EXECUTIVE SUMMARY

A. Introduction

1. Dinagat Islands was once a part of the 1st District of the Province of Surigao del Norte until it became a separate province on October 2, 2006 through Republic Act No. 9355 or the Charter of the Province of Dinagat Islands. The formal operation of the newly created LGU started only in June 2007.

2. The Province of Dinagat Islands is the fifth province of Caraga Region and is composed of seven municipalities, namely: Basilisa, Cagdianao, Dinagat, Libjo, Loreto, Tubajon, and San Jose as the capital municipality. Province of Dinagat Islands is third class in classification, where all municipalities are classified as fourth class, except Dinagat and Tubajon which are fifth class.

3. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.

4. The audit covered the accounts and operations of the Province for the year 2014 and was aimed at ascertaining the propriety of financial transactions, management's compliance to prescribed rules and regulations and the fairness of the presentation of the financial statements. Value for money was also conducted on the selection and implementation of projects funded out of the 20% development fund to determine whether the objectives of the projects were attained in the most efficient, effective and economical manner.

B. Financial Highlights

a) Comparative Financial Position and Results of Operations

Particulars	2014	2013	Increase/ (Decrease)
Assets	428,906,436.11	316,412,395.41	112,494,040.70
Liabilities	147,614,541.90	129,125,726.41	18,488,815.49
Government Equity	281,291,894.21	187,286,669.00	94,005,225.21
Income	450,268,090.89	361,733,086.77	88,535,004.12
Expenses	344,544,811.81	251,227,346.31	93,317,465.50
Net Income	105,723,279.08	110,505,740.46	(4,782,461.38)

b) Comparative Sources and Applications of Funds

Particulars	2014	2013	Increase/ Decrease
Appropriations	466,419,484.66	344,321,798.00	122,097,686.66
Allotment	466,419,484.66	344,321,798.00	122,097,686.66
Obligations	369,907,159.48	271,952,957.83	97,954,201.65
Funds received from other agencies	-0-	-0-	-0-
Funds received from NGOs/POs	-0-	-0-	-0-
Funds transferred to other agencies	-0-	-0-	-0-
Funds transferred to NGOs/POs	-0-	-0-	-0-

C. Audit Opinion

5. We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Province for the Calendar Year 2014 due to the failure of the management to conduct physical inventory of Property, Plant and Equipment and to submit the Inventory Reports of properties and equipment as of December 31, 2014 which casted doubts on the correctness and validity of the account amounting to P143,481,555.19.

D. Summary of Significant Observations and Recommendations

For the above-mentioned audit observations which have caused the issuance of a qualified opinion, we recommended the following course of actions:

a. Create an inventory committee to conduct physical inventory of PPE. The committee shall coordinate and request assistance of the department heads to conduct inventory of all properties under their respective offices and submit the inventory report to the committee for validation and verification.

b. Submit complete and accurate RPCPPE to the Audit Team pursuant to Section 124 of the NGAS for the LGUs, Volume 1.

c. Maintain the required PPE ledger cards and making sure that all properties have been physically counted and completely reported in the inventory report.

d. Reconcile the inventory report with the accounting records to determine correctness and/or any losses occasioned by theft or other casualty. In the event that deficiencies/discrepancies exist between the inventory report and accounting records, the necessary adjustment/corrections should be made.

6. The other significant audit observations and recommendations are as follows:

   6.1 **Disbursements not related to Local Disaster Risk Reduction and Management Program totalling P1,269,457.84 were charged to the LDRRMF, in violation of Sec. 1 of Rule No. 18 of the IRR of R.A. No. 10121, thereby depleting the funds for which it was intended.**

   Stop the practice of charging expenses to LDDRMF which are not related to activities enunciated under the Disaster Risk Reduction and Management Program. Moreover, adhere strictly to the guidelines set under Sec.1, Rule No.18 of IRR of R.A. 10121 in the utilization of LDRRMF.

   6.2 **Long outstanding loans receivables amounted to P833,730.98 granted to selected cooperatives and individuals under the Livelihood Assistance Program of the PDI – PCDO remained uncollected for several years due to the failure of the management to exert effort to collect from the beneficiaries, thus, may result to loss of government funds, and depriving the Provincial Government in the use of funds to extend loans to other beneficiaries who could have benefited from the said programs.**

   We recommended that Management initiate the immediate collection of overdue receivable accounts and devise measures to improve the rate of collection; otherwise the probability of not collecting these receivables is likely to happen. Further, closely monitor the current loan assistance granted not only on its collection activity but also on the implementation of the project to ensure sustainability of the program and that assistance were really used for the intended purpose respectively

   6.3 **Disbursements amounting to P505,760.00 for payment of Toys as Pamaskong Handog to Day Care Pre-Schoolers in the seven municipalities of Dinagat islands is deemed to be unnecessary expenditures for not being adherent to the mission and thrust of the agency, thereby not fully responsive to the demands of good governance, contrary to Section 4 (4) of PD 1445 and COA Circular 2012-003 dated October 29, 2012.**

   We recommended that Management conduct a thorough study and evaluation to properly identify appropriate programs and projects to be undertaken during the year based on their Annual Investment Plan in order to deliver appropriate services to its constituents.

6.4 **Various vouchers and payrolls with the corresponding supporting documents for the month of December 2014 aggregating to P453,631.12 were not submitted on time, thereby, adversely affecting the timeliness of the audit of the financial transactions, and deficiencies discovered, if any, could not be communicated immediately to the management, contrary to Sec. 39 (1), (3) of PD 1445, and COA Circular No.95-006.**

We recommended that the Management adhere strictly to the provisions of Sec. 39 (1), (3) of PD 1445 and COA Circular No.95-006, and submit promptly all paid DVs and payrolls and their supporting documents for timely review and post-audit.

6.5 **The Special Education Fund (SEF) was utilized for the payment of wages under Job Order Basis aggregating to P204,300.00 and deemed ineligible expenses , in violation of Section 272, Chapter 7 of Republic Act No. 7160 and DECS, DBM and DILG Joint Circular No. 01-B dated June 25, 2001.**

We recommended that Management should give priority to expenditures that are chargeable to Special Education Funds. Also, Management should strictly adhere to the guidelines set forth under Section 272, Chapter 7 of Republic Act No. 7160 and DECS, DBM and DILG Joint Circular No. 01-B dated June 25, 2001.

6.6 **Cash in Vault (Account 101) totaling P80,635.54 as of December 31, 2014 remained undeposited, in violation of Section 8 of COA Circular No. 92-382 dated July 3, 1992, thus exposing government funds to unwarranted risk of loss misappropriation.**

We recommended that the Provincial Treasurer deposit intact the amount of P80,635.54 to the nearest authorized depository bank pursuant to Section 8 of COA Circular No. 92-382 to protect government funds from risk of loss or misappropriation.

6.7 **Stale checks amounting to P54,068.23 remained outstanding as of December 31, 2014 due to the failure of the Provincial Accountant to monitor the status of checks issued contrary to Section 59, Volume I of NGAS Manual and Section 3.2 of COA Circular No. 96-011 dated October 2, 1996 thus understating the Cash-In-Bank (CIB) balance by the same amount.**

We recommended that management (a) require the Provincial Treasurer to retrieve all the stale checks and their supporting documents, cancel the same, and furnish the Accounting Office with the original Disbursement Voucher (DV) and supporting papers, as basis for the preparation of the Journal Entry Voucher; (b) require the Provincial Treasurer to henceforth regularly monitor all outstanding unclaimed checks so that written notice can be sent to the payees a month before they become stale; and (c) require the Provincial Treasurer and the Provincial Accountant to regularly monitor and determine those stale checks which require replacement so that appropriate action can be made for the re-issuance thereof.

6.8 **The BAC failed to prepare and submit the approved Procurement Monitoring Report to the GPPB contrary to Section 12.2 of the IRR of RA 9184.**

To comply with the provisions of Section 12.2 of RA 9184, management should require the BAC to prepare the Procurement Monitoring Report for the two semesters of CY 2014 and in the succeeding semesters, for approval and submission by the Provincial Governor to GPPB.

E. Summary of total Suspensions, Disallowances, and Charges

7. Audit suspensions and disallowances amounting to P3,170,989.88 and P11,187.94, respectively, remained unsettled contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

F. Statement on the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.

8. Out of the eighteen (18) audit recommendations contained in the CY 2013 Annual Audit Report, thirteen (13) were fully implemented and five (5) were partially implemented.