

EXECUTIVE SUMMARY

A. INTRODUCTION

San Ildefonso was established during the Spanish era in the year 1625. During the Spanish era, a small community in Northern Luzon was formed. Arguing on how and what to name it some dwellers who were living near the Bantaoay River saw a big wooden box that contained an engraved statue of San Ildefonso and decided to call that community “San Ildefonso”. The people decided to make him the patron saint of the place and an annual town fiesta celebration is held every 23rd of January, the day when the image was found. By virtue of an Executive Order 19 in 1901, providing smaller towns to be annexed to adjacent bigger ones, San Ildefonso was annexed as a barrio to Sto. Domingo. Through the help of the late Pres. Elpidio Quirino, then an assemblyman, San Ildefonso was again made a separate town in 1920.

A comprehensive audit was conducted on the accounts and operations of the Municipality of San Ildefonso, Ilocos Sur for 2017. Our audit was aimed at determining whether financial statements were presented in accordance with Philippine Public Sector Accounting Standards, 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 was focused on the audit thrusts issued by the Local Government Sector for CY 2017. The audit consisted of review of operating procedures, inspection and validation of programs and projects, interview of concerned municipal officials and employees, verification and analysis of accounts and such other procedures deemed necessary under the circumstances.

B. FINANCIAL HIGHLIGHTS

The agency’s total assets, liabilities, government equity, income and expenses for 2017 compared with that of the preceding year are as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Assets	264,426,688.53	235,044,835.27	29,381,853.26	12.50%
Liabilities	53,201,197.17	60,940,766.45	(7,739,569.28)	(12.70%)
Government Equity	211,225,491.36	174,104,068.82	37,121,422.54	21.32%
Income	55,073,303.57	81,080,136.97	(26,006,833.40)	(32.08%)
Expenses	37,516,488.17	32,855,822.02	4,660,666.15	14.19%

C. OPERATIONAL HIGHLIGHTS

Total appropriations, allotments and obligations for the year as compared to the previous year are as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Appropriation	47,882,570.33	41,836,685.99	6,045,884.34	14.45%
Allotment	47,882,570.33	41,836,685.99	6,045,884.34	14.45%
Obligation	37,782,935.34	33,836,116.75	3,946,818.59	11.67%

Likewise, the following are some of the projects that were implemented by the Municipality in 2017 and were validated by the Audit Team:

<u>Fund</u>	<u>Name of Project</u>	<u>Contract Amount</u>
20% Development Fund	Improvement of Covered Court at San Ildefonso Central Compound	₱ 199,483.61
	Opening of Road to Sanitary Landfill and Improvement/Maintenance of Sanitary Landfill	599,010.29
	Construction of Grocery Stall	298,979.21
RA 7171 Funds	Retrofitting of Farmers' Multi-Purpose Building at Belen, San Ildefonso	497,830.18
	Renovation of Farmers' Multi-Purpose Building at Poblacion West	1,016,962.70
	Repair, Maintenance and Improvement of Farmers' Multi-Purpose Building at Dongalo	203,970.28
	Construction of Slope Protection and Perimeter Fence with Spillway	419,939.11
	Repair of Farmers' Bagsakan Center	428,195.40

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because 1) There is a risk that the total of Property, Plant and Equipment (PPE) amounting to ₱197,117,959.57 as appearing in the financial statements is misstated due to the inability of the Inventory Committee to complete inventory taking and due to the inclusion in the Buildings and Other Structures accounts the costs of structures that were already demolished; and 2) Receivables totaling to ₱4,214,502.39 accounted for in the books as Due from LGUs and Due from NGOs/POs remained uncollected for several years now thus depriving the Municipal Government of additional funds and misstating the financial statements of the Municipality by the amount of receivables that are already beyond recovery/collection.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For calendar year 2017, the following are the favorable observations that were noted:

1. The Municipality is a recipient of the Seal of Good Local Governance.
2. The Municipal Government was able to overshoot its target revenues from local sources for the calendar year 2017 of ₱3,617,444.77 by ₱1,156,566.33 or 31.97%.
3. The Municipality was able to withhold and remit taxes in accordance with BIR Revenue Regulation No. 2-98 thus, the LGU was able to comply and contribute to the National Government's pursuit to collect more taxes.
4. The required GSIS contributions were remitted monthly before due dates.

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

1. The projects Improvement of Farmers' Plaza and Park Phases I, II and III contracted in previous years remained unfinished thus, the intended purpose/s of the projects remained unrealized.

We have recommended that the Municipal Mayor, being the head of the LGU facilitate the immediate completion of the projects. Management should make an evaluation on the possible reasons of delay in the implementation of the said projects and immediately address the existing conditions which hinder the completion of the projects.

2. The project Installation / Maintenance of Street Lights programmed under the 20% Development Fund was not implemented and ₱967,670.00 was utilized to pay for job orders contrary to DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1 hence, the desired socio-economic development and environmental outcomes were not fully realized.

We have recommended that the Municipal Planning and Development Coordinator and all LGU officials and employees who are responsible for the preparation and implementation/utilization of the 20% Development Fund see to it that the projects programmed are implemented and used only for purposes for which the fund was created.

3. One (1) project under the Bottom-up Budgeting (BuB) Program for 2015 remained unimplemented and three (3) projects were only partially implemented as of December 31, 2017 hence, the desired goals of inclusive growth and poverty reduction at the local level were not fully realized.

We have recommended that the Officials and employees concerned ensure the immediate implementation of these projects in order to achieve the objective of the BuB Program. Otherwise, the idle funds should be returned to the source agency.

4. Infractions on the provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184 were noted in the audit of procurement of goods and infrastructure projects by the local government unit, thereby affecting the validity and propriety of the transactions.

We have recommended that the Technical Working Group and Bids and Awards Committee strictly observe the provisions of R.A. No. 9184 that would specifically address the infractions that were noted in order to ensure the validity and propriety of procurements made by the Municipal Government.

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

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

	Beginning Balance (As of September 30, 2017)	This period October 1 to December 31, 2017		Ending Balance (As of December 31, 2017)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 2,351,192.41	₱ 0.00	₱2,351,192.41	₱ 0.00
Notice of Disallowance	15,750.00	0.00	0.00	15,750.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱2,366,942.41	₱ 0.00	₱2,351,192.41	₱ 15,750.00

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

Of the twelve (12) prior year's recommendations embodied in the 2016 Annual Audit Report, two (2) or 16.66% were fully implemented, five (5) or 41.67% were partially implemented and five (5) or 41.67% were not implemented by the Municipality.