

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 (R.A.) 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. It does not share in the Internal Revenue Allotment (IRA) released by the National Government (NG). The barangay's budget is provided under the City Government's annual budget.

As of December 31, 2016, the City Government has a personnel complement of 6,387 consisting of regular, casual and job order personnel (JOP), broken down as follows:

Departments/Offices	Regular Employees	Casual Employees	Job Order Personnel	Total
Office of the City Mayor	45	218	829	1,092
Executive Departments/Offices	1,581	692	1,572	3,845
Office of the City Vice-Mayor	44	117	0	161
Offices of the City Councilors	202	1,026	0	1,228
Office of the City Secretary	29	32	0	61
Total	1,901	2,085	2,401	6,387

B. Financial Highlights

For CY 2016, the City's total assets, liabilities, equity, income and expenses have increased by 12.71 percent, 15.12 percent, 9.78 percent, 4.99 percent and 7.85 percent respectively, as shown in the comparative table on the next page:

Particulars	2016	2015	Increase/ (Decrease)	% of Increase/ (Decrease)
Financial Position				
Assets	P14,542,569,544	P12,902,699,763	P1639,869,781	12.71%
Liabilities	8,145,133,681	7,075,152,957	1,069,980,724	15.12%
Net Assets/Equity	6,397,435,863	5,827,546,806	569,889,057	9.78%
Financial Performance				
Income	4,243,892,181	4,041,998,476	201,893,705	4.99%
Expenses	3,891,811,675	3,608,504,662	283,307,013	7.85%

For CY 2016, the City's regular appropriations and obligations have increased by 9.85 percent and 13.51 percent respectively while continuing appropriations and supplemental appropriations have decreased by 99.64 percent and 69.23 percent, for a total decrease in the balance of 47.55 percent the details of which are shown in the table below:

Sources and Application of Funds	2016	2015	Increase/ (Decrease)	% of Increase/ (Decrease)
Appropriations				
Regular	4,633,740,228	4,218,280,112	415,460,116	9.85%
Continuing Appropriations	3,463,820	965,863,791	(962,399,971)	(99.64%)
Supplemental Appropriations	129,130,580	419,719,881	(290,589,301)	(69.23%)
Obligations	3,396,519,823	2,992,364,401	404,155,422	13.51%
Balances	1,369,814,805	2,611,499,383	(1,241,684,579)	(47.55%)

Reported significant accomplishments during the year were as follows:

- a. Major infrastructure projects were implemented and completed such as the renovation of Pasay City Hall (Facade upgrading and ground floor to 2nd floor), improvement of drainage system and concrete pavement of 21 City streets, construction of one health center, one multi-purpose hall/barangay hall and renovation and improvement of Pasay City General Hospital;
- b. For the Pasay Local School Board, infrastructure projects were implemented such as construction of seven school buildings and additional classrooms and repair and rehabilitation of four school buildings and 15 senior high school buildings and facilities;
- c. Drugs, medicines and vaccines worth P251.000 million were supplied and distributed for the medical needs of Pasay's indigent constituents including its senior citizens under its health care services, maintenance and medical outreach programs;
- d. Various needed medical equipment/machines worth P82.584 million were procured to upgrade medical facilities for effective and efficient hospital services;
- e. Social services programs were implemented by the Pasay City Welfare Development

- Office for 70,700 beneficiaries such as day care services, supplemental feeding, rescue operations conducted for street children; provision of social protection and therapeutic care environment for the youth; women programs by providing financial assistance, conduct of seminars/trainings/workshops; families and community welfare programs by providing crisis intervention, burial assistance, educational assistance; empowerment of persons with disabilities and emergency relief assistance;
- f. Comprehensive hospitalization program benefited 1,434 beneficiaries; immunization of 8,902 children, provision of micronutrient supplements to 8,735 pregnant women, 8,036 lactating women and 9,007 young children;
 - g. Burial assistance was provided to 1,742 families;
 - h. Beautification and clean up drive operations were regularly conducted in compliance with environmental laws;
 - i. Back-up and duplication of Pasay City's database, information and management portal and government ID system licensed software were provided;
 - j. 3,084 students were given educational assistance (college, high school and elementary level); and
 - k. 23 Gender and Development Awareness trainings were conducted by the City Planning and Development Office.

C. Scope of Audit

The audit covered the accounts and operations of the City of Pasay for the year ended December 31, 2016. 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 laws, 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 an adverse opinion on the fairness of presentation of the financial statements of the City of Pasay due to accounting deficiencies that materially affected the fair presentations of the financial statements as discussed in Part II of the report, summarized as follows:

- 1. Unreconciled balances of P463.157 million between the physical inventory of Property, Plant and Equipment (PPE) of P5.371 billion and the balance per book of the 20 PPE accounts of P5.417 billion rendered the reported balance at year end unreliable due to (a) PPE not properly classified to appropriate accounts; (b) PPE with incomplete details/description in the books of accounts and RPCPPE;

(c) completed projects remained recorded in the CIP accounts; (d) payments not recorded in the CIP accounts; and (e) non-moving balances of infrastructure projects.

We recommended the following:

- a. The City Accountant to (i) reconcile, analyze and investigate the discrepancy noted between the book balances and the RPCPPE balances and make adjustments where appropriate; (ii) provide depreciation for the completed projects over their useful life by considering the change in the estimated residual value to 5 per cent of the cost in accordance with PPSAS from the 10 per cent under the old NGAS, for accurate presentation of depreciation expense and the accumulated depreciation of the subject PPE in the financial statements; (iii) analyze further the CIP-Buildings and Other Structures account and reconcile the posting of payments in the IP which were not recorded in the CIP account and other PPE accounts and identify the source document of the reference number as basis in posting the payments in the IP.
 - b. The City General Services Officer to (i) reconcile, analyze and investigate further the discrepancy noted between the book balances and the RPCPPE balances and make adjustments where appropriate; (ii) prepare the RPCPPE by PPE account under the GF and SEF with the Inventory per department/office and per school only as a reference to the RPCPPE by PPE account in order to facilitate the reconciliation of the book and RPCPPE balances.
 - c. The City Engineer to determine the updated status of infrastructure projects completed which remained recorded under the CIP account to facilitate the adjustment of the account and other related accounts in the accounting records.
2. Interest paid on loan used in the implementation of the completed projects in the amounts of P60.733 million overstated the CIP accounts, Income and Government Equity accounts by the same amount.

We recommended that the City Accountant reverse the accounting entry made for the erroneous entries of the capitalized interest in the books, for accurate presentation of the affected accounts in the financial statement.

3. The Cash in Bank –Local Currency, Current Account (CIB-LCCA) with a reported balance of P1.322 billion is misstated and unreliable due to (a) unrecorded and unadjusted reconciling items of P31.729 million; (b) non-reconciliation of the balance of the General Ledger and the Subsidiary Ledger; (c) non-existent deposits of P25.571 million; and (d) erroneous bank reconciliation statements.

We recommended the following:

- a. The City Accountant to (i) analyze and adjust the identified book reconciling items reflected in the bank reconciliation and the same be done before closing the books to ensure the accuracy of the cash at the end of each reporting period; (ii) reconcile the different balances of the general ledger and subsidiary ledger and ensure that the person responsible for recording and posting transactions in the book exercise prudence and due care in carrying out his/her duties and responsibilities; (iii) continue the gathering of documents for analysis and reconciliation and to trace the accounting entries made in previous years starting on the set up of the PNB-Makati account and the recorded series of transactions that occurred to determine the non-existence of the account per confirmed zero balance; (iv) identify related account/s that were affected; (v) reconcile the bank and book balances at all times; (vi) revert back to the CIB-LCCA and the appropriate liability accounts checks that remained outstanding for more than six months as of year-end; and (viii) reverse the accounting entries made until all the documentary requirements are submitted.
 - b. The Management to (i) request the PNB to submit a copy of its authority to accept government deposits, if any; and (ii) in absence of the above authority, the City Treasurer and the concerned city officials adhere and comply with the Department Order No. 27-05 of the DOF and the deposits with PNB be transferred immediately to LBP.
4. The reported Real Property Tax and Special Education Tax Receivables in the total amount of P2.547 billion is overstated due to (a) non-reconciliation of the reported amount in the balance appearing in the Real Property Tax Assessment System of P2.433 billion or a difference of P114.313 million and (b) a total of 92 pairs of property share the same identical Assessment Property Numbers with a total delinquency of P16.816 million.

We recommended the following:

- a. The City Accountant and the City Assessor to reconcile the difference of the recorded RPT Receivable and the delinquent accounts as reflected in the List of Delinquencies per PRTAS.
- b. The City Treasurer to (i) provide justification why the taxes were not collected before the same were prescribed; (ii) exert more efforts in the collection of real property to ensure prompt payment of the same and utilize all the remedies in the collection of real property taxes available to the local government unit prescribed by law; (iii) determine if any payments made by one of the property are likewise applied to the other property to which it shared identical ARP number, and if there such occurrence, to reassess and collect the same from the delinquent taxpayer.

- c. The City Accountant to reassess the reasonableness of RPT receivables set up at the beginning of every calendar year.
 - d. The City Assessor to assign new ARP numbers to the identified 92 pairs of property with identical ARP numbers.
 - e. The City Assessor and the City Treasurer to inform COA of the action taken.
 - f. The Management to direct the concerned official/s to (i) conduct an in-depth investigation on the unauthorized manual intervention on tax records to determine the personnel involved including the taxpayers and the extent of their participation and consequently appropriate legal action should be taken against those found to have been involved in the activity; (ii) submit to COA a report on the result of the investigation to be conducted and the actions taken thereof; and (iii) the MITS office to revisit the controls in the RPTAS, if any, and establish fool proof controls on all fields to prevent unauthorized manual intervention of taxpayers' records if there is none.
5. The reported ending balance of the inventories account in the total amount of P78.745 million is unreliable due to the inconsistent application of the inventory method in accounting for inventory and the non-reconciliation of the Report on the Physical Count of Inventory (RPCI) with Supplies Ledger Card (SLC), Stock Cards (SC) as well as with the Requisition Issue Slips (RIS) and the Summary of Supplies and Materials Issued (SSMI).

We recommended that Management direct (i) the Chief Accountant and the General Services Officer to undertake an inventory reconciliation process, the result of the said undertaking should be made the basis of Management's subsequent actions in correcting the inventory accounts; (ii) the Chief Accountant and the General Services Officer to adopt fully the Perpetual Inventory Method by recording all purchases to the inventory accounts and record issuances only when supported with RISs receipted by the actual end-user; (iii) the General Services Officer to submit the SSIMs on a weekly basis and to conduct a physical count of inventories semestrally; and (iv) the Accountant to maintain SLCs.

6. Cash Advances amounting to P38.393 million remained unliquidated and their related expenses were not recorded in the books of accounts as of year end. Of the total amount, P0.236 million represented cash advances of unidentified Accountable Officers (AO) both in the SLs and the Aging Schedule, thus, resulting to the failure of Management to establish and to enforce the accountabilities of the AOs. Moreover, misclassification of accounts in the amount of P36.640 million and approval of the grant and liquidation of cash advances in spite of incomplete documentation.

We recommended that Management (i) require the City Accountant to submit to the City Legal Officer (CLO) the names of AOs with outstanding cash advances and who are still active in the service for appropriate action in order to recoup the advances granted to them, including the immediate withholding of their salaries

and other unpaid claims due them; (ii) advise the CLO to recommend to the City Mayor, the appropriate action to be done to recover the unliquidated cash advances from the AOs who were already separated from the service; (iii) require the OCA to exert more effort to examine documents relative to the grant of cash advances in order to determine the identities of the AOs and ultimately to establish and enforce their accountabilities; (iv) familiarize all AOs on the pertinent laws, rules and regulations governing the handling of cash advances before granting them cash advances; (v) require the OCA to strictly enforce the liquidation of advances granted to AOs within the reglementary period and the immediate refund of any unspent amount, analyze the transactions and use appropriate accounts in recording cash advances, make necessary adjustments for those transactions that were erroneously recorded and demand from the concerned AOs the submission of the lacking supporting documents and ensure the completeness of documents in the review and approval of liquidation reports in compliance with Section 101 (2) of P.D. 1445, the IRR of RA 9184 and COA Circular No. 2012-001.

7. Ineligible expenses in the amount of P4.423 million and the operating expenses of the Division Office were charged to the SEF contrary to Section 272 of R.A. 7160 and DECS-DBM-DILG Joint Circular No. 01 series of 1998 June 25, 2001. In addition, overstatement/understatement of accounts due to misclassification of P0.612 million and deficiencies in documentation were also noted.

We have recommended the following:

- a. The Management to require the (i) Local School Board to (a) strictly comply with the limitations set for the utilization of the SEF by ensuring that only eligible expenses are paid in accordance with the DECS-DBM-DILG Joint Circular No. 01; and (b) charge all the expenses incurred by the Division Office against the DepEd's Budget; and (ii) DepEd Pasay City Division Office (a) prepare its budget to finance its own operation; and (b) to install separate water and electric meters and charge its own consumptions to DepEd's Budget.
- b. The City Accountant to (i) implement faithfully the provisions of DECS-DBM-DILG Joint Circular No. 01 that provides for the limitation in the utilization of the SEF in order to stop the payment of ineligible expenses and to observe the PPSAS standard for accrual basis of accounting in keeping the books of accounts; (ii) ensure that all accounting standards, the accrual basis included, are keenly observed and correctly applied in keeping the books of accounts and in the preparation of the financial statements; and (iii) review the financial management controls and identify the problem areas, determine why the controls are not effective and apply the corresponding corrective action. In these particular transactions, ensure that every disbursement is supported with complete documentations prior to payment.

- c. The DepEd Pasay City Division Schools Office to (i) ensure that the budget from DepEd for operating expenses be fully utilized first and the SEF will be utilized for any excess of expenses over allotments; and (ii) install separate water and electric meters of the DepEd office and charge the respective consumptions to the DepEd's own budget.

E. Other Significant Observations and Recommendations

The following are the other significant findings and recommendations in the audit of the accounts of the City for CY 2016:

1. Two infrastructure projects recorded under the CIP totaling P73.167 million from CYs 2010 to 2014 have non-moving balances as of year-end.

We recommended that Management require (i) The City Accountant review the CIP account for the non-moving balances and take up the necessary adjustment in the books; and (ii) the City Engineer to provide the City Accountant the status of the uncompleted projects and inform COA of the action undertaken on the liability of the concerned contractors in case the construction of the said projects were not completed in accordance with the period of completion agreed upon in the contracts executed.

2. Additional interest income of P1.114 million could have been earned by the City in the years 2015 and 2016 had they transferred the cash deposited with PNB and PVB to LBP as recommended.

We recommended that the Management (i) take into consideration the interest rates being offered by each Authorized Government Depository Bank (AGDB); and (ii) transfer the deposits from PNB and PVB to LBP which offer the highest interest rate among the four depository banks to optimize the earning capacity of cash deposits.

3. The City Treasurer's Office (CTO) failed to perform the remedies provided by law to ensure prompt payment of realty taxes.

We recommended that Management require the City Treasurer to extend earnest efforts in the collection of the delinquent real property taxes and ensure that the same is collected before they prescribe and, coordinate with the City Legal Office for the availment of the legal remedies provided for by law.

4. The CTO did not conduct an examination of books of accounts and pertinent records of businessmen, while the Data Controller IV under CTO amends the declared gross sales/receipts of taxpayers without reference to credible evidences to support the amendment.

We recommended that Management require (i) the City Treasurer and the BPL Officer to exercise their mandated functions to examine the books of business

establishments with the City's territorial jurisdiction; and (ii) the BPLO to conduct regular ocular inspection of all establishments to identify those in operation and appropriate action should be instituted against establishments conducting business without required permits from the City.

We also recommended that the specific authority duly supported with documents be given for any amendment to be made in the taxpayer's records.

5. Various suppliers and contractor of the City undeclared their 2015 and 2016 gross sales upon renewal of their 2016 and 2017 license to operate, as a result the city was deprived of P7.257 million in 2016 and P6.318 million in 2017, for a total of P13.575 million in revenues.

We recommended that Management require the City Treasurer to (i) issue a demand to the contractors identified in the annexes to pay their delinquent business permit fees inclusive of interest and surcharges, otherwise, issue an order cancelling their license to operate; and (ii) inspect the books of accounts of other business taxpayers in order to determine if the same misrepresentation is present in other taxpayers records aside from the samples taken.

6. Overstatement of Accounts Payable (AP) in the General and Special Education Funds (GF) and (SEF) totaling P256.212 million die to misclassification of several liability accounts as AP.

We recommended that the City Accountant make the necessary adjustments to correct balances of the AP and the related liability accounts for both the General and Special Education Funds and require the concerned bookkeepers assigned to handle the affected accounts to be apprised of the proper charging to lessen if not totally eliminate errors and misleading balances in the FS.

7. Unsettled suspensions, disallowances and charges amounting to P129,863,088.00, P12,098,758.05 and P14,102.69, respectively.

We recommended that management exhaust all available remedies provided by laws and regulations in enforcing immediate settlement of all suspensions, disallowances and charges which resulted in audit pursuant to 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 129 audit recommendations embodied in the CY 2015 Annual Audit Report, 38 were fully implemented, 58 were partially implemented and 33 were not acted upon by Management.