

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Municipality of San Vicente is one of the smallest towns of Ilocos Sur with only seven barangays. It is located along the coastal shores of the province near the China Sea. It is about three (3) kilometers from the capital of the province separated only at the southwestern side by one of the outlets of Abra River to the China Sea. It is bounded on the east by the municipalities of Bantay and San Ildefonso; on the South by the Municipality of Sto. Domingo and San Ildefonso and on the west by the China Sea.

A comprehensive audit was conducted on the accounts and operations of the Municipality of San Vicente, 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<br/>(Decrease)</u> | <u>Percentage</u> |
|----------------------|---------------|---------------|--------------------------------|-------------------|
| Assets               | 81,919,135.92 | 78,228,093.47 | 3,691,042.45                   | 4.72%             |
| Liabilities          | 20,040,415.01 | 19,601,459.32 | 438,955.69                     | 2.24%             |
| Government<br>Equity | 61,878,720.91 | 58,626,634.15 | 3,252,086.76                   | 5.55%             |
| Income               | 53,139,487.10 | 83,006,500.76 | (29,867,013.66)                | (35.98%)          |
| Expenses             | 44,221,402.39 | 40,470,508.42 | 3,750,893.97                   | 9.27%             |

### C. OPERATIONAL HIGHLIGHTS

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

|               | <u>2017</u>   | <u>2016</u>   | <u>Increase<br/>(Decrease)</u> | <u>Percentage</u> |
|---------------|---------------|---------------|--------------------------------|-------------------|
| Appropriation | 52,329,307.00 | 47,691,108.00 | 4,638,199.00                   | 9.73%             |
| Allotment     | 52,329,307.00 | 47,691,108.00 | 4,638,199.00                   | 9.73%             |
| Obligation    | 42,145,323.58 | 38,923,968.59 | 3,221,354.99                   | 8.28%             |

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<br/>Amount</u> |
|--|--------------------------------------|----------------------------|
| Assistance to Disadvantaged Municipalities | Construction of Core Local Road      | ₱14,429,077.28             |
| Local Government Support Fund              | Rehabilitation of Rural Health Unit  | 999,176.80                 |
| Development Fund                           | Construction of Farm to Market Roads | 998,554.15                 |

### 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 Inventory Committee was not able to conduct complete inventory taking of the Property, Plant and Equipment (PPE) for the year 2017 and no public infrastructures were transferred in the books during the year hence, there is risk that the total PPE amounting to ₱67,258,133.11 as appearing in the financial statements is misstated; 2) Monthly Bank Reconciliation Statements (BRS) were not prepared and submitted to the Auditor for review or verification contrary to COA Circular No. 96-011 thus, there is a risk that the total Cash in Bank balance of ₱20,502,077.63 as of December 31, 2017 is misstated; 3) Cash advances that were granted to an Official of the Municipality and to the Municipal Treasurer totaling to ₱105,000.00 and ₱215,800.00, respectively remained unliquidated and were erroneously recorded in the books thus exposing such cash advances to the risk of misappropriation and affecting the fairness of financial statement presentation; and 4) The unexpended balances of the Quick Response Fund (QRF) and the DRRMF-MOOE for the years 2016 and 2017 were not transferred to Trust Fund thus, misstating the Transfers of Unspent Current Year DRRM Funds to the Trust Funds, Trust Liability-DRRMF and Government Equity accounts by ₱1,540,927.12.

## **F. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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

1. The Municipal Government was able to overshoot its target revenues from local sources for the calendar year 2017 of ₱3,983,000.00 by ₱1,060,150.10 or 26.62%.
2. The Municipality is a recipient of the following awards and recognitions:
  - Seal of Good Local Governance;
  - Red Orchid Awardee; and
  - Certificate of Drug-Cleared Municipality.
3. The required GSIS, PhilHealth and Pag-Ibig 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. Several 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 Municipal Accountant, 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.

2. The propriety of expenditures that were made against the 20% Development Fund was not fully ascertained because function/program/project (FPP) codes were not indicated in the Obligation Requests hence we were not able to determine the actual transactions that were charged against the fund.

We have recommended that the Municipal Budget Officer provide all the details needed in the Obligation Requests to allow us to fully evaluate the charges that were made against the Development Fund.

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

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

|                        | Beginning Balance<br>(As of September 30,<br>2017) | This period<br>October 1 – December 31, 2017<br>(See B Below) |               | Ending Balance<br>(As of December,<br>2017) |
|------------------------|--|---|---------------|---|
|                        |  | NS/ND/NC  | NSSDC         |   |
| Notice of Suspension   | ₱ 47,175,695.07                                    | ₱ 0.00  | ₱ 0.00        | ₱ 47,175,695.07                             |
| Notice of Disallowance | 285,000.00   | 0.00  | 0.00          | 285,000.00                                  |
| Notice of Charge       | 0.00   | 0.00  | 0.00          | 0.00  |
| <b>Total</b>           | <b>₱ 47,460,695.07</b>                             | <b>₱ 0.00</b>   | <b>₱ 0.00</b> | <b>₱ 47,460,695.07</b>                      |

**H. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 16 prior year's recommendations embodied in the 2016 Annual Audit Report, three (3) or 18.75% were fully implemented, two (2) or 12.50% were partially implemented and eleven (11) or 68.75% were not implemented by the Municipality.