

EXECUTIVE SUMMARY

Introduction

Lemery became Municipality in 1862 but was again annexed to the Municipality of Taal in 1904. It regain its status as an independent Municipality in 1907 by virtue of Republic Act 1549 promulgated by the Philippine Civil Commission.

The Municipality is a coastal town covering an area of 101.55 square kilometers or 10,155 hectares. It is sub-divided into 46 barangays, 30 are rural and 16 are urban.

It belongs to the 1st class municipalities by income classification. Agriculture such as crop production, livestock and poultry is the major source of livelihood in the 30 barangays. Also, there are 13 productive barangays along the shoreline of the Balayan Bay which are suitable for fishing activities.

The organizational structure of the Municipality of Lemery is as follows:

a. Key Officials

Municipal Mayor	Eulalio M. Alilio
Municipal Vice Mayor	Geraldine C. Ornales
Members of Sanggunian	Maria V. Hanalee Jude V. Suayan Aris Kenneth C. Punzalan Rodolfo A. De Castro Jr. Susan B. Vidal Christopher Jones M. Bello Christopher P. Alilio Napoleon M. Piol Enrico Renwick B. Razon – LMB President Hanna Beatriz C. Cabral - SK Federation President
Municipal Accountant	Diana L. Torres
Municipal Treasurer	Rolando R. Macatangay

b. Number of Personnel Complement

Permanent	132
Job Orders	677
Elective Officials	12
Co-terminus	<u>11</u>
Total	<u>832</u>

Scope of Audit

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Lemery for CY 2019. The audit was conducted to ascertain the adequacy and reliability of the books of accounts and financial reports, fairness of the presentation of the financial statements and the Municipality's compliance with applicable laws, rules and regulations, as well as adherence to prescribed policies in handling its finances and its operations in general.

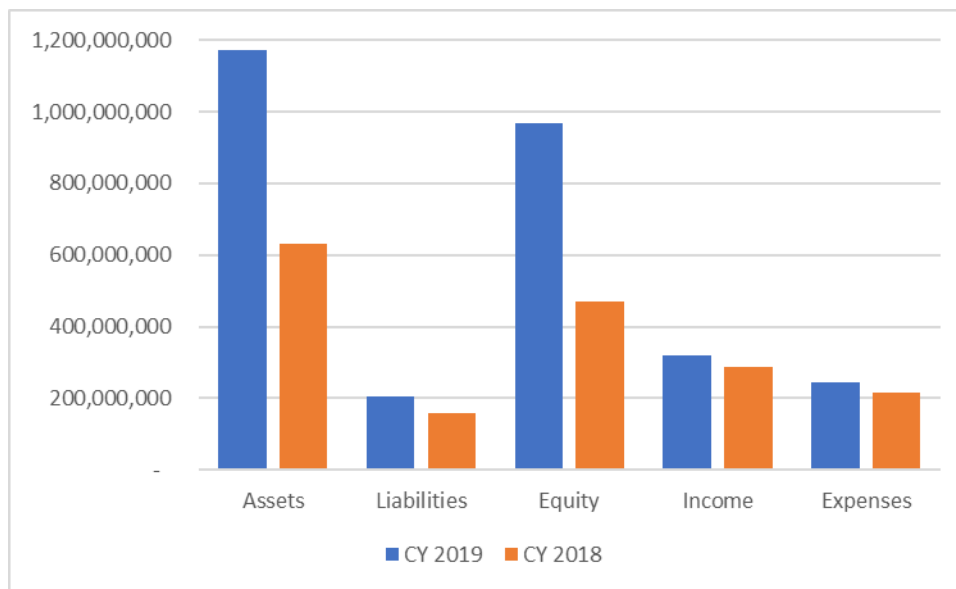
Financial Highlights (in Totals)

For the Calendar (CY) 2019, the Municipal Government of Lemery generated revenue of ₱318,169,572.31 sourced from local taxes, Internal Revenue Allotment (IRA), service, business and other sources of income. Total appropriations was ₱386,001,608.75, of which ₱287,454,030.43 or 74.47% was obligated during the year, thus leaving an unexpended balance of ₱98,547,578.32 or 25.53%.

The total assets, liabilities, equity, income and expenses of the Municipality for CYs 2019 and 201 are as follows:

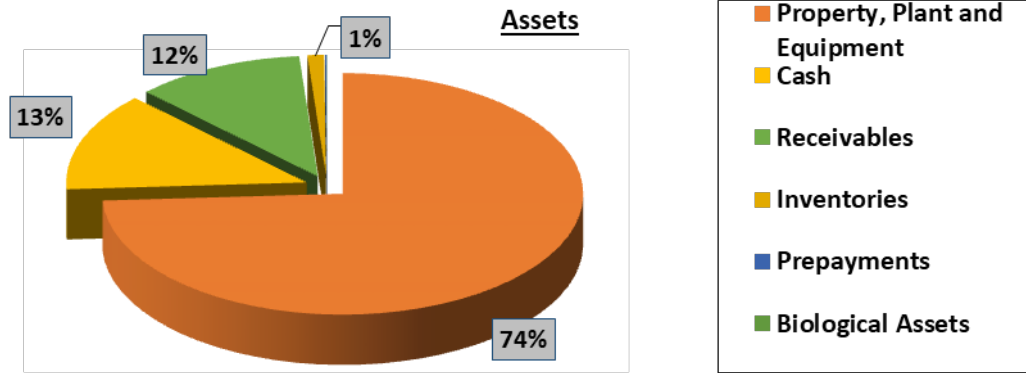
	CY 2019	CY 2018	Increase/ Decrease
Assets	₱1,173,732,608.51	₱629,868,820.13	543,863,788.38
Liabilities	205,444,361.71	159,236,348.72	46,208,012.99
Equity	968,288,246.80	470,632,471.41	497,655,775.39
Income	318,169,572.01	287,542,067.23	30,627,504.78
Expenses	245,780,097.89	215,751,356.45	30,028,741.44

Highlights of Financial Operations

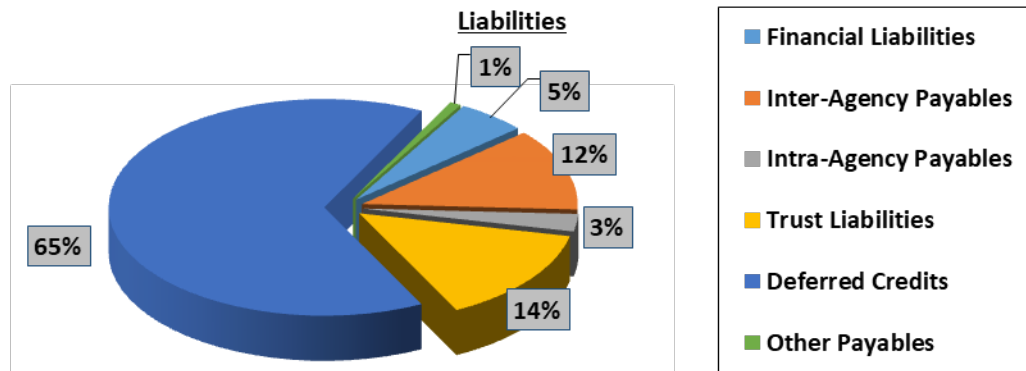


As shown in the above graph, the assets, liabilities, equity and expenses increased in values for CY 2019. The Municipality's equity is composed of assets financed partly by its

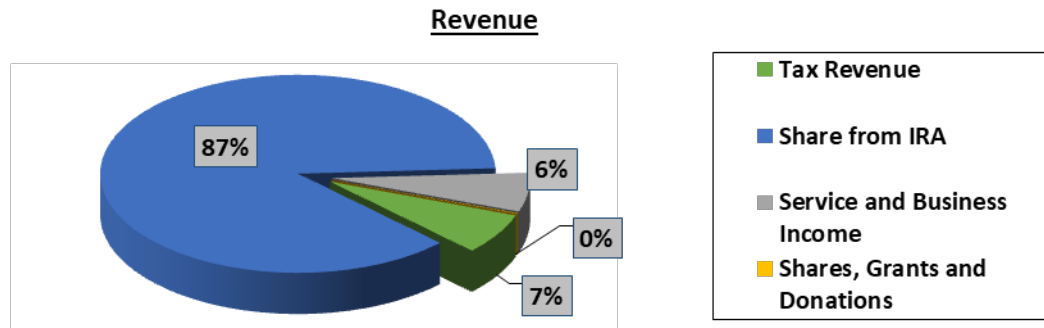
collected income, fund assistance from national agencies and loans from Land Bank of the Philippines.



Assets of the Municipality is comprised mainly of Property, Plant and Equipment which is 74.09% of the total assets. For CY 2019, PPE increased by 131.56% (₱494,117,255.37 net of depreciation) largely from recording in the books at fair market value of those unrecorded lands amounting to ₱419,554,093.00 which are subject of observation in the CY 2016 Annual Audit Report.



As observed above, the liabilities of the municipality composed mainly of the Deferred Real Property Tax and Special Education Tax. These are expected to be reversed upon collection of the Municipality of the taxpayer's due to them. Liabilities also include the three loans from the Land Bank of the Philippines which are contained in the financial liabilities. Trust liabilities is largely composed of the Local Disaster Risk Reduction and Management Fund which is held intact within five years for disaster-related activities. Meanwhile, inter-agency liabilities pertains to the remaining trust receipts from national government agencies which are intended for specific purposes and due for liquidation.



Comprising more than half of its revenue (87%), the Municipality is reliant on the receipts from Internal Revenue Allotment (IRA) which are released throughout the year. Almost a 7% is generated from shares on the real property tax and special education tax imposed by the Provincial Government of Batangas while 6%% is derived from local fees, permits and taxes locally imposed while that with the least share is share from PCSO.

Awards and Recognitions

- Seal of Good Financial Housekeeping 2019
- Seal of Child Friendly Local Governance 2019
- Cities and Municipalities Competitiveness Index (ranked 46th)

Independent Auditor’s Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Lemery due to the following:

1. The account balances of various properties under the Property, Plant and Equipment (PPE) in the Financial Statements with reported year-end net book value of ₱869,686,393.80 compared with the Report of Physical Count of PPE (RPCPPE) maintained by the General Services Office (GSO) still disclosed deficiency of ₱472,623,121.14; presence of lump sum/unidentified properties of ₱3,891,051.42; missing properties amounting to ₱1,071,417.25; and non-conduct of inventory count on various PPE items amounting to ₱ 53,246,576.16 contrary to the provisions of Manual on Property Custodianship, Government Accounting and Auditing Manual, and Section 124 of the Manual on New Government Accounting System (MNGAS), thus affecting the fair presentation of PPE accounts.

Significant Audit Observations and Recommendations

For the exceptions cited above, the Audit Team recommended that the Municipal Mayor require the:

- a) The Inventory Committee conduct regular reconciliation of RPCPPE with the accounting records to fully identify the discrepancies noted. Considering these findings on PPE as a perennial issue of the Municipality, we recommend that these procedures be done by account until all PPE accounts in the financial statements are completed/reconciled;

- b) The Accounting Department in coordination with the GSO exhaust all efforts to fully identify the PPEs included in the lump-sum/unidentified balances. Secure the necessary documents to support those PPEs to be able to reconcile with the Inventory Report of the GSO. Otherwise, provide disclosure in the Notes to Financial Statements.
- c) The Inventory Committee locate and secure missing/unaccounted properties. If whereabouts cannot be determined after exerting all efforts, trace accountability and require the persons accountable to prepare the incident report indicating the reasons of missing properties and if found negligent, he shall pay the missing properties at cost;
- d) The Inventory Committee conduct physical count of all properties of the municipality, preparation of the corresponding report and reconciliation of inventory results against the accounting records.
- e) The Inventory Committee report the result of the inventory count of Road Networks in the format prescribed under Annex C of COA Circular No. 2015-008 dated November 23, 2015.

In addition, the following are the other significant findings and recommendations:

1. The Municipality's unreleased checks as of December 31, 2019 in the total amount of ₱1,587,269.67 were reflected paid and deducted from the Cash in Bank and Liability accounts and stale checks of ₱73,026.61 remained as bank reconciling items treated as outstanding checks in the bank reconciliation in violation of Section 2.4 and 2.5 of GAFMIS Circular Letter No. 2001-001 dated December 16, 2002 thereby understating the said accounts at year end.

We recommended that the Municipal Mayor instruct:

- a) the Municipal Treasurer to prepare and submit to the Municipal Accounting Office the List of Unreleased Checks in time for the closing of the books every year for the reversion back to cash in bank and payable accounts, in order to fairly present the said accounts in the financial statements; and
 - b) the Municipal Treasurer send written notice to the payees for the existence of stale checks and require submission of requirements to facilitate replacement of new checks; and
 - c) the Municipal Accountant to effect the necessary adjustments of Unreleased Checks treated as reconciling items/outstanding checks at the end of the year/closing of books, as well as the reversion of stale checks for an accurate and reliable accounts of Cash in Bank and Accounts Payable balances in the financial statements.
2. The accuracy and reliability of Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable totaling ₱121,117,813.64 could not be ascertained due to its discrepancies with the Municipal Treasurer's Office reported balance of ₱59,493,195.76 in their delinquent real property and special education taxes as of December 31, 2019, thereby incurring a total difference of ₱61,624,617.88, thus, affecting the fair presentation of the financial statements.

We recommended that the Municipal Mayor instruct the Municipal Accountant and the Municipal Treasurer to reconcile their records to present an accurate and reliable RPT and SET Receivables in the financial statements.

We recommended that the Municipal Mayor instruct the Municipal Treasurer to exhaust all efforts and devise strategies to collect all delinquent real property taxes and encourage the taxpayer to pay their dues on time. Conduct verification on those outstanding balances to determine the accuracy of the receivables and its collectibility.

3. The year-end balance of the reciprocal accounts Due from/Due to LGUs (Province) maintained in the books of the municipality disclosed net discrepancies of (₱59,813.56) and ₱72,971.54 with the counterpart payables and receivables in the books of the Province of Batangas, contrary to the provisions of PD 1445, thus affecting the fair presentation of the financial statements.

We recommended that the Municipal Mayor direct the Municipal Accountant and her staff to:

- a) Continuously coordinate with the Provincial Accountant and reconcile their records on receivables/payables and their corresponding payables/receivables in the books of the Province to establish the correct balances of the intra-agency accounts.
 - b) Coordinate with the concerned officials and departments heads to obtain information on those long outstanding accounts. Secure the necessary documents to properly identify the creditor/local government unit to whom it's due. Once the specific local government unit had been identified, verify the reported balances in the subsidiary ledgers through confirmation letters and exhaust efforts to fully ascertain the validity and legality of those obligations. As to the financial assistance from the Province secure copies of agreement to determine provisions on the unexpended balance. Otherwise, coordinate with the Province for proper guidance on those long outstanding balances.
4. Taxes amounting to ₱89,802.00 withheld from the obligations arising from perfected transactions as of yearend was not recognized in the books simultaneously with the booking up of the Accounts Payable contrary to the BIR Revenue Regulations No. 2-98, as amended by BIR Revenue Regulations No. 12-2001, and understated the Due to BIR by ₱89,802.00 thus, affecting the fair presentation of accounts in the financial statements. More so, deprived the legitimate proprietor of the funds of its utilization in a timely manner.

We recommended that the Municipal Mayor instruct the Municipal Accountant to recognize in the books of accounts the taxes withheld simultaneously with the setting up of Accounts Payable (AP) for goods received or services rendered, inspected and accepted, and for construction/infrastructure projects partially or fully completed and inspected, to fairly present the Due to BIR account at yearend and timely remit those taxes to the BIR.

5. Absence of essential information such as number of beds for private hospitals, number of sows/heads for poultry and livestock farming needed by the Business Permit and Licensing Office of the Municipality in the assessment of permit fees particularly on

private hospitals, poultry and livestock (agri-business) and financial institutions (banks) resulted to possible under collection of annual Mayor's permit fees hence decreasing the coffers for operational activities and delivery of basic services to the public. Likewise, difference in applicable rate of permit fees embedded in the system against the revenue code resulted to under assessed permit fees collected from some business establishments.

We recommended that the Municipal Mayor instruct the Municipal Treasurer, in coordination with the system provider, to update the permit fees embedded in the system on financial institutions, poultry & livestock farming (agri-business) and on newly established business so as to be paralleled with the 2017 Revised Revenue Code of Lemery which will consequently result to proper assessment of fees.

Likewise, we recommended the BPLO to ensure that validation of the essential information as basis of assessment and collection of fees be undertaken to come up with an accurate assessed permit fee to avoid under collection of income and ensure that maintenance of these records be accordingly prepared.

6. The unexpended/unutilized prior years' balances of the Quick Response Fund and Mitigation Fund-MOOE in the total amount of ₱19,768,394.21 were not included in the Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) for programs,/projects/activities related to disaster management and prevention, contrary to COA Circular No. 2012-002, thus, depriving the municipality's constituents of the benefits. In addition, 70 per cent Mitigation Fund and Continuing Appropriation for CY 2019 was not fully implemented as planned, thus setting limits on the full attainment of the objectives of the fund.

We recommended that the Municipal Mayor instruct the Municipal Disaster Risk Reduction Management Officer to include the utilization of the unexpended balance for DRRM, which is under the Trust Liability – DRRM, in the LDRRMFIP for programs/projects/activities related to disaster management and prevention. Likewise, ensure the optimal utilization and implementation of the programs and projects funded out of Disaster Mitigation Fund and Continuing Appropriation within the planned timeline.

7. Government projects undertaken by the local government in CY 2019, whether funded from their local budget or financial assistance or grants from other national agencies, were not reported to our Office in the manner and form prescribed in Sections 2.0 and 3.1 of COA Circular No. 2013-004 dated January 30, 2013, thus, resulting to the delays in the reporting and validation of the projects.

We again recommended that the Municipal Mayor require the Municipal Engineer and other concerned officials to submit at the beginning of the year the lists of all on-going government projects/programs/activities (PPAs) and those that are to be implemented during the year, in compliance with the above cited regulations.

8. The Municipality of Lemery attributed majority of its programs, projects and activities to the GAD Plan and Budget (GPB) for CY 2019 without subjecting them to gender analysis using the Harmonized Gender and Development Guidelines (HGDG) Tool as required in Section C.4 of the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thereby casting doubts on the attainment of the objectives of the GAD PPAs included in the GPB and GAD Accomplishment Report.

Since the Municipality opted to attribute a portion of its budget to the GAD Budget, we recommended that the Local Chief Executive instruct the GAD Focal Point System to constantly attend a training program on how to administer the Harmonized Gender and Development Guidelines (HGDG) in its GAD Plan and Budget to assure the proper determination of the PPAs that may be attributed to the GAD Budget.

Likewise, we recommended that HGDG test be administered again at the end of project implementation and incorporate the results in determining the percentage of PPA expenditures attributable to GAD.

9. The continuous operation of the Municipal Public Market of Lemery under Philippine Primark Properties, Inc. was a departure from the provisions of COA Circular No. 92-386 dated October 20, 1992 governing lease of government spaces due to the Deed of Assignment executed by PAPISSS, Inc. and Prestonburg Development Corporation both with Philippine Primark Properties, Inc. thus, placing the interest of the Municipality and its people at stake. More so, non-imposition of past due penalties and damages against the defaulting Lessee despite non-performance of its obligations and failure to monitor the occupancy rate of the market deprived the Municipality of the potential income which it could have realized for the delivery of basic social services to its constituents.

We reiterated the following recommendations cited in the 2017 Annual Audit Report:

- a) that the Sangguniang Bayan and the Local Chief Executive terminate/rescind the Deed of Assignment entered into by PAPISSS, Inc., Prestonburg Development Corporation and Philippine Primark Properties, Inc. and strictly observe the proper guidelines on lease of government property in order to protect the interest of the Municipality and its constituents.
- b) that the Municipality impose the corresponding past due penalties and damages to PAPISSS, Inc. for the non-performance of its obligations.

Lastly, we recommended the Municipality to immediately submit an updated list of legitimate stallholders and ensure that monitoring of the occupancy rate of the Public Market be consistently undertaken in order to determine the appropriate lease payment due to the Municipality and rightfully enforce its right thereto.

Unsettled Suspensions, Disallowances and Charges as of year end

As at December 31, 2019, the total outstanding audit suspensions, disallowances and charges of the Municipal Government of Lemery based on the Notice of Suspensions, (NS), Notice of Disallowances (ND), Notice of Charges (NC) and Notice of Settlement of Suspensions, Disallowances and Charges (NSSDC) issued by this Commission totaled ₱3,195,307.64.

Status of Implementation of Prior Years' Audit Recommendations

Of the 90 prior years' audit recommendations embodied in CY 2018 and prior years' Annual Audit Reports, 29 were fully implemented, 29 were partially implemented and 32 were not implemented.