

EXECUTIVE SUMMARY

A. INTRODUCTION

Bantay is one of the towns of the Province of Ilocos Sur which was founded by the Spaniards in 1593. It is bounded on the north by San Ildefonso, Santo Domingo and Magsingal, on the south by Vigan City, on the west by San Vicente and on the east by Santa and the Province of Abra.

The naming of the town as a Local Government Unit has two versions. One, some people believed that it was named “Bantay” which literally means mountain because of its hilly and mountainous terrain particularly at its eastern portion. The second version is linked to the Holy Shrine of the famous and miraculous image of the Lady of Charity, which was brought to the place during the Spanish period. In her honor, Bantay residents built a church, which later became the church and sanctuary of our Lady of Charity in Northern Luzon.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Bantay, Ilocos Sur for 2019. Our audit was aimed at determining whether 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 thrusts issued by the Local Government Sector for CY 2019. 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 2019 compared with those of the preceding year are as follows:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Assets	707,704,005.56	602,447,272.27	105,256,733.29	17.47%
Liabilities	77,838,130.51	65,391,967.77	12,446,162.74	19.03%
Government Equity	629,865,875.05	537,055,304.50	92,810,570.55	17.28%
Income	196,068,789.68	227,410,322.96	(31,341,533.28)	(13.78%)
Expenses	113,961,575.42	105,766,024.67	8,195,550.75	07.75%

C. OPERATIONAL HIGHLIGHTS

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

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Appropriations	268,666,725.64	250,397,590.64	18,269,135.00	07.30%
Allotments	268,666,725.64	250,397,590.64	18,269,135.00	07.30%
Obligations	196,216,993.22	189,524,756.09	6,692,237.13	03.53%

Likewise, the following are some of the programs/projects/activities that were implemented by the Municipality in 2019:

<u>Fund</u>	<u>Name of Project</u>	<u>Contract Amount</u>
I. RA 7171	Opening of Farm to Market Road (FMR) – Brgy. Puspus to San Julian	10,359,779.96
	Opening of Farm to Market Road – Brgy. Balaleng to Brgy. Sagpat	10,932,770.97
	Opening of Farm to Market Road – Brgy. Bulag	7,056,694.48
II. 20% Development Fund	Livelihood Project (Dispersal of Livestock)	1,484,500.00
	Rechanneling of River – Barangay Tay-ac to Lingsat	2,986,167.44
	Rechanneling of River – Barangay Taleb	3,486,439.06
III. LGSF – Assistance to Municipalities 2018	Local Access Road – Brgy. Malingeb	2,920,081.53
	Local Access Road – Brgy. Bulag	1,556,022.93
	Local Access Road – Brgy. Quimmarayan	4,535,878.17

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as of December 31, 2019 because the existence, reliability, accuracy and correctness of Property, Plant and Equipment accounts totaling P562,559,033.92 as of December 31, 2019 could not be ascertained due to the inability of the Inventory Committee to complete the physical inventory taking, submit a complete and detailed Report of the Physical Count of Property, Plant and Equipment (RPCPPE) and to reconcile the information with the accounting records thus, affecting the fairness of the presentation of the accounts in the financial statements.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For calendar year 2019, the following are the favorable observations that were noted:

1. The Municipality received the following awards and citations:
 - Seal of Good Local Governance;
 - Seal of Child-Friendly Local Governance;
 - 2019 Cities and Municipalities Competitiveness Index – 5th Place Nationwide Economic Dynamism;
 - 2019 Cities and Municipalities Competitiveness Index – 1st Place (Ilocos Region) Government Efficiency;
 - 2019 Cities and Municipalities Competitiveness Index – 2nd Place (Ilocos Region) Overall Competitiveness;
 - Philippine Red Cross Blood Services Platinum Award; and
 - DOH Plaque of Recognition – Achieving the standards of a Level III Adolescent-Friendly Health Facility.
2. The Municipal Accountant was able to submit the year-end Trial Balances and Financial Statements together with the supporting schedules within the prescribed period, hence facilitated the timely review and verification of the same.
3. The Municipality complied with its duties and responsibilities as withholding agent of the Bureau of Internal Revenue (BIR) pursuant to Revenue Memorandum Circular No. 23-007 dated March 23, 2007 and BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008.
4. The Municipal Government consistently withheld taxes on employees' compensation and other payments made pursuant to Revenue Regulation No. 2-98 dated April 17, 1998 and remitted the same to the Bureau of Internal Revenue (BIR) pursuant to Department of Finance (DOF) – Department of Budget and Management (DBM) – Commission on Audit (COA) Joint Circular No. 1-2000A dated July 31, 2001, hence, the Municipality was able to contribute to the national government's pursuit to collect more taxes.
5. The Reports on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF) for January to December, 2019 were submitted within the

prescribed time. Also, said reports were all certified by the Municipal Accountant which is in accordance with COA Circular No. 2012-002 dated September 12, 2012.

6. The Municipality has been compliant with Title III, Rule III, Section 18 of the Implementing Rules and Regulations of RA No. 7875, as amended, in the payment of national health insurance premium contributions to the PhilHealth. The agency is also compliant with Rule VII, Section 3 of the Implementing Rules and Regulations of RA No. 9679 in the collection and remittance of contributions to the Pag-IBIG Fund.
7. The Municipality complied with the GSIS regulations on the compulsory deduction from the fixed monthly compensation of the members such as the personal share and loan amortization, premium payments and other payables, and the prompt remittance of the same

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. The Municipal Government was not able to fully comply with the provisions of Republic Act 9003, otherwise known as Ecological Solid Waste Management Act of 2000, resulting in the non-realization of the state's policy of adopting a systematic, comprehensive and ecological solid waste management program.

In order to comply with the provisions of RA 9003 and achieve the state's policy that is to adopt a systematic, comprehensive and ecological solid waste management program, we recommended that:

- a. The Municipal Mayor request the Barangay Officials to allocate from their budget for the establishment, operation and maintenance of MRF in each barangay. It is also recommended that the Local Chief Executive request the Municipal Budget Officer to facilitate the inclusion of fund allocation for the full operation of the municipal MRF in succeeding budget proposals;
- b. The MENRO facilitate the revision of the 10-year SWMP, submit to the EMB for approval and immediately commence implementation of such plans when approved;
- c. All municipal employees act jointly such that the proposed sanitary landfill meet and pass the mandatory requirements. If this will be attained, the municipality will already have its own sanitary landfill and contract with other LGU for waste disposal will no longer be necessary, thus, cost for garbage disposal is expected to decrease;

- d. The Management headed by the Chief Executive to strictly implement the Municipal Ordinance No. 253 series of 2005 known as the “*Solid waste Segregation and Collection of Bantay, Ilocos Sur*” to promote proper segregation of garbage; and
 - e. Intensify and sustain the current information drive and awareness campaign among the residents in coordination with the Barangay Officials on the implementation of the above-cited provisions under R.A. 9003 on preserving and protecting the environment.
2. The Gender and Development (GAD) Fund was not optimally utilized, which is not in accordance with the guidelines set forth in the Joint Memorandum Circular (JMC) of Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) No. 2013 – 01, thus, potential benefits therefrom were not fully enjoyed by the intended beneficiaries.

We recommended that the Officials and employees involved in the implementation of GAD programs/projects/activities see to it that the usage of the fund is maximized for the purpose it was created. The implementation should also be monitored regularly by the GAD Focal Person to ensure that optimum benefits are derived by the Municipality’s constituents.

3. Share from Real Property Tax (RPT) and Community Tax Certificate (CTC) Collections of the Municipality’s 34 barangays were not released on a quarterly basis, contrary to Section 271 (d) of Republic Act (R.A.) 7160, depriving the barangays of the immediate use of the amount for the implementation of their programs and activities beneficial to their constituents.

We recommended that Management release the CTC and RPT shares of the Barangays within the prescribed period of five (5) days after the end of each quarter as set forth by Section 271 (d) of Republic Act No. 7160 to provide additional funds for the barangays in the implementation of programs/projects/activities that would benefit their constituents.

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

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

	Beginning Balance (As of December 31, 2018)	This period January 1 – December 31, 2019 (See B Below)		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 12,016,246.12	₱ 0.00	₱ 3,281,444.49	₱ 8,734,801.63
Notice of Disallowance	780,000.0	0.00	90,000.00	690,000.00

Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 12,796,246.12	₱ 0.00	₱ 3,371,444.49	₱ 9,424,801.63

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

Of the twelve (12) prior year's recommendations contained in the CY 2018 Annual Audit Report, nine (9) or 75.00% were fully implemented, two (2) or 16.67% were partially implemented and one (1) or 08.33% was not implemented by the Municipality.