



**Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City**

ANNUAL AUDIT REPORT

on the

CITY OF NAGA

For the Year Ended December 31, 2018



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. V
Rawis, Legazpi City

Telefax Nos.: 482-0547; 482-0548

OFFICE OF THE REGIONAL DIRECTOR

Hon. John G. Bongat
City Mayor
Naga City



April 30, 2019

Dear Mayor Bongat:

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the City Government of Naga, Camarines Sur for the year ended December 31, 2018, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The attached Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, which were discussed with concerned officials and staff, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Province for the year ended December 31, 2018.

We request that the recommendations be promptly implemented and we would appreciate being informed of the actions taken thereon within sixty (60) days from receipt hereof, using the prescribed format of the attached copy of the Agency Action Plan and Status of Implementation (AAPSI).

We express our appreciation for the support and cooperation extended to our Auditors by the officials and staff of the City.

Very truly yours,



ROLAND A. REY
Director IV

Copy furnished:

1. The Regional Director
Bureau of Local Government Finance, Region V, Legazpi City
2. The Secretary
Department of the Interior and Local Government
Francisco Gold Condominium, Cubao, EDSA, Quezon City
3. The Secretary of the Sangguniang Panglungsod of Naga City
Office of the Sangguniang Panglungsod
City of Naga
4. The City Accountant
City Government of Naga
Naga City, Camarines Sur
5. The Director
National Library of the Philippines
T.M. Kalaw St., Ermita, Manila (e-copy)
6. UP Law Center
Bacobo Hall, UP Law Complex
University of the Philippines, Diliman, Quezon City (e-copy)
7. COA Central Library
Commonwealth Avenue, Quezon City (e-copy)

EXECUTIVE SUMMARY

1. Introduction

The City Government of Naga (CGN) was created by the Senate and the House of Representatives through the enactment of Republic Act No. 305 which took effect on June 18, 1948. Sixty-nine years ago, Naga officially became a chartered city from being a municipality in the Province of Camarines Sur.

It is an independent component city in the Bicol Region that has evolved into a vibrant city with flourishing economy as evidenced by the numerous business establishments setting up every year. It has an area of 84.48 sq. km. or 32.62 sq. mi. with present population reported at 196,003 per CY 2015 census and records of the Philippine Statistics Authority and with 77,784 registered voters and labor force of 60,772 people.

The CGN envisions to be the recognized model of: a) good governance and responsible citizenry that asserts and accepts their roles and responsibilities in nation-building; b) people-centered development anchored on quality and accessible services in health, education and other social services, especially for the marginalized and the vulnerable; and c) abiding faith that expresses itself in social solidarity and a culture of excellence flourishing in a city that is peaceful, safe and in accord with nature where cultural values are nurtured and religious diversity respected.

Since 1988, CGN has built a reputation for being a model local government unit that pioneered innovations in local governance. This is attested to by more than 189 international, national and regional awards and individual recognition. Among the most important and recent awards received are: a) the stature of the CGN as a PCW-recognized Local Learning Hub on GAD multi-sectoral and community-based programs to address gender-based violence; b) 1st Place Economic Dynamism, Component Cities Category on Government Efficiency given by the National Competitiveness Council; and c) Plaque of Commendation for bringing honor to the Bicol Region as the 2nd Most Competitive Independent City in the Philippines in 2018, given by the Bicol Regional Development Council Legaspi City on September 7, 2018.

Operational Highlights

Some of the significant accomplishments of the CGN during the year are as follows:

- a) Construction of Sanitary Landfill - Four major separate projects for the completion of the Sanitary Landfill are expected to be completed in July 2019;
- b) Naga River Rehabilitation Program - Created under SP Ordinance No. 2013-053 has gained recognition highlighted by the DPWH construction of river revetments starting from Tabuco and extending until San Felipe and the joint

project of dredging the Naga River with the Memorandum of Agreement with the DPWH and the LGU.

- c) Rehabilitation of Naga City Abattoir - The Naga City Abattoir has now been classified as "AA" category by the National Meat Inspection Service (NMIS). The rehabilitation of its facilities fit for said category includes the installation of waste water treatment, provision/upgrading of its equipment and expansion of the building. It is now an accredited Assessment Center by the TESDA.
- d) Naga City Community College - Created under SP Ordinance No. 2015-011, has also been gaining recognition producing graduates with an average of 90% PRC passing rate, higher than the national average of 70%. Likewise, the College has managed to obtain a 78.57% passing rate for its midwifery course during the year.

Audit Objectives and Scope of Audit

A Financial and Compliance audit was conducted on the accounts and operations of all funds of the CGN for CY 2018 aimed to determine the reliability of financial statements and ascertain on a test basis the validity and propriety of transactions as well as its compliance with laws, rules and regulations. Likewise, a Projects Evaluation was conducted to evaluate the economy, efficiency and effectiveness of implementation of selected programs/projects/activities of the CGN with emphasis on the significant audit areas identified by the Audit Team which were aligned with the Audit Thrusts and supplemental Audit Instructions for CY 2018 and prior years under unnumbered Memoranda issued on various dates by the Office of the Assistant Commissioner, Local Government Sector, Commission on Audit, Quezon City.

A Revenue Audit was also conducted on the financial operations of the Naga City Hospital, a special account in the General Fund and the Real Property Tax System to determine a) whether revenues are correctly assessed, collected and accounted; b) assess revenue trends; and c) evaluate causes of revenue losses, if any.

In addition, a Performance Audit was conducted on the stature of Naga City as PCW-recognized Local Learning Hub on GAD multi-sectoral and community-based programs to address gender-based violence, namely, the Bantay Familia Program, Barangay GROW Negosyo Program and Breastfeeding Program in compliance with the unnumbered Memorandum dated July 31, 2018 issued by the Assistant Commissioner, Chair, Technical Working Group, COA GAD Focal Point System, Commission on Audit, Commonwealth Avenue, Quezon City. The performance audit covered a) financial and compliance audit of funds pertaining to the specific GAD program which included evaluation of agency's compliance with existing laws and regulation on GAD including the mandatory appropriation for GAD; and b) value for money audit on the GAD activities which included the determination of the economy, efficiency and effectiveness of the agency's policies, programs and activities in addressing gender issues.