

EXECUTIVE SUMMARY

A. INTRODUCTION

Situated in the southern part of the Province of Ilocos Sur, at the foot of the Cordillera Mountain, the Municipality of Salcedo lies at approximately 120° 34' longitude and 17° 08' latitude. It is bounded on the North by the City of Candon and the Municipality of Galimuyod; on the South by the Municipalities of Sta. Cruz and Sigay; on the North East by the Municipality of San Emilio; on the East by the mountain ranges of the Municipality of Gregorio del Pilar; and on the West by the Municipality of Sta. Lucia.

The LGU is envisioned as a peaceful, ecologically balanced, fruit basket of the upland, home of God-loving united and empowered citizenry, governed by morally upright leaders in an atmosphere of social justice. To attain this vision, the LGU is committed to increase agricultural production through the introduction of modern technologies and facilities, respond through supportive legislation for effective governance, intensify job generation for economic upliftment, build alliance through networking with NGAs, NGOs and COs, preserve and conserve natural resources through strict implementation of environmental laws, promote quality social services through improved accessibility to health, social welfare, education and security.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Salcedo, Ilocos Sur for 2019. Our audit was aimed at determining whether the financial statements were presented in accordance with International 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 thrust issued by the Local Government Sector for CY 2019. The audit consisted of the review of operating procedures, inspection of municipal projects and programs, interview with officials and employees, verification and analysis of accounts and such other procedures considered necessary.

B. FINANCIAL HIGHLIGHTS

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

	2019	2018	Increase (Decrease)	Percentage (%)
Assets	1,047,013,041.90	1,028,583,506.64	18,429,535.26	1.79%
Liabilities	144,531,212.48	153,060,233.53	(8,529,021.05)	(5.57%)
Government Equity	902,481,829.42	875,523,273.11	26,958,556.31	3.08%
Income	107,451,712.83	592,430,943.03	(484,979,230.20)	(81.86%)
Expenses	80,493,156.52	92,396,313.34	(11,903,156.82)	(12.88%)

C. OPERATIONAL HIGHLIGHTS

The total appropriations, allotments and obligations for the current and previous year are shown below:

	2019	2018	Increase (Decrease)	Percentage (%)
Appropriations	631,633,480.60	689,437,762.63	(57,804,282.03)	(8.38%)
Allotments	631,633,480.60	689,437,762.63	(57,804,282.03)	(8.38%)
Obligations	136,546,722.39	138,020,700.97	(1,473,978.58)	(1.07%)

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the presentation of the financial statements due to the non-recognition of unbilled accomplishments for the five (5) completed and nineteen (19) on-going projects of the municipality as at December 31, 2019 totaling P25,365,113.09, understating both the ledger balances of the Construction In Progress-Infrastructure Assets and Accounts Payable by the same amount, which constitutes departure from International Public Sector Accounting Standard (IPSAS) No. 1.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Favorable observation was noted as regards the agency's tax compliance. A total amount of P11,328,901.84 withholding taxes was remitted to the Bureau of Internal Revenue (BIR) relative to the procurements of goods, services and infrastructure projects, and payments of employees' salaries and benefits. This had helped the National Government in the provision of necessary cash requirements for its priority programs, projects and activities which are beneficial to the public.

Summarized below are other significant audit observations and recommendations which were discussed with Management during the exit conference.

1. Unbilled accomplishments for the five (5) completed and nineteen (19) on-going projects of the municipality as at December 31, 2019 totaling P25,365,113.09 were not taken up in the books of accounts, contrary to the provisions of International Public Sector Accounting Standard (IPSAS) No. 1 and Section 119 of Presidential Decree (PD) No. 1445, understating both the ledger balances of the Construction In Progress-Infrastructure Assets and Accounts Payable by the same amount.

We recommended that the Local Chief Executive:

- a.) Instruct the Engineering Office to provide the Municipal Budget Officer with copies of the Statement of Work Accomplished (SWA)

of the above-mentioned on-going and completed projects as basis for the recording of obligations; and

- b.) Instruct the Municipal Accountant to cause the preparation of necessary journal entry to correct the understatement of Construction In Progress-Infrastructure Assets and Accounts Payable by P25,365,113.09.
2. The completion of the construction of FMR Bridge along Buaya River – Phase I with a contract amount of P49,950,000.00 was delayed for two hundred-three (203) days, inconsistent with Section 2 of Presidential Decree (PD) No. 1445, depriving the farmers with benefits that could have been derived from its immediate usage.

We recommended that Management adopt the following calibrated actions in response to delays in the implementation of infrastructure projects pursuant to Item 4.2 of the Government Procurement and Policy Board Circular 03-2019 dated March 8, 2019:

- 1.) Give warning to the contractor and be required to
 - a.) submit a detailed “catch-up” program every two weeks;
 - b.) accelerate work and identify specific physical targets to be accomplished over a definite period of time; and
 - c.) provide additional input resources such as money, manpower, materials, equipment, and management, which shall be mobilized for this action.
 - 2.) Exercise closer supervision and meet the contractor every other week to evaluate the progress of work and resolve any problems and bottlenecks.
3. Shares from tobacco excise tax amounting to P14,984,638.70 were intended for projects other than those specified under Section 2 of Republic No. 7171, hence, the objectives for the release of said funds were not fully attained.

We recommended that Management:

- a.) prioritize the implementation of projects which are aligned to the allowable usages of shares from tobacco excise tax as provided under Section 2 of Republic Act No. 7171; and
- b.) refrain from funding projects which do not provide developmental impact to tobacco farmers or the industry to the effect that subsequent construction of school building shall be charged against the appropriation for capital outlay under Special Education Fund.

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

	Beg. Bal. as of Dec. 31, 2018	This Period Jan. 1 – Dec. 31, 2019		End. Bal. as of Dec. 31, 2019
		NS/ND/NC	NSSDC	
Notice of Suspensions	P 7,466,173.52	P 11,568,694.96	P 19,034,868.48	-
Notice of Disallowances	-	-	-	-
Notice of Charges	-	-	-	-
Total	<u>P 7,466,173.52</u>	<u>P 11,568,694.96</u>	<u>P 19,034,868.48</u>	<u>=</u>

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

Of the twelve (12) audit recommendations embodied in the 2018 Annual Audit Report, four (4) were fully implemented, four (4) were partially implemented and four (4) were not implemented by the municipal government.