

## **EXECUTIVE SUMMARY**

### **Introduction**

The Municipality of Jalajala was created on March 27, 1907 by virtue of the Philippine Commission Act. No.1626. The Municipality's ultimate development goal is to uplift its constituents out of the bondage of poverty.

For CY 2011, the Municipality had 96 plantilla positions distributed among the twelve departments/offices and the six adjunct offices. Of the total plantilla positions, 12 are elective, 65 are career, and 2 are co-terminus. It has 74 employees hired on Job Order basis .

### **Financial Highlights**

As of December 31, 2011, the Municipality had total assets of ₱ 88,224,621 total liabilities of ₱22,281,077 and total equity of ₱65,943,543. This year's assets increased by ₱8,058,057 or 10%, while the liabilities and equity increased by ₱926,840 or 4% and ₱7,131,217 or 12%, respectively, as compared with previous year's figures.

For CY 2011, the Municipality generated total income of ₱52,533,583 or an increase of ₱4,736,795 or 10% from last year's income of ₱47,801,788.

Current appropriations and obligations for General and Special Education Funds in CY 2011 totalled ₱71,254,002 and ₱ 43,623,239 , respectively.

Continuing appropriations totaled ₱13,098,253 for General and Special Educations Funds out of which the amount of ₱ 1,392,363 was obligated.

### **Scope of Audit**

Financial and compliance audit was conducted on the accounts and operations of the Municipality of Jalajala, Rizal for Calendar Year 2011. 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 Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Jalajala, Rizal due to: a) unreliable year-end

balances of the Real Property Tax (RPT) and Special Education Tax (SET) Receivables amounting to ₱3,581,412.81 and ₱3,581,409.82, respectively, as the basis for its computation were incomplete list of taxpayers of the Municipality; and b) the existence, validity and accuracy of Property, Plant and Equipment (PPE) with a net book value of ₱31,966,482.00 could not be determined due to the failure of the Municipality to book the value of donated assets, more so the subsidiary ledgers and property cards were incomplete and/or not updated by the Municipal Accountant and General Services Officer, respectively.

### **Summary of Significant Observations and Recommendations**

Due to the effects of the various deficiencies cited above on the balances of the accounts, the Auditor reiterated the following recommendations:

1. The Municipal Treasurer should furnish the Municipal Accountant , at the start of the year, a complete certified list of taxpayers with corresponding individual tax due to serve as the latter's basis in computing the correct amount of RPT / SET Receivables of the Municipality.
  
2. a. The Inventory Committee continue conducting a complete physical inventory of all property, plant and equipment of the Municipality at least once a year, prepare and submit a report thereon. The inventory taking should not be limited to furnitures, equipment and machineries but should also include land, land improvements and buildings. Any discrepancy/s noted between the inventory report and the accounting records should be investigated and make the necessary adjustments where the error was committed.  
  
b. For the unrecorded donated assets, in case of failure to secure the donation documents, appraisal should be made which should become the basis of recording in the books.  
  
c. The Accounting and General Services Officer should continue to exert extra efforts in tracing prior years' acquisition of property, plant and equipment to come up with a complete record of the PPE accounts, facilitate inventory-taking as well as , facilitate the complete issuance of ARE to end-user officials / employees to readily pinpoint accountability.

The following are the other significant observations and recommendations in the audit of the Municipal Government of Jalajala, Rizal for the year 2011:

1. The Municipal Government did not fully utilize its total appropriation for the 20% Development Fund projects for 2010 and 2011 which may have deprived its constituents the immediate benefits that could have been derived therefrom.

We recommended that the management maximizes the utilization of the 20% Development Fund so that all its programmed development projects could be implemented immediately for the benefits of the constituents of the Municipality.

2. Other Assets account was overstated due to the failure of the management to request for relief of accountability for the missing / unlocated properties in the amount of ₱1,084,218.28.

We reiterated our previous years' recommendation that the Local Chief Executive instructs the Municipal Treasurer and Municipal Accountant to exert extra efforts to locate the Acknowledgement Receipt for Equipment of the unlocated properties in order to determine the custodians and demand for the immediate return of the properties issued to them. If indeed lost or unlocated, the end-users/custodian of the missing properties should be directed to file a request for relief from property accountability duly supported with all the 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.

3. Due from LGUs amounting to ₱13,500,000.00 representing the Municipality's counterpart in the construction of the New Jalajala Municipal Hall which was undertaken by the Provincial Government of Rizal in 2009 and occupied by the Municipality on February 16, 2010 remained unadjusted , thus resulted in the overstatement / understatement of affected accounts.

We reiterated our recommendation that the Local Chief Executive requires the Municipal Accountant to coordinate with the Provincial Accountant on the liquidation of the advances of ₱ 13,500,000.00 for the construction of the New Jalajala Municipal Hall in order to present fairly in the financial statements the Receivables-Due from LGUs and PPE-Buildings accounts.

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

Of the thirteen (13) prior year's audit recommendations embodied in the 2010 Annual Audit Report, two (2) were fully implemented, five (5) were partially implemented and the remaining six (6) were not implemented by the Municipality. The results of the validation of the implementation of prior years' recommendations are presented in Part III of this Annual Audit Report.