

EXECUTIVE SUMMARY

INTRODUCTION

The City of Parañaque was created by virtue of Republic Act No. 8507 which was passed by the House of Representatives and Senate on February 15, 1998. It is a prime habitat of the Metro South with quality education, rich culture, social justice, and a healthy environment sustained by economically competitive and sound governance, synergized by capable, participative, and God-loving citizenry.

The mission of the City is to provide effective support facilities for a livable community, provide a business-friendly environment for investors, and empower the citizenry to become active partners in developing the city as residential haven in the Metro South.

For the year 2014, the City Government has a total workforce of 6,043 personnel consisting of elective officials (19), permanent employees (677), co-terminous employees (324), casual employees(2,807) and job order personnel (2,216).

During the year, the City of Parañaque has been triumphant in the Cities and Municipalities Competitiveness Index for Calendar Year 2014 and emerged as the ***Philippine's Most Economically Dynamic City for the Year***. The survey was conducted by the National Competitiveness Council in coordination with the country's top business organizations as well as the US Assistance for International Development or USAID which are behind the Competitiveness Index Project. This recognition was due to Parañaque's dramatic rise as a bustling entertainment and investment destination which is due to the huge developments in the Entertainment City located at Manila Bay that features world-class casinos, hotels, shopping and leisure destinations. It is now considered as one of the country's biggest entertainment and tourism destinations which shall be made more accessible once the on-going construction of the NAIA Skyway Phase 2 and the extension of the LRT Line 1 to Cavite is fully operational.

Likewise, Parañaque City was bestowed with the honor as a Healthy City with Best Practices in Water Safety Planning during the Sixth Global Conference of the Alliance for Healthy Cities held in Hong Kong last October 29 to November 1, 2014.

FINANCIAL HIGHLIGHTS

For CalendarYear 2014, the appropriations of the City Government of Parañaque for the General and Special Education Funds totaled P6.507billion. Obligations charged against these appropriations amounted to P3.611billion.

<u>Fund</u>	<u>Appropriation</u>	<u>Obligation</u>
General Fund	P5,121,476,840.24	P3,169,506,324.39
Special Education Fund	<u>1,385,094,591.48</u>	<u>441,985,905.00</u>
Total	<u>P6,506,571,431.72</u>	<u>P3,611,492,229.39</u>

The total Assets, Liabilities and Government Equity for all funds are as follows:

<u>Particulars</u>	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Trust Fund</u>	<u>Total</u>
Assets	P5,054,208,891	P1,393,415,853	P477,869,183	P6,925,493,927
Liabilities	3,889,325,601	490,212,880	477,869,183	4,857,407,664
Government Equity	1,164,883,290	903,202,973	-	2,068,086,263

The operating income of P3.590 billion collected during the year was sourced from the following:

<u>Particulars</u>	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Total</u>
Local Taxes	P1,898,083,017	P480,851,643	P2,378,934,660
Internal Revenue Allotment	784,233,861	-	784,233,861
Permits and Licenses	137,324,603	-	137,324,603
Service Income	145,889,116	-	145,889,116
Business Income	37,831,022	-	37,831,022
Other Income	<u>105,776,292</u>	<u>158,720</u>	<u>105,935,012</u>
Total Operating Income	<u>P3,109,137,912</u>	<u>P481,010,363</u>	<u>P3,590,148,274</u>

SCOPE OF AUDIT

The audit covered the accounts and operations of the City Government of Parañaque for the year 2014. The objectives of the audit are to: (a) verify the assurance that may be placed on management's assertion 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 prior year's audit recommendations.

OPINION ON THE FINANCIAL STATEMENTS

The Auditor did not render an opinion on the fairness of presentation of the financial statements because the available records of the City did not permit the application of other audit procedures to establish the validity of some accounts as follows:

- The consolidated balance of Cash in Bank, Local Currency – Current Account (Code 111) was overstated by P33.157 million due to unrecorded voluminous transactions in prior years.
- Non-moving asset accounts totaling P788.426 million were of doubtful validity due to unavailability of documents to establish their existence and lack of details in the subsidiary ledgers.

- The year-end inventory and book balances of Property, Plant and Equipment accounts remained unreconciled due to incomplete ledgers and property cards for properties acquired in CY 2002 and earlier, showing a difference of P1.598 billion.

For the above deficiencies, we recommended that all concerned City officials exert extensive efforts in retrieving/reconstructing the missing official receipts, disbursement vouchers and payrolls together with their supporting documents for immediate submission to the City Accounting Department to support the unrecorded transactions so that the necessary adjustments to related asset and government equity accounts could be made.

Moreover, we recommended that the appropriate actions provided under Section 122 of P.D. 1445 be imposed against liable officials for the unjustified failure to submit official receipts, disbursement vouchers and payrolls.

OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following are the significant audit observations and recommendations which are discussed in detail in Part II of the report.

1. No Real Property Tax (RPT) and Special Education Tax (SET) Receivables were set-up at the beginning of the year, contrary to Sec. 20, Volume I of the NGAS Manual, hence, the zero balance of the two receivable accounts at year end were unreliable.

We recommended that the City Treasurer closely coordinate with the City Assessor so that the required certified list of real property taxpayers with the amount due and collectible for the year may be prepared and promptly submitted to the City Accountant for proper recording of the RPT and SET Receivables in the books of accounts.

2. Advances to officers and employees including payroll fund totaling P27.731 million remained outstanding as of December 31, 2014 due to management's continued inability to observe the guidelines provided under COA Circular No. 97-002 dated February 10, 1997 on the grant, utilization and liquidation of cash advances and implement our audit recommendations for the settlement/recovery of prior years' unliquidated accounts. The said accounts were still presented as part of the asset accounts in the financial statements while the corresponding expenses remained unrecorded during the year of incurrence, resulting in misstatement of both accounts.

We recommended that the Head of the Agency cause the strict adherence to the provisions of COA Circular No. 97-002 to ensure the proper granting, utilization and liquidation of all cash advances.

We reiterated our previous year's recommendation that City Treasurer and City Accountant compel all regular and special disbursing officers to liquidate their outstanding cash advances both for current and prior years. In cases of failure to

comply, we have recommended the withholding of salaries of concerned officials and employees without prejudice to the filing of appropriate charges against them as prescribed under CSC Resolution No. 040676 dated June 17, 2004.

Moreover, all possible means provided by law of settling an obligation should be employed by management for the settlement or recovery of cash advances granted to the DECS and City officials and employees who are already separated from the government service. In view of the death of former City Administrator who had outstanding cash advances of P4.309 million and money claims from the City of almost the same amount at the end of his term on June 30, 2013, the management may opt to undertake appropriate actions to offset the two amounts in settlement of his accounts with the City. The same option may likewise be undertaken in the case of former City Department Head who had unclaimed receivables from the City to cover the settlement of his outstanding cash advances.

3. The City Government was not able to revise the Schedule of Fair Market Values (SFMV) for their real property units since 1997 and to conduct general revision of real property assessments every three years as required under Sections 212 and 219 of Republic Act 7160. The outdated schedule of fair market values and the suspension of the general revision of real property assessment resulted in non-collection of Real Property Taxes (RPT) estimated at P400 million yearly.

We have recommended that all concerned city officials immediately undertake appropriate legal actions to facilitate the proper execution of all laws and policies governing the revision of appraisal and assessment of real properties for taxation purpose. Otherwise, the City Government will continue to experience cash flow crunch in view of the massive expenditures and payment of loan amortization without corresponding increase in collection of local taxes.

We also recommended that the City Mayor strictly implement the provision of Sections 212 and 219 of the Republic Act 7160 considering that collection from Real Property Taxes is one of the major sources of local taxes that will help resolve the huge cash deficit of the City.

4. Internal control system over personnel management was found weak. The Biometric Attendance Registry System (BARS) was not fully implemented hence, the drive to eliminate man-hours loss, to discipline habitual late-comers and absentees and identify ghost employees (if any), were not totally achieved. Some of the employees simply register their attendance in the logbooks and leave their posts without approved Permit to Leave thus, opening chances for payment of salaries without actual services rendered, contrary to Section 191 of Volume 1 of GAAM. Moreover, audit of sampled payrolls for overtime pay showed overpayment by at least P.999 million due to discrepancy of time entries in the DTRs as against biometric attendance and logbooks.

We have recommended the following:

- Full implementation of the BARS in all departments/offices to strengthen personnel management and to ensure payment of salaries and overtime for actual services only as prescribed under Section 191 of Volume 1 of GAAM;
 - Transfer the operation/administration of BARS to the HRMO for control purpose and electronically generate the employees' DTRs through Biometric System to avoid any opportunity for payroll padding;
 - Require each personnel to secure an approved Permit to Leave prior to the conduct of any assigned field work or before leaving their official station during office hours. This document will be used to support the employee's request for manual entry of their attendance in the Biometric System;
 - Formulate corrective measures to solve the issues/problems raised by employees as their excuses for using the Biometric Machines. For those employees whose finger impressions are not readable by biometric machines, we suggest that management provides them with separate Bundy clock machines subject for monitoring of HRMO; and
 - Require all concerned employees to retribute/refund their proportionate share in the excess payment for overtime services. Henceforth, all payrolls for overtime payment should pass through the HRMO to determine if employees were qualified/authorized to render overtime and the amount of claim is based from actual services rendered.
5. The contracts of service executed for the hiring of 182 consultants failed to indicate the individual functions, duties, responsibilities and definite expected output required under Section 517, Volume 1 of the Government Accounting and Auditing Manual (GAAM), hence, the payment of honoraria amounting to at least P25.710 million was highly questionable. Moreover, fourteen casual personnel were designated as Officer-in-Charge of various offices/departments prohibited under Civil Service Commission (CSC) Memorandum Circular No. 40, series of 1998.

We recommended for the creation of screening committee prior to the renewal of the contracts of 182 consultants to determine compliance with the qualification standards and to establish the required number of consultants in the City. Management should limit the hiring of consultant only for those undertakings requiring highly specialized skilled or technical personnel not available in the office. The specific functions, duties, responsibilities and definite expected output of the consultants should be clearly indicated in their respective contracts of services in accordance with Section 517 of the GAAM, Volume I.

We also recommended that management stop the practice of designating casual employees in supervisory function. Management may opt to fill up the plantilla position for division/department heads or designate regular employees as Officer-in-Charge thereto in observance with CSC Memorandum Circular No. 40, series of 1998.

6. Recovery of costs of land extended for socialized housing projects amounting to P169.748 million was not realized on account of management's failure, among others, to transfer land titles in the name of the City Government and non-issuance of site development permit by the City Council as pre-requisites for conversion of land into subdivision project under Batas Pambansa 220. Moreover, poor monitoring of the land use by the Local Housing Development Office (LHDO) caused the commission of various acts/undertakings by the informal settlers detrimental to the full attainment of the objective of socialized housing project.

We have recommended that management prioritize the transfer of land titles in the name of the City Government of Parañaque and submit a copy to this Office, otherwise, we will be constrained to disallow in audit the entire amount pursuant to Section 23, Title I-B, Book V of the 1987 Administrative Code. Henceforth, the management is required to attach land titles drawn in the name of the City Government for every purchase of land in compliance with the aforecited provision to avoid recurrence of noted deficiencies.

We have also recommended that the Local Housing Development Office undertake all necessary procedures and complete the required plans/reports for submission to the City Council to facilitate the issuance of Site Development Permit. The LHDO is also advise to closely monitor the land use of project sites to control the proliferation of prohibited acts/undertakings by the informal settlers without prejudice to the filing of appropriate actions/charges against informal settlers liable thereto.

Lastly, we have also recommended that management exert utmost efforts to facilitate the issuance of Memorandum of Agreement (MOA) to respective associations of actual occupants and also to each member-beneficiary so as to recover the costs of land pending transfer of land titles in the name of the City Government.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Monitoring of CY2013 audit recommendations disclosed that two were fully implemented, fourteen were partially implemented and seven remained unacted upon during the year, thus showing percentage ratios of implementation of 9%, 61%, and 30%, respectively.