

EXECUTIVE SUMMARY

Introduction

The City of Navotas was organized in the year 1915 and became a highly urbanized city on June 24, 2007. It has a total land area of 10,655.35 hectares. Its current population is around 200,000. Navotas is best known for its seafood products and a land area distinctly surrounded by bodies of water. It is also where the only fish port in Metro Manila is located thus, the City is known to be the Fishing Capital of the Philippines.

It is geographically located on the extreme northwestern shore of Metro Manila, and is composed of 14 barangays, 11 of which are located along its coast.

The City's 1,346 personnel complement are broken down as follows:

Elective Officials	18
Permanent	482
Casuals	16
Contractual	830
Total	1,346

The reported major accomplishments of the City for 2015 are:

1. Constructed housing sites including one building in Tanglaw and two buildings in Gulayan at Barangay NBBS.
2. Rehabilitated 11 basketball courts, one sports complex named Navotas Central Park, and constructed two multi-purpose courts in Barangays Sipac, Tangos and Daanghari.
3. Installed 10 CCTV cameras for quick disaster response and monitoring.
4. Purchased motor vehicles for police mobile, City Traffic and Parking Management Office, garbage trucks, and multi-cabs for the Barangay; ambulance for the hospital; rescue truck; and fire truck.
5. Inaugurated and operated the first hospital in Navotas City – the Navotas City Hospital, a 50-bed capacity that strengthened the medical services of the City for its constituents.
6. Provided free livelihood and skills trainings, loan assistance, job matching and referral, product research and development, to uplift the lives of every Navoteño through the Navotas Hanapbuhay Center, among others.

Financial Highlights

The financial data of the City is summarized as follows:

	CY 2015
Assets	2,549,883,877
Liabilities	520,987,653

Government Equity	2,028,869,223
Income	918,270,069
Expenses	608,178,317

For CY 2015, the total appropriations amounted to P1.430 billion, of which P1.024 billion was obligated into:

Fund	Appropriation	Obligation
Current Appropriation		
General Fund	907,807,720	725,641,281
Special Education Fund	67,974,851	56,418,036
Sub-total	975,782,571	782,059,317
Continuing Appropriation		
General Fund	447,937,178	237,720,216
Special Education Fund	6,195,989	4,195,955
Sub-total	454,133,167	241,916,171
Total	1,429,915,738	1,023,975,488

The operating income of P918 million collected during the year was sourced from the following:

Particulars	General Fund	Special Education Fund	Total
Tax Revenue	312,770,562	68,207,337	380,977,899
Internal Revenue Allotment	468,000,266	-	468,000,266
Service and Business Income	61,987,726	192,173	62,179,899
Shares, Grants and Donations	2,020,371	-	2,020,371
Other Income	5,091,633	-	5,091,633
Total	849,870,558	68,399,511	918,270,068

Scope of Audit

The audit covered the accounts and operations of the City of Navotas for the year ended December 31, 2015. The objectives of the audit are to: (a) 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 prior year's audit recommendations.

Auditor's Opinion

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements.

Other Significant Observations and Recommendations

The significant observations and recommendations in the audit of the City Government of Navotas for CY 2015 are:

1. Proper control for drugs and medicines, medical and dental supplies have yet to be laid down by the City Health Office.

We have recommended that -

- a. The City Health Office assume responsibility on the proper control of drugs/medicines and medical supplies received from different sources: a separate Acceptance Report with appropriate label be prepared for items received from the DOH; properly organize medicines and medical/dental supplies procured by General Services, DOH, and from different barangays and maintain them in a place with proper ventilation; maintain separate logbooks for receipts and issuances for proper accounting;
 - b. Prepare and render monthly to the City Accountant, the Summary of Drugs/Medicines and Medical/Dental Supplies and Material Issued supported by approved Requisition and Issue Slip for proper recording of expenses in the books of utilized medicines and medical/dental supplies coming from all sources.
 - c. Conduct periodic physical count of inventory and prepare the report using the Report on the Physical Count to the Inventory of Drugs/Medicines, Medical/Dental Supplies, etc. and submit to the City General Services for consolidation copy furnished the City Accountant for reconciliation. Separate RPCI shall be submitted for Inventories from other sources;
 - d. Reconcile/account the medicines worth ₱1,179,181.38 not received from DOH and ₱2,283,072.63 from other sources; and
 - e. The City Accountant take up the donated inventories in the books in accordance with the IPSAS 12 and 23.
2. The Guidelines on the Localization of the Magna Carta of Women were not considered in the crafting of the CY 2015 GAD Plan and Budget of the City

We have recommended and the GAD focal person already noted the establishment/strengthening of the GAD Focal Point System and setting up/maintenance of GAD Database pursuant to PCW/DILG/DBM/NEDA JC No. 2013-1. Align the GAD programs with its objectives.

3. Improper Accounting of Special Local Road Fund (SLRF) resulted in net adjustments of ₱.383 million in the Cash-in-Bank accounts of both Trust Fund Proper and SLRF

We have recommended that the necessary adjustments be made by the City Accountant to correct the bank account balances for both Trust Fund Proper and the Road Fund Disbursement Account as shown in the foregoing computation.

4. Non-compliance with the requirements under the covering Memorandum of Agreement (MOA) resulted in the discontinuance of the Millennium Development Goals-Family-based Actions on Children and their Environs in the Slums (MDG-FACES) project - ₱300,000.00

We have recommended and management agreed that the CSWD and other department officials concerned properly monitor the utilization of the funds held in trust to avoid delay on deliverable reports needed for the next tranche of funding for future project of similar nature.

5. Business Tax

- 5.1. City Revenue Code on essential commodities prescribes only one-fourth (1/4) of the rates provided in Paragraphs (a), (b), and (d) of the section 143 (c) of R.A. No. 7160.

- 5.2. Penalty/Sanction was not imposed on taxpayers that were found to be actually operating in past years prior to the registration of their businesses in the City.

- 5.3 The City Code provides for seventy-five percent (75%) of one percent (1%) tax rate but implemented only 25% of one percent (1%) tax rate, for businesses with gross receipts exceeding P2,000,000.00

We have recommended that the Management review its Revenue Code, align and implement the same with the provisions of Republic Act 7160 or the Local Government Code of 1991 to improve collection efficiency, particularly on the following:

- a. businesses catering essential products under Section 143 (c); and
- b. wholesalers, distributors, dealers with gross receipts exceeding P 2 million in Section 143 (b) above and implement accordingly during collections period.

Likewise, revise the Revenue Code to align with the rate specified in the RA 7160 for the wholesaler, distributors, or dealers in any article of commerce of whatever kind or nature of business.

Significant observations already addressed by the Management

Observations	Management Action
<p>1. The accuracy of Land account with a balance of ₱85.84 million in the books could not be relied upon due to misclassification amounting to ₱1.05 million, inappropriate valuation by ₱1.38 million, and unrecorded land with market value totaling to ₱135.81 million stated in the tax declaration books, contrary to Section 63 of PD 1445.</p>	<p>Management draw the following JEVs dated December 31, 2015 to take up the recommendations:</p> <ol style="list-style-type: none"> 1. JEV No. 100-15-12-506-I-GJ : Tanza property 2. JEV No. 100-15-12-506-G-GJ : To take up unrecorded land 3. JEV No. 100-15-12-506-S-GJ : to reclassify entry made
<p>2. Property, Plant and Equipment recorded at ₱1.69 million as of December 31, 2015 casts doubt on the accuracy, reliability and existence of account balances presented in the financial statements due to the following:</p> <ol style="list-style-type: none"> a. Unreconciled difference of ₱.98 million in the Report of Physical Count of Property, Plant and Equipment (PPE) and trial balance as of year-end; b. Repairs and maintenance expense and supplies and materials expenses totaling ₱18.50 million and ₱2.51 million, respectively were capitalized as part of PPE; c. Semi-expendable asset with life of more than one year but considered as small enough to be tangible asset totaled ₱14.82 million were charged as part of PPE; d. Misclassification of accounts totaling ₱270.83 million were recorded to different accounts of PPE; e. Inventory and inspection of unserviceable properties were not conducted for CY 2015; f. Beginning/lump-sum balances without schedules or details on the price and composition of PPE accounts totaling ₱27.56 million. 	<p>Management draw the following JEVs dated December 31, 2015 to take up the recommendations:</p> <ol style="list-style-type: none"> 1. JEV No. 100-15-12-506-A-GJ for GF and JEV No. 200-15-12-098f for SEF: to reclassify Repair and Maintenance expenses previously capitalized 2. JEV No. 100-15-12-506-B-GJ : to reclassify Supplies and Materials previously capitalized 3. JEV No. 100-15-12-506-C-GJ for GF; JEV No. 100-15-12-062B-GJ for NPC and JEV No. 200-15-12-098g for SEF : to reclassify Semi-expendable items previously classified as PPE 4. JEV No. 100-15-12-506-D-GJ : to correct misclassification of different PPE items 5. JEV No. 100-15-12-506-E-GJ : to take up unserviceable properties 6. JEV No. 100-15-12-506-F-GJ and JEV No. 200-15-12-098A-GJ for SEF: to close PPE with beginning balances 7. JEV No. 200-15-12-098E-GJ : to take up transfer of PPE from GF to SEF.
<p>3. The accuracy of year-end balance of Cash in Vault account in the General Fund (GF) and Navotas Polytechnic College (NPC) amounting to P.80 million and P.30 million, respectively cannot be ascertained due to non-reconciliation of the City Accounting Office (CAO) and the City Treasurer's Office' (CTO) records, and the delayed deposit and under and over deposit of collections.</p>	<p>Management draw JEV No. 100-15-12-506-R-GJ for General Fund and JEV No. 100-15-12-062A-GJ for NPC, both dated December 31, 2015 to take up the recommendations upon reconciliation of the CAO and CTO.</p>

Observations	Management Action
4. The account Due to GSIS show the balance of P19.94 million unremitted as of year-end 2015 while there is an Other Asset-GSIS Contribution account in the amount of P24.48 million, all related to CY 2000 and previous years.	Management draw JEV No. 100-15-12-506-N-GJ dated December 31, 2015 to take up the recommendation and with Certification from GSIS of NO Unremitted Balance and working papers in CY 2003.
5. Proper recording and handling of office/janitorial, electrical supplies and accountable forms and other supplies, drugs and medicines, medical and dental supplies procured was not observed, thus resulted to understatement of corresponding inventory accounts and overstatement of expense accounts presented in the financial statements.	Management draw JEV No. 100-15-12-506-O-GJ for GF; JEV NO. 100-15-12-062-C-GK for NPC and JEV No. 300-15-12-060B, all dated December 31, 2015 to take up the recommendations for the undelivered supplies from DBM – PS. JEV No. 100-15-21-506-P-GJ to set up the inventory delivered as at year-end.
6. The absence of documentary evidence as proof for valid claims renders the validity of Accounts Payable account in the amount of ₱23.28 million doubtful.	Management draw JEV dated December 31, 2015 to take up the recommendations: 1.JEV No. 100-15-12-506-M-GJ: long outstanding AP 2.JEV No. 100-15-12-506-L-GJ:reclass of account
7. Teacher’s and Non- Teaching personnel’s allowance and the honorarium in the amount of P19.64 million was provided as Personal Services (PS) in the SEF Budget and recorded in the books as such overstating the account in the financial statements.	Management draw JEV No. 200-15-12-098B-GJ dated December 29, 2015 to take up the recommendation on reclassification of accounts.

Summary of Suspensions, Disallowances and Charges

The unsettled disallowance of P367,229.28 as of December 31, 2015 pertains to Notice of Disallowance (ND) issued on CY 2014 with a balance of P256, 679.28, of which settlement is being made through salary deduction. The current years’ disallowances totaling P110,550.00 are covered by the following: ND No. 15-002-200(14) amounting to P50,000.00 for the food allowances in excess of the actual number of participants and incentive granted without basis to athletes/coaches and other representatives; ND No. 15-003-002(14) amounting to P37,485.00 for payments made to participants in the NCR Palaro; and ND No. 15-003A-200(14) amounting to P23,065.00 represented food and transportation and training allowances of athletes, coaches and officials.

Status of Implementation of Prior Years’ Audit Recommendations

Of the 24 audit recommendations contained in the previous year’s Annual Audit Report, 11 were fully implemented, eight were partially implemented and five were not implemented.