

## **EXECUTIVE SUMMARY**

### **A. INTRODUCTION**

The municipality of San Juan, like any established town, began as scattered groups of inhabitants who hardly knew each other, gathered to form a poblacion. This was in 1772. The first people called this place their home “LAPO”, a name which is unknown to the present generation. It came from the name of a tall grass known as “Lapo-lapo” which grew everywhere in the poblacion during the early years. Sometime later, during the American colonization, “Lapo” was changed to “Lapog” from the Ilocano word ‘lap-lapog’ meaning unirrigated lands. These ‘lap-lapog’ were the early clearings made by the first settlers in the poblacion. Lapog was the town’s official name until June 18, 1961 when by virtue of the Republic Act 3386; it was changed to SAN JUAN, the name of its patron saint, ST. JOHN THE BAPTIST.

San Juan is a 3rd class municipality with thirty two (32) barangays. It is located in the first district of Ilocos Sur. The municipality is predominantly agricultural. The dominant crops are tobacco, corn, onions and vegetables. As the municipality is bordering along the South China Sea on the west, fish is also a major product.

The Municipal Government of San Juan commits itself to deliver adequate and quality basic services to the people, especially the less-privileged, sustain economic stability, strengthen linkages with stakeholders, develop tourism industry, enforce laws and ordinances, promote awareness in the protection of nature and foster and preserve culture and moral values.

A comprehensive audit was conducted on the accounts and operations of the Municipality of San Juan, Ilocos Sur for 2017. Our audit aimed to determine whether the financial statements were presented in accordance with the Philippine Public Sector Accounting Standards, whether the resources of the Municipality were utilized in conformity with applicable laws and regulations and to assess or determine whether the resources of the Municipality were disbursed or utilized economically, effectively and efficiently. The audit consisted of review of operating procedures, inspection and validation of programs and projects, interview of concerned municipal officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary under the circumstances.

## B. FINANCIAL HIGHLIGHTS

The total assets, liabilities, government equity, income and expenses for the year are shown below:

|                   | 2017           | 2016           | Increase/<br>Decrease | %       |
|-------------------|----------------|----------------|-----------------------|---------|
| Assets            | 682,003,186.08 | 640,030,982.69 | 41,972,203.39         | 6.56%   |
| Liabilities       | 124,308,073.67 | 103,615,841.43 | 20,692,232.24         | 19.97%  |
| Government Equity | 557,695,112.41 | 536,415,141.26 | 21,279,971.15         | 3.97%   |
| Income            | 91,425,540.66  | 344,214,034.81 | (252,788,494.15)      | (73.44) |
| Expense           | 82,545,442.88  | 142,563,711.99 | (60,018,269.11)       | (4.21%) |

## C. OPERATIONAL HIGHLIGHTS

The total appropriation, allotment and obligation for the year as compared to previous year are as follows:

|               | 2017           | 2016           | Increase/<br>(Decrease) | %        |
|---------------|----------------|----------------|-------------------------|----------|
| Appropriation | 289,616,084.23 | 637,251,499.58 | (347,635,415.35)        | (54.55%) |
| Allotment     | 289,616,084.23 | 637,251,499.58 | (347,635,415.35)        | (54.55%) |
| Obligation    | 171,290,065.30 | 238,586,294.84 | (67,296,229.54)         | (39.29)  |

## D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the existence of the recorded properties in the books under the Property, Plant and Equipment (PPE) accounts, and the reliability, accuracy and correctness of their balances as reflected in the Financial Statements amounting to P 474,160,168.20 as of December 31, 2017 could not be ascertained due to the inability of the municipality to conduct complete annual physical count on all its properties and the reports were not consolidated and reconciled with the accounting records.

## **E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

### **A. Favorable Observations**

The municipality was able to withhold and remit taxes pertaining to documentary stamps, income taxes of officials, employees, suppliers and contractors and value-added taxes for calendar year 2017 on a regular basis in compliance with the provision of Revenue Regulation No. 2-98 dated April 17, 1998.

### **Areas for Improvement**

1. Full payment of RATA was made to member of the local sanggunian despite the absences which is not in accordance with Local Budget Circular No. 103 dated May 15, 2013, thus resulted in the overpayment of RATA.

We recommended that the LGU adhere to the provisions of the existing laws, rules and regulations regarding the payment of RATA of members of the local sangguniang and other municipal officials and employees. We further recommend that the RATA received during the absences of the concerned Sangguniang Bayan be refunded.

2. The gender programs/projects formulated in the GAD Plan were not the GAD issues being enunciated under PCW Memorandum Circular No. 2011-01 dated October 21, 2011, thus the programs/projects/activities to address such issuance did not contribute to our country's aim of promoting gender equality of women empowerment.

We recommended that management promulgate and implement programs, projects and activities that address gender issues and women's concerns.

3. Three programs/projects under the Local Council for the Protection of Children (LCPC) were not implemented thus depriving the children in the locality of the benefits that could derive therefrom.

We recommended that the Municipality through its Local Social Welfare and Development Officer continuously monitor the implementation of the programs/projects under the LCPC to make sure that all plans will be implemented so that the benefits will be properly delivered to its continents especially to the children.

**F. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCES AND CHARGES**

|                           | Beg.<br>Balance(As of<br>December 31,<br>2016) | This period January 1 to<br>December 31, 2017 |       | Ending<br>Balance(As of<br>December 31,<br>2017) |
|---------------------------|--|---|-------|--|
|                           |  | NS/ND/NC                                      | NSSDC |  |
| Notice of<br>Suspension   | 0.00   |   |       | 0.00   |
| Notice of<br>Disallowance | 1,777,000.00                                   |   |       | 1,777,000.00                                     |
| Notice of<br>Charge       | 0.00   |   |       | 0.00   |
| Total                     | 1,777,000.00                                   |   |       | 1,777,000.00                                     |

**G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATION**

Out of the 11 audit recommendations contained in the 2016 Annual Audit Report, four or 36.36% were fully implemented, five or 45.45% were partially implemented and two or 18.18 % were not implemented by the municipality.