

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Municipality of San Jacinto was founded in 1598 by Spanish Missionaries headed by Father Herminigildo Melgar, a member of the religious order., and was named after its Patron Saint, Saint Hyacinth. It is a third-class municipality located north of Manila, composed of 19 barangays and with a total land area of approximately 4,468 hectares devoted mostly to farming. It is bounded by two (2) river tributaries namely: Abeloleng and Angalacan, respectively. Due to these, there are quarrying activities for sand and gravel. Its present population was reported at 42,769 at the end of 2019.

The Municipality of San Jacinto is envisioned to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful, friendly atmosphere through a God-centered leadership of the incumbent elected officials.

At present the Local Administration of San Jacinto is under the leadership of Honorable Mayor LEO F. DE VERA.

The Municipality's major activities and accomplishments for the year 2019 were the following:

Programs/ Projects	Amount	Status
Construction of Farm to Market Road at Brgy. Bolo	1,499,600.00	Completed
Construction/Rehabilitation of Farm to Market Road at Brgy. Sta. Cruz	2,904,660.00	Completed
Construction of Core Local Access Road at Brgy.Labney	4,999,545.00	Completed
Construction of Core Local Access Road at Brgy. San Jose	5,050,178.00	Completed
Construction/Rehabilitation of Farm to Market Road at Brgy. Awai	1,999,745.00	Completed
Construction of Slope Protection & Road Widening, Bgy. San Jose	6,499,308.00	Completed
Construction/Rehabilitation of Farm to Market Road at Brgy. Labney	7,499,446.00	Completed
Construction/Rehabilitation of Farm to Market Road at Brgy. Bolo	1,399,600.00	Completed

### B. HIGHLIGHTS OF FINANCIAL INFORMATION

(Financial data were presented in Philippine Peso)

Presented below are the financial position, sources of funds, appropriations and obligations of the local government unit during the calendar year 2019 as compared with the figures of the previous year:

Accounts	2019	2018	Increase (Decrease)	
			Amount	Percent
Assets	278,136,056.81	213,738,369.34	64,397,687.47	30.13%
Liabilities	54,493,656.15	64,002,425.21	(9,508,769.06)	(14.86%)
Government Equity	223,642,400.66	149,735,944.13	54,888,918.41	15.27%
Income	136,431,529.56	122,322,992.53	14,108,537.03	11.53%
Expenses	102,224,048.11	88,594,706.93	13,629,341.18	15.38%
Appropriations	186,753,810.85	176,638,341.98	10,115,468.87	5.73%
Obligations	108,500,955.14	102,964,868.17	5,536,086.97	5.38%

### C. SCOPE OF AUDIT

Financial and Compliance audit was conducted on the accounts and operations of the Municipality of San Jacinto, Pangasinan for the year 2019. The audit included a review and evaluation of the financial transactions and results of operations of the municipality. It also included Value for Money Audit to determine whether resources had been managed and utilized in an economical, efficient and effective manner on selective basis.

### D. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements due to non-ascertainment of the validity, accuracy and existence of the Property, Plant and Equipment account amounting to ₱176,563,574.44, and Road Networks account totaling ₱79,348,711.00.

### E. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the significant findings and recommendations contained in the report which were discussed with the management during the exit conference. Management comments were incorporated in the report where appropriate.

Summarized below are some of the significant findings and recommendations contained in the report which were discussed with the management, to wit:

- 1. Validity and accuracy of the liability account of the Municipality with an aggregate amount of ₱6,000,881.20 could not be ascertained due to various deficiencies which are not conformity with the pertinent provisions of Presidential Decree No. 1445, thus affecting the reliability of the accounts reflected in the year-end financial statements as of December 31, 2019.**

We reiterated our audit recommendation that the Local Chief Executive instruct the OIC-Municipal Accountant to consider the following:

- a. Maintain individual subsidiary ledger for all accounts, as required under Sections 111 and 114 PD No. 1445;
- b. Exert diligent efforts to locate the necessary supporting documents to substantiate the LGUs recorded obligation and to determine the exact ageing of the liability accounts;
- c. Reclassify capitation fund and guaranty deposits accordingly;
- d. Balances of fund transfers after the completion of the programs or projects be fully liquidated;
- e. Settle all unremitted collections due to GSIS, PhilHealth and Pag-IBIG; and Distribute all the barangay and provincial share from RPT and SET in accordance with RA 7160;

We also recommended that accounts payable which has been outstanding for two years or more may be reverted to the unappropriated surplus of the general fund provided that there are no actual claims, administrative or judicial has been filed and it is not covered by perfected contracts on record. However, unliquidated balances of accounts payable under the trust funds shall in no case be reverted unless the purposes for which these funds were created have been accomplished.

**2. Conclusive proof of ownership cannot be claimed by the LGU over its parcels of land with book value of ₱5,266,525.02 due to absence of Transfer Certificate of Titles (TCT), contrary to Section 39 of PD 1445 and Section 449, Volume 1 of Government Accounting Manual (GAAM). This also rendered their assertion doubtful in relation to ownership contrary to IPSAS.**

We have recommended that the Local Chief Executive require the Municipal Assessor to exhaust all possible means to document the legality of ownership of the lots through a Transfer Certificate of Title (TCT) in the name of the Municipal Government of San Jacinto in compliance with the provisions of Section 39 of PD 1445 and Section 449, Volume 1 of Government Accounting and Auditing Manual in order to protect the interest of the Municipality for any adverse claims by third parties.

**3. Municipal Officials with assigned government vehicles incurred fuel consumption in the total amount of ₱833,282.31 but were granted monthly Transportation Allowance in violation of Section 8.2.1 of Local Budget Circular No. 103 dated May 15, 2013, thus prejudicial to the financial interest of the local government unit, and considered as irregular expenditure as defined under COA Circular 2012-003 dated October 29, 2012. Likewise, claims for reimbursement of gasoline/diesel were not supported with complete documentation which is not in accordance with Section 4(6) of Presidential Decree No. 1445, thus validity and propriety of the reported transactions could not be ascertained.**

We have recommended that Management stop the practice of granting Transportation Allowance (TA) to officials who are assigned and presently using government vehicles pursuant to Section 8.2.1 of Local Budget Circular No. 103 dated May 15, 2013.

- 4. The reimbursements of fuel consumption for the use of backhoe with a total amount of ₱341,700.00 were found to be doubtful due to non-disclosure of purpose and absence of other necessary data that will prove the validity, propriety and correctness of the claims. Non-provision of complete documents to support the same is not in accordance with Section 4(6) of Presidential Decree No. 1445 and COA Circular No. 77-51 dated September 26, 1977, thus render the claims to be irregular as defined under COA Circular 2012-003 dated October 29, 2012, which are disallowable in audit.**

We have recommended that the official/ employee concerned has to submit the following documents to substantiate the validity, propriety and correctness of the claims, to wit:

1. List of existing Infra Projects of the LGU Implemented by Administration (not straight contract) for the period July 1 to October 2, 2019, duly certified correct by the Municipal Engineer. Please indicate the location of the projects.
2. Approved Program of Works and Detailed Cost Estimates of identified infra projects where the said backhoe was used. This will be used as a basis to ensure that actual fuel consumption of the backhoe does not exceed the approved quantity of fuel estimated to be used in the project.

Non-submission of the abovementioned documents would mean that there was no basis for the reimbursement of fuel consumption for the use of a backhoe, hence render the claims to be irregular. If that is the case, the claimant will then be held liable to refund the amount received from the said transactions to avoid disallowance in audit.

#### **F. SUMMARY OF TOTAL SUSPENSIONS, CHARGES AND DISALLOWANCES**

As of December 31, 2019, the Municipality of San Jacinto has unsettled disallowance with total amount of ₱50,856.00.

#### **G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Out of 44 prior year's audit recommendations embodied in the 2018 Annual Audit Report, thirteen (13) was fully implemented, twelve (12) were partially implemented and nineteen (19) were not implemented. Reasons for partial and non- implementation were discussed in Part III of this report.