

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Municipality derives its mandate from Republic Act No. 7160, the Local Government Code of 1991. The Code empowers Local Government Units (LGUs) to exercise efficient and effective governance essential to the promotion of the general welfare and the provision of basic services and facilities.

The Municipality of San Juan is one of the fifth-class municipalities of the Province of Abra. It is composed of 19 barangays.

To exercise general supervision over the operation and affairs of the Municipality and to deliver basic services to its constituents, the Municipal Government of San Juan is headed by Honorable Mayor Meynardo M. Bautista, Jr. assisted by Vice Mayor Ari Lucas B. Bautista and eight Sangguniang Bayan Members.

The Officials and Employees of San Juan crafted the following Mission and Vision reflecting their aspirations for the Municipality:

### **VISION**

*We envision the municipality of San Juan as a transformed community of law abiding , morally upright, God-centered, ecologically stable, politically mature citizens in an environment with ecological balance where natural resources are protected and conserved for the present and future generation's needs, a community of empowered people who actively participate in effective local governance, a community with responsive local government unit to deliver quality services, and a community living in an atmosphere of social justice and equity.*

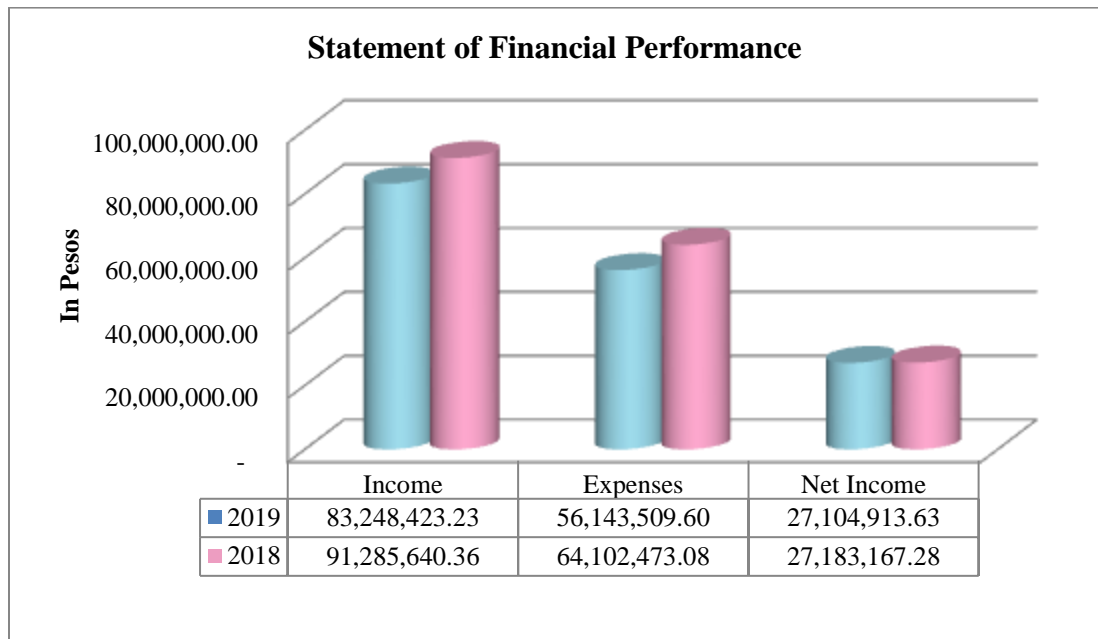
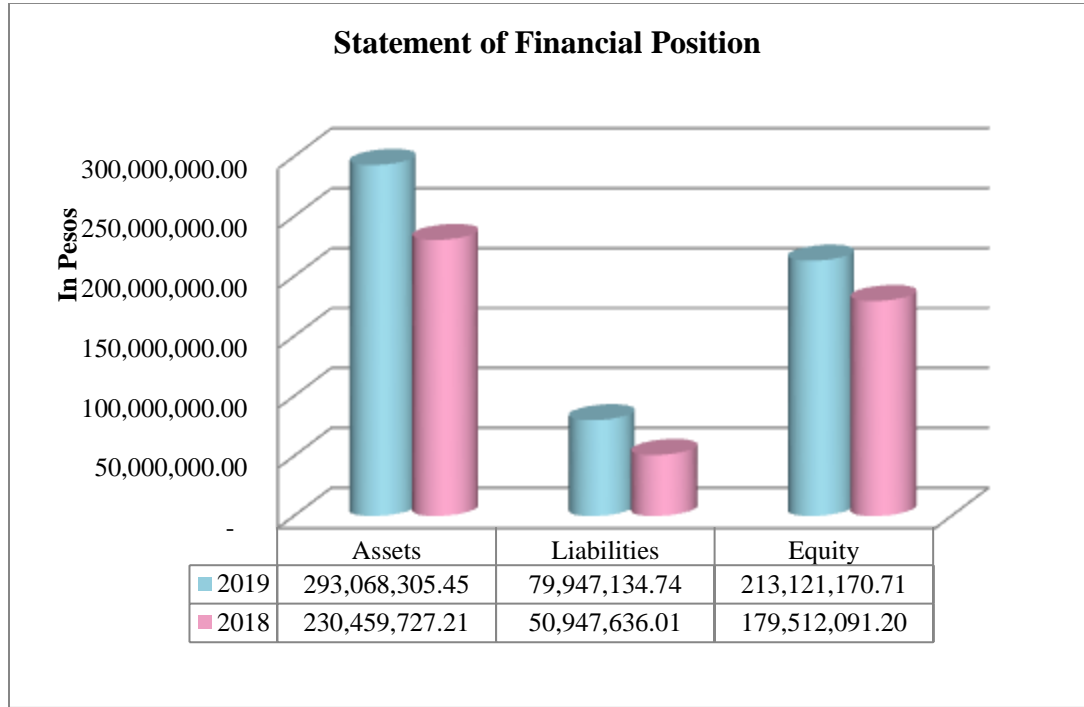
### **MISSION**

- ❖ *To attain a better quality of life by improving the delivery and coverage of the basic services;*
- ❖ *To improve quality of life through responsive and accountable leadership;*
- ❖ *To effect change and reforms through moral recovery, enhanced values and work ethics;*
- ❖ *To empower the people through enhancing capability, cooperative and farmer's associations; and*
- ❖ *To provide the minimum basic needs of the people in harmony with nature.*

### **FINANCIAL HIGHLIGHTS**

The total appropriations for the year 2019 amounted to ₱61,338,199.00 and was utilized in various infrastructures, environment improvement, education, health and social services and basic and administrative development. Actual gross income including income from grants and donations totaled ₱83,248,423.23 during the year.

Comparative analysis of the Statement of Financial Position and Statement of Financial Performance as graphically illustrated below showed an overall increase in Assets, Liabilities, Equity, Gross Income, Expenses and Net Income as of year-end.



## OPERATIONAL HIGHLIGHTS

The reported accomplishments of the agency under the 20% Development Fund are as follows:

Object of Expenditures	Appropriation	Expenses	Balance
Reforestation and Greening Program 2017	200,000.00	200,000.00	0.00
Rehabilitation of Drainage, desilting of Malanas River	1,500,00.000	1,496,906.25	3,093.75
Concreting, Rehabilitation and Improvement of Municipal Wide Farm to Market Road	2,500,000.00	2,496,657.40	3,342.60
Rehabilitation and Desilting pf Mangolon-Paga-Irrigation System – Supplemental 2018	1,2000,000.00	1,181,880.00	18,120.00
Installation and Improvement of Municipal Wide street light – Supplemental 2018	750,000.00	744,287.64	5,712.36
Debt Services	9,346,288.26	9,302,312.86	43,975.40
<b>TOTAL</b>	<b>15,496,288.26</b>	<b>15,422,044.15</b>	<b>74,244.11</b>

The programs, projects and activities funded through loan amortization are as follows:

LOAN AMORTIZATION FOR THE FOLLOWING PROJECTS		
Programs/Projects/Activities	Principal	Amortization for the Year
Rehabilitation of various Infrastructure Projects	2,965,106.00	329,456.28
Rehabilitation of Public Market	1,875,025.00	208,336.08
Construction of Slaughter House Building	1,689,273.00	187,697.04
Construction of Curing Barn	300,000.00	33,962.28
Rehabilitation of Municipal Building	1,700,000.00	192,452.88
Improvement/Repair of RHU	921,772.00	110,612.64
Construction of San Juan Multi-Purpose Building	12,288,732.00	1,365,414.72
Purchase of Motor Vehicle	1,674,632.00	239,233.20
Purchase of Heavy Equipment	2,500,000.00	394,736.88
Establishment and Construction of Small Water Impounding Projects and		
Establishment/Development of Eco-tourism	783,000.00	79,750.00
Establishment/Development of Eco Tourism	1,044,000.00	106,333.37
Construction of Municipal Development Center/Establishment/Development of Municipal Cemetery/Extension of Municipal Building and Rural Health Unit	812,900.00	82,795.35

<b>LOAN AMORTIZATION FOR THE FOLLOWING PROJECTS</b>		
Extension of Municipal Building and Rural Health Unit	232,000.00	23,629.65
Extension of Municipal Building and Rural Health Unit	979,500.00	99,763.84
Concreting, Widening and Construction of Slope Protection of Mun Wide Barangay Access Roads (Baug, Cabcaburao, Nangobongan, Quidaoen, Silet, Supiil)	4,476,000.0	455,888.84
Concreting, Widening and Construction of Slope Protection of Mun Wide Barangay Access Roads (Baug, Cabcaburao, Nangobongan, Quidaoen, Silet, Supiil)	1,207,000.00	122,935.23
Concreting, Widening and Construction of Slope Protection of Mun Wide Barangay Access Roads (Baug, Cabcaburao, Nangobongan, Quidaoen, Silet, Supiil)	5,892,000.00	600,111.16
Concreting, Widening and Construction of Slope Protection of Mun Wide Barangay Access Roads (Baug, Cabcaburao, Nangobongan, Quidaoen, Silet, Supiil)	2,908,000.00	296,185.23
Concreting, Widening and Construction of Slope Protection of Mun Wide Barangay Access Roads (Baug, Cabcaburao, Nangobongan, Quidaoen, Silet, Supiil)	12,374,000.00	832,865.39
Concreting, Widening and Construction of Slope Protection of Mun Wide Barangay Access Roads (Baug, Cabcaburao, Nangobongan, Quidaoen, Silet, Supiil)	2,958,000.00	199,096.17
Extension of Municipal Development Center and Rural Health Unit	1,622,000.00	48,660.00
<b>Total</b>		<b>6,009,916.23</b>

Other implemented projects funded through fund transfers from National Government Agencies and RA 7171 are as follows:

Programs/projects/Activities (PPAs)	Funding Source	Appropriation	Contract Amount	Balance
Construction of Tobacco Farmers Post Harvest Facility of Barangay Culliong	RA 8240	3,000,000.00	2,966,377.17	33,622.83
Construction of Tobacco Farmers Post Harvest Facility of Barangay Nangobongan	RA 7171	3,000,000.00	2,966,377.17	33,622.83
Construction of Tobacco Farmers Post Harvest Facility of Barangay Tagaytay	RA 7171	3,000,000.00	2,966,377.17	33,622.83
Construction of Tobacco Farmers Post	RA	3,000,000.00	2,966,377.17	33,622.83

Programs/projects/Activities (PPAs)	Funding Source	Appropriation	Contract Amount	Balance
Harvest Facility of Barangay Silet	7171			
Construction of Tobacco Farmers Post Harvest Facility of Barangay Quidaoen	RA 7171	3,000,000.00	2,966,377.17	33,622.83
Construction of Tobacco Farmers Post Harvest Facility of Barangay Supiil	RA 7171	2,307,804.00	2,285,309.10	22,494.90
Construction of Tobacco Farmers Post Harvest Facility of Barangay Cabcaburao	RA 7171	3,000,000.00	2,966,377.17	33,622.83
Rehabilitation and Improvement of Abualan Access Road	LGSF 2019	5,000,000.00	4,998,481.55	1,518.45
Construction and Improvement of Abualan-Nangobongan Access Road	LGSF-AM DILG	4,700,500.00	4,699,108.75	1,391.25
Construction and Improvement of Baug Supiil Access Road	PCF 2018	3,200,000.00	3,178,806.19	21,193.81
Construction and Improvement of Baug Supiil Access Road	AM	4,700,000.00	4,699,108.75	891.25
Construction of Baug Multi-purpose Building (Evacuation Center)	LGSF - FA	5,000,000.00	4,972,489.04	27,510.96
Construction of Culliong Multi-purpose Building (Evacuation Center)	LGSF - FA	5,000,000.00	4,970,644.94	29,355.06
Construction of Badas Multi-purpose Building (Evacuation Center)	LGSF - FA	5,000,000.00	4,970,644.94	29,355.06

The above projects were requested for COA Technical Audit Specialist inspection however, some Inspection reports were not received yet.

## SCOPE OF AUDIT

The audit covered the operations of the municipality for the year 2019. The objectives of the audit were to ascertain the fairness and reliability of the municipality's financial position and results of operations, to determine whether the plans, programs and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the validity and propriety of the transactions. Value for Money Audit (VFM), Compliance with Tax Laws and utilization of Local Disaster Risk Reduction Management Fund are also included in this report.

## OPINION IN THE STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality for the year 2019 due to the following deficiencies enumerated below:

1. The Property, Plant and Equipment (PPE) recorded in the books of accounts with total gross amount of ₱271,010,057.96 did not tally with the actual count of ₱29,129,908.62 or a difference of ₱240,180,149.34 due to some deficiencies noted in audit which affected the fair presentation of the financial statements.
2. The accuracy of the carrying amount of the Road Networks Account totaling ₱156,848,976.19 could not be ascertained and its existence could not be established due to failure of the management to a) conduct physical count and submit the Report on the Physical Count of the Road Network System; b) maintain a Local Road Inventory and Road Map; and c) keep a complete Local Road Network Property Card, contrary to COA Circular No. 2015-008 dated Nov. 23, 2015.
3. Investment property representing Markets account totaling to ₱ 422,815.03 has not been reclassified in the books of accounts contrary to the provisions of International Public Sector Accounting Standards (IPSAS) 16, (Investment Property) resulting in understatement of the Investment Property, Building account and overstatement of Markets account.

## **SIGNIFICANT COMMENTS AND OBSERVATIONS**

The following are the summary of significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality of San Juan for the year 2019. These were discussed in an exit conference on November 25, 2020 with the agency officials and employees concerned and their comments were incorporated in this report, where appropriate.

1. Receivables for Real Property Tax (RPT) and Special Education Tax (SET) established at the beginning of the year were based on the report prepared by the Assessor's Office instead of the report prepared by Municipal Treasury Office. This means setting-up the receivable for RPT and SET is not in conformity with Section 20, Volume 1, of the Manual on the New Government Accounting System thus, casting doubts on the correctness of the accounts' year-end balances amounting to ₱2,484,998.76 and ₱2,593,136.43, respectively.

We recommended that the Municipal Treasurer in coordination with the Municipal Assessor prepares and furnishes 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 or computer generated report 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.

2. The account Cash Local Treasury showed a large balance of ₱201,631.35 as of year-end, an indication that collections are not deposited intact daily as required under Section 32 of the New Government Accounting System (NGAS) Manual for Local Government

Units (LGUs) Volume I, thus exposing these collections to the risk of loss or misappropriation.

We recommended that the Municipal Treasurer deposits all collections regularly and to deposit the balance of ₱201,631.35 as of December 31, 2019 pursuant to Section 32 of the Manual on NGAS, Section 111 of GAAM Vol. I and DBM-DOF Joint Cir. 1-81.

We also recommended that the Municipal Treasurer records collections and deposits daily in order to distinguish any unrecorded and unremitted to arrive at correct balances. Moreover, the Municipal Treasurer should be vigilant enough in recording collections to avoid erroneous entry that may result to erroneous balances of collections.

3. Disbursements totaling ₱1,286,340.14 were not duly presented with complete documentation in violation of Section 347 of RA No. 7160, Section 4.6 of PD No. 1445 and COA Circular No. 2012-001, casting doubt as to the legality and propriety of the transactions.

We recommended that the:

- Municipal Accountant submits the noted lacking documents for the audit team to evaluate and establish the validity of the disbursements;
  - Municipal Accountant ensures that all documentary requirements supporting all procurement and disbursements are present; and;
  - Municipal Accountant discontinues the processing of claims that are not properly documented.
4. Submission of perfected government contracts was 136 to 380 days beyond the five-day period from its Notice to Proceed, contrary to COA Circular No. 2009-01 dated February 12, 2009; thus, prevented the timely auditorial and technical review of the procurement transactions, as well as inspection of accomplishments and prompt detection/correction of deficiencies

We reiterated our recommendation that Management submits perfected copy of the government contracts to COA within five working days from perfection thereof pursuant to COA Circular 2009-001 to enable timely auditorial and technical review.

***Compliance with Republic Act No. 9184 (Government Procurement Act)***

1. The Bids and Awards Committee (BAC) did not fully comply with the required invitation of the Audit Team and two other observers to attend procurement activity in violation of Section 13 of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184.

We recommended that the BAC invites observers in writing in all the stages of the procurement process in accordance with the provisions of the 2016 Revised IRR of R.A. No. 9184. Likewise, the BAC should also see to it that the observers invited should be from private group duly registered with Securities and Exchange Commission and in a sector or discipline relevant to the procurement.

2. The Rehabilitation and Improvement of Abualan Access Road with a contract cost of ₱ 4,998,481.55 was awarded to Robustek Construction and Services, Inc. despite the inadequate performance security posted.

We recommended that Management to justifies the noted lapses.

3. The bidder/contractor of various procurement of infrastructure were declared “passed” and “post-qualified” despite absence of contractors' eligibility requirements and other bidding documents indicating that the Bids and Awards Committee and the Technical Working Group did not conduct a thorough evaluation of the documents submitted by the bidder/contractor and posing question on the declared responsiveness of the bidder/contractor and eventually, on the award and execution thereof.

We recommended that the members of the BAC submit justification/explanation on the noted violations and ensure that prospective bidders submit complete eligibility requirements and post the necessary bid security before they are marked as “passed” and “post-audited”.

4. Contracts for infrastructure projects were awarded despite non-submission of required documents contrary to Section 37 of the 2016 Revised IRR of R.A. 9184.

We recommended that the members of the BAC submit justification/explanation on the noted violations and ensure that winning bidders submit complete documentary requirements prior to entering into contract.

5. Posting requirements of the Notice of Award and Notice to Proceed were not adhered to by the BAC for procurement of infrastructure in violation of Section 37 of the 2016 Revised IRR of R.A. 9184.

We recommended that the Municipal Government, through the BAC Secretariat complies with the posting requirements on all its procurement. Notices of Award, Notice to Proceed, and the approved contract be posted in the PhilGEPS website and website of the municipality, if any, within the reglementary period as required by the Revised IRR of R.A. No. 9184.

6. Every page of most of the bids received and opened were not initialed by the BAC Members or their duly authorized representatives, contrary to Section 29 of the 2016 Revised IRR of RA No. 9184; hence, may compromise the integrity of the documents submitted.



We recommended that the BAC strictly complies with the procedures on the receipt, opening and preliminary examination of bids as provided for in the Procurement Manual for LGUs and the 2016 Revised IRR of R.A. No. 9184.

***Utilization of 20% Development Fund***

1. Expenditures totaling ₱ 2,678,786.25 funded under the 20% Development Fund could not be considered as development projects or capital expenditure in violation of DILG-DBM JMC No. 2017-1.

We recommended that Management justifies the above-noted lapses and limit the utilization of the 20% Development Fund to programs, projects and activities that will contribute to the attainment of socio-economic development and environmental management outcomes and ensure that the same partakes the nature of investment or capital expenditures that will yield greater benefit to the people in accordance with DBM-DILG JMC No. 2017-1.

***Utilization of the Local Disaster Risk Reduction and Management Fund***

1. The Municipality has established the Municipal Disaster Risk Reduction and Management Office but failed to create and include in the official plantilla of positions of the Municipality the positions of three items for Local Disaster Risk Reduction Management Assistants contrary to Section 12 of RA 10121 otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010”.

We recommended that Management complies with the provisions of RA 10121 on the creation of plantilla positions for LDRRM Assistants in order to achieve the standard manpower requirements of the DRRM Office for the efficient and effective delivery of services to its constituents.

**STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

Out of the 57 recommendations embodied in the 2018 Annual Audit Report, 21 or 36.84% were implemented, 11 or 19.30% were partially implemented and 25 or 43.86% were not implemented.