

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Sta. Cruz, Ilocos Sur is a 1st class Municipality with 49 barangays. This municipality, as a local unit, was granted more powers, authority, responsibilities and resources by National Government in order to be self-reliant and active partners in attaining local development, goals and objectives pursuant to Republic Act 7160, known as the Local Government Code of 1991.

The administration of the LGU is headed by the Municipal Mayor Honorable Virgilio J. Valle, assisted by the Honorable Vice Mayor Teresita C. Valle, and along with them are the nine Sangguniang Bayan Members and 88 permanent support personnel, 4 casuals and 15 job orders who were distributed to different offices.

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sta. Cruz, Ilocos Sur for calendar year 2018. The audit was aimed to determine whether financial operations 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	1,382,619,273.41	697,809,435.62	684,809,837.79	98.14%
Liabilities	148,789,482.60	127,003,756.00	21,785,726.60	17.15%
Government Equity	1,233,829,790.81	570,805,679.62	663,024,111.19	116.16%
Income	843,975,872.87	121,229,474.13	722,746,398.74	596.18%
Expenses	210,211,707.72	118,632,143.38	91,579,564.34	77.20%

The increased amount in income was mainly attributed by the receipt of P710,909,000.00 from the release of RA 7171 municipal share for FY 2014 and 2015.

C. OPERATIONAL HIGHLIGHTS

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

	2018	2017	Increase (Decrease)	Percentage
Appropriation	965,012,363.89	391,306,367.91	573,705,995.98	146.61%
Allotment	965,012,363.89	391,306,367.91	573,705,995.98	146.61%
Obligation	350,912,867.37	253,010,397.59	97,902,469.78	38.70%

The following are the accomplishments of the municipality for calendar year 2018, to wit:

Programs/Projects	Amount
I. 20% Development Fund	
Target	20,593,682.20
Accomplishment	14,875,296.43
II. RA 7171 Fund	
Target	710,909,000.00
Accomplishment	200,342,026.71
III.LDRRM Fund	
Target	6,326,420.54
Accomplishment	4,450,657.73

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 P 236,008,317.79 as of December 31, 2018 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.

E. SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Favorable Observations

1. In compliance to the provisions of Section 244 of the National Internal Revenue Code and the provisions of Republic Act No. 10963, Otherwise Known as the "Tax Reform for Acceleration and Inclusion (TRAIN)" Law, the municipal government was able to

withhold and remit income taxes, contractor's taxes and creditable value-added taxes amounting to P18,209,402.17 and P18,209,404.91, respectively for calendar year 2018 which has helped the National Government in achieving revenue targets necessary in the implementation of priority programs and projects.

2. 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 Municipality implemented proper waste segregation as mandated in the approved Municipal Solid Waste Management Plan for CY 2018. The project pertaining thereto was integrated in the 20% Development Fund under the program of "Garbage Collection".
4. The Municipal Accountant was able to submit the year-end financial statements on February 14, 2018 which is within the deadline set by the Commission.

B. Areas for Improvement

1. Infrastructure projects funded out of RA 7171 and Assistance to Disadvantaged Municipalities with total contract amount of P99,346,840.99 and P2,985,415.92, respectively which were paid during the year were not supported with approved plans and drawings and pictures before, during and after the implementation of the projects, thus the correctness and existence of the projects could not be established.

Moreover, some of the bidding documents were not attached to the disbursement vouchers which resulted to infractions with the provisions of the Revised IRR of RA 9184.

2. Programs and projects under the 20% Development Fund were not fully implemented, thus depicting a less responsive and untimely delivery of services to its constituents.

We recommended that the municipality through the leadership of the Local Chief Executive monitor the full implementation of the programs/projects appropriated under the 20% Development Fund in order to guarantee the optimal utilization of the fund in compliance with Section 5 of the DILG and DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.

3. Municipal and Hospital buildings owned by the municipality were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS), thus depriving the LGU for any claim of indemnification and compensation in case of loss or damage.

We recommended that the municipality insure other properties such as the municipal buildings, school buildings, hospitals and health centers, markets and other structures

with the General Insurance Fund of the GSIS in order to ensure that the LGU will be indemnified or compensated in case those properties will suffer any damage or loss due to fire, earthquake, storm, or other fortuitous event.

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, 2017)	This period January 1 to December 31, 2018		Ending Balance (As of December 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	18,000.00	0.00	0.00	18,000.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	18,000.00	0.00	0.00	18,000.00

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

Of the nine (9) prior year's audit recommendations embodied in the 2017 Annual Audit Report, three (3) or 33.34% were fully implemented, four (4) or 44.44% were partially implemented and two (2) or 22.22% were not implemented by the Municipal Government.