

EXECUTIVE SUMMARY

A. INTRODUCTION

Before Magellan re-discovered the Philippines in 1521, the locality was only a small village of little over a hundred natives who were called “Tirongs”. By nature, these primitive inhabitants were sea-fearing warlike. In their fast and picturesque sailboats, they travelled to adjoining and even distant places, most particularly to settlements and villages along the Ilocos Coast in Ilocos Norte, Ilocos Sur, La Union, Pangasinan and even Zambales. In those adventures, the Tirongs always challenged the people encountered to tribal wars and fought small battles against them. Often, those sturdy and brave natives come out victorious. Even in their daily chores, these people showed their ferocious characteristics. When the renowned Iberians came, Salcedo was sent to explore and colonize the Ilocos Territory during the early years of the Spanish regime, he found the Tirongs of Sinait already in apogee of the social estate. Small battles were daily occurrences so that in the year 1535, when the locality was organized and established as a “ Pueblo”, Salcedo named the new community as “**SIN-NAIT**”, a word in the local tongue which means “**CONTES**”. As a pueblo, Sinait embraced and included in its territorial limit such as distant places as “**RANCHERA DE PAUR**”, now the municipality of Nueva Era in Ilocos Norte and southern barrios of Badoc of the same province. The vast territory, however, was reduced to the present 78 square kilometers. In the year 1575, the natives fully realized the hardships of pronouncing the term “**SIN-NAIT**” and to go away with the trouble, Salcedo declared that one of the “**N**” be dropped. Since then, this Municipality has been called “**SINAIT**”. Nevertheless, it was only in 1913 when the same was “deeded” by the government upon the initiative of the late Don Calixto Cabacungan, that the Municipal Council enacted a resolution of the effect, that Sinait was adopted as the official name of the community which said resolution was duly approved by the Provincial Board of Ilocos Sur and by the defunct Philippine Legislature.

The Municipality of Sinait is a component town of the Province of Ilocos Sur and is subdivided into forty four (44) barangays. There are four (4) barangays within the town proper (Poblacion), eight (8) shoreline barangays and the other thirty two (32) barangays are either classified as lowland or upland.

The Municipality of Sinait has a total personnel complement of one hundred sixty two (162) as of December 31, 2019 composed of 12 elected officials, 1 co-terminus, 79 permanent and 70 job orders.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sinait, Ilocos Sur for calendar year 2019. Our audit was aimed at determining whether the financial statements were presented in accordance with International Public Sector Accounting Standards (IPSASs), 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 projects and programs; interview with concerned officials and employees; verification 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:

	2019	2018	Increase (Decrease)	Percentage
Assets	1,325,789,702.03	1,108,223,232.38	217,566,469.65	19.63%
Liabilities	79,431,969.59	99,291,891.19	(19,859,921.60)	(20%)
Gov't. Equity	1,246,357,732.44	1,008,931,341.19	237,426,391.25	23.53%
Income	371,775,202.59	528,979,099.06	(157,203,896.47)	(29.72%)
Expenses	134,882,481.43	107,133,415.04	27,749,066.39	25.90%

C. OPERATIONAL HIGHLIGHTS

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

	2019	2018	Increase (Decrease)	Percentage
Appropriation	556,434,317.84	666,333,400.13	(109,899,082.29)	(16.49%)
Allotment	556,434,317.84	666,333,400.13	(109,899,082.29)	(16.49%)
Obligation	263,912,585.46	210,805,189.95	53,107,395.51	25.93%

The following are some of the major programs/projects of the Municipality of Sinait for calendar year 2019:

<u>Name of Project</u>	<u>Amount</u>
1. Construction of Flood Control	₱ 10,764,946.06
2. Construction of Tobacco Farmers Multi-Purpose Building	12,567,851.07
3. Provision of Farm Inputs and Farm Implements	34,624,898.00
4. Construction / Improvement of Multi-Purpose Hall	12,677,765.08
5. Construction / Improvement of Multi-Purpose Building	8,787,427.32
6. Concreting of Multi-Purpose Pavement	4,845,404.74
7. Improvement of Farm to Market Roads	28,372,037.27
8. Concreting of Farm to Market Roads	58,545,538.21

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements because the accuracy and correctness of the Cash-Local Treasury account amounting to ₱1,276,857.04 in the books of accounts were not ascertained due to unreconciled difference of ₱247,026.66 as compared with the cashbooks. Also, balances of the Property, Plant and Equipment (PPE) accounts as appearing in the financial statements and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) showed an unreconciled difference of ₱287,029,638.42, hence casting doubts on the accuracy and fair presentation of the PPE account.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Favorable Observations

1. Taxes withheld from employees, contractors and suppliers were remitted promptly and regularly to the Bureau of Internal Revenue in compliance with the Revenue Regulation No. 2-98 dated April 17, 1998, thus the national government was benefited on the immediate use of the much needed fund.
2. The Gender and Development Fund was sufficiently provided by the Municipality and the programs/projects/activities that were implemented were all gender related.
3. The Municipal Accountant submitted the year-end financial statements ahead of the deadline.

B. Areas for Improvement

1. The accuracy and correctness of the Cash-Local Treasury account amounting to ₱1,276,857.04 in the books of accounts as of December 31, 2019 were not ascertained due to unreconciled difference of P247,026.66 as compared with the cashbooks, contrary to Item No. 4 on the Applicable Policies on Cash Management of the Handbook on Cash Examination thus, affected the fair presentation of the account balance in the financial statements.

We recommended that the Municipal Treasurer and Municipal Accountant undertake the immediate reconciliation of cash balances between the ledgers and cashbooks so as to ascertain the accuracy and correctness of the account balance of Cash-Local Treasury and for its fair presentation in the financial statements.

2. Balances of the Property, Plant and Equipment (PPE) accounts as appearing in the financial statements and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) showed an unreconciled difference of ₱287,029,638.42 which was not in accordance with Section 491 of the Government Accounting and Auditing Manual (GAAM), hence casting doubts on the accuracy and fair presentation of the PPE account.

We recommended that the reconciliation of the results of the count with the property and accounting records be given priority by the Property Officer and the Municipal Accountant. Likewise, we recommended that the Inventory Committee ensure prompt submission of duly and completely accomplished RPCPPE.

3. There were various provisions of the 2016 Revised Implementing Rules and Regulation (IRR) of Republic Act 9184 otherwise known as the Government Procurement Reform Act that the Municipal Government was not able to adhere, thus may affect the legality of procurement of infrastructure projects and goods through public bidding.

In order to ensure the legality of all procurements of the Municipal Government in all aspects, we recommended and the Bids and Awards Committee agreed to adhere strictly to the provisions of the 2016 Revised Implementing Rules and Regulations of RA 9184.

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

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

	Balance as of 12/31/2018	This Period January - December 2019		Balance as of 12/31/2019
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	2,808,781.46	0.00	0.00	2,808,781.46
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 2,808,781.46	₱ 0.00	₱ 0.00	₱ 2,808,781.46

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

Of the 13 prior year's audit recommendations embodied in the 2018 Annual Audit Report, five or 38.46% were fully implemented, five or 38.46% were partially implemented and three or 23.08% were not implemented by the Municipal Government.