

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. Elionor I. Pillas
Vice-Mayor	:	Hon. Jose B. De Los Santos
Members of the Sangunian	:	Hon. Rolando C. De Leon Hon. Jarry V. Añago Hon. Ma. Salvacion A. Villaran Hon. Gina H. Bonita Hon. Virginia M. Belleza Hon. Angelina G. Nitario Hon. Bayani M. Masicat Jr. Hon. Jesus M. Pillas
LnB President	:	Hon. Alberto R. San Juan
OIC–Accountant	:	Michael Louie B. Mariano
Treasurer	:	Olivia A. Atienza

b. No. of Personnel Complement

Permanent	44
Temporary	9
Contractual	85
Elective Officials	11
Coterminous	4
Total	<u>153</u>

Financial Highlights

As of December 31, 2016, the Municipality had total assets of ₱ 210,887,460, total liabilities of ₱ 96,794,967 and total equity of ₱ 113,912,494. This year's assets increased by ₱ 27,506,733 or 15%, while the liabilities and equity increased by ₱ 12,863,634 or 15% and ₱ 14,463,100 or 15%, respectively, as compared with previous year's figures.

For CY 2016, the Municipality generated total income of ₱ 80,583,982 or an increase of ₱ 7,202,417 or 10% from last year's income of ₱ 73,381,565.

Current appropriations and obligations for General Fund amounting to ₱ 82,440,963, and ₱ 57,201,774, respectively, while for Special Education Fund amounting to ₱ 3,250,000, and ₱ 2,585,553, respectively.

Continuing appropriations totaled ₱ 24,135,607 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 2016. 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 accuracy and reliability of the recorded balances of the Property, Plant and Equipment (PPE) accounts with a net book value of ₱ 81,698,809.10 as of December 31, 2016 could not be fully ascertained due to: (a) discrepancies between the reported balance of PPE per Financial Statements (FS) and the balance in the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); (b) non-submission of a detailed PPE Lapsing Schedule which will validate the correctness of the computed depreciation for the year; (c) Other Infrastructure Assets amounting to ₱2,808,056.48 were still transferred to the Registry of Public Infrastructure and (d) non-provision for depreciation for certain types of PPE accounts;
2. Unaccounted Cash in Bank – LCCA account amounting to ₱148,780.29, ₱20,412.04 and ₱6,648.60 under General Fund, Special Education Fund and Trust Fund, respectively, were closed against the Government Equity account without the proper supporting documents to justify the propriety and nature of transactions covering the listed amounts;
3. The year-end balance of Cash Local Treasury account amounting to ₱589,364.42 remains unreliable due to the discrepancies between the records of Accounting

and Treasury Office amounting to P74,630.46, P10,471.99 and P13,288.09 for the General Fund, Special Education Fund and Trust Fund, respectively;

4. Setting up of Real Property Tax (RPT) and Special Education Tax (SET) Receivables accounts at the beginning of the year was based on estimates, contrary to Section 20, Volume 1 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), thereby casting doubt as to the validity and accuracy of the recorded balances of the Receivables and Liability accounts and affecting the fair presentation of the said accounts in the financial statements; and
5. The balances of Due from Other Funds and Due to Other Funds reciprocal accounts were not reconciled at year-end, showing a difference of P1,663,373.12, thus, affecting the fair presentation of the accounts in the financial statements.

Significant Observations and Recommendations

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

1. Directs the:
 - a. Accounting and General Services Office to exert more effort to address the recurring issue on the PPE reconciliation between the two offices;
 - b. Accounting Office to prepare a detailed lapsing report of the Municipality's PPE to validate the correctness of the presented balances in their Financial Statements;
 - c. Accounting Office to strictly comply with the adaption of PPSAS 17 wherein all infrastructure assets are now being recognized in the books of the Municipality; and
 - d. Accounting Office to perform a thorough analysis of the PPE accounts and provide an explanation as to why certain types of PPE account were not depreciated otherwise, make an adjusting entry to recognize all the depreciation from the date of acquisition of the affected assets and record it in the books accordingly.
2. The Accountant to exert more effort to look for pertinent documents and records in order to justify the validity and lawfulness of the adjusting entries made. Supporting documents like a copy of the check, debit/credit memos, bank statements, check registers or any other records that will trace back these unaccounted amounts are very important in this matter as it involves the most liquid asset of the Municipality that is prone to fraud and misappropriation.
3. Requires the Municipal Accountant and the Municipal Treasurer to closely coordinate with each other in order to identify the cause of discrepancies between

their records and make the necessary adjustments to reconcile their books. Aside from that, the Municipal Accountant should also make a thorough analysis of the Cash Local Treasury account with the abnormal balance under the Trust Fund and make the necessary entries to bring the said account to its correct balance;

4. Directs the Municipal Treasurer to furnish the Accountant the duly certified list of taxpayers and the tax due at the beginning of each year, so that the same could be used as the basis in setting up the RPT Receivable;

In the meantime that computerization has not yet been in place, we recommended that the Treasurer looks for ways to facilitate the preparation and submission of the required list based on updated Real Property Tax Account Register/Taxpayers' index cards;

Also, we recommended that the Municipal Accountant analyze and make the necessary entries to reconcile the discrepancies noted between the RPT and the SET; and

5. We recommended the Accountant to analyze and make the necessary adjustments/correction in the books to present the correct balances of the affected accounts. If necessary, assign a competent personnel for this purpose. The Accountant should also ensure that the balances of reciprocal accounts are at all times equal.

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

1. Municipal School Board allowed payment of expenses not appropriately chargeable to the Special Education Fund amounting to ₱110,396.55 notwithstanding their reluctance to spend 63 percent of their available appropriations for something that were not on learners/students' immediate need.

We reiterated the following recommendations:

- a. That the Municipal School Board to strictly follow the above cited regulations in utilizing the Special Education Fund; and
 - b. That the Municipal School Board to maximize the use of the fund to improve the quality of elementary and secondary education in their area of jurisdiction.
2. The Municipality failed anew to 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 reiterated our prior year recommendation that the Local Chief Executive instructs the concerned officials to prepare and submit all the information and reports required under the above-cited Circular to promote transparency and accountability regarding the PPAs undertaken by the Municipality and facilitate the validation of the same by the Audit Team.

3. The Municipality did not remit the shares of eleven (11) barangays from the real property tax collections within the prescribed period under Section 271 (d) of Republic Act (RA) No. 7160 or the Local Government Code of 1991, thus denied the barangays concerned of the immediate use of funds for the delivery of its basic services and implementation of development projects for the benefit of its constituents.

We recommended that the Local Chief Executive requires the Municipal Accountant and the Municipal Treasurer to remit the share of barangays from the real property tax collections within five (5) days after the end of each quarter so that the funds can immediately be used by the barangays for the benefit of their constituents.

4. Special accounts in the General Fund were not maintained by the Municipal Accountant, contrary to Section 313 of Republic Act (RA) 7160 and Section 63 of COA Circular No. 92-382 dated July 3, 1992, thus, the financial position and operations of each of these special accounts could not be properly determined and monitored.

We recommended that the Local Chief Executive directs the Accountant to maintain special accounts in the General Fund, including the maintenance of complete subsidiary ledgers and preparation of the financial statements for these accounts, in order to monitor their financial position and efficiency of their operations.

5. Correctness of the Cash in Bank account balances were not established on a timely basis due to the failure of the Municipality to submit the monthly bank reconciliation statements within the time frame stated in COA Circular No. 96-011 dated October 2, 1996;

Compel the Accountant to prepare and submit the monthly BRS for all bank accounts regularly and within the prescribed period to the Audit Team for review and verification, to establish the correct balances of the bank accounts of the Municipality with its depository banks and to detect immediately any fraud/irregularities in the use of cash resources;

6. Monthly reports on disbursements and collections and their supporting documents were not submitted within the prescribed period, contrary to various COA rules and regulations, thus, hindered the review and verification of the transactions/accounts of the Municipality.

We recommended, that the Mayor directs the Accountant to submit of all the cited financial records and reports and their supporting documents to the Audit Team within the period prescribed by regulations to facilitate the review and verification of the reports and the timely preparation of the required audit reports.

We also recommended that Management finds out the cause/s of the delays and find solutions thereto.

7. Unexpended funds from various fund transfers received from different National Government Agencies amounting to ₱307,128.33 remained in the Trust Fund account of the Municipality and were not returned to its source agencies after their corresponding purposes had been served, contrary to COA Circular 94-013 dated December 13, 1994, thus, deprived the source agencies of the use of the said funds. Moreover, funds transferred from the Philippine Charity Sweepstakes (PCSO) were recorded under Due to NGAs account instead of Due to GOCCs.

We recommended that the Local Chief Executive directs: (a) the Municipal Treasurer and the Municipal Accountant to closely coordinate with each other in order to immediately remit the unexpended balances of fund transfers to its source agencies as required under Section 6.7 of COA Circular No. 94-013 dated December 13, 1994; (b) the Municipal Accountant to make the necessary adjusting entries to record the transfers from PCSO to its appropriate account.

8. The Municipality did not post in the Philippine Government Electronic Procurement System (PhilGEPS) website the Notices of Award of various procurement programs conducted during the year contrary to Section 5 of Administrative Order No. 17 series of 2011 and Section 37.1.6 of the Revised Implementing Rules and Regulations of Republic Act 9184.

We recommended that the Municipal Mayor directs the:

- a. BAC of the Municipality and all those involved in the procurement process to strictly comply with the procedures and documentary requirements for government procurement prescribed in the above laws and regulations;
- b. the Accounting Office to strictly follow the guidelines prescribed by RIRR 9184 and ensure the completeness of supporting documents for each procurement transaction as required by COA Circular No. 2012-001 dated June 14, 2012 and other pertinent laws and government regulations.

Henceforth, process, approve and pay only those claims with complete documentation. We recommended that the Municipal Mayor directs the:

9. Despite repeated recommendation, the Municipal Government failed to optimize utilization of its total appropriation for the 20% Development Fund, contrary to Section 5 of DILG-DBM Joint Memorandum Circular No. 2011-1, thus, continually deprived the constituents of the benefits that could be derived therefrom.

We reiterated that the Local Chief Executive, thru the Municipal Planning and Development Council to optimize the utilization of the 20% Development Fund to ensure that intended beneficiaries could avail of the maximum benefits that can be derived therefrom.

The foregoing observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference on June 21, 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 eighteen (18) audit recommendations embodied in the CY 2015 Annual Audit Report, five (5) were fully implemented, four (4) were partially implemented and the remaining nine (9) 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.