

## EXECUTIVE SUMMARY

### INTRODUCTION

The Municipality of Taguig was founded on the 25<sup>th</sup> of April 1587 as part of the Province of Rizal. It became completely independent on January 1, 1918 by virtue of Executive Order No. 108 dated December 19, 1917. On December 8, 2004, the Commission on Elections En Banc promulgated a resolution affirming the cityhood of Taguig. This resolution was declared final and executory on January 9, 2005.

Like other local government units, the City Government functions as a political arm of the National Government in the effective implementation of its national thrust. It is mandated to deliver the necessary public services toward the upliftment of the socio-economic life of its constituency.

The executive branch of the City Government consists of 46 departments/offices under the City Mayor. The City Government operates the following:

- Taguig-Pateros District Hospital
- Taguig City University
- 7 Public Cemeteries

The Sangguniang Panlungsod (SP) is composed of the City Vice-Mayor as the presiding officer, 16 regular elected members, and the president of the City's chapter of the liga ng mga barangay. The president of the federation of Sangguniang Kabataan (SK) has been a member of the SP until November 30, 2013 after which the youth sector is no longer represented in the SP since no election for the SK was held in CY 2013.

In 2008, the Taguig City Council enacted City Ordinances Nos. 24-27, 57-61, 67-69, and 78, Series of 2008 which created ten (10) new barangays, carving them out from the initial 18 barangays. Hence, in December 2008, after a successful plebiscite, Taguig was politically subdivided into 28 barangays. The newly created ten (10) barangays are not included in the allocation of the Internal Revenue Allotment (IRA) but the City Government provides City Aid to these barangays.

As of December 31, 2014, the City Government has a personnel complement of 6,578 consisting of regular, casual, and contractual employees and job order personnel (JOP), broken down as follows:

<b>Branch of Government</b>	<b>Regular Employees</b>	<b>Casual Employees</b>	<b>Contractual Employees</b>	<b>Job Order Personnel</b>	<b>Total</b>
Office of the City Mayor	3	19	582	84	688
Executive Departments/Offices	315	277	1,080	3,740	5,412
Office of the City Vice-Mayor	4	1		39	44

<b>Branch of Government</b>	<b>Regular Employees</b>	<b>Casual Employees</b>	<b>Contractual Employees</b>	<b>Job Order Personnel</b>	<b>Total</b>
Offices of the City Councilors	26	27		381	434
<b>Total</b>	<b>348</b>	<b>324</b>	<b>1,662</b>	<b>4,244</b>	<b>6,578</b>

JOP hired by the Office of the City Mayor serve in the projects of the City Mayor. Of the 4,244 JOP under the departments/offices, 800 are working at the Office of Social Welfare and Development (OSWD) and 663 are working at the Public Order & Safety Office.

## FINANCIAL HIGHLIGHTS

For CY 2014, the appropriations of the City Government of Taguig for the General and the Special Education Funds totalled ₱9.073 billion. Obligations charged against these appropriations amounted to ₱4.743 billion.

<b>Fund</b>	<b>Appropriation</b>	<b>Obligation</b>
<b>General Fund</b>	<u>₱7,763,850,858.11</u>	<u>₱4,118,492,017.00</u>
Current Appropriations	6,588,706,896.00	4,023,092,034.95
Continuing Appropriations	1,175,143,962.11	95,399,982.05
<b>Special Education Fund</b>		
Current Appropriations	<u>1,309,480,107.06</u>	<u>624,796,987.89</u>
<b>Total</b>	<u><b>₱9,073,330,965.17</b></u>	<u><b>₱4,743,289,004.89</b></u>

The operating income of ₱5.092 billion 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	₱2,805,090,326.33	₱761,783,732.93	₱3,566,874,059.26
Internal Revenue Allotment	828,797,774.00	-	828,797,774.00
Permits and Licenses	307,467,832.06	-	307,467,832.06
Service Income	122,879,699.36	-	122,879,699.36
Business Income	117,936,444.88	-	117,936,444.88
Other Income	147,674,681.47	-	147,674,681.47
<b>Total Operating Income</b>	<u><b>₱4,329,846,758.10</b></u>	<u><b>₱761,783,732.93</b></u>	<u><b>₱5,091,630,491.03</b></u>

## SCOPE OF AUDIT

The audit which covered the accounts and operations of the City for the year 2014 was aimed at determining whether (i) Management presented fairly the financial statements of the City in adherence to the generally accepted accounting principles; (ii) prevailing laws, rules, and regulations have been complied with; (iii) funds were utilized

in the most efficient, effective and economical manner; (iv) and (iv) determining the extent of Management's implementation of prior years' audit recommendations.

The audit also covered the review of the planning, investment programming, and budgeting processes conducted to (i) ascertain the existence of a robust and functioning institutional arrangement for development planning, implementation, monitoring, evaluation, and reporting; (ii) determine the adoption by the City Government of participative planning and budgeting; (iii) determine formulation of sound financial plans; (iv) assess operationalization of local development plans through the annual budget, based on functions, projects, and activities in terms of expected results; and (v) verify preparation of the annual budget of the City in accordance with the forms, procedures and schedules prescribed by the Department of Budget and Management (DBM) and those jointly issued with the Commission on Audit (COA). Financial and compliance audits were conducted to achieve these audit objectives.

## **AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

The Auditor did not render an opinion on the fairness of the presentation of the financial statements due to deficiencies discussed in Part II-Observations and Recommendations of this Report, and summarized as follows:

- The deficiencies in financial reporting such as the (a) delayed submission of pre- and post-closing trial balances, financial statements, Notes to the Financial Statements and Journal Entry Vouchers; (b) general ledger account balances not supported with detailed subsidiary ledgers; and (c) improper maintenance of general ledgers and subsidiary ledgers did not facilitate the performance of necessary audit procedures to validate management's assertions on the financial statements.
- The existence and accuracy of the Property, Plant and Equipment account balance of ₱5.041 billion was not ascertained due to (a) non-submission of the Report on the Physical Count of Property, Plant and Equipment to document the existence of Property, Plant and Equipment and the non-conduct of the required physical inventory-taking; (b) unadjusted erroneously classified Property, Plant and Equipment of ₱150.742 million and unidentified Property, Plant and Equipment of ₱980.306 million; and (c) recorded Property, Plant and Equipment of ₱146.302 million and public infrastructure projects of ₱39.666 million were without proof of deliveries/completion of work/services.
- The existence and accuracy of the account balances of Cash in Bank-Local Currency, Current Account and Cash in Bank-Local Currency, Time Deposits of ₱2.557 billion and ₱680.494 million, respectively were not ascertained due to (a) deficiencies contributing to the net discrepancy of ₱21.251 million between the book and bank balances; (b) unadjusted bank and book reconciling items under the Cash in Bank-Local Currency, Current Account of ₱4.669 million and

₱39.565 million, respectively; and (c) undetermined sources and reasons for placements in High Yield Savings Accounts of ₱119.831 million under the Trust Fund.

- The balances of Real Property Tax Receivable and Deferred Real Property Tax Income of ₱2.438 billion, and Special Education Tax Receivable and Deferred Special Education Tax Income of ₱1.539 billion are unreliable due to (a) absence of assessment roll as basis for determining the names of taxpayers and the taxes due and collectible for recording Real Property Tax and Special Education Tax receivables; (b) non-maintenance of subsidiary ledgers for the Real Property Tax Receivable and Special Education Tax Receivable and related accounts; and (c) non-submission of the reports of cancelled Real Property Assessments by the Office of the City Assessor to the RPT Section and by the RPT Section to the Office of the City Accountant for adjustment in the books.
- The account balance of Accounts Payable of ₱1.397 billion is unreliable due to (a) outstanding payables of ₱315.931 million for two years or more; (b) recognition of liability of ₱136.242 million without valid obligations; and (c) recognition of payables of ₱57.205 million for unliquidated cash advances.
- The inventory account balance of ₱223.095 million is unreliable due to (a) absence of well-defined responsibilities and accountabilities for the receipts, issuances and reporting of supplies and materials; (b) deficient receipt and issuance processes for supplies and materials; (c) absence of inventory and accounting control records; (d) absence of periodic physical count of inventory items and reconciliation of supply and accounting records; and (e) deliveries of inventory items of ₱764.232 million recorded as outright expenses and of equipment of ₱5.601 million as supplies.

For the above deficiencies, we recommended that Management require:

On financial reporting

The City Accountant

- To submit the monthly pre-closing Trial Balances together with the Journal Entry Vouchers (JEVs) and the Statement of Appropriation, Allotment and Obligation within the prescribed period to facilitate the timely performance of audit procedures necessary under the circumstances
- To observe strict compliance with the deadline for the submission of complete yearend financial reports as required to facilitate the verification/validation of Management's assertions on the financial statements (FS)
- To review the FSs and existing subsidiary ledgers (SLs) to determine the accounts which should be provided with SLs
- To provide guidance to OCA personnel on the proper maintenance of SLs and to conduct regular review of SLs to ensure their proper maintenance.

## On Property, Plant and Equipment

### The Inventory Committee

- To prepare the Report of Physical Count of Property, Plant and Equipment and submit the same to the Office of the City Auditor within the prescribed period and to the OCA for reconciliation with the books of accounts and the Property, Plant and Equipment Ledger Card (PPELC)

### The City Accountant

- To retrieve the source documents on the PPE recorded/adjusted and to be adjusted and make thorough analysis to determine the nature of the PPE and appropriate account classification of the PPE and make the necessary adjustments in the books of accounts and ensure that the pertinent JEVs on the adjustment/s are supported by complete and relevant documents
- To ensure that transactions recorded under the PPE accounts are supported by Sales Invoices (SIs) and/or Delivery Receipts (DRs), Inspection and Acceptance Reports (IARs), among others, as proof that goods procured have been accepted, and by the Certificate of Completion and Acceptance or the Certificate of Partial Completion and progress billings from contractors for fully completed and partially completed infrastructure projects, respectively

## On cash accounts

### The City Accountant

- To prioritize the reconciliation of discrepancies between the book and bank balances for the Cash in Bank-Local Currency, Current Account
- To secure relevant documentation of reconciling items (RIs) from the concerned banks to support the adjustment in the books of accounts, and make adjustments accordingly; and ensure that complete and relevant descriptions of RIs are provided in the bank reconciliation statements and its schedules to facilitate verification and recording of RIs
- To expedite the analysis and reconciliation of the Cash in Bank-Local Currency, Time Deposits and Due to Other NGAs to determine sources of funds placed in High Yield Savings Accounts

## On RPT and SET accounts and related accounts

### The City Assessor

- To prioritize and expedite the updating of the Real Property Tax Assessment System (RPTAS) to generate the assessment roll for submission to the Office of the City Treasurer (OCT) for the computation of taxes due

- To submit the assessment roll to the OCT not later than December 31 of each year for the RPT Section to determine the RPT and SET receivables for the ensuing year;
- To submit prior years' List of Cancelled Real Property Assessments (LCRPAs) with the Report of Cancellations (RCs) to the RPT Section and to ensure that the LCRPA together with the RCs are transmitted to the RPT Section monthly for determination of taxes still due and no longer due on the properties

#### The OIC-City Treasurer

- To prioritize and expedite the updating of the Real Property Tax Assessment and Billing System (RPTABS) to determine the RPT collectible from taxpayers and to generate the Certified List of Real Property Taxpayers (CLRPT)
- To ensure that the LCRPAs with the RCs and a summary on the taxes no longer due on the properties are transmitted to OCA monthly so appropriate adjustments to Real Property Tax Receivable, Special Education Tax Receivable, Deferred RPT Income and Deferred SET Income could be made

#### The City Accountant

- To maintain SLs by year for the Real Property Tax Receivable, Special Education Tax Receivable, Deferred RPT Income and Deferred SET Income and ensure that receivables and collections thereof for each given year as well as adjustments, if any, are posted in the respective SLs
- To make appropriate adjustments in the books of accounts for properties with cancelled RPAs

#### On Accounts Payable

##### The City Accountant

- To review the long outstanding payables to all national government agencies (NGAs), government-owned and controlled corporations (GOCCs) and local government units (LGUs) and confirm/coordinate with the said payees to determine the existence of valid obligations and settle the same as necessary, and revert other payables to the general fund after thorough analysis of the account and other affected accounts
- To immediately stop the practice of recording obligations based on the Obligation Request (ObR) issued by the City Budget Officer without the pertinent documents to prove the existence and validity of obligations
- To record liability to suppliers/contractors only when goods/services/infrastructure projects have been delivered/accomplished and accepted as evidenced by SIs and DRs, IARs, validated accomplishment reports, progress billings, among others

- To stop immediately the practice of recording expenses for unliquidated cash advances (CAs) and to analyze unliquidated CAs recorded under Accounts Payable and to make adjustments in the books as necessary

#### The City Budget Officer

- To draw the ObR only after deliveries of goods/services or works on infrastructure projects have been received and accepted as evidenced by SIs and DRs, IARs, validated accomplishment reports, progress billings, and other relevant documents

#### On inventory accounts

- To review and document the existing supply/inventory management process to facilitate the identification of its weaknesses, and identify and define responsibilities and accountabilities for the receipt, inspection, issuance, and reporting on supplies and materials
- To centralize the receipt and issuances of all deliveries of goods with the General Services Office (GSO)
- To create and define the functions and responsibilities of a composite Inspection Committee that will undertake the inspection of goods
- To create an Inventory Committee to undertake the physical count of inventory items
- To consider providing training on supply/inventory management to personnel who will be involved in the process

#### The OIC-GSO

- To provide the GSO supply officer and warehouse personnel a copy of the Purchase Order (PO) after issuance to suppliers to provide the bases for checking deliveries of goods, and segregation of stocks, issuances and their documentation
- To ensure that the Requisition and Issue Slips (RISs) are issued for the issuance of supplies and materials and are duly signed by the responsible personnel
- To ensure that the DRs/SIs and IARs reflect the actual deliveries made and that these support the JEVs on payments made
- To require the warehousemen/custodians to maintain bin cards (BCs) in the prescribed form
- To require the Supply Officer/assigned personnel to maintain the Stock Cards (SCs) with entries for the receipts and issuances of the items based on the DRs/SIs and IARs, and RISs, respectively

#### The Inventory Committee

- To conduct the physical count of inventory items as of June 30 and December 31 of each year and prepare the Report on the Physical Count of Inventories (RPCI) by inventory account name and distribute the same as prescribed

- To reconcile the inventory listing with the SCs and Supplies Ledger Cards (SLCs) and to undertake the reconciliation of the inventories with the OCA to establish the accuracy of the balances of the inventory accounts in the Balance Sheet
- To submit to the Office of the City Auditor the duplicate copy of the RPCI not later than July 31 and January 31 of each year for the first and second semesters, respectively.

#### The City Accountant

- To maintain the SLCs for each inventory item to provide the basis/details of the SL balances and the reconciliation with the BCs, SCs and RPCI
- To ensure that all receipts and issuances of inventory items are recorded under the appropriate inventory and expense accounts, respectively
- To ensure that expenses for the inventory items are recognized based on actual issuances to end-users/beneficiaries as reported in the Summary of Supplies and Materials Issued supported by the RISs
- To review supplies and materials recorded to determine the recording of equipment as supplies and make the necessary adjustments in the books for all affected accounts

### **OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

The following are the other significant observations and recommendations in the audit of the accounts and operations of the City Government of Taguig for the year 2014:

#### On procurement of infrastructure projects

- The procurement of infrastructure projects of ₱536.373 million not specifically provided in the Annual Investment Plan (AIP) and the Annual Procurement Plan (APP)

We recommended and Management agreed to ensure that (i) all planned infrastructure projects for each year are identified and specifically provided in the AIP submitted to the Sangguniang Panlungsod for approval; (ii) the City Budget Officer verify if all procurement of infrastructure projects are specifically provided in the AIP and the annual budget prior to certifying the availability of appropriation; and (iii) all infrastructure projects to be procured are included in the APP.

- Non-/delayed submission of infrastructure contracts for review and technical evaluation, and uncompleted projects totaling ₱212.773 million after the lapse of the agreed completion date

We recommended that Management require the Bids and Awards Committee and the Office of the City Engineer (i) to submit all contracts and

supporting documents within five working days from signing thereof for review; and (ii) to document the flow or movement of the contracts to establish accountability for delays in the submission of contracts to the Office of the City Auditor.

We also recommended that Management require the City Engineer (i) to regularly monitor all on-going projects, prepare a monthly monitoring report on infrastructure projects and submit the same to the concerned department/office for information and/or appropriate action; (ii) to submit a copy of the monitoring report together with all relevant documents for progress accomplishments or completion, where applicable, to the Office of the City Auditor for information and validation.

#### On Disaster Risk Reduction and Management

- Inconsistencies of the Taguig City Disaster Risk Reduction and Management Plan (TCDRRMP) with the National Disaster Risk Reduction and Management Plan (NDRRMP) and lack of evidence of approval by the Local Disaster Risk Reduction and Management Council (LDRRMC)

We recommended and Management agreed to require the OIC, City Disaster Risk Reduction and Management Office (DRRMO) (i) to revisit the TCDRRMP and ensure that the Plan presents the goals, objectives, expected outputs and performance indicators and measures consistent with the NDRRMP as well as the specific timelines for each activity and Plan's period of coverage; (ii) to ensure that performance indicators and measures are specific, measurable, achievable, relevant and time-bound to facilitate assessment of the progress toward the achievement of the outcomes, objectives and goals; (iii) to have the TCDRRMP submitted to the Sangguniang Panlungsod (SP) through the LDRRMC and Local Development Council (LDC) together with the Local Disaster Risk Reduction and Management Investment Program (LDRRMFIP) and other DRRM fund sources, if any, for review and subsequent monitoring and evaluation.

- Non-compliance with the required allocation of the LDRRMF for Quick Response Fund (QRF) and DRRM activities

We recommended and Management agreed to require the OIC-CDRRMO to ensure that a lump-sum appropriation of the 30 percent of the LDRRMF is provided in the LDRRMFIP and the allocation of the remaining 70 percent for DRRM activities; and

- Unaccomplished planned programs, projects and activities (PPAs)

We recommended and Management agreed to require the OIC-CDRRMO to ensure that approved priority PPAs included in the LDRRMFIP are implemented as planned to improve disaster resilience of communities in the City.

- Absence of mechanisms for monitoring and evaluation of the implementation of the TCDRRMP by the CDRRMO and CDRRMC and unavailability of monitoring and evaluation documents

We recommended and Management agreed to direct the OIC, CDRRMO (i) to adopt the performance indicators in the NDRRMP, where applicable, or to develop appropriate indicators and measures as necessary to facilitate monitoring and evaluation of the Plan; (ii) to monitor progress of the implementation of the TCDRRMP and to report thereon periodically at intervals determined by Management and whenever necessary.

We also recommended and Management agreed to (i) develop mechanisms for lessons learned to feed back into the LGU organizational learning, decision-making, DRRM planning, implementation, monitoring, and evaluation; (ii) request the CDRRMC to monitor and evaluate the implementation of the Plan and to document the same; and (iii) furnish the Office of the City Auditor the monitoring and evaluation reports after the same have been approved.

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

Of the 99 audit recommendations embodied in the CYs 2013 Annual Audit Report, 3 were fully implemented, 31 were partially implemented and 65 were not acted upon by Management.