

## EXECUTIVE SUMMARY

### Introduction

The Municipality of San Fabian, Pangasinan was created by the Spanish Supreme Court, Royal Audiencia on March 21, 1717. The town seat of government was founded in (Barrio Arceo) now Barangay Angio and was named after the saint and martyr, Saint Fabian, the twentieth Pope of the Roman Catholic Church. Pope Saint Fabian died as martyr under the oppressive reign of Emperor Decius on January 20, 250, hence on this date the town honors him in its annual town fiesta.

Municipality of San Fabian has a total land area of 81,300 square kilometer. It is the main entry to northern most part of Pangasinan from La Union, lying along the Lingayen Gulf which is its western boundary. It is bounded on the north by Rosario, La Union, on the east by the town of San Jacinto, Sison and Pozorrubio and the south by Mangaldan and portion of Dagupan. There are 34 barangays in the municipality and has a population of 83,025 as of 2015 census.

The Municipality's mission is: "To uplift the quality of life of every constituent in the area by providing their basic needs, maintaining its environment and ensuring a just and humane society through a committed public service, secure and empowered citizenry enjoying the fruits of sustainable development by 2020". And the Municipality's vision is: "By year 2020 San Fabian shall emerge as an agro-industrial and tourism-oriented, self-reliant and good centered people with equal social, economic and political opportunities, led by pro-active, pro-people development oriented leaders, in an atmosphere of peace, justice and progress".

### Background

1. Organizational Set-up
  - a. Key Officials

Municipal Mayor	:	Hon. Constante B. Agbayani
Municipal Vice Mayor	:	Hon. Marinor B. De Guzman
Municipal Treasurer	:	Ms. Clarita G. Bati
Municipal Accountant	:	Ms. Myrna U. Gonzales
  - b. Personnel Complement

Permanent	:	110
Co-terminous	:	3
Temporary/Casual/Contractual	:	27
Elective Officials	:	12
Job Order Employees	:	290
Consultants	:	<u>9</u>
<b>Total Personnel Complement</b>	:	<b>451</b>
2. No. of Barangays : 34

## Financial Highlights

For Calendar Year 2019, the Municipality of San Fabian generated a total income of P212,164,459.16 from local taxes, permits and licenses, service and business income and internal revenue allotment. The total funds utilized for the year amounted to P211,439,285.31 out of the total appropriation of P216,677,496.08.

The total assets, liabilities, government equity, income and expenses for CY 2019 compared with that of the preceding year are as follows:

	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>	<b>Percentage</b>
Assets	199,415,669.17	151,114,099.89	48,301,569.28	32%
Liabilities	78,921,541.72	37,479,285.77	41,442,255.95	111%
Equity	120,494,127.45	113,634,814.12	6,859,313.33	6%
Income	212,164,459.16	198,019,931.22	14,144,527.94	7%
Expenses	207,686,232.96	193,632,131.74	14,054,101.22	7%

A comparative presentation for the current and previous year's appropriation/allotment/obligation is presented below:

<b>Year</b>	<b>Appropriation</b>	<b>Allotment</b>	<b>Obligation</b>
2019	216,677,496.08	216,677,496.08	211,439,285.31
2018	198,726,517.87	198,726,517.87	193,632,131.74
Increase	17,950,978.21	17,950,978.21	17,807,153.57

## Operational Highlights

The following programs, projects and activities are the significant accomplishments of the Municipality for the year 2019, which were validated by the Audit Team:

	<b>Projects/Programs</b>	<b>Location</b>	<b>Project Costs</b>
1	Rehabilitation of Multi-Purpose Building	Brgy. Ambalangan Dalin	999,849.38
2	Construction of Multi-Purpose Covered Stage	Bigbiga Elementary School, Brgy. Bigbiga	999,255.33
3	Construction of Multi-Purpose Covered Stage	San Fabian Integrated School, Brgy. Inmalog Sur	1,000,000.00
4	Construction of Multi-Purpose Covered Stage	Bisbisocol Elementary School, Brgy. Ambalangan Dalin	1,000,000.00
5	Construction of Covered Court/Multi-Purpose Hall (Phase II)	Brgy. Gumot	1,999,351.03
6	Construction of Covered Court/Multi-Purpose Hall (Phase II)	Brgy. Cayanga	1,999,351.03

7	Construction of Covered Court/Multi-Purpose Hall (Phase II)	Brgy. Inmalog Norte	1,999,351.03
8	Installation of Solar Street Lights along Municipal Streets	Brgy. Poblacion	999,600.00
9	Purchased of Lot for the Evacuation Center/Multi-Purpose Hall	Brgy. Cayanga	1,500,000.00
10	Purchased of Lot for the Evacuation Center/Multi-Purpose Hall	Brgy. Longos Central	1,000,000.00
11	Purchased of Lot for the Evacuation Center/Multi-Purpose Hall	Brgy. Inmalog Sur	1,000,000.00
12	Purchased of Lot for the Evacuation Center/Multi-Purpose Hall	Brgy. Nibaliw Narvarte	1,500,000.00
13	Construction of Farm-to-Market Road (FTMR)	Brgy. Anonang	1,999,526.05
14	Backfilling of Market Site	Brgy. Cayanga	1,999,757.81
15	Construction of Farm-to-Market Road (FTMR)	Sitio Middle east, Brgy. Lekep Butao	1,999,526.05
16	Construction of Multi-Purpose Hall	Brgy. Colisao	799,483.56
17	Construction of Perimeter	Rabon Elementary School, Brgy. Rabon	799,169.31
18	Rehabilitation of Steel Bridge	Sitio Baybay West, Brgy. Sobol	1,000,000.00
19	Purchase of Lot for the Area Expansion	Binday National High School at Brgy. Binday	1,500,000.00
20	Purchase of Lot for the Construction of Rural Health Unit III	Brgy. Lipit-Tomeeng	1,500,000.00

### Scope of Audit

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality of San Fabian for CY 2019. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality with laws, rules and regulations, as well as the economical, efficient and effective utilization of resources.

### Auditor's Opinion on the Financial Statements

A qualified opinion on the fairness of presentation of the financial statements for the reason that the reliability, accuracy and existence of Property, Plant and Equipment (PPE) accounts with total net book value of **P108,487,039.92** could not be ascertained due to non-conduct of annual physical inventory and non-preparation/submission of Report on the Physical Count of Property, Plant and Equipment (RPCPPE), thereby affecting the fair presentation of the PPE accounts in the financial statements.

## **Significant Audit Observations and Recommendations**

### **Favorable Observations**

- 1. Outstanding Sanggunian Bayan in Pangasinan**
- 2. Seal of Child-Friendly Local Governance**
- 3. 2<sup>nd</sup> Paralympic Provincial Games (Over-All Champion)**
- 4. Most Supportive PDAO/Focal Person – From Department of Social Welfare and Development (DSWD)**
- 5. Most Empowered PWD Organization (2<sup>nd</sup> Placer) – From Department of Social Welfare and Development (DSWD)**
- 6. National Anti-Drug Abuse Council Performance Awardee – From Department of Interior and Local Government (DILG)**
- 7. Recognition for its distinct contribution to the Philippine E-Center Ecosystem**
- 8. Finalist – 2019 I-Level-Up Grant Competition for the Innovative Use of Modern Information and Communication Technologies for Community Development**

### **Other Significant Audit Observations and Recommendations**

Summarized below are the significant audit observations and the corresponding recommendations which were discussed during the exit conference. Management comments were included in the report, where appropriate.

- 1. Purchases of various supplies and materials were recorded in the books of accounts as outright expense instead of debiting inventory account contrary to Sections 114 of the New Government Accounting System (NGAS) Vol. 1, thus affecting the accuracy and reliability of the said accounts as presented in the financial statements.**

We recommended that the Municipal Accountant record all purchases of supplies and materials as inventory following the moving average method. Likewise, an inventory control account shall be maintained for each inventory item for monitoring purpose. Further, as control and monitoring mechanism, the issuance of supplies must be supported by RIS and the Municipal Treasurer shall prepare the SSMI and submit the same to the Office of the Municipal Accountant as basis in recording the expenditures using the appropriate expense accounts consistent with the cited NGAS guidelines. By doing so, reliable balances of the corresponding accounts will be reflected in the Financial Statements.

- 2. The non-preparation of JEV to take up as payable the stale checks in the General Fund amounting to P339,726.65 is contrary to Section 59 of the Manual on the New Government Accounting Manual (NGA) for LGUs Volume I that resulted to incorrect balances of the Cash in Bank and Payable accounts in the Financial Statements.**

We recommended and Management agreed that the Local Chief Executive (LCE):

- d. Instruct/direct the Municipal Treasurer to send written notices to the payees regarding the existence of stale checks.
  - e. Require the Municipal Accountant to make necessary adjustments in the books by debiting Cash in Bank and crediting Accounts Payable amounting to P339,726.65 for checks that became stale.
  - f. For the Municipal Accountant to coordinate with the depository bank to trace the source agency of the funds received and thereafter prepare the adjusting entries in order to remove the “Unaccounted credits” in the Bank Reconciliation Statements. By doing so, correct balances of the Cash in Bank and Payable Accounts will be reflected in the Financial Statements.
- 3. Fertilizers loan granted to various farmers amounting to P352,115.20 has been outstanding for 19 years thus considered dormant subject to the provision of COA Circular No. 2016-005 dated December 19, 2016; however, the Management has not taken steps to recognize impairments or request for write-off thereby affecting the reliability of the balance in the Financial Statements.**

We recommended and the Management agreed that the Municipal Accountant take immediate action by following the provisions set forth in COA Circular No. 2016-005 pertaining to recognition of impairment or if warranted, request writing-off of dormant receivables in order to reflect reliable balances in the Financial Statements.

### **Summary of Total Suspensions, Disallowances and Charges as of Year End**

Audit Disallowances amounting to P 333,928.58, remained unsettled as of December 31, 2019, as shown below:

<b>Particulars</b>	<b>Balances as of December 31, 2019</b>	
	<b>Prior to 2009 RRSA</b>	<b>2009 – 2019</b>
Suspensions	-	-
Charges	-	-
Disallowances	-	333,928.58
<b>TOTAL</b>	-	<b>333,928.58</b>

### **Status of Implementation of Prior Years’ Audit Recommendations**

Out of the nineteen (19) audit recommendations embodied in the Annual Audit Report for CY 2018, ten (10) were implemented, four (4) were partially implemented and five (5) were not implemented.