

EXECUTIVE SUMMARY

Introduction

Malabon became a highly urbanized city by virtue of Republic Act (R.A.) No. 9019 on March 5, 2001. It is the vision of the City Government of Malabon, pursuant to its charter and in line with RA No. 7160, the Local Government Code of 1991, to exercise all the powers granted by law in achieving efficient and effective governance of the City for the promotion of general welfare as defined in Section 16 thereof.

The manpower resources of the City Government as of December 31, 2014 totals 1,874 broken down as follows:

Permanent/Regular	599
Casual	204
Elective Officials	15
Co-terminus	70
Job Order Personnel	770
Contractual	5
CMPI/CMU Personnel:	
- Full Time Instructors	16
- Part Time Instructors	126
- Contractual	51
Student Assistants	<u>18</u>
Total	<u>1,874</u>

For CY 2014, major accomplishments of the City Government, among others, are as follows:

1. Construction/upgrading/maintenance/re-blocking of streets, P59.032 million
2. De-clogging of 9,144 linear meters of various canals, creeks and waterways to prevent flooding and boost investment opportunities
3. Construction of two trash traps costing P28.9 million to clean the waterways
4. Construction of two Early Childhood Care and Development (ECCD) Centers
5. Grant of 281 Original Land Titles to members of the Samahang Maralita ng Tonsuya at the Kalikasan Village, Barangay Tonsuya, under the Free Patent Law
6. Relocation/resettlement at the Bulacan Relocation Sites of 530 informal settler families living along waterways
7. Crime Solution Efficiency registered at 86.12 percent

Highlights of Financial Operations

Presented below is the results of operations for CY 2014, with comparative figures for CY 2013, as follows:

	<u>2014</u>	<u>2013</u>
Assets	P2,041,302,372	P1,857,437,573
Liabilities	908,401,173	746,750,050
Equity	1,132,901,199	1,110,687,523
Income	1,058,368,397	972,295,369
Expenses	915,848,749	746,209,866

The appropriations, allotments and obligations for CY 2014, with comparative figures for CY 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Appropriations	1,238,274,115	1,068,229,226
Allotments	1,238,274,115	1,068,229,226
Obligations	986,493,496	924,362,960

SCOPE OF AUDIT

The audit covered the accounts and operations of the City of Malabon for the year ended December 31, 2014. The objectives of the audit are to: (a) verify the degree of assurance that may be placed on 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.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to errors and deficiencies that misstates the affected account balances, discussion of which are included in Part II of the report and summarized as follows:

a) Accounting errors

Obs. No.	Nature of Errors	Account/s Affected	Amount and Effect on the FS Under/(Over) stated	% of Error to Account Balance
5	City of Malabon Polytechnic Institute income recorded as Other Payables	Tuition Fees Other Payables	7,326,851 (7,326,851)	19.952% 30.433%

b) *Deficiencies*

Obs. No.	Nature of Deficiencies	Account/s Affected	Account Balance Affected	Amount Involved
3	Doubtful validity and accuracy of Property, Plant and Equipment	PPE	P1,377,154,799	P252,183,829
1	Unreconciled book and bank balances of Cash in Bank –Local Currency, Current Account	Cash in Bank – Local Currency, Current Account	674,441,710	24,691,434
4	Doubtful validity of Inventory and Expenses account balances	Inventories Expenses	20,796,970 32,771,191	20,796,970 25,327,873
2	Unliquidated cash advances	Advances to Officers and Employees	53,759,852	8,903,803

For the above errors and deficiencies, we had recommended that management -

- *On the CMPI income recorded as Other Payables*
Record CMPI income and expenditure transactions under appropriate accounts; effect necessary adjustments in the books of accounts; and provide complete subsidiary ledgers for CMPI transactions
- *On the Property, Plant and Equipment account*
Complete the reconciliation of the GSD and Accounting records; exert more efforts in retrieving documents relative to the demolition of markets and slaughterhouses; submit documents to show proof of ownership of lands with no titles; drop from the books of accounts the cost of firefighting equipment already transferred to the barangays; and effect adjustments to correct the overstatement of Land Improvements account
- *On the Cash in Bank – Local Currency, Current Account*
Exert extra effort in locating prior years missing DVs/payrolls pertaining to unrecorded disbursements of P4.302 million; coordinate with depository banks to obtain documents in support of reconciling items; prepare bank reconciliation statements on a monthly basis for all depository accounts, and effect adjusting entries for reconciling items already identified.

- *On the Inventory account*
Prepare the corresponding RPCI to substantiate the balance of Inventory accounts in the financial statements and that the City Accountant support with SSMMIs the recording/closing of the inventory accounts to the respective expense accounts.
- *On the unliquidated cash advances*
Reclassify the unliquidated cash advances of accountable officers with cases filed in court from account Advances to Officers and Employees to Other Receivables account.

Other Significant Observations and Recommendations

The following are the other significant observations and recommendations in the audit of the City Government of Malabon for the year 2014:

1. Income and expenses recorded as Other Payables account, thus, understating income and expense accounts by P7,326,851 and P5,563,152, respectively. (*Observation No. 5b, page 29*)

We had recommended that the City Accountant record CMPI income and expenditure transactions under appropriate accounts; effect the necessary adjustments in the books of accounts; maintain complete general and subsidiary ledgers for CMPI transactions; and prepare monthly Trial Balances and related financial statements.

2. Expenses totaling P3.231 million charged to the SEF were not within the provisions of Section 272, RA 7160. (*Observation No.6.1, page 30*)

We had recommended, that the City refrain from using the Special Education Fund for expenses not prescribed by law and to strictly adhere to the provisions of Section 272 of R.A. No. 7160 and DECS/DBM/DILG Joint Circular No. 01, series of 1998 in the utilization of the proceeds of the additional 1% tax on real property accruing to the SEF.

3. Audit suspensions and disallowances in the amounts of P29.474 million and P11.610 million, respectively, remained unsettled as of the yearend. (*Observation No.9 , page 39*)

We had reiterated our previous year's recommendations for Management to: direct concerned officials to coordinate with all persons responsible/liable to facilitate settlement of all outstanding audit suspensions and disallowances; endorse disallowances to the City Legal Office for necessary action/disposition; require all persons responsible to settle immediately all suspensions within the prescribed period; and act upon all disallowances within the required timelines.

Status of Implementation of Prior Year's Audit Recommendations

Of the 50 audit recommendations contained in the CY 2013 Annual Audit Report, thirty four (34) were fully implemented (68%), ten (10) were partially implemented (20%) and six (6) remained unimplemented (12%).