

EXECUTIVE SUMMARY

Introduction

Republic Act No. 7675 (An Act Converting the Municipality of Mandaluyong into a Highly Urbanized City to be known as the City of Mandaluyong), otherwise known as “The Charter of the City of Mandaluyong”, was signed by President Fidel V. Ramos on February 9, 1994. On April 10, 1994, a plebiscite confirmed the conversion of Mandaluyong from a municipality to a highly urbanized city.

The City serves as the nucleus in the formulation and development of the city’s social and economic plan and development in ensuring the general welfare of its residents. It consists of two districts, subdivided into twenty seven (27) barangays, fourteen (14) in District 1 and 13 in District II.

The City’s vision and mission statements are as follows:

Mandaluyong City as an empowered community, with competent government sector, human resource and benevolent private sector working in an atmosphere of mutual assistance shaping Mandaluyong into a sustainable and globally competitive City and an effective partner in nation-building.

It is the mission of the city government of Mandaluyong to continuously perform efficiently in the areas of governance, administration, social services, economic development, and environmental management, instilling among its citizenry the values of collective action and maintaining competence towards self-reliance and sustainable development.

The City of Mandaluyong is governed by a Mayor, a Vice Mayor and twelve-member City Council or Sangguniang Panlungsod, who were elected to serve a three-year term in accordance with the provisions of the City Charter. In addition, the City is represented in the national congress by a lone representative. The Mayor, Vice Mayor and the City's Representative are elected at large through a city-wide election, while the members of the Sanggunian are elected by district.

The City is headed by Mayor Benjamin C. Abalos Jr., who was reelected in the May 2013 election for his last term.

The personnel complement of the City of Mandaluyong as of December 31, 2015 totaled to 4,903, which composed of the following:

Permanent	1,011
Casual	1,592
Contractual (Medical)	196
Elective Officials	15
Job Order	1,371
Service Contractor	694
Consultant	39

Financial Highlights

The financial position of the City of Mandaluyong as of December 31, 2015 is as follows:

	2015
Assets	5,082,431,394
Liabilities	2,658,524,620
Equity	2,423,906,774

On the other hand, its financial performance for the year 2015 is reported as follows:

	2015
Income (including extraordinary items)	3,935,710,643
Expenses	3,040,841,506
Net Income	894,869,137

For calendar year 2015, the appropriations of the City Government of Mandaluyong for the General Fund and Special Education Fund totaled to ₱5,635,074,861. Obligations charged against these appropriations amounted to ₱3,363,063,188.

Fund	Appropriation	Obligation
General Fund		
Current	4,193,687,705	2,970,671,245
Continuing	841,705,054	98,441,630
Sub-Total	5,035,392,759	3,069,112,875
Fund	Appropriation	Obligation
Special Education Fund		
Current	394,835,989	281,882,675
Continuing	204,846,113	12,067,638
Sub-Total	599,682,102	293,950,313
Grand Total	5,635,074,861	3,363,063,188

Scope of Audit

The audit covered the accounts and operations of the City of Mandaluyong for the year ended December 31, 2015. The objectives of the audit are to: (a) be able to lend credence to 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.

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the financial statements due to the following:

- a. The detailed breakdown of reclassification/adjustment of beginning balances of the Other Assets account recorded under the NGAS with a balance of ₱211.424 million to conform with the equivalent PPSAS accounts was not established;
- b. The accuracy and existence of the reported Property, Plant and Equipment of ₱2.707 billion was not ascertained due to non-completion of the physical count of property;
- c. Unadjusted difference of ₱48.873 million in the year-end balances of reciprocal accounts Due from Other Funds and Due to Other funds;
- d. Unreconciled balance of the account Lease Receivables account as against the records of the Mandaluyong Housing and Development Board in the amount of ₱37.428 million; and
- e. Unreconciled amount of ₱22.784 million between the balance per books and inventory reports of Inventory Held for Consumption and Inventory Held for Distribution.

For the above deficiencies, we have recommended the following:

For the Other Assets account under the NGAS:

- The City Accountant and the City Treasurer accelerate measures to locate the supporting documents and continue the review and reconciliation procedures pertaining to the significant amounts of cash reconciling items, unidentified/unreconciled balances and dormant accounts, so that appropriate reclassification of these recorded Other Assets to the PPSAS accounts may be undertaken; and

- The City Accountant review and analyze the unidentified/unreconciled balance of ₱39,056,910.26 and initiate appropriate actions in order to locate the missing records and documents pertaining to long outstanding dormant balances for proper adjustment and conversion to PPSAS.

For the Property, Plant and Equipment

The Inventory Committee:

- Prioritize the completion of the conduct of the physical inventory taking of the City's property, plant and equipment through the creation of a Committee for that purpose; and
- Prepare the RPCPPE and submit the same to COA for verification pursuant to Section 490 of GAAM, Volume I, copy furnished the City Accountant for reconciliation purposes;

The Office of the City Accountant and the General Services Department:

- Fast track the on-going efforts in reconciling their records;
- Observe proper maintenance of the property cards and PPELCs by providing complete and necessary information on both records to facilitate verification and reconciliation of GSD and OCA records;

The City Accountant:

- Effect the required adjustments after reconciliation of the accounting and property records;
- Review the computation of the annual depreciation of each PPE account and effect the necessary corrections/adjustments in the accumulated depreciation and depreciation expense accounts for the year; and
- Transfer the costs of the completed projects from the Construction in Progress-Agency Assets account to the appropriate PPE account then to the appropriate PPSAS account;

The City General Services Officer:

- Furnish the Accounting Department with a copy of the Deed of Donation for purposes of recording the donated assets; and

- Require the issuance of the Acknowledgment Receipt for Equipment or the Property Acknowledgment Receipt whenever equipment is issued to the end-user or when there is a change of accountable officer to be renewed every January of the third year after its issuance pursuant to Section 492 of GAAM, Volume I.

For the reciprocal accounts Due To/Due From Other Funds

- Effect immediate adjustment of the identified errors and omissions in the respective reciprocal accounts;
- Review/analyze prior years' transactions pertaining to unidentified discrepancies and take up the necessary adjustments to correct the reciprocal accounts of erroneous entries; and
- Accordingly, conduct regular review, reconciliation of reciprocal accounts and effect adjustments periodically, as warranted, to prevent existence of long outstanding unadjusted reconciling items.

For the Lease Receivable

The City Accountant to:

- Analyze the transactions on the various housing projects of the City in the light of the requirement of PPSAS 13 and convert/record the corrected balance in the appropriate account;
- Keep a record of the subsidiary and/or individual account of the awardees to ascertain completeness and correctness of the account balances recorded in the books;
- Determine existence of the accounts and see whether all receivable transactions are valid and covered by perfected contracts on record; and
- Enforce collection of the receivable accounts and monitor compliance as to payments made and the recording of the same in the books of accounts.

For the Inventory Held for Consumption and Inventory Held for Distribution

The Office of the City Accountant:

- Apply the Perpetual Inventory Method of accounting for supplies and materials. Regular purchases be coursed thru the inventory account and issuances thereof be taken up as expense supported by the Monthly Report on Supplies and Materials Issued and record the movements as they take place except those purchased out of petty cash fund for immediate use and not for

stock. Such case should be immediately charged to the appropriate expense accounts; and

- Require maintenance of periodic inventory reports from the operating units. Reconcile accounting records with the GSD records and physical inventory report to arrive at the correct amount of inventories as at year-end.

The City General Services Department/Inventory Team

- Conduct an inventory of supplies and materials and submit the inventory report to the Auditor's Office to substantiate the balance of Inventory accounts in the financial statements. Likewise, submit said year-end inventory report to the Accounting Department for reconciliation and adjustment based on actual count of inventories.

For both Accounting Department and General Services Department

- Maintain Subsidiary Ledgers/Supplies Ledger Cards/Stock Cards to ensure that all purchases and issuances of supplies and materials are recorded, in conformity with Section 120 of the MNGAS.

Summary of Other Significant Audit Observations and Recommendations

The following are the other significant audit observations and recommendations included in the report:

- a. Non-settlement of cash advances in the amount of ₱45.483 million, out of which, ₱23.587 million pertained to cash advances granted in prior years, resulted in the overstatement of receivables and understatement of expenses in the proper periods.

We have recommended that the City Accountant:

- Require the immediate liquidation of the cash advances after their purpose have been served and the refund of any unused cash advances supported with the official receipt evidencing such refund forming part of the liquidation documents;
- Ensure strict compliance with applicable laws, rules and regulations on the grant, utilization and liquidation taking into consideration the prescribed period for the liquidation of cash advances. See to it that no additional cash advance shall be allowed unless the previous ones are settled or properly accounted for and/or stop authorizing the grant of additional cash advances to those who have unliquidated account to forestall the accumulation thereof;

- Monitor the outstanding cash advances of all accountable officers and their liquidations. Create a group/task force to undertake the immediate analysis and reconciliation of the due from officers and employees and advances to officers and employees accounts;
 - Prepare and maintain complete and updated subsidiary records, such as the complete address of the accountable officers, the specific purpose and other related data for control and monitoring purposes, and from then on, the accountable officers to undertake daily reconciliation of their cashbooks and cash on hand, as well as conduct quarterly reconciliation of the accounts with the record of the Office of the City Accountant; and
 - That legal and/or civil actions be initiated by City Legal Department for those accounts that have remained outstanding and exhaust all possible means to locate and collect the amount due from those who are no longer connected in the service.
- b. Various expenditures amounting to ₱5.954 million were charged against the Special Education Fund (SEF) is not in accordance with Section 1 of R.A. No. 5447 and pertinent provisions of DECS, DBM and DILG Joint Circular No. 01 dated April 14, 1998.

We have recommended that Management direct/instruct:

- The City Officials concerned to comply with the pertinent provisions of Joint Circular No. 1, S-1998 by ensuring that only existing allowances as of December 31, 1997 may be granted and paid out of the SEF. Any increase in additional allowances should be charged against the general fund, only to the condition that the City finances may allow and with proper approved by the City Mayor;
- The Local School Board (LSB) stop paying honoraria of the ALS trainers, scholarship grants to college scholars, grant of financial assistance to individuals and/or organizations and other expenses not included in the list of priority expenses chargeable against SEF; and
- The LSB, that in the preparation of the Annual School Board Budget prioritize programs, projects and activities pursuant to R.A. 5447, Section 272 of R.A. 7160 and Joint Circular No. 01, S-1998 of DECS, DBM and DILG.

Status of Suspensions, Disallowances and Charges

As of December 31, 2015, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed the following:

	Suspension	Notices of Disallowance	Charge	Total
Balance, Dec. 31, 2014	98,116,670.50	35,014,383.26	5,751,021.19	
Add: Issuances	53,333,998.62	36,282,118.67		
Adj. in suspension	26,500.00			
	151,477,169.12	71,296,501.93	5,751,021.19	
Less: Suspensions that matured into disallowance	32,935,834.86			
Settlements	15,816,148.00	22,542,155.69	10,338.31	
Balance, Dec. 31, 2015	102,725,186.26	48,754,346.24	5,740,682.88	157,220,215.38

Status of Implementation of Prior Year's Audit Recommendations

Of the 112 audit recommendations contained in the CY 2014 Annual Audit Report, 16 were fully implemented, 54 were partially implemented and 42 remain unimplemented.