EXECUTIVE SUMMARY

A. Introduction

For the year 2018, the City Government of Marikina, under the leadership of City Mayor Marcelino R. Teodoro, has remained focused on achieving the ultimate goal for the Marikina City to be: "An ideal place for living, working, playing and doing business where quality programs and services are provided in an environment of shared governance". Its programs, projects and services continue to revolve around the following thrust areas, to wit: (1) Flood mitigation (long-term engineering solutions to flooding); (2) Improve vehicular traffic (with considerable reduction in travel time); (3) Improve functionality of streets and sidewalks, particularly in major and secondary roads; (4) Peace and Order (Police Precinct and Police Patrol in every barangay for improved visibility and crime solution efficiency, and empowered Bantay Bayan establishment of four New Public Safety Center and PAILAW in communities and in other scarcely-lit areas); (5) Health (functional health center in every barangay equipped with competent medical personnel, an ambulance and with available medicines at all times); (6) Investment in Education (free Tuition Fee for local residents in Pamantasan ng Lungsod ng Marikina as poverty intervention); (7) Accessibility to quality public education in all barangays (desired outcome: higher passing rate in National Achievement Test); (8) Tax Reforms; (9) Utilization of city-owned properties for income generating activities; (10) Festivals (staging traditional festivals with innovations and creativity); (11) Conversion of open spaces into People's Parks; (12) Sustain and strengthen programs for the senior citizens; (13) Repainting of malls, structures, MSP Complex, Cityhood Park; and (14) Character Formation.

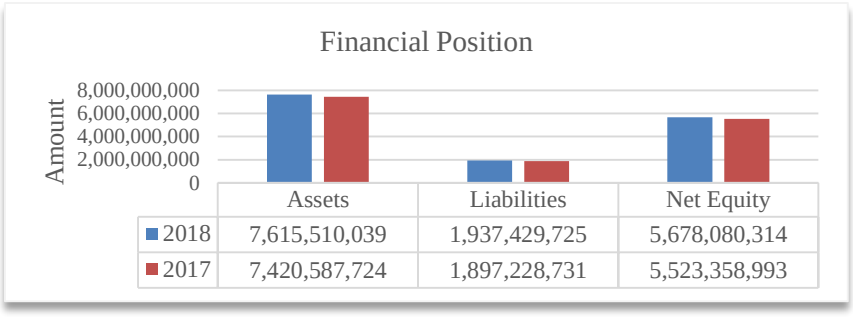
The City has a total of 2,886 personnel complement composed of 18 elective officials, 609 permanent, 1,263 casuals, 192 consultants and 804 job order/contract of service.

B. Financial Highlights

Presented below are the results of operations for CY 2018 with corresponding figures for CY 2017:

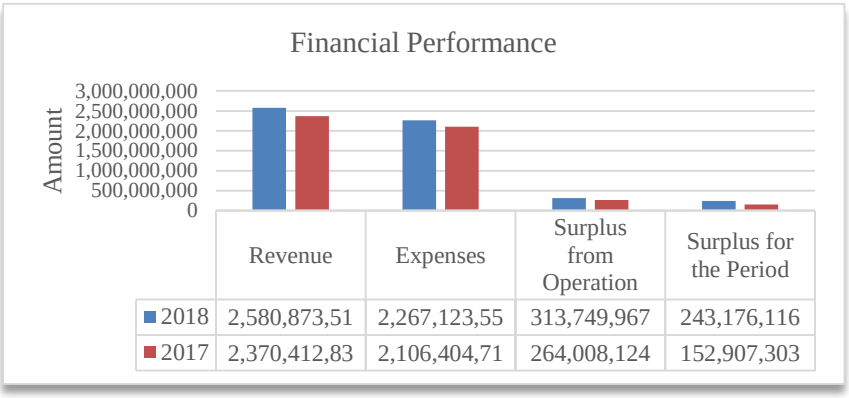
	2018	2017	Increase (Decrease)
Assets	P 7,615,510,039	P 7,420,587,724	P 194,922,315
Liabilities	1,937,429,725	1,897,228,731	40,200,994
Equity	5,678,080,314	5,523,358,993	154,721,321
Income	2,580,873,518	2,370,412,836	210,460,682
Expenses	2,267,123,551	2,106,404,712	160,718,839
Transfers, Assistance and Subsidy to	70,573,851	111,100,821	(40,526,970)
Surplus for the period	243,176,116	152,907,303	90,268,813

Total assets, liabilities and equity for the year amounted to P7.616 billion, P1.937 billion and P5.678 billion, respectively. Compared to CY 2017, all increased by P194.922 million, P40.201 million and P154.721 million, respectively.



	Assets	Liabilities	Net Equity
2018	7,615,510,039	1,937,429,725	5,678,080,314
2017	7,420,587,724	1,897,228,731	5,523,358,993

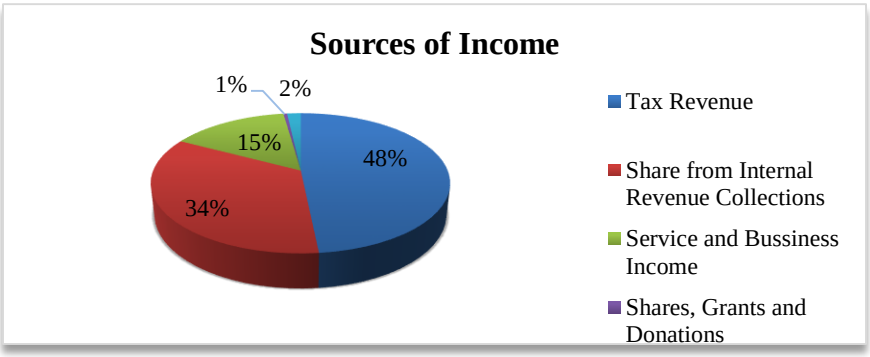
The total revenue for the year increased by P210.461 million or 9 percent, from last year's income of P2.370 billion to P2.581 billion for CY 2018. Similarly, expenses increased by P160.719 million from last year, but being offset by an increase in income that resulted to an increase of surplus by P90.269 million or 59 percent.



	Revenue	Expenses	Surplus from Operation	Surplus for the Period
2018	2,580,873,51	2,267,123,55	313,749,967	243,176,116
2017	2,370,412,83	2,106,404,71	264,008,124	152,907,303

The City realized an aggregate income of P2.581 billion for the year. Operating Income consists of Tax Revenue of P1.249 billion which increased by P93.661 million or 8 percent this year from P1.155 billion last year; and Service and Business Income of P387.441 million which increased by P46.951 million or 14 percent this year from P340.490 million last year. Shares, Grants and Donations of P12.003 million also increased in the amount of P8.811 million or equivalent to 276 percent of last year's P3.192 million. Other Miscellaneous Income in the amount of P44.921 million this year increased by P0.258 million or 0.58 percent from last year's P44.663 million.

Share in the Internal Revenue Allotment totaled P887.517 million this year as compared to P826.737 million last year or an increase of P60.780 million, equivalent to 7 percent.



For CY 2018, the appropriations of the City Government of Marikina for the General and Special Education Funds totaled P3.452 billion. Obligations charged against these appropriations amounted to P2.578 billion.

Fund		Appropriation		Obligation
Current Appropriation				
General Fund	P	2,637,884,920	P	2,250,006,701
Special Education Fund		329,390,385		168,453,814
Sub-Total		2,967,275,305		2,418,460,515
Continuing Appropriation				
General Fund		467,759,192		144,399,551
Special Education Fund		17,167,967		14,981,414
Sub-Total		484,927,159		159,380,965
Grand Total	**P**	**3,452,202,464**	**P**	**2,577,841,480**

C. Operational Highlights

The following are the reported major accomplishments of the City for CY 2018:

Programs/Projects	Amount
Infrastructure	
Upgrading/concreting road and roadside improvements/asphalt overlay/drainage improvements/sectional blocking	P203,753,933.69
Parking and sidewalk	3,495,111.41
Construction of multi-purpose halls and public safety centers	119,176,605.05
Subtotal	**326,425,650.15**
Education	
Free tuition for College Education at Pamantasan ng Lungsod ng Marikina	86,033,122.00
College Education Assistance Program (CEAP) and Educational Assistance Program (EAP)/Special Program for Employment of Students (SPES)	4,492,730.00
Educational Assistance for Youth in Especially Difficult Circumstances – 397 students	2,183,000.00
Distribution of bags and supplies for 1,883 day care students	2,697,920.00
Subtotal	**95,406,772.00**
Peace and Order	
CCTV for Homeowners Association/schools	3,616,204.00
Installation of Lamp Post	8,699,933.82
Substance Use Prevention Education	932,516.82
Subtotal	**13,248,654.64**
Health	
Construction of Tañong and Sto. Niño Health Centers including renovation	12,321,511.61
Drugs and Medicines Supplies for various health services of the City	15,546,017.80

Programs/Projects	Amount
Medical, Dental and Laboratory Supplies	7,815,629.00
Medical Mission	587,890.00
Subtotal	**36,271,048.41**
Environment	
Effective administration/management of staffs, programs and resources that resulted to effective garbage collection and disposal; Regular Garbage Collection and Disposal; Food Waste Collection; Cooking Oil Collection; Sunday Citywide Hakot Kuyagot; Street Cleaning Services; Road Washing Operations "Dust Free Marikina Program"; Operation of Transfer Station; Operation of Styro/Plastic Densifier "Recycling of Waste Plastic into Paving Blocks"; Operation of Composting Facility "From Waste to Fertilizer"; Monitoring, implementation and enforcement of environmental laws and ordinances; and Information, Education and Communication Campaign.	174,500,549.55
Acquisition of tools, heavy equipment, rescue vehicle used in disaster/emergency response and rescue activities.	70,217,490.40
Stockpiling of basic emergency supplies and other materials	4,296,380.00
Conduct of trainings on disaster preparedness and response, search and rescue and retrieval operations	4,189,385.00
Citywide Improvement of parks and open spaces/fabrication and installation of playground equipment	5,281,247.76
Concreting of Jogging Lane	6,429,760.00
Subtotal	**264,914,812.71**
Social Services	
Assistance programs such as medical, burial, educational, calamity and balik-probinsiya programs	44,305,100.00
Philhealth coverage of indigent families	13,840,800.00
Supplemental Feeding Program	2,295,000.00
Special Programs for the Elderly and PWDs	69,473,178.96
Livelihood programs/trainings extended to constituents	1,890,809.50
Character Formation such as Munting Basurahan Program and Reward System for a Cleaner Community for Urban Poor Communities	39,030.40
Marikina Shoe Festival/Shoe Caravan	1,157,000.00
Subtotal	**133,000,918.86**
TOTAL	**P869,267,856.77**

D. Scope and Objectives of Audit

The audit covered the accounts and operations of the City of Marikina for the period January to December 31, 2018. The objectives of the audit are to: (a) be able to lend credence to 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 prior years' audit recommendations.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to errors and deficiencies that misstated the affected account balances, discussion of which are included in Part II of the report and summarized as follows:

1. The accounts Inventories - Construction Materials, Office Supplies and Drugs and Medicine were misstated due to higher balances per books as compared to the Report on Physical Count of Inventory (RPCI), with variances amounting to P50.925 million, P9.388 million and P3.384 million, respectively or a total of P63.696 million.

   We recommended that Management instruct:

   a. The General Services Office (GSO) to –

      - Coordinate with the City Accounting Office (CAO) to reconcile the results of the inventory count with the accounting records;

      - Locate the Request and Issue Slip (RIS) for the materials that were purchased in previous years and no longer included in the RPCI but still remained in the books;

      - Ensure that all issuances of supplies and materials are covered with duly approved RIS;

      - Ensure that all RIS are recorded in the Summary of Supplies and Materials Issued which is the basis for the CAO in preparing the JEV to record the issuance of the supplies and materials;

   b. The City Accounting Office (CAO) to -

      - Coordinate with the GSO to reconcile the discrepancies between their records;

      - Record the total amount of P1,099,350.52 as expense and credit the same under the account Drugs and Medicine Inventory as this represents the amount of inventories with no balances and were fully issued in 2018;

      - Make necessary adjustments, as a result of the reconciliation process, to the inventory accounts based on the existing quantities at year-end;

   c. The City Health Office (CHO) to –

      - Provide details on the acquisition dates of medicines to monitor its shelf life;

      - Check regularly the expiration dates of the drugs and medicine inventories and dispose those which are beyond their shelf life; and

      - Dispose of the expired medicines and provide the details/list to the CAO for recording.

2. The balance of Property, Plant and Equipment (PPE) account was doubtful due to (a) unreconciled discrepancies between the Report of Physical Count of PPE (RPCPPE) and accounting records, showing a net variance of P39.633 million; and (b) absence of documents showing the details of several PPE totaling P171.088 million which resulted to the non-determination of the economic useful life of these assets for the provision of depreciation. Also, various improvements in CY 2018 totaling P3.743 million were classified as PPE instead of Maintenance and Other Operating Expenses (MOOE).

   We reiterated our previous years' recommendations that the Inventory Team of the City under the City General Services Office (CGSO) prioritize the reconciliation of the results of the inventory count with the property and accounting records.

   We also recommended that:

   a. The CAO -

      - Secure supporting documents to record all assets which were included in the RPCPPE as City's property but not recorded in the books;

      - Look immediately into the noted discrepancies and determine the factors that contributed to the total variance;

      - Prepare adjusting entries for the improvements made in CY 2018 erroneously debited to PPE accounts;

      - Analyze continuously the reconciling items and other asset balance in the PPE accounts and accordingly prepare adjusting journal entries to reflect the correct balances of the affected accounts;

      - Adjust the affected accounts, as a result of the reconciliation, that are determined to be under/overstated to present the correct balances of PPE in in the financial statements and effect adjustments of the accumulated depreciation, if necessary; and

   b. The GSO immediately provide copies of the AIR, Invoice, Purchase Order and Purchase Request to the CAO to facilitate the immediate recording of the asset and Accounts Payable.

3. The Terminal Leave Benefits (TLB) amounting to P0.876 million was derecognized in the books of account, misconstruing Section 38 of CSC Memorandum Circular (MC) No. 41 series of 1998, thus, the obligation of the City was extinguished without a valid basis.

We recommended that the:

a. CAO prepare a journal entry to record back the Terminal Benefits Payable;

b. CAO and the City Budget Office prepare and submit a list of unclaimed Terminal Benefits to the City Personnel Office (CPO) for proper action; and

c. CPO apprise the employees of their unclaimed TLB, upon the receipt of the list of unclaimed Terminal Benefits.

F. Summary of Other Significant Observations and Recommendations

1. The Infrastructure Assets transferred to the Registry of Public Infrastructures (RPI) in CY 2015 and prior years, before the adoption of the accrual accounting in accordance with International Public Sector Accounting Standard (IPSAS), were not recorded back to the appropriate accounts prescribed in the Revised Chart of Accounts for Local Government Units under COA Circular No. 2015-009 dated December 01, 2015.

   We recommended that the CAO record back to the books the Infrastructure Assets that were previously transferred to the RPI before CY 2016 by using the appropriate accounts prescribed in the Revised Chart of Accounts for LGUs and compute for the depreciation expenses and accumulated depreciation of those assets. Henceforth, recognize in the books the Infrastructure Assets and provide for the depreciation and accumulated depreciation.

2. The accuracy, existence and validity of the balance of Road Networks account totaling P467.964 million could not be ascertained due to the non-conduct of physical inventory of road networks and non-submission of the Report on the Physical Count of Road Networks System (RPCRNS) by the Inventory Committee/General Services Office as required under COA Circular No. 2015-008 dated November 23, 2015.

   We recommended that:

   a. The Inventory Committee conduct a physical count for the Road Networks and prepare the RPCRNS to establish the validity and existence of the account balance in the financial statements; and

   b. The General Services Office maintain the required records to facilitate the conduct of inventory and preparation of the RPCRNS.

3. The Construction in Progress- Infrastructure Assets and Construction in Progress-Buildings and Structure accounts amounting to P23.718 million and P61.906 million, respectively, or a total of P85.667 million were misstated due to

inclusion of (a) various projects costing P54.904 million reported as completed per Accomplishment Report for CY 2018; (b) various projects dormant for two to nine years totaling P30.473 million; and (c) various completed projects partially closed to the appropriate asset account, leaving a balance of P0.623 million.

We recommended that the City Mayor instruct:

a. The City Engineering Office to -

- Issue certificate of completion for projects implemented by administration in the accumulated amount of P3,288,431.56;

- Expedite the processing of claims from supplier to facilitate the recording in the appropriate asset accounts in the books the completed projects by contract totaling P51,615,505.69, or if the contractor is no longer interested to collect the balances of the contracts, consider said balances as savings and issue the corresponding certificate of completion and acceptance;

b. The CAO to -

- Coordinate with the City Engineering Office to verify projects already completed with accumulated cost of P3,288,431.56, and prepare the adjusting entries to close the CIP Accounts to the proper asset account and record the corresponding depreciation;

- Record completed projects identified as dormant for more than two to nine years with a total cost of P30,096,648.56 after securing the documents from the City Engineering Office;

- Adjust the amount of P43,635.00 recorded as Construction in Progress instead of Repairs and Maintenance; and

- Reclassify the unissued/unused materials directly recorded as CIP totaling P333,131.00 to Construction Materials Inventory account.

4. Disbursements for food and drinks totaling P34.110 million for CY 2018 were charged to Other Maintenance and Other Operating Expense (OMOOE) account instead of Representation Expense (RE) or Extraordinary and Miscellaneous Expense (EME) accounts, as a result, such disbursements were recorded in the books as OMOOE that caused the overstatement and understatement of OMOOE and RE/EME accounts, respectively, by the same amount.

We recommended that the City charge food and drinks expenses relative to hosting of various meetings, assemblies, sessions, public relations, seminars and

medical missions to Representation Allowance (RA)/RE/EME accounts instead to OMOOE.

5. Projects costing P467.2 million to be financed from loan for which the amortization will be funded from the 20% Development Fund, are not among those authorized under DILG/DBM Joint Circular 2017-001 dated February 22, 2017. These included construction of school buildings, administration buildings and facilities.

   We recommended and the management concurred that the City:

   a. Appropriate under the General Fund the amortization for the payment of loans of the projects not eligible for funding under the 20% Development Fund; and

   b. Utilize the Special Education Fund for the construction of school buildings and facilities such as gymnasium and covered courts which are among the authorized uses of the fund under Item 4.1.2 of DepEd/DBM/DILG Joint Circular No.1 series of 2017.

6. The City exceeded its total projected income by P191.532 million or 9 percent of the estimated total revenue for CY 2018, however, the difference was primarily coming from revenue items with no projection/estimate totaling P170.372 million or 89 percent of the excess in projected income.

   We commended the City for meeting its over-all projected income, however, we still recommended that:

   a. The Local Finance Committee provide estimates for revenue items with actual receipts but no projections;

   b. The concerned revenue generating offices –

      - Perform periodic review to ascertain the realization of the over-all estimated income; and

      - Analyze the reasons for revenue items that missed the target and undertake effort to improve collection efficiency.

7. The tax collection strategies and remedies in addressing tax delinquencies on Real Property Tax as provided under pertinent Sections of RA No. 7160 were not availed of by the City, thus, resulting to a tax delinquency amounting to P914.454 million, inclusive of interest as of December 31, 2018.

   We recommended that the City adopt strategies, such as the issuance of warrant of levy and the institution of civil action against delinquent real property taxpayers

to improve the collection efficiency. Since the barangays are receiving their shares from the realty tax collection of the city, their assistance may be sought in the implementation of the city's tax campaign program, particularly in the dissemination of notices of delinquency and serving of warrants of levy to the delinquent real property owners within their territorial jurisdiction.

8. The City procured tires and battery storage for the repairs and maintenance of various vehicles totaling P6.736 million, which were split into several Purchase Orders contrary to Section 54.1 of the Revised IRR of RA 9184.

   We recommended that:

   a. The City stop the practice of splitting purchase requisitions or purchase orders and conduct competitive bidding to ensure that the City obtain the price that is most advantageous to the government; and

   b. The General Services Office regularly prepare and submit reasonable estimates for the materials to be used for the immediately succeeding Calendar Year (or semester or quarter) in the repair and maintenance of vehicles, for budgeting and procurement purposes.

The aforementioned observations together with the corresponding recommendations were discussed with Management officials concerned during the exit conference on May 3, 2019. Management views and comments were incorporated in the report, where appropriate.

G. Summary of total suspensions, disallowances and charges as of year-end

1. During CY 2018, one notice of disallowance was issued with a total amount of P5,992,000.00. The amount was disallowed since the contract for the supply of Rainwater Harvesting System was awarded to the supplier despite of non-compliance with the Implementing Rules and Regulations of RA 9184.

2. As of December 31, 2018, the outstanding audit disallowances that related to transportation allowances, overtime pay, travel expenses and purchase of Rainwater Harvesting System are summed up at P9,337,274.75.

H. Status of Implementation of Prior Years' Audit Recommendations

Of the 56 audit recommendations contained in the CYs 2015, 2016 and 2017 Annual Audit Reports, 23 or 41 percent were fully implemented, 23 or 41 percent were partially implemented and 10 or 18 percent were not implemented during the year.

The partially implemented and unimplemented audit recommendations were reiterated in Part II of this report.