

EXECUTIVE SUMMARY

HIGHLIGHTS OF FINANCIAL OPERATION

For CY 2008, the Municipality generated total income of ₱40,551,509.66 from local taxes, permits and licenses, service and business income and internal revenue allotment. The total fund utilized for the year amounted to ₱40,277,880.83 out of the total appropriation of ₱45,365,431.76.

SCOPE OF AUDIT

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality of Jalajala for calendar year 2008. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the agency to laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

AUDIT OPINION ON THE FINANCIAL STATEMENTS

The Supervising Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality due to the effects of the noted deficiencies on the balances of some accounts, as discussed in detail in Part II of the Report.

SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS

The following is the summary of significant audit findings and recommendations in the audit of the Municipal Government of Jalajala for the year 2008.

1. The accuracy and reliability of the recorded balances of Real Property Tax (RPT) and Special Education Tax Receivable (SET) of ₱3,455,484.17 and ₱3,455,484.18, respectively at year-end could not be ascertained since the amount set-up during the year was based again on an incomplete list of actual taxpayer's payable, contrary to Section 20, Volume I of the Manual on the New Government Accounting System (MNGAS).

We recommended that the Local Chief Executive requires the Municipal Treasurer to furnish the Accountant with a complete and accurate certified list of taxpayers and the tax due from each every beginning of each year as a basis of recording in the books of accounts of the RPT/SET Receivables in order to reflect the actual financial position of the Municipality.

2. The continued failure of the Municipal Government to complete the physical inventory of its properties as required under Section 124 of MNGAS, Volume 1 and the non-booking of donated assets rendered the recorded balance of the Property, Plant and Equipment (PPE) accounts with a book value of ₱26,377,486.02 as of December 31, 2008 unreliable. Likewise, both the inventory report submitted by the Inventory Committee and the subsidiary ledgers and property cards maintained by the Municipal Accountant and Property Officer, respectively were still incomplete.

We recommended that the Municipality conducts a complete inventory of all its property, plant and equipment which should include land and buildings owned by the Municipality. Also, donated properties should be appraised as a basis in recording their cost in the books of accounts in the absence of documents relative thereto. Moreover, the Municipal Accountant and the Property Officer should investigate the discrepancies between the inventory report of equipment, furniture and fixtures and motor vehicles and the accounting records and make the necessary corrections where the error was committed. They should also continue to exert efforts in tracing back prior years acquisition of property, plant and equipment in order to have a complete record of the fixed asset accounts, facilitate inventory taking and reconciliation between the property and accounting records. Finally, determine the officials/employees to whom the equipment were issued and issue the corresponding ARE to easily pinpoint accountability.

3. For lack of accounting records/documents to substantiate the balances, the validity of the recorded payables amounting to ₱2,048,408.18 is doubtful contrary to Section 111 of Presidential Decree (PD) 1445.

We recommended that the Local Chief Executive instructs the Municipal Accountant to give priority in determining the composition of the balances of the above accounts to ascertain their validity. Those found valid should be immediately remitted to the agencies concerned. Moreover, subsidiary ledgers for all inter-agency payables should be maintained and up-dated to facilitate review and verification of the same.

4. The failure of the Municipal Accountant to reconcile the Receivable account in the General Fund and the corresponding Payable account in the Trust Fund resulted to discrepancy of ₱369,529.25 in the intra-agency Receivable and Payable accounts.

We recommended that the Municipal Accountant reconciles the intra-agency receivable and payable accounts of the Municipality and the necessary adjustments should be effected in the books of accounts.

5. Unreconciled amount of ₱71,642.38 between the cashbook and general ledger balances rendered the accuracy of the recorded Cash in Vault balance totaling to ₱724,151.03 as of year-end doubtful contrary to Section 6.3 of COA Circular No. 97-002 dated February 10, 1997.

We recommended that the Municipal Treasurer and Municipal Accountant exert extra efforts to locate the necessary documents and prior years' records in order to reconcile of the two records and make the necessary corrections/adjustments to establish the correct balance of the Cash in Vault account.

6. Reconciling items in the bank reconciliation statements of ₱175,840.93 remained unadjusted in the books of accounts contrary to Section 48 of Government Accounting and Auditing Manual (GAAM) Volume III thereby casting doubt as to the correctness of the recorded balance of the Cash-in-Bank –Local Currency, Current Account (LCCA) of the Municipal Government.

We recommended that the Municipal Accountant exerts more efforts and exhaust all possible means to trace and locate the documents relative to the reconciling items so that the necessary adjustments/corrections could be made. She should coordinate with the Municipality's depository banks and request copies of prior years' bank statements and other related records needed in determining the details of the transactions.

7. Depreciable property, plant and equipment worth ₱5,566,014.31 were not provided with depreciation as required under Section 4.0 of the MNGAS, Volume 1, due to unavailability of records overstating the value of the Property, Plant and Equipment accounts and understating the expense of the Municipality.

We recommended that the Local Chief Executive instructs the Municipal Accountant to continue exerting extra efforts in tracing back prior years' transaction in order to establish the details of the accounts, so that depreciation could be computed for a fair presentation of the value of the assets of the Municipality. Coordination with other departments should be made to gather data/records, particularly the Municipal Engineering Office and the Treasury.

8. The Other Assets account is overstated due to the failure of the Municipality to drop from the books of accounts, the cost of the unserviceable and non-existing properties of the Municipality in the amount of ₱752,760.00 and ₱1,359,218.28, respectively, contrary to Section 79 of PD 1445 and Section 378 of RA 7160.

We recommended that the Local Chief Executive instructs the municipal officials concerned to expedite the disposal of the unserviceable properties so that their costs could be dropped from the books of accounts. Further, exert extra efforts to locate the AREs of the unlocated properties in order to determine the custodians and demand for the immediate return of the properties issued to them. Likewise, the custodians of the missing properties should be directed to file requests for relief from accountability duly supported with all the required documents so that they can be relieved from any liability. Failure to do so without justifiable reason constitute malversation of public property which is punishable under the Revised Penal Code.

9. Several cash advances, other than pre- travel expenses in the General Fund amounting to at least ₱493,057.39 were granted to officials/employees who were not bonded and duly appointed or designated disbursing officer contrary to Section 4.1.5 of COA Circular No. 97-002 dated February 10, 1997 and Section 101.2 of PD 1445 to the disadvantage of the Municipality.

We recommended that Municipal officials concerned refrain from granting cash advances to officials and employees who are not duly appointed/designated as Special Disbursing Officer and not bonded pursuant to the above-mentioned regulations.

10. The Municipal Government had no Gender and Development (GAD) plan and budget for the year 2008 contrary to the requirements of Local Budget Memorandum No. 28 dated June 15, 1997 and Joint Circular No. 2001-01 of the DILG, DBM and NCRFW dated December 19, 2001.

We recommended that the municipal officials concerned prepare a GAD plan and provide budget for its activities, implement, monitor and report the same to concerned oversight offices pursuant to the above-cited regulations.

11. The continued non-submission by the Municipality of all the pertinent documents and contacts relative to the construction of the new Jalajala Public Market worth ₱12,673,738.36 as required under Section 4(6) and 39(1) of Presidential Decree (PD) No. 1445, rendered the verification and inspection of the project difficult.

We recommended that municipal officials concerned exert extra efforts to locate and expedite the submission of all the necessary documents pertaining to the construction of the Jalajala Public Market to facilitate the examination and inspection of the same.

12. The Municipal Government failed to realize its estimated income of ₱438,000.00 from the operations of its market and slaughterhouse incurring a net loss of ₱686,839.30 depriving its constituents of the benefits that could have been derived from the additional funds used to augment the market and slaughterhouse operations for the year.

We recommended that Municipal officials concerned immediately find ways on how to increase the income of the market in order to avoid further incurrence of loss which deprives the constituents of the Municipality the benefits that could be derived from the funds being used to support the losing operations of the market. Consider also other alternatives on how to fully utilize the market to maximize its earning capacity like renting it out to other entities which could use it as their storeroom/bodega or for other purposes. Henceforth, before undertaking an income generating and self liquidating project in the future, a thorough study on its viability should be made to avoid similar failure.

The above together with the other findings and recommendations contained in the report were discussed with concerned municipal officials and staff. Management's views and reactions were considered in the report, where appropriate.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 11 prior year's audit recommendations embodied in the 2007 Annual Audit Report, 4 were fully implemented, 6 were partially implemented and 1 was not implemented by the municipality.