

EXECUTIVE SUMMARY

Introduction

The City of Muntinlupa became an urbanized city by virtue of Republic Act No. 7926 dated March 1, 1995. Before its transformation to what is today a bustling city, it was a village now known as “Poblacion” which later on was joined by other barrios to become the town of Muntinlupa. In 1901, Muntinlupa became one of the towns of the Province of Rizal. In 1918, Muntinlupa became an independent town by virtue of Executive Order 108 dated December 19, 1917.

Muntinlupa’s mission is to pursue an integrated and sustainable development strategy, anchored on responsible stewardship, democratic institutions and efficient and effective management which will provide world class infrastructure and support services to promote a broad economic base, create a business-friendly environment, institutionalize community participation, provide quality social services, and ensure equity in the distribution of goods and services.

A total of 5,914 personnel are employed by the City as of December 31, 2014 composed of the following:

Elected Officials	20
Permanent	476
Casual/ Contractual/consultant	<u>5,418</u>
Total	<u>5,914</u>

Major Accomplishments subject to contract review, during the year include:

- Acquisition of Disaster Rescue Equipment ₱ 14.77 million
- Acquisition of Service Vehicles 24.68 million
- Land filling and construction of retaining wall of Pacwood Site, Tunasan 19.1 million
- Road concreting, Muntinlupa Public Market 12.9 million
- Putatan road asphaltting, Soliven-Alvenda, South Green heights 14.5 million

Financial Highlights

The financial position and financial performance of the City Government of Muntinlupa for CY 2014, with comparative figures for CY 2013, are shown below:

Financial Position (in Philippine Peso)			
	2014	2013	Increase/ (Decrease)
Assets	₱ 5,206,730,820	₱ 4,297,411,041	₱ 909,319,779
Liabilities	1,412,381,470	1,399,715,720	12,665,750
Equity	₱ 3,794,349,350	₱ 2,897,695,321	₱ 896,654,029

Financial Position (in Philippine Peso)			
	2014	2013	Increase/ (Decrease)
Operating Income	₱ 3,216,000,483	₱ 2,826,740,333	₱ 389,260,150
Operating Expenses	2,098,996,990	1,956,372,098	142,624,892
Income from Operations	₱ 1,117,003,493	₱ 870,368,235	₱ 246,635,258
Financial Expenses	45,425,137	66,269,472	(20,844,335)
Income before Subsidies, Donations and Extraordinary Items	₱ 1,071,578,356	₱ 804,098,763	₱ 267,479,593
Subsidies and Donations	322,266,827	140,882,112	181,384,715
Income before Extraordinary Items	₱ 749,311,529	₱ 663,216,651	₱ 86,094,878
Extraordinary Items	2,496,089	-	(2,496,089)
Net Income	₱ 746,815,440	₱ 663,216,651	₱ 83,598,789

For Calendar Year (CY) 2014, the appropriations of the City Government of Muntinlupa for the General and Special Education Funds totaled ₱ 4.124 billion. Obligations charged against these appropriations amounted to ₱ 3.290 billion.

Fund	Appropriation	Obligation
General Fund		
Current Appropriation	₱ 3,564,874,000	₱ 2,808,933,677
Continuing Appropriation	103,467,120	78,752,544
Sub-total	<u>3,668,341,120</u>	<u>2,887,686,221</u>
Special Education Fund		
Current Appropriation	456,145,138	401,973,579
Continuing Appropriation	-	-
Subtotal	<u>456,145,138</u>	<u>401,973,579</u>
Total	<u>₱ 4,124,486,258</u>	<u>₱ 3,289,659,800</u>

The operating income of ₱3.216 billion collected during the year was sourced from the following:

Particulars	Special Education		Total
	General Fund	Fund	
Local Taxes	₱ 1,508,603,609	₱ 282,176,631	₱ 1,790,780,240
Internal Revenue Allotment	645,500,800	-	645,500,800
Permits and Licenses	218,898,012	-	218,898,012
Service Income	74,016,812	-	74,016,812
Business Income	293,176,695	-	293,176,695
Other Income	192,402,466	1,225,458	193,627,924
Total Operating Income	₱ 2,932,598,394	₱ 283,402,089	₱ 3,216,000,483

The financial condition and result of operation of the economic enterprises operated by the City are as follows:

Economic Enterprises	Financial Condition			Result of Operation		
	Total Assets	Total Liabilities	Government Equity	Total Income	Total Expenses	Net Income/(Loss)
Muntinlupa City Public Market	29,508,162.36	22,255,950.79	7,252,211.57	61,502,714.99	72,892,516.07	(11,389,801.08)
Ospital ng Muntinlupa	163,637,442.14	83,935,241.82	79,702,200.32	284,335,631.40	298,424,632.48	(14,089,001.08)
Pamantasan ng Lungsod ng Muntinlupa	194,597,453.79	13,721,700.98	180,875,752.81	109,505,903.06	99,579,160.87	9,926,742.19
Muntinlupa City Technical Institute	50,742,283.78	1,989,151.58	48,753,132.20	3,090,563.50	2,925,957.10	164,606.40

Scope of Audit

The audit covered the accounts and operations of the City of Muntinlupa 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.

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 misstated the affected account balances, discussion of which are included in Part II of the report and summarized as follows:

Obs. No.	Nature of Errors	Account/s Affected	Amount and Effect on the FS	% of error to Account Balance
1	Net amount of unrecorded bank transactions/reconciling items	Cash in Banks accounts	29,313,202	3%
3b	Unrecorded Land account	Property, Plant and Equipment	176,518,920	6.83%
4	Unadjusted balance in the reciprocal accounts	Due from Other Funds and Due to Other Funds	30,733,072	13%
5	Unadjusted balance in the reciprocal accounts	Subsidy from Other Funds and Subsidy to Other Funds	45,095,123	9%
6c	Unaccounted balance of inventory accounts	Inventory accounts	56,229,348	100%
8	Unadjusted balance of Other Deferred Credits to RPT and SET Income	Other Deferred Credits, RPT Income and SET Income	51,617,576	100%
	Total		389,507,241	
	Total Assets		5,242,129,423	
	% of Errors to Total Assets		7.43%	

In addition, the following deficiencies were also noted and added to the unreliability of the affected account balances:

Obs. No.	Nature of Deficiency/ies	Accounts Affected	Amount Involved
1	Discrepancy between the GL balance of Cash in Bank – LCCA and cashbooks	Cash in bank accounts	288,708,228
3b.2	Discrepancy between the GL balance and RPCPPE of Building accounts	Building Accounts	183,098,381
3d	Unvalidated existence of PPE due to failure to complete Physical Count	PPE accounts	1,270,640,907
6a	Outright expense of supplies inventory	Inventory accounts	78,914,395
7	Dormant/non-moving accounts in Other Payables	Other Payables	55,062,936
9	Unreliable set-up of RPT & SET Receivables	Real Property Tax Receivable	782,166,563
		Special Education Tax Receivables	439,806,657
16	Unliquidated Cash Advance	Cash and Receivable accounts	162,939,690
	Overdeduction of the 5% MMDA share	Expense account	2,056,971
		Government Equity	2,943,376

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

On the unrecorded bank transactions/reconciling items:

- The City Treasurer ensures that all disbursement vouchers supporting the corresponding checks issued are submitted and recorded within the time frame prescribed under Section 347 of RA 7160 and COA Circular 2009-006;

- The City Accountant and the City Treasurer coordinate with the different depository banks to ensure that all debit and credit memoranda are furnished for recording in the books. Ensure further that all deductions from the bank through debit memorandum are valid and legal per supporting documents before recording in the books;
- Both the Accounting and Treasury Offices to exert concerted efforts to work back, review and locate the documents relative to prior years' reconciling items in the amount of ₱1.211 million representing unrecorded disbursements in 2008 and 2013 and the documents supporting the transactions amounting to ₱3.134 million leading to the closure of PNB account which were not recorded in the books;
- Likewise, deposit in transit with Philippine Veterans Bank for a period of nine years should be looked into by both the City Treasurer and Accounting Office in coordination with the bank;
- For the erroneous deposit of funds, the City Treasurer effect the necessary cash transfer/correction. On the other hand, the Accounting Office adjusts the error upon proper verification on double recording of collection in the books of ₱.400 million and verify and adjust all the unrecorded credit memoranda and reconciling items of Cash in Bank, Local Currency Current Account; and
- Reconcile the cashbook balances with the subsidiary ledgers maintained by the City Treasurer and the City Accountant, respectively.

On the unrecorded Land account:

- The Accounting Office in coordination with Asset Management Office verify the inventory of Land listed in the RPCPPE in the amount ₱176.519 million which are not recorded in the books; and investigate the causes of variances and temporary account Unreconciled Asset and effect adjustments if necessary to correct the recorded PPEs;
- All Transfer Certificates of Titles (TCT) in the name of the City which are not recorded in the books of accounts and in the custody of the City Treasurer be reviewed thoroughly by Accounting Office and Asset Management Office. Likewise, TCTs which are not in the name of the City be reviewed to determine if ownership rests with the original owner, including the verification of any agreement between the City and the owner regarding the use of the land; and
- The Accounting Office and the General Services Office reconcile the inventory report with the accounting and property records including Land and Building accounts. The Asset Management Office include in the RPCPPE, the land/property, if indeed these are existing as verified during the count.

On the unadjusted balance in the reciprocal accounts:

- We have recommended that the Accounting Office analyze and reconcile the discrepancy of ₱30.733 million and effect the necessary adjustments in the respective books of accounts. Henceforth, periodically review and analyze reciprocal accounts transactions;
- Further, we have recommended that once a reciprocal account is established in one fund, the entry from originating fund must be back-up by an entry in the reciprocal fund which is to be coordinated with the account officer in-charge of the fund to avoid discrepancy;
- Prepare a monthly reconciliation of reciprocal accounts and ensure that all reconciling items are resolved and adjusted on a timely basis; and
- All balances of Quick Response Fund (QRF) and Maintenance and Other Operating Expenses (MOOE) of Mitigation and Preparedness Fund transferred to Trust Fund recorded as Other Payables be reclassified as Special Trust Fund-DRRMF (Code 438). Henceforth, this account be credited for cash transferred on account of the Local Disaster Risk Reduction Management Fund.

On the unaccounted balance of inventory accounts:

- The Inventory Committee to conduct inventory based on all end users' report and prepare the report of Physical Conduct of Inventory for all supplies and materials submitted by end users at year-end. The Accountant should adjust the year-end balance pursuant to the consolidated Report of Physical Count of Inventory and conduct verification, analysis and adjustment of the ₱56.229 million worth of non-moving inventory balance.

On the unrecognized income:

- The Accounting Office to effect the necessary adjusting entries to reflect the correct balance of liability and income accounts;
- Meantime, pending the MIS Office report of collections on advanced payments on per barangay per year basis, the Accounting Office exert efforts to determine which barangay the advanced payments accrues prior to the implementation of RPTAS so that the corresponding share of these LGUs be remitted accordingly; and
- The MIS Office to coordinate with Accounting Office to come up with the report of collections on advanced payments on a per barangay per year basis on the existing balances of the accounts and on subsequent periods pending completion of RPTAS, to facilitate the adjustments of advanced payments already earned.

On the discrepancy between the GL balance of Cash in Bank – LCCA and cashbooks:

- The Offices of the City Treasurer and the City Accountant exert extra effort to have the cashbook balances reconciled with the subsidiary ledger balances for all cash account in the depository bank. Determine and identify the specific nature of reconciling items and adjust as appropriate.

On the discrepancy between the GL balance and RPCPPE of Building accounts:

- Require the Property Officer to maintain equipment and real property cards for all assets of the City and record therein all subsequent acquisitions.

On the unvalidated existence of PPE due to failure to complete Physical Count:

- Cause the conduct of a complete physical inventory of the property of the City and prepare the prescribed Report of Physical Count of Property, Plant and Equipment (RPCPPE);

On the outright expense of supplies inventory:

- The City Accountant and General Services Officer/Supply Officer to adopt the perpetual inventory method of accounting for all supplies and materials procured to be used in operations pursuant to NGAS Manual Volume I. Hence, Accounting Office stop charging the expense accounts for items procured and delivered instead use the inventory accounts for recording purchases of supplies and materials and that the Accountant maintain Supplies Ledger Cards for each item on inventory.

On the dormant accounts in Other Payables:

- Review and analyze the composition of Accounts Payable amounting to ₱2.770 million outstanding for two years or more and those ascertained to have no actual claim or those which were not covered by perfected contracts to be reverted to the unappropriated surplus in compliance with law; and
- Other Payables totaling ₱32.216 million be adjusted/reverted to unappropriated surplus/Government Equity, while the amount of ₱20.077 million the balance of dormant Other Payable account be analyze further to ascertain the nature/purpose of the accounts and adjust accordingly, as necessary.

On the unreliable set-up of RPT & SET Receivables:

- The City Assessor and the City Treasurer come up with a certified taxpayer lists and/or assessment rolls and reconcile any difference in RPU reports generated by both Offices. Once reconciled, submit the assessment rolls to City Accountant to be used as a basis in setting up the RPT/SET Receivables and Deferred RPT/SET Income. The Accounting Office effect the necessary adjustment for CY 2014 based

thereon and both Offices must keep updated data and conduct regular reconciliation every quarter; and

- The City Assessor coordinate regularly at least every semester to the Registrar of Deeds and secure an abstract of the registry, which includes brief but sufficient description of the real properties entered therein, their present owners, and the dates of their most recent transfer or alienation accompanied by copies of corresponding deeds of sale, donation, or partition, or other forms of alienation. This would facilitate in determination of double-declared properties in the Real Property Tax Administration System (RPTAS).

On the unliquidated Cash Advance:

- Management comply strictly on the provisions of COA Circular 97-002 dated February 10, 1997 on the grant, utilization and liquidation of cash advances; and
- As to the cash advance of former officials and employees of the City and national agencies who resigned, retired and transferred, management should be persistent in sending demand letters and study the possibility of filing appropriate legal charges;

On the Overdeduction of the 5% MMDA share:

- Management through the Accounting Office make representation with MMDA for reconciliation of their records to recover the amount of ₱5.000 million representing over-remittance made in 2014. Thereafter, the DBM should be duly notified on the reconciled amount for proper adjustment in the subsequent amount for remittance to MMDA.

Other Significant Observations and Recommendations

1. Unaccounted amount of ₱.613 million of the Cash in Vault account with a year-end balance of ₱54.17 million. (*Observation No. 2, page 34*)

We have recommended that Management enjoin the City Treasurer's Office in coordination with Accounting Office to account for the discrepancies amount of ₱.613 million which include shortage of ₱.114 million, error in recording and effect adjustments supplied with complete documents.

2. Continuous inclusion of burned properties in the PPE accounts amounting to ₱49.31 million. (*Observation No. 3c, page 42*)

Reclassify under Other Assets account, the value of burned properties in the amount of ₱49.313 million.

3. Delayed releases of barangay shares from Real Property Tax (RPT) collections - P101.526 million; unreleased current and prior years' barangay RPT shares - P.135 million and P1.854 million respectively; unrecorded barangay share in the advance payment of P.109 million; and unreconciled amount of P.207 million. (*Observation No. 10, page 58*)

We have recommended that Management ensure that the shares of the Barangays from the RPT Income as computed are remitted in accordance with regulations and that the Accountant undertake an analysis of all unreleased RPT Shares of the Barangays and to effect all necessary adjustments.

4. The Lease Contract with Alabang Prime Central Terminal Corp. for fifty (50) years is questionable and invalid due to lack of proper documentations. (*Observation No. 12, page 63*)

We have recommended that Management conduct immediate review of the contract and undertake appropriate measures to validate and legalize the lease contract agreement, so that proper recording of rent income in the books could be recognized.

5. Rent Income account for the year is understated by at least ₱1.409 million (*Observation No. 13, page 64*)

We have recommended that Management through the City Treasurer collect the unpaid VAT amounting to ₱1.225 million and unpaid rent of ₱.184 million from the concerned Lessees. Henceforth, VAT should be collected from the lessees.

Finally, we recommended that Management through the City Accountant to conduct research and study on the applicability and legality of subjecting the City's rental income to corporate income tax.

6. Under collection of business taxes by at least ₱1.889 million due to non-examination of books of accounts to confirm accuracy of the declared gross receipts of business taxpayers. (*Observation No. 14, page 65*)

We have recommended that Management take the following actions:

- The Treasury Office together with the Business Permit Licensing Office collect the amount of ₱1.889 million from the concerned establishments representing the tax on underdeclared gross receipts for CY 2013;
- The Treasury Office together with the Business Permit Licensing Office conduct the examination of books, accounts, and other pertinent records of businesses within the City to determine accuracy of gross receipts declared in the application of business permit and licenses for a particular year; and

- The Chief BPLO conduct thorough tax mapping of all businesses operating in the City to come up with correct business taxes due and demandable. For those contractors/suppliers of the City Government and the barangays, the Chief BPLO coordinate with the City Accountant regarding the total amount of payments by the City and the barangays from the yearly Alphalist of the Withholding Tax of Suppliers submitted to the Bureau of Internal Revenue every end of January. The Alphalist may provide data to determine the accuracy of gross receipt declared by taxpayer who are also supplier, in the application for renewal of permit to the City.

We have also recommended the complete documentation of the application for business permits particularly:

- Require the applicant taxpayer to fill up the Business Permit Application form properly and completely, and have them signed the application;
 - Require the execution of Affidavit of Undertaking for new businesses or renewal of already existing businesses with incomplete requirements and failure to do so by the taxpayer within the prescribed period shall cause revocation of his/her Business License and Mayor's Permit. With regards the preceding year audited financial statement, it is understood that such may not be available during the application for renewal. In lieu thereof, Quarterly Income Tax Return for the preceding year may be sufficient, yet copy of such financial statements should be required to be submitted once filed to the BIR and/or be made available for examination; and
 - Conduct inspection of the named business establishments to determine whether or not they are conducting business in CY 2015 and undertake appropriate action thereafter.
7. The grant, use and liquidations of cash advances (CAs) with the year-end balance of ₱162.940 million were not in accordance with COA Circular 97-002 and other laws and regulations. (*Observation No. 16, page 70*)

To address the deficiencies, we have recommended the following:

- a. that Cash advance be handled by duly designated and bonded disbursing officers and that elected official be granted cash advance for official trip/travels only;
- b. Utilize the cash advance for purposes that these were granted. Require the City Officials concerned to refund the cost of the gift packages distributed to beneficiaries, the purpose of which are personal in nature;
- c. As to the cash advance of former officials and employees of the City and national agencies who resigned, retired and transferred, management send demand letters and study the possibility of filing appropriate legal charges;

- d. Expenses for regular or planned projects/programs/activities such as “Pamaskong Handog” of the City be done under regular procurement of the City and procurement be made from a bonafide supplier or dealer, through public bidding;
 - e. Management observe the limitation for extraordinary and miscellaneous expenses prescribed under Section 325(h) of R.A. 7160. Stop the practice of charging financial/medical assistance from cash advances drawn for extraordinary and miscellaneous expenses; and
 - f. All expenses be supported with the necessary information and documents to avoid suspension and disallowance in audit.
8. Disbursement vouchers for CY 2013 transactions remained unsubmitted - ₱48.592 million. (*Observation No. 17, page 77*)

We have recommended the Head of the Accounting Office to work it out with the concerned Officials under the former administration to locate the paid vouchers. Further, we advised the Head of Accounting Office to cause the submission of the above paid vouchers pertaining to cash advances granted for current year and to strictly comply with the provisions of COA Circular Nos. 2009-006 and 95-006 dated September 15, 2009 and May 18, 1995, respectively and Section 100 of Presidential Decree No. 1445.

We also recommended that the City Treasurer assign permanent personnel who is responsible not only for check releases but ensuring that the covering disbursement vouchers are transmitted completely to Accounting Office.

Status of Implementation of Prior Years’ Audit Recommendations

Of the 44 audit recommendations contained in the 2013 Annual Audit Report, 13 were fully implemented, 20 were partially implemented and 11 were not implemented.