

EXECUTIVE SUMMARY

Introduction

The Municipality of San Antonio, Quezon, was created by virtue of Executive Order No. 270 dated October 4, 1957. It is located in the southern part of Luzon and comprises approximately of 5,998 hectares of land which is mostly devoted to agricultural communities. The Municipality is 46 kilometers away from Lucena, the capital town of Quezon Province and 109 kilometers away from Manila. It is composed of 20 barangays and classified as fourth-class municipality based on income class. Its population was reported at 36,024 based KALAHI-CIDDS 2015 Database.

The Municipality is envisioned to be the center of the modernized agricultural technology and a destination for tourism with responsible citizens capable of its own history and culture and with public servant aiming for the continuous prosperity:

The Organizational Structure of the Municipality is as follows:

2. Key Officials

Mayor: Hon. Erick M. Wagan
Vice Mayor: Hon. Jay S. Vesliño

Members of the Sanggunian:

1. Jennifer H. Murphy
2. Alwin H. Hiwatig
3. Mario L. Guce
4. Carmelo M. Cuevas
5. Ronie L. Burgos
6. Crisante Allan D. Sales
7. Manolito B. Pentinio
8. Petronilo U. Tapite

Municipal Treasurer: Nilo R. Aranda
Municipal Accountant: Ma. Lorica V. Bilog

3. No. of Personnel Complement

Permanent	-	69
Contractual	-	23
Job Order	-	83
Elective Officials	-	12
Coterminous	-	<u>2</u>
Total		<u>189</u>

Financial and compliance audits were conducted, on a test basis, on the accounts and operations of the Municipality of San Antonio for Calendar Year (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.

Financial Highlights

The Municipality generated a total income of ₱109,440,553 from local taxes, permits and licenses, service and business income, miscellaneous income and Internal Revenue Allotment which increased by ₱9,838,437 as compared to last year's total income of ₱99,602,116. The total funds utilized for the year amounted to ₱109,644,092 out of the total appropriation of ₱119,558,206.

The Municipality's financial position and results of operations for CY 2019 compared with that of the preceding year are summarized below and shown in detail in the attached audited financial statements.

	2019	2018	Increase/ (Decrease)
Total Assets	₱319,703,152.40	₱249,537,859.27	₱70,165,293.13
Total Liabilities	140,760,475.00	135,017,831.35	5,742,643.65
Net Assets/Equity	178,942,677.40	114,520,027.92	64,422,649.48
Total Income	109,440,552.52	99,212,115.71	10,228,436.81
Personnel Services	48,953,098.55	42,214,552.38	6,738,546.17
Maintenance and Other			
Operating Expenses	34,346,703.85	34,173,051.18	173,652.67
Non-Cash Expenses	7,048,615.27	4,399,892.57	2,648,722.70
Financial Expenses	0.00	17,862.50	(17,862.50)
Transfer, Assistance and			
Subsidy From	0.00	390,000.00	(390,000.00)
Transfer, Assistance and			
Subsidy To	5,400,153.44	5,919,967.12	(519,813.68)
Net Income	13,691,981.41	12,876,789.96	815,191.45

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements as of December 31, 2019 of the Municipality of San Antonio due to the following:

1. The valuation and existence of Property, Plant and Equipment (PPE) accounts totaling ₱228,832,659.32, net of depreciation, representing 71.58% of the total assets could not be ascertained due to: a) inability of the Inventory Committee to conduct a complete physical count of PPE because of lack of time allotted for the conduct of inventory; b) non-reconciliation of the inventoried PPE of ₱56,688,505.57 against the Accounting records of ₱228,832,659.32 or a variance of ₱172,144,153.75; and c) disposal of unserviceable properties costing ₱490,985.89, has not yet been undertaken, contrary to Sections 124 and 125 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I and Section 57 of Volume II,

Section C.3, Chapter V of the Manual on Property Custodianship, Paragraph 82 of International Public Sector Accounting Standards (IPSAS) 17 and Paragraph 27 of IPSAS 1, thus affecting the fairness of the presentation of the financial statements.

2. The reliability of the Bank Reconciliation Statement could not be ascertained due to: a) erroneous adjustment of long outstanding deposits in transit (DIT) totaling ₱40,015.28 recorded under the General Fund instead of in the Special Education Fund; b) non-adjustment of a long outstanding DIT amounting to ₱25,279.44 and c) non-adjustment of 27 stale checks totaling ₱167,445.42 which is still for further verification against corresponding disbursement vouchers, contrary to Commission on Audit (COA) Circular No. 96-011, Section 59 of the MNGAS for LGUs, Volume I, thus rendering the Cash in Bank Local Currency – Current Account balances totaling ₱74,955,630.14 unreliable and affecting its fair presentation in the financial statements, which is not in accordance with Paragraph 27 of IPSAS 1.
3. Land account of ₱28,488,174.63 is unreliable due to inclusion of a) two purchased lots worth ₱1,200,000.00 which were not supported with Transfer Certificate of Titles (TCT) due to possible loss of Deed of Sale and b) unidentified land recorded at ₱61,000.00 or a total of ₱1,261,000.00, contrary to Section 72 of the MNGAS for LGUs, Volume III and Section 148 of COA Circular No. 92-386, thus ownership over the lots was not established and exposing the same to third party claims and land disputes, thereby affecting its fair presentation in the financial statements which is not in accordance with Paragraph 27 of IPSAS 1.
4. Unliquidated Cash Advances (CAs) of ₱965,045.00 which is lower than last year's ₱1,479,465.50 were not liquidated at year-end, contrary to COA Circular No. 97-002, because focus was on the CAs in CY 2019, thus these were liquidated within the year, though there were some still unliquidated mostly for financial assistance, and for the unliquidated CAs, the accountable officers were still completing the documents and additional CAs were granted even though previous CAs have not been liquidated, thereby exposing the fund to possible loss or misuse and resulted to the overstatement of the asset account and understatement of related expense account, thereby affecting their fair presentation in the financial statements which is not in accordance with Paragraph 27 of IPSAS 1.
5. Collection of ₱174,100.00 as settlement of audit disallowance was taken up as credit to Other Payables because there was no recording of the Notice of Finality of Decision (NFD) for the same amount as Receivables-Disallowances and Charges where this should had been credited upon collection and a fully settled Notice of Disallowance amounting to ₱4,977.77 was included in the year-end balance of the said account thus this account recorded at ₱1,582,432.58 may not be fairly presented in the financial statements since transactions were not completely recorded; and the collection of ₱147,775.56 as settlement of Notices of Disallowance for non-withholding of taxes of ₱147,776.37 as credit to Due to BIR account in the books of accounts is short of ₱0.81 to fully settle the disallowance are contrary to Sections 22.1, 22.6, 23.1 and 24 under Chapter V of COA Circular No. 2009-006 and Paragraph 27 of IPSAS 1 requiring the fair presentation of the financial statements.

For the exceptions cited above, the Auditor recommended that:

1. The Municipal Mayor to direct the Inventory Committee to allocate adequate time for the:
 - a. continuation and completion of the conduct of physical count of all properties and preparation of the RPCPPE in the required form with the necessary information and data; and
 - b. completion of the reconciliation of the Property and Accounting Records in coordination with the Municipal Accountant to put their records of PPE and accounts in agreement, identify and investigate the causes of the noted discrepancies, and effect the necessary adjustments in both records, if warranted.

Also, we recommended that the Municipal Mayor direct the Disposal Committee to continue to focus on the immediate disposal of the unserviceable properties in accordance with existing regulations; and consequently, the Accounting Office to derecognize its value based on Paragraph 82 of IPSAS 17 for the fair presentation of the financial statements in accordance with Paragraph 27 of IPSAS 1.

2. The Municipal Mayor to require the Municipal Accountant to make the necessary validation and adjustments of the long outstanding deposits in transit of ₱25,279.44, correct the erroneous adjusting entry made for the DIT amounting to ₱40,015.28 in General Fund and to effect the adjustment in SEF, and adjust the remaining 27 stale checks of ₱167,455.42 to establish the correct balances of the Cash in Bank Local Currency – Current Account for the fair presentation in the financial statements in accordance with Paragraph 27 of IPSAS 1.
3. The Municipal Mayor to:
 - a. require the Municipal Assessor to continually facilitate the titling of the other untitled lots in the name of the Municipality to protect the interest of the government and establish ownership over them;
 - b. continually monitor the accomplishment of the Municipal Assessor to ensure that subject lots are titled at least within the year and that funds for the purpose is continuously provided;
 - c. require the Appraisal Committee to conduct the appraisal of the donated lots for recording purposes in the books of accounts; and
 - d. require the Municipal Accountant to identify the recorded land in the Special Education Fund for the fair presentation of the Land account in the financial statements as required under Paragraph 27 of IPSAS 1.
4. The Municipal Mayor to continually:
 - a. require all accountable officers and other municipal officials to liquidate their cash advances within the reglementary period on a regular basis or as soon as the

purpose of the cash advance has been served, preferably upon completion of the project/program/ activity; and

- b. instruct the Municipal Accountant to continually send written notices or demands to the Accountable Officers to immediately settle their cash advances, otherwise, implement the withholding of their salary to be applied to his accounts.

Henceforth, ensure the proper granting, utilization and liquidation of all cash advances within the prescribed period in accordance with the existing rules and regulations.

5. The Municipal Mayor to require the Municipal Accountant to make the necessary adjustment in the Other Payables account and to reflect the correct entries of the recognition of receivables and settlement of disallowances on the basis of complete supporting documents in the Receivables-Disallowances and Charges account of P1,582,432.58 for its fair presentation in the financial statements as required under Paragraph 27 of IPSAS 1.

Significant Audit Observations and Recommendations

The following is the summary of the other significant audit observations and recommendations in the audit of the Municipality of San Antonio for the year 2019:

1. The Municipality was unable to enforce the settlement of audit disallowances despite the issuance of a NFD and COA Order of Execution (COE) totaling P299,100.00 and P1,026,877.00, respectively, contrary to Section 7.1.1 (b) of the COA Circular No. 2009-006, due to non-submission of proof of deposit of collections representing settlement of audit disallowances totaling P321,875.56 for verification and non-payment by the liable persons which resulted to unsettled disallowances at year-end totaling P1,325,977.00.

We recommended that the Municipal Mayor require the Municipal Treasurer to submit the proof of deposit for the audit disallowances with issued Official Receipts for further verification of the Audit Team and possible issuance of Notice of Settlement of Suspension, Disallowance and Charges.

Also, we reiterated our recommendation that the Municipal Mayor strictly enforce the immediate settlement of the disallowance pursuant to the pertinent provisions of COA Circular No. 2009-06.

2. The Municipal Treasurer was unable to deposit intact daily or on the next banking day all his collections, due to longer hours than the usual devoted for General Fund collections, contrary to Section 32 of the MNGAS for LGUs, Volume I, thus exposing government funds to possible loss or misuse.

We recommended that the Municipal Mayor require the Municipal Treasurer to consider strategies that would allow him to manage his time in the discharge of his regular functions, among others, the strict observance of depositing intact his collections and those turned over to him by other collecting officers daily or on the next banking day in compliance with Section 32 of the MNGAS for LGUs, Volume I, to avoid possible loss or misuse of funds.

3. Unnecessary bank charges totaling ₱52,780.00 were still not refunded due to the inaction of the Municipal Treasurer to refund the same, contrary to Sections 2 and 105.2 of PD No. 1445 and COA Circular No. 2012-003.

We reiterated our recommendation that the Municipal Mayor require the Municipal Treasurer to refund the amount of ₱52,780.00 representing the unnecessary expense and henceforth, regularly update the cashbook and cash in bank for the proper and timely monitoring of the balances of each account of the Municipality to avoid incurrence of unnecessary bank service charges for issuing checks with insufficient funds/cash bank balance.

4. The Accomplishment Report for Gender and Development (GAD) Fund was submitted late to the Audit Team since the GAD Focal Person was not aware that the same shall be furnished to the Audit Team within five (5) working days from the end of January of the preceding year, contrary to COA Circular No. 2014-001, which resulted in the delayed review whether the planned GAD programs, projects and activities attained its objectives.

We recommended that the Municipal Mayor instruct the GAD Focal Person to ensure submission to the Audit Team of the Accomplishment Report for GAD Fund within the prescribed period or within five (5) working days from the end of January of the preceding year pursuant to COA Circular No. 2014-001.

5. Buildings of the Municipality totaling ₱30,763,289.65 were still not covered with appropriate insurance despite the assessment made by the Assessor's Office, contrary to COA Circular No. 92-390 and RA No. 656, due to the absence of the building plans to be submitted by the Engineering Office as required by the Government Service Insurance System (GSIS). Moreover, heavy equipment worth ₱3,993,000.00 were still not covered by insurance under these existing rules and regulations, thus leaving the property at risk of total loss without the right of indemnification.

We recommended that the Municipal Mayor require:

- the Municipal Engineer to prioritize the submission of the building plans in compliance with the requirements of the GSIS to support/complete the assessment of the buildings; and
 - the Municipal Treasurer to act on the insurance of the buildings as well as the heavy equipment with the GSIS.
6. The Municipality was not fully compliant with its 10-year Solid Waste Management (SWM) Plan 2013-2023 submitted to the National Solid Waste Management Commission (NSWMC) for approval due to the lack of a Waste Analysis and Characterization Study required to be incorporated in the said plan requiring its revision, pursuant to Sections 10 and 40 of the RA No. 9003, thus the risk that the efficient and effective long-term solid waste management may not be achieved. Moreover, the government-owned sanitary landfill was still in the process of approval by the Environmental Management Bureau due to the on-going submission of documents

required in the grant of an Environmental Compliance Certificate, hence exposure of the public to health and environmental risk.

We recommended that the Municipal Mayor require the Designated MENRO to continually work on:

- the revisions of the Solid Waste Management Plan and seek its approval by the Municipal Solid Waste Management Board and submit to the National Solid Waste Management Commission for its expeditious approval in compliance with the requirements of RA No. 9003; and
- completion of the Environmental Impact and Management Plan and the Geohazard Identification Report required by the Environmental Management Bureau for the grant of their Environmental Compliance Certificate.

The above observations and recommendations contained in the Report were presented by the Audit Team to the Municipality's management through Audit Highlights sent thru electronic mail on August 3, 2020 for the purpose of getting Management's views and reactions were considered in the Report, where appropriate. This replaced the conduct of exit conference requiring face to face discussion which was discouraged due to COVID 19 Pandemic.

Summary of Total Suspension, Disallowances and Charges as of Year-End

The Municipality had no unsettled charges but with a total suspensions and disallowance of ₱14,465,597.72 as of December 31, 2019, details as follows:

	Beginning Balance (As of December 31, 2018)	This Period January to December 31, 2019		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 1,412,210.00	0.00	0.00	₱ 1,412,210.00
Notice of Disallowance	<u>13,053,387.72</u>	<u>0.00</u>	<u>0.00</u>	<u>13,053,387.72</u>
Total	<u>₱14,465,597.72</u>	<u>0.00</u>	<u>0.00</u>	<u>₱14,465,597.72</u>

Status of Implementation of Prior Year's Audit Recommendations

Of the 22 prior year's audit recommendations embodied in the 2018 Annual Audit Report (AAR), seven were fully implemented, eight were partially implemented and the remaining seven were not implemented.