

EXECUTIVE SUMMARY

A. INTRODUCTION

Although there was no written record as to the exact founding of the Municipality of Sta. Catalina, it can be calculated from reports, verbal and written, that the town was founded sometime in the latter part of the 16th century. It was discovered by the same Expeditionary Forces that discovered Ciudad Fernandina, now known as the Vigan City, when they came across a small island lying across the Govantes River which serves as the boundary of the towns of Vigan and Sta. Catalina. Going westward from Mindoro, a barangay of Vigan, and crossing then the river with rafts, they landed at place called “Cabittaogan”, now a barangay of Sta. Catalina. They rested for a while and planted a big cross, the symbol of Christianity. On their track to the North, they arrived at a place where a spring is located and as they were quenching their thirst, they saw the beautiful image of St. Catherine of Alexandria, whom they chose as their Patron Saint and likewise decreed as the name of the pueblo – Sta. Catalina.

Up to this time, the cross still stands at exactly the same spot where it was originally planted centuries ago.

Pursuant to R.A. 7160, known as the Local Government Code of 1991, the municipality like other local governments units, enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the national government’s thrust for sustainable social and economic growth.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sta. Catalina, Ilocos Sur for 2018. The audit aimed to determine whether the financial statements were presented in accordance with Philippine 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 consisted of review of operating procedures, inspection and validation of programs and projects, interview of concerned municipal officials and employees, verification, reconciliation 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:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Assets	227,298,484.89	167,488,502.49	59,809,982.40	35.71%
Liabilities	58,633,060.62	60,433,209.03	1,800,148.41	2.98%

Government Equity	168,665,424.27	107,055,293.46	61,610,130.81	57.55%
Income	113,673,660.75	91,287,959.15	23,385,701.60	25.62%
Expenses	53,487,001.57	51,910,234.33	1,576,767.24	3.04%

C. OPERATIONAL HIGHLIGHTS

The total appropriation, allotment and obligation for the year as compared to previous year are as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage</u>
Appropriation	151,069,200.50	69,838,662.49	81,230,538.01	116.31%
Allotment	151,069,200.50	69,838,662.49	81,230,538.01	116.31%
Obligation	71,771,346.37	62,221,748.77	9,549,597.60	15.35%

D. STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the presentation of the financial statements because the existence, actual condition, ownership and correct valuation of the Property, Plant and Equipment accounts amounting to P101,035,013.54 as of December 31, 2018 could not be ascertained because the Municipality was not able to conduct an annual physical count of its properties and the non-submission of the Report of Physical Count of Property, Plant & Equipment (RPCPPE) as required in Section 156 of COA Circular 92-386. Also, Public Infrastructures previously transferred to registries were not recorded back in the books of accounts which resulted to understatement of Property, Plant and Equipment and Government Equity by the same amount of P86,708,750.54 thereby, affecting the fair presentation of the financial statements at year-end. Further, the non-current portion of Loans Payable-Domestic was not presented in the Statement of Financial Position as at December 31, 2018 which is not in accordance with the provisions of PPSAS 1 (Presentation of Financial Statements) paragraph 27 and 80, thus affecting the proper classifications of items in the financial statement. And lastly, the proper accounting for the Share from Tobacco Excise Tax was not observed, recognizing it as income in CY 2017 without actual receipt of the share, thereby understating the CY 2018 income account by P37,918,643.00 thus, affecting the fair presentation of the financial statements as of year-end.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For Calendar Year 2018, the following are the favorable observations noted:

1. The Municipality was awarded the 2018 Seal of Good Local Governance by the Department of the Interior and Local Government. The award symbolizes the municipality's journey towards good local governance upholding the standards of transparency, integrity and service delivery.
2. Taxes withheld from various sources were regularly remitted to the Bureau of Internal Revenue thus, it contributed to the realization of desirable programs/projects of the national government.
3. Trust Liabilities payable to the GSIS, Pag-IBIG and Philhealth were remitted promptly in consonance with existing laws, rules and regulations. The year-end balance of the account Due to Pag-IBIG appearing in the financial statements was also remitted in January 2019.

Hereunder are the other significant audit observations and the corresponding recommendations which were discussed with management during the exit conference.

1. The Grant of monthly Telephone Allowance to the twenty-five (25) Municipal Employees and Officials of the LGU contradicts various sections of the General Appropriations Act of 2018 pertaining to Personnel Benefits of government employees and COA Circular 2013-003, dated January 30, 2013.

We recommended that management submit legal basis to justify the payment of monthly Telephone Allowance to twenty-five (25) employees/officials of the Municipal Government, otherwise such payment shall be refunded. Likewise, we encourage management to discontinue payment of personnel benefits which is inconsistent with existing rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws.

2. The procurement of gas, oil and lubricants was made to a business entity where in the owner is an incumbent Government Official (Sangguniang Bayan Member) of the Municipality contrary to Section 89 (1) of RA 7160 otherwise known as Local Government Code of 1991, thus depicting conflict of interest.

We recommended that the Local Chief Executive (LCE) instruct the local government officials and employees not to engage in any business transaction with the LGU to avoid conflict of interest pursuant to Section 89 of RA 7160. Likewise, management should refrain from awarding contracts to business entities wherein incumbent government officials are the owners to avoid sanctions provided under RA No. 6713 otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees".

3. Representation Allowance and Travelling Allowance (RATA) were granted in full to the Officials/Department Heads of the LGU even without the proof of the actual rendition of service/work performance or DTRs which departs from Section 7.1 of Department of Budget Management (DBM) Local Budget Circular (LBC) No. 103 dated May 15, 2013, hence propriety of the claim of these Officials/Department Heads cannot be established.

We recommended that Management:

- a) Require the submission of the Daily Time Records (DTRs) of the Officials/Department Heads who are entitled to receive RATA to support their claim and avoid further audit suspensions and/or disallowances.
 - b) Strictly comply with DBM LBC No. 103 dated May 15, 2013 which prescribes rationalized and updated rules and regulations on the grant of Representation Allowance (RA) and Transportation Allowance (TA) or RATA.
4. The amount of P3,135,901.36 or 29.60% of the appropriations for 20% development projects was not utilized by the Municipality thus, the programmed funds was not optimally used to achieve socio-economic development and environmental outcomes that could have been derived therefrom as provided under DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.

We recommended that Management implement the Program/Projects/Activities (PPAs) as planned and address the causes of delay in the implementation of the development projects in order to maximize the utilization of the fund as intended and ultimately achieve desirable socio-economic development and environmental outcomes in the municipality as provided under DILG-DBM Joint Memorandum Circular No. 2017-01 dated February 22, 2017.

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

	Beg. Balance (As of Dec. 31, 2017)	This period January 1 to Dec. 31, 2018		Ending Balance (As of Dec. 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	P21,239,286.98	P11,207,149.48	P1,503,918.42	P30,942,518.04
Notice of Disallowance	824,227.11	0.00	484,227.11	340,000.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	<u>P22,063,514.09</u>	<u>P11,207,149.48</u>	<u>P1,988,145.53</u>	<u>P31,282,518.04</u>

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

Out of the 18 audit recommendations embodied in the 2017 Annual Audit Report, six or 33.33% were fully implemented (FI), one or 5.56% was partially implemented (PI), and eleven or 61.11% were not implemented (NI) by the Municipal Government.