

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Sigay was originally part of Mountain Province and Sub-Province of Amburayan. Later the small town was separated from Montañosa and became the Province of Ilocos Sur. The Municipality of Sigay is a 5th class Municipality and has a total land area of 80.28 sq. km. comprising seven barangays: Mabileg, Poblacion, San Ramon, San Elias, Abaccan, Matallucod and Sto. Rosario. These barangays are connected by one road that makes accessibility better. It is currently under the leadership and administration of Hon. Mayor Carlo Crisanto P. Peredo.

Sigay is situated as one among the farthest Municipality of Ilocos Sur. The boundaries of which are the Municipality of Gregorio del Pilar on the North; South by the Municipalities of Suyo and Alilem; West by Salcedo town; and East by the towns of Quirino and Cervantes. Sigay can be reached through strong geared vehicles traversing more than eight kilometers of rugged roads passing stony rivers and muddy slippery roads, part were concreted. Residents adopt themselves in negotiating distance by foot when rivers swell through the rains. The people of Sigay remain isolated in the mountains because the place has no public market. So the principal programs/projects/activities of the town were the widening and concreting of roads for the access of services and facilities.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sigay, 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	670,085,288.32	670,762,775.51	(677,487.19)	(0.10%)
Liabilities	36,375,713.02	43,629,509.36	(7,253,796.34)	(16.63%)
Government Equity	633,709,575.30	627,133,266.15	6,576,309.15	1.05%
Income	55,290,830.59	377,186,882.03	(321,896,051.44)	(85.34%)
Expenses	48,712,521.44	47,284,250.15	1,428,271.29	3.02%

C. OPERATIONAL HIGHLIGHTS

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

	2019	2018	Increase (Decrease)	Percentage (%)
Appropriations	408,109,790.67	130,808,882.99	277,300,907.68	211.99%
Allotments	408,109,790.67	130,808,882.99	277,300,907.68	211.99%
Obligations	138,484,394.67	100,728,074.04	37,756,320.63	37.48%

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 nine (9) completed and eleven (11) on-going projects of the municipality as at December 31, 2019 totaling P20,303,982.69, understating the ledger balances of the Construction In Progress-Infrastructure Assets, Construction In Progress-Buildings and Other Structures and Accounts Payable by P15,991,001.49, P4,312,981.20 and P20,303,982.69, respectively, which constitutes departure from International Public Sector Accounting Standard (IPSAS) No. 1. Likewise, the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) was not reconciled with the ledger balances resulting in unreliable balances of the Property, Plant and Equipment accounts totaling P85,243,594.40.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Favorable observation was noted as regards the agency's tax compliance. A total amount of P8,538,851.19 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. The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) was not reconciled with the ledger balances, contrary to the provisions of Section 58 of Presidential Decree (PD) No. 1445, resulting in unreliable balances of the Property, Plant and Equipment accounts totaling P85,243,594.40.

We recommended that Management exert its best efforts to cause the reconciliation of the balances of the PPE accounts in the ledgers with that of the RPCPPE as basis for the preparation of the adjusting journal entry, if necessary, to reflect the correct balances.

2. Unbilled accomplishments for nine (9) completed and eleven (11) on-going projects of the municipality as at December 31, 2019 totaling P20,303,982.69 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 the ledger balances of the Construction In Progress-Infrastructure Assets, Construction In Progress-Buildings and Other Structures and Accounts Payable by P15,991,001.49, P4,312,981.20 and P20,303,982.69, respectively.

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 understatements of Construction In Progress-Infrastructure Assets, Construction In Progress-Buildings and Other Structures and Accounts Payable by P15,991,001.49, P4,312,981.20 and P20,303,982.69, respectively.
3. Shares from tobacco excise tax amounting to P5,456,520.25 were spent for projects other than those specified under Section 2 of Republic No. 7171, hence, the objectives for the release of said fund 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

	Beginning Bal. as of Dec. 31, 2018	This Period January 1 – December 31, 2019		Ending Bal. as of Dec. 31, 2019
		NS/ND/NC	NSSDC	
Notice of Suspensions	34,703,321.16	8,613,376.70	43,129,167.86	187,530.00
Notice of Disallowances	202,000.00	-	202,000.00	-
Notice of Charges	-	-	-	-
Total	34,905,321.16	8,613,376.70	43,331,167.86	187,530.00

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

Of the 11 audit recommendations embodied in the 2018 Annual Audit Report, four (4) or 36.36% were fully implemented and five (5) or 45.45% were partially implemented and two (2) or 18.18% were not implemented by the municipal government.