

EXECUTIVE SUMMARY

A. INTRODUCTION

Santo Domingo was discovered because of a fruit. Legend has carried the story of a Spanish soldier, then stationed in Ciudad Fernandina, who was looking for the source of the famous santol fruit that were marketed in Villa Fernandina (now the town of Vigan). This fruit sold on Sundays gained so much popularity in the old town because of its sweetness. According to legend, one Spanish soldier, Pablo Arquero, went in search of the fruit and found his way through the vast forest seven kilometers north of Ciudad Fernandina and came upon a group of Indians near a spring, which was the center of life of that small community. It was here by the spring, known in the vernacular as “pussuac”, that Arquero discovered the source of the famous santol fruit on May 12, 1742. Shortly after, on August 4, a Dominican priest, Fr. Jose Millan, laid the foundation of the town by holding the first mass and laying the base of the present foundation of nine meters and after the church was completed, it was made famous by Diego Silang, the most colorful-lived Ilocano hero, who became a bell ringer of Fr. Millan and later the leader of Ilocano revolt. In his revolt, one of the conditions imposed by Diego Silang for peace was the appointment of Fr. Tomas Millan as the first Gobernadorcillo of the new town, which was then named Santo Domingo. It is obvious that the name was derived from the santol fruit that was sold on Sundays “Santol ti Domingo” in Vigan. Thus, on May 12, 1742, a town by the name SANTOL DOMINGO was born in that section now known as Barangay Pussuac. The name later on was shortened to “STO”, hence the name STO. DOMINGO.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sto. Domingo, 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 those of the preceding year are as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Assets	438,554,304.00	394,194,751.68	44,359,552.32	11.25%
Liabilities	50,956,178.37	68,707,218.73	(17,751,040.36)	(25.84%)
Government				
Equity	387,598,125.63	325,487,532.95	62,110,592.68	19.08%
Income	92,955,395.61	143,336,676.99	(50,381,281.38)	(35.15%)
Expenses	72,429,574.85	62,460,887.87	(9,968,686.98)	15.96%

C. OPERATIONAL HIGHLIGHTS

Total appropriation, allotment and obligation for the year as compared to previous year's data are as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Appropriation	92,950,395.61	162,807,041.31	(69,856,645.70)	(42.91%)
Allotment	92,950,395.61	162,807,041.31	(69,856,645.70)	(42.91%)
Obligation	117,889,928.06	110,681,360.17	7,208,667.89	06.51%

Likewise, the following are some of the projects that were implemented by the Municipality in 2016 and were validated by the Audit Team:

<u>Fund</u>	<u>Name of Project</u>	<u>Contract Amount</u>
I. 20% Development	Concreting of Tourism site located at Sived	1,997,978.25
	Construction of Seawall (Stone Masonry) located at Sived	1,593,565.46
	Construction of Tourism facility	1,497,846.06
II. RA 7171	Farmers Productivity Center	2,997,340.62
	Concreting of Farm to Market Road located at Sitio Ballasiw, Binongan	1,431,853.37
	Concreting of Farm to Market Road located at Sitio Cabaroan, Cabaritan	1,998,777.77
	Procurement of one (1) unit Rice Reaper (Combined Harvester)	999,500.00

III. Bottom-Up Budgeting	Construction of Foot Bridges located at Quimmarayan, Paras, Nambaran and Calautit	2,542,971.51
	Concreting of Core Local Access Road located at Lussoc	1,534,971.71
	Concreting of Core Local Access Road located at Calautit	1,498,944.24

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Sto. Domingo, Ilocos Sur for the year ended December 31, 2017 because dormant receivables presented in the books as Due from NGOs/POs and Loans Receivables-Others totaling to ₱3,296,887.25 remained not written-off despite previous audit recommendations hence, continuously overstating total assets by the same amount thus affecting the fair presentation of the financial statements.

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 following awards and citations for the calendar year 2017:
 - 2nd Runner up, 2017 Regional Outstanding Coastal Community Search
 - BFAR Gawad Pasasalamat para sa pagsulong at pagpapatupad ng mga Programa at Proyekto tungo sa pangmatagalang kaunlaran ng Sektor ng Pangisdaan;
 - 1st Runner Up, Kasiglatan LGU 2017, City-3rd Class LGU Category
 - The 2017 Seal of Good Local Governance
2. The ICO – Municipal Accountant was able to submit the year-end Trial Balances and Financial Statements together with the supporting schedules on due date hence facilitated the timely review and audit thereof.
3. The allocation of one percent (1%) IRA for the Local Councils for the Protection of Children (LCPC) programs was complied by the Municipal Government and it has come up with its own Children's Code.
4. The Municipality has been compliant with following requirements of COA Circular No. 2014-001 dated March 18, 2014: a) The existence of GAD Focal

Point; b) Annual GAD Plan and Budget; c) Annual Gender and Development Accomplishment Reports.

5. The Municipality had efficiently implemented various infrastructure projects for CY 2017. Results of our inspection favorably revealed that all projects as reported in the Municipality's accomplishment report have been completed in accordance with the approved program of work.
6. The Municipality religiously complied with the provisions of RA No. 8291 (GSIS Act of 1997) of deducting from the fixed monthly compensations of the members the applicable membership contributions, loan amortization and other payables, and the regular remittance thereof within the prescribed period.
7. The Municipality complied with its duties and responsibilities as withholding agent of the Bureau of Internal Revenue (BIR) pursuant to Revenue Memorandum Circular No. 23-007 dated March 23, 2007 and BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008.
8. The Municipality has substantially complied with the formulation and implementation of Ecological Solid Waste Management Program in line with the provisions of Republic Act No. 9003 otherwise known as the Ecological Solid Waste Management Act of 2000.
9. The Reports on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF) for January to December, 2017 were submitted within the prescribed time. Also, said reports were all certified by the ICO-Municipal Accountant which is in accordance with COA Circular No. 2012-002 dated September 12, 2012.

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. Specific guidelines on the grant of Aid to Individual in Crisis Situation (AICS) for medical, burial, and for other purposes to indigents and other financial assistance were not clearly defined by the Municipal Government thus, payment thereof may expose government funds to possible misuse.

We have recommended that the Municipality establish specific guidelines in the grant of financial assistance to the indigents. We suggest that said guidelines be patterned on the DSWD Administrative Order No. 5, series of 2008 otherwise known as the Omnibus Guidelines on the Management of DSWD Operated Crisis Intervention Unit as amended by DSWD Administrative Order No. 1 series of 2011.

2. Delays were incurred in the implementation of PRDP Sub-Projects thus benefits thereon were not timely realized and enjoyed.
 - a. There were delays in the implementation of I-REAP projects namely *Corn and Squash Production and Trading Enterprise and Production of Seed Planting Materials for Peanut and Farm Equipment/Implements Services*.
 - b. Delay was likewise incurred in the implementation of the I-BUILD Sub-Project – *Construction of Sto. Domingo Warehouse with Multi-purpose Drying Pavement*. It was observed in the analysis of the Philippine Rural Development Project (PRDP) financial statements that the LGU has not received any funding yet for the said project as of year-end.

We have recommended that the Municipal Government observe the timelines in the implementation of projects to immediately realize the purpose for which these are intended.

3. The Municipality complied with DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017 on the appropriation of 20% Development Fund of P15,085,060.00, registering a utilization rate of 93.53% or P14,109,730.69 in CY 2017. However the attainment of its desired socio-economic development and environmental management outcomes was not fully maximized due to the non-implementation of three (3) projects with appropriations totalling to P780,000.00 during the year.

We have recommended that the Municipal Government should strictly comply with DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017 and ensure the effective and efficient implementation of the proposed projects within the targeted completion period through close monitoring and supervision to maximize the development benefits and the early enjoyment of the benefits thereof by the intended beneficiaries.

The other audit findings 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	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	1,382,000.00	0.00	0.00	1,382,000.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱1,382,000.00	₱ 0.00	₱ 0.00	₱1,382,000.00

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

Of the nine (9) prior year's recommendations embodied in the 2016 Annual Audit Report, seven (7) or 77.78% were fully implemented and two (2) or 22.22% were partially implemented by the Municipality.