

EXECUTIVE SUMMARY

FINANCIAL HIGHLIGHTS

For CY 2009, the Municipality generated total income of ₱45,274,866.89 from local taxes, permits and licenses, service and business income and internal revenue allotment. The total fund utilized for the year amounted to ₱38,098,674.63 out of the total appropriation of ₱49,705,751.48.

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 2009. 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.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Audit Team Leader did not render an 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 2009.

1. The Real Property Tax (RPT) and Special Education Tax (SET) Receivables amounting to ₱3,926,909.76 and ₱3,926,909.77 respectively at year-end, were unreliable as the basis for the computation of the same were not a complete list of taxpayers of the Municipality, contrary to Section 20, Volume I of the Manual on the New Government Accounting System (MNGAS) thus, affecting the fair presentation of the Municipality's financial position.

We recommended that the Local Chief Executive requires the Municipal Treasurer to prioritize the completion of the list of taxpayers and the corresponding tax due every beginning of each year and furnish the Municipal Accountant with such list to serve as her basis in computing the amount of RPT/SET receivables 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 the MNGAS, Volume 1, the none taking-up in the books of the donated assets and, the failure to update/complete the subsidiary ledgers and property cards rendered the recorded balance of the Property, Plant and

Equipment (PPE) accounts with a book value of ₱29,330,212.09 as of December 31, 2009, unreliable thus, affecting the fair presentation of the Municipality's financial statements.

We reiterated our recommendation that the Municipality conducts a complete inventory of all its property, plant and equipment. As to the donated properties, in case of failure to secure the donation documents, these should be appraised and be the basis in recording the costs of the same in the books. Moreover, the Municipal Accountant and the Property Officer should investigate the discrepancies noted between the inventory report of equipment, furniture and fixtures and motor vehicles and, the accounting records and trace the discrepancies. They should also continue to exert efforts in tracing prior years' acquisitions of property, plant and equipment to come up with a complete record of the fixed asset accounts, facilitate inventory-taking as well as, determine the officials/employees to whom some of the equipment were issued, and issue the corresponding ARE to easily pinpoint accountability.

3. Account Payables totaling ₱2,048,408.18 which comprised 40.02% of the total Current Account Payables was not substantiated with any documents/accounting records in violation to Section 111 of Presidential Decree 1445, resulting in the overstatement of the Payable Accounts thus, affecting the Municipality's financial position.

We reiterated our recommendation that the Local Chief Executive instructs the Municipal Accountant to prioritize the conduct of determining the details/composition of the said balance. Those found valid should be remitted to the concerned government agencies. Moreover, we reiterate that subsidiary ledgers for all inter-agency payables be maintained and updated to facilitate review and verification of the same.

4. Unreconciled discrepancies between the cashbook and general ledger balances totaling ₱71,642.20, which was not in compliance with the provisions of Section 6.3 of COA Circular No. 97-002 dated February 10, 1997 rendered the accuracy of the recorded Cash in Vault balance totaling to ₱295,680.81 as of year-end doubtful thus, affecting the fair presentation of the Municipality's financial statements.

We recommended that the Municipal Treasurer and Municipal Accountant continually exert extra efforts to locate the necessary documents and prior years' records in order to reconcile the two records and upon determination, make proper corrections/adjustments to establish the correct balance of the Cash in Vault account. Coordinate with the former Municipal Treasurers who might be of help in tracing the discrepancies as, they were the ones who have more knowledge of the previous years' transactions. From then on, a periodic reconciliation of the balances of the Cash in Vault account as reflected in the cashbook and in the general ledger should be made to assure correctness of the balances. Thru this, errors could be traced immediately without much effort. Reconciled balances also reflect the efficiencies of both the Accounting and the Treasury Units.

5. Reconciling items totaling ₱175,840.93 were not effected in conformity with the provisions of Section 48 of the Government Accounting and Auditing Manual (GAAM), Volume III, resulting in the unreliability of the balance of the Cash-in-Bank – Local

Currency, Current Account (LCCA) of the Municipal Government thus, affecting the fair presentation of its financial statements.

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 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.

6. Depreciable property, plant and equipment worth ₱5,313,514.31 were not provided with depreciation as required under Section 4.0 of the MNGAS, Volume 1, due to unavailability of records thus 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 continually exert extra efforts in tracing prior years' acquisitions so that the data needed in the computation of the corresponding depreciation expense for the assets be obtained for the fair presentation of the Municipality's assets. They can also seek the assistance of the Municipal Engineering Office and the Treasury which could provide them with some of the needed data.

7. The continued failure of the Municipality to furnish the Audit Team with the original copy of contract with all its the supporting documents, relative to the construction of the new Jalajala Public Market amounting to ₱12,673,738.36 as required under Section 4(6) and 39(1) of Presidential Decree (PD) No. 1445, resulted to the failure of the Team to render the required review, evaluation and inspection to determine the reasonableness of the price and conformity with the contract specifications among others thus, any deficiency that could have been noted were not communicated and that, the persons liable therefore, were not being made accountable thereto.

We reiterated our recommendation that the Municipal officials concerned still exert extra efforts to locate and expedite the submission of the subject documents relative to the construction of the Jalajala Public Market to facilitate the review, evaluation and inspection of the same.

8. The failure of the Municipality to drop from the books of accounts the cost of unserviceable assets as well as non existing properties in compliance with Section 79 of PD 1445 and Section 378 of RA 7160 resulted to the overstatement of the Other Assets account thus, affecting the fair presentation of the Municipality's financial position.

We recommended that the Local Chief Executive instructs the municipal officials concerned to expedite the disposal of the unserviceable properties so that the cost could be updated and be dropped from the books of accounts. Further take extra efforts to locate the Acknowledgement Receipt for Equipments (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 request for relief from accountability duly supported with all required documents so that they can be relieved from any liability. Failure to do so without justifiable reason constitutes malversation of public property which is punishable under the Revised Penal Code.

9. Copies of government contracts, purchase orders and their supporting documents were not submitted to the Auditor within the prescribed period for review and evaluation as required under COA Circular No. 2009-001 dated February 12, 2009, thus, timely audit action could not be communicated to the agency.

We recommended that the Municipal officials concerned should submit copies of the perfected contracts and approved purchase orders to the Auditor within the prescribed period for timely review and evaluation and likewise, timely communication of audit results that could be used by management in its decision making function.

10. The Municipal Government failed to realize a potential income of an estimated ₱400,000.00 from the operations of its market and slaughterhouse but incurred a net loss instead amounting to ₱772,875.79 thus, depriving its constituents of the benefits that could have been derived out of these earnings as well as on the funds that were used to support the losing operations of the same.

We recommended that Municipal officials concerned immediately find ways on how to generate more income from market operations 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 12 prior year's audit recommendations contained in the 2008 Annual Audit Report, three (3) were fully implemented, four (4) were partially implemented and five (5) was not implemented by the municipality, the results of the validation of the implementation of prior year's recommendations are presented in Part III of the report.