

## EXECUTIVE SUMMARY

### A. Introduction

**San Nicolas** is a first class municipality composed of thirty-three (33) barangays with a total land area of 23,481 hectares and it is located in the northeastern part of Pangasinan.

According to the 2015 census, it has a population of 35,574 people. Bamboo propagation, farming, livestock and pottery making are the major source of livelihood where people derived their income.

Under the leadership of Municipal Mayor REBECCA G. MEJICA-SALDIVAR, first lady Local Chief Executive of the municipality, assisted by Municipal Vice Mayor Joel D. Luansin and the Sangguniang Bayan Members, the municipality was able to serve the public effectively and efficiently under the administration's battle cry "*Nagpintas San Nicolas!*" because of the best practices of governance and public service, the municipality was able to obtain various awards from different provincial and national government agencies.

The local government unit is manned by 120 officials and employees scattered in the different offices, to wit:

Office	No. of Employees
Mayor	22
Office of the Mayor-Casual Employees	30
Sangguniang Bayan	16
Sangguniang Bayan-Casual Employees	4
HRMO	2
MPDC	2
MCR	2
MBO	2
Accounting Office	3
Treasurer's Office	6
Assessor's Office	3
Engineering Office	2
RHU	10
MSWD	3
Agriculture Office	13
<b>Total</b>	<b>120</b>

## B. Financial Highlights

The Municipality's assets, liabilities and government equity as of December 31, 2016 with comparative figures for 2015 are as follows:

	2016	2015	Increase/ (Decrease)	%
Assets	84,883,010.16	55,219,965.36	29,663,044.80	53.72%
Liabilities	46,139,919.09	27,803,393.51	18,336,525.58	65.95%
Government Equity	38,743,091.07	27,416,571.85	11,326,519.22	41.31%
Income	126,071,740.05	132,063,491.50	-5,991,751.45	-4.54%
Expenses	118,658,014.16	115,301,884.89	3,356,129.27	2.91%

## C. Operational Highlights

The following programs, projects and activities are the significant accomplishments of the municipality for the year 2016, all of which were validated and inspected, to wit:

<u>Projects/Activities</u>	<u>Amount</u>	<u>Status</u>
1. Construction of SWIP at Brgy. San Felipe West	3,049,270.00	Completed
2. Construction of SWIP at Brgy. Salpad	2,052,970.00	Completed
3. Construction of SWIP at Brgy. Bensican	2,052,970.00	Completed
3. Construction of Public Toilet at Tricycle Terminal	1,347,109.39	Completed

## D. Scope of Audit

The audit covered the operations of the Municipality of San Nicolas for CY 2016. The types of audit employed consists of financial and compliance audit aimed to ascertain the fairness and reliability of the financial position and results of operation of the municipality and to check agency's adherence to auditing laws, rules and regulations. Likewise, a Value for Money Audit was conducted on selected areas to ascertain whether management had attained its goals and objectives in an economical, efficient and effective manner.

## E. Opinion on the State Auditor's Report on the Financial Statements

No opinion was rendered on the presentation on the financial statements due to failure to obtain sufficient and appropriate audit evidence to provide a basis for an audit as management did not submit accounts and the year-end financial statements together with the required schedules and reports on time for CY 2016, thus set limits to our undertaking of auditorial procedure in order to obtain updated information concerning the validity and propriety of the agency's various financial transactions and their recording in the books of accounts. Also, discussed in Part II of the report are

observations, which may have effects on the financial statements; and existing limitations did not permit the application of alternative audit procedures.

## **F. Significant Audit Findings and Recommendations**

The municipality was able to comply with existing rules and regulations as follows: (1) The local government unit is a recipient of the 2015 Seal of Good Local Governance, an award which recognizes LGUs with good performance in internal housekeeping, particularly in the areas of local legislation, development planning, resource generation, resource allocation and utilization, customer service, and human resource management and development, as well as, in valuing the fundamental of good governance; (2) During the year under review, the municipality withheld GSIS, Philhealth and PAGIBIG contributions from personnel salaries and accordingly remitted the same to in compliance with the rules and regulations. The contributions withheld in December 2016 were remitted in January, 2017; and (3) The Municipality withheld from personnel salaries as well as taxes due from suppliers and creditors and accordingly remitted the same to the Bureau of Internal Revenue. The taxes withheld on December 31, 2016 were remitted in January 2017. On the other hand, we also observed some deficiencies affecting the operation. Summarized below are the significant audit findings and the corresponding recommendations which were discussed with Management during the exit conference. Management comments were incorporated in the report, where appropriate.

- 1. The validity, existence and accuracy of the Property, Plant and Equipment (PPE) account with a gross amount of P148,721,084.83 as of December 31, 2016 could not be ascertained due to the failure of the municipal officials concerned to conduct annual physical inventory and submit Report on the Physical Count of Plant, Property and Equipment (RCPPE) which was not in consonance with Section 124 of Vol. I-Manual on the New Government Accounting System (MNGAS). Likewise, Property, Plant and Equipment Ledger Card (PPELC) and Property Card (PC) were not maintained contrary to Section 13 and 45 of the MNGAS Vol. II, respectively, thereby creating doubts as to its accuracy, validity, existence and actual condition.**

**We have reiterated that the Local Chief Executive enforce the conduct to complete physical count of the municipal properties through creation of Inventory Committee and require the submission of the report to the Audit Team within the prescribed period.**

**It is further recommended that the Accounting Department be required to maintain property ledger cards for each category of property, plant and equipment to record deliveries of properties.**

**Finally, properties such as Office and IT equipment must have property tags before they were issued to the end-user which will serve as a control mechanism against loss or misapplication.**

- 2. The municipality failed to submit their Annual Financial Statements within reglementary period which comprise of the Statement of Financial Position as of December 31, 2016, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparative Budget and Actual and Statement of Cash Flows for the year then ended, which violated the instructions cited in Presidential Decree No. 1445, thus, affecting the auditor's opinion on these accounts.**

**We have recommended that the management do their best in submitting their accounts on time so that timely evaluation on these may be done by the auditor to minimize/reduce the possible errors appearing in the books that could lead to dormancy if unattended promptly.**

- 3. Disbursement Vouchers, Official Receipts, Journals, and Trial Balances were not submitted to the Audit Team on time for examination, thus, precluding the Audit Team from performing the review and evaluation of the agency's financial transactions.**

**We have recommended that the officials concerned submit the reports on time. Strict compliance as to the prescribed period relative to the submission of monthly reports is to be observed.**

- 4. The municipality used inaccurate basis of setting-up receivables and the related Deferred Credits/Unearned Income, thus, resulted in unreliable balances of the recorded Real Property Tax (RPT) amounting to P10,674,118.40 and Special Education Tax (SET) Receivables amounting to P10,674,118.40, as at December 31, 2016.**

**We have recommended that the Municipal Treasurer to prepare a duly certified list of taxpayers in order for the Accounting Unit to have proper basis in setting up the amount of RPT/SET receivables at the beginning of the year to present fairly the balances of these accounts in the financial statements.**

- 5. The Monthly Bank Reconciliation Statements (BRS) for January to December 31, 2016 were prepared and submitted only on March 2017 which was not in consonance with the provision of COA Circular 96-011, thus depriving the opportunity of timely corrections of any possible errors on the Cash in Bank account.**

**We have recommended that the Municipal Accountant prepare monthly bank reconciliation statement of the Cash in Bank account of the municipality and submit a copy thereof to the auditor within the required period for review.**

### G. Summary of Total Suspensions, Disallowances and Charges

The Municipality of San Nicolas has a balance of disallowances prior to RRSA totaling P519,488.52 as of December 31, 2016.

Particulars	Balance as of December 31, 2016	
	Prior Year RRSA	2009-2016
Suspensions		
Charges		
Disallowances	P 519,488.52	

### H. Status of Implementation of Prior Year's Audit Recommendations

Status of Implementation	Quantity
Fully Implemented	2
Partially implemented	2
Not implemented	9