

EXECUTIVE SUMMARY

A. Introduction

The Municipality of San Mariano was formerly known as “Angela” when it was still a barrio of Ilagan, the capital town of the Province of Isabela. The name Angela was in honor of the wife of Mariano Kalingog who was one of the foremost settlers of the place. Angela was unfortunately drowned while washing clothes along the Pinacanan River that brought grief to Mariano who eventually died years later. The people changed the name of the place from Angela to San Mariano in honor of these foremost settlers.

This fur-flung hinterland of Cagayan Valley became a Municipal District by virtue of Executive Order No. 36, series of 1920. It was made into a district and regular municipality with the approval of Philippine Legislature Act 3416 on December 7, 1927.

B. Highlights

B.1 Recognition/Commendation

The Municipality of San Mariano was awarded of the following:

1. 11th Most Improved Municipality in the Philippines (1st and 2nd Class Municipalities Category) by the Department of Trade and Industry (DTI) during the Cities and Municipalities Competitiveness Index (CMCI) Awards Ceremony
2. National ADAC Performance Award for garnering a perfect score (100) or perfect ideal functionality of MADAC
3. Seal of Good Financial Housekeeping
4. Excellence Award for Governance and Leadership (EAGLE)
5. Best AM Project Implementer – GIDA Category
6. Local Legislative Award

B.2 Financial Information

The financial position, financial performance, appropriations, allotments and obligations of the Municipality of San Mariano for the year ended December 31, 2019 with comparative figures for CY 2018 are as follows:

Account Name	CY 2019	CY 2018	Increase (Decrease)
Financial Condition			
Assets	820,446,377.16	682,200,188.94	138,246,188.22
Liabilities	142,392,232.58	122,067,062.94	20,325,169.64
Net Assets/Equity	678,054,144.58	560,133,126.00	117,921,018.58
Financial Performance			
Revenue	391,239,832.78	361,213,837.87	30,025,994.91

Account Name	CY 2019	CY 2018	Increase (Decrease)
Expenses	323,050,643.80	332,546,020.09	(9,495,376.29)
Appropriations-Current	383,947,998.00	364,228,871.00	19,719,127.00
Allotment- Current	383,479,708.86	363,960,214.00	19,519,494.86
Obligations-Current	348,657,670.85	318,937,851.48	29,719,819.37

B.2 Operational Highlights

Projects, Programs and Activities Completed during the year.

Project	Location	Fund Source	Amount	Status
Construction of Barangay Health Station	Daragutan West, San Mariano, Isabela	20% DF	1,400,000.00	Completed
Construction of Barangay Health Station	Disusuan, San Mariano, Isabela	20% DF	1,245,916.08	Completed
Establishment of Model Day Care Center	Zone 02, San Mariano, Isabela	20% DF	2,500,000.00	Completed
Rehabilitation of Zone 01, Zone 02, Zone 03 Road Section	Zone 01, Zone 02, Zone 03, San Mariano, Isabela	20% DF	11,895,707.10	Completed
Fabrication of Pre-Cast Box Culvert	Municipal Wide	20% DF	700,000.00	Completed
Construction of 964m Curb and Gutter Canal (Zone 01, San Mariano, Isabela)	Zone 01, San Mariano, Isabela	20% DF	153,519.84	Completed
Construction of 200m Line Canal along Buensuceso Street (Barangay Zone 01 & Zone 02, San Mariano, Isabela)	Zone 01 & Zone 02 San Mariano, Isabela	20% DF	2,033,290.00	Completed
Road concreting of 600m Bitabian - Daragutan West Road Section	Bitabian - Daragutan West, San Mariano, Isabela	20% DF	6,201,578.47	Completed
Road concreting of 600m Daragutan West - Balagan Road Section	Daragutan West - Balagan, San Mariano, Isabela	20% DF	6,204,144.58	Completed
Road concreting of 500m San Jose - Casala Road Section	San Jose - Casala, San Mariano, Isabela	20% DF	5,170,691.45	Completed
Road concreting of 600m So. Villa Ancheta - So. Bigao, Minanga Road Section	Minanga, San Mariano, Isabela	20% DF	6,203,535.85	Completed
Road concreting of 400m Del Pilar - Libertad Road Section	Del Pilar - Libertad, San Mariano, Isabela	20% DF	4,133,100.24	Completed

Project	Location	Fund Source	Amount	Status
Road concreting of 600m So. Dalayap - So. San Isidro, Disulap Road Section	Disulap, San Mariano, Isabela	20% DF	6,208,531.71	Completed
Road concreting of 600m Junction Marannao - Gangalan - Del Pilar Road Section	Marannao, Gangalan, Del Pilar, San Mariano, Isabela	20% DF	6,204,032.62	Completed
Road concreting of 400m Bitabian - Bitabian National High School Road Section	Bitabian, San Mariano, Isabela	20% DF	4,126,452.06	Completed

C. Scope of Audit

A financial and compliance audit, including performance audit, was conducted on the accounts and operations of the Municipality of San Mariano, Isabela for the year 2019. The audit was aimed at ascertaining the fairness of presentation of the financial statements, propriety of disbursements, and adequacy of accounting records. It was also aimed at determining whether the plans, programs, projects and activities for the year were attained at an efficient, economic and effective manner. The audit focused on a test basis, the review of the operating procedures, evaluation of programs, interview with concerned municipal officials and employees, verification and analysis of accounts and such other procedures considered necessary under the circumstances.

Consistent with unnumbered memorandum dated July 3, 2019, the audit thrusts and focus for the Local Government Sector in 2019 were prioritized.

The audit observations and recommendations were discussed with the Management through our earlier issued Audit Observation Memorandum (AOM). Management's comments/justifications are incorporated in the report, where applicable.

D. Result of Audit on the Financial Statements

The Auditor rendered a Modified Opinion on the fairness of presentation of the financial statement due to the following:

1. The accuracy and existence of the Property, Plant and Equipment with account balance of P611,863,320.02 could not be ascertained due to (a) incomplete inventory taking of assets which impedes the conduct of complete reconciliation of accounts; (b) unserviceable properties with carrying amount of P1,358,746.66 which remain undisposed and exposed to further deterioration; (c) inclusion of expendable and semi-expendable items totaling P9,731,634.13; and (d) duplication of entries.
2. The validity and existence of the long outstanding and non-moving payables/liabilities to several creditors/agencies under the accounts, Accounts Payable, Due to National Government Agencies and Other Payables cannot be

ascertained due to the aforementioned condition of the account transaction, thereby affecting the reliability of the accounts balances.

E. Summary of Significant Observations and Recommendations

For the exceptions mentioned above, the Auditor recommended the following:

1. The Inventory Committee should complete the inventory taking of all the LGU properties. Ensure to reconcile the records between the Municipal Accountant and OIC- General Services Officer (GSO). Inventory tags, property number and accountable persons for the items should be indicated in the RPCPPE for proper monitoring.

Procedures for the disposal of the unserviceable items should be undertaken for proper dropping into the accounts.

Necessary adjustments in the RPCPPE and books should be made for the expendable and semi-expendable items. A separate inventory report should be prepared for the expendable and semi-expendable items.

Necessary adjustments for the duplicated entries should be made in the RPCPPE and in the books to reflect accurate account balance.

2. For long outstanding accounts payable, the Management should notify the creditors of their claims from the LGU and indicate therein prescriptive period to receive the claims, otherwise, the outstanding balances shall be reverted to the unappropriated balance of the General Fund pursuant to Section 98 of PD 1445.

For long outstanding inter-agency payables under the account Due to National Government Agencies, initiate reconciliation with the concerned National Government Agencies on the existence and accuracy of the recorded liabilities. In case of unutilized balance after full implementation of the related project and program, return the funds to the source agency or whatever the agreement so provides if any.

Lastly, for long outstanding Other Payables, revisit the existence and evaluate the validity of each account identified to be stagnant for several years. For items in which the specific purpose had already been completed, outstanding balance may be utilized for the related purpose or reverted to the unappropriated balance of the General Fund at the discretion of the Management.

Presented below are the other significant audit observations and recommendations:

- 1. Accommodation of cash advances of elective officials, municipal department heads and other employees of the LGU to the cash advance of the Municipal Treasurer for varied purpose other than travel is a way of skirting to the rules and regulations on the grant of cash advances.**

We recommended the Management to observe the rules and regulations in the grant of cash advances. Further, the Municipal Treasurer to safeguard her accountabilities by ceasing the practice of accommodating the cash advance of the LGU's officials/employees to her cash advance.

- 2. Absence of specific purpose and estimates on the cash advance of the elective officials, municipal department heads and employees which were accommodated to the cash advance of the Municipal Treasurer, paved the way to any kind of receipts, payroll or any evidence of payment that purportedly supports its liquidation, hence, the propriety of liquidation reports were not established.**

We recommended the Management to observe the rules and regulations in the grant of cash advances. Further, the Municipal Treasurer to safeguard her accountabilities by ceasing the practice of accommodating the cash advance of the LGU's officials/employees to her cash advance.

- 3. The cash advances for operating expenses by the Municipal Treasurer were used to pay monetization of leave credits and to accommodate cash advances of employees for salary and other allowance inconsistent with the use of the account.**

We recommended that the Municipal Treasurer observe proper charging of expenses to appropriate cash advances made. For salary, allowances and other personnel benefits, her cash advances for payroll shall be applied.

- 4. The on-going reconciliation of records that roughly started last 2017 for the account Advances for Operating Expenses were not yet completed, thus, the nature of the variance accumulating to P3,439,214.51 as of October 31, 2019 was not established.**

We recommended that Management require the Municipal Treasurer and Accountant to allot time to focus on the reconciliation of records under the Advances for Operating Expenses in order to render a more reliable financial record/report.

- 5. Long outstanding advances of elective officials, municipal department heads, and employees of the LGU which were accommodated to the cash advance of the Municipal Treasurer remained unsettled/unliquidated for several years.**

We recommended that Management require the immediate settlement/liquidation of the cash advance of elective officials, municipal department heads, and employees of

the LGU in order for the Municipal Treasurer to be relieved from these accountabilities in which she has not held and used.

- 6. Several cash advances for payroll under general fund were liquidated with supporting documents that were not in accordance with the specific purpose for which the cash advances were granted contrary to its existing rules and regulations.**

We recommended the Management through the Municipal Treasurer and Municipal Accountant to strictly observe the proper procedure of settlement/liquidation of cash advances which should be in accordance with the COA Circular 2012-004 dated November 28, 2012.

- 7. Cash advance for the payment of Performance Based Bonus (PBB) of market personnel in the amount of P40,872.65 was withdrawn twice and charged to the General Fund and Market Fund, respectively, thereby making redundancy on the amount to be distributed to the employees.**

We recommended that the Municipal Treasurer and Municipal Accountant strictly monitor the incorrect charging and double withdrawal of cash advances. Likewise, the Municipal Treasurer should cease resorting to the usual practice of deducting the unused cash advances on the withdrawal of the succeeding other cash advances only to avoid the proper process of refund. With this, an official receipt must be issued upon refund of the unused cash advance.

- 8. Collections held in trust for financial assistance – Typhoon Lawin was recorded under the Other Payables account (General Fund) instead of Trust Liability-DRRM (Trust Fund) pursuant to COA Circular No. 2012-002 dated September 12, 2012 on the Accounting and Reporting Guidelines for Local Disaster Risk Reduction Management Fund-LDRRMF.**

We recommended that necessary adjustment should be made from Other Payables (General Fund) to Trust Liability-DRRM (Trust Fund) to properly reflect funds available for each account.

- 9. The collection of Real Property Tax – Basic registered a significant decrease of 57% over the previous year, thereby reducing the collection efficiency of the LGU during the year.**

We recommended that the Management through the Municipal Treasurer to intensify revenue collection efforts particularly on RPT delinquencies. The remedies provided under Section 256 of the Local Government Code (RA7160) should be availed, if warranted by the situation.

- 10. The Economic Relief Assistance in the total amount of P8,225,216.00 were granted at varied rates to the officials, employees and other personnel in the Municipality depending on their position/designation or their association to the LGU, hence, the very intention of the assistance is not fully realized.**

We recommended that the Management in their succeeding grant of economic relief assistance, to revisit the rates and consider it granting at a uniform amount particularly to the LGU's human resources, their committed workforce, to better serve the purpose of the assistance.

- 11. The grant of financial assistance to its constituents for varied purpose lack adequate control measures in its implementation while the specific parameters of eligibility of the beneficiaries were not properly observed, hence, there is no certainty that the assistance is given only to qualified recipients.**

We recommended that Management comply with DSWD Memorandum Circular No. 11 series of 2019 in giving financial assistance and in its implementation of granting assistance to individuals in crisis situation. Adopt control measures to ensure that financial assistance given to other agencies is recorded/accounted in their books.

- 12. Significant reimbursement of expenses for various purposes were resorted into by the elective officials and municipal department heads instead of direct payment to suppliers/creditors as required under Section 93 of PD 1445.**

We recommended that Management enforce the direct payment to suppliers/creditors through check for all procurement of goods and services pursuant to the above provision. Limit the amount of expenses subject for reimbursements.

- 13. Reimbursement of cost of plane tickets totaling P201,447.24 for the selected sample period of June to December 2019 were not supported with the necessary documents to establish the validity and propriety of the claim.**

We recommended that Management ensure that the required supporting documents must be attached to the disbursement voucher prior to payment of claims for travelling expenses particularly cost of plane ticket, the itinerary/plane ticket, boarding pass and travel order.

Further, submit the supporting documents of the above payment of travel claims, otherwise, the amount shall be suspended in audit.

- 14. Trial balance and financial statements for the 20% development fund were not prepared contrary to Section 110 on the Manual of NGAS for LGUs, Chapter 6, Volume I, hence, adequate information on the financial status of the special account is not readily reflected to the users of financial information.**

Further, temporary borrowings from general fund proper to the 20% development fund for the implementation of priority development projects was resorted to by the LGU pending its monthly allocation/share from the Internal Revenue Allotment (IRA).

We recommended that the Management thru the Municipal Accountant shall prepare the trial balance and financial statements for the 20% DF to provide adequate information on the financial status of this special account.

- 15. LGU service vehicles do not bear the markings that it is for official use only in which the corresponding name of the agency should be indicated as an added measure to ensure that these vehicles are not use for personal purposes.**

We recommended the Management to put markings “For Official Use Only” together with the name of the LGU in the LGU service vehicles.

- 16. Project and programs related to Gender and Development (GAD) were not or not yet completely implemented during 2019 inconsistent to its targeted date of implementation specified in its GAD Plan and Budget, hence, the related objectives for each activity were not timely realized.**

We recommended that Management shall implement the GAD project and programs within the time-frame indicated in the GAD Plan and Budget. If warranted by the situation that GAD activities cannot be carried out, contingency plans are encouraged to still address the identified GAD issue.

- 17. Project, program and activities (PPAs) for the Senior Citizens and Persons with Disabilities were not implemented during 2019 hence, the related objectives for each activity were not timely realized and fund utilization were not maximized.**

We recommended that Management shall implement the PPAs within the time-frame indicated in the plan to provide timely assistance to the needs of the Senior Citizens and Persons with Disabilities.

- 18. Project, program and activities (PPAs) for the Local Council for the Protection of Children were not implemented during 2019, hence, the related objectives for each activity were not timely realized and fund utilization were not maximized.**

We recommended that Management shall implement the PPAs for LCPC consistent with the timeline indicated in the plan to provide timely support to the needs of the children and to maximize utilization of funds.

F. Status of Audit Suspensions, Disallowances and Charges

There were no unsettled audit suspensions, disallowances and charges on the Municipality as of December 31, 2019.

G. Status of Implementation of Prior Year's Audit Recommendations

Out of the thirty-nine (39) audit recommendations embodied in the 2018 Annual Audit Report, twenty-one (21) were fully implemented, sixteen (16) were partially implemented and two (2) were not implemented as of December 31, 2019.