

EXECUTIVE SUMMARY

A. INTRODUCTION

Santa is one of the coastal towns of the Province of Ilocos Sur, bordering the municipalities of Bantay in the north, Vigan and Caoayan in the west, and Narvacan in the south. Through the Manila North Road, it is about 21 kilometers to the heart of Vigan and 12 kilometers to Narvacan.

The history of Santa dates back in its old, first town hall site, now known as Barangay Nagpanaoan, for which the accounts of this town are as thrilling as any other in the whole archipelago. Oftentimes, numerous old people in the province speak of the glory and grandeur of the old Santa, causing unspeakable lamentation and sorrow to the younger generation of the municipality.

Old Santa was one of the oldest settlements founded by the Spaniards in the Province of Ilocos Sur sometime in 1574. Since then, the town hall has been transferred three times due to dreadful erosion. This town was once a fertile valley and noted of its abundant agricultural products. For its large tracts of agricultural lands, the most popular products are sugar, sugar wine and indigo. In fact, the first sugar central or machinery of Ilocos Sur was established in this town. Numerous concreted bud indigo (amel) manufacturing containers (baldi) were established in different strategic sites in different barangays of the town.

The Honorable Mayor Jesus B. Bueno, Jr. continued the management of the local affairs of the Municipality of Santa. He is assisted by the Honorable Vice-Mayor Jeremy Jesus DP. Bueno III with eight Sangguniang Bayan Members and supported by 71 personnel.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Santa, Ilocos Sur for 2019. The audit aimed to determine 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 consisted of review of operating procedures, inspection and validation of programs and projects, interview of concerned municipal officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary under the circumstances.

B. FINANCIAL HIGHLIGHTS

The total assets, liabilities, government equity, income and expenses for the year as compared with the previous year are shown below:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Assets	378,867,830.51	377,544,733.71	1,323,096.80	.35%
Liabilities	29,274,441.51	44,620,334.85	(15,345,893.34)	(34.39%)
Government Equity	349,593,389.00	332,924,398.86	16,668,990.14	5.01%
Income	81,933,448.48	167,927,640.79	(85,994,192.31)	(51.21%)
Expenses	77,002,090.30	70,314,911.11	6,687,179.19	9.51%

C. OPERATIONAL HIGHLIGHTS

The total appropriation, allotment and obligation 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>
Appropriation	111,560,152.12	165,823,255.96	54,263,103.84	(32.72%)
Allotment	111,560,152.12	165,823,255.96	54,263,103.84	(32.72%)
Obligation	90,550,281.38	135,383,330.60	75,166,950.78	(55.52%)

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the presentation of the financial statements because the balances of the Property, Plant and Equipment (PPE) as appearing in the Financial Statements and Report of Physical Count of Property, Plant and Equipment (RPCPPE) showed an unreconciled book value difference of P251,040,409.19, casting doubt on the accuracy and fair presentation of the PPE account balances. The inadequacy of records did not allow us to apply adequate alternative procedures to determine the accuracy of the accounts.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For Calendar Year 2019, a favorable observation was noted:

1. The Municipality of Santa, Ilocos Sur was a recipient of the 2019 Seal of Good Local Governance in recognition of its effort in advancing the principles of accountability and transparency in local governance.

For the calendar year 2019, the municipal government was awarded the Seal of Good Local Governance from the Department of Interior and Local Government. In recognition of such achievement, they will be receiving Cash Award amounting to P2,200,000.00.

Hereunder are the other significant audit observations and the corresponding recommendations which were discussed with management through the issuance of Audit Observation Memorandum.

1. Disbursements funded under the 20% Development Fund (DF) included expenditure items in the aggregate amount P5,570,491.54 not among those allowed to be charged against the fund which was not in accordance with Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular No. 2017-01 dated February 22, 2017, undermining the attainment of desirable socio-economic development and environmental management outcomes.

We recommended that management ensure that the 20% Development Fund be optimally utilized to help achieve the desirable socio-economic developments and environmental outcomes of the LGU through strict adherence with updated guidelines. Based on the foregoing, the fund should not be used for any purpose beyond those expressly prescribed under the DILG-DBM Joint Memorandum Circular No. 2017-01 dated February 22, 2017. It is worth mentioning that the utilization of the 20% DF, whether willfully or through negligence, for any purpose other than those expressly prescribed by law or public policy shall be subjected to the sanctions provided under RA No. 7160 and other applicable laws.

2. The savings from the unexpended balances of the salary and other personnel benefits of the Municipal Agriculture Officer (MAO) under Personal Services (PS) amounting to P403,386.10 was appropriated for Donations and Gasoline Expense under Maintenance and Other Operating Expenses (MOOE) through Supplemental Budget which was not in accordance with Sections 321 and 336 of the Local Government Code, rendering the validity of the authorization and utilization questionable.

We recommended that Management adhere strictly with the provisions of the Local Government Code on the use of savings as a fund source for a supplemental budget under Section 321 of R.A. No. 7160 and the use of savings for augmentation under

Section 336 of R.A. No. 7160. Also, management must refrain from realigning savings from one expense class and utilizing the same for another expense class.

3. The Fund Transfers to various Non-Government Organizations/ People's Organizations (NGOs/POs) totalling to P7,759,220.30 remained unliquidated as of December 31, 2019, thus increasing the risk to recover government funds which was not in accordance with Section 2 of PD 1445.

We recommended that Municipal Government send notices to enforce submission of liquidation reports and require the NGOs/POs to refund any unutilized amount to recover government funds and ensure that loss or wastage of government funds be prevented as provided in Section 2 of PD 1445.

4. Information and Publicity on Programs/Projects/Activities of the municipality was not considered in the implementation of Infrastructure Project through the provision of Project Billboard in the preparation of Approved Budget for the Contract (ABC) and in the formulation of Program of Work (POW) as one of the pay items which was not in accordance with Items 2.2.1 and 2.2.3 of Commission on Audit (COA) Circular 2013-004 dated January 30, 2013, thus depriving the public of their right to essential information of the Programs/Projects/Activities of the Local Government Unit (LGU).

We recommended that management consider the inclusion of Project Billboard in the preparation of Approved Budget for the Contract (ABC) and Program of Work (POW) as one of the pay items and require the winning bidders to display the tarpaulin signboards on the project sites to inform the public of the essential features/elements of the PPAs.

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

	Beg. Balance (As of Jan. 1, 2019)	This period Jan. 1 to Dec. 31, 2019		Ending Balance (As of Dec. 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 903,689.25	P16,575,639.38	P13,625,025.22	P 3,854,303.41
Notice of Disallowance	325,000.00	6,910.00	480.00	331,430.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	P1,228,689.25	P16,582,549.38	P13,625,505.22	P4,185,733.41

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

Of the twenty five audit recommendations contained in the CY 2018 Annual Audit Report, eight or 32.00% were fully implemented (FI), seven or 28.00% were partially implemented (PI), and ten or 40.00% were not implemented (NI).