

Executive Summary

A. Creation and Mandate of the Agency

The Municipality of Sablan was created under Executive Order No. 61 dated May 27, 1927. At present, it is a fifth class municipality and is composed of eight barangays, namely: Bagong, Balluay, Banangan, Banengbeng, Bayabas, Kamog, Pappa, and Poblacion. The Municipality aims to improve its capabilities and effectiveness in the delivery of basic services to its inhabitants. It also supports the national and provincial government's objectives on the attainment of sustainable economic growth and alleviation of poverty in the locality.

As of December 31, 2019, the Municipality had total personnel complement of 65, composed of 13 elected officials, 47 permanent employees, 1 co-terminus, and 4 casuals.

Management is guided by its vision of a progressive, self-sufficient municipality utilizing its resources that is ecologically balanced and managed under a responsive government in partnership with all stakeholders.

B. Highlights of Financial Operations

B.1 Financial Position

The total assets, liabilities, and equity are as follows:

Account	Amount (in Phil. Pesos)
Assets	212,182,028.89
Liabilities	65,505,742.67
Equity	146,676,286.22

B.2 Sources and Application of Funds

B.2.1 Sources of Funds

Particulars	Amount (in Phil. Pesos)
Local Taxes; Permits & Licenses; Service & Business Income	7,380,341.38
Internal Revenue Allotment	69,143,849.75
Share in National Wealth	94,540.04
Other Income	407,277.59
Total	77,026,008.76

B.2.2 Application of Funds

Particulars	Amount (in Phil. Pesos)
Personal Services	41,820,127.07
Maintenance & Other Operating Expenses	20,114,698.60
Subsidies and Donations	5,260,787.04
TOTAL	67,195,612.71

C. Operational Highlights

The Municipality implemented various infrastructure projects during the year, summarized as follows:

Funding Source	No. of Completed Projects	Total Cost (in Phil. Pesos)
Municipal Development Fund (MDF) 2010-2017	4	3,413,478.84
MDF 2018	10	5,278,147.57
MDF 2019	18	8,067,088.59
Fund Transfers	6	13,988,691.23
Supplemental Budget 2018	1	99,253.02
Total	39	30,846,659.25

D. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Sablan for the year ended December 31, 2019. The audit was aimed at ascertaining the propriety of financial transactions, fairness of presentation of the financial statements and compliance with prescribed laws, rules and regulations. It also included the determination whether all revenues due to the municipality were collected.

E. Opinion in the Independent Auditor's Report

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the unreliability of the Local Road Network account amounting to ₱48.659 million as of December 31, 2019.

F. Summary of Significant Observations and Recommendations that Need Immediate Attention and Action by Management, Other than the Bases for the Qualified Opinion

1. The accumulated Share in National Wealth (SNW) as of December 31, 2019 amounting to ₱8.422 million was not utilized to lower electricity costs nor finance development and livelihood programs and projects of the Municipality, contrary to Section 294 of Republic Act (R.A.) No. 7160, thus depriving the constituents of benefits that could be derived had the said fund been utilized for its intended purpose.

We recommended that Management enjoin the Municipal Planning Council, the Municipal Planning and Development Office and the Municipal Budget Office to immediately identify Programs, Projects and Activities to be funded out of the SNW, and implement the same in order to maximize the use of its financial resources and fulfill its mandate to its constituents.

2. The accuracy and reliability of Real Property Tax (RPT) and Special Education Tax (SET) Receivables accounts for CY 2019, amounting to ₱1.383 Million and ₱2.782 Million respectively, could not be ascertained due to: (a) incorrect basis in recording the tax receivables at the beginning of the year; and (b) the year-end balances do not tally with the total amount of RPT/SET delinquencies reported by the Municipal Treasurer's Office.

We recommended the Local Chief Executive to enjoin the concerned office heads' strict compliance with the pertinent sections of R.A. No. 7160 and the Manual on New Government Accounting Systems for Local Government Units to ensure the accuracy and reliability of the reported RPT and SEF Receivables in the Municipality's financial statements.

3. The reliability and accuracy of the Statement of Position under the Trust Fund could not be ascertained due to erroneous adjustments amounting to ₱918,793.30 to the Government Equity account for CY 2019, contrary to Sections 305 and 309 of RA No. 7160.

We recommended the Local Chief Executive to instruct the Municipal Accountant to trace the entries leading to the incorrect balances of the affected accounts and make the necessary adjusting entries to present the correct balances of the CIP-Infrastructure Assets and Government Equity account.

4. Loans receivable amounting to ₱487,643.00 remained outstanding for more than seven years, contrary to the terms and conditions stated in the Memoranda of Agreement (MOA), thus depriving the Municipality of the much-needed financial resources it could use for its daily operations.

We recommended that Management demand the full payment of the outstanding balances of the loans, including any related fines/penalties, in compliance with the terms and conditions stated in the MOA with the borrowers.

5. The programs/projects and activities (PPA) of the Municipality under its Solid Waste Management (SWM) Short-Term Category were not fully implemented, hence, the protection of public health and the environment was not ensured.

We recommended Management the following:

1. Expedite the implementation of the projects and activities stated on its SMWP to ensure the protection of public health and the environment;
2. Appropriate in the Annual Budget/Supplemental budgets enough funds for the program; and
3. Direct the MSWMB to review and update the CY 2018-2027 Ten-Year SWMP of the Municipality in compliance with Section 12 of R.A. No. 9003 to ensure its sustainability and viability in relation to the local developments in the solid waste management of the Municipality.

G. Settlement of Accounts

Reflected in the Statement of Audit Suspension, Disallowances and Charges as of year-end the amount of ₱ 3,332,622.00, with details as follows:

Particulars	COA Circular No. 2009-006 (Eff. Oct. 2009)	Amount Settled During the Year	Balance as of Dec. 31, 2019
Suspensions	₱ 51,676.50	₱ 0.00	₱ 51,676.50
Disallowances	3,280,945.50	0.00	3,280,945.50
Charges	0.00	0.00	0.00
TOTAL	₱ 3,332,622.00	₱ 0.00	₱ 3,332,622.00

H. Status of Implementation of Prior Years' Audit Recommendations

Reference	Fully Implemented	Partially Implemented	Not Implemented	Total
2018 AAR	13	5	0	18
2017 AAR	4	1	4	9
Prior Years' AAR	2	5	7	14
Total	19	11	11	41