

EXECUTIVE SUMMARY

A. Introduction

The town of San Clemente was created during the colonial period by virtue of a Royal Spanish Decree on November 14, 1876. It lies at the westernmost part of the province. It is bounded on the South by Mayantoc, on the East by Camiling, Northeast by Bayambang, Pangasinan and Northwest, Mangatarem, Pangasinan. More or less, the town's total land area is about 4,680 hectares representing 1.57% of the provincial land expanse. Physically, its appearance is of lengthened shape, configured unevenly like a limb of a horse with pronounced hoof, extending from the North to South on a 35 kilometers stretch with a width of four kilometers spread. On the Northern tip are marshy rice lands and on the Southern portion are rolling hills extending along the foot of Zambales ranges. Traversing the town from East to West is the Tarlac-Lingayen Road, now renamed Romulo Highway.

Currently, San Clemente is ranked as a fifth class municipality with 12 barangays constituting the municipal territorial jurisdiction, as follows: Balloc, Bamban, Casipo, Cataguingan, Daldalayap, Doclong 1st, Doclong 2nd, Maasin, Nagsabaran, Pit-ao, Poblacion Norte and Poblacion Sur.

B. Financial Highlights

The following comparative data show the financial condition, results of operations and sources and application of fund of the Municipality of San Clemente for the calendar years 2019 and 2018.

Particulars	2019	2018	Increase (Decrease)	% of Increase (Decrease)
Financial Position				
Assets	₱ 152,171,711.17	₱151,515,298.06	₱ 656,413.11	0.43%
Liabilities	28,442,682.12	23,691,540.83	4,751,141.29	20.05%
Government Equity	123,729,029.05	127,823,757.23	(4,094,728.18)	(3.20%)
Results of Operations				
Income	₱ 66,666,920.96	₱ 62,018,204.59	₱4,648,716.37	7.50%
Expense	63,365,378.94	52,494,677.44	10,870,701.5	20.71%
Surplus (Deficit)	3,301,542.02	9,523,527.15	(6,221,985.13)	(65.33%)
Sources and Application of Funds				
Allotment	₱ 67,832,284.86	₱ 62,022,917.00	₱5,809,367.86	9.37%
Obligations	81,305,357.14	76,093,263.38	5,212,093.26	6.85%
Balances	(13,473,072.28)	(14,070,346.38)	597,274.10	4.24%

C. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of San Clemente for the year ended December 31, 2019. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine compliance of management with laws, rules and regulations on the pre-identified audit thrusts/areas and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior year's audit recommendations.

Specifically, the audit focused on the thrust areas for CY 2019 pursuant to COA Memorandum dated July 3, 2019 of the COA Local Government Sector Assistant Commissioner, exceptions of which are reported on Part II of this Report.

D. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements. As discussed in Part II of this report, due to unexpected glitches in the Property Assessment and Tax Administration System (PATAS) in CY 2019, the Municipal Treasurer failed to furnish the Municipal Accountant a duly certified list showing the name of taxpayers and the amount due and collectible for the year. As a result, the amount ₱2,810,555.30 recognized as Real Property Tax (RPT) and Special Education Tax (SET) Receivables at the beginning of the year were based on the Assessor's Report of Real Property Assessments, rendering the accuracy and validity of the year-end account balances unreliable. Likewise, the correctness and existence of Property, Plant and Equipment (PPE) account with a reported net carrying value of ₱99,780,545.82 which represents 65.57% of the total assets of the Municipality as of December 31, 2019 remained unreliable due to the Municipality's (a) continuous disregard to i) conduct full-scale inventory taking of PPE and ii) maintain a complete and updated property records; and (b) failure to recognize in the books of accounts all Public Infrastructure accounts previously recorded in the Registry of Public Infrastructures.

For the exceptions cited above, we recommended the following:

a. For the unreliability of the RPT Receivable and SET Receivable year-end account balances, we recommended and the Local Chief Executive agreed to instruct the (a) Treasury Office to update the RPTARs/ Taxpayers' Index Card and subsequently, prepare and furnish the Accounting Office the list required under Section 20, Volume I of the NGAS Manual for LGUs; (b) Municipal Accountant to establish RPT and SET receivables sourced from the list duly certified by the Treasury Office at the beginning of the year; and (c) Municipal Assessor to continuously update and correct the system's database for them to realize soon the very purpose of the PATAS.

b. For the unreliability of the PPE net carrying value at year-end, we reiterated our previous year's recommendation and the Local Chief Executive agreed to: a) direct the

Municipal Inventory Committee to i) conduct physical count of all PPE and label all properties/equipment showing complete description for easy identification and monitoring; ii) prepare the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); and iii) submit the same to COA; and b) require the Municipal Accountant and Supply Officer to maintain complete and updated ledger cards and property cards, respectively, and periodically conduct reconciliation thereon together with the RPCPPE. We also recommended and the Municipal Accountant agreed to prioritize the retrieval of records and supporting documents for the establishment of subsidiary ledgers for each class of PPE and for the preparation of the Registry of Public Infrastructures, so that general ledger balances of PPE including Public Infrastructure accounts are supported by independent and reliable records.

E. Summary of Other Significant Observations and Recommendations

Summarized below are the other significant audit observations noted during the audit and the corresponding recommendations which are discussed in detail in Part II of the Report.

1. The Municipality incurred lapses and deficiencies on its remittance and deposit procedures, thus, inconsistent with the pertinent provisions prescribed under Republic Act (R.A.) No. 7160, Presidential Decree (P.D.) No. 1445 and the Local Treasury Operations Manual (LTOM) manifesting weaknesses in the internal control of cash management and exposing government resources to the risk of loss, misappropriation and/or misuse. (*Observation No. 1*)

We reiterated our recommendations and the Municipal Treasurer agreed to i) deposit the collections intact and regularly with the authorized government depository bank; and ii) require the collectors to remit/ turn over daily the collections to her.

2. Pertinent provisions of the Market Code of the Municipality of San Clemente, Province of Tarlac such as non-payment of rental fees on time and non-enforcement of valid penalties and surcharges were not fully observed by the responsible officials and lessees. (*Observation No. 4*)

We recommended and the Local Chief Executive agreed to (a) make representation to the members of the Sangguniang Bayan for the amendment of the affected provision in the Market Code particularly the timeline for the payment of rental fees by stall owners so that policy and practice are synched to each other; and (b) instruct the Municipal Treasurer to strictly enforce the terms and conditions provided in the Market Code pending the approval of the proposed amendment.

3. The Municipality implemented two projects with contract cost of ₱9,549,201.64 sourced from the FY 2019 Local Government Support Fund-Assistance to Municipalities (LGSF-AM) Program; however, project implementation was delayed, hence, caused the deferred enjoyment of intended benefits that could be derived therefrom by the

constituents. Moreover, non-conformance with the pertinent provisions of Republic Act (R.A.) No. 9184 and its 2016 Revised Implementing Rules and Regulations (RIRR), and COA Circular No. 2012-001 was observed in the procurement process for the projects. (*Observation No. 5*)

We recommended and the (a) Municipal Engineer agreed to meticulously set attainable lead time for the execution of each project and strictly monitor the progress of activities with the end in view of achieving the timely completion of project, barring the incurrence of delays, especially for causes which are foreseeable; (b) Local Chief Executive agreed to direct the Bids and Awards Committee to strictly adhere to the above-cited provisions of R.A. No. 9184 and its RIRR in the procurement activities; (c) Municipal Accountant agreed to review thoroughly all claims presented for payment prior to approval to ensure that only properly approved and completely documented transactions/disbursements are paid; and (d) BAC Secretariat and other concerned agency officials and personnel agreed to submit immediately the lacking documents mentioned in the report to the Audit Team.

4. Only 43.15% or ₱5,346,244.89 of the total appropriation of ₱12,390,041.60 under the 20% Development Fund (DF) for CY 2019 was actually expended, thus showed the failure of the Municipality of San Clemente to significantly maximize the utilization of the fund for the implementation of priority infrastructure projects. In addition, pertinent provisions of the Revised IRR of R.A. No. 9184 and COA Circular 2012-001 were not strictly adhered to by the Municipality in the procurement of infrastructure projects, hence, transparency and accountability in the procurement were not ascertained. (*Observation No. 6*)

We recommended and the (a) Municipal Planning and Development Office (MPDO) and other concerned offices agreed to ensure that the unimplemented PPAs are fully delivered in the second year of implementation in order to comply with the requirement for optimal use of development fund; (b) Management agreed to strive to maximize the utilization of the 20% DF by fully implementing priority development projects identified pursuant to DILG-DBM JMC No. 2017-1 dated February 22, 2017 to help achieve desirable socio-economic development and environmental outcomes; (c) Municipal Accountant agreed to check the completeness of supporting documents before effecting the payments of obligations in view of the contracts' deliverables; and (d) Local Chief Executive agreed to direct the Bids and Awards Committee and its Secretariat Office and the Municipal Engineer to submit the lacking documents, and to observe the instructions on contract submission prescribed by COA Circular No. 2012-01

5. The Civil Society Organizations and the private sector members of the Municipal Disaster Risk Reduction and Management Council were selected not in accordance with the National Disaster Risk Reduction and Management Council Memorandum Circular No. 03, series of 2012, thus defeating the purpose of engaging capable Civil Society Organizations and private sector in the government's risk reduction programs towards complementation of resources and effective delivery of services to the citizenry. Moreover, pertinent provisions of the Revised IRR of R.A. No. 9184 and COA Circular

No. 2012-01 were not strictly adhered to in various procurement activities charged to the Local Disaster Risk Reduction Management Fund (LDRRMF). (*Observation No. 7*)

We recommended and the Local Chief Executive agreed, as chairman of the Municipal DRRM Council, to cause the selection and accreditation of CSOs and private sector representative in accordance with the guidelines set forth in the aforementioned MC. We further recommended and she agreed to direct the (a) Bids and Awards Committee to strictly adhere to the provisions of R.A. No. 9184 and its RIRR in the procurement activities; (b) Municipal Accountant to review thoroughly all claims presented for payment prior to approval to ensure that only properly and completely documented transactions/ disbursements shall be paid; and (c) BAC Secretariat and other concerned agency officials and personnel to submit immediately the lacking documents mentioned in the report to the Audit Team.

6. There was an improved performance of the Municipality in the implementation of Gender and Development (GAD) programs, projects, and activities (PPAs) through the collective efforts of its GAD Focal Point System (GFPS). However, some provisions of PCW-DILG-NEDA-DBM Joint Memorandum Circular (JMC) No. 2013-01 dated July 18, 2013 were not complied. (*Observation No. 8*)

We recommended and the Management agreed to instruct the Agency GAD Focal Point System (GFPS) personnel to (a) update the GAD Database by gathering data using the Community Based Monitoring System (CBMS) platform or other reliable data-gathering tools to come up with sufficient information that will be useful in identifying gender issues and crafting GAD PPAs to effectively address said issues; and (b) exert best effort to completely implement programmed GAD activities indicated in the GPB to achieve desired outcomes for the targeted beneficiaries.

7. The Municipality managed to implement the programs, projects and activities regarding solid waste management for the year. However, several provisions of R.A. No. 9003, otherwise known as the Philippine Ecological Solid Waste Management Act of 2000, were not fully implemented due to personnel constraints, thus exposing its constituents to possible health hazards. (*Observation No. 9*)

We commended the Municipal Solid Waste Management Board for displaying a strong support to R.A. No. 9003 by substantially complying the provisions of the law. For the audit issues discussed, we recommended and the Local Chief Executive agreed to compel the MSWMB to (i) ensure the speedy implementation of Ordinance No. 2 S. 2005 by deputizing the Barangay Health Workers and Barangay Nutrition Scholars as enforcers of the local law so that cases of open burning of solid wastes and littering are restrained, immediately reported and acted upon; (ii) implement the plastic holiday policy enacted by the officials of the Municipality pending approval of the proposed Provincial Ordinance prohibiting the use of “single use” plastic in the entire province; and (iii) re-study the policy authorizing the imposition of garbage fees upon households to determine its strengths and weaknesses and effect necessary adjustments if necessary with the end in view of providing quality yet affordable service to constituents.

8. Checks totaling ₱985,698.26 were presented for payments and eventually paid by the drawee bank in the absence of disbursement vouchers and supporting documents, contrary to Section 4(6) of P.D. No. 1445, casting doubt on the validity, propriety and legality of the claims involved. (*Observation No. 10*)

We reiterated our previous year's recommendation and the Local Chief Executive agreed to require the Treasury and Accounting Offices to submit, within the timeframe prescribed in the above COA Circular and Presidential Decree, disbursement vouchers with complete supporting documents. Likewise, we reiterated our request for the submission of the disbursement vouchers with supporting documents corresponding to the stated issued checks to prevent audit suspension of transactions.

9. The Municipality complied with the tax requirements by withholding taxes from salaries and wages of personnel as well as from payments of purchases and business contracts and remitted the same to the Bureau of Internal Revenue (BIR) in accordance with Revenue Regulation (RR) No. 2-98 dated April 17, 1998, as amended by RR Nos. 14-2002 dated September 9, 2002 and 10-2008 dated July 8, 2008. (*Observation No. 11*)

We recommended and the Municipal Accountant agreed to continue to observe the rules and regulations governing the withholding and remittance of taxes to the BIR.

10. The Municipality had been substantially complying with the proper deductions of the premiums/contributions and other amounts due to GSIS, Pag-IBIG and PhilHealth and the timely remittance thereof. However, balances of the Due to GSIS, Due to PhilHealth and Due to Pag-IBIG accounts were unreliable due to non-maintenance of proper records detailing the composition of the balances. (*Observation No. 12*)

We recommended and Management agreed to i) continue to withhold and remit the loan amortizations and mandatory contributions to the GSIS, Pag-IBIG and PhilHealth, ii) gather all pertinent documents and analyze the subject accounts to establish the accuracy of the balances in the Due to GSIS and Due to Pag-IBIG accounts; and iii) remit all the due premiums immediately, when evidence warrants.

F. Summary of Total Suspensions, Disallowances, and Charges as of December 31, 2019

There were no notices of suspension, disallowance and charge issued to the Municipality of San Clemente as of December 31, 2019.

G. Status of Implementation of Prior Year's Audit Recommendations

Evaluation of the extent of implementation by management of audit recommendations contained in the 2018 Annual Audit Report disclosed that of the 28 recommendations, 10 were implemented, 12 were partially implemented and six were not implemented.