

## EXECUTIVE SUMMARY

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### A. Introduction

For the year 2014, the objectives of the City of Marikina are: (1) to sustain its Sentrong Sigla Health programs thru enhancement of health facilities and provision of quality health goods and services; (2) to improve the level of competitiveness thru simplified business processing and licensing system, effective infrastructure, physical and environmental development; (3) to maintain economic development and political stability through sustained good performance in the delivery of social protection services particularly to the vulnerable sectors; and (4) to ensure disaster preparedness, peace, order and public safety.

The City has a total of 2,295 personnel complement 19 elective officials, 639 permanent, 1,472 casuals and 165 consultants.

The following are the major accomplishments of the City for CY 2014:

Programs/Projects	Amount
Kapaligiran/Kalikasan	103,291,116.11
• Rehabilitation/improvement/maintenance of various roads	
• Flood control	
Kapayapaan at Kaayusan	15,010,000.00
• Installation/replacement of lamppost/highmast/streetlights/existing light facilities	
Karunungan	7,500,000.00
• College educational assistance to 3,000 college students per semester	
Kalusugan	3,768,502.75
• Construction of Health Center and Lying-In Clinic (Phase 2)	

### B. Financial Highlights

For CY 2014, the appropriations of the City Government of Marikina for the General and Special Education Funds totaled P2.825 billion. Obligations charged against these appropriations amounted to P1.974 billion.

Fund	Appropriation	Obligation
Current Appropriation		
General Fund	P 2,099,604,778	P 1,719,372,243
Special Education Fund	169,567,775	122,453,302
Sub-Total	2,269,172,553	1,841,825,545
Continuing Appropriation		
General Fund	554,638,596	130,716,786
Special Education Fund	1,208,403	1,021,057
Sub-Total	555,846,999	131,737,843
<b>Grand Total</b>	<b>P 2,825,019,552</b>	<b>P 1,973,563,388</b>

The City realized an aggregate income of P1.812 billion or an increase of P167.635 million from last year's P1.645 billion.

Operating Income consists of Tax Revenue of P890.953 million this year from P820.609 million last year resulting in an increase of P70.344 million, or 8.57 percent; and General Income of P921.346 million this year from P824.055 million last year with an increase of P97.291 million, or 16.33 percent. Share in the Internal Revenue Allotment increased by P64.778 million, or 12.11 percent.

Total operating and financial expenses of P1.454 billion registered an increase of P105.995 million, or 7.86 percent, from last year's P1.348 billion.

The expenses were classified as follows: Current Operating Expenses, P1.447 billion; Financial Expenses, P7.968 million; and Subsidies, Donations and Extraordinary Expenses, P133.188 million.

### C. Scope of Audit

The audit covered the accounts and operations of the City of Marikina as of December 31, 2014. The objectives of the audit are: (a) to be able to provide the correct assurance based on validation of 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.

### D. Auditor's 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 misstated the affected account balances, discussion of which are included in Part II of the report and summarized as follows:

#### *Accounting Errors*

Obs. No.	Name of Errors	Accounts Affected	Amount and Effects on the FS Under(Over) stated	% of Error to Account Balance
1.2	Reconciling Items recognized in the books as PPE	PPE	339,851,243	8.20
1.3	Overstatement of PPE due to inadequate provision and lack of full depreciation	PPE, Accumulated Depreciation and Government Equity	(122,179,384)	(2.95)
2.1	Outstanding Reconciling Items in the Bank Reconciliation Statements	Cash in Bank	135,545	0.013
3.1	Non-existing Accounts Receivable	Due From NGAs	(49,555)	(1.02)
3.2	Non-existing Med. Dental & Laboratory Supplies Inventory	Med. Dental & Laboratory Supplies Inventory	(55,908)	(8.24)

Obs. No.	Name of Errors	Accounts Affected	Amount and Effects on the FS Under(Over) stated	% of Error to Account Balance
3.3	Non-existing Construction Materials Inventory	Construction Materials Inventory	(142,283)	(0.16)
3.4	Non-existing Other Payables	Other Payables	(1,050,532)	(2.58)
<i>Total errors</i>			463,464,450	
<i>Total Assets</i>			6,008,236,550	
<i>Percentage to Total Assets</i>			7.71%	

*b) Accounting Deficiencies*

Obs. No.	Name of Errors	Accounts Affected	Accounts Balance Affected	Amount Involved
1.1	Unreconciled variance between RPCPPE and accounting records	PPE	4,148,636,606.49	164,943,427
2.2	Unrecorded disbursements with no Accountant's Advice	Cash in Bank-Local Currency, Current Account	564,481,791.35	703,126

For the above errors and deficiencies, we have recommended that Management:

On the Cash accounts:

- Submit for audit the Bank Reconciliation Statements on a regular basis pursuant to COA Circular No. 96-011 dated October 2, 1996;
- Adjust the identified reconciling items and record these in the books for fair presentation of the Cash in Bank account balance;
- Make arrangement with the depository banks to provide copies of the bank debit and credit memoranda to the City on a monthly basis or on a more convenient frequency to properly document the recording of the items in the books of accounts.
- Explain and immediately submit the appropriate documentation of the six checks that were released and encashed in the bank without the corresponding Accountant's Advice, otherwise these will be disallowed in audit;
- Desist from taking short cuts and adhere to official procedures in the processing of payments to avoid premature issuance of checks; and
- Consistently comply with the regulation on the issuance of the Accountant's Advice prior to release of checks for all disbursement transactions to ensure validity of the same.

On the PPE accounts:

- Continuously analyze the reconciling items in the PPE account and prepare correcting journal entries to reflect the correct balances of the affected accounts;
- Revisit the computation of depreciation on property items and compute the depreciation expense on various PPE not yet provided with depreciation;
- As a result of the reconciliation, adjust the affected accounts that are determined to be under/overstated in accordance with GAAP and the afore-cited COA Circular to present the correct balances in the books of accounts.

On dormant account balances:

The Management of PLMAR:

- To file a claim with DBM-PS for the refund of the balances from Purchase Orders not fully served;
- To demand collection and exhaust all possible remedies provided by law relative to collectibility of the dishonored check;
- To provide the General Services Office and the City Accounting Office with copies of the Requisition and Issue Slips pertaining to the unissued laboratory supplies and construction materials to facilitate the correction of the affected accounts' balances in the books;
- To maintain a permanent file of the Nursing students enrolled with the affiliated hospitals' training program including the OR issued them for the affiliation fees paid, and the billing period when their accounts were collected by the hospitals, and keep a file of the DVs together with the OR issued by hospitals covering the remittance; and
- To study the option of a direct payment scheme for the hospital training affiliation to lessen the concerned Office's workload and the related expenses and most importantly, reduce to zero the possibility of incurring losses on these tie-ups.

The City General Services Office

- To review issuance of supplies and materials from the stock to trace the whereabouts and conditions of the laboratory supplies and construction materials found dormant. Also, provide an ample storage room/receptacle for the stock cards that will allow ease in locating and updating the same and for protection against loss and possible manipulation.

The City Accounting Office

- To review the transactions before recording the same, monitor dormant accounts and provide timely information to PLMAR Offices concerning their transactions.

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

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

### **1. Procurement**

#### **1.1 Procurement Process**

The functions entrusted to the Bids and Awards Committee (BAC) were not duly performed which resulted in flaws in the City's procurement process.

Also, the assertion by the City Accountant that disbursements have the complete supporting documents proved to be inaccurate based on our review.

We have recommended that the BAC consistently perform its functions in strict compliance with the law and that the City Accountant to strictly ensure completeness of required supporting documents to the disbursement vouchers prior to approval.

## 1.2 Warranty Security

The City did not require a Warranty Security as recourse against the supplier and contractor for manufacturing defects in the case of goods and non-performance of their responsibilities.

We have recommended that the City institutionalize the requirement for a warranty security to protect its interest against defects and non-performance under the contracts.

## 1.3 Liquidated Damages – P10.535 million

The City did not impose liquidated damages computed at P10,534,526.42 for the late deliveries of goods and equipment, despite written stipulation in the purchase orders or contracts and could have rescinded the three (3) contracts for the sum of liquidated damages which has exceeded the 10 percent of the contract amount.

We have recommended that Management collect from the concerned suppliers the appropriate amount of liquidated damages and in future occurrence of late deliveries, exercise the rights allowed under Sections 3.1 and 3.2, Annex D of the RIRR of RA 9184. We have also recommended that the Management establish a coordinated process for the imposition of liquidated damages or rescission of contract and to properly communicate and emphasize the matter to prospective suppliers and contractors.

## 1.4 Advance payment on contract – P3.783 million

Management did not act prudently in disbursing the funds because of the questionable contract stipulation where the City shall pay 30% of the contract cost with a 20% accomplishment only.

We have recommended that Management ensure that all contracts entered into are reviewed by the City Legal Office and act with more circumspection in entering into future contracts by ensuring that contract stipulations are anchored on existing laws and regulations for the best interest of the City.

## 2. Performance Evaluation

The printing of the Serbisyo 24 Coupon Books as a means to let the constituents know about the intangible services offered by the City may be dispensed with, as this may be carried out through other inexpensive instrument or modality. The City must at all times exercise prudence in spending the people's money no matter how noble the intention may be.

We have recommended that Management revisit the strategies utilized in providing basic services, keeping in mind the ultimate goal of rendering service to the people with or without coupons consider the suggestions and comments of the constituents, and disseminate the information through the available communication facilities and other possible means that does not require considerable spending of the people's money.

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

Of the 12 audit recommendations contained in the CY 2013 Annual Audit Report (AAR), five were implemented and seven were partially implemented during the year.