

## EXECUTIVE SUMMARY

### Introduction

The **City of Navotas** prides itself as the “Fishing Capital of the Philippines” with almost seventy percent of its inhabitants deriving their livelihood either directly or indirectly from fishing and its related industries.

It is geographically located on the extreme northwestern shore of Metro Manila, composed of 14 barangays, 11 of which are located along the coast.

- **Personnel Complement**

<b>Status of Appointment</b>	<b>No. of Personnel</b>
Permanent	440
Casual	19
Contractual	<u>703</u>
<b>Total</b>	<b><u>1,162</u></b>

- **Major Accomplishments**

Moored to the commitment of providing the basic services to alleviate the plight of its constituents, the City of Navotas implemented and accomplished a wide array of programs, projects and activities for the year 2014.

1. Drug abuse prevention –
  - a. drug awareness and prevention lectures in various schools
  - b. random and mandatory drug testing
  - c. Navota<sup>a</sup>s Sports Camp for students and out-of-school youth
  - d. Inter-school poster making and painting competition
2. Flood-free city road network –
  - Construction of additional pumping stations that supplement the upgrading of roads and improvement of drainage canals.
3. Cleanliness
  - Weekly clean-up operations in support of “Iwas Dengue Program”
  - “BrigadangKalinisan” prevented tons of waste clogging the city’s canals, drainages and waterways.
4. **4-point Agenda H E L P**
  - a. **Health -** Navotas City Hospital featuring GNU Health, an electronic hospital information system to be able to provide services at par with the best hospitals in the country at a minimal cost to Navoteños.

- b. Education -**
  - “Takboni Juan parasaliskolarng Bayan 2014” was conducted to raise funds for the Navotas Scholarship Program.
  - Mobile-Computer Aided Reinforcement for Teaching (M-CART) project - teachers use computer and LED projectors in teaching.
  - Navotas Manpower Training Center offered hard trade courses. Additional tools and equipment necessary in skills training were also procured.
  
- c. Livelihood -** 2,398 entrepreneurs participated in the “TulongNegosyo” seminars and trainings and 1,918 participated in Computer Outreach Learning Program (COOL)
  
- d. Peace and Order -** Navotas Action and Command Center monitored 16 vehicular accidents, 93 apprehensions and 32 incidents thru CCTVs. Text JRT complaints were likewise given immediate action.

### Highlights of Financial Operation

Total Assets, Liabilities, Government Equity, Income and Expenses for CYs 2014 and 2013 are shown below:

	<b>2014</b>	<b>2013</b>
Assets	P 2,179,656,847	P 1,742,850,993
Liabilities	525,506,021	343,028,476
Government Equity	1,654,150,826	1,399,822,517
Income	784,043,589	663,213,914
Expenses	630,108,840	601,972,755

The appropriations and obligations for CY 2014 are broken down as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Obligations</b>
Current Appropriation		
General Fund	P776,838,896	P628,619,419
Special Education Fund	44,955,788	39,577,955
Sub-total	821,794,684	668,197,374
Continuing Appropriation		
General Fund	397,266,565	231,272,722
Special Education Fund	1,092,754	-
Sub-total	398,359,319	231,272,722
<b>Grand Total</b>	<b>P1,220,154,003</b>	<b>P899,470,096</b>

The operating income of P784.044 million collected during the year was sourced from the following:

<b>Particulars</b>	<b>General Fund</b>	<b>Special Education Fund</b>	<b>Total</b>
Local Taxes	P253,976,415	P57,404,594	P311,381,009
Internal Revenue Allotment	410,582,588		410,582,588
Permits and Licenses	10,217,419		10,217,419
Service Income	22,541,999		22,541,999
Business Income	17,531,562		17,531,562
Other Income	<u>11,652,897</u>	<u>136,115</u>	<u>11,789,012</u>
Total Operating Income	<u>P726,502,880</u>	<u>P57,540,709</u>	<u>P784,043,589</u>

### Scope of Audit

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

### Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the significant effect of the deficiencies presented below:

<b>Obs. No.</b>	<b>Nature of Deficiencies</b>	<b>Accounts Affected</b>	<b>Amount Involved (In millions)</b>
1	Unreconciled accounting records and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) ( Finding no. 1, p. 24)	Various PPE Accounts	104.067
2	Unreliable Real Property Tax (RPT) and Special Education Tax (SET) Receivables and their corresponding deferred income accounts due to erroneous entries and absence of schedule of taxpayers with amounts of unpaid accounts (Finding no. 2, p 27)	RPT Receivable Deferred RPT Income  SET Receivable Deferred SET Income	118.126   1.903

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

- Exert extra effort to improve the conduct of physical inventory and reconciliation process to at least reduce if not eliminate the discrepancy between the accounting and property records;

- Support the RPT and SET Receivables with a schedule of taxpayers and the amount of unpaid accounts; and
- Effect the necessary adjustments to correct the affected account balances;

### **Other Significant Observations and Recommendations**

The other significant observations and corresponding recommendations are as follows:

1. Twenty percent of the Internal Revenue Allotment (IRA) or the City Development Fund (CDF) were appropriated for projects that do not partake the nature of investment or capital expenditures.

We have recommended that the Chief Executive ensure that the 20% of the IRA is optimally utilized to help achieve desirable socio-economic development and environmental outcomes.

2. Institutional mechanisms and processes to implement the Magna Carta of Women not in place and their establishment not included in the calendar year 2014 Gender and Development (GAD) Plan and Budget. Moreover, GAD Work and Financial Plan (GAD WFP) does not contain all the vital information required to be included in the prescribed GAD Plan and Budget (GPB) format.

We recommended that the City management -

- coordinate with the Department of Interior and Local Government (DILG) and the Philippine Commission on Women (PCW) for the design/implementation of courses relative to capacity development and institutionalization of GAD database.
- take determined efforts to put in place the institutional mechanisms/ procedures for pursuing gender mainstreaming in the city.

3. Actual expenditures for GAD activities as reported by the GAD Focal Person amounting to ₱3.470 million differs with the amount reported by the City Accountant of ₱2.165 million by an amount of ₱1.305 million.

We recommended that the City Accountant ensure the completeness of recording transactions charged to the GAD Fund and that the GAD Focal Person coordinate closely and reconcile the draft Accomplishment Report (AR) with City Accounting records to ensure the accuracy of both reports.

4. GAD AR includes GAD programs by attribution despite the lack of training for administration of Harmonized Gender Development Guidelines (HGDG).

We recommended that the City management comply with the requirements regarding inclusion of GAD programs by attribution in the GAD Accomplishment Report.

5. Various expenses totaling ₱2.619million are not among the priority expenses chargeable to the Special Education Funds specified under the Department of Education, Culture and Sports, Department of Budget and Management and Department of Interior and Local Government Joint Circular No. 01, s.1998.

We recommended that the City Government utilize funds from the General Fund for expenditures not falling under the prioritization of expenses chargeable to SEF.

6. Solid Waste Management

- a. Improper collection system cuts the process short to final disposal without recycling and composting to reduce the solid waste to be disposed of.

We recommended that CENRO exercise the functions as enumerated in the City's Solid Waste Management Plan, particularly, the segregated collection system to reduce the garbage for disposal at dumping sites.

- b. Delay in the setting up of a Central Material Recovery Facility (MRF) prompted some barangays to come up with their own strategy of managing their recyclables

We recommended that the City facilitate the passing of an ordinance on the establishment of a Central MRF and Composting Center.

- c. Improper handling and management of hazardous and health care wastes

We recommended that the CENRO and City Health Office come up with a Health Care Waste Management Plan to properly manage the storage, transportation and disposal of hazardous health wastes.

7. Navotas Pay Parking/Transport Terminal – established to generate income

- a. No guidelines and official designated to oversee the operations of the Navotas Pay Parking/Transport Terminal

We recommended that the City come up with a set of standard operating procedures for each of the Pay Parking and the Navotas Transport Terminal and to designate an able official who shall oversee and be responsible for the operations of the two facilities.

- b. Incorrect accounting treatment prevented the monitoring of operation as economic enterprise

We recommended that the City Accountant effect the necessary adjustment and prepare the required records and reports to facilitate monitoring of operations.

### **Summary of Total Suspensions, Disallowances and Charges**

Prior year's audit suspension amounting to ₱89,000.00 was settled during the year. The current year disallowance amounting to ₱530,350.28 for payment of PERA, cash gift and productivity enhancement incentive to contractual employees, being settled through salary deduction, has a balance of ₱352,679.28 as of year-end.

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

Of the eleven audit recommendations contained in the 2013 Annual Audit Report, six were fully implemented, three were partially implemented and two were not implemented by Management.