

## EXECUTIVE SUMMARY

### A. Introduction

On February 12, 1997, President Fidel V. Ramos signed the bill which elevated Las Piñas from 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 the Vice Mayor who heads the City's legislative function, which is composed of 12 councilors, six each from the City's two City Council districts. For representation, the City is considered as one district, and therefore has one representative, in the country's House of Representatives.

The City of Las Pinas has a total personnel complement of 3,021 comprising of:

Permanent Employees	316	Job Order Contract/Service	940
Full-Time Contractual	240	Consultant	58
Regular Casual	1,368	Part- time Contractual	84
Elective	15		

### B. Financial Highlights

Comparative Financial Position:

		2014		2013
Assets	P	3,996,850,066	P	3,792,603,525
Liabilities		1,514,990,799		1,530,888,807
Government Equity		2,481,859,268		2,261,714,718

Comparative Results of Operations:

		2014		2013
Income	P	1,948,402,532	P	1,776,948,581
Expenses		1,629,512,776		1,700,631,158

#### *Appropriations*

For Calendar Year 2014, the appropriations of the City Government of Las Piñas for the General and the Special Education Funds totaled P2.288 billion. Obligations charged against these appropriations amounted to P1.799 billion.

Fund		Appropriations		Obligations
General Fund				
Current Appropriation	P	1,893,846,290	P	1,636,643,242
Continuing Appropriation		85,747,511		-
		1,979,593,801		1,636,643,242
Special Education Fund				
Current Appropriation		238,749,933		162,329,731
Continuing Appropriation		69,934,343		-
		308,684,276		162,329,731
	P	2,288,278,077	P	1,798,972,973

### Sources of Funds

The operating income of P1.948 billion collected during the year was sourced from the following:

Particulars	General Fund	Special Education Fund	Total
Local Taxes	P 759,818,110	P 216,551,626	P 976,369,736
Internal Revenue Allotment	742,867,717	-	742,867,717
Permits & Licenses	116,582,517	-	116,582,517
Service Income	102,008,149	-	102,008,149
Business Income	1,455,345	-	1,455,345
Other Income	8,575,119	543,950	9,119,069
	<b>P 1,731,306,957</b>	<b>P 217,095,576</b>	<b>P 1,948,402,533</b>

### C. Scope of Audit

The audit covered the accounts and operations of the City of Las Piñas for the period January to December 31, 2014, and the objective is 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 transaction 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 recommendations.

### D. Auditor's Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of presentation of the financial statements due to various accounting errors and deficiencies materially affecting the account balances of which inadequacy of records did not permit us to apply alternative procedures to establish the validity and correctness of the balances of the affected accounts. These errors and deficiencies were presented in detail in Part II of the report and summarized as follows:

1. The beginning balances of the PPE totaling to P837.103 have no details or breakdown and were not computed with depreciation since 2002. Various Property, Plant and Equipment totaling P100.142 million acquired in various dates, are listed in the corresponding subsidiary ledgers, but were not included in the lapsing schedule, thus, these were not depreciated. These resulted in the overstatements of the carrying value/net book value of the recorded Property and Equipment as of December 31, 2014 and consequently the income for each year or government equity is overstated, all for undetermined amounts. Also, the cost of the demolished and structures amounting to P36.978 million were not dropped in the books overstating the Property and Equipment account by the same amount as of December 31, 2014. (*Observation No.1, page 22*)

We have recommended that Management (i) analyze and provide details of the beginning balance of those PPE with lumped amount including those of

the demolished buildings and structures and accordingly adjust to reflect the correct balances; (ii) require the General Services Office (GSO) and the Accounting Department to continue the reconciliation of the PPE they maintain, verify and analyze the discrepancies and promptly adjust as appropriate; (iii) include in the subsidiary ledgers and lapsing schedule the complete information on the City's assets and its specifications; gather all required documents to be able to compute depreciation for the beginning balances, those recorded in the Subsidiary Ledger but not in the Lapsing Schedule and all PPE subject to depreciation.

2. A total of P70.636 million or 50% of the Other Payables account includes long outstanding payables and inappropriately classified transactions. (*Observation No.8, page 58*)

We have recommended that Management review the dormant accounts which have been outstanding for more than two years and that for some of the items which appeared not appropriately classified as Other Payables, Management consider the procedures set forth in the report.

3. The reliability of the balances as of December 31, 2014 of the accounts Drugs and Medicines Inventory and Drugs and Medicine Expenses in the amount of P30.401 million and P144.762 million, respectively, could not be ascertained due to errors in the computation of the cost per item in the Summary of Supplies and Materials Issued (SSMI), non-maintenance of Supplies Ledger Card (SLC) and no physical count conducted. (*Observation No.2, page 28*)

We have recommended that Management (i) perform periodic physical inventory taking of the stocks on hand per Barangay Health Center including the City Health Office; (ii) prepare the Requisition Issue Slip (RIS) not on the basis of the sales invoices procured during the month, but on the RIV from the various Health Centers; and (iii) maintain SLC for each item of drugs and medicines.

4. Purchases for Construction Materials, Office Supplies, Accountable Forms and Other Office Supplies amounting to P19.453 million were not coursed through the inventory account but recorded as direct expenses. (*Observation No.17, page 86*)

We have reiterated our previous year's recommendations that Management instruct the Accounting Department to record in the appropriate inventory account all purchases of supplies and materials upon acceptance of the delivered items, except those purchased out of the Petty Cash Fund.

5. There were noted abnormalities in the balances of Real Property Tax (RPT) Receivable/Deferred RPT income and Special Education Tax (SET) Receivable/Deferred SET Income amounting to P291.572 million and P378.822 million as of December 31, 2014, respectively, and discounts on

RPT of P5.496 million and discounts on SET of P6.441 million for CY 2014, casting doubt on their accuracy. (*Observation No.3, page 39*)

We have recommended that Management (i) analyze the RPT/SET Receivables and its reciprocal accounts; (ii) review the set-up of the receivables, collections and adjusting entries and other transactions affecting the accounts and make the necessary adjusting entries; and (iii) revisit the business rules in the Real Property Tax Administration System particularly the computation of RPT and SET embedded in the program.

6. The balance of Business Tax Income for CY 2014 amounting to P427.105 million could not be ascertained in view of the absence of required documents in the application of business permits, inconsistencies and discrepancies found in the assessments and computation of business taxes due to non-compliance with prescribed rules pertaining to business taxes. (*Observation No.4, page 44*)

We have recommended that Management (i) strictly impose the submission of the required documents to validate the gross sales declared in the application form of the taxpayer; (ii) instruct the City Treasurer to exercise its power to examine the Books of Accounts and pertinent records of business establishments; and (iii) through the EDP Unit, establish/institute measures to enhance the PPS for monitoring and examination purposes.

#### **E. Other Significant Audit Observations and Recommendations**

1. Program of Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) is not in accordance with Item 5.1.2 of the COA Circular No. 2012-002 dated Sept. 12, 2012 and no Project Procurement Management Plan (PPMP) for Local Disaster Risk Reduction Management Office (LDRRMO) was prepared. Moreover, some of the significant projects in the LDRRMF were not implemented which may be attributed to the deficiencies in the preparation of the LDRRMFIP and the unavailability of PPMP for the LDRRMO. (*Observation No.12, page 66*)

We have recommended that Management (i) strictly comply with the provisions of COA Circular No. 2012-002 on the preparation of LDRRMFIP for efficient implementation of programs, projects and activities funded from the LDRRMF; (ii) through its Environment Sanitation Office (ESO) prepare the PPMP providing information outlined in R.A. 9184; and (iii) closely monitor the undertaking of the proposed projects funded out of the LDRRMF to achieve the very purpose of RA 10121.

2. Restoration Deposits Payable and Maintenance Fee which have been existing for a period ranging from 2 to 24 years, were not refunded to contractors/ individuals. (*Observation No. 9. Page 60*)

We have recommended that Management take the necessary steps so that the accumulated deposits are refunded to payors.

3. Various Trust Fund balances which have not been liquidated or have not been implemented and still included in the books for a period ranging from 2 to 38 years were not returned to source agencies. (*Observation No.11. page 62*)

We have recommended that Management strengthen the monitoring system of the fund transfers by sending regular reminders to implementing division/offices to facilitate/hasten its liquidation.

4. Total amount of P53.420 million was utilized for garbage hauling which is non-developmental program while the appropriation for other economic development projects remain unutilized on the audit of 20% Development Fund. (*Observation No. 5. Page 51*)

We have recommended that the City Planning and Development Office, which prepared the 20% Development Fund and the Budget Office take into consideration Joint Circular of the DBM & DILG No. 2011-1 in the preparation of the Annual Budget, Annual Investment Plan and the PPMP of the Office.

5. GAD Plans and Budget are not in conformity with the PCW/DILG/DBM/NEDA Joint Circular 2013-01. The program pertaining to clean and green, the wholesome and healthy community which requires the hiring of street sweepers is not considered GAD related. Also, the GAD programs, projects and activities were not supported with sex-disaggregated data/GAD Database and that no GAD Code was adopted. (*Observation No. 13. Page 69*)

We have recommended that Management (i) comply strictly with the guidelines on the preparation and completion of GAD Plans and Budget; (ii) prioritize gender issues that have been identified through the City 's review of its flagship or regular programs; (iii) institutionalize the GAD Database/Sex-disaggregated data; (iv) formulate a GAD Code which consolidates local ordinances related to women and gender equality and ensure that the pertinent provisions of the GAD Code are integrated in local development plan; and (v.) implement in full all the programs and activities under the GPB.

6. The P10.137 million Trust Fund consisting of principal and interest was not reverted or refunded to the General Fund and be made available for budgeting for the City's programs and projects. (*Observation No. 7, page 56*)

We have recommended that Management (i) revert/return the interest amounting to P5,137,008 to the General Fund books and be made available for budgeting for the City's programs and projects; and (ii) revert/return the

unexpended balances as well as interest income earned from transferred funds to the Source Agencies.

7. Expenses for repairs and maintenance of buildings and other structures which add life to the asset were not capitalized. (*Observation No. 19. page 89*)

We have recommended that Management make the necessary adjustments to appropriately record the total amount of P2,954,000 under the account Office Buildings and ensure that all similar transactions be recorded in accordance with GAAP and NGAS prescribed Chart of Accounts.

8. The preparation of the City's Solid Waste Management Plan noted some deficiencies provided for in RA 9003. Also, The SWMP Budget is not in accordance with Item 4.2 of Section 5 of the Budget Operations Manual for Local Government Units. The approved contract of service between the City and the LEG Hauling Services Corporation for Garbage Hauling and Disposal is not supported with complete documents. (*Observation No.14. page 74*)

We have recommended that Management (i) assess the City's full compliance with RA No. 9003 or the "Ecological Solid Waste Management Act of 2000" towards providing the legal framework for the country's systematic, comprehensive, and ecological solid waste management program that shall ensure protection of public health and the environment; (ii) evaluate and review the ESO budget; (iii) furnish the City Auditor's Office copy of all contracts with its supporting documents within the prescribed period for timely verification of the contract; and (iv) include the derivative costs as well as the complete specifications of the dump trucks and other equipment to be used in hauling as an integral part of the contract.

#### **F. Status of Implementation of Prior Year's Audit Recommendations**

Of the 63 audit recommendations embodied in the CY 2013 Annual Audit Report 28 were fully implemented, 20 were partially acted upon and the remaining 15 were not implemented by the City.