

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Sta. Lucia, Province of Ilocos Sur, was formerly called Dumaquaque. Later on, the reconstruction of the church spearheaded by Fr. Pascual Barredo and Fr. Miguel Arguelles which became a regular parish on 1671, was run under the patronage of Santa Lucia. Later, the town's name was changed to Santa Lucia whose feast day is celebrated on the 13th of December. It has thirty-six (36) productive barangays.

The municipal administration is under the leadership of Honorable Mayor Joseph Simon B. Valdez assisted by the Vice Mayor, Honorable Eduardo A. Toquero. Along with them are eight (8) Sangguniang Bayan Members. The total workforce of the municipality was composed of 187, which were distributed to different operating offices.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sta. Lucia, Ilocos Sur for calendar year 2019. The audit was aimed to determine whether the financial statements were presented in accordance with International Public Sector Accounting Standards. At the same time the audit aimed to assess or determine whether the resources of the municipality were disbursed or utilized economically, effectively and efficiently. Our audit also consisted of the review of operating procedures, inspection of 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 for the year as compared with the previous year are shown below:

	2019	2018	Increase (Decrease)	Percentage
Assets	809,880,227.38	771,732,017.12	38,148,210.26	4.94%
Liabilities	69,229,162.40	57,804,912.10	11,424,250.30	19.76%
Gov't. Equity	740,651,064.98	713,927,105.02	26,723,959.96	3.74%
Income	128,598,040.16	428,127,298.49	(299,529,258.33)	(69.96%)
Expenses	111,701,082.51	106,278,385.72	5,422,696.79	5.10%

The decline in income was mainly attributed to the reduction in the amount received from the release of RA 7171 which was from P337,492,171.00 to P26,063,326.00.

C. OPERATIONAL HIGHLIGHTS

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

	2019	2018	Increase (Decrease)	Percentage
Appropriations	908,211,033.54	500,786,026.24	407,425,007.30	81.36%
Allotments	908,211,033.54	500,786,026.24	407,425,007.30	81.36%
Obligations	316,606,759.92	162,614,832.97	153,991,926.95	94.70%

The following are the major programs/projects of the Municipality of Sta. Lucia and the corresponding accomplishments for CY 2019:

Programs/Projects	Amount
I. 20% Development Fund	
Target	16,400,000.00
Accomplishment	2,933,631.73
II. RA 7171 Fund	
Target	337,492,171.00
Accomplishment	213,548,441.41
III.LDRRM Fund	
Target	4,445,000.00
Accomplishment	1,347,455.62

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the completeness and accuracy of the recorded Local Road Network account amounting to P268,089,154.62 as of December 31, 2019 is doubtful due to non-conduct of inventory, non-assessment of the cost component on the present condition of the assets for proper recognition of impairment loss and non-maintenance of appropriate records in accordance with the accounting and reporting guidelines prescribed in COA Circular 2015-008. The inadequacy of the records did not allow us to apply adequate alternative procedures to determine the validity of the account balance.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Favorable Observations

1. The Municipality was a recipient of the 2019 Seal of Good Local Governance
2. 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.
3. The Municipality remitted the proper amounts of Social Insurance Fund (SIF) and Employees' Compensation Insurance Fund (ECIF) to the GSIS in accordance with Section 14 of the revised IRR of RA 8291 and Article 183, Chapter IV, Section 1 of PD 626.
3. The Municipal Accountant was able to submit the year-end financial statements on February 1, 2020 which is within the deadline set by the Commission.

B. Areas for Improvement

1. Six infrastructure projects in the aggregate contract amount of P18,488,955.16 funded under Republic Act 7171 were not implemented and completed on the target date planned/programmed by the Municipal Engineer, thus, there was consequential delay in the provision of corresponding benefits to the end-users/farmers.

We recommended and Management agreed that they will require the contractors to facilitate the urgent completion of the projects. We recommended further and management also agreed that they will:

- Compute and impose corresponding liquidated damages for every day of delay; and
 - Coordinate closely with the winning contractors and to inform them that there is a Perfected and Notarized Contract which needs to be strictly followed, otherwise, no succeeding contract will be awarded to them if they will not follow what was agreed upon as shown on the Contract and Agreement of those particular projects.
2. Cash advances for wages of Job Orders totaling to P4,225,557.06 were not supported with approved payrolls or list of payees with their net payments when these were granted, contrary to Commission on Audit (COA) Circular No. 97-002, thus the correctness and accuracy of the amount granted could not be readily determined.

We recommended and Management agreed that the Municipal Accountant closely coordinate with the heads of the different offices to ensure the preparation, approval

and submission of payrolls for salaries and wages for their respective offices before the end of each month or for any pay period which would be the basis in the granting of the cash advances as required on the aforementioned rules and regulations.

3. Programs and projects with appropriations amounting to P13,466,368.27 under the 20% Development Fund (DF) were not fully implemented, which was not consistent with Section 5 of the Department of Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular No. 2017-1 dated February 22, 2017, thus, the constituents were deprived of more responsive and timely delivery of social, economic and environmental services.

We recommended and Management agreed they will monitor the full implementation of the programs/projects with appropriations under the 20% Development Fund in order to ensure the optimal utilization of the fund not only in compliance with Section 5 of the DILG and DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017 but most importantly, for the attainment of developmental objectives.

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

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

	Beg. 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	15,420,116.86	15,003,297.52	416,819.34
Notice of Disallowance	702,080.75	464,081.18	436,068.00	730,093.93
Notice of Charge	0.00	0.00	0.00	0.00
Total	702,080.75	15,884,198.04	15,439,365.52	1,146,913.27

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

Of the twenty-six (26) prior year's audit recommendations embodied in the 2018 Annual Audit Report, eleven (11) or 42.31% were fully implemented, nine (9) or 34.61% were partially implemented and six (6) or 23.08% were not implemented by the Municipal Government.