

EXECUTIVE SUMMARY

A. INTRODUCTION

Before Magellan re-discovered the Philippines in 1521, the locality was only a small village of little over a hundred natives who were called “Tirongs”. By nature, these primitive inhabitants were sea-fearing warlike. In their fast and picturesque sailboats, they travelled to adjoining and even distant places, most particularly to settlements and villages along the Ilocos Coast in Ilocos Norte, Ilocos Sur, La Union, Pangasinan and even Zambales. In those adventures, the Tirongs always challenged the people encountered to tribal wars and fought small battles against them. Often, those sturdy and brave natives come out victorious. Even in their daily chores, these people showed their ferocious characteristics. When the renowned Iberians came, Salcedo was sent to explore and colonize the Ilocos Territory during the early years of the Spanish regime, he found the Tirongs of Sinait already in apogee of the social estate. Small battles were daily occurrences so that in the year 1535, when the locality was organized and established as a “Pueblo”, Salcedo named the new community as “SIN-NAIT”, a word in the local tongue which means “CONTES”. As a pueblo, Sinait embraced and included in its territorial limit such as distant places as “RANCHERA DE PAUR”, NOW THE municipality of Nueva Era in Ilocos Norte and southern barrios of Badoc of the same province. The vast territory, however, was reduced to the present 78 square kilometers. In the year 1575, the natives fully realized the hardships of pronouncing the term “SIN-NAIT” and to go away with the trouble, Salcedo declared that one of the “N” be dropped. Since then, this Municipality has been called “SINAIT”. It was only in 1913 when the same was “deeded” by the government upon the initiative of the late Don Calixto Cabacungan, that the Municipal Council enacted a resolution of the effect, that Sinait was adopted as the official name of the community, which said resolution was duly approved by the Provincial Board of Ilocos Sur and by the defunct Philippine Legislature.

The Municipality of Sinait is a component town of the Province of Ilocos Sur and is subdivided into forty four (44) barangays. There are four (4) barangays within the town proper (Poblacion), eight (8) shoreline barangays and the other thirty two (32) barangays are either classified as lowland or upland.

The Municipal Government has a total of one hundred thirty nine (139) personnel as of December 31, 2016 composed of 11 elected officials, 1 co-terminus, 80 permanent, 46 job orders and 1 consultant.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sinait, Ilocos Sur for calendar year (CY) 2016. The 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 consisted of review of

operating procedures; inspection and validation of the programs and projects; interview with concerned Municipal officials and employees; verification, reconciliation and analysis of accounts; and such other procedures deemed necessary under the circumstances. Furthermore, the audit thrusts provided in CY 2016 by the Local Government Sector-Central Office were adopted.

B. FINANCIAL HIGHLIGHTS

Comparative financial highlights of the Municipality for the CY 2016 and 2015 are as follows:

Accounts	2016	2015	Increase/ (Decrease)	% of Increase / (Decrease)
▪ Assets	625,528,116.50	377,569,691.59	247,958,424.91	66%
▪ Liabilities	79,850,211.80	59,284,704.12	20,565,507.68	35%
▪ Government Equity	545,677,904.70	318,284,987.47	227,392,917.23	71%

Sources of Funds	2016	2015	Increase/ (Decrease)	% of Increase / (Decrease)
▪ Local Sources	16,782,641.74	14,604,525.00	2,178,116.74	15%
▪ External Sources	292,738,516.64	156,609,724.47	136,128,792.17	87%
Total Income	309,521,158.38	171,214,249.47	138,306,908.91	81%

Application of Funds	2016	2015	Increase/ (Decrease)	% of Increase/ (Decrease)
▪ Personal Services	40,258,492.63	37,122,118.77	3,136,373.86	8%
▪ MOOE	41,828,951.52	32,746,785.24	9,082,166.28	28%
Total Expenses	82,087,444.15	69,868,904.01	12,218,540.14	17%

C. OPERATIONAL HIGHLIGHTS

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

	2016	2015	Increase/ (Decrease)	% of Increase/ (Decrease)
Appropriation	361,650,027.52	169,302,926.28	192,347,101.24	114%
Allotment	361,650,027.52	169,302,926.28	192,347,101.24	114%
Obligation	120,843,871.09	133,236,812.10	(12,392,941.01)	(9%)

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 of the following:

1. There was no physical count and inventory of municipal properties conducted during the year, hence, the existence of the recorded properties in the books under the Property, Plant and Equipment (PPE) accounts, and the reliability, accuracy and correctness of their balances as reflected in the Financial Statements amounting to P298,838,198.92 as of December 31, 2016 could not be ascertained.
2. The Municipality was not able to record back at least 25% of the previous years' Public Infrastructure Projects in the books of accounts due to incomplete Registry of Public Infrastructures, thereby rendering uncertainty on the fair presentation of the financial statements.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Favorable Observations

1. The municipality was able to withhold taxes pertaining to income of officials and employees, payment to suppliers and contractors, and value-added taxes for the calendar year 2016 on a regular basis and remit them promptly and regularly to the Bureau of Internal Revenue (BIR) in compliance with the Revenue Regulation No. 2-98 dated April 17, 1998, thus the national government was benefited on the immediate use of the much needed fund.
2. The municipality was able to appropriate by attribution 1% of IRA for the strengthening and implementation of the programs of the Local Council for Protection of Children. (LCPC).

B. Areas For Improvement

1. Several parcels of land with a total area of 17,433 square meters purchased by the municipality for the past years were not yet covered with Torrens

Title/Transfer Certificate of Titles (TCTs) as required under Section 39(2) of the Presidential Decree 1445 and Section 449 of the Government Accounting and Auditing Manual (GAAM), Volume I, thus, affecting the agency's claim of ownership over the said parcels of land.

We have recommended that the Municipal Mayor instruct the Municipal Assessor to transfer the registration of these parcels of land in the name of the municipality and cause the titling of the same.

2. The bank reconciliation statements of the three (3) bank accounts of the Municipality where the general fund, special education fund and trust fund are maintained, showed unaccounted balances amounting to P713,339.69, P161,280.94, and P1,113,176.42, respectively, which indicate a possible misstatement of the Cash & Cash Equivalent Account in the Financial Statements.

We have recommended that the Municipal Accountant continuously prepare BRS for all the accounts of the Municipality in compliance with the abovementioned provision to prevent accumulation of unaccounted balances. Meanwhile, we urge him to itemize or determine, if possible, the unreconciled figures to establish, if any, necessary adjustments and proper accountability more specifically on the noted negative variances.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS AT YEAREND

	Beg. Balance (As of December 31, 2015)	This period (CY 2016) January 1 to December 31, 2016		Ending Balance (As of December 31, 2016)
		NS/ND/NC	NSSDC	
• Notice of Suspension (NS)	P -	P -	P -	P -
• Notice of Disallowance (ND)	2,808,781.46	-	-	2,808,781.46
• Notice of Charge (NC)	-	-	-	-
Total	P 2,808,781.46	P -	P -	P 2,808,781.46

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

Of the 10 audit recommendations contained in the CY 2015 Annual Audit Report, four or 40% were fully implemented, two or 20% was partially implemented, and four or 40% were not implemented by the municipal government.