

## EXECUTIVE SUMMARY

### A. Introduction

In 1863, Pasay became an independent pueblo and was incorporated into the Province of Rizal on January 1, 1901. The name of Pasay was changed to Rizal City on June 21, 1947 and was later changed to Pasay City on June 7, 1950 under Republic Act No. 437. The City of Pasay is located in the western coast of Metro Manila or the National Capital Region (NCR). It is bounded in the north by the City of Manila, in the northeast by the cities of Makati and Taguig, in the south by the City of Paranaque, and in the west by the shores of Manila Bay. The City has a total land area of 1,831.977 hectares and the third smallest political subdivision among the local government units of NCR.

The executive branch of the City Government consists of 36 departments/offices under the City Mayor, including the economic enterprises. The City Government operates six economic enterprises, namely: Pasay City General Hospital, City University of Pasay, Pasay City Mall and Market, Cuneta Astrodome, Pasay City Sports Complex and Pasay City Cemetery and Crematorium.

The Sangguniang Panlungsod (SP) is composed of the City Vice-Mayor as the presiding officer, 12 regular elected members, and the president of the City's Chapter of the Liga ng mga Barangay.

Pasay City has 201 barangays grouped into 20 zones under 2 districts. Barangay 201 which was separated from Barangay 183 was created under Ordinance No. 831, S. 1997 dated March 18, 1997.

As of December 31, 2014, the City Government has a personnel complement of 6,401 consisting of 1,745 regular employees, 1,886 casual employees, 50 contractual employees and 2,720 job order personnel, to wit:

### B. Financial Highlights

The total assets, liabilities, equity and income of the City have increased in CY 2014 while the total expenses have decreased as shown in the comparative table below:

<b>Accounts</b>	<b><u>CY 2014</u></b>	<b><u>CY 2013</u></b>	<b><u>Increase/Decrease</u></b>	<b><u>% of Increase/Decrease</u></b>
Total Assets	11,004,676,249	8,280,440,918	2,724,235,331	32.90%
Total Liabilities	7,276,954,359	5,388,649,554	1,888,304,805	35.04%
Total Equity	3,727,721,891	3,496,670,035	231,051,856	6.61%

Total Income	3,915,373,424	3,454,907,421	460,466,003	13.33%
Total Expenses	3,322,967,929	3,516,521,279	(193,553,350)	(5.50%)

For CY 2014, the City's total appropriations, allotments and obligations for General Fund (GF) and Special Education Fund (SEF) have decreased, 23.65% and 25.53% and 27.89%, respectively, details shown in the table below:

	<b>CY 2014</b>	<b>CY 2013</b>	<b>Increase (Decrease)</b>	<b>% of Increase/ Decrease</b>
Appropriation	6,136,754,484	6,788,799,250	(652,044,766)	(9.60%)
Allotment	5,985,128,805	6,788,799,250	(803,670,445)	(11.84%)
Obligation	3,007,970,460	3,862,862,069	(854,891,609)	(22.13%)

### C. Scope of Audit

The audit covered the accounts and operations of the City of Pasay 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 years' 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 of the City of Pasay due to accounting deficiencies that materially affected the reliability of the account balances as discussed in Part II of the report summarized as follows:

- a. Unreconciled difference between the physical inventory of Property, Plant and Equipment (PPE) and the reported book balance - ₱325.983 million;
- b. Unreconciled difference between the book and bank balances of Cash in Bank, Local Currency account (CIB-LCCA) - ₱29.309 million;
- c. Unrealistic year-end balance of Real Property Tax (RPT) /Special Education Tax (SET) Receivables - ₱1.892 billion; and
- d. Unliquidated cash advances (CA) and unrecorded expenses - ₱214.280 million.

For the above deficiencies, we recommended the following:

*For the PPE Accounts:*

We have recommended that Management intensify its effort to reconcile the book and property records and to effect correcting/adjusting entries when properly supported with documentation.

*For the CIB-LCCA:*

We have recommended that the Chief Accountant verify, analyze and reconcile the book and bank balances of all the sub-accounts and make the necessary adjustments in the books.

*For the RPT/SET Receivables:*

We have recommended that the City Treasurer's Office (CTO) and the City Assessor's Office undertake appropriate and immediate corrections and update of their records in order to provide the Office of the Chief Accountant (OCA) with accurate and complete list of real property taxpayers of the City with the correct amount of taxes due and collectible.

*For the Unliquidated Cash Advances:*

We have recommended to:

- a. Require the strict enforcement of the prescribed period for the liquidation of CAs as provided under COA Circular No. 97-002 and Executive Order No. 298 and to submit to the City Legal Office (CLO), the list of AOs with long outstanding CAs together with the supporting documents for appropriate action including the recommendation for the withholding of salaries;
- b. Instruct CLO to institute appropriate legal action against the AOs who are still active in the service but vehemently refused to liquidate their CAs and to recommend to the City Mayor appropriate actions for AOs who could not be located or who were already deceased.

**E. Other Significant Observations and Recommendations**

The following are the other significant findings and recommendations in the audit of the City for CY 2014:

1. Irregular expenditures paid out of the Priority Development Assistance Fund (PDAF) - ₱7.679 million (Observation No. 2.2, page 43)

We have recommended to return the amount irregularly paid out of the PDAF to the CTO so that the amount be remitted to the Bureau of Treasury pursuant to the Supreme Court Decision on PDAF dated November 19, 2013.

2. Non-implementation projects chargeable to the 20% Internal Revenue Allotment - P182.11 million (Observation No. 2.3, page 47)

We have recommended the conduct of project feasibility studies prior to their inclusion in the Approved Budget and Annual Investment Plan, return to the fund, any amount improperly used and propose alternative projects that would achieve desirable socio-economic development and environmental outcomes.

3. No actual cash transfer for the unexpended balance of the Local Disaster Risk Reduction Management Fund (LDRRMF) thus exposing the City to the risk of not being able to effectively respond in the event of calamity due to lack of cash - P579.232 million (Observation No. 2.4, page 50)

We have recommended the immediate opening of a separate bank account where the accumulated LDRRMF will be deposited so that any calamity that may befall the City shall be fully funded by the availability of cash.

4. Undeposited collections with no actual cash on hand - P1.279 million (Observation No. 3, page 54)

We have recommended to require the CTO and the OCA to conduct an investigation to pinpoint responsibility and liability for appropriate legal action.

5. The continuous hiring of Job Order Personnel (JOP) for special projects and the renewal of the contractual appointments beyond one year violated Sec. 2.e, Rule III of Civil Service Commission (CSC) Memorandum Circular 38, s. 1993. Moreover, the practice exposes the City Government (CG) to unnecessary expenses when it hired JOP for projects/functions that were regularly performed by regular personnel assigned in various offices. (Observation No. 5.1, page 61)

We have recommended to:

- a. Revisit the Organizational Structure and Staffing Pattern and determine the appropriate manpower complement of the CG in order not to resort to hiring of JOP;
- b. Hire JOP only when extremely necessary otherwise maximize the services of the regular and casual employees;
- c. Hire JOP for a period of one year only in accordance with Sec. 2.e, Rule III of CSC Memorandum Circular 38, s. 1993;
- d. For the Sanggunian Panlungsod, to maximize the utilization of the services of the regular and casual employees in their offices or to enlist the services of various offices of the City, barangays officials and personnel and

representatives of the kabataang barangay in determining the problems, issues and concerns of the constituents needing their legislative actions;

6. The CG did not achieve its goal to generate income from the operation of the Cuneta Astrodome instead, its scarce funds were drained due to the Astrodome's continued incurrence of operating losses for the last four years in the total amount of ₱45,091,126.78. (Observation No. B1, page 101)

We have recommended to institute a recovery plan to avert the continued operating losses generated by the Astrodome by instituting marketing strategies, creating a management team with proven marketing and managerial skills, maximizing its income generating capacity and reducing its operating expenses to the barest minimum.

13. Unsettled suspensions, disallowances and charges amounting to ₱136,509,724.80, ₱11,097,518.59 and ₱14,102.69.00, respectively.

We have recommended to exhaust all available remedies provided by law and regulation in enforcing the immediate settlement of the audit disallowances in accordance with Section 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

#### **F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 174 audit recommendations embodied in the CYs 2013, 2012, 2011, 2010 and 2009 Annual Audit Reports, 40 were fully implemented, 116 were partially implemented and 18 were not acted upon by Management.