

EXECUTIVE SUMMARY

Introduction

Under the Philippine Commonwealth, Assemblyman Manuel S. Roxas sponsored Commonwealth Act No. 547 creating Cavite as a chartered city. Upon approval into law on September 7, 1940, the executive function of the City was vested in an appointive City Mayor who held the office at the pleasure of the President of the Republic of the Philippines.

The key officials of the City and the number of its personnel complements are as follows:

a. Key Officials

City Mayor	Hon. Bernardo S. Paredes
Vice Mayor	Hon. Denver Christopher R. Chua

Members of the Sanggunian:

1. Hon. Percilito P. Consigo
2. Hon. Benzen Raleigh G. Rusit
3. Hon. Jesus Jet S. Barrera II
4. Hon. Michael R. Ponsones
5. Hon. Michael B. Lu
6. Hon. Fernando S. Barron
7. Hon. Edmund C. Tirona
8. Hon. James S. Nuguid
9. Hon. Nemuel R. Camarse
10. Hon. Marrian M. Pinzon
11. Hon. Azenith P. Paredes
12. Hon. Daryl R. Solis

City Accountant	Ms. Anabella B. Poblete
City Treasurer	Ms. Victoria A. Convento

b. No. of Personnel Complement

Permanent	306
Casual	31
Contractual	2
Elective Officials	14
Coterminous	<u>4</u>
Total	<u>357</u>

Scope of Audit

Financial and Compliance audits were conducted on the accounts and operations of the City Government of Cavite for CY 2019. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the City with laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

The audit was made in accordance with International Public Sector Accounting Standards (IPSAS) and we believe that it provided a reasonable basis for the audit results.

Financial Highlights

For Calendar Year (CY) 2019, the City of Cavite generated a total income of ₱550,418,159.66 from local taxes, permits and licenses, service and business income and internal revenue allotments.

The total current appropriations under all Funds was ₱759,108,167.96, of which, ₱561,669,147.12 was expended during the year.

The total assets, liabilities, equity, income and expenses for CY 2019 compared with that of last year, are as follows:

	CY 2019	CY 2018	Increase/(Decrease)
Assets	₱1,770,815,372.47	₱1,604,044,779.95	₱166,770,592.52
Liabilities	478,861,482.53	374,850,049.42	104,011,433.11
Equity	1,291,953,889.94	1,229,194,730.53	62,759,159.41
Income	550,418,159.66	503,580,580.91	46,837,578.75
Expenses			
Personnel Services	169,409,383.08	148,227,202.70	21,182,180.38
MOOE	282,396,608.24	193,705,244.99	88,691,363.21
Financial Expenses	4,520,215.51	4,771,853.50	(251,637.99)
Non-Cash Expenses	23,985,693.96	22,104,081.09	1,881,612.87
Other Losses	0.00	19,049,617.14	(19,049,617.14)
Total	<u>480,311,900.79</u>	<u>387,857,999.42</u>	<u>92,453,901.37</u>
Surplus (Deficit)	<u>₱ 70,106,258.87</u>	<u>₱ 115,722,581.49</u>	<u>(45,616,322.62)</u>

Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of presentation of the financial statements as the reliability and accuracy of the Property, Plant and Equipment (PPE) with net book value of ₱911,982,207.57, excluding Construction in Progress as of December 31, 2019 could not be ascertained due to unreconciled discrepancy of ₱122,042,141.31 between the physical count and the accounting records, contrary to Section 124 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I. Moreover, various depreciable PPE owned by the City valued at ₱235,896,838.49 were not provided with depreciation due to the absence of detailed subsidiary records and documents pertaining to construction/ acquisition thereof, thus resulting in the overstatement of PPE and Government Equity accounts and understatement of depreciation expense, contrary to Paragraphs 4 and 6 of IPSAS 17.

For the deficiencies cited above, we recommended that the City Mayor:

- a. direct the City Accountant and the General Services Officer (GSO) to exert more effort to reconcile the difference of ₱122,042,141.31 existing between the accounting records and RPCPPE;

- b. assign a capable official or employee to closely monitor and report on the progress of the reconciliation being undertaken by the City Accountant and the GSO until the PPE account balance is fully reconciled; and
- c. require the City Accountant to exert extra efforts to retrieve the records of the subject PPEs and provide detailed subsidiary records itemizing the composition of aforementioned PPE accounts to enable the computation of depreciation expense and to make the necessary adjustments in the books.

Significant Audit Observations and Recommendations

Summarized below are the other significant audit observations and recommendations in the audit of the City of Cavite for the year 2019:

1. Out of the 34 development projects under the 20 per cent Development Fund totaling ₱79,288,703.29, only ₱23,666,244.41 or 29.85 per cent were actually completed and accepted as of December 31, 2019 due to delays in the procurement process and lack of proper planning, contrary to Section 5.0 of the Department of the Interior and Local Government (DILG) and the Department of Budget and Management (DBM) Joint Memorandum Circular No. 2017-1, thus the desired socio-economic development and environmental outcomes were not fully attained. Likewise, savings from the previous year's implemented programs/projects totaling ₱10,967,483.11 were not re-appropriated to other priority development projects during the year.

We recommended that the City Mayor require the City Planning and Development Coordinator to indicate in the 20 per cent Development Plan the timelines for the implementation of development PPAs and the BAC to align the timing of procurement processes to these timelines to ensure the optimum utilization of the Fund pursuant to Section 5 of DILG and DBM Joint Memorandum Circular No. 2017-1 and Section 7 of RA No. 9184.

We further recommended that the City Mayor and the City Development Council propose and facilitate the re-appropriation of savings from projects completed in prior years to other priority development projects that will bring about socio-economic benefits to the City and its constituents.

2. The City School Board did not formulate a three-year program indicating the priorities in the use of the Special Education Fund (SEF), submit SEF Budget Preparation No. 1 which should have presented the budgetary requirements of public schools by programs, activities and projects, and prepare and submit quarterly and annual reports on SEF utilization, contrary to Department of Education (DepEd), Department of Budget and Management (DBM) and Department of the Interior and Local Government (DILG) Joint Circular No. 1, s. of 2017, thus compliance for the promotion and enhancement of the education sector, as well as transparency and accountability in the allocation of SEF were not fully attained.

We recommended that the City School Board strictly adhere with the guidelines provided under DepEd-DBM-DILG Joint Circular No. 1, s. of 2017, particularly on the formulation/preparation of SEF Budget Preparation Form No.1 and the three-year program indicating

strategic prioritization policies in the allocation of SEF and preparation and submission of the quarterly and annual reports on SEF utilization to the concerned offices.

3. The unexpended balance of the City Disaster Risk Reduction and Management Fund (CDRRMF) for CY 2014 totaling ₱2,141,193.07 were not reverted to the General Fund despite the lapse of the five-year period provided for under Commission on Audit (COA) Circular No. 2012-002, thus depriving the City's constituents of other social benefits that could be derived from the utilization of the funds.

We recommended that the City Mayor direct the City Accountant to revert to the unappropriated surplus of the General Fund the unexpended balance of the CDRRMF in CY 2014 to make them available for other social services of the City, subject to compliance with other necessary requirements, including the enactment by the local Sanggunian of an ordinance for that purpose.

4. Due to improper planning and lack of site inspections and investigation before project procurement, various requests for work suspensions were granted to the contractors on 10 infrastructure projects with a total contract cost of ₱30,395,536.95 and the reasons therefor were not among those specified under Section 9.2 Annex D of the Revised Implementing Rules and Regulations (RIRR) of the Republic Act (RA) No. 9184, thus casted doubt on whether delays in the completion of the projects were properly justified. Moreover, the Audit Team was not immediately informed of the contract revisions/projects work suspensions, thus prevented the timely evaluation of the work suspensions.

We recommended that the City Mayor instruct:

- a. the BAC and the City Engineer to ensure that site inspections and investigations and other pre-procurement activities had been completely and properly undertaken before starting the procurement process;
- b. the City Engineer and other concerned officials to investigate further the causes of delays in the completion of the subject projects and establish whether there is unjustifiable fault on the part of the contractors and therefore, should be imposed with liquidated damages accordingly;
- c. the City Engineer to submit to the Audit Team the Suspension Orders for the three projects, namely Improvement of Mini Park at Muralla, Construction of Concrete Ramp and Improvement of MRF and Construction of Senior High School Laboratory (Phase I) Cavite National High School, otherwise the transactions will be suspended in audit. Henceforth, it is recommended that every revision to the contract such as contract time extensions, extra work orders or variation orders, be also submitted to the Auditor for appropriate review and evaluation; and
- d. the City Engineer, the City Accountant and other concerned offices to ensure that all suspensions of works of infrastructure projects strictly adhere with Section 9.2 Annex D of the RIRR of RA No. 9184.

5. Financial assistance granted to Barangay officials and employees and job order personnel totaling ₱5,097,400.00 was not properly documented, contrary to Section 4(6) of Presidential Decree (PD) No. 1445, thus affecting the determination of the propriety and validity of the claims.

We recommended that the City Mayor require the City Accountant to submit to the Audit Team the lacking supporting documents for donations/financial assistance to facilitate the determination of the propriety and validity of the claims, otherwise, the relevant expenses will be suspended or disallowed in audit. Henceforth, it is recommended that the City Accountant ensure that all payments or releases of government funds are supported with complete documents in compliance with Section 4(6) of PD No. 1445.

6. Payments for the purchases of equipment, supplies and other operating expenses totaling ₱1,281,874.05 were made on reimbursement basis, contrary to Section 93 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002, thereby resulted in the non-withholding of the applicable taxes due the national government and lack of assurance that the City obtained the most advantageous price from such purchases.

We recommended that the City Mayor direct the City Accountant and other concerned officials to adhere strictly to Section 93 of PD No. 1445 which requires government agencies to make direct payments to suppliers and ensure that RA 9184, also known as the Government Procurement Reform Act, and BIR Revenue Regulation 2-98 are not circumvented.

7. Only 57.02 per cent or ₱17,606,948.37 of the total appropriation of ₱30,878,300.00 for Gender and Development (GAD) was utilized, thus the City was not able to contribute optimally to the promotion of gender equality. Moreover, the Gender and Development Plan and Budget (GPB) included Projects, Programs or Activities (PPAs) with total appropriation and actual expenditures amounting to ₱17,042,000.00 and ₱12,614,923.84, respectively, that had no well-defined gender issue to be addressed, inconsistent with the provisions of Joint Memorandum Circular (JMC) No. 2013-01 of the Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and the National Economic and Development Authority (NEDA), thus there was no assurance that those PPAs were gender responsive.

We recommended that the City Mayor direct the Executive Committee of the GAD Focal Point System (GFPS) to ensure that the GAD PPAs included in the GPB are properly planned to facilitate effective and efficient implementation.

We also recommended that the City Mayor require the GFPS, through the GAD Focal Person, to ensure that all PPAs included in the GPB have well-defined gender issues or GAD mandate to be addressed.

Summary of total Suspensions, Disallowances and Charges as of December 31, 2019

As of December 31, 2019, unsettled Suspensions amounted to ₱16,274,616.09 while Disallowances and Charges disclosed zero balance.

Status of Implementation of Prior Year's Audit Recommendations

Of the 20 audit recommendations embodied in the 2018 Annual Audit Report, six were fully implemented, six were partially implemented and eight were not implemented by the City.