

## Executive Summary

### A. Introduction

The Municipality of San Antonio, Zambales was founded by Ilocano settlers from Paoay, Ilocos Norte. First named as Pamisaraoan, the village was originally a part of Uguit (now Castillejos) in 1830's. In 1846, when the barrio Alasis or Alucii was made into a new pueblo, Barrio Pamisaraoan was detached from Uguit, it was made a part of the New San Narciso. On May 12, 1849, Pamisaraoan was organized as a separate Pueblo, now named as San Antonio.

Located in the southernmost tip of Zambales, San Antonio is bounded by the Municipality of San Narciso on the north; facing the open China Sea on the Southwest; Municipalities of San Marcelino and Castillejos on the East; and the Municipality of Subic on the Southeast.

Today, San Antonio is classified as a second-class Municipality. It occupies a total land area of 20,500 hectares and has 14 Barangays.

### B. Financial Highlights

The following data summarize the financial condition, results of operation, and sources and application of funds of the Municipality of San Antonio for the year 2017 with comparative data in CY 2016:

Financial Position	2017	2016	Increase/ (Decrease)
Total Assets	₱385,581,163.13	₱321,958,964.72	₱63,622,198.41
Total Liabilities	128,558,953.45	109,763,286.20	18,795,667.25
Total Equity	257,022,209.68	212,195,678.52	44,826,531.16
Results of Financial Performance			
Total Income	₱156,238,298.55	₱138,499,851.24	₱17,738,447.31
Total Expenses	114,562,389.69	98,311,582.18	16,250,807.51
Excess of Income over Expenses	₱ 41,675,908.86	₱ 40,188,269.06	₱1,487,639.80
Sources of Application of Funds			
Allotments	178,209,320.18	157,595,864.68	20,613,455.50
Obligations	158,574,470.54	141,050,055.42	17,524,415.12
Unexpected Balance	19,634,849.64	16,545,809.26	3,089,040.38

### C. Scope of Audit

The audit covered the examination, on a test basis, of the accounts and financial transactions of the Municipality for the year ended December 31, 2016. Based on

the audit instructions of the Local Government Sector (LGS), COA Central Office, as embodied in a memorandum dated October 12, 2017, we included the examination of supporting documents of pre-selected accounts and areas, employing audit procedures and techniques such as analysis of accounts and other procedures considered necessary. The exceptions noted in audit are discussed in detail in Part II of this report.

The objectives of the audit were to: a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; b) recommend agency improvement opportunities; and c) determine the extent of implementation of prior year's audit recommendations.

#### **D. Independent Auditor's Report**

We rendered a qualified opinion on the fairness of presentation of the financial statements owing to the uncertainty and unreliability of the recorded Property, Plant and Equipment valued at ₱224,748,843.93 which is not duly substantiated by a reconciled property and subsidiary records and complete report on the results of physical inventory at year-end.

In view of the foregoing, we recommended that management:

- a. Consider assigning or hiring additional employees who will be tasked to perform the inventory and reconciliation of the properties owned by the Agency;
- b. Instruct the Municipal Treasurer to perform test for the impairment of PPE at least annually, as required in PPSAS 21, and submit a report thereto, if any, to the Municipal Accountant for recording purposes;
- c. Instruct the Municipal Accountant to recognize impairment losses, if any, in the books of accounts; and
- d. Instruct the Municipal Accountant and the Municipal Treasurer to fast track the reconciliation of their respective records by (1) ensuring that the persons specifically hired to undertake property records reconciliation are doing the work assigned; (2) regularly taking note of the progress of the property reconciliation; (3) providing timelines for the conduct of physical inventory of all properties owned by the LGU and requiring complete documentation using the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); and (4) prescribing a complete and updated subsidiary records, such as property cards and equipment ledger cards for each class of property, plant and equipment.

## E. Summary of Significant Observations and Recommendations

We commended management for the strict compliance with the withholding and remittance requirements set forth by the BIR and PhilHealth; thus, there were no past due accounts under the Due to BIR and Due to PhilHealth. However, exceptions were noted on the other areas of operations which we deemed significant; viz:

1. The Municipal Government incurred delays in the submission of disbursement vouchers, official receipts, and other financial reports within the prescribed period; thus, the accuracy and completeness of the recorded transactions could not be ascertained and eventually hampered the timely conduct of audit and communication to the management of any deficiencies and/or observations that may be noted contrary to COA Circular No. 2009-006 dated September 15, 2009 and Section 122 of P.D. No. 1445. (*Observation No. 5*)

We recommended that management direct the Municipal Treasurer, Municipal Accountant and the Municipal Budget Officer to immediately transmit the unsubmitted accounts covering the period November to December 2017 and the quarterly SAAOB for 2017, respectively; and henceforth adhere strictly to the prescribed timeframes on the rendition of accounts and preparation/submittal of financial reports pursuant to COA Circular No. 2009-006 dated September 15, 2009.

2. Infractions of various rules and regulations were noted in the implementation of the Bottom-up Budgeting (BuB) projects by the Municipality owing to the (a) absence of Memorandum of Agreement (MOA); (b) incomplete documentation; and (c) non-implementation of the projects contrary to COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2012-001 dated June 14, 2012; thus, optimal improvement in the quality of life of the marginalized poor through poverty reduction programs, projects and activities may not be achieved. Moreover, the incomplete documentation of the transactions rendered doubt on the validity, legality and propriety of the transactions. (*Observation No. 6*)
  - a. Require the BuB Focal Person and Local Poverty Reduction Action Team (LPRAT) to secure copies of the Memoranda of Agreement (MOA) from all concerned National Government Agencies (NGAs) to determine the specific responsibilities of the LGU under the agreement; and support the MOA with the prepared project proposals to guarantee the faithful adherence by the LGU with the guidelines and procedures embodied therein in the implementation of projects;
  - b. Post the Invitation to Bid and other Notices to PhilGEPS website and in at least three conspicuous places in the Municipality to promote transparency and competitiveness in all aspects of procurement; and

- c. Require the Municipal Accountant to submit immediately the unsubmitted disbursements and scrutinize the completeness of supporting documents of claims before releasing the same for payment and prior to the recording of the transactions in the books of accounts.
3. The procurement of three projects through public bidding was not supported with complete documentation contrary to Section 4 (6) of Presidential Decree (P.D.) No. 1445, thus, casting doubt on the validity of the disbursements made. (*Observation No. 7*)

We recommended that management:

- a. Require the BAC to post bidding notices such as Notice of Award and Notice to Proceed to PhilGEPS and in at least three conspicuous places in the Municipality to promote transparency and competitiveness in all aspects of procurement; and
  - b. Require the Municipal Accountant to scrutinize the completeness of supporting documents of claims before releasing the same for payment and recognizing expenses in the books of accounts.
4. Although the Municipality was able to substantially comply with DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017 on the implementation of their planned socio-economic and environmental developmental projects out of the 20% Development Fund, it failed to satisfy all the documentary requirements for the procurement activities under the Fund contrary to Section 4(6) of Presidential Decree (P.D.) No. 1445 and pertinent provisions of R.A. No. 9184. (*Observation No. 8*)

We recommended and management agreed to:

- a. Continue to plan/undertake socio-economic and environmental development projects that truly partake the nature of investment or capital expenditures to further enhance the quality of basic services delivered to the local residents and implement the same in a timely and efficient manner;
  - b. Post the Invitation to Bid and other Notices to PhilGEPS website and in at least three conspicuous places in the Municipality to promote transparency and competitiveness in all aspects of procurement; and
  - c. Require the Municipal Accountant to submit immediately the unsubmitted disbursements and scrutinize the completeness of supporting documents of claims before releasing the same for payment and prior to the recording of the transactions in the books of accounts.

The other audit observations, together with the recommended courses of action are discussed in detail in Part II of the report. These, along with the prior years' findings not

or partially acted upon and included in Part III of the report, had been discussed with the officials and staff of the Municipality.

**F. Status of Suspensions, Disallowances and Charges**

	Beginning Balance (As of December 31, 2016)	This period January 1 to December 31, 2017		Ending Balance (As of December 31, 2017)
		NS/ND/NC	NSSDC	
Notice of Suspension	-	-	-	-
Notice of Disallowance	₱2,730,000.00	-	-	₱2,730,000.00
Notice of Charge	-	-	-	-
<b>Total</b>	<b>₱2,730,000.00</b>	<b>₱ -</b>	<b>₱ -</b>	<b>₱2,730,000.00</b>

**G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations**

Out of the 35 unimplemented recommendations contained in previous years' Annual Audit Reports (AARs) 17 or 48.57% were fully implemented, eight or 22.86% were partially implemented and ten or 28.57% were not implemented at all.