

## EXECUTIVE SUMMARY

### A. Introduction

The City of Pasig was created on December 8, 1994 by virtue of Republic Act No. 7829, which was ratified through a plebiscite on January 21, 1995.

The City Government's vision is towards making the City known for its world class infrastructures characterized by modern technology, ecological environment famous for clean waterways and premier in the delivery of services to the Pasigueños. One of its missions is to have a highly maintained public works boosted by a non-bureaucratic traffic-free city and green environment that serve as magnet to business entrepreneurs.

To attain its vision and mission, included in its major plans and programs in 2014 is the implementation of 248 infrastructure projects as follows:

Funding Source	No. of Projects	Est. Project Cost (In million Pesos)
General Fund	183	1,633.824
Special Education Fund	43	324.815
Trust Fund	22	22.355
<b>Total</b>	<b>248</b>	<b>1,980.994</b>

The City of Pasig has a total personnel complement of 6,195 comprising of:

Permanent	817
Temporary/Casual/Contractual	4,232
Co-Terminus	7
Job Order	1,125
Elective Officials	<u>14</u>
Total Personnel Complement	<u>6,195</u>

### B. Financial Highlights

#### B.1 Financial Position

	<b><u>2014</u></b>	<b><u>2013</u></b>
Assets	22.161 Billion	20.119 Billion
Liabilities and Deferred Credits	2.125 Billion	2.460 Billion
Government Equity	20.036 Billion	17.659 Billion

## B.2 Financial Condition

	<u>2014</u>	<u>2013</u>
Income	7.442 Billion	6.728 Billion
Expenses	4.867 Billion	4.534 Billion
Net Income	2.575 Billion	2.194 Billion

For CY 2014, the appropriations of the City Government of Pasig for the General Fund and the Special Education Fund totaled to ₱9.698 billion. Obligation charged against these appropriations amounted to ₱7.881 billion.

<u>Fund</u>	<u>Appropriation</u>	<u>Obligation</u>
Current Year Appropriation:		
General Fund	₱ 7,965,463,470	₱ 6,448,464,457
Special Education Fund	<u>896,000,000</u>	<u>736,132,567</u>
Sub-total	<u>₱ 8,861,463,470</u>	<u>₱ 7,184,597,024</u>
Continuing Appropriation:		
General Fund	₱ 769,864,716	₱ 644,420,602
Special Education Fund	<u>66,438,819</u>	<u>51,989,605</u>
Sub-total	<u>₱ 836,303,535</u>	<u>₱ 696,410,207</u>
Grand total	<u>₱ 9,697,767,006</u>	<u>₱ 7,881,007,231</u>

The operating income of ₱7.442 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	₱4,527,047,090	₱ 710,229,707	₱5,237,276,797
Internal Revenue Allotment	878,423,498	-	878,423,498
Permits and Licenses	371,729,329	-	371,729,329
Service Income	463,498,829	-	463,498,829
Business Income	409,429,243	-	409,429,243
Other Income	<u>79,676,686</u>	<u>2,256,066</u>	<u>81,932,752</u>
Total Operating Income	<u>₱6,729,804,675</u>	<u>₱ 712,485,773</u>	<u>₱7,442,290,448</u>

## C. Scope of Audit

The audit covered the accounts and operations of the City of Pasig for the period January to December 31, 2014 to (a) determine the level of assurance that may be placed on management's assertions on the financial statements; (b) verify the propriety of financial transaction and the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendation.

## D. Opinion in the Financial Statements

We rendered a qualified opinion on the fairness of presentation of the financial statements because of the effects of errors in the recording of transactions that resulted to the misstatement of account balances as follows:

	Nature of Error/s	Account/s Affected	Effect on the Financial Statements	Amount ( In million pesos)	% of error to Account Balance
(a)	Error in recording the interest paid on the acquisition of road right-of-way as per court decision on expropriation case)	Land	overstated	21.137	1.97%
		Due to BIR	understated	.666	1.77%
		Property Transfer Tax	understated	.279	.11%
		Government Equity	overstated	22.082	.11%
(b)	Sale/disposal of unserviceable equipment recorded only in 2015 and acquired PPE that was not recorded	Office Equipment, Furniture and Fixtures	overstated	4.643	2.96%
(c)	Overstatement of Other Maintenance and Operating expenses due to error in recording the following: <ul style="list-style-type: none"> <li>• unutilized balance of the LDRRMF</li> <li>• Salaries and allowances of waste evaluators, clean-up team and green police</li> <li>• Bank charges/ management fees imposed by the bank pertaining to the City's high-yield deposits</li> </ul>	Other Maintenance and Operating Expenses	overstated	113.497	3.80%
		Subsidy to Other Funds	understated	116.332	100%
		Environment and Sanitary Expenses	understated	4.554	1.54%
		Financial Expenses – Bank Charges	understated	2.443	100%
<b>Total errors affecting the Financial Statements (million pesos)</b>				<b>285.633</b>	
<b>Percentage of total errors to total expenditures</b>				<b>6.48%</b>	

We have recommended that the City Accountant ensure that all financial transactions are recorded correctly in the appropriate accounting period following the chart of accounts prescribed in the Manual on NGAS and other COA issuances. We also recommended that Journal Entry Vouchers (JEVs) to record the transactions be reviewed to ensure correctness of the recorded transactions.

We also noted that decided cases during the year and pending litigations and other contingencies that may give rise to loss of revenues or occurrence of liability were not disclosed in the Notes to Financial Statements. In addition, we noted the following deficiencies:

- a) Absence of Bank Reconciliation Statements to support the reported balance of ₱7.201 of the Cash in Bank – Local Currency Savings Account (Escrow Account);
- b) Discrepancy between the book balances and the balances per inventory report of the property, plant and equipment in the amount of ₱13.805 million;
- c) Discrepancy in the amount of unliquidated balance of funds received from the Department of Health by ₱8.644 million that affected the correctness of the balance of Due to Other NGAs; and
- d) Correctness/validity of accounts payable in the total amount of ₱135.879 million could not be established due to recorded accounts payable without supporting documents in the total amount of ₱29.766 million, accounts that remained outstanding for more two years in the amount of ₱84.909 million, discrepancy in the confirmation of accounts by ₱20.086 million; and negative balance of contractor's account of ₱1.120 million.

To address the foregoing deficiencies, we have recommended that: (a) that the City Accountant prepare the Notes to Financial Statements with complete disclosures on pending legal cases or those cases with pending appeal that would have an impact in the future financial condition/position of the City; (b) the City Accountant prepare the Monthly Bank Reconciliation Statements for all the bank accounts maintained by the City; (c) the City Accountant to reconcile the unliquidated balance of funds received from the Department of Health; (d) the City General Service Office and the Office of the City Accountant exert continuous effort to reconcile the balances per books with the inventory report of the Property, Plant and Equipment; and (e) the City Accountant ensure that all recorded accounts payable are supported with complete documentation and review the payables which have been outstanding for more than two (2) years and consider the reversion of accounts that are no longer valid pursuant to Section 98 of P.D. 1445.

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

1. We take note of the City's compliance with laws, rules and regulations as follows:
  - a) The City returned in August 2014 the unutilized amount of ₱10 million to the Bureau of Treasury to comply with the Supreme Court Decision on PDAF;
  - b) The City appropriated the total amount of ₱352.182 million for the Local Disaster Risk Reduction and Management Fund (LDRRMF) in compliance with Sec. 21 of the Philippine Disaster Risk Reduction and Management Act of 2010 (R.A. 10121) and the unexpended balance at year-end in the total amount of

₱116.332 million were transferred to the Special Trust Fund pursuant to Sec. 5.1.10 of COA Circular No. 2012-002 dated September 12, 2012. Likewise, utilization of the fund is in accordance with the approved Work and Financial Plan and the required reports on the management of LDRRMF were also prepared and submitted.

2. On the implementation of infrastructure projects, 15 projects with total contract cost of ₱218.235 million were not completed within the stipulated contract time and 12 infrastructure projects listed in the Annual Procurement Plan (APP) with total project costs of ₱206.829 million were not implemented during the year.

We recommended that management adequately plan the infrastructure projects and only those are of utmost importance in the attainment of the City's goal and objective should be included in the APP and submitted for budget approval. We also recommended that, if warranted, management impose the penalties and liquidated damages against the contractor for failure to complete the projects within the stipulated contract period.

3. There was a discrepancy of ₱10.226 million between the amount of recorded cash account transactions and the bank debit/credit advices supporting the Journal Entry Vouchers (JEV). Likewise, the JEVs do not bear the approval of the City Mayor.

We recommended that all recorded transactions should be supported with documents that would establish the correctness of the amount recorded. Transfer of funds from one bank account to another whether or not it is covered by an Agreement is always supported by bank debit and credit advices, thus the City Treasurer's Office should request the bank to provide them with copies of the debit and credit advices and these bank advices should be attached to the JEV.

We likewise recommended that the JEV to record transactions affecting the cash account, such as receipt of funding checks, fund transfers, bank debit/credit advice, disbursements (other than those reported in the Checks Disbursement Journal) and adjustments should be approved by the City Mayor.

4. Notice of Dishonor was not issued for unredeemed dishonored checks in the total amount of ₱6.656 million.

We recommended that the City Treasurer issue a Notice of Dishonor to all taxpayers who issued checks that were drawn against insufficient funds to protect the interest of the City. Copy of the notice of dishonor shall be furnished the City Mayor, the Accountant, the Auditor and a copy thereof retained by the Collecting Officer (CO). The CO shall cancel the Official Receipt covering the dishonored check. We also recommended that the City institute the corresponding legal action for the collection of the amount involved, if warranted.

5. The correctness of the year-end balance of ₱7.201 million of the City's Escrow account maintained at the Land Bank of the Philippines (LBP) cannot be established because bank reconciliation statements are not being prepared for this account.

We recommended that the City Accountant promptly prepare the bank reconciliation statements of the escrow account maintained by the City with LBP, and adjustments if any, should be recorded in the books in the appropriate period.

6. Cash advances in the total amount of ₱7.807 million were not liquidated within the prescribed period and additional cash advances were granted even if the previous cash advances have not yet been accounted or liquidated. Likewise, cash advances in the total amount of ₱33.769 million were granted to an accountable officer without an effective fidelity bond and four accountable officers were granted cash advances exceeding their maximum accountability.

We recommended that management strictly adhere with the rules and regulations on the granting, utilization and liquidation of cash advances.

7. Expenses charged to Representation Expenses in the total amount ₱2.000 million were made without conformity with the requirements of existing regulations and the account is overstated by P0.373 because of transactions that were not correctly recorded.

We recommended the following: procurement of meals for planned activities that would exceed the amount of ₱500,000.00 should be through competitive bidding; reimbursements for representation expenses should be limited for small amounts and should strictly follow the guidelines of COA Circular No. 97-002; and disbursement vouchers even for reimbursement of representation expenses should be certified by the head of department or office that has control over the fund and should be approved by the City Mayor.

8. Ineligible expenses in the total amount of ₱4.760 million were charged to the Special Education Fund.

We recommended that in the utilization of the Special Education Fund, management strictly comply with the provisions of DECS, DBM and DILG Joint Circular No. 01, s. 1998 and Section 272 of the Local Government Code.

9. Funds received by the City from the Philippine Health Insurance Corp. (PHILHEALTH) for the Per Family Payment Rate (PFPR) had an unutilized balance of ₱6.033 million intended for the purchase of drugs and medicines and for honoraria of medical staff of barangay health centers for the period 2012 and prior years.

We recommended that the City Health Office coordinate with the barangay health centers and determine their needs that can be funded by the PFPR so that the government's goal of providing preventive care services to indigents can be fully achieved.

10. Funds received for the City-Wide Investment Plan for Health (CIPH) and the Maternal New Born Care & Health Nutrition Program (MNCHN) have not been fully utilized, with total unutilized balance of ₱2.895 million.

We have recommended that the City Accountant submit copy of the Report of Checks Issued and the Report of Disbursements to the Accountant of the Department of Health to update the records of the latter and the City Health Officer identify the unimplemented health program/activities that may be funded by the CIPH and MNCHN and facilitate their implementation.

11. Financial reports were not submitted within the prescribed period.

We recommended and management agreed to submit the financial reports within the period prescribed by Section 7.2.1 (a) of the 2009 RRSA and Sections 70 and 72, Volume I of the NGAS Manual.

12. The terms and conditions of the contract for garbage collection, hauling and disposal pertaining to the list of equipment that will be provided by the contractor to the City were not strictly complied.

We recommended that the Chief of the Solid Waste Management Office investigate the non-compliance of the contractor with Section IV.1.1 of the contract and require an explanation from the contractor of such non-compliance. If warranted, impose the penalty provided in Section VI.1.1 of the contract for the contractor's failure to faithfully adhere with the terms and conditions of the contract.

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

Audit suspensions, and charges amounting to ₱16.916 million and ₱10,015.00, respectively, remained unsettled as of December 31, 2014, same with audit disallowances in the total amount of ₱5.055 million issued prior to the implementation of the RRSA. Likewise, audit disallowances issued by the Special Audit Office of COA in 1999 and the City Auditors Office in 2007 totaling ₱10.161 million remained unrecorded and unsettled to date.

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

The status and action taken by management to implement the 85 prior year's audit recommendation showed that 40 or 47.06 % were implemented, 36 or 42.35 % were partially implemented and 9 or 10.59% were not implemented.