

## 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 as 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 forty six (146) as of December 31, 2018 composed of 12 elected officials, 1 co-terminus, 77 permanent and 56 job orders.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sinait, Ilocos Sur for calendar year 2018. Our audit was aimed at determining whether the financial statements were presented in accordance with Philippine Public Sector Accounting Standards (PPSASs), 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 2018. 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 to the previous year are shown below:

	2018	2017	Increase (Decrease)	Percentage
Assets	1,108,223,232.38	685,884,585.52	422,338,646.86	61.58%
Liabilities	99,291,891.19	117,139,028.81	(17,847,137.62)	(15.24%)
Gov't. Equity	1,008,931,341.19	568,745,556.71	440,185,784.48	77.40%
Income	528,979,099.06	102,462,887.47	426,516,211.59	416.26%
Expenses	107,133,415.04	83,313,035.26	23,820,379.78	28.59%

## C. OPERATIONAL HIGHLIGHTS

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

	2018	2017	Increase (Decrease)	Percentage
Appropriation	666,333,400.13	326,796,942.66	339,536,457.47	103.90%
Allotment	666,333,400.13	326,796,942.66	339,536,457.47	103.90%
Obligation	210,805,189.95	170,749,085.05	40,056,104.90	23.46%

The following are some of the major programs/projects of the Municipality of Sinait for calendar year 2018:

<u>Name of Project</u>	<u>Amount</u>
1. Construction of Post-Harvest Facilities	P 8,799,553.68
2. Improvement of Farm to Market Roads	3,033,859.80
3. Provision of Farm Inputs	18,793,550.00
4. Construction of Multi-Purpose Hall / Building	2,718,965.69
5. Concreting of Farm to Market Roads	20,471,148.44
6. Improvement of Multi-Purpose Hall (Phase II)	2,346,998.64
7. Construction of Flood Control	1,610,700.44

## **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 1.) Unreconciled items totaling to ₱1,987,797.05 were included as adjustments to book balances thus, the reliability and accuracy of the Cash in Bank account as presented in the financial statements were not ascertained; 2.) The accuracy and correctness of the Cash Local Treasury account amounting to ₱960,513.29 in the books of accounts were not ascertained due to non-reconciliation of balances in the cashbooks and general ledgers thus, the said account may not be fairly presented in the financial statements; and 3.) Physical inventory of LGU Properties was not conducted during the year, thus the validity, existence and correctness of the Property, Plant and Equipment (PPE) accounts amounting to ₱563,289,061.25 could not be ascertained.

## **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. Monthly Bank Reconciliation Statements (BRS) for the three (3) accounts maintained by the municipality were submitted to the Auditor however, unreconciled items totaling to ₱1,987,797.05 were included as adjustments to book balances thus, the reliability and accuracy of the Cash in Bank account as presented in the financial statements were not ascertained.

We recommended that the Municipal Accountant continue the preparation of monthly Bank Reconciliation Statements (BRS) in accordance with COA Circular No. 96-011 and give the Auditor a copy for verification. Likewise, we encourage him to determine the unreconciled figures and effect adjustments in

order to establish the correct balances of the accounts being maintained by the municipality.

2. The accuracy and correctness of the Cash-Local Treasury account amounting to ₱960,513.29 in the books of accounts as of December 31, 2018 were not ascertained due to non-reconciliation of balances in the cashbooks and general ledgers thus, the said account may not be fairly presented in the financial statements.

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

3. Procurement of infrastructure projects and goods through public bidding showed some deficiencies in the implementation of the provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184, thus showing lack of competency of the members of the Bids and Awards Committee (BAC) and casting doubts on the validity of transactions.

We recommended that the Bids and Awards Committee adhere strictly to the provisions of the 2016 Revised Implementing Rules and Regulations of RA 9184 to ensure transparency, accountability, efficiency and economy in its procurement process.

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 12/31/2017	This Period January - December 2018		Balance as of 12/31/2018
		NS/ND/NC	NSSDC	
Notice of Suspension	P 0.00	P 118,636.95	P 118,636.95	P 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
<b>Total</b>	<b>P 2,808,781.46</b>	<b>P 118,636.95</b>	<b>P 118,636.95</b>	<b>P 2,808,781.46</b>

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

Of the 14 prior year's audit recommendations embodied in the 2017 Annual Audit Report, five or 36% were fully implemented, four or 28% were partially implemented and five or 36% were not implemented by the Municipal Government.