

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 2014, 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, 2014, the Municipality had total assets of ₱ 144,526,464, total liabilities of ₱ 66,095,781 and total equity of ₱ 78,430,683. This year's assets increased by ₱ 29,300,201 or 25%, while the liabilities and equity increased by ₱ 19,573,917 or 42% and ₱ 9,726,284 or 14%, respectively, as compared with previous year's figures.

For CY 2014, the Municipality generated total income of ₱ 64,270,476 or an increase of ₱ 7,970,221 or 14% from last year's income of ₱ 56,300,255.

Current appropriations and obligations for General Fund amounting to ₱ 66,604,726, and ₱ 52,335,814, respectively, while for Special Education Fund amounting to ₱ 2,500,000, and ₱ 1,749,888, respectively.

Continuing appropriations totaled ₱ 17,091,646 for General and Special Education Funds.

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 2014. 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:

1. The year-end gross balance of the Property, Plant and Equipment account of ₱ 64,980,581.99 is doubtful due to (1) the increased discrepancy of ₱ 3,165,554.13 between the balance of the Property, Plant and Equipment account reflected in the financial statements and the submitted Report on the Physical Count of Property, Plant and Equipment for CY 2014, (2) the unrecorded cost of the donated Montero Sports vehicle and (3) continuous presentation of the Market and Slaughterhouse and the Other Structures accounts amounting to ₱ 250,000.00 and ₱ 1,408,266.15, respectively, in the Trust Fund;
2. The year-end balances of the Real Property Tax and Special Education Tax Receivables amounting to ₱ 19,395,252.76 and ₱ 19,395,246.72, respectively, for CY 2014 is doubtful due to the failure of the Municipal Accountant anew to make the necessary adjustments on the beginning balances previously set-up for CYs 2011 to 2012 based on the estimated receivables contrary to Section 20 of the Manual on the New Government Accounting System (MNGAS) for LGU; and
3. Long outstanding book and bank reconciling items totaling ₱ 175,840.93 and ₱ 33,250.14, respectively, remained unrecorded/unadjusted, hence, casting doubt on the reliability and correctness of the year-end Cash in Bank account presented in the Financial Statements.

Significant Observations and Recommendations

For the exceptions cited above we recommended that

1. The Local Chief Executive direct the Municipal Accountant and the Property Custodian to conduct reconciliation in order to determine the details and cause of discrepancy noted.

Also, the Municipal Accountant record the cost of the donated Montero Sports vehicle or if the cause of delay was due to lack of necessary documents coordinate with the Donor LGU.

Likewise, validate the ownership and the physical existence of the Market and Slaughterhouse and the Other Structure accounts presented in the Trust Fund and make the necessary adjustments in the book of accounts;

2. The Local Chief Executive 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 adjustments in order to present the correct RPT and SET Receivables in the financial statements; and
3. Require 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.

Likewise, the Municipal Accountant make the necessary adjustment for the outstanding stale checks in accordance with Section 59 of the New Government Accounting System, Volume I, for LGUs.

The following are the other significant observations and recommendations which were all discussed with the concerned Municipal Officials:

1. Due from NGOs/POs totaling ₱ 180,454.60 remained unliquidated for years contrary to Item 5.4 of COA Circular No. 2007-001 dated October 25, 2007, thus, exposing the public funds to possible loss.

We recommended that the concerned Municipal Officials send demand letter to the NGOs/POs for the immediate liquidation of funds received from the Municipal Government in order to avoid possible loss or misuse of public funds.

2. Long outstanding Inter-agency Account Payables totaling ₱ 1,869,511.39 remained unremitted for more than four (4) years contrary to Sections 6 and 7 of Republic Act No. 8291 and Section 4 of Revenue Regulation No. 16-2005, hence, deprived the National Government of additional funds for its priority programs/projects and misrepresented the actual financial position of the Municipality.

We recommended that the Municipal Government coordinate with the concerned Government Agencies for an immediate reconciliation of respective records. For those which could not be traced in the books of the concerned Agencies, the Municipal Government may directly remit the total amount to the National Treasury.

3. Disbursement and collection reports and their supporting documents were not submitted to the Auditor within the prescribed period contrary to the provisions of Sections 6.03, 6.04 and 6.05 of COA Circular No. 95-006 dated May 18, 1995 and Section 7.2.1(a) of COA Circular No. 2009-006 dated September 15, 2009 precluding the timely review and verification of the transactions of the

Municipality, hence deficiencies cannot be communicated immediately to concerned officials for their appropriate action.

We recommended that the Local Chief Executive require the Municipal Accountant to submit all the required reports and their supporting documents to the audit team within the period prescribed by the aforesaid regulation to facilitate the timely examination and verification so that deficiencies/errors as well as irregularities, if any, can be detected immediately and communicated to management officials for their appropriate action. Likewise, determine the causes of delayed submission and find the solution to resolve the issue.

4. Interest Income totaling ₱ 105,382.97 earned on bank accounts remained idle under the Trust Fund's Government Equity account thus deprived the Municipal Government of additional funds for its priority programs/projects.

We recommended that the Municipal Accountant should transfer the accumulated Interest Income from the Trust Fund to the General Fund.

5. The Municipal Government has no Solid Waste Management Plan duly approved by the National Solid Waste Management Commission contrary to Section 16 of Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000, thus, deprived its constituents of a systematic and comprehensive solid waste management program to promote public health and ensure protection of its environment.

We recommended that the Municipal Solid Waste Management Board prepare and submit the Municipal Solid Waste Management Plan to the National Solid Waste Management Commission for review and approval in compliance with Republic Act No. 9003 otherwise known as Ecological Solid Waste Management Act of 2000 in order to have a systematic and comprehensive solid waste management program to promote public health and ensure protection of its environment.

6. The Municipal Government has no Gender and Development Plans and Budget (GPB) and failed to submit the Gender and Development Accomplishment Report (GAD AR) to the Provincial Government for review and consolidation contrary to Items 4.B.1, 4.C.6.2, 4.C.6.7 and 4.C.8.2 of the Joint Memorandum Circular No. 2013-01 and Sections 37.A.g and 37.D of IRR of Republic Act No. 9710, otherwise known as the Magna Carta of Women. It also failed to develop and maintain GAD Database, thus defeating the purpose of the cited laws to have a GAD responsive programs/projects in every Government Organizations.

We recommended that the Municipal Gender and Development Focal Point System (GFPS) prepare and submit the Municipal Gender and Development Plan and Budget (GPB) and GAD Accomplishment Report, in accordance with the above cited regulations.

Also, for effective planning, budgeting and implementation of GAD Programs/Projects, we recommended that the Municipal GFPS members undergo capacity development trainings on Gender and Development in order to strengthen their capabilities in handling the municipal gender and development. They should also be required to establish and maintain the Municipal GAD Database. These undertakings should be included in the preparation of the Municipal GPB.

The foregoing observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference on May 7, 2015 with concerned Municipal Officials and Staff. Management's comments were appropriately incorporated in this report.

Status of Implementation of Prior Year's Audit Recommendations

Of the twenty five (25) audit recommendations embodied in the 2013 Annual Audit Report, four (4) were fully implemented, seven (7) were partially implemented and the remaining fourteen (14) 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.