

## EXECUTIVE SUMMARY

### A. Introduction

The City of Manila was founded on June 24, 1571 as a municipal government; it became the first chartered City by virtue of the Philippine Commission Act 183 on July 31, 1901 and gained autonomy with the passage of Republic Act No. 409 or the “Revised Charter of the City of Manila” on June 18, 1949.

The personnel complement of the City in CY 2017 totaled 10,148 composed of the following:

	<b>Executive Office</b>	<b>City Council</b>	<b>Total</b>
Elected	1	37	38
Permanent	8,734	129	8,863
Co-Terminus	37	462	499
Temporary/Casual	90	-	90
Consultant	110	-	110
Contractual	543	5	548
Job Order*			
<b>Total</b>	<b>9,515</b>	<b>633</b>	<b>10,148</b>

\*Data not provided

### B. Financial Highlights

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>Increase/(Decrease)</b></u>
Assets	P38,676,882,959	P33,810,074,253	P4,866,808,706
Liabilities	19,310,469,898	16,102,328,464	3,208,141,434
Equity	19,366,413,061	17,707,745,789	1,658,667,272
Income	12,637,598,963	12,832,645,690	(195,046,727)
Expenses	9,702,169,625	8,950,615,027	751,554,598

The total appropriations for the General Fund and Special Education Fund of the City for CY 2017 totaled P17.010 billion. The allotments and obligations charged against these appropriations amounted to P13.569 billion and P11.535 billion, respectively:

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>Increase/(Decrease)</b></u>
Appropriations	P17,010,000,000	P16,854,917,839	P 155,082,161
Allotments	13,568,965,483	14,178,022,354	(609,056,871)
Oligations	11,534,777,805	12,037,274,967	(502,497,162)

The total income of P12.638 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>
Tax Revenue	P 6,595,264,702	P 1,906,116,275	P 8,501,380,977
Share from IRA	2,686,609,017	-	2,686,609,017
Service and Business Income	1,260,369,781	15,405,581	1,275,775,362
Shares, Grants and Donations	138,202,627	-	138,202,627
Gain on Sale of Asset	1,144,801	-	1,144,801
Miscellaneous Income	34,486,178	-	34,486,178
<b>Total Income</b>	<b>P 10,716,077,106</b>	<b>P 1,921,521,857</b>	<b>P12,637,598,962</b>

### C. Operational Highlights

Significant accomplishments reported by the City during the year are as follows:

#### Awards and Recognitions

Award	Awarding Agency/Organization	Date Awarded
2016 Second Runner Up, Most Outstanding City in NCR in Nutrition Program Implementation and Management	National Nutrition Council – NCR	11/28/17
Newborn Screening Exemplary Performance Awardee for Consistent exemplary performance in helping the government improve the health of the Filipino children through Newborn Screening	Department of Health - NCR	09/27/17
Outstanding Local Government Unit Unparalleled Performance and Innovations in the Implementation of the Dengue Prevention and Control Program of the NCRs	Department of Health - NCR	09/27/17
Gregorio Del Pilar Award	Philippine Blood Center - Department of Health	12/01/17
Exemplary Performance in the Implementation of the National Voluntary Blood Services Program and Achieving one percent blood donation ration among its total population	Department of Health - NCR	09/27/17
Katuwang sa Pamublikong Kalusugan	College of Public Health, University of the Philippines	09/07/17

The City also obtained the Second Place in the Overall Most Competitive City (Highly-Urbanized Competitive Cities) in the Cities and Municipalities Competitive Index (CMCI).

In addition, the City also completed the following:

1. Repair/rehabilitation/Improvement/Upgrading of various structures and facilities;
2. Upgrading, concreting, and drainage improvement of 29 streets.
3. Construction of a four-storey columbarium at the North Cemetery;
4. Construction of a four-storey building at Gen. Lim Elementary School at Vitas, Tondo;
5. Installation of Fire Protection System and Generator Set at Ospital ng Maynila;
6. Construction of a three-storey building with Roofdeck at Pamantasan ng Lungsod ng Maynila;
7. Construction of a four-storey school building at Former Sergio Osmeña High School;
8. Rehabilitation of cells and jails for the inmates of the Manila City Jail;
9. Construction of a school canteen and food laboratory at Valeriano E. Fugoso Memorial School;
10. Construction of a four-storey building at Gregorio del Pilar Elementary School;
11. Construction of three-storey 12 classroom building at Timoteo Paez High School;
12. Construction of an apartment crypt at North Cemetery;
13. Construction of a four-storey columbarium at North Cemetery; and
14. Construction of covered court and improvement of grounds at Legarda Elementary School.

Likewise, the City, through the Department of Engineering and Public Works, used 10,009.54 metric ton of asphalt plantmix to repair 342 streets with a total length of 15,774.55 meters and an area of 72,723.75 square meters; maintained 4,419 boxes, curbs, and inlets; fabricated 137 manholes, 1,174 catch basin and 258 culverts; replaced/installed 138 manholes and 822 basins; cleaned 5,115 manholes and 16,022 basins, 67.45 kilometers of gutters and 98.44 kilometers of drainage line/open canal thereby collecting 3,101.08 cubic meters of spoils.

### **C. Scope of the Audit**

The audit covered the accounts and operations of the City for the year ended December 31, 2017. The objectives of the audit are 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 on a limited extent, determine the level 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 recommendations.

### **D. Auditor's Opinion on the Financial Statements**

The Auditor rendered an adverse opinion on the fairness of presentation of the financial statements as of December 31, 2017 due to the significance of the errors and deficiencies noted that materially affected some account balances as discussed in detail in Part II of the report and summarized as follows:

1. The existence, completeness and accuracy of the Cash in Bank accounts totalling P10.535 billion cannot be ascertained due to (a) net discrepancy of P256.573 million between the book and bank balances which could not be validated due to absence of Bank Statements (BSs) resulting to the non-preparation of Bank Reconciliation Statements (BRSs); (b) disparity of P2.723 billion between the Subsidiary Ledger (SL) balances and Treasury records; and (c) difference of P15.502 million between the General Ledger (GL) and SL balances.

We recommended that Management require:

- a. The Office of the City Accountant (OCAT) to –
  - Prioritize the reconciliation of discrepancies between the book and bank balances of the Cash in Bank accounts and make the necessary adjustments in the books of accounts for identified errors and omissions;
  - Provide details for expropriation accounts with SL balances presented in lump sum;
  - Coordinate with the City Treasurer on the possibility of maintaining only a few bank accounts and the closure of those no longer necessary after completion of the analysis and reconciliation;
  - Properly prepare and maintain an updated GL and SL, in hard and soft copies, and make available for review by the Audit Team at any given period;

- Provide the details or relevant data of all the transactions posted in the SL to facilitate review and reconciliation with the controlling accounts in the City's books of accounts; and
  - Ensure that all Journal Entry Vouchers (JEVs) drawn are supported with the necessary documents and the same are submitted to the Audit Team within the prescribed period to avoid the suspension of the transactions.
- b. The Office of the City Treasurer (OCT) and OCAT to exert concerted efforts to review and analyze their respective records to come up with reconciled and correct balances; and
  - c. The OCT to specify in the maintained Cashbooks the corresponding bank account number/s to facilitate the reconciliation with accounting records and for proper monitoring.
2. The book reconciling items for the current and prior years in the net amount of P78.155 million and P572.605 million, respectively, were not adjusted, thus, rendering the correctness of the balances of the affected accounts unreliable.

We recommended that Management require the OCAT to:

- a. Coordinate with the OCT to secure the pertinent documentation of the reconciling items from the concerned banks to support the adjustment in the books of accounts;
  - b. Ensure that complete and relevant descriptions of reconciling items are provided in the BRSs and duly supported with documents/schedules to facilitate verification; and
  - c. Prepare the necessary adjustments in the books of accounts immediately after identification and documentation of reconciling items.
3. The conduct of annual physical inventory of the PPE accounts with a net carrying amount of P18.102 billion was not judiciously planned resulting to the non-completion of the inventory taking, thus, the accuracy, validity and existence of the City's PPE could not be ascertained. Likewise, the OCAT and the City General Services Office (CGSO) failed to maintain PPE Ledger Cards (PPELCs) and Property Cards (PCs), respectively.

We recommended that Management:

- a. Initiate the conduct of annual physical inventory of its PPE in a timely manner to ensure the early completion of the activity in order for the Inventory Committee to have an ample time in the preparation of the RPCPPE and the reconciliation of the same with the OCAT and CGSO

records. It will likewise permit at the most opportune time submission of the report to the CAO for verification; and

- b. Require the OCAT and CGSO to maintain the PPELCs and PCs, respectively, for each asset category indicating relevant information pertaining to the particular PPE pursuant to Sections 119 and 120 of the NGAS Manual for LGUs, Volume I, and to regularly reconcile their respective records.
4. The accuracy and validity of the recorded beginning balance of the Infrastructure Assets-Road Networks account amounting to P708.623 million could not be ascertained due to lack of pertinent documents/reports to substantiate the same contrary to the provisions of COA Circular No. 2015-008 dated November 23, 2015.

We recommended that:

- a. The OCAT immediately submit the required supporting documents and working papers to corroborate the entry made in setting up the Infrastructure Assets-Road Networks account, otherwise, prepare adjusting journal entry reversing the previous entry made in recognizing the subject account; and
  - b. Management facilitate the creation of an Inventory Committee that will undertake the inventory taking of all City's roads and the preparation of the corresponding inventory report to facilitate the transfer of local roads accounts from the Registry of Public Infrastructures to the books of accounts.
5. The year-end balance of the Construction in Progress (CIP) account under the GF and SEF totalling P1.486 billion showed a difference of P105.673 million when compared with the balance of the subsidiary schedules of the said account totalling P1.380 billion. Likewise, the subject account included 35 completed projects amounting to P617.352 million, which were not reclassified to the appropriate PPE accounts, thereby, overstating the balances of the CIP accounts and understating the balances of the related PPE accounts.

We recommended that the OCAT:

- a. Verify the cause/s of the discrepancy between the balances appearing in the GL as against the subsidiary schedules of the CIP accounts and make the necessary correction to reconcile the same;
- b. Coordinate with the DEPW in determining the actual status of all reported on-going projects and to effect the necessary adjustment in the books of accounts based on the result of the validation in order to reflect the accurate balance of the CIP accounts; and

- c. Coordinate constantly with the DEPW to ensure that all completed and paid projects are immediately classified to their appropriate PPE accounts and compute the required depreciation.
6. The non-submission of 5,539 paid DVs together with the supporting documents worth P2.801 billion is contrary to the provision of Section 6.05 of COA Circular No. 95-006 dated May 18, 1995, and precluded timely audit of the subject transactions to determine their legality and propriety.

We recommended that the OCAT cause the immediate submission of all paid DVs which were long overdue to the CAO and, henceforth, strictly comply with the prescribed period of submission provided under Section 6.05 of COA Circular No. 95-006 dated May 18, 1995 to ensure the conduct of timely audit and review of the transactions and to communicate the results thereof to concerned officials.

#### **E. Other Significant Observations and Recommendations**

1. The balance of the unliquidated cash advances granted to Accountable Officers (AOs) had accumulated to P360.555 million as of year-end, which could be attributed to the non-implementation of the stringent rules and regulations on cash advances and unsuccessful efforts of Management in requiring the AOs to settle and liquidate their outstanding cash advances due to non-enforcement of appropriate sanctions allowed by law as provided for under PD 1445 and COA Circular No. 97-002 dated February 10, 1997.

We recommended that Management:

- a. Refrain from the practice of granting additional cash advances to those AOs whose previous cash advances were not yet liquidated/settled;
- b. Direct the designated AOs to strictly comply with the rules and regulations particularly on the liquidation of cash advances within the prescribed period as required under COA Circular No. 97-002 dated February 10, 1997;
- c. Require all City personnel with outstanding cash advances who are about to retire, resign or transfer to other agency to settle first their cash and property accountabilities before granting them the necessary clearance; and
- d. Require the City Accountant to:
  - Constantly monitor and remind all AOs to liquidate their outstanding cash advances as required to avoid accumulation of outstanding cash advances;

- Order the withholding of any amount due to all AOs who failed to liquidate their outstanding cash advances despite demand and coordinate with the City Legal Office for the institution of appropriate legal action;
  - Effect the immediate recording of the cash advance granted to Ms. Leonora Pascual intended for PCF which was inadvertently not recorded in the books of accounts; and
  - Request for write-off of dormant unliquidated cash advances granted to disbursing officers, agency officials and employees which remained non-moving for 10 years or more and where settlement/collectability could no longer be ascertained in accordance with the guidelines and procedures provided under COA Circular No. 2016-005.
2. The Traffic Trust Fund balance in the amount of P75.735 million recorded as Due to Officers and Employees-Ordinance Violation Receipt (OVR), 25% sub-account under the Trust Fund (TF) was reclassified to Due to Officers and Employees-OVR, 20% and Due to Officers and Employees-OVR, 5% sub-accounts in the amount of P60.588 million and P15.147 million, respectively, without the necessary list of payees, thus, the corresponding back-up cash of the said account may be compromised, if the same is released to traffic enforcers (20 percent) and traffic enforcement units (five percent) of the City.

We recommended that Management direct the OCAT to:

- a. Immediately reverse the accounting entries made in order to restore the Due to Officers and Employees-OVR, 25% sub-account to safeguard the funds in the meantime that the specific/legitimate payees, traffic enforcers and traffic enforcement units, are not yet properly identified;
  - b. Make a thorough review of previous records particularly the accumulated amount pertaining to the Due to Officers and Employees-OVR, 25% sub-account to determine who among the present traffic enforcers and traffic enforcement units are entitled to be paid; and
  - c. Revert the said amount from the TF to the GF as provided for under the Ordinance in the event that the sub-account does not belong or could no longer be determined as pertaining to any specific payee, traffic enforcers and traffic enforcement units, particularly the amount recorded prior to the amendment of the Ordinance.
3. The City's share from PAGCOR and Lotto Charity Fund from the PCSO totaling P185.250 million and P90.886 million, respectively, were erroneously recorded as Inter-Agency Payables (Due to GOCCs-PAGCOR/PCSO) accounts under the TF instead of Share from PAGCOR/PCSO accounts in the GF books of accounts.

We recommended that:

- a. The City Accountant record/reclassify the funds as Share from PAGCOR and Share from PCSO accounts in the General Fund (GF) in conformity with the revised Chart of Accounts and maintain a separate SLs under the GF to properly monitor the charges thereon in accordance with the requirements/guidelines on the handling and disposition of PAGCOR Host City Share and Share from Lotto Charity Fund of the PCSO; and
  - b. The City Treasurer transfer immediately the cash in bank corresponding to the unutilized PCSO Lotto Charity Fund from the TF to the GF in order to augment the scarce resources of the General Fund to be utilized for expenditures aligned with the intentions/purposes of E.O. 357, as amended. Henceforth, maintain a separate record/cashbook of the PAGCOR funds under the GF.
4. The release of the quarterly RPT shares for the 896 Barangays of the City for CY 2017 in the amount of P952.225 million was delayed by 56 to 93 days, contrary to Section 271(d) of R.A. 7160. Likewise, the accuracy of the said RPT shares recorded under the Due to LGUs - Barangay account could not be ascertained because of the (a) inclusion in the distribution list of 27 non-existent barangays, of which actual release was made to one barangay; (b) unreconciled balances of the reciprocal accounts, Due from LGUs-City of Manila and Due to LGUs-Barangay account for CYs 2015 and 2016; (c) incomplete/non-maintenance of barangay books of accounts for CYs 2015 to 2017; and (d) lack of manpower under the OCAT to handle accounting and bookkeeping functions.

We recommended that:

- a. The OCT initiate the regular/timely release of the quarterly RPT shares for all the barangays of the City pursuant to Section 271(d) of R.A. 7160; and
- b. The OCAT submit promptly the pertinent JEVs, DVs and supporting documents to the CAO pertaining to the barangay RPT shares to facilitate the audit and to avoid the suspension of the transaction/s.
- c. Management –
  - Undertake a review of prior years' records/documents relative to the consolidation of the 913 barangays as stated in the Factbook of the Liga Ng Mga Barangay, on how the City came up with the 896 existing barangays to serve as basis in the computation and correct distribution of the 30 percent RPT shares;
  - Conduct an investigation on the circumstances surrounding the allocations of RPT shares to the 27 non-existent barangays and

determine the particular barangays where the non-existent/abolished barangays were merged;

- Make representation with the LBP, Tayuman branch, to establish the legitimacy of the bank account maintained for Barangay 10 and determine whether the RPT shares deposited are still intact;
  - Consider revision of the existing plantilla to include technical positions, such as Certified Public Accountants/accounting graduates, to handle accounting and bookkeeping functions, particularly the timely preparation of the barangay accounting reports and related records; and
- d. The City Treasurer and the City Accountant facilitate the adjustment of their respective barangay records as to the determined actual number of barangays, and review and recompute the RPT shares allocated to the non-existent barangays covering CY 2017 and prior years, for the eventual distribution to all identified existing barangays of the City;
- e. The Real Property Tax Accounts Division and Barangay Accounts Division (BAD), OCAT, conduct an immediate review and in-depth verification in order to reconcile the reciprocal accounts, Due to LGUs and Due from LGUs, with respect to the barangay RPT shares for the current and prior years to come up with an accurate amount of RPT shares for each of the barangay of the City; and
- f. The BAD fast track the preparation of the books of accounts for CYs 2015 to 2016 for those barangays without financial statements and related accounting records submitted to the Audit Team.

The aforementioned observations together with the corresponding recommendations were discussed with Management officials concerned during the exit conference on May 23, 2018. Management views and comments were incorporated in the report, where appropriate.

#### **F. Summary of Suspensions, Disallowances and Charges as of year-end**

The enforcement of settlement on audit suspensions, disallowances and charges amounting to P49.475 million, P60.249 million and P31.317 million, respectively, was not efficiently undertaken by the Management contrary to the provisions of Section 7 of the Rules and Regulations on Settlement of Accounts as prescribed under COA Circular No. 2009-006 dated September 15, 2009.

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

Of the 91 audit recommendations contained in the CY 2016 Annual Audit Report, 32 or 35.17 percent were implemented, 34 or 37.36 percent were partially implemented and 25 or 27.47 percent were not implemented.