

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.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Mayor	:	Hon. Narciso SJ. Villaran
Vice-Mayor	:	Hon. Elmer C. Pillas
Members of the Sangunian	:	Hon. Froilan Candelaria Hon. Virgilio Pillas Hon. Valfredo Dela Vega Hon. Jesus Pillas Hon. Ernesto Tambongco Hon. Rolando De Leon Hon. Luisito Bonita Hon. Liberty Garcia Hon. Alberto San Juan
OIC–Accountant	:	Eloisa M. Santiago
Treasurer	:	Helen S. De Guzman

b. No. of Personnel Complement

Permanent	41
Temporary	12
Contractual	82
Elective Officials	12
Coterminous	2
Total	<u>149</u>

Financial Highlights

As of December 31, 2015, the Municipality had total assets of ₱ 183,380,727, total liabilities of ₱ 83,931,333 and total equity of ₱ 99,449,394. This year's assets increased by ₱ 38,854,263 or 27%, while the liabilities and equity increased by ₱ 17,835,552 or 27% and ₱ 21,018,711 or 27%, respectively, as compared with previous year's figures.

For CY 2015, the Municipality generated total income of ₱ 73,381,565 or an increase of ₱ 9,111,089 or 14% from last year's income of ₱ 64,270,476.

Current appropriations and obligations for General Fund amounting to ₱ 83,191,929, and ₱ 61,069,739, respectively, while for Special Education Fund amounting to ₱ 2,500,000, and ₱ 1,716,164, 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 2015. 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 year-end balance of the Property, Plant and Equipment account of ₱ 91,035,796.09 for CY 2015 is unreliable due to the (1) discrepancy of ₱ 9,143,709.60 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 and (2) discrepancy of ₱ 1,226,598.94 between the Property, Plant and Equipment account's ending balance for CY 2014 and beginning balance for CY 2015; and
- The year-end balance of Cash and Cash Equivalents account of ₱ 65,355,104.92 is unreliable due to the (1) discrepancies between the accounting and the treasury records amounting to ₱ 322,222.61, ₱ 19,638.59, ₱ 1,316,954.29 for the General Fund, Special Education Fund and Trust Fund, respectively, (2) undocumented book reconciling items were presented anew in the Bank Reconciliation Statements amounting to ₱ 148,780.29, ₱ 20,412.04, ₱ 6,648.60 for the General Fund, Special Education Fund and Trust Fund and (3) discrepancies between the bank confirmation balance and the adjusted book balance amounting to ₱ 243,637.57 and ₱ 120,650.05 for Special Education Fund and Special Trust Fund, respectively.

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 determine the details and cause of discrepancies noted and
2. 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 and Cash Equivalents account in the financial statement.

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

1. The implementation of the Municipality's Scholarship/Educational Assistance Program for a total cost of ₱ 1,263,403.00 for CY 2015 was contrary to Item II of Sangguniang Bayan Resolution No. 128 series of 2011 and Section 447 (5) (XI) of Republic Act No. 7160 or the Local Government Code of the Philippines, thus, deprived the qualified and deserving students of the benefits of the program.

We recommended that the Local Chief Executive strictly enforce the provisions of Sangguniang Bayan Resolution No. 128 series of 2011 in the implementation of the Municipality's Scholarship/Educational Assistance Program. Also, require the concerned Municipal Official to submit the certificates of indigency from the Municipal Social Welfare and Development of scholars enrolled in University of Rizal System (URS) or in other State Colleges/Universities in order to facilitate validation of their qualifications to the program.

2. Special Education Fund totaling ₱ 229,425.00 was utilized for the payment of cash incentive to Public School Teachers and hiring of passenger jeepneys to transport teachers to Ynares Center Antipolo City for the celebration of World Teachers Day contrary to Sections 100 (c) and 272 of Republic Act No. 7160, thus, reduced the fund and rendered the transactions irregular.

We recommended that the Local School Board strictly follow the above cited regulations in utilizing the Special Education Fund. Also, we recommended that the Board justify and submit explanation for the said transactions, otherwise, the same may be disallowed in audit.

3. The Municipal School Board's yearly budget for CYs 2012 to 2015 had been limited to an average of 34% of the total Special Education Funds available for appropriation leaving the 66% unappropriated funds idle for four consecutive years, thus, deprived the public students of the elementary and secondary schools of the benefits had all the available funds been appropriated and put into maximum use for other priority projects.

We recommended that the Municipal School Board submit written explanation on the reasons why the Special Education Funds amounting to ₱ 6,046,175.58 remained idle as of end of CY 2015. Henceforth, the Municipal School Board should maximize the use of the fund to improve the quality of elementary and secondary education in their area of jurisdiction.

4. The Municipality did not submit to the Audit Team the list of all its on-going projects/programs/activities (PPA) and those that are to be implemented during the year and the information that the appropriate project signboards and/or public notices are already posted contrary to COA Circular No. 2013-004 dated January 30, 2013, thus prevented the Audit Team from validating the same and deprived its citizens and other stakeholders of complete information relative thereto.

We recommended that the Local Chief Executive instruct the concerned officials to prepare and submit all the information and reports required under the said Circular to promote transparency and accountability regarding the PPAs undertaken by the Municipality and facilitate the validation of the same by the Audit Team.

5. Productivity Incentive Benefit totaling ₱ 113,000.00 was provided to the Municipal Officials and Employees contrary to Item 4 (d) of the Senate and House of Representatives Joint Resolution No. 4, s. 2009 and Item 9 of Civil Service Commission and Department of Budget and Management Joint Circular No. 1, s. 2012 dated September 3, 2012.

We recommended that the concerned Municipal Official submit written explanation on the said transaction. Otherwise, the same may be disallowed in audit and the concerned Municipal Officials and Employees may be required to refund the amount disbursed for the said transactions.

6. Performance Enhancement Incentive (PEI) of ₱ 759,677.50 was granted to municipal officials and employees during the year despite exceeding the Personal Services (PS) limitation, contrary to Section 9.d of Executive Order No. 181 dated May 15, 2015.

We recommended the Municipal Officials concerned justify the granting of the Productivity Enhancement Incentive despite exceeding the PS cap mentioned in the above cited Executive Order. Otherwise, the PEI, granted be refunded by all the municipal officials/employees who received the payments.

7. Most of the Programs/Projects/activities (PPAs) under the 20% Development Fund were not implemented thus P 19,721,668.52 or 61% of the budget was not optimally utilized contrary to Item 5 of Joint Memorandum Circular No. 2011-1 of Department of Interior and Local Government and Department of Budget and Management dated April 13, 2011 and accordingly deprived the constituents of the benefits that could be derived therefrom.

We reiterated our recommendation 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.

8. The propriety and validity of the total Gender and Development (GAD) disbursements amounting to ₱ 3,149,567.00 for CY 2015 could not be ascertained due to (1) failure of the Municipality to directly associate the transactions to the identified Gender Issues in the Gender and Development Plan and Budget (GPD) and (2) submit the required supporting documents.

We recommended that the Local Chief Executive requires the GAD Focal Point System to prepare/submit a schedule associating the total disbursement amounting to ₱ 3,149,567.00 to the identified Gender Issues stated in the Gender and Development Plan and Budget and submit the lacking supporting documents in the implementation of the Special Program for the Employment of Student (SPES) in order to facilitate the verification and evaluation of the propriety and validity of the said transactions.

We further recommended that the Municipal Gender and Development Focal Point System (GFPS) submit the Municipal Gender and Development Plan and Budget (GPB) to the DILG Regional Office for review and approval and the corresponding GAD Accomplishment Report to the Provincial Government for review and consolidation. They should be required to establish and maintain the Municipal GAD Database.

We likewise recommended that the Local Chief Executive require the concerned official to justify the use of GAD fund totaling ₱ 1,263,403.00 for the Scholarship Educational Assistance Program.

9. Taxes withheld from the claims of suppliers and contractors amounting to ₱ 12,883.70, ₱ 875.00 and ₱ 6,804.48 for the General Fund, Special Education

Fund and Trust Fund, respectively, for CY 2015 were unremitted to the Bureau of Internal Revenue (BIR), contrary to Section 4.114-2 of Revenue Regulation Nos. 16-2005 dated September 1, 2005 and 2-98 dated April 17, 1998, thus, may result to additional expenses in terms of payment of surcharges and penalties.

We recommended that the Municipal Treasurer immediately remit the taxes due to the BIR. Otherwise, any surcharges, interest and penalties that maybe incurred by the Municipality due to the delayed/non-remittance shall be the personal liability of the officials concerned who were responsible for the same. Also, the Municipal Accountant makes the necessary adjustment on the noted understatement of the Due to BIR account under the General Fund.

The foregoing observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference on June 13, 2016 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 (29) audit recommendations embodied in the CY 2014 Annual Audit Report, ten (10) were fully implemented, four (4) were partially implemented and the remaining fifteen (15) 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.