

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”, as 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 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, 2013 totaled 4,796 composed of the following:

Permanent	1,094
Casual	1,566

Contractual (Medical)	175
Elective Officials	15
Job Order	1,331
Service Contractor	573
Consultant	42

Scope of Audit

The audit covered the accounts and operations of the City of Mandaluyong for the year ended December 31, 2014. The objectives of the audit are to: (a) verify the 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.

Financial Highlights

The financial position of the City of Mandaluyong as of December 31, 2014 is as follows:

	2014	2013	Increase/ Decrease
Assets	3,770,063,618	3,744,924,944	25,138,674
Liabilities	2,186,302,670	2,458,059,937	(271,757,267)
Equity	1,583,760,948	1,286,865,007	296,895,941

On the other hand, its financial performance for the year 2014 is reported as follows:

	2014	2013	Increase/ Decrease
Income (including extraordinary items)	3,258,402,381	3,021,099,403	237,302,978
Expenses	2,888,371,938	2,852,603,395	35,768,543
Net Income	370,030,443	168,496,008	201,534,435

For calendar year 2014, the appropriations of the City Government of Mandaluyong for the General Fund and Special Education Fund totaled ₱5,162,650,203. Obligations charged against these appropriations amounted to ₱2,922,439,897.

Fund	Appropriation		Obligation	
	2014	2013	2014	2013
General Fund				
Current	3,750,576,487	3,657,431,964	2,551,043,191	2,705,111,585
Continuing	627,761,593	515,324,196	109,375,481	100,998,506
	4,378,338,080	4,172,756,160	2,660,418,672	2,806,110,091

Fund	Appropriation		Obligation	
	2014	2013	2014	2013
Special Education Fund				
Current	322,224,058	389,139,553	247,058,040	285,677,521
Continuing	231,044,032	241,421,368	14,963,185	51,718,757
	553,268,090	630,560,921	262,021,225	337,396,278
	4,931,606,170	4,803,317,081	2,922,439,897	3,143,506,369

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the City for calendar year 2014 due to doubtful validity and reliability of cash in bank, cash in vault and other assets accounts owing to unrecorded reconciling items aggregating ₱236.142 million, unaccounted and unreconciled balances of general ledger and cash book of ₱62.420 million and erroneous reclassification/adjustments of various accounts to other assets totalling ₱211.424 million; validity of the balances of Real Property Tax (RPT) and Special Education Tax (SET) receivables totalling ₱369.325 million and corresponding deferred RPT/SET income of the same balance are doubtful due to the absence of certified list of taxpayers and supporting schedule; and prior years' adjustments and other adjustments amounting to ₱50.384 million and accounts payable of ₱27.331 million were not supported with vouchers and documents. Also, there is remaining unreconciled difference between Accounting and GSD records of property, plant and equipment accounts totalling ₱35.324 million, incomplete property ledger cards and presence of several donated and purchased properties without cost. Due to the status of the agency's records, the Auditor was not able to obtain sufficient appropriate audit evidence about the balances of these accounts as of December 31, 2014 and corresponding income and expense accounts for the year, hence, unable to determine any adjustments that are necessary.

Summary of Significant Audit Observations and Recommendations

1. Non-submission of copies of Purchase Orders (POs) and Notices of Delivery to the Office of the Auditor totaling ₱577.108 million that precluded review of compliance with the requirements of applicable laws, rules and regulations and determination of existence of goods delivered.

The City Mayor should initiate the immediate corrective action on the aforementioned deficiencies that have significantly affected the conduct of audit procedures aimed at establishing compliance with procurement laws, rules and regulations, completeness of supporting documents, existence of procured items and in ensuring that the interest of the City is not prejudiced on contracts entered into thru POs.

2. Significant delays in the submission of accounts, financial documents and reports, trial balances and financial statements for 2014 that hindered timely application of substantive audit procedures.

Require the City Accountant to submit monthly financial reports and documents not later than the 10th day of the following month, monthly trial balances not later than the twentieth day of the following month, and year end trial balances, general ledger, subsidiary ledgers and financial statements not later than February 14 following the end of the calendar year, to the Office of the Auditor in accordance with the provisions of laws and regulations.

3. Granting, utilization and liquidation of cash advances

a. Unliquidated cash advances to officers and employees –~~₱~~37.901 million

Create a special group/task force to undertake the immediate analysis and reconciliation of the advances to officers and employees account balances; impose available remedies mandated by law and regulations to those accounts that have remained outstanding and the accountable officers concerned who are still connected with the City, and exhaust all possible means to locate and collect the amount due from those who are no longer in the service.

b. Unrecovered amount of Due from officers and employees –~~₱~~689,353

Ensure strict compliance with applicable laws, rules and regulations on the settlement, either through salary deduction and other means of settlement of the outstanding amount of Due from officers and employees account, representing shortages and/or short remittances.

4. Long outstanding unliquidated fund transfers from Other NGAs and GOCCs; and doubtful validity of long outstanding accounts

Require the City Accountant to fast track the reconciliation of the Due to PDAF account with the Treasury records and other related accounts, and immediately remit the outstanding PDAF to the Bureau of Treasury; and require the City Accountant to review and analyze the long outstanding balances of Due to Other NGAs account, for adjustment, if warranted and/or immediate liquidation by City officials concerned.

5. Lack of public bidding –~~₱~~29.938 million

Direct the City Budget Officer to:

- a. Consolidate required supplies, materials, equipment, etc. in the APP and procure items through public bidding in accordance with the provisions of the IRR of R.A. 9184; and
- b. Refrain from resorting to other alternative methods of procurement of goods by splitting the purchase orders and/or contracts.

6. Inadequate review of supplemental budget for calendar year 2014

Direct the Local Finance Committee (LFC) to make the necessary revisions to the supplemental appropriations; restrain from incurring obligations and expenditures chargeable to the 2014 supplemental budget which are not supported with actual realized income; direct the LFC to re-examine the flaws and enhance its existing budget authorization procedures in line with the provisions of R.A. No. 7160 and its IRR and amendment; direct the LFC to assist the Sanggunian in the analysis and review of the budgets; and require the City Budget Officer and City Accountant to revisit the budgeting and accounting processes for the purpose of reasonably allocating the budget to the specific MOOE accounts and restricting Other MOE appropriation to only the costs of services which cannot be classified under any specific MOOE account.

7. 20% Development Fund

- a. 20% development fund presented under Non-Office and in lump-sum amount in the Annual Investment Program (AIP) and Executive Budget for 2014 – ₱104.681 million; absence of essential details in AIP; and non-utilization of the 20% development fund

Direct the City Planning and Development Officer (CPDO) and Local Development Council to identify the priority programs, projects and activities to be funded out of the 20% development fund; ensure that detailed allocation of each project and relevant information are reflected in the AIP; and instruct the officials concerned to maximize the utilization of the development fund through adequate planning and identification of priority programs and projects.

- b. Non-maintenance of special account in the General Fund for development projects

Require the City Accountant to maintain special account in the General Fund for development projects funded out of the IRA.

8. Shortfalls in estimated collections for 2014 of ₱835.252 million resulted in the significant amount of Accounts Payable at year end

Require the LFC to undertake budget preparation procedures on the basis of reasonable and/or realistic projection of revenues for the ensuing year, in accordance with the intent of local government budgeting as provided under Section 314 of R.A. No. 7160.

Compel the City Treasurer and City Assessor to devise strategies that will help raise the desired revenues from real property tax and/or apply the available remedies under Sections 256, 257 and 258 of R.A. No. 7160.

9. Personal services and hiring of contract of service/job order

- a. Lack of competent personnel in the Accounting Department; City Ordinance No. 545, S-2014 not yet implemented

Initiate the immediate implementation of the 2014 revised organizational structures, functions and staffing pattern under City Ordinance No. 545.

- b. Hiring of Contract of Service/Job Order personnel did not strictly adhere to the required rules and regulations

Hiring of contract of service/job order personnel should be based on necessity and should be identified/attribution to specific projects for a period not exceeding six months pursuant to Section 2, Rule XI of the Revised Omnibus Rules on Appointments and Other Personnel Actions, Rules Implementing Book V of Executive Order No. 292.

- c. Validity, legality and propriety of claims by personnel on job order and service contract basis could not be established due to absence of supporting documents

All disbursements of funds for services rendered by job order and service contract personnel should be supported with the necessary and appropriate supporting documents to establish validity and propriety of payment pursuant to Section 4 (6) of P.D. 1445 and COA Circular No. 2012-001.

10. Local Disaster Risk Reduction and Management (LDRRM)

- a. Appropriation for the 70% mitigation fund not broken down into MOOE and CO; unexpended/unobligated balance of LDRRMF not transferred to a special trust fund; and no separate registry maintained for QRF, MOOE and CO

Direct the LDRRM Officer to prepare the LDRRM-AIP in accordance with COA Circular No. 2012-002, allocating the 70% of LDRRMF into MOOE and CO; require the City Accountant to maintain separate RAAO for QRF, MOOE and CO, and submit an updated report on the receipt and utilization of LDRRMF, showing the correct balance of the fund as of December 31, 2014; re-examine the existing practice of managing the disaster funds as it reflects on the City's present state in preventing or mitigating the impact of disasters, preparedness to respond to major disasters and readiness to comply with the provisions of R.A. No. 10121; and direct the City Treasurer to make initial transfer of maximum amount of available funds to a special trust fund for DRRM and subsequently make transfers to the said fund to achieve the correct balance of the fund since 2011.

- b. Appropriation for disaster risk reduction and management (DRRM) not fully considered in the planned projects and activities for 2014; lump-sum appropriation for quick response fund (QRF) not included in the LDRRM-AIP for 2014

The LDRRM Officer should include in the City's LDRRM-AIP, (a) the QRF in lump sum allocation equivalent to 30% of the LDRRMF; and (b) the list of projects and activities, in a separate caption, to be charged to the unexpended balance of the fund in previous years, based on the correct balance of the fund after adjustment.

Status of Suspensions, Disallowances and Charges

As of December 31, 2014, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed the following:

	Suspension	Disallowance	Charge
Balance, Dec. 31, 2013	34,261,320	40,780,028	5,751,021
Add: Issuances	91,713,704	30,131,118	-
Adjustment of prior year settlement		500	
	125,975,024	70,911,646	5,751,021
Less: Suspensions that matured into disallowance	6,465,231		-
Adjustment in disallowance		30,676	
Settlements	21,362,447	35,897,262	
Balance, Dec. 31, 2014	98,147,346	34,983,708	5,751,021

Status of Implementation of Prior Year's Audit Recommendations

Of the 129 audit recommendations contained in the CY 2013 Annual Audit Report, 22 were fully implemented, 38 were partially implemented and 69 remain unimplemented.