

EXECUTIVE SUMMARY

Introduction

Malabon became a highly urbanized city by virtue of Republic Act (RA) No. 9019 on March 5, 2001. It is the vision of the City Government of Malabon, pursuant to its charter and in line with RA No. 7160, the Local Government Code of 1991, to exercise all the powers granted by law in achieving efficient and effective governance of the City for the promotion of general welfare as defined in Section 16 thereof.

The manpower resources of the City Government as of December 31, 2016 totals 2,256 broken down as follows:

| | |
|---------------------|--------------|
| Permanent/Regular | 760 |
| Casual | 203 |
| Elective Officials | 15 |
| Co-terminus | 85 |
| Job Order Personnel | 1,144 |
| Contractual | 49 |
| Total | <u>2,256</u> |

For CY 2016, the City Government reported the following major accomplishments:

1. Completed/Inaugurated the newly constructed Ospital ng Malabon funded by the National Government.
2. Undertaken various social support infrastructures projects such as: Construction of Two Multi-purpose Halls and Repair of one Multi-purpose Hall; Repair and Maintenance of 26 classrooms; Improvement of Bayan-Bayanan Covered Court; Repair of CMPI Laboratory Room and Workshop Area; Installation of 76 and repair of 296 sets of streetlights and Construction of Waiting Sheds with a total cost of P113.039 million
3. Construction of three medium rise five Storey Building on a 1,170 square meters City Government owned lot at block 15 Labahita corner Quitang St., Barangay Longos, to benefit informal settler families
4. Upgraded/rehabilitated 7,898 linear meters of road and alleys including 8,391 linear meters of drainage consisting of 40 projects with a total cost of P78.716 million
5. Implemented six flood control projects such as the upgrading and rehabilitation of flood gate and drainage facilities amounting to P9.388 million. Also assisted nine barangay projects in the improvement and maintenance of drainage at a total cost of P3.036 million

6. De-clogged and cleaned 11,256 linear meters of canals which collected 1,321.52 cubic meters of waste and 2,156 linear meters of creeks were desilted with 339.33 cubic meters of waste collected
7. Assisted six Barangays in the upgrading and rehabilitation of barangay roads and alleys at a total cost of P4.939 million
8. Relocated/resettled 33 informal settlers families composed of 165 individual living along waterways to Barangay Siling Bata, Pandi, Bulacan
9. Enhanced Crime Solution Efficiency registered at 45.59 percent which is lower than the previous year of 78.13 percent

Highlights of Financial Operations

Presented below are the results of operations for CYs 2016 and 2015, as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------|-------------------|-------------------|
| Assets | P2,480,136,888.69 | P2,133,993,376.17 |
| Liabilities | 1,028,796,534.83 | 937,917,213.69 |
| Equity | 1,451,340,353.86 | 1,196,076,162.48 |
| Income | 259,124,599.97 | 112,670,596.79 |
| Expenses | 925,097,623.26 | 1,051,945,066.06 |

The appropriations, allotments and obligations for CYs 2016 and 2015, are as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------|-------------------|-------------------|
| Appropriations | P1,325,411,595.15 | P1,213,756,574.00 |
| Allotments | 1,270,182,642.21 | 1,201,935,783.00 |
| Obligations | 1,013,601,434.93 | 1,158,851,617.00 |

SCOPE OF AUDIT

The audit covered the accounts and operations of the City of Malabon for the year ended December 31, 2016. The objectives of the audit are to: (a) verify the degree of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; (c) determine compliance with existing rules and regulations; and (d) determine the extent of implementation of the prior year's audit recommendations.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the following noted errors and deficiencies that misstates the affected account balances, discussion of which are included in Part II of the report and summarized as follows:

1. The balance of Cash in Bank – Local Currency, Current Account (LCCA) of P495.940 million is unreliable due to the net difference of P14.061 million between the books and bank balance caused by the failure to effect adjustments in the books of the long standing/prior years' reconciling items in the General Fund totaling P25.666 million due to absence of supporting documents and absence of BRS for the SEF and TF.

We recommended that -

- the City Treasurer coordinate with the depository banks as regards to the documents to support the unadjusted and unidentified reconciling items under General Fund;
 - the Legal Office demand explanation/information from the City Treasurer on the unjustified delay in the verification of disbursements; and
 - the City Accountant, for SEF and TF to (i) prepare the bank reconciliation statements on a monthly basis for all depository accounts pursuant to COA Circular No. 96-011; and (ii) effect adjusting entries immediately in the books of accounts for reconciling items already identified and for the understatement of book balance under LBP Account No. 0652-1019-92.
2. The total balance of PPE accounts of P1.418 billion was inaccurate and unreliable due to the unreconciled discrepancy of P226.703 million between the books and the Report on the Physical Count of PPE (RPCPPE).

We recommended that –

- the Inventory Committee complete the reconciliation of the RPCPPE with the accounting and property records;
- the City Accounting Department (i) effect the adjustments to correct the overstatement of Land Improvements account and the understatement of affected PPE accounts; and (ii) drop from the book of accounts the cost of demolished markets structures duly supported with complete documentation.

3. Depreciation totaling P5.323 million for various Property, Plant and Equipment accounts was not provided as required during each quarter of the year, thus, overstating the total balances of PPE, Surplus/(Deficit) and Government Equity accounts and likewise, understating the total balances of the corresponding Depreciation Expense and Accumulated Depreciation accounts.

We recommended that the CAD provide and compute the correct depreciation of PPEs and make the necessary adjustment to the affected account.

Other Significant Observations and Recommendations

The following are the other significant observations and recommendations in the audit of the City Government of Malabon for the year 2016:

1. The amount of P37.477 million recorded under Due to NGAs account remained unadjusted despite the submission of liquidation report on the utilization of funds to the Accounting Department contrary to COA Circular No. 2016-002, thus, overstating the account balance by the same amount.

We recommended that CAD effect the appropriate adjusting entry/s for the funds transfer, and submit the liquidation report together with the supporting documents for audit verification.

2. Audit suspensions and disallowances in the amounts of P28.643 million and P11.982 million, respectively, remained unsettled as of the year-end.

We reiterated our previous year's recommendations for Management to: (i) direct concerned officials to coordinate with all persons responsible/liable and facilitate the settlement of all outstanding audit suspensions and disallowances as required under existing regulations. It was also advised that disallowances be endorsed to the City Legal Office for necessary action/disposition; (ii) remind concerned City officials and employees to immediately settle the disallowances which become final and executory; and (iii) follow-up/verify the status of the compliance on the audit suspensions submitted, thru mail, to the Intelligence/ Confidential Fund Audit Unit, Office of the Chairperson, Commission on Audit.

Status of Implementation of Prior Year's Audit Recommendations

Of the 57 audit recommendations contained in the CY 2015 Annual Audit Report, twenty two (22) or (38.60%) were fully implemented, nineteen (19) or (33.33%) were partially implemented and sixteen (16) or (28.07%) remained unimplemented.