

## EXECUTIVE SUMMARY

### A. INTRODUCTION

San Quintin got its name from the first and well respected leader of the town, Don Quintin Lictawa, who was responsible for unifying the different original settlements found in this place, formerly a barrio of Municipality of Umingan. San Quintin is located in the easternmost part of Pangasinan. It is a third class municipality composed of twenty one (21) barangays with a total land area of 115.90 square kilometers. According to the 2015 census, it has a population of 32,945 people. Farming and livestock production are the major industrial form where people derived their income.

From the small settlement of Lango-lango, San Quintin evolved itself its progressive present day existence. Much of this development can be attributed to all political leaders whose concerted efforts led to the foundation of the Municipality.

Government efforts on the construction of roads, irrigation facilities and other infrastructure projects contributed to the gradual economic development of the town.

The municipality of San Quintin is under the leadership of the Municipal Mayor, Honorable Clark Cecil P. Tiu. He is ably assisted by the Vice Mayor, Honorable Zaldy Abenojar and nine Sangguniang Bayan members, 49 permanent employees, 19 casual and 154 job order employees as of December 31, 2016.

### 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	130,900,153.66	127,365,648.24	3,534,505.42	3%
Liabilities	11,882,501.49	19,280,329.17	(7,397,827.68)	(38%)
Government Equity	119,017,652.17	108,085,319.07	10,932,333.10	10%
Income	95,887,054.67	87,250,813.62	8,636,241.05	10%
Expenses	84,956,680.40	75,599,966.12	9,356,714.28	12%
Appropriation	126,519,947.88	127,079,850.46	(559,902.58)	(0.44%)
Obligation	95,863,016.39	81,375,215.98	14,487,800.41	18%

The material increased in financial position, performance and budgeting were due to the following, to wit:

- **ASSET-** The increase in asset came from the acquisition and recognition of Property, Plant and Equipment consist of:

Recognition of Road Networks amounting P 1,228,740.92 to the books of accounts as prescribed in COA Circular No. 2015-008.

The increase in Land account was brought by the acquisition of lot with an area of 21,914 square meters at Brgy. Alac intended for public cemetery amounting to P 975,000.00.

In the case of Building account, the increase was due to Construction of 2 storey Multi-Purpose Building and Evacuation Facility amounting to P 1,450,000.00 and P 1,050,000.00, respectively.

The increase in Other Structure account was brought by the Construction of 2 Storey Evacuation Center amounting to P 1,177,522.52.

In the case of Heavy Equipment and Other Machinery and Equipment, the increase was due to purchased of fully reconditioned Payloader, Pulvulizer and Generator Set amounting to P 2,690,000.00, P 690,000.00 and P 595,000.00, respectively.

- **GOVERNMENT EQUITY** – The increase was due to the realized surplus for CY 2016 amounting to P 10,932,333.10.
- **INCOME-**The Internal Revenue Allotment for CY 2016 has increase by P 7,607,496 compared to previous year.
- **EXPENSES AND OBLIGATION-** The increase was due to municipality's counterpart in the implementation of BUB Projects given by the DILG for CY 2016.

### C. OPERATIONAL HIGHLIGHTS

To promote socio-economic development as well as the delivery of basic services, the significant accomplishments of the Municipality of San Quintin for the year 2016 are as follows:

ACCOMPLISHMENTS	AMOUNT	% of COMPLETION
<ul style="list-style-type: none"> <li>• Improvement of Municipal Library</li> </ul>	399,000.00	Completed

<b>ACCOMPLISHMENTS</b>	<b>AMOUNT</b>	<b>% of COMPLETION</b>
• Lights and Guardhouse Casantamaria-an San Quintin, Pangasinan	1,449,000.00	Completed
• Improvement/Repair of Multi-Purpose Halls	3,499,50000	On-going
• Construction of Evacuation Center Casantamaria-an, San Quintin,Pangasinan	8,047,000.00	On-going
• Core Local Road-Concreting of Brgy. Roads	6,891,365.81	Completed
• Flood Control Construction of Slope Protection Casantamaria-an, San Quintin,Pangasinan	4,289,696.00	Completed
• Construction of SWIP Project Nangapugan, San Quintin, Pangasinan	2,599,000.00	Completed
• Concreting of Track Oval Casantamaria-an, San Quintin,Pangasinan	4,289,696.00	Completed
• Expansion of RHU Building Casantamaria-an, San Quintin,Pangasinan	574,000.94	Completed
• Construction of 2 Storey Multi-Purpose Building.	2,627,522.22	Completed

For calendar year 2016, the Municipality has received awards and recognition granted by government institutions that acknowledges the achievement of the municipality in terms of good governance, social welfare and health services. Among of those prestigious awards and recognition are the following:

- Seal of Good Local Governance awarded by the Department of the Interior and Local Government (DILG).
- Fully Functional Local Social Welfare Development Office awarded by Province of Pangasinan-Provincial Social Welfare and Development Office
- Best RHU in Non-communicable Disease and Wellness Program Implementation of the Department awarded by Province of Pangasinan-Provincial Health Office

#### **D. SCOPE OF AUDIT**

A financial and compliance audit was conducted on the accounts and operations of the municipality. The audit consisted of review of operating procedures, interview of Municipal Officials and Employees, verification of accounts and such other procedures, considered necessary over cash accounts, adherence to the provisions of Procurement Law and its IRR in

the procurement of Goods and Infrastructure projects, Unliquidated Cash Advances and collection of Revenues – General, RPT, Business Taxes and Economic Enterprises. A Value for Money (VFM) Audit was also conducted to determine whether resources has been managed and utilized in an economical, efficient and effective manner on selective basis.

## **E. AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS**

A qualified opinion has been rendered on the fairness of the presentation of the financial statements as the validity, accuracy, and existence of the Property, Plant and Equipment valued at P 88,548,013.96 as of December 31, 2016 could not be ascertained due to non-conduct of complete physical inventory of all its PPE accounts. In addition, the non-recognition of depreciation expense and impairment loss on some Property, Plant and Equipment (PPE) account totaling to P 1,874,701.99 and P 105,769,044.72 respectively, result to understatement of expense and overstatement of assets book value at year end.

## **F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

Summarized below are the significant audit observations and their corresponding recommendations which were discussed with the Management during the exit conference held last February 22, 2017. Management comments are included in the report, where appropriate.

- 1. Reliability and accuracy of the Property, Plant and Equipment accounts totaling to P 88,548,013.96 could not be ascertained due to non-conduct of annual physical inventory contrary to Section 156 of COA Circular No. 92-386 and Section 124 of New Government Accounting System (NGAS).**

We have recommended the Local Chief Executive to create an inventory committee to conduct physical inventory of all property of the LGU and submit a Report on the Physical Count of Property, Plant and Equipment (RPCPPE) pursuant to existing auditing rules and regulations mentioned above. Thereafter, require the Municipal Accountant to reconcile the book records with the inventory report.

- 2. Non-recognition of Depreciation Expense and Impairment Loss on some Property, Plant and Equipment (PPE) accounts totaling to P 1,874,701.99 and P 105,769,044.72 respectively, contrary to Section 112 of Presidential Decree (P.D) No. 1445 and Philippine Public Sector Accounting Standards (PPSAS) No. 17 and 21 resulting to understatement of expense and overstatement of assets book value at year end.**

We have recommended the Municipal Accountant to provide depreciation expense and impairment loss in order to present correctly the PPE balances in the Statement of Financial Position in accordance with the PPSAS. Furthermore, the Local Chief

Executive to create an appraisal committee task to determine the useful life and appraise value of the PPE as a basis for the computation of depreciation expense and impairment loss by the Municipal Accountant.

- 3. Daily Collections from Real Property, Stall Rental and Business Permit, etc. were not remitted on time contrary to Section 29 of the Manual on New Government Accounting System, Vol. I, thus exposing government funds to the risk of possible loss, misapplication and/or unauthorized use.**

We have recommended that the Municipal Treasurer shall require all Revenue Collecting Personnel to remit their collections at the close of each business day pursuant to provisions of Section 29 of the Manual of NGAS, Volume I. Furthermore, collections coming from Real Property Tax must be closely and stringently monitored to avoid late remittance which could possibly result to misuse or loss of public funds.

- 4. Employees of the municipality were allowed to monetize their leave credits using partly the balances of the sick leave credits without observing the conditions provided under Section 23 of Rule XVI of the Omnibus Rules on Leave by the Civil Service Commission (CSC) which allows the monetization of sick leave credits.**

We have recommended that the Human Resource Management Officer and the Municipal Accountant not to allow municipal officials and employees to avail the monetization using the balance of their sick leave credits, in the absence of any proof of financial difficulty experienced by them at the time of their application pursuant to Section 23 of the Omnibus Rules on Leave.

- 5. Disbursement Vouchers amounting to P 585,636.00 were processed even without complete documents necessary to prove the validity, proprietary and legality of the claim, in violation to Section 4 (6) of Presidential Decree (PD) No. 1445.**

We have recommended that the Municipal Accountant to examine the completeness of the supporting documents for every transactions of the Municipality before approving the same. If there are claims submitted to the Accounting Office for processing, but lacks the required supporting documents, return the DV to the claimant for proper documentation.

Likewise, the Municipal Treasurer pay only claims that are properly approved/certified and supported with complete documentation in compliance with Section 4(6) of PD 1445.

Other audit observations and recommendations are discussed in Part II of this report.

## **G. SUMMARY OF SUSPENSION, CHARGES AND DISALLOWANCE**

The Municipality of San Quintin has no Audit Suspension, Disallowance and Charges as of December 31, 2016.

## **H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

<b>Status of Implementation</b>	<b>Quantity</b>
<b>Fully Implemented</b>	<b>3</b>
<b>Partially Implemented</b>	<b>1</b>
<b>Not Implemented</b>	<b>4</b>