

EXECUTIVE SUMMARY

➤ Introduction

Quezon City Ordinance No. 7555 dated August 16, 1968 established the Quezon City General Hospital (QCGH). On August 26, 1972 the QCGH was elevated as the eight department of the City under Republic Act 6548, the Revised Charter of Quezon City. It is licensed by the Department of Health and accredited as a Level IV General Hospital by the Philippine Health Insurance Corporation. It's vision statement is:

“The Quezon City General Hospital will be a center of excellence and the best city hospital in the Philippines.”

The Hospital has a total of 831 personnel as follows:

Regular	464
Contractual	<u>367</u>
Total	<u>831</u>

➤ Scope of Audit

The audit covered the accounts and operations of the Quezon City General Hospital as of 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 prior year's audit recommendations.

➤ Financial Highlights

- The summary of financial condition for the year is as follows:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>	<u>Inc/(Dec)</u>
Total Assets	₱1,853,963,917	₱1,267,029,914	₱586,934,003
Total Liabilities	93,570,631	106,811,304	(13,240,673)
Total Equity	₱1,760,393,286	₱1,160,218,610	₱600,174,676

- The results of operation showed a decrease of ₱60.642 million as compared to ₱167.701 million of the previous year. Total income during the year was sourced from the following:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>	<u>Inc/(Dec)</u>
Subsidy from Other Funds	₱499,256,382	₱472,830,522	₱26,425,860
Operating Income: Service Income	24,250,008	31,550,355	(7,300,347)

Business Income	35,273,763	26,760,065	8,513,698
Other Income	<u>3,107,798</u>	<u>49,469,009</u>	<u>(46,361,211)</u>
Total Income	<u>561,887,951</u>	<u>580,609,951</u>	<u>(18,722,000)</u>
Less: Expenses			
Personal Services	209,788,709	220,216,422	(10,427,713)
Maintenance and			
Operating Expenses	<u>245,041,063</u>	<u>192,692,875</u>	<u>52,348,188</u>
Total Expenses	<u>454,829,772</u>	<u>412,909,297</u>	<u>41,920,475</u>
Net Income	<u>₱107,058,178</u>	<u>₱167,700,655</u>	<u>(₱60,642,477)</u>

- The Quezon City Government, appropriated funds for QCGH as follows:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>	<u>Inc/(Dec)</u>
Appropriation	₱515,197,676	₱510,121,352	₱5,076,324
Allotment	499,256,382	473,020,522	26,235,860
Obligation	₱441,798,351	₱443,051,602	(₱1,253,251)

➤ Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to various accounting deficiencies in the assets and expenses accounts, discussed in detail in Part II of this report and summarized as follows:

Obs No.	Nature of Errors	Account Affected	Amount and Effect on the FS Under (Over) stated	% of Error to Account Balance
<i>Errors Affecting the Asset accounts</i>				
1	Unrecorded various acquisitions/purchases of Property, Plant and Equipment	Hospital and Health Centers	₱ 342,703,095	18.48%
		Library Books	211,659	0.01%
		IT Equipment and Software	50	0.00%
<i>Net Errors Affecting Assets</i>			342,914,804	
<i>Total Assets</i>			₱1,853,963,917	
<i>% of Errors to Total Assets</i>			18.49%	
<i>Errors Affecting Equity accounts</i>				
1	Unrecorded various acquisitions/purchases of Property, Plant and Equipment	Government Equity		
			342,914,804	18.49%
<i>Net Errors Affecting the Equity accounts</i>			342,914,804	
<i>Total Equity</i>			₱1,760,393,286	
<i>% of Errors to Total Equity</i>			19.48%	

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

Obs. No.	Nature of Deficiency/ies	Accounts Affected	Account Balance Affected	Amount Involved
2	Unreconciled book and bank balances of the Cash in Bank-LCCA	Cash in Bank-LCCA	₱853,835,133	₱ 931,165

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

On the PPE accounts:

- account for the variance or unrecorded hospital and health centers and library books in the books of accounts and effect necessary corrections.
- facilitate the identification of PPE acquired by the City Government which were entrusted to the hospital for its use and request necessary adjustments in the city's books of accounts to eliminate the double recording of assets.

On the Cash in Bank account:

- review the closed accounts per books but with existing bank balances.
- exert effort to obtain documents to support the identified reconciling items and make the necessary adjustments accordingly.
- regularly prepare an updated BRS for all the four depository accounts.

➤ **Summary of Other Significant Observations and Recommendations**

1. The inability of the Cashier to update her cashbook daily and to rule, foot and certify the balance correctly at the end of each month, did not facilitate the reconciliation of balances with the general ledger.

We have recommended to the Management that the Cashier update her cashbooks daily and to rule, foot and certify the same at the end of each month and reconcile with the Accounting records.

2. Disbursement for Personal Services of contractual employees totaling ₱47.082 million and janitorial services of ₱0.044 million were recorded as Other Maintenance and Operating Expenses.

We have reiterated our recommendation that the Management provide appropriations for the salaries and wages and other personnel benefits of contractual employees and record to proper expenditure account to fairly present the results of operation for the accounting period.

3. Approved appropriations was not supported with Budget Estimates as to funding sources - ₱501.388 million.

We have recommended that Management:

a) Exercise caution in the submission of budget to reflect the funding sources that will finance its programs and projects.

b) Strictly comply with the provision of Section 314 (a) of R.A. 7160.

4. Unsubmitted Disbursement Vouchers totaling ₱1.907 million

We have recommended that the Head of the Accounting Office immediately submit for audit, the DVs and its supporting documents as well as the corresponding JEVs in compliance with Section 6.05 of COA Circular No.95-006 and Section 4(6) of Presidential Decree No. 1445 to determine the validity and propriety of the transactions.

5. Unremitted GSIS contributions and deductions – ₱0.170 million

We have reiterated our previous year's recommendation that the Head of the Accounting Office expedite the analysis and verification of errors and effect the adjustments. We, likewise, recommend immediate remittance of contributions and deductions to the GSIS.

6. Annual GAD Plans and Budget was not submitted to the NCRFW for review, thus, accomplishments may not be responsive to gender issues.

We have recommended to the Management, particularly to the GAD Focal Point, to submit the Plans and Programs for the year using the prescribed format to NCRFW for review and target participants should be considered in the allocation of approved budget to each activity to address each gender issue.

7. Unutilized PDAF of ₱0.786 million were not reverted to the National Treasury.

We have recommended that (a) the Accounting Office discontinue the acceptance of Letter of Authority to charge claim/s against the PDAF; and (b) facilitate the remittance of unutilized amount to the National Treasury in compliance with the Supreme Court Decision.

8. Non-remittance of withholding taxes amounting to ₱0.458 million.

We have reiterated our previous years' recommendation that management to reconcile the balance of the Due to BIR account and cause immediately the remittance to the BIR. Henceforth, all remittances shall be checked to ensure that these tally with the taxes withheld from employees compensation and other transactions.

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

Unsettled audit suspensions and disallowances totalled to ₱4.284 and ₱0.872 million, respectively.

We have reiterated our prior years' recommendation that Management initiate action to enforce settlement of the disallowances and suspensions in audit pursuant to COA Circular No. 2009-006. If warranted, appropriate civil action should be initiated towards recovery of the amount.

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

Out of the 13 audit recommendations contained in the CY 2013 Annual Audit Report, three (3) were fully implemented, six (6) were partially implemented and four (4) were not implemented.