

EXECUTIVE SUMMARY

A. Introduction

The town of Sasmuan is one of the oldest and most interesting communities in the Province of Pampanga. Its name was derived from the old Pampango word “Tabnuan” which means meeting place and since “Sasa” or nipa palms proliferated then in the area, the word “Sasmuan” was formed. It was formerly known as Sexmoan which became the source of embarrassment to its residents due to the word’s sexual connotation. In 1991, by virtue of Republic Act 4160, the name “Sexmoan” was consequently changed to its original form, “Sasmuan”. This was done through the efforts of the local administration, which recognized the need to reclaim the true symbol of their locality.

Sasmuan is situated in the Southwestern tip of the Province of Pampanga, bounded on the Northwest by the town of Guagua, in the East by the town of Macabebe and Masantol; in the West by the town of Lubao; and in the South by Manila Bay. It lies along the bank of the grand Pampanga River reaching and winding until Manila Bay.

Its mission is to maximize on agriculture development, protect the citizenry from effects of natural hazards, maintain peace and order situation and focus on education and development of a sound God-centered, values-oriented families and social groups.

B. Financial Highlights

The financial highlights of the Municipality of Sasmuan for CY 2019 with comparative figures for CY 2018 follow:

Particulars	2019	2018	Increase (Decrease)	
			Amount	%
Financial Condition				
Total Assets	82,563,088.94	67,880,096.06	14,682,992.88	21.63
Total Liabilities	21,470,699.50	22,674,162.51	(1,203,463.01)	(5.31)
Net Assets/Equity	61,092,389.44	45,205,933.55	15,886,455.89	35.14
Results of Operations				
Total Revenue	99,273,378.73	91,855,688.61	7,417,690.12	8.08
Total Expenses	98,151,525.71	87,404,328.13	10,747,197.58	12.30
Surplus (Deficit)	1,121,853.02	4,451,360.48	(3,329,507.46)	(74.80)
Sources and Application of Funds				
Appropriations	105,333,478.27	94,688,657.86	10,644,820.41	11.24
Allotments	105,333,478.27	94,688,657.86	10,644,820.41	11.24
Obligations	95,131,101.84	87,685,824.43	7,445,277.41	8.49
Balances of Allotments	10,202,376.43	7,002,833.43	3,199,543.00	45.69

C. Scope of Audit

The audit covered the examination, using risk-based approach, of the accounts and financial transactions of the Municipality for CY 2019 particularly those contained in the Unnumbered Memorandum dated February 13, 2020 of the COA Local Government Sector Assistant Commissioner. Part II of this Report contains the audit exceptions on the 2019 Audit Focus and Thrusts for the Local Government Sector and other high-risk accounts.

The audit was aimed to (a) ascertain the level of assurance that may be placed on management's assertion on the financial statements; (b) determine compliance of management with laws, rules and regulations on the pre-identified audit thrust/areas and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

D. Independent Auditor's Report

1. We rendered a qualified opinion on the fairness of presentation of the financial statements because the accuracy of the balances of the Property, Plant and Equipment (PPE) accounts with total carrying value of ₱36,707,151.90 as of year-end was not established owing to the (a) failure of the Management to conduct physical inventory of its property during the year; (b) non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); (c) non-reconciliation of property records by the Municipal Accountant's Office and the GSO; and (d) non-recognition of parcels of land owned by the Municipality contrary to Volume I of the Manual on New Government Accounting System and the New Chart of Accounts.

For the above deficiencies, we recommended and management agreed that the Local Chief Executive require the:

- a. Inventory Committee to (i) conduct physical count of property, plant and equipment to determine the existence and condition thereof; (ii) submit the RPCPPE duly reconciled with the accounting and property records;
- b. Municipal Accountant and the GSO to (i) maintain subsidiary records for PPE items such as PPE ledger cards and property cards, respectively, starting with current year acquisitions until all items are covered; and (ii) reconcile the respective records of the Accounting Office and Property Officer on PPE;

- c. Concern Municipal officials to exert effort in the reproduction of titles on all lots owned by the Municipality and recognize them in the books using appraised values.

E. Summary of Other Significant Observations and Recommendations

Summarized below are other significant audit observations with their recommendations, the details of which are presented in Part II of this report. Management views and comments, including those offered during the exit conference were incorporated in the report, where appropriate.

1. The Municipality's delinquent property taxes reached P87,138,318.34 as of November 21, 2019 due to non-availment/non-reinforcement of collection remedies as mandated under Sections 256 and 260 of Republic Act (RA) No. 7160.

We recommended that Management enforce collection remedies allowed by the pertinent provisions of RA No. 7160, particularly the sale of delinquent properties through public auction. This will demonstrate the Municipality's willpower and capability to enforce the laws on real property taxation and deter tax evasions.

2. For the past years, the Local School Board has been allocating and utilizing the SEF mostly for non-capital expenditures involving repairs and maintenance of school buildings and facilities, but failed to allocate funds for the Early Childhood Care Development (ECCD) program, as provided in Republic Act (R.A.) No. 10410 and DEPED-DDBM-DILG JC No. 01 series of 2017 dated January 19, 2017, thus giving little attention to programs and activities that would benefit children aged four years and below. In addition, the municipality's SEF Budget for CY 2019 was not prepared in accordance with the format prescribed under DepEd-DDBM-DLG JC No. 01 series of 2017 dated January 19, 2017.

We recommended that the Local Chief Executive require members of the Local School Board (LSB) to (a) prepare an Annual Budget for the operation and maintenance of public schools within its jurisdiction in the format prescribed in DepEd-DDBM-DLG JC No 01, s. 2017 to ensure a more strategic and efficient utilization of resources for priority programs and projects which would complement, as well as reinforce, the budgeting priorities at the different levels of decision-making and also help the government in promoting and enhancing transparency and accountability in the allocation and utilization of the SEF; (b) come up with a strategic prioritization plan in the allocation of the SEF to public schools taking into consideration the most important needs of the students and not just for repairs of school facilities for optimum attainment of the intent of the fund; and (c) incorporate in its budget programs and activities intended for early Childhood Care Development.

3. The Municipality complied with DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 11, 2011 on the appropriation of 20% Development Fund of ₱18,912,007.40, registering a utilization rate of 95.20% or ₱18,004,203.20 in CY 2019. However, it could have maximized the attainment of its desired socio-economic development and environmental management outcomes had it fully completed the remaining ₱907,804.20 worth of projects that would render long-term benefit to the constituents. Likewise, it was also noted that some projects/programs/activities had considered as Maintenance and Other Operating Expenses (MOOE) in nature and did not partake the nature of investments and capital expenditures, contrary to Section 2.2 of DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017, thus, the development intent of the Fund was not optimized.

We recommended and the Local Chief Executive agreed to (a) continue to invest in high-impact capital expenditures projects in the utilization of its 20% Development Fund; (b) ensure the effective and efficient implementation of the proposed projects within their targeted completion period through close monitoring and supervision to maximize the developmental benefits and the early enjoyment thereof by the intended beneficiaries.

4. The Municipality registered a utilization rate of 79.67% or ₱19,784,133.63 out of ₱24,832,608.63 funds received in CY 2019 and the balance of CY 2018 from several national and local agencies, for the implementation of the 13 identified projects. However, generally, due to late receipt of funds and non-prioritization of the LCE, the fund transfer from the DILG of ₱5,741,000.00 and the DSWD of ₱1,600,000.00, the approved projects thereto were not yet fully utilized as of December 31, 2019 due to non-completion.

We recommended that the (a) Local Chief Executive and heads of concerned implementing offices (i) implement without further delay those remaining projects not completed/implemented in CY 2019; and (ii) continue to monitor and supervise the effective and efficient implementation of projects funded from various source agencies within the timelines of the MOA, as far as feasible; and (b) Municipal Accountant and the Treasurer continue to be prompt in the return of excess funds to the source agencies upon completion or termination of the project.

5. The Municipality has substantially complied with the provisions of R.A. No. 10121 on the (a) 5% allocation of the Local Disaster Risk Reduction and Management (LDRRM) Fund; and (b) adoption of 10-Year (2017-2026) Comprehensive Land Use Plan (CLUP) for the Municipality. However, the following lapses were noted in the utilization and reportorial requirements of the 5% Disaster Risk Reduction Management Plan (DRRMF): (a) procurement of various goods, supplies, and other expenses which were not related to the disaster preparedness activities were charged to the 70% allocation for preparedness; and (b) the Monthly Reports on the Sources and Utilization of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for CY 2019 were not submitted.

We recommended and the Management agreed to (a) direct the Accountant to prepare a certified monthly Report on the Utilization of DRRMF and submit to COA on or before the 15th day after the end of each month; and (b) instruct the MDRRM officer to refrain from using DRRMF for programs/projects/activities which are not directly related with disaster preparedness, mitigation, response and rescue operations.

6. Management failed to conduct gender mainstreaming or self-assessment, contrary to COA Circular No. 2014-001 dated March 18, 2014 and PCW-DILG-DBM-NEDA Joint Memorandum Circular 2013- 01 casting doubt whether the gender issues were identified based on the result of gender audit, gender analysis or sex disaggregated data to pave the way for an effective GAD intervention, as necessary.

We commended the Municipality, however, for having created its GAD Focal Point System under Executive Order No. 04 with the Municipal Mayor as Chairman. The creation thereof can facilitate efforts towards an effective GAD mainstreaming based on gender audit and sex-disaggregated database.

We recommended that the Local Chief Executive require the GAD Focal Person to comply with the provisions of PCW, DILG, DBM and NEDA Joint Memorandum Circular No. 2013-01 and COA Circular No. 2014-001 particularly on the conduct of gender audit and gender mainstreaming in the Municipality.

7. Representation and Transportation Allowance (RATA) were paid to members of the Legislative who failed to attend weekly sessions totaling P164,250.00 contrary to Section 52 of RA 7160 and item 7.5 of Local Budget Circular No. 103, thereby rendering the expenditure irregular.

We recommended that the Management stop the payment of RATA to SB member who failed to attend the weekly sessions and require the SB to refund the excess RATA received in view of absences incurred.

We also recommended that the Municipal Treasurer Office secure a certification from the SB secretary as to the attendance of the members of the Honorable Body as a basis for the payment of RATA.

8. Purchases of supplies and materials were recorded as outright expenses upon acquisition without passing through the inventory account, contrary to the rules and procedures of the Perpetual Inventory Method provided in Sections 114, 116 and 121 of the NGAS Manual for LGUs, resulting in inaccurate balances of the inventory and related expense accounts in the financial statements.

We recommended that management direct the designated HRMO and his staff in charge of payroll preparation to closely monitor and ensure that the net take home pay of employees should not be lower than the amount allowed by law.

Various provisions governing the hiring of 300 Job Order personnel were not complied with by the Municipality contrary to Section 77 of Republic Act (R.A.) No. 7160, Civil Service Commission Memorandum Circular (CSC MC) No. 17-2002, Section 4 of CSC Resolution No. 020790 and Presidential Decree (PD) No. 1445.3

We recommended that the Management (a) comply with the aforementioned rules and regulations in the hiring of JOs and prepare and issue policies and guidelines to address the issue on the necessity and propriety of hiring them; (b) immediately strengthen the controls in the hiring of job order by requiring them to submit personal records, undergo interview and document the evaluation of performance to give assurance that the risk identified above are addressed; (c) prepare contract of service instead of job order sheet and incorporate therein the number of man-hours, quantity and duration of the works to be performed by the JOs; and (d) assess and review the necessity of hiring job orders by considering the existence of regular employees who could perform some of the contracted work to maximize the services of the regular employees and minimize the hiring of JOs.

9. The LGU failed to submit the list of on-going Projects/Programs/Activities (PPA) and those that are to be implemented during the year, as well as quarterly information of PPAs contrary to COA Circular No. 2013-004 dated January 30, 2013 on the Information and Publicity of Projects/Programs/Activities of Government Agencies, thus preventing the audit team from performing a timely audit.

We recommended and the Municipal Engineer agreed to comply with the provisions of Circular No. 2013-004 and ensure regular submission of the list of projects at the beginning of the year in proper format as well as the quarterly information of PPAs of the municipality.

10. The Municipality did not submit to the Auditor's Office copies of purchase orders together with the supporting documents, and Acceptance and Inspection Reports relative to the procurement of goods and services within the prescribed period, contrary to COA Circular Nos. 2009-001 and 95-006 resulting in the inability of the Auditor to perform inspection, review and evaluation of the transaction.

We recommended that the General Services Officer and other officials/offices concerned furnish the Audit Team with copies of purchase orders and supporting documents and Inspection and Acceptance Reports as required by COA Circular Nos. 2009-001 and 95-006. This is designed to enable the audit team to perform its duties relating to post audit of the transactions, at the most appropriate time and manner without delaying or obstructing the implementation thereof.

11. The Municipality failed to procure their common-use supplies directly from the PS or its depot to obtain reasonable prices in compliance with Sections 52 and 53.5 of the revised IRR of RA 9184 and GPPB Resolution No. 24-2014 dated October 31, 2014.

We recommended the management instruct the General Services Officer, as far as practicable and feasible, to procure directly from the PS-DBM all anticipated common-use supplies, and resort to local suppliers using the prescribed modes of procurement only upon unavailability of supplies needed as certified by the PS-DBM official.

12. The net take-home pay of fifteen (15) employees of the Municipality of Sasmuan was found to be lower than the mandatory net pay of P5,000.00 per month as provided under Section 52 of the General Provisions of the General Appropriations Act (GAA) of 2018.

We recommended and the management agreed to direct the designated HRMO and his staff in charge of payroll preparation to closely monitor and ensure that the net take home pay of employees should not be lower than the amount allowed by law.

F. Summary of Total Suspensions, Disallowances and Charges at Year-End

As of year-end, suspensions, disallowances and charges stood at ₱58,975,916.03, ₱74,415,666.62 and ₱0.00, respectively.

G. Status of Prior Year's Unimplemented Audit Recommendations

There were 18 observations contained in the 2018 Annual Audit Report for which 33 recommendations were offered. As of report date, 10 recommendations were fully implemented while 11 were partially implemented and 12 were not implemented.