

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 2012, the Municipality has 67 plantilla positions distributed among the twelve departments/offices and the six adjunct offices. Of the total plantilla positions, 12 are elective, 41 are permanent, 12 are temporary and 2 are co-terminus. It has 82 employees hired on Job Order basis.

Financial Highlights

As of December 31, 2012, the Municipality had total assets of ₱ 104,301,459, total liabilities of ₱ 37,837,239 and total equity of ₱66,464,220. This year's assets increased by ₱16,076,838 or 18%, while the liabilities and equity increased by ₱15,556,162 or 70% and ₱520,676 or .79%, respectively, as compared with previous year's figures.

For CY 2012, the Municipality generated total income of ₱50,784,779 or a decrease of ₱ 1,748,804 or 3% from last year's income of ₱52,533,583.

Current appropriations and obligations for General and Special Education Funds in CY 2012 totalled ₱ 61,174,260 and ₱ 48,802,377, respectively.

Continuing appropriations totaled ₱ 9,756,560 for General and Special Educations Funds out of which the amount of ₱ 3,504,475 was obligated.

Scope of Audit

Financial and compliance and value for money audits were conducted on the accounts and operations of the Municipality of Jalajala, Rizal for Calendar Year 2012. 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 the following:

- The reliability and correctness of the year-end balances of the Real Property and Special Education Taxes Receivables totalling ₱ 18,383,032.51 are doubtful due to the discrepancies noted totalling ₱ 72,648,998.65 in comparison with the submitted summary list of delinquent taxpayers contrary to Section 124 of P.D. 1445,
- The reliability and correctness of the year-end balances of the Cash in Bank accounts totalling ₱ 35,756,405.91 are doubtful due to discrepancies amounting to ₱ 346,193.38 and ₱ 317,428.84 noted in the reconciliation with the Adjusted Bank Balance and Cashbook Balance contrary to Section 74 of Presidential Decree No. 1445,
- The accuracy and existence of the year-end balance of the Property, Plant and Equipment account of ₱ 59,062,446.36 are doubtful due to (a) the discrepancy amounting to ₱ 2,798,599.16 noted in comparison with the submitted Report on the Physical Count of Property, Plant and Equipment and (b) failure of the Municipal Accountant to book four (4) donated motor vehicles anew, contrary to Sections 63 and 124 of P.D. 1445,
- The value of the Municipal Building amounting to ₱27,970,737.31 was not correctly presented in the financial statement thus affecting the year-end balances of the Property, Plant and Equipment and Other Structure Accounts,
- The accuracy of balances of Collection from Taxpayers (RPT) reported in the Cash Flow Statement is doubtful due to discrepancies amounting to ₱ 65,878.65 and (₱ 41,214.16) noted for the General Fund and Special Education Fund respectively, contrary to Section 121 of Presidential Decree No. 1445.

Significant Observations and Recommendations

Due to the effects of the various deficiencies cited above on the balances of the accounts, the Audit Team made the following recommendations:

1. We recommended that the Municipal Accountant and the Municipal Treasurer conduct reconciliation of their records and make the necessary corrections for the discrepancy amounting to ₱ 72,648,998.65 in order to present the correct balance of RPT and SET Receivables account in the financial statements.

2. We recommended that the Local Chief Executive require the Municipal Accountant to exert extra efforts to trace the noted discrepancies and make the necessary adjustments in order to present the correct balance of Cash in Bank account in the financial statements.
3. We recommended that the Local Chief Executive require the concerned municipal officials to conduct reconciliation of their records and make the necessary corrections for the discrepancy of ₱ 2,798,599.16 in order to present the correct balance of Property, Plant and Equipment account in the financial statements.

As to the donated properties, in case of failure to secure the supporting documents, determine the appraised value and consider the same as the basis in recording the properties in the books of accounts.

4. We recommended that the Local Chief Executive direct the Accountant to coordinate with the Provincial Accountant for the immediate transfer of the cost of Municipal building from the books of the Provincial Government to that of the Municipality and make necessary adjusting entries to take up the related depreciation expense and to correct the balance of Other Structures Account presented in the financial statement.
5. We recommended that the Local Chief Executive require the Municipal Accountant to reconcile the balances of the collections from RPT and SET reflected in the Cash Flows Statement with the balances reflected in the Statement of Income and Expenses in order to present fairly the financial statements of the Municipality for CY 2012.

In addition, the following are the other significant observations and recommendations:

1. The Municipal Accountant did not earmark thirty percent (30%) of the amount appropriated for Local Disaster Risk Reduction Management Fund (LDRRMF) to the Quick Response Fund (QRF) contrary to Section 21 of Republic Act No. 10121 and Item 4.3 of COA Circular No. 2012-002 dated September 12, 2012 and the Monthly Report on Sources and Utilization of LDRRMF required under Item 5.1.5 of the same COA Circular were not prepared and submitted by the Local Disaster Risk Reduction Management Office, thus timely assessment and evaluation of fund utilization could not be made.

We recommended that the Municipal Accountant allocate thirty percent (30%) of the amount appropriated for LDRRMF to the Quick Response Fund in order to

have an adequate fund to support its relief and recovery projects/activities when disaster, calamities, epidemics, or complex emergencies occur.

Also, the Local Chief Executive direct the Local Disaster Risk Reduction and Management Officer (LDRRMO) to prioritize the preparation and submission of the Monthly Report on Sources and Utilization of LDRRMF to facilitate timely review of the same by the Audit Team.

2. Real Property and Special Education Taxes Receivables totalling ₱ 91,032,031.16 based on the summary list of delinquent taxpayers remained uncollected due to the failure of the Municipal Treasurer to implement the procedures prescribed under Sections 254, 258, 260 and 270 of Republic Act No. 7160, thus depriving the Municipal Government of the immediate use of said funds for its operations.

We recommended that the Local Chief Executive require the Municipal Treasurer to comply with the procedures prescribed by the pertinent provisions of Local Government Code to enforce collection of delinquent Real Property and Special Education Taxes in order to have sufficient funds for its priority programs and projects that will benefit its constituents.

3. The unexpended balance of the 20% Development Fund amounting to ₱10,102,003.90 remained unutilized as of year-end contrary to DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011, thus deprived the constituents of the benefits had the said funds been used to finance the implementation of priority development projects of the Municipality.

We recommended that the concerned Municipal officials should monitor the timely implementation of developmental projects, programs and activities and see to it that the 20% development funds are optimally utilized.

4. The Jalajala Public Market and Slaughterhouse which was financed by a loan amounting to ₱ 9,505,303.78 was not fully utilized thus depriving the Municipality of additional income that could be utilized for its priority projects that could benefit its constituents. The Municipal Government have incurred interest expense totalling to ₱ 11,567,391.72 for the loan obtained for its construction.

We recommend that the Municipal Government adopt and implement austerity measures in its market and slaughterhouse operations in order to minimize its deficit/losses.

Also, we reiterated our previous year's recommendation that Municipal officials concerned immediately consider other alternatives on how to fully utilize the

market and slaughterhouse to maximize its earning capacity like leasing it out to other entities for warehouse or other purposes.

5. The legality of the payments for the wages and honorarium amounting to ₱3,245,864.25 of job order employees under the Environment Management Project charged to the 20% Development Fund is doubtful due to (1) absence of approved employment contracts and lack of accomplishment reports and (2) non-compliance to Section 4.2 of the DILG-DBM Joint Memorandum Circular No. 2011-1.

We recommended that the Local Chief Executive require the concerned Municipal officials to justify the payments made for the wages and honorarium of job order employees out of the 20% Development Fund.

We also recommended that the concerned officials should ensure that all payments charged against the 20% Development Fund are in accordance with the guidelines provided under the DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

6. The Municipality paid the Capital Gains Tax amounting to ₱ 135,000.00 for the acquired land contrary to Section 24 (D) of the National Internal Revenue Code, thus, incurring additional expenses to the disadvantage of its constituents.

We recommended that the Municipal Officials be prudent on the disposition of its limited resources.

Likewise, the Local Chief Executive requires all concerned official to justify the payment for the capital gains tax.

Status of Implementation of Prior Year's Audit Recommendations

Of the eleven (11) prior year's audit recommendations embodied in the 2011 Annual Audit Report, two (2) were fully implemented, four (4) were partially implemented and the remaining five (5) were not implemented by the Municipality. The results of the validation of the implementation of prior year's recommendations are presented in Part III of this Annual Audit Report.