

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 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 2019. Our audit was aimed at determining whether 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 thrusts issued by the Local Government Sector for CY 2019. 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 2019 compared with that of the preceding year are as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Assets	447,855,190.39	376,931,556.71	70,923,633.68	18.82%
Liabilities	46,865,232.13	35,218,166.76	11,647,065.37	33.07%
Government				
Equity	400,989,958.26	341,713,389.95	59,276,568.31	17.35%
Income	107,034,022.78	170,200,093.37	(63,166,070.59)	37.11%
Expenses	57,915,645.25	48,744,954.07	9,170,691.18	18.81%

C. OPERATIONAL HIGHLIGHTS

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

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Appropriations	220,207,059.59	174,819,610.99	45,387,448.60	25.96%
Allotments	220,207,059.59	174,819,610.99	45,387,448.60	25.96%
Obligations	140,729,416.86	81,532,376.70	59,197,040.16	72.61%

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. The submitted Report of Physical Count of Property, Plant and Equipment (RPCPPE) amounting to P 211,306,517.31 did not tally with the Property, Plant and Equipment (PPE) as appearing in the Financial Statements in the amount of P 353,965,083.74 or a discrepancy of P 142,658,566.43, which was not in accordance with Section 114 Volume I of the Manual on New Government Accounting System (MNGAS) for Local Government Units (LGUs) thus, accuracy and fair presentation of the PPE accounts were not ascertained.
2. Proper procedures for the demolition of three buildings with historical value of P4,035,940.30 were not undertaken, contrary to Section 79 of Presidential Decree 1445 and Section 125, Chapter 7 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), resulting in the lack of transparency in the final disposal and overstatement of the account balance for Buildings by reason of the absence of documentary basis for derecognition.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For calendar year 2019, the following are the favorable observations that were noted:

1. The Municipality is a recipient of the Seal of Good Local Governance.
2. 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 were included in the report, where appropriate.

1. Some projects covered by fund transfers from National Government Agencies (NGAs) amounting to P 16,621,307.75 were not implemented, thus the benefits that the constituents could derive therefrom were not achieved. Further, funds amounting to P 405,558.84 were not yet returned and liquidated to the respective NGAs, thus the municipality was not yet fully cleared from related accountability. The foregoing were not in accordance with Commission on Audit (COA) Circular 94-013 dated December 13, 1994.

We recommended that:

- a. Management revisit the related documents/implementing guidelines for the programs funded by National Agencies and properly implement these so that the desired purpose will be achieved;
 - b. Management ensure that funds from National Agencies be liquidated and unexpended balances be returned to source agencies to release the Municipal Government from the corresponding accountability; and
 - c. The Municipal Accountant disclose in the Notes to the Financial Statements the balance of Due to NGAs that have been implemented but not yet fully paid in order for readers and users be informed of the status of implementation of projects funded by national agencies.
2. Provisions in the Notice to Proceed and Special Conditions of the Contract were not in accordance with the 2016 Revised Implementing Rules and Regulations of Republic Act 9184, resulting in the delay in the completion of the projects.

We recommended that the BAC update the contents of the form for Notice to Proceed in order that it will be in accordance with the provision of the RA 9184 stating that the contract is effective at the time of receipt of the contractor of such notice. This is to avoid confusion on the part of the contractor as to when to start and complete the project to avoid incurrance of delay. Likewise, liquidated damages should be collected from the contractors which incurred delays that were within their control.

3. Contract of the municipal government with the IT Service Provider did not undergo public bidding, which was not in accordance with Republic Act 9184 thus, transparency, accountability, equity, efficiency and economy in procurement process was not attained.

We recommended that the municipality adhere to the provisions of RA 9184 in all its procurement and make sure that the proper mode of procurement is selected in order to attain transparency, accountability, equity, efficiency and economy in procurement process.

4. The municipality was not able to implement ten (10) programs/activities amounting to P 115,000 under the GAD Plan, which was not in accordance with the Joint Memorandum Circular (JMC) of Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) No. 2013 – 01, thus defeating the intent of the initiatives to pursue women’s empowerment and gender equality.

We recommended that the Municipal Officials, especially the GAD Focal Person, maximize the utilization of the GAD funds through the implementation of GAD related programs and projects in order to attain the objectives for which the funds were appropriated. Likewise, when planning for the programs to be implemented, it is recommended that Management consider all the budgetary requirements in order that what were planned will be actually implemented.

5. The Municipal Government was not able to comply with the provisions of Republic Act 9003, otherwise known as Ecological Solid Waste Management Act of 2000, resulting in the non-realization of the state’s policy of adopting a systematic, comprehensive and ecological solid waste management program.

In order to comply with the provisions of RA 9003 and achieve the state’s policy that is to adopt a systematic, comprehensive and ecological solid waste management program we recommended that:

- a. The Municipal Mayor request the Barangay Officials to allocate from their budget for the establishment, operation and maintenance of MRF in each barangay. It is also recommended that he request the Municipal Budget Officer to facilitate the allocation of funds in subsequent budget proposals for the full operation of the municipal MRF;
- b. The MENRO facilitate the revision of the 10-year SWMP, submit to the EMB for approval and immediately commence implementation of such plans when approved;
- c. All municipal employees act jointly such that the proposed sanitary landfill meet and pass the mandatory requirements. If this will be attained, the municipality will already have its own sanitary landfill and contract with other LGUs for waste disposal will no longer be necessary, thus, cost for garbage disposal is expected to decrease.

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 December 31, 2018)	This period January 1 to December 31, 2019		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 112,743.67	₱ 112,743.67	₱ 0.00
Notice of Disallowance	00.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 00.00	₱ 112,743.67	₱ 112,743.67	₱ 0.00

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

Of the eight (8) prior year's recommendations embodied in the 2018 Annual Audit Report, six (6) or 75% were fully implemented, one (1) or 12.5% was partially implemented and one (1) or 12.5% was not implemented by the Municipality.