

# **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 2013, 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, 2013, the Municipality had total assets of ₱ 115,226,263, total liabilities of ₱ 46,521,864 and total equity of ₱ 68,704,399. This year's assets increased by ₱ 10,924,804 or 10%, while the liabilities and equity increased by ₱ 8,684,625 or 23% and ₱ 2,240,179 or 3%, respectively, as compared with previous year's figures.

For CY 2013, the Municipality generated total income of ₱ 56,300,255 or an increase of ₱ 5,515,477 or 11% from last year's income of ₱ 50,784,779.

Current appropriations and obligations for General and Special Education Funds in CY 2013 totalled ₱ 63,144,141, and ₱ 51,244,546, respectively.

Continuing appropriations totalled ₱ 12,083,145 for General and Special Educations Funds out of which the amount of ₱ 3,604,481 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 2013. 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**

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 recorded balances of Property, Plant and Equipment account of ₱ 62,719,768.07 is unreliable due to (1) the discrepancy amounting to ₱ 2,993,872.62 noted between the balances of the Property, Plant and Equipment account and the submitted Report on the Physical Count of Property, Plant and Equipment for CY 2013 and (2) the inclusion of an unserviceable properties totaling ₱ 863,299.67;
- The year-end balances of the Real Property Tax and Special Education Tax Receivables totaling ₱ 28,204,571.18 for CY 2013 is doubtful due to the failure of the Municipal Accountant to make the necessary adjustment on the beginning balances previously set-up for CY 2011 to 2012 based on the estimated receivables contrary to Section 20 of the Manual on the New Government Accounting System (MNGAS) for LGUs;
- Discrepancies amounting to ₱ 135,016.85 and ₱ 135,016.73 were noted between the Cash in Bank balances presented in the General Ledger, and Bank Reconciliation Statement and Cash Book, thus rendering the year-end balances of the account presented in the financial statement doubtful; and
- Non-moving accounts with a cumulative amount of ₱ 3,660,473.73 remained in the books of accounts for years and their validity could not be ascertained due to lack of supporting documents and records, thus misrepresenting the financial position of the Municipality.

## **Significant Observations and Recommendations**

For the exceptions cited above we recommended that the Local Chief Executive

1. Directs the Municipal Accountant and the Property Custodian to conduct reconciliation in order to trace the discrepancy noted. Also, the Municipal Accountant reclassifies the unserviceable Property, Plant and Equipment subject to disposal to Other Asset account;
2. Instructs the Municipal Treasurer and the Municipal Accountant to come up with the actual property tax receivables for CY 2012 and previous years and make the

necessary adjustment in order to present the correct RPT and SET receivables on the financial statements;

3. Requires the Municipal Accountant and the Municipal Treasurer to perform a thorough reconciliation to trace the discrepancies noted and make the necessary adjustments in order to present the correct balance of Cash in Bank account in the financial statement; and
4. Expedite with the concurrence of the municipal council the submission of the request for write – off/adjustment of said accounts to the Commission on Audit. To facilitate the approval, the request should be properly supported by a list of available records pertaining to the accounts and certification as to the extent of validation made on the accounts and the reasons why the records/documents could not be located and the number of years the account have been non-moving.

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

1. Salaries and honorarium amounting to ₱ 2,328,729.36 of 76 Job Order Employees assigned to non–developmental projects, programs and activities, for CY 2013 were charged to the 20% Development Fund contrary to Item 4.2 of DILG - DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011, thus, deprived the constituents of the benefits had the fund been used for the Municipality’s priority development projects.

We recommended that the Local Chief Executive requires the Municipal Officials concerned to justify and submit legal basis for the salaries and honorarium of job order employees charged out of the 20% Development Fund.

We also recommended that the Local Chief Executive ensures 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.

Moreover, we reiterated that the Local Chief Executive should monitor the timely implementation of developmental projects, programs and activities to ensure that the 20% Development Funds are optimally utilized.

2. Loans receivable granted to the Municipal Government’s constituents totaling ₱ 1,230,595.01 under the Livelihood and the Fly Now Pay Later Assistance Programs of the Municipal Government, remained uncollected despite of being long overdue for more than 1 to 8 years, thus, exposing the funds to possible loss.

We recommended that the Municipal Government intensify its effort to collect the long overdue loans receivable to provide sufficient funds for the implementation of the Municipal Government's other priority projects/programs/activities.

Also, the Municipal Accountant draw the necessary adjustment to correct the discrepancy noted.

Further, recommended that the concerned Municipal Officials conduct evaluation of the results and accomplishments to determine whether it is prudent to continue the said Programs.

3. Cash advance of ₱ 124,000.00 remained unliquidated at the end of the year contrary to Item 5.8 of COA Circular No. 97-002 dated February 10, 1997, thus, exposing the fund to possible loss or misappropriation. Moreover, the liquidation reports together with the supporting documents were not submitted thus rendered the validity and propriety of the cash advance doubtful.

We recommended that the Municipal Treasurer fully account the transactions pertaining to the Jalajala Animal Auction Program by submitting immediately the required liquidation and accomplishment reports. Moreover, she should be required to settle immediately the remaining unliquidated balance.

4. The hiring of five consultants contrary to Section 5 (I) of Revised Implementing Rules and Regulations of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act, resulted in the incurrence of additional expenses amounting to ₱ 218,000.00.

We recommended that the Municipal Government limit the hiring of consultants to undertake only the works or activities which are highly technical in nature pursuant to Section 5 (I) of Republic Act No. 9184 in order to avoid the incurrence of additional expenditures.

5. The Municipal Government released ₱2,400,000.00 out of the Priority Development Assistance Fund (PDAF) of a legislator to the Institute of Politics and Governance Inc., a Non-Government Organization (NGO), for the implementation of Health Services for Women Program despite the absence of an appropriation law or ordinance required under GPPB Resolution No. 012-2007 issued on June 29, 2007 which was adopted under Section 53.11 of the revised IRR of Republic Act No. 9184, and without complying with the procedures and

requirements prescribed under COA Circular No. 2007-001 dated October 25, 2007, rendering the validity and propriety of disbursements doubtful. Moreover, the program was not completed within the contract period with only 781 out of 1000 beneficiaries covered as of July 2, 2013.

We recommended that the concerned officials of the Municipal Government and concerned NGO submit the required documents and the necessary clarifications/justifications on the deficiencies noted. Henceforth, see to it that all the procedures and documentary requirements provided under the pertinent provisions of R.A. No. 9184 and its IRR and the above COA Circular are strictly complied with prior to the release of funds to NGOs/POs including the proper accounting thereof. To ensure that the projects are fully implemented and that the reports being submitted by them are valid and correct, the Municipal Government should install and adopt a system of monitoring and inspection of projects being implemented by the NGOs/POs.

Also, require the IPG to pay liquidated damages due to the delay incurred in accordance to the provisions of R.A. 9184.

Moreover, immediately remit the unutilized balance of the PDAF to the National Treasury.

6. Priority Development Assistance Fund (PDAF) amounting to ₱ 494,878.79 was spent in the repair/improvement of the idle Public Market and Slaughterhouse to the disadvantage of the Municipal Government and its constituents.

We recommended that the concerned Municipal Officials ensure the efficient utilization of its limited resources.

7. Of the total unutilized balance of Quick Response Fund (QRF) and Disaster Risk Reduction Management Fund (DRRMF) of ₱ 921,185.65 transferred to the Trust Liability – Disaster Risk Reduction Management account, ₱ 277,439 was not backup with cash, thus may result to delay in the implementation or non-implementation of needed programs/activities in times of calamities.

We recommended that the Municipal Accountant make the necessary adjustment by debiting the Trust Liability – DRRMF account and crediting the Due from Other Fund account in the Trust Fund's Book in order to reflect the actual fund available for the LDRRMF. Henceforth, comply strictly with the accounting and

reporting guidelines for LDRRMF as prescribed under COA Circular No. 2012-002 dated September 12, 2012.

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

Of the fifteen (15) audit recommendations embodied in the 2012 Annual Audit Report, three (3) were fully implemented, four (4) were partially implemented and the remaining eight (8) 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.