

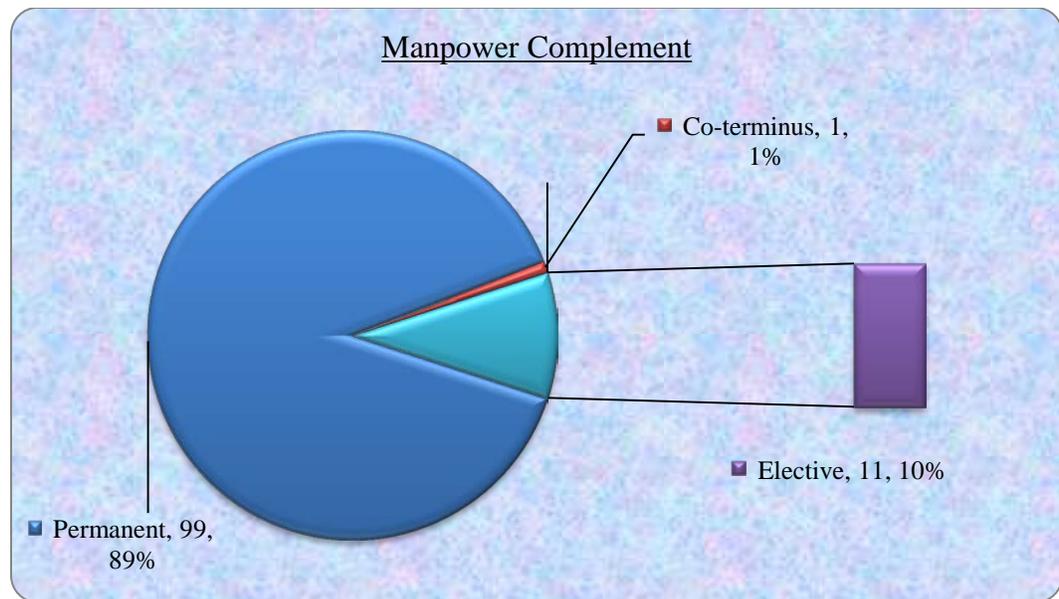
EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Donsol is a 3rd class municipality with a total land area of 15,400 hectares. It is composed of 51 barangays, nine (9) of which are urban, twenty five (25) are accessible by roads, river and sea while seventeen (17) are interior barangays. It has a total land area of 15,400 hectares.

In the year 1998, Donsol became one of the tourist destinations in the Bicol Region because of the presence of whale sharks. This tourism industry increased the local revenues of the Municipality.

The Municipal Government has a total manpower complement of one hundred eleven (111) as of December 31, 2013, composed of ninety nine (99) permanent employees, one (1) co-terminus and eleven (11) elective officials as shown in the chart below.



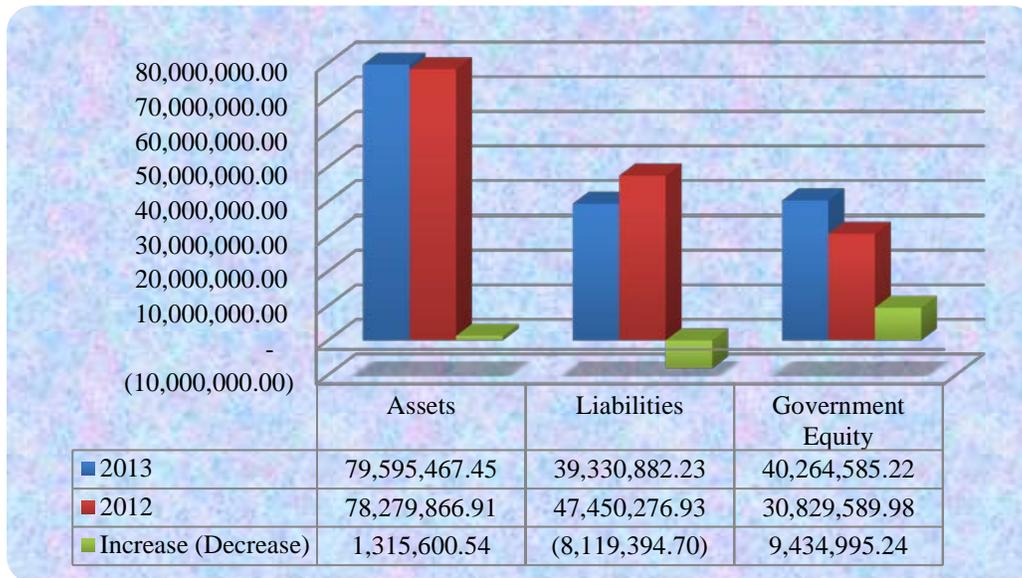
A.1. Creation and Mandated Functions

Pursuant to Republic Act No. 7160, known as the Local Government Code of 1991, the Municipality, like other local government units, enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs in conforming with the national government's thrust for sustainable and economic growth.

A.2. Financial Profile

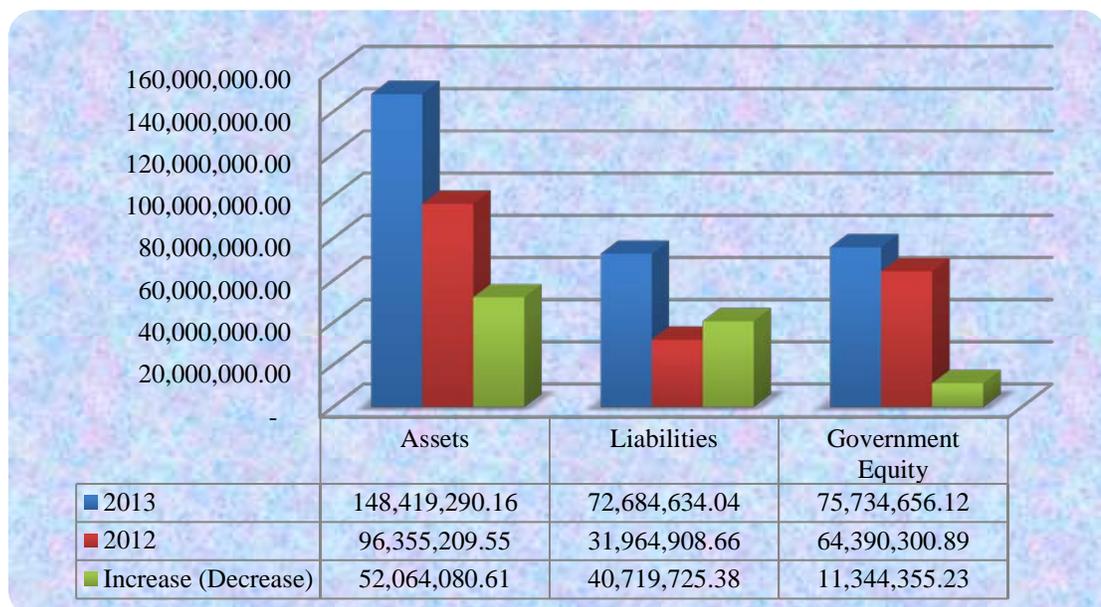
a. Comparative Financial Condition:

The changes in the financial condition of the Municipality for the current year as compared with CY 2013 is illustrated as follows:

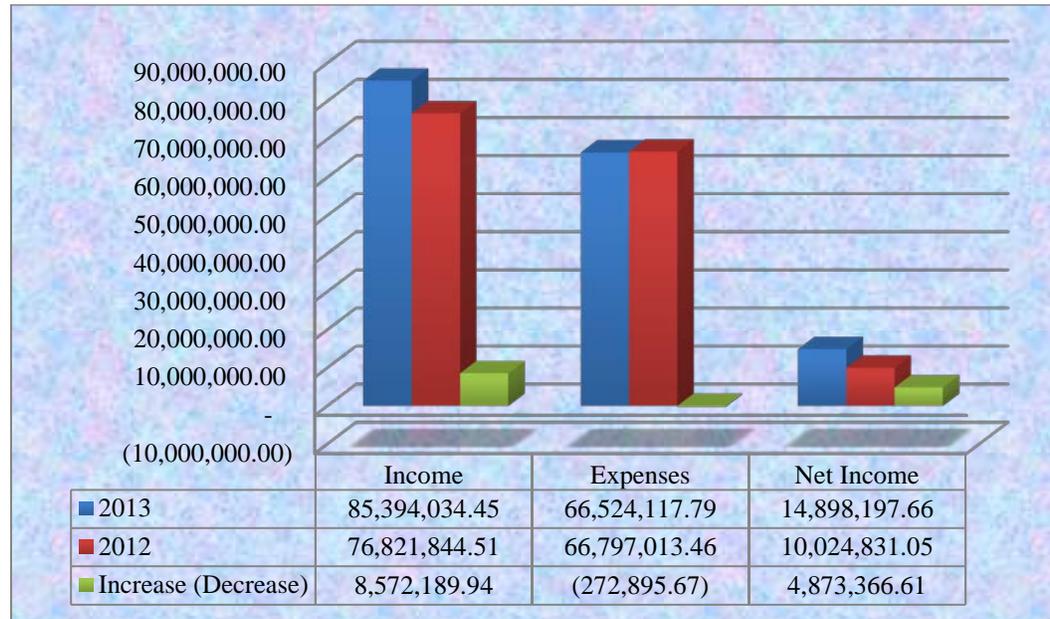


b. Comparative Financial Position:

The results of the operations of the Municipality as reflected in the increase/decrease in its Income and Expenses for the year as compared with those of the previous year is illustrated in the graph below:



c. Comparative Financial Position:



The General Fund budget for Calendar Year (CY) 2013 was sourced mainly from Internal Revenue Allotment (IRA) and augmented by income from other sources such as local taxes, permits and licenses, business and service income, other income such as income from grants, donations and interest, and miscellaneous income. The Special Education Fund budget was sourced mainly from the one percent special education tax levied pursuant to Section 235 of the Local Government Code.

Total appropriations under the General Fund and the Special Education Fund for CY 2013 amounted to ₱95,990,112.42 and ₱930,000.44, respectively.

Total obligations under the General Fund and the Special Education Fund during the year amounted to ₱71,194,657.56 and ₱496,367.00, respectively.

B. Scope of Audit

Financial and Compliance and Value for Money Audits were conducted on the accounts and operations of the Municipality of Donsol, Sorsogon for Calendar Year 2013. The audit covered the period January 1 to December 31, 2013. Thrusts for Financial and Compliance Audits were: Cash, Inventories, Property, Plant and Equipment, Due to NGAs, Expenses and Procurement Process. The Value for Money (VFM) was focused on the revenue generation and 20% Development Fund.

C. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements because of the effects of any adjustment which might have been made, had the Municipality conducted an actual physical count of its Inventories totaling ₱1.0 million and Property, Plant and Equipment accounts valued in the books at ₱44.43 million or 30 per cent of its total assets amounting to ₱148.419 and maintained complete accounting and property records. Due to lack of records, the reliability and correctness of the balances of the said accounts could not be ascertained.

D. Summary of Significant Observations and Recommendations

For the exception cited in the Independent Auditor's Report, the Audit Team recommends that Management conduct physical inventory taking of all its inventories and assets regularly which should be reported through the preparation of the Report of the Physical Count of Inventories (RPCI) and Report on the Physical Count of Property, Plant and Equipment (RCPPE), respectively, indicating therein the relevant information to allow reconciliation of property and accounting records.

The Audit Team has communicated the observations and recommendations with the Auditee through the issuance of Audit Observation Memorandum (AOM) and discussed them with the agency officials during the exit conference conducted on July 25, 2014, and the latter's comments are incorporated in the report, where appropriate.

1. Inventories valued at ₱1.0 million could not be relied upon because no Reports of the Physical Count of Inventories (RPCI) were submitted to the Audit Team during the year contrary to Section 124 of NGAS.

We recommended for the management to conduct physical inventory taking of all its inventories regularly and should be reported through the preparation of RPCI as prescribed by existing regulations.

2. The Municipality did not conduct the required complete physical count of its PPE valued at ₱44.43 million which comprised 30 percent of the total assets totaling ₱148.419 million and failed to prepare the Report on the Physical Count of Property, Plant and Equipment (RCPPE) as of December 31, 2013, thus reliability and correctness of the PPE accounts could not be ascertained. Also, PPE ledger cards were not maintained.

We recommended for the management to conduct physical inventory taking of all its assets regularly and should be reported through the preparation of RCPPE as prescribed by existing regulations. We likewise recommended that the accounting office maintain the corresponding PPE ledger cards for each property in accordance with pertinent provisions of NGAS.

3. The Municipality did not fully implement the provisions of R.A. No. 10121 and its Implementing Rules and Regulations and COA Circular 2012-002, thus, the disaster risk reduction projects and activities could not be properly monitored and accomplishments thereof cannot be completely evaluated that would result in the deprivation of the constituents of the immediate response and recovery from the impact of disasters.

We recommended that Management require the:

- a. Preparation and submission of the Report on Sources and Utilization of DRRMF certified correct by the Municipal Accountant in accordance with the format prescribed by COA Circular No. 2012-002 on or before the 15th day after the end of each month to the COA Audit Team.
- b. Municipal Budget Officer to maintain the RAAOs on Quick Response Fund (QRF) and Mitigation Fund (MF) of the LDRRMF;
- c. Posting of the report on the utilization of the LDRRMF in a conspicuous place, including website, if any of the LGU.
- d. Municipal Accountant to transfer the unutilized balance of the QRF and the DRRMF-MOOE to the Special Trust Fund under the account "Trust Liability – DRRM" (Code 438) in the Trust Fund books. LDRRMF for CO be made continuing in the General Fund books until the project funded are completed and any savings be available for use in the disaster risk reduction and management activities as prescribed in Sections 5.1.10 and 5.1.11 of COA Circular No. 2012-002.

E. Status of Implementation of Prior Years' Audit Recommendations

Out of eighteen (18) audit recommendations contained in the Annual Audit Report for Calendar Year 2012, ten (10) were fully implemented, six (6) were partially implemented and two (2) were not implemented as of December 31, 2013.