

EXECUTIVE SUMMARY

A. INTRODUCTION

The municipality of San Juan, like any established town, began as scattered groups of inhabitants who hardly knew each other, gathered to form a poblacion. This was in 1772. The first people called this place their home “LAPO”, a name which is unknown to the present generation. It came from the name of a tall grass known as “Lapo-lapo” which grew everywhere in the poblacion during the early years. Sometime later, during the American colonization, “Lapo” was changed to “Lapog” from the Ilocano word ‘lap-lapog’ meaning unirrigated lands. These ‘lap-lapog’ were the early clearings made by the first settlers in the poblacion. Lapog was the town’s official name until June 18, 1961 when by virtue of the Republic Act 3386; it was changed to SAN JUAN, the name of its patron saint, ST. JOHN THE BAPTIST.

San Juan is a 3rd class municipality with thirty two (32) barangays. It is located in the first district of Ilocos Sur. The municipality is predominantly agricultural. The dominant crops are tobacco, corn, onions and vegetables. As the municipality is bordering along the South China Sea on the west, fish is also a major product.

The Municipal Government of San Juan commits to deliver adequate and quality basic services to the people, especially the less-privileged, sustain economic stability, strengthen linkages with stakeholders, develop tourism industry, enforce laws and ordinances, promote awareness in the protection of nature and foster and preserve culture and moral values.

The Municipality of San Juan has a total of twelve (12) elective officials and forty-two (42) permanent employees as of December 31, 2018.

A comprehensive audit was conducted on the accounts and operations of the Municipality of San Juan, Ilocos Sur for 2018. Our audit aimed to determine whether the financial statements were presented in accordance with the Philippine Public Sector Accounting Standards (PPSASs), whether the resources of the Municipality were utilized in conformity with applicable laws and regulations and to assess or determine whether the resources of the Municipality were disbursed or utilized economically, effectively and efficiently. The audit consisted of review of operating procedures, inspection and validation of programs and projects, interview of concerned municipal officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary under the circumstances.

B. FINANCIAL HIGHLIGHTS

The total assets, liabilities, government equity, income and expenses for the year are shown below:

	2018	2017	Increase/ Decrease	%
Assets	1,031,966,833.11	682,003,186.08	349,963,647.03	51.31%
Liabilities	108,882,217.28	124,308,073.67	(15,425,856.39)	(12.41%)
Government Equity	923,084,615.83	557,695,112.41	365,389,503.42	65.52%
Income	665,871,033.75	91,425,540.66	574,445,493.09	628.32%
Expense	316,032,777.33	82,545,442.88	233,487,334.45	282.86%

C. OPERATIONAL HIGHLIGHTS

The total appropriation, allotment and obligation for the year as compared to previous year are as follows:

	2018	2017	Increase/ (Decrease)	%
Appropriation	783,200,300.20	289,616,084.23	493,584,215.97	170.43%
Allotment	783,200,300.20	289,616,084.23	493,584,215.97	170.43%
Obligation	370,843,769.11	171,290,065.30	199,553,703.81	116.50%

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because 1.) Unreconciled items totaling to P11,187,125.84 were included as adjustments to book balances thus, the reliability and accuracy of the Cash in Bank account as presented in the financial statements were not ascertained; 2.) The accuracy and correctness of the Cash Local Treasury account amounting to P1,501,241.32 in the books of accounts were not ascertained due to non-reconciliation of balances in the cashbooks and general ledgers thus, the said account may not be fairly presented in the financial statements; and 3.) The validity, existence and correctness of the PPE accounts totaling P546,399,923.96 as of December 31,2018 could not be ascertained because no complete inventory taking was conducted and no corresponding Report on the Physical Count of PPE(RPCPPE) was submitted which is partly due to inadequate control measures maintained by the Municipality.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Favorable Observations

The municipality was able to withhold and remit taxes pertaining to documentary stamps, income taxes of officials, employees, suppliers and contractors and value-added taxes for calendar year 2018 on a regular basis in compliance with the provision of Revenue Regulation No. 2-98 dated April 17, 1998.

B. Areas for Improvement

1. Monthly Bank Reconciliation Statements (BRS) for the three (3) accounts maintained by the municipality were submitted to the Auditor however unreconciled items totaling P11,187,125.84 were included as adjustments in the books of accounts thus, the reliability and accuracy of the cash in bank presented in the financial statements were not ascertained.

We recommended that the Municipal Accountant prepare monthly Bank Reconciliation Statements (BRS) in accordance with COA Circular No. 96-011 and give the Auditor a copy. Meanwhile, we urge him to itemize or determine, if possible the unreconciled figures to establish the correct accountabilities or balances of the accounts being maintained by the municipality.

2. The unutilized fund in the amount of ₱2,201,065.73 granted under the Priority Development Assistance Fund (PDAF) remained in the LGU despite the Supreme Court ruling promulgated on November 19, 2013 declaring said fund as unconstitutional.

We recommended that the Municipal Treasurer and Municipal Accountant return immediately the unutilized Priority Development Assistance Fund (PDAF) to the National Treasury.

3. Public Infrastructures for CY 2015 to 2017 were transferred and recognized in the books of accounts as PPE specifically Road Networks or less than 75% of those recorded in the Registries of Public Infrastructures which is not in compliance with COA Circular No. 2015-008, dated November 23, 2015 hence, the Property, Plant and Equipment (PPE) account of the Municipality was understated.

We recommended that the OIC Municipal Accountant, Municipal Engineer, General Services Officer and Inventory Committee enjoin and complete the recognition of Public Infrastructures to Road Network account so as to comply

with the prescribed transitory provisions in COA Circular No. 2015-008 dated November 25, 2015.

The other audit observations and recommendations are discussed in the report proper.

F. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCES AND CHARGES AS OF YEAR-END

	Beg. Balance (As of December 31, 2017)	This period January 1 to December 31, 2017		Ending Balance (As of December 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00			0.00
Notice of Disallowance	1,777,000.00			1,777,000.00
Notice of Charge	0.00			0.00
Total	1,777,000.00			1,777,000.00

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATION

Out of the 11 audit recommendations contained in the 2017 Annual Audit Report, one or 9.09% was fully implemented, four or 36.36% were partially implemented and six or 54.55% were not implemented by the municipality.