

## EXECUTIVE SUMMARY

### A. INTRODUCTION

Lingayen is a 1<sup>st</sup> class Municipality in the Province of Pangasinan, Philippines. According to the 2015 census, it has a population of about 103,278 people. It is the capital town and the seat of government of the Great Province of Pangasinan.

It is located along the Lingayen Gulf, the Agno River and the Limahong Channel. It has a land area of 62.76 square kilometers consisting of 32 barangays and also has 7 sitios. Its terrain is flat, suitable for farms and fisheries.

The Augustinian missionaries and the Spanish conquistadores drew a plan of Lingayen in 1614. The founders named the town Lingayen at the suggestion of natives themselves, due to a certain corpulent tamarind tree growing on the present town plaza at that time. The tree was exceptionally big, tall and spreading that the surrounding trees were just drafts in comparison. Passers-by developed the habit of looking back and back again at this corpulent tree until it would vanish from their rear view. When they arrived home and were asked what way they took in returning they would simply say “through Liñgayen”. The word Liñgayen was from the Pangasinan language word “lingawen” meaning “to look back”. Since then up to the present time, the town bears its name as Lingayen.

The Municipality of Lingayen is headed by the Municipal Mayor, Honorable Leopoldo N. Bataoil, supported by Vice-Mayor Judy DL. Vargas-Quiocho and eight (8) Municipal Kagawads, and 163 permanent employees as of December 31, 2019.

With the leadership of Mayor Bataoil, Lingayen is envisioned to be a benchmark of good governance, with a self-sufficient economy powered by God-centered and law abiding people in a tourism-oriented and ecologically-balanced environment, emanating preeminence, pride and progress.

### B. FINANCIAL HIGHLIGHTS

Total Consolidated Assets, Liabilities, Government Equity, Income and Expenses which comprises the General Fund, SEF and Trust Funds for CYs 2019 and 2018 are shown below:

	2019	2018	Increase/ (Decrease)	% of Change
<b>ASSETS</b>	542,828,350.13	457,977,365.74	84,850,984.39	18.53
<b>LIABILITIES</b>	76,579,447.89	59,919,451.47	16,659,996.42	27.80
<b>GOVERNMENT EQUITY</b>	466,248,902.24	398,057,914.27	68,190,987.97	17.13
<b>REVENUE</b>	300,784,238.57	268,383,159.60	32,401,078.97	12.07

<b>EXPENSES</b>	241,017,515.70	234,636,725.62	6,380,790.08	2.72
<b>APPROPRIATIONS</b>	312,172,437.04	267,717,220.63	44,455,216.41	16.60%
<b>OBLIGATIONS</b>	306,830,118.75	262,014,057.33	44,816,061.42	17.10%

### C. OPERATIONAL HIGHLIGHTS

Among the most significant accomplishments reported by the Municipality for CY 2019 are as follows:

<b>Programs/Projects</b>	<b>Project Cost</b>	<b>Percentage of Completion</b>	<b>Status</b>
1. Construction of Local Access Road (DILG-LSF-AM)	P12,446,223.75	100%	completed
2. Rehabilitation/Concreting of perimeter fence at MRF dump site	P1,790,442.71	100%	completed
3. Improvement of motorpool	P1,024,828.18	100%	completed
4. Rehabilitation of Municipal Hall roofing	P1,398,157.33	100%	completed

### D. SCOPE OF AUDIT

A financial and compliance audit on the accounts and operations of the Municipality of Lingayen for the period ended December 31, 2019 was conducted. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Municipality to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. 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. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements for the reasons that the accuracy, validity and existence of the Property, Plant and Equipment (PPE) with a book value of P505,859,575.70 could not be ascertained due to the absence of Report on the Physical Count of PPE and non-maintenance of complete and updated Property, Plant and Equipment Ledger Cards, Property Cards and other documents; the non-ascertainment of the existence and reliability of the Inventory account amounting to P4,964,001.00 due to non-conduct of physical count, and non-maintenance of complete and updated Supplies Ledger Cards and Stock Cards; and the inclusion of dormant accounts amounting to

P5,432,920.03 with doubtful existence due to incomplete supporting documents affected the accuracy and validity of the financial statements.

## **F. FAVORABLE OBSERVATIONS**

Collections were regularly deposited. Cash in Local Treasury account amounting to P500,544.10 pertaining to the collections on the last working day of the year was deposited intact on January 2, 2020.

As of December 31, 2019, the Municipality has an outstanding loan totaling P10,648,082.64. It represents the loan acquired from Land Bank of the Philippines for the development of Municipal cemetery, construction of abattoir and development of wet market.

Loan amortizations paid during the year amounting to P3,164,124.64 did not exceed 20% of its regular income for the year in adherence to the provisions of Section 324 (b) of the Local Government Code.

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

1. Accuracy, validity and existence of the Property, Plant and Equipment (PPE) account with a book value of P505,859,575.70 could not be ascertained due to the absence of Report on the Physical Count of PPE and non-maintenance of complete and updated Property, Plant and Equipment Ledger Cards, Property Cards and other documents contrary to Sections 119, 120 and 124, Volume I of Manual on the New Government Accounting System for LGUs, thereby affecting the fair presentation of the PPE account in the financial statements.

We recommended that Management:

- a. Adhere to the general process in handling and accounting for PPE prescribed in Manual on the New Government Accounting System in order to strengthen the internal control of the agency;
- b. Require the General Services Officer (GSO) and the Municipal Accountant to maintain Property Cards and Property, Plant and Equipment Ledger Cards (PPELC), respectively;
- c. Create an Inventory Committee and regularly conduct an Annual Physical Inventory and reconcile the same with accounting records to determine any discrepancy;
- d. Continue the issuance of Property Acknowledgment Receipt (PAR) for all succeeding purchases and issuances of Equipment and for all PPE that were

already issued but no PAR was issued which is essential for control and monitoring of the property.

2. Existence and reliability of Inventory account totaling to P4,964,001.01 could not be ascertained due to the non-conduct of physical count, and non-maintenance of complete and updated Supplies Ledger Cards and Stock Cards which was not in accordance with Sections 122 and 126 of Manual on the New Government Accounting System and paragraph 44 of PPSAS 12, thereby affecting the fair presentation of the account in the financial statements.

We recommended that Management:

- a. Direct the GSO to regularly conduct an Annual Physical Inventory and reconcile the same with the records of the accounting, prepare the Summary of Supplies and Materials Issued (SSMI) and forward to Accounting Unit to serve as basis in the preparation of JEV and recording of issuances and maintain stock cards and record deliveries and issuances therein;
  - b. Require the Accounting unit to account for the inventories using the perpetual inventory method and maintain supply ledger cards and adhere to the general process in handling and accounting for Inventories and Supplies and Materials prescribed in Manual on the New Government Accounting System in order to strengthen the internal control of the agency; and
  - c. Purchase supplies and materials needed for the quarter based on the approved annual procurement program, at the beginning of the year and of each subsequent quarters thru public bidding pursuant to Republic Act No. 9184 and its IRR.
3. Dormant accounts amounting to P5,432,920.03 as of December 31, 2019 carried in the books for more than ten years were not supported with schedule and subsidiary ledger or other documents which was not in accordance with Section 111 of PD 1445 and COA Circular No. 2016-005 dated December 19, 2016; thus, validity and accuracy of the account balances presented in the financial statements could not be ascertained.

We recommended that Management require the Municipal Accountant to exert all effort to locate/retrieve the supporting documents and subsidiary ledgers of the dormant accounts and conduct an in-depth analysis of these accounts so that settlement could be made and adjustments, if necessary, could be effected in the books. Those account that can no longer be accounted or settled may be requested for write-off and/or adjustments subject to the requirements and procedures embodied in COA Circular No. 2016-005 dated December 19, 2016, to clear the accounts.

4. Funds totaling P6,589,400.00 allocated under the Office of the Vice Mayor and Sangguniang Bayan members were disbursed for Programs/Projects and Activities which were not for the operation of the Sangguniang Bayan and were not considered as regularly recurring administrative expenses and lacked the approval of the Local Chief Executive in the disbursement vouchers as required under Section 344 of the Local Government Code.

We recommended that Management discontinue the practice of allocating funds for Programs/Projects/Activities except for regularly recurring administrative expenses of the Sangguniang Bayan pursuant to Section 444(b)(1) of the Local Government Code. We likewise recommended that disbursement vouchers other than for the operation of Sangguniang Bayan shall bear the approval of the Local Chief Executive pursuant to Section 344 of the Local Government Code.

#### **H. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)**

The unsettled Suspensions, Disallowances and Charges of the Municipality as of December 31, 2019 are shown below.

Particulars	Balance as of December 31, 2018	January 1-December 31, 2019		Balance as of December 31 2019
		Issuances	Settlements	
NS	3,000,000.00	-	-	3,000,000.00
ND	250,200.00	-	250,200.00	-
NC	-	-	-	-

#### **I. COMPLIANCE WITH THE SUPREME COURT DECISION ON PDAF**

There were no unutilized balances on PDAF as of December 31, 2019.

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

Of the 11 audit recommendations embodied in 2018 Annual Audit Report (AAR), three were fully implemented, three were partially implemented and five were not implemented. Unimplemented and partially implemented recommendations which have significant effect on the financial statements were reiterated in this report.