

EXECUTIVE SUMMARY

A. Introduction

The City of San Fernando became a component city on March 20, 1998 by virtue of Republic Act No. 8509. It is composed of 59 barangays, 25 of which are Urban Barangays and 34 are Rural Barangays.

The City of San Fernando is concurrently the Capital of the Province of La Union. The City envisions “*A People’s City whose citizens are economically and socially empowered, with a vibrant local economy, disaster resilient communities and competent leaders espousing fair play*”.

The City’s mission is “*To provide a citizen driven governance involving close partnership with and capacity enhancement for all stakeholders especially the poor and marginal group and the prompt, courteous, friendly and excellent service accessible to all.*”

The City government under the leadership of Honorable Mayor Hermenegildo A. Gualberto and Vice-Mayor Alfredo Pablo Ortega, has a total workforce of 788, of which, 548 are plantilla personnel and 240 are on job orders and contracts of service:

Permanent	488
Elective	15
Co-Terminus	44
Temporary	1
Job Orders	200
Contracts of Service	<u>40</u>
Total	<u>788</u>

The City Government of San Fernando received the following awards for CY 2017:

- First Runner-up: Outstanding Coastal Community Search (Malinis at Masaganang Karagatan) Regional Level by the Department of Agriculture (DA) and Bureau of Fisheries and Aquatic Resources (BFAR).
- Finalist: Most Business-Friendly Local Government Unit Award City Level 3, National Category by the Philippine Chamber of Commerce.
- Second Placer: Cities and Municipalities Competitiveness Index Regional Level – Philippine Chamber of Commerce and Department of Trade and Industry (DTI).
- Red Orchid Award: National Level – Department of Health (DOH)
- Second Placer: e-Gov Award – Best in Customer Empowerment National Level – by the National ICT Confederation of the Philippines, DICT and Department of Interior and Local Government (DILG).

- ASEAN Model Cities for Environmental Sustainability National Level for 2017- Department of Environment and Natural Resources in partnership with Japan-ASEAN Integration Fund and Institute for Global Strategies.
- 2017 Good Financial Housekeeping National Passer conferred by DILG.

B. Financial Highlights

Shown below are the Comparative Presentation of Assets, Liabilities, Government Equity, Revenue and Expenses.

Statement of Financial Position	2017	2016	Increase/ (Decrease)
Total Assets	1,359,540,595.87	1,127,699,871.03	231,840,724.84
Total Liabilities	230,890,509.45	193,442,519.24	37,447,990.21
Total Government Equity	1,128,650,086.42	934,257,351.79	194,392,734.63

Statement of Financial Performance	2017	2016	Increase/ (Decrease)
Total Income	725,660,034.68	703,053,900.08	22,606,134.60
Total Expenses	525,741,004.99	537,916,039.01	(12,175,034.02)
Net Income	199,919,029.69	165,137,861.07	34,781,168.62

Appropriations, Allotments and Obligations as of December 31, 2017 are as follows:

	General Fund	Special Education Fund	Total
Appropriations/Allotments	771,274,671.07	55,929,832.35	827,204,503.42
Obligations	546,497,912.36	32,260,085.37	578,757,997.73

C. Operational Highlights

The City Government of San Fernando through the joint efforts of the city officials had significantly accomplished its projects and programs geared towards the improving of the quality of life of its constituents. Some of the reported major accomplishments of the city for CY 2017 are as follows:

- Legislative
 - The Office of the Sangguniang Panlungsod approved 299 Resolutions, and four Appropriation Ordinances, seven City Ordinances and one Tax Ordinance for delivery of efficient and effective governance.
- Treasury
 - The City Treasurer's Office posted increase in collections for Local Taxes:

	2017	2016	Increase
Tax Revenue	182,532,293.65	158,279,074.65	24,253,219.00
Service Income	34,066,257.99	28,852,303.16	5,213,954.83
Business Income	47,928,549.74	43,193,314.91	4,735,234.83

Main source of local taxes includes Business Taxes and Licenses and Income from Markets. The figures below show the income from the last three (3) years of operation:

	2017	2016	2015
Business Taxes and Licenses	102,337,847.60	94,385,928.93	85,235,914.88
Income from Markets	36,772,951.00	31,780,053.75	28,699,100.19

▪ **Health and Wellness**

- Services offered by the City Health Office (CHO) are Medical and Dental Consultation. Under the Maternal Care Program (MCP), Pre-natal Services, Family Planning Counselling, Immunization and other services are provided by the Office. Animal Bite Center was also established with 2,734 patients who received treatment this CY 2017, including 895 from other towns.
- The CHO, through its Emergency Medical Services (EMS) which operates 24 hours daily, offers Emergency Medical Consultation, Medico Legal, BP Monitoring, Nebulization, Suturing, Wound Dressing, Response to Vehicular Accidents, Normal Spontaneous Delivery and other like services. A total of 31,488 patients were registered to have received these services.
- Five Barangay Health and Wellness Stations were built this CY 2017. Out of 59 Barangay Health and Wellness Stations, 58 stations/clinics have already been upgraded as of December, 2017. The five Barangay Health Clinics served 7,526 patients.
- Environmental Sanitation Inspection was also being conducted with a total of 7,857 and 32,985 sanitary permits and health certificate issued, respectively.
- Laboratory services such as Blood Chemistry, CBC, Urinalysis, Fecalalysis and Sputum examination are continuously being offered by the City Health Office.

D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the City of San Fernando, La Union for the calendar year ended December 31, 2017. The audit focused on the

audit thrust/areas issued by the Local Government Sector for CY 2017. Value For Money (VFM) Audit was also conducted on some projects/programs undertaken by the City.

The audit was conducted using various audit techniques such as, interview, observation, inspection, evaluation of internal control system and other auditing procedures and techniques necessary under the circumstances.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of financial statements because the accuracy and reliability of the Property, Plant and Equipment (PPE) accounts could not be ascertained due to unreconciled balances between the reports of Accounting Office and the General Service Office amounting to ₱7,851,057.74. Major repairs in the aggregate amount of ₱8,048,560.59 were recorded as an outright expenses and the items replaced were not derecognized in the books, thus, understating and overstating the PPE and Expense accounts, respectively. Likewise, Receivables amounting to ₱17,102,843.24 remained long outstanding. The inadequacy of records did not allow us to apply other alternative procedures to satisfy ourselves as to existence and collectability of these receivables.

F. Significant Audit Observations and Recommendations

We acknowledge and commend the City Government for the following accomplishments validated by the audit team:

1. The City Accounting Office for the timely submission of accounts, financial statements and the preparation of the monthly Bank Reconciliation Statements of the eleven (11) accounts maintained by the City Government in compliance to COA Rules and Regulations.
2. The City Treasurer's Office was able to increase the collection from local sources amounting to ₱29,736,599.52.
3. Monitoring report of the Department of Environment and Natural Resources Environmental Management Bureau (DENR-EMB) of the Regional Office No. I, the City of San Fernando, La Union provided positive remark on compliance of the City Government on the basic environmental laws and regulations such as RA 9003 or the Ecological Solid Waste Management Act of 2000.
 - Establishment of Materials Recovery Facilities (There are already 52 mini-MRFs delivered to barangays including the central business district)
 - Engineered Sanitary Landfill Facility was being maintained by the City Government
 - Implementation of waste segregation and collection to barangays.

Status of the Ten Year Integrated Solid Waste Management Plan - As per National Solid Waste Management Commission (NSWMC) letter and NSWMC Resolution No. 820 series of 2016, it was stated that the Ten (10) Year Integrated Solid Waste Management Plan of the City of San Fernando, La Union is already approved but with additional requirements specified in the annotated outline/evaluation checklist. The Plan was already re-endorsed to DENR-EMB Regional Office No. I with requirements already included on November 20, 2017.

4. The City was able to implement Gender and Development (GAD) programs and activities with an aggregate amount of ₱22,429,285.24.
5. The City government, in compliance with DILG Memorandum Circular No. 2012-120 and Section 15 of RA 9344 has allocated 1% of Internal Revenue Allotment for the strengthening and implementation of programs, projects and activities of the Local Councils for Protection of Children (LCPC). Among the implemented program of LCPC is the Kusina ng Kalinga, a feeding program project which benefited 1,012 school children from nine upland barangays.
6. The City Government, in compliance with tax rules and regulations, was able to withhold and remit taxes on a regular basis. The Due to BIR account in the amount of ₱2,928,300.26 as presented in the Financial Statements of City represents the amount withheld for the month of December, 2017 and was immediately remitted on January, 2018.

However, the audit team noted the following significant audit observations on the Financial and Compliance and Value for Money audits performed on the accounts of the City Government of San Fernando, La Union and the corresponding recommendations are summarized as follows:

7. The Property, Plant and Equipment (PPE) accounts were not reconciled with the records of the General Services Office (GSO) with a discrepancy of ₱7,851,057.74 contrary to Section 114 of Manual on the New Government Accounting System (MNGAS) thus, the accuracy and reliability of these accounts cannot be ascertained. Likewise, the Land account did not reconcile with the records of the Assessor's Office.

We recommended that the City Mayor direct concerned City Officials to reconcile records of PPE accounts of the Accounting Office, General Service Office and Assessor's Office.

8. The Receivables account in the aggregate amount of ₱17,102,843.24 remained long outstanding thus tying up the financial resources of the agency that should have been used for projects, programs and activities beneficial to the public.

We recommended that the concerned officials exhaust all remedies to collect the receivables and exert efforts to locate the documents to support the claims and ascertain accuracy and fair presentation of the receivable accounts.

9. The Special Education Fund amounting to ₱1,542,000.00 showed deficiencies in its utilization: (a) The transfer of cash advance of the City Assistant Treasurer to the Schools

Division Superintendent was contrary to COA Circular No. 97-002, (b) Cash Advance was liquidated in the form of allowance/financial assistance to participants of Region 1 Athletic Association (R1AA) when in fact, actual meals and snacks were provided by the Committee on MESS, precluding rules and regulation in the procurement of goods and (c) Other expenses were included in the liquidation to augment allotted allowance for non-attending participants.

We recommended that (a) Sections 4.1.5 and 4.1.6 of COA Circular No. 97-002 be adhered to in the grant of cash advance, (b) Rules and regulations pertaining to government transactions specifically RA 9184 in procurement of goods be strictly adhered to. Concerned officials/employees must submit proper documents in the liquidation of actual expenses incurred and (c) For the Officiating and Delegation Officials to submit Certification from their Agency Accountant that no traveling expenses (which includes meals and incidental expenses) were claimed by them and for the concerned officials to refund the amount totaling to ₱63,000.00

10. Deficiencies were noted in the grant of financial assistance of the City Government to individuals, private groups/associations and government units: (a) Purposes of which were private in nature, (b) Assistance in the form of goods, supplies or items were granted thru cash assistance precluding the rules and regulations of procurement, (c) The grant of financial assistance lack supporting documents to establish actual utilization of the assistance given and (d) Majority of the grant constitutes endorsements from the members of Sangguniang Panlungsod.

We recommended that the LGU establish specific guidelines in the grant of financial assistance in line with DSWD MC No. 02s. 2014, specifically, we recommended that (a) financial assistance is to be given for public purposes only and not for funding of specific activities of private groups and individuals, (b) Assistance in the form of goods, supplies or items shall not be granted through cash assistance to ensure compliance of rules and regulations of procurement law (c) The City Government ensure actual utilization of assistance given and require submission of Fund Utilization Report especially to assistance made to government agencies. Likewise, assistance be not made to representatives of government offices and instead, procedures be followed in the liquidation or disbursement of government transactions and (d) Endorsements of the members of Sangguniang Panlungsod need not be the basis on the grant of financial assistance to ensure equitable distribution of financial assistance among qualified beneficiaries.

11. The Bamboo Processing Center (BPC) of Barangay Abut Farmers Association is not operating in full scale despite receipt of an aggregate amount of ₱6,333,000.00 from the Department of Trade and Industry under its Shared Service Facilities Project thus, the technology improvement facility for the bamboo industry was not effectively implemented and its sustainability is not certain.

We recommended for the Bamboo Processing Center to operate in full scale, closely monitored by concerned officials. This includes supervision in the production, marketing and management of the Bamboo Processing Center to sustain the technology improvement

facility for the bamboo industry and create a committee to review the proposals of different associations for the livelihood projects funded by National Government Agencies so that holistic approach will be applied and increase the success in the implementation of the projects.

The above observations together with other deficiencies noted are discussed in detail in Part II of the report.

G. Summary of Total Suspensions, Charges and Disallowances

Particulars	Balance as of December 31, 2017	
	Prior to 2009 RRSA	2009-2017
Suspensions	0.00	0.00
Charges	0.00	0.00
Disallowances	12,390.00	0.00

Persons liable to disallowance prior to 2009 RRSA were no longer in service.

H. Status of Implementation of Prior Year’s Audit Recommendations

Status of Implementation	Quantity
Fully Implemented	6
Partially Implemented	6
Not Implemented	0