

EXECUTIVE SUMMARY

A. HIGHLIGHTS OF FINANCIAL INFORMATION

(Financial data were presented in Philippine Peso)

I – Financial Condition

The Municipality’s assets, liabilities and government equity as of December 31, 2017 with comparative figures for 2016 are as follows:

Accounts	2017	2016	Increase (Decrease)	
			Amount	Percent
Assets	181,419,298.70	144,395,022.76	37,024,275.94	25.64%
Liabilities	65,399,181.67	57,033,165.91	8,366,015.76	14.67%
Government Equity	116,020,117.03	87,361,856.85	28,658,260.18	32.80%

The increase in Asset was brought by an increase in Cash in Bank – Local Currency- Current Account.

II – Results of Operation

The Municipality of San Jacinto generated a total income of ₱116,931,125.19 which showed an increase of ₱ 14,412,025.89 or 14.06 % as compared to last year’s income of ₱102,519,099.30, as shown below:

Fund	2017	2016	Increase (Decrease)	
			Amount	Percent
General Fund	113,877,155.14	100,900,226.00	12,976,929.14	12.86%
Special Education Fund	3,053,970.05	1,618,873.30	1,435,095.75	88.65%
Trust Fund	-	-	-	
Total	116,931,125.19	102,519,099.30	14,412,025.89	14.06%

Total expenditures during the year amounted to ₱ 85,207,564.12, an increase of ₱5,281,691.53 or 6.61% compared to last year’s expenditures of ₱79,925,872.59. Details of expenditures are shown below.

Expense Account	2017	2016	Increase (Decrease)	
			Amount	Percent
Personnel Services	35,270,057.53	35,632,152.06	(362,094.53)	(10.16%)
MOOE	46,066,266.21	40,627,234.78	5,439,031.43	13.39%
Non-Cash Expenses	3,871,240.38	3,666,485.75	204,754.63	5.58%
Total	85,207,564.12	79,925,872.59	5,281,691.53	6.61%

III – Appropriations and Expenditures

1. Appropriations

For the calendar year 2017, the current appropriations of ₱ 146,709,805.53 were increased by ₱ 44,387,606.36 or 43.38% as compared with that of last year amounting to ₱ 102,322,199.17. While the continuing appropriations for the year was increased by 137.51% as shown below:

Expense Account	2017	2016	Increase (Decrease)	
			Amount	Percent
<i>Current Appropriations</i>				
Personnel Services	40,374,449.51	37,012,127.58	3,362,321.93	9.08%
MOOE	89,254,456.02	61,460,071.59	27,794,384.43	45.22%
Capital Outlay	17,080,900.00	3,850,000.00	13,230,900.00	343.66%
Financial Services	-	-	-	-
Total	146,709,805.53	102,322,199.17	44,387,606.36	43.38%

Expense Account	2017	2016	Increase (Decrease)	
			Amount	Percent
<i>Continuing Appropriations</i>				
Personnel Services	-	-	-	-
MOOE	-	6,380,000.00	(6,380,000.00)	(100%)
Capital Outlay	17,061,843.10	803,655.00	16,258,188.10	2023.03%
Total	17,061,843.10	7,183,655.00	9,878,188.10	137.51%

2. Expenditures

The Municipality's expenditures for the calendar year 2017 are within the appropriation set aside by the Sangguniang Bayan. The total current obligations for the year 2017 was ₱ 94,971,959.15 showing an increase of ₱ 13,299,456.31 or 16.28%, while there was an increase of continuing obligations for the current year as compared with the previous year amounting to ₱ 8,378,353.24. Details of obligations are shown below:

Current Obligations	2017	2016	Increase (Decrease)	
			Amount	Percent
Personnel Services	35,270,057.53	35,632,152.06	(362,094.53)	(1.02%)
MOOE	46,066,266.21	42,419,197.43	3,647,068.78	8.60%
Capital Outlay	13,635,635.41	3,621,153.35	10,014,482.06	276.56%
Total	94,971,959.15	81,672,502.84	13,299,456.31	16.28%

Continuing Obligations	2017	2016	Increase (Decrease)	
			Amount	Percent
Personnel Services	-	-	-	-
MOOE	-	79,901.44	(79,901.44)	(100%)
Capital Outlay	8,676,749.68	218,495.00	8,458,254.68	3,871.14%
Total	8,676,749.68	298,396.44	8,378,353.24	2,807.79%

3. Operational Highlight

The Municipality's major activities and accomplishments for the year 2017 were the following:

Programs/ Projects	Amount	Status
Construction of Farm to Market Road at Brgy. Lobong	2,013,759.00	Completed
Concreting of Farm to Market Road at Brgy. Bolo	2,664,230.00	Completed
Concreting of Farm to Market Road at Brgy. Labney	1,007,000.00	Completed
Concreting of Farm to Market Road at Brgy. Casibong	999,500.00	Completed
Replacement/Construction of New Bridge at Brgy. Casibong	999,500.00	Completed

B. SCOPE OF AUDIT

Financial and Compliance audit was conducted on the accounts and operations of the Municipality of San Jacinto, Pangasinan for the year 2017. The audit included a review and evaluation of the financial transactions and results of operations of the municipality. It also included Value for Money Audit to determine whether resources had been managed and utilized in an economical, efficient and effective manner on selective basis.

C. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the Municipality of San Jacinto, Pangasinan because the existence, accuracy and reliability of the Property, Plant and Equipment (PPE) accounts with a total acquisition cost of ₱73,491,850.92 million as of December 31, 2017 could not be ascertained due to non-conduct of physical inventory and non-submission of Report on the Physical Count of PPE (RPCPPE) for the year 2017. Likewise, the validity, propriety and correctness of the respective liability accounts with a total consolidated amount of ₱45,841,607.95 million, as reflected in the year-end Schedule/ Aging of General Ledgers Account Balances prepared by the Municipal Accounting Office, could not be ascertained due to various deficiencies uncovered in audit, hence, affected the fairness of presentation of liability accounts in the financial statements.

D. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the significant findings and recommendations contained in the report which were discussed with the management during the exit conference. Management comments were incorporated in the report where appropriate.

- 1. The existence, propriety and correctness of the total Property, Plant and Equipment (PPE) accounts of the Municipality of San Jacinto, Pangasinan with a total acquisition cost of ₱ 73,491,850.92 as shown the general ledgers as of December 31, 2017 could not be readily ascertained due to various deficiencies uncovered in audit.**

Considering the material effect of the doubtful accuracy, validity and existence of the property, plant and equipment in the fair presentation of the financial statements of the local government unit, we are reiterating our previous years audit recommendation which were seemingly overlooked by Management to implement. Other seven (7) audit recommendations were added to strengthen the internal control system of the LGU in property management as discussed in Part II of this report.

- 2. The validity, propriety and correctness of the respective liability accounts of the Municipality of San Jacinto with a total consolidated amount of ₱45,841,607.95, as reflected in the year-end Schedule/ Aging of General Ledgers Account Balances prepared by the Municipal Accounting Office, could not be ascertained due to various deficiencies uncovered in audit.**

We recommended that the Local Chief Executive instruct the Municipal Accountant to consider the following audit recommendations:

- Maintain individual subsidiary ledger for all accounts, as required under Sections 111 and 114 PD No. 1445 to record the vital information or details of the transactions.
- Exert diligent effort to locate the necessary supporting documents. Prepare an ageing schedule of liability accounts that would show the age of payables/liability per transaction.
- Ensure that unutilized fund transfer after the completion of projects or programs be fully liquidated according to Memorandum of Agreement.
- Reclassify accordingly all accounts which are not properly classified.

When accounts in the trial balance (except receivable accounts) are confirmed to be non-moving or remained to be inactive in the books of accounts for more than five

(5) years, these are considered to be dormant per COA Circular No. 97-001 dated February 5, 1997. We recommended that a write-off of accounts be requested to the Commission On Audit supported with the following documents:

- a. List of available records and extent of validation made on the accounts; and
 - b. Certification and reasons why the books of accounts/records, financial statements/ schedules and supporting vouchers/documents cannot be located.
3. **The existence, propriety and validity of the land account as recorded in the books of accounts of the Municipality with a total amount of ₱ 5,266,525.02 as of December 31, 2017 could not be ascertained due to the absence of inventory list of parcel of land and absence of Transfer Certificates of Titles (TCT) or its equivalent in the name of the Municipal Government of San Jacinto which is not in conformity with Section 39 of PD 1445 and Section 449, Volume 1 of Government Accounting and Auditing Manual (GAAM).**

We recommended that the Local Chief Executive instruct the Municipal Assessor to exhaust all possible means to document the legality of ownership of the lots through a Transfer Certificate of Title (TCT) in the name of the Municipal Government of San Jacinto in compliance with the provisions of Section 39 of PD 1445 and Section 449, Volume 1 of Government Accounting and Auditing Manual.

4. **The propriety and accuracy of the year-end balances of Receivables for Real Property Tax (RPT) and Special Education Tax (SET) amounting to ₱ 5,541,649.45 and ₱ 5,642,418.26, respectively, could not be ascertained due to various deficiencies uncovered in audit.**

We recommended that the Municipal Treasurer in coordination with the Municipal Assessor prepare and furnish the Municipal Accountant a duly certified list of taxpayers showing the names and the amount due and collectible based on RPTAR/Taxpayer's index card to provide an accurate and reliable basis in the setting-up of receivables for real property taxes and special education taxes at the beginning of the year for fair presentation of the accounts in the financial statements.

5. **The validity and accuracy of reported balances of respective supplies expense accounts in the year-end financial statements with a total amount of ₱4,337,572.69 could not be ascertained due to the practice of the Municipality to record the procurement of supplies and materials as an outright expense, thus no physical inventory took place during the year and no inventory report submitted which does not conform with Section 114, Volume 1 of LGU-Manual on the New Government Accounting System, as a result, it affects the fairness of presentation of office supplies expenses account in the financial statements because the unused portion of supplies were not recognized in the books of accounts.**

We recommended that Management instruct the OIC-Municipal Accounting Office to record the purchases of supplies and materials by using the perpetual inventory method except for purchases out of the petty cash fund which is to be recorded as an outright expense. Issuance of supplies and materials shall be supported by a Requisition and Issue Slip (RIS) which will be consolidated in a Summary of Supplies and Materials Issued (SSMI). It shall be the basis of the Accounting Unit to prepare a Journal Entry Voucher (JEV) to recognize the monthly issuance of supplies and materials in the books of accounts.

We further recommended that the Local Chief Executive shall require periodic physical inventory of supplies or property. Physical count of inventory items by type shall be conducted semestraly and reported in the Report of the Physical Count of Inventories (RPCI). This shall be submitted to the Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

- 6. The unexpended balance of Priority Development Assistance Fund (PDAF) totaling ₱ 4,297,623.97 was not returned to the Bureau of Treasury which is not in line with the decision of the Supreme Court on the unconstitutionality of the fund releases, thus, prejudicial to the financial interest of the national government..**

Guided by the dispositive portion of the “PDAF Decision,” we therefore reiterated our previous year’s audit recommendations that the unexpended balance of PDAF with a total amount of ₱ 4,297,623.97 be returned to the Bureau of Treasury so that the funds could be reverted to the unappropriated surplus of the general fund and augment future legitimate funding requirement of the government.

E. STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS

Out of 23 prior year’s audit recommendations embodied in the 2016 Annual Audit Report, one (1) was fully implemented, eight (8) were partially implemented and fourteen (14) were not implemented,. Reasons for partial and non- implementation were discussed in Part III of this report.