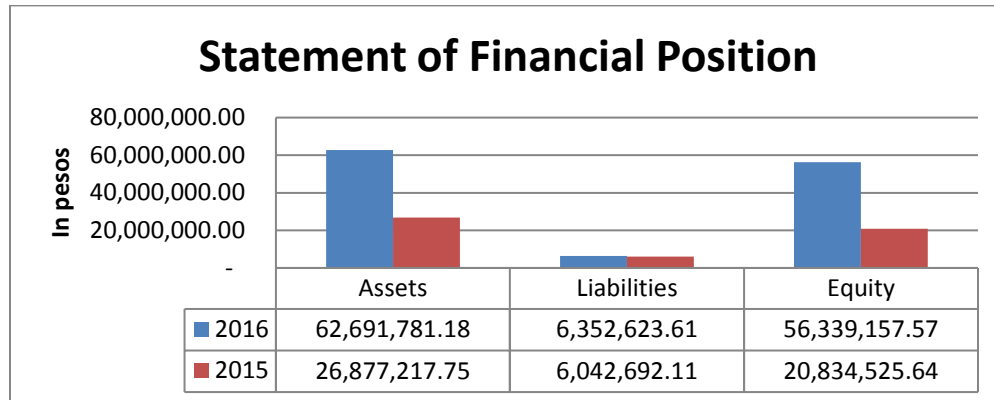
FINANCIAL HIGHLIGHTS

Comparative analysis of the Statement of Financial Performance as graphically illustrated showed an overall increase in the income of the Municipality as compared to the previous years.



The Municipality generated total revenue of ₱49.734 million for the year, showing an increase of ₱7.49 million or 17.73% compared to last year's income of ₱42.245 million. The significant increase in the income of the LGU is attributable to the increase in Internal Revenue Share and receipt of its Municipal Share from the Tobacco Excise Tax. The total expenses amounted to ₱33.327 million, showing an increase of ₱4.40 million or 15.22% compared to last year's figure of ₱28.924 million.

On the other hand, the comparative Statement of Financial Position of the Municipality is summarized as follows:



Total assets, liabilities and equity amounted to ₱62.692 million, ₱6.353 million and ₱56.339 million, respectively. Total assets increased by ₱35.815 million, total liabilities increased by ₱0.309 million. Consequently, total equity also increased by ₱35.50 million.

The noted increase in the Assets of the LGU could be attributed to the change in accounting policy adopted by LGUs starting in CY 2016, of which Local Road Networks are reflected in the financial statements of the Municipality.

OPERATIONAL HIGHLIGHTS

For the year 2016, the Municipality had implemented various projects, programs and activities funded under the 20% development fund and other National Government Agencies. Included therein are the following major infrastructure projects which were inspected by the Technical Audit Specialist of COA:

20% Development Fund:

Programs/ Projects/ Activities	Amount
Construction of Polig Box Culvert	1,996,271.13
Rehab of Pikek Water System	997,825.00
Rehab of Apolen CIS	796,983.00
Construction of Labo Cable Footbridge	993,695.00
Construction of Culatem Cable Footbridge	851,827.00
Construction of Culatem Cable Footbridge Phase II	611,579.00
Construction of Labo Cable Footbridge Phase II	390,287.00
Rehab of Basog Feeder Road	798,321.00
Solid Waste Management Program	148,185.00
Construction of Pikek Damaged Spillway	1,495,829.00
Procurement of one (1) unit dumptruck	1,400,000.00
<i>Total</i>	<i>10,480,802.13</i>

Other Sources:

Project	Fund	Amount
Construction of Multi-purpose Building	RA 7171	2,996,887.00
Concreting of Tui- Dumayco Road	RA 7171	5,098,675.00
Slope Protection of Hillside-Tui & Pikek Road Shoulder	BUB 2016	4,993,664.55
Cementing of Cabaruyan- Pikek Access Road	BUB 2016	9,995,873.00
Various Slope Protection Riverside	LGU Counterpart	1,307,228.00
TOTAL		24,392,327.55

SCOPE OF AUDIT

The audit covered the operations of the Municipality of Daguioman, Abra for 2016. The objectives of the audit were to ascertain the fairness of presentation and reliability of the Municipality's financial position and results of operations and to determine whether the programs, projects and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the validity and propriety of the transactions and adherence to pertinent laws, rules and regulations.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality for the year 2016 due to the deficiencies enumerated below:

1. The non-conduct/non-submission of the Report of actual physical count of Local Road Networks as well as non-recording of prior years' completed local road projects totaling ₱14,446,155.14 casted doubt as to the existence, valuation, condition as well as propriety of the recorded balance of Road Networks account as well as Government Equity in the year-end financial statements.
2. Absence of a complete archival system had caused unreconciled difference between the Report of Physical Count of Property, Plant and Equipment (RPCPPE) and the costs presented in the trial balances amounting to ₱12,180,400.99 which compromised the reliability and propriety of the financial statements.
3. Accuracy of Cash in bank account balances could not be ascertained due to discrepancy between the accounting and treasury records by ₱5,878.58 under the general fund-proper account. Moreover, understatement of cash in bank account totaling ₱665,317.38 was not promptly detected and corrected due to non-preparation of bank reconciliation statements by the Municipal-Accountant Designate.
4. Cash advances from previous years granted to various officers and employees totaling ₱294,506.10 remained unliquidated at year-end, thereby affecting the validity and accuracy of the related asset, expense and government equity accounts.

5. Disbursement vouchers and liquidations of the Municipal Treasurer amounting to ₱108,033.50 and ₱445,475.84, respectively, were not submitted by the concerned Accountable Officers contrary to Sections 39, 100 and 122 of PD 1445, thereby precluding timely audit thereof.
6. Abnormal balance of Due to PAG-IBIG and Due to GOCCs accounts amounting to ₱5,929.82 and ₱140,750.03 respectively under the General Fund and existence of balance of Government Equity account in the Trust fund amounting to ₱268,224.02, rendered unreliable the financial statements of the municipality.
7. Evaluation on the accuracy of the submitted Statement of Comparison of the Budget and Actual Amounts could not be made due to delayed submission, improperly accomplished Obligation Requests and non-submission of the Statement of Appropriations, Allotments and Obligations (SAAOB) and supporting schedules

SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS

The following are the summary of significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality of Daguioman for the year 2016. These were discussed in an exit conference on June 2, 2017 with agency officials and employees concerned and their comments were incorporated in the report, where appropriate. Other audit observations are fully discussed in Part II of this report.

Compliance with Republic Act No. 9184 (Government Procurement Act)

Various provisions of the Implementing Rules and Regulation of RA 9184 were not complied with by the Bids and Awards Committee (BAC) in the conduct of public bidding for infrastructure projects with a total amount of ₱33.32 million.

We have recommended the following:

- *Management justify the above noted lapses and submit the missing documents for evaluation.*
- *The BAC to conduct post-qualification and to strictly follow the “pass/fail criteria in the conduct of bidding and automatically disqualify non-complying bidders.*
- *Management should strictly comply with the regulations set forth in the RA 9184, its implementing rules and regulations and promulgations by the GPPB.*

20% Development Fund

The efficiency of implementing various projects, programs and activities (PPAs) for CY 2016 funded under 20% Development Fund totaling ₱13,351,453.95, is not ensured due to inadequate policy, planning, budgeting, execution and monitoring mechanisms.

In view of the noted deficiencies, we have recommended:

- *That management identify priority projects to be funded under the 20% development fund with sufficient details and particulars. Guidelines and policies involving the implementation of these programs or projects should be considered and included in the planning and budgeting stage;*
- *That management submit the Program of Works as supporting documents to the Annual Investment Plan to aid in the further analysis of funded projects vis-a-vis actual expenditures. For lump sum appropriation, authorization from the Sangguniang Bayan should be obtained before implementation;*
- *That management implement only projects set forth in the Annual Investment Program. In instances where other priority projects are identified for implementation, a Sangguniang Bayan resolution should first be passed for the realignment and revision of the Annual Investment Plan to be submitted for approval by the Sangguniang Panlalawigan;*
- *That management maintain records or registries for all the programs and projects appropriated under the fund including continuing appropriations; and*
- *That management strictly comply with the provisions of DILG and DBM Joint Memorandum Circular No. 2011-1 in the preparation and utilization of the 20% Development Fund to attain the desired socio-economic and environmental condition of constituents.*

5% Local Disaster Risk Reduction and Management Fund

- 1. The Thirty Percent (30%) of the MDRRMP as well as the LDRRMF was not set aside for Quick Response Fund in violation of RA No. 10121, impeding the agency's capacity and readiness to handle calamities and disasters.**
- 2. The non-conduct of Vulnerability and Adaptation Assessment (VAA) resulted in the non-preparation/submission of the Local Climate Change Action Plan (LCCAP) which casted doubt as to the readiness of the LGU to address issues concerning climate change.**
- 3. Report on the utilization of the LDRRMF was not submitted/prepared by the designated LDRRMO.**

In view of the foregoing observations, we have recommended that management:

- *Allocate thirty percent of the Local Disaster Risk Reduction Management Fund for the Quick Response Fund to be utilized during disasters and calamities. The 30-70 allocation should be properly specified in the Municipal Disaster Risk Reduction Management Plan for proper implementation of projects and monitoring thereof;*

- *Require the MDRRMO-Designate to prepare and submit to the audit team the report of utilization of the LDRRMF. Utilization reports should be submitted on the prescribed time set forth by the COA Circular No. 2012-002;*
- *Justify the non-conduct of vulnerability and adaptation assessment, as well as the discrepancy in the status of the unexpended/unobligated balance of the LDRRMF in the previous years;*

Gender and Development

Institutionalization, promotion and sustainability of Gender related program, projects and activities was not ensured due to the non-creation of various oversight committee responsible for the formulation of GAD plan and monitoring system, resulting in the non-adaptation of GAD Code, insufficiency of GAD appropriation, and non-provision of GAD projects that will address gender issues in the long-run.

In view of the noted lapses, we have recommended the following:

- *The Municipal Mayor creates a GFPS Execom, TWG and Secretariat that will supervise, advocate and install a GAD Focal Point System (GFPS) as well as the required Gender Responsive Monitoring and Evaluation (M&E) System;*
- *The Municipal Mayor with the help of the Sangguniang Bayan, formulate and adapt a Local GAD Code;*
- *The MSWDO being the leading authority in identifying gender related issues and concerns, see to it that GAD activities are identified through the use of HGDG, that the GAD plan are regularly updated and that the identified projects do address the GAD issues and concern in the long run; and*
- *Henceforth, management should follow the prescribed format of GAD plan and see to it that said plan and budget are approved by the DILG and the PPDO.*

Summary of Total Suspensions, Disallowances and Charges

Unsettled disallowances as of December 31, 2016 amounted to ₱2,965,927.12.

Status of Implementation of Prior Year's Audit Recommendations

Out of the 23 audit recommendations embodied in the 2015 Annual Audit Report, three (3) were fully implemented, one (1) was partially implemented, and nineteen (19) were not implemented.