

EXECUTIVE SUMMARY

A. Introduction

On February 12, 1997, President Fidel V. Ramos signed the bill which elevated Las Piñas from a Municipality into a City. A plebiscite, held a month after, approved the City status, and Las Piñas became the 10th City of Metro Manila on March 26, 1997.

Las Piñas, like other cities of the Philippines, is a local government unit whose powers and functions are specified by the Local Government Code of the Philippines. As a City, Las Piñas is headed by a Mayor who heads the City's executive function and a Vice-Mayor who chairs the City's legislative function, through the Sanggunian, which is composed of 12 councilors, six each from the two City Council Districts. For representation, the City is considered as one district and therefore has one representative, in the House of Representatives.

For the year 2019, the City of Las Piñas has a total workforce of 1,980 personnel consisting of 16 elective officials, 353 permanent employees, 222 contractual, and 1,389 regular casual, emergency, consultant, and part-time employees.

B. Financial Highlights

Comparative analysis of the Statement of Financial Position for CYs 2019 and 2018 showed an increase in Assets, Liabilities and Equity. The same is true with the Income and Expenses on the Statement of Financial Performance.

FINANCIAL POSITION

	2019	2018 (As Restated)	Increase/ (Decrease)
Assets	P9,177,398,890	P7,917,286,859	P1,260,112,031
Liabilities	3,178,267,387	2,856,986,118	321,281,269
Government Equity	5,999,131,503	5,060,300,741	938,830,762

FINANCIAL PERFORMANCE

	2019	2018 (As Restated)	Increase/ (Decrease)
Income	P3,376,278,041	P 2,982,414,839	P399,863,202
Expenses	2,517,017,824	2,264,876,690	252,141,134

APPROPRIATIONS

For CY 2019, the appropriations of the City of Las Piñas for the General Fund (GF) and the Special Education Fund (SEF) totalled P3.756 billion. Obligations charged against these appropriations amounted to P3.078 billion.

	2019	2018	Increase/ (Decrease)
Appropriations			
GF	3,335,352,191	3,111,756,124	223,596,067
SEF	419,999,540	321,399,960	98,599,580
Total Appropriations	3,755,351,731	3,433,156,084	322,195,647
Obligations			
GF	2,792,381,254	2,424,045,432	368,335,822
SEF	285,277,491	298,980,802	(13,703,311)
Total Obligations	3,077,658,745	2,723,026,234	354,632,511

SOURCES OF FUNDS

The operating income of P3.376 billion collected during the year was sourced from the following:

Particulars	GF	SEF	Total
Tax Revenue	1,455,934,599	334,978,922	1,790,913,521
Share from National Taxes	1,208,245,003	-	1,208,245,003
Service and Business Income	361,832,293	495,494	362,327,787
Other Income	14,791,730	-	14,791,730
	3,040,803,625	335,474,416	3,376,278,041

C. Operational Highlights

The City's goals and objectives for CY 2019 are to attain the increase per capita income to a realistic percentage; to make all basic needs accessible to a considerable number of constituents; providing expanding employment opportunities among the urban poor residents and to enhance the delivery of health care and services.

For the CY 2019, actual revenues totalled P2.163 billion, which is 11.61 per cent or P0.225 billion higher than its target collections of P1.938 billion. The current year's revenues increased by P0.290 billion over last year's revenues of P1.873 billion.

Details of Revenue Collections (in billion pesos)

Particular	Target	Actual	Variance	Percentage
Real Property Tax	0.742	0.727	-0.015	-2.02
Other Taxes	0.878	1.032	0.154	17.54
Fees and Other Charges	0.018	0.031	0.013	72.22
Business and Service Income	0.297	0.362	0.065	21.88
Other Income	0.003	0.011	0.008	266.67
Total	1.938	2.163	0.225	11.61

On Infrastructure Development:

The City has undergone improvements and changes in carrying services to the taxpayers and implemented different programs that have delivered efficiently to upgrade the living conditions of its constituents. From the One Hundred Six (106) Infrastructure Projects, the City Engineering Department implemented the 45 completed, 21 on-going projects. There are 28 projects which are for mobilization and 12 projects which were suspended. As of year-end, 280 repairs and maintenance works totalling P56,657,610.98 were undertaken by the City.

On Health Services

The nine various maternal care programs were below the targets which registered a percentage of 13 – 83% and recommended to intensify efforts; of the total 22 programs for child care, six programs are on track while the 16 are below its targets. The City' Lying-In Clinic admitted a total of 1,324 pregnant women for normal and caesarean delivery.

D. Scope and Objectives of Audit

The audit covered the accounts and operations of the City of Las Piñas from January to December 31, 2019. The objectives of the audit are to (a) determine the level of assurance that may be placed on Management's assertions on the financial statements; (b) verify the propriety of financial transactions and the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendations.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as of December 31, 2019, of the City of Las Piñas due to the various accounting deficiencies that materially affected some account balances, which are discussed in detail in Part II of the report and summarized as follows:

1. The accuracy, completeness and reliability of the balance of the Buildings and Other Structures (BOS) account in the financial statements as of December 31, 2019, totaling P2.214 billion could not be established due to:
 - a. Unreconciled differences, totaling P958.353 million and P439.219 million, for the General Fund (GF) and Special Education Fund (SEF), respectively, between the Schedule of Property, Plant and Equipment (PPE) for Buildings and Other Structures (BOS) and the Report of Physical Count Property, Plant and Equipment (RPCPPE), and the discrepancies between the Schedule of PPE and the Lapsing Schedule for BOS amounting to P571.672 million and P375.637 million for GF and SEF, respectively.
 - b. Misclassification of reported BOS accounts in the RPCPPE totaling P78.064 million and P31.965 million for the GF and SEF, respectively;
 - c. Inconsistencies in the classification and/or recorded amounts for the same properties in the Schedule of PPE for BOS and its counterpart in the RPCPPE, amounting to P1.429 million in the SEF books; and between the Schedule of PPE and the Lapsing Schedule for BOS totaling P3.801 million and P130.522 million, for GF and SEF, respectively;
 - d. Double reporting of various Buildings and School Buildings in the RPCPPE amounting to P15.305 million and P8.792 million for the GF and SEF, respectively; and
 - e. Delayed submission of RPCPPE contrary to Section 111 of Presidential Decree (PD) No. 1445, Section 147 of COA Circular 92-386 dated October 20, 1992, Section 491 Volume I and Section 53 Volume III of the Government Accounting and Auditing Manual (GAAM), and sound Financial Controls or Accounting Controls.

We recommended and Management agreed to ensure adherence to the requirements of Section 111 of PD No. 1445, Section 147 of COA Circular No. 92-386 dated October 20, 1992, Section 491 Volume I and Section 53 Volume III of the GAAM, and sound Financial Controls or Accounting Controls; and to

- a. Identify and adjust the unrecorded PPE items differences, totaling P958 million and P439 million, (for GF and SEF, respectively) between the Schedule of PPE and the RPCPPE for BOS and also the discrepancies totaling P572 million and P376 million (for GF and SEF, respectively) between the Schedule of PPE and Lapsing Schedule for BOS to establish the correct balances of the accounts;

- b. Conduct reconciliation of records for all PPE accounts as required under Section 53 of GAAM Volume III and effect the necessary adjustments in the appropriate reports;
 - c. Make necessary adjustments on the discrepancies between the Schedule of PPE and RPCPPE, and the Schedule of PPE vs. Lapsing Schedule;
 - d. Classify appropriately, the BOS reported in the RPCPPE totaling P78.064 million and P31.965 million for GF and SEF, respectively;
 - e. Make the necessary corrections relative to the double reporting of various Buildings and School Buildings accounts in the RPCPPE amounting to P15.305 million and P8.792 million, respectively; and
 - f. Review the computations made on the respective reports to minimize errors and present reliable balances of the accounts prior to submission.
2. The completeness, accuracy and reliability of the balances of the Information and Communication Technology Equipment (ICTE), Communication Equipment (CE), and Disaster Response and Rescue Equipment (DRRE), Motor Vehicles (MV) and Other Transportation Equipment (OTE) account as of December 31, 2019, totaling P481.898 million could not be established due to (a) the non-reconciliation of the difference between the Schedule of Property, Plant and Equipment (PPE) viz-a-vis the Report of Physical Count of Property, Plant and Equipment (RPCPPE) and the Lapsing Schedule amounting to P20.273 million and P111.561 million, respectively; and (b) the misclassification of accounts for various equipment totaling P25.326 million, contrary to Section 111 of PD No. 1445, Section 53 of the GAAM Volume III, Section 491 of the GAAM Volume I, Paragraph C.3 Chapter 5 of the Manual on Property Custodianship, and sound Financial Controls or Accounting Controls.

We recommended and Management agreed that the Office of the City Accountant (OCA) and General Services Office (GSO):

- a. Immediately evaluate the discrepancies between the Schedule of PPE, RPCPPE and Lapsing Schedule, and effect the necessary adjustments on the reconciling items noted;
- b. Regularly perform the necessary physical inventory and periodic reconciliation of balances to ensure that the CAO and the GSO records are accurately and reliably maintained; and
- c. Prepare and update the Property, Plant and Equipment Ledger Cards (PPELCs) and Property Cards (PCs).

3. The accuracy, completeness and reliability of the reported balance of the Land account totaling P403.534 million, and the related accountability thereof could not be established due to the (a) non-reconciliation of the discrepancies between the Schedule of Property, Plant and Equipment (PPE) for Land and Report of Physical Count of Property Plant and Equipment (RPCPPE) totaling P33.487 million; (b) absence of Transfer Certificate of Titles; and (c) incomplete details in both the Schedule of PPE for Land and the RPCPPE, which are not compliant with Sections 63 and 102 of PD No. 1445; Article 47 (c) of Rule IX Corporate Powers and Corporate Seal, of the Rules and Regulations Implementing the Local Government Code of 1991; Sections 146 and 148 of COA Circular 92-396 dated October 20, 1992; and sound Financial Controls or Accounting Controls.

We recommended and Management agreed to:

- a. Review the discrepancies noted between the Schedule of PPE for Land and the RPCPPE, and subsequently prepare a reconciliation of balances to effect the necessary adjustments in the respective records of the City;
- b. Specifically identify the reported lump-sum balances and adequately report the same in the Schedule of PPE for Land;
- c. Establish and evaluate a complete inventory of real estate properties that are not yet in the name of the City and initiate the process of transferring the respective TCT's in the City's name to reinforce the City's ownership of these properties;
- d. Put values on those properties that are acquired by the City through non-exchange transactions (i.e. Donations);
- e. Identify those real estate properties reported in the Schedule of PPE for Land and RPCPPE with incomplete information and supplement the same to establish the required specifications thereon;
- f. Re-examine the totals presented in the RPCPPE and make the necessary amendments to reflect the correct balances of the reported Land account; and
- g. Submit the RPCPPE as required under Section 146 of COA Circular No. 92-386.

4. Erroneous computations resulting to the overstatement of the Depreciation Expense (DE) account by P2.411 million and Accumulated Depreciation (AD) account by P37.671 million, and the understatement of the Government Equity account by P35.260 million, cast doubt on the accuracy and reliability of the balances of the DE and the related AD accounts totaling P78.008 million and P476.268 million, respectively, presented in the Financial Statements as of December 31, 2019.

We recommended and Management agreed to evaluate the discrepancies identified and make the necessary adjustments in the books of the City.

5. The Local Government Support Fund-Assistance to Cities (LGSF-AC) received by the City amounting to P19.679 million was misclassified and recorded in the Other Payables-Others account of the General Fund (GF) instead of to the Due to National Government Agencies (NGAs) in the Trust Fund (TF) Books, which is not aligned with the provisions of COA Circular No. 2015-009 dated December 1, 2015, and Item 3.9 of LBC No. 120 dated August 15, 2019, resulting in the overstatement of the Other Payables account in the GF books and understatement of the Due to NGAs on the TF books, respectively, by the same amount.

We recommended and Management agreed that the OCA:

- a. Make the necessary adjustments to correctly take-up the LGSF-AC amounting to P19,678,793.98 in both the GF and TF books in accordance with the provisions of COA Circular No. 2015-009 and Item 3.8.2 of LBC No. 116-A; and
- b. Strictly adhere with the provisions of COA Circular No. 2015-009 and Item 3.9 of LBC No. 120 in recording receipt of funds from the National Government intended for a specific purpose.

F. Other Significant Audit Observations and Recommendations

1. Special Education Fund (SEF) amounting to P46.896 million was used to pay for (a) Personal Services (PS) of non-teaching personnel in the amount of P17.326 million; (b) utilities in favor of Other Parties amounting to P1.379 million; and (c) various Capital Outlay (CO) expenditures amounting to P28.191 million, contrary to the provisions of Section 272 of RA No. 7160 and Department of Education (DepEd), Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG) Joint Circular (JC) No. 1, s. 2017.

We recommended that Management, thru the Local School Board (LSB):

- a. Stop using the SEF as payment for salaries and other personnel benefits of non-teaching personnel assigned in the DepEd Division Office as well as honoraria to DepEd Officers and Alternative Learning System (ALS) and Arabic Language and Islamic Values Education (ALIVE) Program implementers;
 - b. Immediately cause the transfer of the utility bills under the name of the City Government to fully establish accountability of the expenditure using the SEF funds;
 - c. Refrain from using the SEF for CO programs not explicitly identified under DepEd-DBM-DILG JC No. 1, series of 2017; and
 - d. Strictly comply with the provisions of DepEd-DBM-DILG JC No. 1, s. 2017, which provides the revised guidelines on the use of the SEF.
2. The City was not able to implement four PPAs totaling P37.632 million, identified in the City's 20% DF Annual Investment Plan for CY 2019 contrary to Sections 2.0 and 5.0 of the DILG-DBM JMC No. 2017-1 dated February 22, 2017, resulting to the non-attainment of the planned socio-economic development and environmental outcomes intended to benefit its constituents.

We recommended and Management agreed to:

- a. Immediately address the residual issues about the acquisition of land and to continue with the Construction of the Tricycle Terminal Phase II, upon proper realignment of the budget;
- b. Ensure the full implementation of all the PPAs included in the 20% DF Annual Investment Plan in compliance with Section 5.0 of the DILG-DBM JMC No. 2017-1; and
- c. Ensure coordination among the various departments of the City to identify PPAs specifically for implementation under the 20% DF.

The aforementioned observations together with the corresponding recommendations were discussed with Management officials concerned during the exit conference on July 30, 2020. Management views and comments were incorporated in the report, where appropriate.

G. Settlement of Suspensions, Disallowances and Charges

There are no audit suspensions, disallowances, and charges that remained unsettled as shown in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2019.

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

Of the 77 audit recommendations embodied in the CY 2018 and Prior Years' Annual Audit Report, 53 or 68.83 percent were fully implemented, 21 or 27.27 percent were partially implemented, and the remaining 3 or 3.90 percent were not implemented by the City.