

EXECUTIVE SUMMARY

A. INTRODUCTION

Republic Act No. 8990 converted the Municipality of San Fernando, Pampanga into a Component City known as the City of San Fernando.

The Act is a consolidation of House Bill No. 6766 and Senate Bill No. 2192 which was finally passed by the House of Representatives and Senate on November 28, 2000 and November 15, 2000, respectively. It was approved by then President Joseph E. Estrada on January 5, 2001 and was mandated by a Plebiscite on February 4, 2001.

The City of San Fernando is the capital of Pampanga and the regional seat of government in Central Luzon. It is located 67 kilometers north of Metro Manila. It is composed of 35 barangays and has a land area of 6,774 hectares.

It is strategically located at the heart of Central Luzon, traverses to provinces in all directions, be it North in Tarlac and Pangasinan, West in Bataan and Zambales, East in Nueva Ecija and South in Bulacan on to Metro Manila.

As of December 31, 2016, the City had a total personnel complement of 1,483 as follows: 565 regular employees/co-terminus appointees, 14 elective officials, 284 contractual (casual) employees, and 620 job order personnel.

The audit covered the financial transactions and operations of the City of San Fernando, Pampanga for the year 2016 in accordance with the Philippine Public Sector Standards on Auditing. The objectives of the audit were to: (a) ascertain the level of assurance that may be placed on the management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the status of implementation of prior year's audit recommendations.

B. FINANCIAL HIGHLIGHTS

Presented below are the comparative presentations of the current year and previous year's financial position, and the plans and targets vis-à-vis accomplishments of the City in terms of developmental projects.

Financial Position

Type of Accounts	<u>2016</u>	<u>2015</u>	Increase (Decrease)	Percentage
Assets	₱ 2,800,568,407.77	₱ 2,292,801,123.39	₱ 507,767,284.38	22.15%
Liabilities	926,580,041.95	755,752,561.49	170,827,480.46	22.60%
Government Equity	1,873,988,365.82	1,537,048,561.90	336,939,803.93	21.92%

Budget Utilization

Purpose	2016			2015		
	Target	Accomplishment	%	Target	Accomplishment	%
Social Development	₱163,808,790.00	₱134,101,860.00	81.86%	₱251,683,691.16	₱ 219,071,411.44	87.04%
Economic Development	241,064,300.00	156,245,870.00	64.82%	334,731,571.40	241,284,027.00	72%
Environmental Management	-	-	-	-	-	-
Total	₱404,873,090.00	₱290,347,730.00	71.71%	₱286,415,262.56	₱460,355,438.44	79%

C. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of the financial statements because the accuracy of the year-end balances of the accounts under the Property, Plant and Equipment (PPE) amounting to ₱1,298,432,436.59 was not established owing to the (a) difference of ₱4,985,332.72 between the balances in the General Ledger and the Inventory Report; (b) incorrect recognition of major improvements of ₱2,447,990.19 as outright expense instead of as PPE; and (c) non-recognition of the City-owned lot of undetermined value in the books.

To address the said deficiencies, we reiterated our recommendations that the Local Chief Executive (LCE) require the (a) investigation of the properties not accounted for during the physical count and take appropriate action against accountable personnel/officials; and (b) completion of the physical count of all assets under PPE and related accounts for improved accountability over the assets and accuracy of the year-end reported balances of the PPE accounts.

We also recommended that the LCE (a) provide the needed additional personnel to the property team to ensure that property records are complete and updated and conduct of the physical count is accomplished within the prescribed period; and (b) direct the City Accountant to (i) ensure that all government property officially received by the City are accounted for and recognized in the books at acquisition cost or at appraised value, as applicable; (ii) maintain adequate property records for PPE so that relevant details are available to users thereof; and (iii) adopt all the principles prescribed in PPSAS 17 for the proper accounting of the City's PPE.

D. OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

We are glad to note of the following favorable observations, to wit:

1. The Comprehensive Land Use Plan (CLUP) of the City of San Fernando for CY 2012-2021 already integrated the Climate Change Adaptation (CCA) Plan as a strategy in sustainable development and poverty reduction, in compliance with the Implementing Rules and Regulations of R.A. No. 10121, otherwise known as the Philippine Disaster Risk Reduction Act of 2010.

2. Donations in-kind from various donors consisting of relief goods ready for distribution directly to affected disaster victims and various sacks of rice and canned goods were properly acknowledged by the City Treasurer and coordinated with other support offices, in accordance with COA Circular No. 2014-002 requiring proper receipt of in-kind donations. However, rice donations from the DWSD had reported spoilage for some sacks upon receipt.

3. Pertinent documents to support the City's disbursements on league-related activities particularly on seminars hosted by the Philippine Councilors' League on CY 2016 were satisfactorily complied with in accordance with COA Circular No. 2012-001 dated June 14, 2012, rendering regularity on the payment thereof.

4. For the year 2016, the City substantially complied with the provisions of Republic Act No. 8291, otherwise known as the Government Service Insurance System (GSIS) Act of 1997, in the withholding and remittance of the GSIS employees' share and that of the City in the amount of ₱61,821,821.37 and ₱61,582,537.12, respectively. Also, subsidiary records under the Due to GSIS account were also maintained in compliance with the provisions of the Philippine Public Sector Accounting Standards (PPSAS).

5. The City complied in CY 2016 in the withholding of taxes from the salaries and wages of personnel and payments of purchases and business contracts and in the full remittance thereof to the Bureau of Internal Revenue (BIR) through Electronic Filing Payment System within the prescribed period in compliance with the provisions set forth in Revenue Memorandum Circular No. 23-2012 dated February 14, 2012, Revenue Regulation No. 9-2001 and Revenue Regulation No. 2-98 dated April 17, 1998, as amended. However, the general ledger balance of the Due to BIR under the General Fund showed a discrepancy of ₱691,895.13 in unremitted taxes withheld taxes for undisclosed reason.

However, the other significant audit observations noted during the audit which need to be addressed together with the corresponding recommendations are summarized below. These are discussed in detail in Part II of the Report. Management views and comments were incorporated in the report where appropriate.

1. The set-up of Real Property Tax (RPT) and Special Education Tax (SET) Receivables of ₱148,573,379.93 each for CY 2016 was already based on the Certified List of Taxpayers, in compliance with Section 20 of the Manual on the New Government Accounting System (NGAS).

We reiterated our recommendation that the City Treasurer (a) continue the preparation of the certified list of taxpayers as basis for the setting up of receivables; (b) update the posting of real property tax payments in the RPTAR; (c) monitor the completion of the enhanced information system in order to generate more accurate and timely reports.

2. Improper practices contrary to COA Circular No. 2012-001 dated June 14, 2012 were noted in the Due from Local Government Units (Due from LGUs) account which include (a) the balance of ₱19,214,276.72 remained unliquidated owing to the continuous grant thereof even without the proper accounting of the previous grants; (b) omission to recognize some settlements in the books; and (c) fund transfers/financial assistance were not covered with Memorandum of Agreement containing the fund utilization guidelines thus, exposing the funds to risk of misappropriation and misuse.

We recommended that the (a) City Administrator/Local Chief Executive (i) render written explanation on the absence of Memorandum of Agreement (MOA) between the City and its component barangays for the subject financial assistance transactions; (ii) consider granting the financial assistance to barangays, especially those lacking in technical competencies, in completed project form instead of in cash thus making the City as the implementer and the barangay as the beneficiary; and (iii) ensure that a MOA between the City and its barangays are executed before a transfer of funds/projects is facilitated; and (b) Accounting Office (i) require the implementing heads of barangay to: (i.a) exhaust all efforts to coordinate with the previous Barangay Administration to facilitate the submission of liquidation documents for the long overdue unliquidated financial assistance; (i.b) religiously submit all liquidation documents to the City Accounting Office for all financial assistance received; (i.c) immediately refund the unutilized balance of the financial assistance to the City Treasurer's Office after the purpose of the grant is completed; and (i.d) strictly observe the proper procedures in the liquidation of financial assistance and ensure completeness of documents upon submission to the accounting personnel in-charge of the books of the barangay; (ii) ensure that all required liquidation documents for previously granted financial assistance have been submitted and issue a Certification that funds previously transferred to the Implementing Agency (IA) have been liquidated and accounted for in the books before processing the grant/transfer of another financial assistance; (iii) closely monitor the compliance of the recipient barangays on the submission of liquidation documents within the prescribed period; and (iv) draw journal entries to recognize all settlements already complied with by the barangays concerned relative to the prior years' financial assistance.

3. The Accounting Office failed to submit disbursement vouchers, documents and financial reports within the prescribed period under Section 7.2.1 of the Rules and Regulations on the Settlement of Accounts (RRSA) disseminated under COA Circular 2009-006 dated September 15, 2009 thus, preventing the prompt review of transactions. In addition, the regularity and occurrence of paid claims with transaction value of ₱450,576,500.78 could not be ascertained for failure of the Accounting Office to submit to the Audit Team the corresponding disbursement vouchers together with their supporting documents contrary to Section 107 of PD No. 1445.

We recommended that the: (a) City Accountant and the City Treasurer: (i) strictly comply with the timely rendition of accounts and financial reports so as not to delay the verification of transactions and post-audit activities; and (ii) observe the due dates of submission of the required financial reports and documents to the Audit Team; (b) City

Accountant require the accounting staff concerned to scan only documents which did not undergo scanning or reproduction from preceding or originating departments; and (c) Local Chief Executive: (i) require all concerned accountable officers to submit on time all financial documents and reports for their respective transactions for each month for the preparation of the financial reports; and (ii) impose sanctions against erring accountable officers who continuously fail to abide with the timely submission of documents and reports.

4. The City failed to submit the Agency Action Plan and Status of Implementation (AAPSI) on the CY 2015 Annual Audit Report, contrary to Section 93 of the General Provisions of Republic Act No. 10651, dated December 15, 2014, otherwise known as General Appropriations Act of 2015 thus, the actions taken by management on prior year's audit recommendations were not duly monitored.

We recommended that the City Mayor direct the department head/s or personnel concerned to comply with dispatch the completion and submission to the Audit Team of the Agency Action Plan and Status of Implementation (AAPSI) for CY 2015 AAR and on every AAR thereafter.

5. The 20% Development Fund was adequately budgeted at ₱145,377,494.49 however, the City failed to optimize the utilization thereof as it registered a moderate utilization rate of 79.54% thus, its constituents were deprived of the early enjoyment of the benefits from at least seven projects costing ₱29,750,263.14 owing to their non-completion in CY 2016 contrary to the guidelines set forth in Joint Memorandum Circular No. 2011-1 of the Department of Interior and Local Government (DILG) and Department of Budget and Management (DBM).

We recommended that the Local Chief Executive and the Local Development Council (a) continue to invest in high-impact capital expenditures projects in the utilization of its 20% Development Fund; and (b) direct the City Engineering Office and City Planning and Development Officer to 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.

6. Deficiencies were noted in the allocation and utilization of the SEF contrary to Section 100 of Republic Act (R.A.) No. 7160 and Section 1 of Republic Act (R.A.) which may result in the inability of the City to optimize the use of financial resources earmarked for the basic education sector.

We recommended that the: (a) LSB (i) carefully study, plan and determine the annual budgetary needs for the operation and maintenance of public schools within the City which shall be supported by programs, projects and activities under Section 100 of R.A. No. 7160 as updated in DepEd-DBM-DILG Joint Circular 01, Series of 2017; and (ii) members of the LSB maximize the utilization of SEF within the ambit of its intended

objectives; and (b) City Budget Officer and City Accountant monitor the proper utilization and charging of expenditures to SEF.

7. The City's declaration of state of calamity was not reasonably lifted after the occurrence of Habagat in 2016 due to prioritization of tasks on damage assessment and needs analysis contrary to Section 16 of R.A. No. 10121, which may result in unnecessary abuse of the circumstance.

We recommended that the CDRRMO and the LDRRMC take the necessary action for the timely and proper recommendation to the SP for the lifting of the state of calamity under appropriate conditions thereafter, in order to prevent any untoward abuse of the circumstances.

8. The City did not have a validated list/updated profile of disaster victims indicating their names and addresses, assessed needs, number of affected individuals per household in barangays identified to be hazard-prone areas contrary to COA Circular No. 2014-009, resulting in the untimely, and inadequate procurement planning of relief goods for disaster preparedness.

We recommended that the CSWDO as the lead office in the disaster preparedness aspect of determining the adequate and appropriate relief goods both for stockpiling and distribution to disaster victims (a) summarize in database form immediately as possible all information in the access cards; and (b) conduct actual validation of the affected families and individuals sheltered in the designated evacuation camps as well as those in the community on a per barangay basis, to include data such as age group, assessed needs, and health condition for those with maintenance medication, in order to come up with the updated disaster victims' profile to ensure adequacy of the volume of relief goods for stockpiling and distribution and to serve as basis for the ensuing year's procurement planning.

9. Damaged roads were noted along the tail dike at Barangay San Pedro Cutud and the rescue vehicle used during the calamity lacked the proper maintenance while camp facilities need improvement or upgrade as suggested in COA Circular No. 2014-009 which may result in additional risks to disaster victims if not immediately addressed.

We recommended that the Local Chief Executive require the (a) CSWDO to (i) closely monitor camp situations in order to provide reasonable comfort to disaster victims through appropriate services, goods, and facilities giving due importance to gender concerns; and (ii) ensure that the planning of procurement needs is made in the first quarter of the year, ahead of the anticipated disaster to address the basic needs for food, clothing, medicines, and shelter and procurement inputs are communicated to concerned officials in a timely manner (iii) submit the validated list/profiles of affected families and individuals per age group to the head of the GSO to come up with a realistic number of disaster victims in order to procure the necessary and adequate basic needs of victims during disaster, taking into consideration the latest data on the recent calamity; (iv) prepare a procurement list of relief goods to include food supplies for children and

newborns, if warranted, based on validated data; (b) CDRRMO to (i) ensure the availability and serviceable condition of all rescue equipment and vehicles for efficient and effective disaster response; (d) City Health Officer to submit to the CDRRMO the procurement request, ideally in the 1st quarter of the year for the necessary medicines and medical supplies for water and air-borne diseases for consolidation of procurement for disaster preparedness; and (e) City Engineer to (i) prepare a program of work for the tail dike project for submission to the National and Provincial Governments for possible funding allocation; (ii) include in its budget proposal the allocation for evacuation center equipped with adequate facilities for senior citizens, special children, newborn, and with consideration to gender concerns.

10. The monitoring of the City's GAD programs was deemed inadequate because (a) the GAD Focal Person and Technical Working Group (TWG) together with the Local Planning and Development Office failed to establish a GAD database rendering no basis for its gender planning, programming, and policy formulation; (b) the TWG did not avail of monitoring tools like Harmonized Gender and Development Guidelines (HGDG) and Program and Project Implementation, Management and Monitoring and Evaluation (PIMME) to ensure projects are gender-responsive; and (c) the GAD planning and budgeting schedules were not observed, contrary to Joint Memorandum Circular 2013-01 of the Department of the Interior and Local Government (DILG), Philippine Commission on Women (PCW), Department of Budget and Management (DBM), and National Economic and Development Authority (NEDA).

We recommended that the GAD Focal Person and Technical Working Group: (a) prepare the GAD database in coordination with the LPDO which will serve as basis for planning, implementing, and formulating GAD responsive activities; (b) use monitoring tools such as the HGDG and PIMME in monitoring and evaluating GAD activities; (c) submit to the Audit Team the annual accomplishment report for evaluation; and (d) improve further the schedule in GAD planning and budgeting as prescribed under Joint Circular 2013-01 of DILG, PCW, DBM, and NEDA.

11. Management failed to observe some of the provisions of the PhilHealth Circular No. 10, s. 2012, PhilHealth Circular No. 015, s. 2014 and other regulations in the utilization of the PhilHealth Per Family Payment Rate (PFPR) Fund, previously known as the PhilHealth Capitation Fund, as manifested by the: (a) absence of program plan or mechanism to monitor disbursements charged to the PFPR Fund; (b) failure to prepare and submit the Per Family Payment (PFP) Disposition and Allocation Form on a quarterly basis; and (c) improper utilization of the PFPR Fund owing to: (i) non-prioritization of procurement of drugs and medicines which shall be at a minimum, forty percent (40%) of the Fund; and (ii) utilization of the Fund for reagents, medical supplies, equipment, information technology, capacity building for staff and infrastructures over the maximum of forty percent (40%) of the Fund. The noted deficiencies resulted in the accumulation of the Fund balance to ₱12,414,223.34 which may impede the responsiveness of the City in addressing the health issues of the City, particularly of the indigent-constituents.

We recommended that the: (a) Local Health Board and/or the City Health Office prepare a PhilHealth Per Family Payment Rate Fund Utilization and Program Plan that is integrated in the City's Annual Investment Plan; (b) Accounting Office comply with the submission of the required PFP Disposition and Allocation Form every quarter and other reports needed for monitoring and evaluation of the program relative to the releases of the PFPR Fund as required by PhilHealth Circular No. 015, s. 2014; and (c) City Health Office and Accounting Office abide by the provisions of PhilHealth Circular No. 10, s. 2012 on the proper disposition and allocation of the Fund.

12. Programs/projects costing ₱8,150,000.00 funded under the Bottom-Up-Budgeting (BUB) using CY 2015 funds were all implemented in CY 2016. However, deficiencies were noted in the implementation of BUB-funded program by the Department of Agriculture (DA) owing to inadequate monitoring and lack of coordination among the project implementers. On the other hand, not a single project/program was completed from the BUB funds received in CY 2016 which may defeat the ultimate program objective to uplift the quality of life of the marginalized poor, contrary to Joint Memorandum Circular No. 7 dated November 3, 2015 of the Department of Budget and Management (DBM), Department of Interior and Local Government (DILG), Department of Social Welfare and Development (DSWD), and National Anti-Poverty Commission (NAPC).

We recommended that the Local Chief Executive direct the: (a) CAVO to (i) closely monitor the deliveries of livestock for an efficient dispersal program in the future; and (ii) perform a regular visit to dispersed animals to determine their actual condition and prevent further undue losses; and (b) GPBP focal person of the respective implementing offices to strictly monitor the implementation of projects as targeted and planned and take note of any gap for future inputs especially on the delay of implementation and completion of GPBP-funded projects and programs.

13. Management has adopted the provisions of DILG Memorandum Circular No. 2007-001 dated May 9, 2011, particularly the enforcement of the operating conditions on tricycles-for-hire in response to last year's audit observation. However, the purpose of providing immediate assistance to the public and/or monitoring public safety was not fully achieved because the closed-circuit television (CCTV) units installed in various public places were found to be non- operational.

We recommended that the: (a) City Traffic Management Division continue to implement the DILG Memorandum Circular No. 2007-001, adopted thru City Ordinance No. 2008-015, and consider strengthening its information dissemination initiatives by posting more specific notices along the City boundaries on the banning of tricycle operation in national highways; (b) Management (i) expedite the transfer of the CCTV control unit to facilitate a better monitoring operation not only by the City Disaster Risk Reduction and Management Office but also by the City Traffic Management Division and Bureau of Fire Protection; and (ii) prioritize the need to upgrade the entire communication platform from wireless communication to a more reliable upgraded technology that will serve the recording and monitoring purpose of CCTV units.

E. SUMMARY OF TOTAL SUSPENSIONS, ALLOWANCES AND CHARGES

Total suspensions, disallowances and charges at year-end stood at ₱0.00. Audit Observation Memoranda were issued for various deficiencies noted in audit. Management responded immediately by requiring responsible officials/employees to comply with the recommendations and/or the submission of required documents/explanations.

F. IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 55 prior year's audit recommendations, 32 were fully implemented, 5 were partially implemented and 18 were not implemented at all.