

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Santol is classified as a 4th class municipality and composed of eleven (11) barangays. It was formerly part of the Municipality of Balaoan, La Union and Mountain Province.

It is located in the northeastern part of the Province of La Union, bounded on the North by Sudipen, on the South by San Gabriel, Benguet province, on the East and Balaoan on the West. It has a total land area of 12,136 hectares which comprises mostly of hilly and mountainous area and little alluvial plains.

On April 30, 1949, through Executive Order No. 214, President Elpidio Quirino elevated the status of the Municipal District of Santol into a regular municipality.

The Municipality of Santol is headed by Honorable Mayor Magno A. Wailan and the Sanggunian Bayan presided over by Municipal Vice-Mayor Floresto C. Sayangda. The total work force as of year-end was 157 personnel, broken down as follows:

| <u>Particular</u> | <u>No. of Personnel</u> |
|---------------------|-------------------------|
| Elected | 11 |
| Appointed | 1 |
| Permanent | 33 |
| Co-Terminus | 1 |
| Casual | 6 |
| Contract of Service | 22 |
| Job-Order | <u>83</u> |
| Total | <u>157</u> |

As part of its functions, the Municipality of Santol had undertaken in 2016 projects, programs and activities designed to develop its localities and improve its facilities. Hereunder are some of the major infrastructure projects implemented during the year which were validated by the audit team, to wit:

| | Programs, Projects and Activities | Amount |
|----|---|---------------|
| 1 | Design and Build for the Rehabilitation /Expansion of Level III Water Supply System | 10,329,511.18 |
| 2 | Construction of Tourism Building | 2,980,000.00 |
| 3 | Repair and Improvement of Santol Lying In Clinic And Diagnostic Center | 463,057.77 |
| 4 | Construction of Farmer's Trading Center I, Phase XII | 536,315.32 |
| 5 | Construction of Brgy. Food Terminal Phase II | 291,921.28 |
| 6 | Construction of Bay-o Evacuation Center w/Facilities | 881,443.91 |
| 7 | Construction of Paagan Slope Protection | 246,734.21 |
| 8 | Municipal Library/Museum Building Termite Control | 144,599.28 |
| 9 | Construction of Farmer's Trading Center II, Phase III | 1,938,458.13 |
| 10 | Construction of Farmer's Trading Center II, Phase IV | 919,595.36 |
| 11 | Improvement of Municipal Hall | 215,345.00 |
| 12 | Improvement of Paagan Irrigation Canal | 187,927.82 |
| 13 | Repair of Central East Solar Dryer | 93,844.78 |
| 14 | Sitio Development Projects at Brgy. Mangaan | 236,574.00 |
| 15 | Construction of Guilong Agricultural Warehouse | 149,166.04 |
| 16 | Construction/Improvement of 16 Farm To Market Roads | 41,869,026.87 |

B. FINANCIAL HIGHLIGHTS

The financial conditions and results of operations of the Municipality for CY 2016 are as follows:

| FINANCIAL HIGHLIGHTS | | |
|---|----------------|----------------|
| Particulars | CY 2016 | CY 2015 |
| Financial Conditions | | |
| Assets | 145,727,316.95 | 63,307,966.93 |
| Liabilities | 18,019,178.49 | 22,246,224.33 |
| Government Equity | 127,708,138.46 | 41,061,742.60 |
| Results of Operations | | |
| Income | 124,304,918.44 | 71,133,263.91 |
| Expenses | 54,830,668.54 | 49,611,249.64 |
| Excess of Income | 69,474,249.90 | 21,522,014.27 |
| Sources and Application of Funds | | |
| General Fund: | | |
| Allotments | 125,683,970.60 | 72,556,799.76 |
| Obligations | 105,820,703.87 | 61,468,909.38 |
| Balance | 19,863,266.73 | 11,087,890.38 |

| | | |
|----------------------------------|----------------|--------------|
| <i>Continuing Appropriations</i> | | |
| Allotments | 12,141,304.78 | 2,124,288.81 |
| Obligations | 11,580,751.82 | 1,037,018.51 |
| Balance | 560,552.96 | 1,087,270.30 |
| | | |
| Particulars | CY 2016 | |
| <i>Special Education Fund</i> | | |
| Allotments | 737,500.00 | 580,905.21 |
| Obligations | 598,594.83 | 392,666.96 |
| Balance | 138,905.17 | 188,238.25 |

C. OPERATIONAL HIGHLIGHTS

The accomplishments of the Local Government Unit (LGU) of Santol, La Union could not have been achieved without the concerted effort of all municipal officials, employees and the barangay council through the support of Mayor Magno A. Wailan.

The LGU's programs and projects have been substantially accomplished which all geared towards improving the quality of life of all constituents. In line with the municipality's theme for CY 2016 "ITAN SANTOL," the following banner programs and major infrastructure projects had been implemented and accomplished during the year:

- On March 3, 2017, the Municipal Government of Santol received the following awards from the Provincial Government of La Union (PGLU) in coordination with the Provincial Environment and Natural Resources (PENRO) as follows:
 - Champion/1st Prize - search for CLEANEST, SAFEST and GREENEST 4th to 5th Class Municipality in the Province of La Union for CY 2016. The Municipality received a prize of One Million Pesos worth of project.
 - 2nd Prize - search for CLEANEST INLAND BODIES of WATER in the Province of La Union for CY 2016. The Municipality also received a prize of P750,000.00 worth of project.

D. SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operational activities of the Municipality of Santol, La Union for the calendar year ended December 31, 2016.

The audit was done on a sampling basis and used various audit techniques like confirmation, observation, interviews, ocular inspection, evaluation of control system/s and other auditing procedures and techniques necessary under the circumstances.

The audit was focused on the different audit thrusts/areas issued by the Local Government Sector of the Commission.

E.OPINION ON THE STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements because of the doubtful reliability of the reported balance of the Property, Plant and Equipment (PPE) account amounting to P137,902,947.02 due to unreconciled balances resulting from a) failure to conduct a complete physical inventory, b) incomplete subsidiary ledger and ledger cards, c) no property cards and property tags on the PPEs d) no file of Acknowledgement Receipt of Equipment (ARE), e) Inventory Custodian Slips (ICS) were not used and f) failure to recognize at least 25% of Public Infrastructures in the books of account.

F. SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

We commend the Municipality for compliance with the following

1. Full Liquidation of Cash Advances

The Municipality fully liquidated all cash advances granted to the accountable officers and employees during CY 2016, thus showing a balance of zero at the end of the year. Similarly, there was no cash shortage on the cash accountabilities of the Accountable Officer during the year's cash examination.

2. Compliance to Tax Laws

Management had regularly withheld taxes on salaries and wages of officials and employees, purchases of supplies and materials and from payments to contractors and remitted the same to the Bureau of Internal Revenue (BIR) within the prescribed period.

3. Compliance to Environmental Laws (Ecological Solid Waste Management)

The letter of the Department of Environment and Natural Resources (DENR) dated February 20, 2017, Appendix A showed that the Municipality of Santol is 100% compliant on the establishment of Sanitary Landfill as required by law or as mandated under the Republic Act 9003 (RA 9003) Ecological Solid Waste Management Act of 2000.

4. Gender and Development

The Municipality allocated ten percent (10%) of its total appropriation amounting to P5,824,000.00 but utilized a total amount of P6,220,155.24 or 11% for its Gender and Development (GAD) programs, projects and activities.

Enumerated hereunder are the programs, projects and activities implemented/undertaken under GAD of which were based from the reviewed and approved GAD Plan and Budget of the Municipality by the Department of Interior and Local Government (DILG) as follows:

- Maternal and Neonatal Child Health Nutrition (MNCHN)
- Maintenance of Birthing Center Facility
- Maternal Child Care Services
- Child and Youth Welfare Program
- Children's Welfare Program
- Parent Effectiveness Service
- Safe Motherhood and Family Planning Program
- Population Management Program
- Agricultural and Livelihood Program such as
 - Food Processing
 - Vermi-Composting
 - Demonstration on Dragon Fruit and Bamboo Production
- Provision of Financial Assistance to Individual in Crises (women)
- Conduct of Farmers Field School cum Palay Check Demonstration
- Provision of Self Employment Assistance
- Conduct of volunteers' training on search and rescue, medical and relief operations

However, the Team noted the following audit observations and recommendations on the operations of the Municipality of Santol, La Union during the year, viz:

1. The reliability of the Property, Plant and Equipment with a gross amount of P137,902,947.02 in the books as of December 31, 2016 is doubtful due to various deficiencies uncovered in audit contrary to pertinent provisions of the Manual on New Government Accounting System and COA Circulars Nos. 80-124 and 2005-002.

For the proper management and handling of the PPE, we recommended that management conduct the required physical count of the PPE as of December 31 of every year. The actual count may be undertaken any month during the current year, but has to be updated at year-end. This procedure is a must in order to know the presence/physical existence of the fixed assets and their conditions; and to identify, segregate and reclassify unserviceable assets. Reconciliation of the result of the count with the accounting records is to be undertaken to effect the necessary adjustments; and to pinpoint responsibility/accountability/liability for missing PPEs. Moreover, we further recommend

that Management maintain/update the subsidiary ledgers, PPE ledger cards, AREs and placing of property tags which are required under MNGAS for proper control and monitoring of the PPEs and for facility in identifying them. For control and monitoring, make use of ICS for semi-expendable items to avoid loss, as these are usually small items.

2. Municipal receipts amounting to P 523,340.98 were not remitted daily by the collectors to the Municipal Treasurer. Likewise the remitted collections were not deposited intact daily or on the next banking day with the authorized depository bank in violation to Sections 30 and 32 of the MNGAS for LGUs thus, daily collections thus, daily collections were exposed to misuse.

We recommended that Management cause the Municipal Treasurer to perform religiously the verification process in order to ensure prompt remittance/turnover and recording of collections for a particular day and to implement strictly the provisions of Sections 30 and 32 of the NGAS for LGUs, that is, collectors remit daily to the Municipal Treasurer so that the collections be deposited daily.

3. Payment of Honoraria to the members of the Bids and Awards Committee (BAC), BAC Secretariat and Technical Working Group (TWG) in the total amount of P275,390.00 charged against R.A. 7171 funds is not in accordance with provisions of RA7171 and DBM Circular No. 2004-5A, as amended by DBM Budget Circular No. 2007-3 dated November 7, 2007, hence defeating the intended purpose of the fund. Furthermore, the expenditure was not properly recorded in the books.

We recommended that Management require the BAC to comply strictly with the provisions of RA 7171 and DBM Circular No. 2007-3 on the payment of BAC Honoraria. We further recommended that management stop the practice of granting BAC Honoraria charged against RA 7171 Funds and for the immediate refund of the amount of P275,390.

4. Granting of Honoraria to the members of the Project Monitoring Committee for the CY 2016 in the amount of P48,000.00 has no authority or legal basis.

Considering that the monitoring and evaluation undertaken by the PMC are part of their regular functions and considering further that the honoraria were charged against R.A. No. 7171 Fund which is not among those enumerated to be utilized under R.A. No. 7171, the grant of honoraria to the PMC has no legal basis, hence, we recommended that management stop the practice of granting Honoraria to PMC and for the immediate refund of the amount of P48,000.00.

5. Some bid documents which form part of the contracts were not submitted nor readily available upon request for contracts amounting to P50,351,690.89, as required under Section 37.2.3 of the Revised Implementing Rules and Regulations (IRR) of R.A. 9184, thereby casting doubt on the validity of the transactions.

We recommended that management designate permanent employees as collecting officers in order they be properly bonded in compliance with the said Treasury Circular. We further recommend that no accountable officer be made to continue to perform his duties unless bonded.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

| Particulars | Balance as of December 31, 2016 | |
|---------------|---------------------------------|-------------|
| | Prior to 2009 RRSA | 2009 - 2016 |
| Suspensions | None | None |
| Charges | None | None |
| Disallowances | None | None |

We commend the Municipality for not having disallowances during the year.

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

| Status of Implementation | Quantity |
|--------------------------|----------|
| Fully Implemented | - |
| Partially Implemented | 9 |
| Not Implemented | 4 |