

EXECUTIVE SUMMARY

Municipality of Dumangas Profile

Dumangas, considered both an agricultural and fishing Municipality, is situated at the South-Eastern part of Panay Island and lies at 122°42'73" longitude, 10°49'23 latitude. It is bounded in the North by the Municipality of Barotac Nuevo, in the South and East by the Guimaras Strait, and in the West by the Municipalities of Pototan and Zarraga. It contains a total land area of 12,870 hectares. Its mineral resources consist of limestone, sand and gravel. As a coastal town, a large portion of the land is bounded by the sea. Its total coastline is approximately 21.6 kilometers, while approximately 1/3 of the total land area (4535.95 has.) is devoted to fishpond (milkfish culture).

The Municipality of Dumangas contains a total agriculture land area of 11,355.5 hectares: 6,819.55 hectares farmland and 4,535.95 hectares fishpond.

Dumangas has palay as its major field crop. Under normal weather conditions, production for rice reaches up to 110 cavans per hectare for irrigated area and 90 cavans per hectare for areas not covered by irrigation. Its minor products are sugarcane, coconut, corn, mungo, watermelon, etc.

Since Dumangas is a coastal town, fishing becomes the occupation of most people in the coastal barangays.

The presence of rivers, creeks and coastal areas enhances both inland marine fishing. Its inland fishing facilitates milkfish culture and gives an annual production of 2.4 tons of bangus per hectare or a total of 10,886.28 tons.

As to the Municipality's industries, majority is considered small scale, and most are located in the poblacion area. Of the 1,925 industrial sectors, 1,500 or 77.92 % are engaged in transportation, 345 or 17.92% are in manufacturing or processing, 50 or 2.5% are in quarrying, and 30 or 1.5% are in cottage and home industries.

With regard to the commercial situation of Dumangas, its commercial establishments include wholesale and retail businesses. This includes sari-sari stores, dry goods store, drug stores, bakeries, lumberyards, fertilizer and farm chemical dealer, rice retailer, vegetable vendors, hollow blocks factories, rice mills, gasoline dealer, etc.

The Municipality has no business enterprises engaged in real estate or establishments engaged in recreational or cultural activities. More so, it possesses some beautiful scenic spots such as the old Roman Catholic Church of Gothic Architecture, the beaches of Naluoyan, Bacay, Dacutan and Lacaran, and the Hills and Caves, the most popular of which is known as the "*Tinagong Dagat*", however, there is no tourism agency assigned.

The Municipality, consisting of 45 barangays, serves primarily as a general-purpose government for the coordination and delivery of basic, regular and direct services and effective governance of inhabitants within its territorial jurisdiction. On its financial aspect, the local government unit is empowered to create its own source of revenues and to levy taxes, fees and charges subject to the provisions on local taxation. For a sound governance and effective management, it formulates its financial plan and budget based on functions, activities and projects and terms of expected output.

The projects, programs and activities of the Municipal Government of Dumangas focus on agriculture, economic and human resource development, environmental protection, sports and youth development, peace and order, and provision for better social services. Given utmost importance of this administration are the food production programs through advance farm technology transfer of the Department of Agriculture, economic enterprises, health and social services, infrastructure projects and the environmental management projects/activities. The construction/improvement of irrigation facilities of the National Irrigation Administration and the installation of Ice Plant and the storage facilities are also the priorities which could help farmers and fishpond owners of this Municipality.

The most significant future development opportunity lies on its operation and completion of these projects as these are the most needed development of the people today in order that the over-all quality of life of the Dumangasanons will further improve.

Agency Vision/Mission: A dynamic competent LGU working with civil society as agent of change towards a highly Agro-industrialized component city.

: A Municipality engaged in sustainable socio-economic, technological, scientific, political, cultural, moral, spiritual and ecological sound programs and services for the upliftment of the quality of life of the people of Dumangas.

The Municipality of Dumangas is headed by the Municipality Mayor Rolando B. Distura. It has a total of 320 employees composed of the following:

Permanent	-	94
Temporary/Casual/Contractual	-	215
Elected	-	11

Highlights of Financial Operations

Highlights of the financial position and results of operations of the Municipality of Dumangas in Calendar Year 2015 are shown in the next page:

Financial Position

Total Assets	₱ 355,490,935.43
Total Liabilities	<u>77,836,619.32</u>
Government Equity	₱ 277,654,316.11

Results of Operations

Total Income	₱ 138,122,640.24
Total Expenses	<u>104,375,726.43</u>
Excess of Income over Expenses	₱ 33,746,913.81

The details of the net income in the consolidated results of operation for CY 2015 are presented in the Notes to Financial Statements.

The sources and applications of funds – General and Special Education Funds for CY 2015 are shown below:

Allotments Received	
Current Appropriation	₱ 171,274,541.88
Continuing Appropriation	<u>37,918,035.02</u>
Total	<u>209,192,576.90</u>
Obligations Incurred	<u>139,254,228.10</u>
Unobligated Balance	<u>₱ 69,938,348.80</u>

Scope of Audit

The audit covered the accounts and operations of the Municipality of Dumangas, Province of Iloilo for the year ended December 31, 2015. The audit was conducted to determine the reliability of the LGUs accounts in order to express an opinion on the fairness of presentation of the financial statements as well as to determine whether or not the LGUs transactions were made in accordance with existing laws, rules and regulations.

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the LGU due to the following:

1. Validity, correctness and existence of the reported balance of the Property Plant and Equipment accounts amounting to ₱213,829,350.20 could not be ascertained due to the failure of the Municipality to conduct a complete physical inventory of its properties and submit the Report on the Physical Count of Property, Plant and Equipment to the Auditor.
2. Cash advances amounting to ₱4,477,588.88 remained outstanding as of December 31, 2015 contrary to Section 89 of Presidential Decree No. 1445 and COA Circular Nos. 97-002 and 96-004, thereby overstating the asset

accounts and understating the concerned expense accounts and exposed the funds to risk of misapplication.

3. Cash Local Treasury amounting to ₱2,487,183.00 remained undeposited as of December 31, 2015, contrary to the provisions of Section 69 of PD No. 1445, and Sections 8 and 28 of COA Circular No. 92-382 thus, exposed government funds to possible loss or misapplication and rendered the correctness of the account doubtful.
4. Conversion of some accounts from the New Government Accounting System to the Philippine Public Sector Accounting Standards were not properly classified and not supported with subsidiary ledgers or detailed schedules thus, rendered the balances of such accounts doubtful.

Significant Findings and Recommendations

1. Validity, correctness and existence of the reported balance of the Property Plant and Equipment accounts amounting to ₱213,829,350.20 could not be ascertained due to the failure of the Municipality to conduct a complete physical inventory of its properties and submit the Report on the Physical Count of Property, Plant and Equipment to the Auditor.

We recommended that the Local Chief Executive (LCE) should direct the Inventory Committee to conduct physical count of PPE and submit the corresponding RPCPPE to the Auditor provided under the Handbook on PSMS and COA Circular No. 92-386, to eliminate doubt on the existence, condition and correctness of the total value of PPE owned by the Municipality.

Likewise, we recommended that reconciliation should be made between the RPCPPE and accounting records to ascertain the existence and correctness of the reported balances totaling ₱213,829,350.20 in the financial statements.

2. Cash advances amounting to ₱4,477,588.88 remained outstanding as of December 31, 2015 contrary to Section 89 of Presidential Decree No. 1445 and COA Circular Nos. 97-002 and 96-004, thereby overstating the asset accounts and understating the concerned expense accounts and exposed the funds to risk of misapplication.

We recommended that the LCE should direct the concerned municipal officials and employees to liquidate and/or refund immediately their unused cash advances pursuant to the provisions of Section 89 of PD No. 1445 and COA Circular Nos. 97-002 and 96-004, to avoid accumulation of unliquidated cash advances and to attain a fair presentation of the relevant accounts in the financial statements.

We also recommended that the LCE should refrain from granting cash advances to officials and employees with unliquidated cash advances and strictly adhere to the guidelines in granting the same.

We also recommended for the imposition of appropriate sanctions for the unjustified failure of the concerned officials and employees to liquidate their cash advances.

3. Cash Local Treasury amounting to ₱2,487,183.00 remained undeposited as of December 31, 2015, contrary to the provisions of Section 69 of PD No. 1445, and Sections 8 and 28 of COA Circular No. 92-382 thus, exposed government funds to possible loss or misapplication and rendered the correctness of the account doubtful.

We recommended that the LCE should direct the Municipal Treasurer to deposit all her collections intact with the authorized depository bank daily or not later than the next banking day as required under Section 69 of PD No. 1445 and Sections 8 and 28 of COA Circular No. 92-382.

4. Unexpended/unobligated balance of the Quick Response Fund and the Disaster Risk Reduction and Management Fund-MOOE were not transferred to the Special Trust Fund under the account “Trust Liability-DRRM” in the Trust Fund books while donations received for victims of Typhoon Yolanda were recorded as Due to LGUs, contrary to COA Circular Nos. 2012-002 and 2014-002, exposing funds to risk of misapplication or misuse.

We recommended that the Municipal Accountant should record cash donations received for the victims of Typhoon Yolanda and the unexpended /unobligated balance of the QRF and the DRRMF-MOOE under the account “Trust Liability-DRRM” in the Trust Fund books pursuant to COA Circular Nos. 2012-002 and 2014-002. Necessary adjusting entries should be effected to correct the original accounting entries made.

5. Various expenses amounting to ₱321,403.00 were charged against the Special Education Fund (SEF), contrary to Republic Act Nos. 5447 and 7160 thus, depriving the students in the Municipality of Dumangas of the benefits from intended programs, projects and activities under the SEF.

We recommended that the SEF be solely and exclusively used for programs and activities embodied in RA Nos. 5447 and 7160 to maximize the benefits for the students in the Municipality of Dumangas.

6. Failure of the LGU to maximize the utilization of the 20% Development Fund, contrary to the provision of Section 287 of RA No. 7160 and Section 6 of Administrative Order No. 103 resulted in unimplemented projects totaling to ₱26,585,293.54 or 53.46% of the total Development Fund, thereby depriving its constituents of the benefits that could have been derived had the development projects been implemented.

We recommended that all development projects should be utilized during the year as embodied in the Annual Development Plan.

We likewise recommended that disbursements for the 20% Development Fund should be in accordance with the guidelines set in the DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

7. SMS Alert System costing ₱200,000.00, tailor-fitted to the “Quick Extensive SMS Alert System,” Developed by Devise Software Designs and Solution, was specified in the procurement of the Municipality of Dumangas, Iloilo, to justify the award of the contract by Direct Contracting to the former, contrary to the provisions of RA No. 9184 and its Revised Implementing Rules and Regulations thus, may be considered as “irregular” expenditure of public funds in line with COA Circular No. 2012-003.

We recommended that the LCE directs the personnel responsible for the procurement of the SMS Alert System, to submit the complete supporting documents required under the pertinent provision of RA No. 9184, and other relevant proofs/documentary evidences to establish the propriety/validity of the mode of procurement adopted by the LGU.

8. The Municipality failed to submit copies of contracts/purchase orders with their supporting documents to the Auditor within five (5) working days from the execution/issuance thereof and the Auditor was not notified of deliveries of procured items, contrary to pertinent sections of COA Circular No. 2009-001 and COA Circular No. 96-010, thus hindered the timely review and evaluation thereof.

We recommended that the LCE directs the persons concerned to observe strictly the provisions of COA Circular No. 2009-001 and Section A.2 of COA Circular No. 96-010 by submitting a copy of all contracts and purchase orders within five (5) working days from its execution and notify the Auditor of the time and date of the scheduled deliveries within twenty-four (24) hours from acceptance of such deliveries.

9. Fund Transfers totaling to ₱871,200.00, as counterpart for the KALAH I CIDD S Project, were not covered by any Approved Program of Work or Approved Project Expenditures, Official Receipt and Memorandum of Agreement or Contract setting-out conditions governing the use of the funds and responsibilities of the recipient-Barangays as required under Sections 3.1.1 and 3.1.3 of COA Circular No. 2012-001 thus, leaving no basis for monitoring of fund utilization and reporting, giving rise to the risk that such funds may not be used for their intended purpose.

We recommended that Fund Transfers totaling to ₱871,200.00, as counterpart for the KALAH I CIDD S Project of the Municipality of Dumangas must be covered by an Approved POW or Approved Project Expenditures, MOA and other documentary requirements enumerated under Sections 3.1.1 and 3.1.3 of COA Circular No. 2012-001 to provide basis for monitoring the proper use of funds.

10. Reports and supporting documents relative to the utilization of funds provided by the Municipality of Dumangas to the Taytay sa Kauswagan, Inc., as stated in the MOA, were not submitted for verification contrary to COA Circular Nos. 2007-001 and 2012-001 thus, leaving no basis for monitoring and reporting of fund utilization, giving rise to the risk that such funds may not be used for its intended purpose.

We recommended that the LCE should require the TSKI to submit the required reports and supporting documents for evaluation as stated in the MOA and COA Circular Nos. 2007-001 and 2012-001 to provide basis for monitoring the proper use of funds.

11. The Municipality failed to create its Gender and Development Focal Point System contrary to Joint Memorandum Circular No. 2013-01 of the Philippine Commission on Women, DILG, Department of Budget and Management and National Economic and Development Authority hence, gender and development mainstreaming may not be ensured.

We recommended that the LCE should direct the creation of its Municipal GFPS who shall spearhead the preparation of the annual GPB and GAD AR and observe strictly the provisions of the PCW, DILG, DBM and NEDA JMC No. 2013-01.

12. Non-implementation of the provision for the establishment of a Sanitary Landfill, contrary to RA No. 9003, deprived the constituents of the Municipality of its mandated function to protect their health and environment.

We recommended that the Municipality of Dumangas should fully implement the provision of RA No. 9003 especially the establishment of a Sanitary Landfill for the protection of the health and environment of its constituents.

13. Conversion of some accounts from the New Government Accounting System to the Philippine Public Sector Accounting Standards were not properly classified and not supported with subsidiary ledgers or detailed schedules thus, rendered the balances of such accounts doubtful.

We recommended that the Municipal Accountant should make necessary adjustments to properly classify the accounts based on the account description provided in COA Circular No. 2015-009.

We also recommended that the Municipal Accountant should submit subsidiary ledgers or detailed schedules of her working papers on the conversion of accounts to ascertain its correctness.

Status of Suspensions, Disallowances and Charges

The Status of Suspensions, Disallowances and Charges as of December 31, 2015 are summarized below:

	Beginning Balance (As of December 31, 2014)	This Period January 1-December 31, 2015		Ending Balance (As of December 31, 2015)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 1,630,796.79	₱ 0.00	₱ 0.00	₱ 1,630,796.79
Notice of Disallowance	₱ 101,924.30	₱ 7,842,500.00	₱ 5,418.00	₱ 7,939,006.30
Notice of Charge	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Total	₱ 1,732,721.09	₱ 7,842,500.00	₱ 5,418.00	₱ 9,569,803.09

Status of Implementation of Prior Year's Audit Recommendations

Of the twenty three (23) audit recommendations advanced in prior years Annual Reports, two (2) were fully implemented, four (4) were partially implemented and seventeen (17) were not implemented.