

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 Hon. Alberto R. San Juan
LnB President	:	
OIC-Accountant	:	Michael Louie B. Mariano
Treasurer	:	Olivia A. Atienza

b. No. of Personnel Complement

	Quarter			
	1 st	2 nd	3 rd	4 th
Permanent	46	44	44	45
Temporary	8	8	9	9
Co-Terminus	2	5	5	5
Elective Officials	11	11	11	11
Job Order	<u>83</u>	<u>85</u>	<u>95</u>	<u>98</u>
Total	<u>150</u>	<u>153</u>	<u>164</u>	<u>168</u>

FINANCIAL HIGHLIGHTS

For Calendar Year (CY) 2017, the Municipality generated total revenue of ₱91,752,508.47 from local taxes, permits and licenses, services, business and other income and internal revenue allotment, which is ₱11,168,526.53 or 12% higher than last year's income of ₱80,583,982. On the other hand, expenses reached the amount of

₱74,592,894.81, an increase of ₱11,599,163.56 or 16% from last year's level of ₱62,993,731.25.

Total appropriations under the General Fund (GF) amounted to ₱123,725,387.00, while under the Special Education Fund (SEF), amounted to ₱5,000,000.00 of which ₱73,136,896.34 and ₱3,258,245.00, respectively, were obligated during the year.

The following is the Municipality's total assets, liabilities and equity, and total income and expenses for CYs 2017 and 2016:

	2017	2016	Increase
Assets	238,754,419.74	210,887,460.37	27,866,959.37
Liabilities	98,144,945.84	96,794,966.68	1,349,979.16
Equity	140,609,473.90	114,092,493.69	26,516,980.21
Income	91,752,508.47	80,583,981.94	11,168,526.53
Expenses	74,592,894.81	62,993,731.25	11,599,163.56

OPERATIONAL HIGHLIGHTS

The Municipality's major accomplishments for the year ended December 31, 2017 are as follows:

1. Social Development Program

- Construction/rehabilitation of facilities such as multi-purpose hall intended to cater out of school youth, women, senior citizens minors, displaced families, indigenous people and differently abled persons;
- Construction/rehabilitation of health centers, rural health units or hospitals & purchase medical equipments; and
- Purchase and development of land for the relocation of the informal settlers & relocation of victims of calamities.

2. Economic Development Program

- Construction/rehabilitation of local roads or bridges or purchase of appropriate engineering equipment such as dump truck, graders and payloaders.

3. Environmental Management Program

- Implementation of flood and erosion control projects such as rehabilitation and construction of drainage system, de silting or rivers, de clogging of canals.

4. Awards Received by the Municipality of Jalajala

Date	Level	Award	Award Giving Body
Apr. 4, 2017	National	Best Supplementary Feeding Program Implementer	DSWD
Aug. 2, 2017	National	Awarded as Seal of Child-Friendly Local Governance	DILG
Oct. 6, 2017	National	Seal of Good Financial Housekeeping	DILG
Dec. 16, 2017	National	Financial Administration - Passer	DILG
Dec. 16, 2017	National	Business Friendliness and Competitiveness-Passer	DILG
Dec. 16, 2017	National	Environmental Management-Passer	DILG
Dec. 16, 2017	National	Tourism, Culture and the Arts - Passer	DILG
Jul. 12, 2017	Provincial	2 nd Place for Provincial Level for Huwarang Pamilya Pantawid Program	DSWD
Aug. 29, 2017	Provincial	Top 3 for Search for Exemplary Child	DSWD
Aug. 2, 2017	Regional	3 rd Place for Regional Search for Huwarang Pamilya Pantawid Program	DSWD
Oct. 19, 2017	Regional	One of the Best Performing Facilities in Rizal Province	DOH
Dec. 4, 2017	Regional	Environmental Compliance Audit - Passer	DILG Calabarzon

SCOPE OF AUDIT

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipal Government of Jalajala, Rizal for CY 2017. The audits were conducted to ascertain the fairness of the presentation of the Financial Statements, determine compliance of the Municipal Government with 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:

1. The reliability of the recorded balances of the Property, Plant and Equipment (PPE) accounts with a net book value of P94,981,277.08 as of December 31, 2017 could not be determined, 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); and (b) non-submission of a detailed PPE Lapsing Schedule which will validate the correctness of the computed depreciation for the year;

2. The Cash in Bank-Local Currency, Current Account (CIB-LCCA) amounting to P84,374,866.59 is still doubtful due to the failure of the Municipal Accountant to present supporting documents for the unaccounted reconciling item amounting to P148,780.29, P20,412.04 and P6,648.60 under General Fund, Special Education Fund and Trust Fund, respectively, which were adjusted to the Government Equity account, contrary to Sections 4(6) and 112 Presidential Decree (PD) No. 1445;
3. The year-end balance of Cash in Local Treasury account amounting to P402,084.45 is still unreliable, due to the discrepancies with the balance appearing in the records of Accounting and Treasury Offices amounting to P57,753.33 and P10,472.14 in the General Fund and Special Education Fund, respectively; and
4. The year-end balances of Real Property Tax (RPT) and Special Education Tax (SET) Receivables amounting to P26,823,815.65 and P26,823,815.65, respectively, are doubtful due to the amounts set-up at the beginning of the year were still based on the estimated collection of the RPT/SEF for CY 2017, contrary Section 20 of the Manual on New Government Accounting System, Volume I.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATION

For the exceptions cited above we reiterated/recommended that the Local Chief Executive direct the:

- a. Accounting and General Services Offices 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. General Service Officer to issue ARE and/or PAR for all PPE items issued to actual recipients and/or end-users and renewed every three years;
- d. Concerned Municipal Official to see to it that all issued PPE items are returned to the GSO before the issuance of Agency Clearance for those officials and employees who will apply for retirement, transfer of office and/or death;

- e. Accountable Officer to immediately submit to the Auditor the request for relief from property accountability for the lost, destroyed and demolished properties duly supported with all the required documentation, so that they can be relieved from any liability;
- f. General Services Officer to prepare the Inventory and Inspection Report on Unserviceable Property (IIRUP), to account for all unserviceable and obsolete items previously taken up in the books as assets, so that they may be properly disposed of and dropped from the accounts pursuant to COA Circular No. 89-296 dated January 27, 1989;
- g. Concerned Municipal Officials to see to it that proper turnover of PPE items from outgoing and incoming officials, particularly in the barangay level is strictly observed/made;
- h. Accounting and General Service Offices to maintain and update Property, Plant and Equipment Ledger Card (PPELC), Real Property Ledger Card (RPLC) and Property Cards per category of Plant, Property and Equipment;
- i. General Service Officer to see to it that donated properties are properly documented and covered by Deed of Donation and Acceptance of Donations;
- j. Municipal Accountant to exert more effort to look for pertinent documents and records to justify the validity and correctness of the adjusting entries made. Otherwise, those entries made under JEV Nos. 100-2016-12-3338, 200-2016-12-0452 and 300-2016-12-0215 should be reversed;
- k. Municipal Accountant to prepare the necessary adjusting journal entry for appropriate adjustment of stale checks in the Municipality's books of accounts;
- l. Municipal Treasurer to regularly monitor the outstanding check and immediately inform the Municipal Accountant of all stale checks for proper adjustment in the accounting records;
- m. Accounting and the Treasury Offices reconcile their records to trace the details of the above discrepancy and make necessary adjusting entries to present the correct balance of the Cash in Bank account. Thereafter, regular reconciliation of their respective records be conducted to avoid the occurrence of the same;
- n. 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;

- o. Municipal Accountant to use the duly certified list of taxpayers showing the names of the taxpayers and amount due and collectible from each of them as provided by the Office of the Municipal Treasurer at the start of each year to serve as basis in setting-up the Real Property Tax/Special Education Tax Receivables, in compliance with Section 20 of the MNGAS for LGUs, Volume I.

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

1. The correctness of the balances of the Cash in Bank accounts could not be 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.

We reiterated our prior year's recommendation that the Local Chief Executive direct the the Municipal 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.

2. Disbursement and collection reports together with their supporting documents were not submitted within the prescribed period, contrary to 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 and resulted also to the delay in the preparation and submission of the required reports by the Audit Team.

We recommended that the Local Chief Executive direct the Municipal Accountant to:

- a. submit immediately the aforementioned disbursements and collection reports and their supporting documents to the Audit Team to facilitate the review and verification of the same and the timely preparation of the required audit reports. Otherwise, withhold the salaries of the concerned official until he has complied with the prescribed regulation on submission of accounts and/or file the appropriate charges against him. Henceforth, ensure that the said reports and transaction documents of the Municipality are submitted within the prescribed period pursuant to the above COA Circulars; and
- b. determine also the cause/s of the persistent delay in the submission of the paid vouchers to the Audit Team and find solution thereto.

3. Payment of various expenditures totaling P387,835.47 were improperly charged to Special Education Fund (SEF), contrary to the provisions of Republic Act (RA) No. 5447 and Joint Circular No. 1 series of 2017 of the Department of Education, Department of Budget and Management and Department of Interior and Local Government (DepEd, DBM and DILG), thus defeating the purpose of which the fund was created.

We recommended that the Local Chief Executive direct the Municipal Budget Officer to appropriate fund in the General Fund to transfer and replace the amount of P387,835.47 charged to the Special Education Fund instead of General Fund. Thereafter, the Municipality should strictly observe the provisions of Section 272 of RA No. 7160 and DepEd/DBM/DILG Joint Circular No. 1, s. 2017 in the utilization of SEF.

4. The required report containing the list of all on-going programs/projects/ activities and those that are to be implemented by the Municipality during the year, as well as the information that the appropriate project signboards and/or public notices were already posted at the project site were once again not complied with, contrary to COA Circular No. 2013-004 dated January 30, 2013, thereby depriving its citizens and other stakeholders of complete information relative thereto and prevented the Audit Team from validating the same.

We strongly reiterated the Audit Team's prior year's recommendation that the Municipal Mayor direct 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.

5. Special accounts in the General Fund were not completely 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 reiterated our prior year's recommendations that the Local Chief Executive direct the Municipal 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 to ensure availability of adequate information on their operations for decision making purposes in compliance with the pertinent provisions of the MNGAS for LGUs, Volume 1.

6. Government Service Insurance System (GSIS) contributions/premiums/loans amortizations withheld monthly from employee's compensation were not remitted in full by the Municipal Government which resulted in accumulation of Due to GSIS account under the General Fund and Trust Fund totaling to P830,673.71 as

of December 31, 2017, contrary to Republic Act No. 8291 or the Government Service Insurance System (GSIS) Act of 1997; thus, depriving the employees of the social security benefit and exposing the Municipal Government to risk of paying interest and penalty charges.

We recommended that the Local Chief Executive direct the:

- a) OIC-Municipal Treasurer promptly remit the withheld GSIS contributions/premiums/loan amortizations from employees compensations in full within the prescribed period; and
 - b) Municipal Accountant to reconcile the Due to GSIS account records with the GSIS to determine any errors in recording thereof.
7. Procurement Monitoring Reports for the 1st and 2nd semester of CY 2017 were not prepared and submitted by the Bids and Awards Committee (BAC) to the Government Procurement and Policy Board (GPPB) as required under Section 12.2 of the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184, thus the promotion of public monitoring of procurement process and implementation of awarded contracts was not undertaken.

We recommended that the Local Chief Executive require the BAC to prepare and submit the approved Procurement Monitoring Report to the GPPB in printed and electronic format within the prescribed period in accordance with the provision of the Revised IRR of RA No. 9184.

8. The Municipality was not compliant with the transition provision on the phased recognition of the Local Road Networks in the books of accounts which requires 50% compliance at the end of year 2017 as stated under Item IX of COA Circular No. 2015-008 due to the absence of Local Road Inventory and Road Map.

We recommended that the Local Chief Executive direct the:

- a) Municipal GSO to coordinate with the Municipal Engineer to prepare the road map of the Municipality to facilitate the preparation of a proper inventory and reporting of the Municipality's road network system;
 - b) Municipal Engineer to provide the Municipal Accountant and the Municipal GSO with the complete description and cost segregation of road components for road projects; and thereafter; and
 - c) Municipal Accountant to record the amount of road networks equivalent to the required transition provision percentage every year starting 2016 up to 2019.
9. The Municipality failed to establish the Local Council for the Protection of Children (LCPC) and appropriate one percent of the Internal Revenue allotment

(IRA) for the strengthening and implementation of its Programs, Projects and Activities (PPAs), contrary to Section 15 of the Republic Act (RA) No. 9344, known as the 'Juvenile Justice and Welfare Act of 2006', and Memorandum Circular (MC) No. 2012-120 of the Department of the Interior and Local Government (DILG), thus the purpose of the law was defeated, to the disadvantage of the intended beneficiaries.

We recommend that the Local Chief Executive:

- a. to constitute the Local Council for the Protection of Children pursuant to Section 15 of the Republic Act (RA) No. 9344, known as the Juvenile Justice and Welfare Act of 2006 and Memorandum Circular (MC) No. 2012-120 of the Department of the Interior and Local Government (DILG); and
 - b. require the Municipal Budget Officer to allocate 1% of the Internal Revenue Allotment (IRA) for the strengthening and implementation of LCPC's Programs, Projects and Activities (PPAs).
10. Purchase of various machineries and equipment and inventories amounting to P382,280.00 were erroneously taken up as outright expense instead of asset, thus resulted in the overstatement and understatement of the affected expense and asset accounts, respectively, by the same amount.

We recommended that the Local Chief Executive direct the Municipal Accountant to prepare the necessary adjustments/corrections in the books of accounts to present the correct balances of the affected accounts.

11. Fund transfers received by the Municipality from the National Government Agencies thru Bottom Up Budgeting (BUB) and Local Government Support Fund-Assistance to Disadvantaged Municipalities (LGSF-ADM) totaling P22,007,000.00 for its priority projects or programs remained unutilized at year-end, thus depriving the constituents of its immediate use and/or the benefits that could have been derived therefrom.

We recommended that the Local Chief Executive direct the concerned Municipal Officials to immediately utilize the amount of P22,007,000.00 for its intended purposes to ensure that the projects would benefit its constituents. Otherwise, the fund must be returned to the National Government in order that it may be made available for other priority programs or projects of said government agencies.

12. The Municipality had an unutilized budget for 20% Development Fund of P6,200,000.00 and P14,408,933.69 for the current and continuing appropriations, respectively, as of December 31, 2017, contrary to Section 5 of DILG-DBM Joint Memorandum Circular No. 2011-1, thus deprived its constituents of the benefits that could be derived therefrom.

We strongly reiterate 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 there from.

13. The Municipality has fully complied with Bureau of Internal Revenue (BIR) regulations on the withholding and remittances of the taxes by remitting P5,595,416.83 of the total taxes withheld of P6,204,676.80 for CY 2017. The Due to BIR balance amounting to P609,259.97 pertaining to current year taxes withheld which was fully remitted in January 2018.

We recommended that the Municipal Accountant continue to comply with its duty to withhold taxes due on compensation and all money payments to suppliers, contractors and other creditors and promptly remit the same to the Bureau of Internal Revenue in accordance with Revenue Memorandum circular No. 23-2007 and BIR Tax Revenue Regulation No. 10-2008.

14. Gender gaps and/or differences within the Municipality could not be fully analyzed due to the non-establishment of Gender and Development (GAD) Database, contrary Section 4.B of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01.

We recommended that the Local Chief Executive instruct the Municipal Planning and Development Coordinator along with the GAD Focal Point System to establish GAD Database for storage of necessary information in aid of effective gender-responsive planning, programming and policy formation.

15. The Municipality procured three units of motor vehicles amounting to P2,571,813.05, paid out of the unexpended balance of Municipal Disaster Risk Reduction Management Fund (LDRRMF) of previous years, were not included among the planned Programs, Projects and Activities (PPAs) in the Local Disaster Risk Reduction Management Investment Plan (LDRRMIP) and Annual Investment Plan (AIP), contrary to COA Circular No. 2012-002 dated September 12, 2012 and Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013 of the National Disaster Risk Reduction and Management Council (NDRRMC), Department of Budget and Management (DBM) and Department of the Interior and Local Government (DILG), thus rendering the propriety and validity of the transaction doubtful.

We recommended that the Local Chief Executive direct the:

- a. Municipal Disaster Risk Reduction Management Council to include in the LDRRMFIP the programs/projects/activities to be funded out of the previous year's unexpended balance of LDRRMF to justify the validity and propriety of the above transaction. Henceforth, be guided with the provisions of Items 5 and 6 of COA Circular 2012-002 and NDRRMC, DBM and DILG JMC No. 2013-1, respectively, as to the appropriate accounting and reporting guidelines

and the policies and procedures on the utilization of the LDRRMF so as to avoid future suspension and disallowance in audit; and

- b. MDRRMO and the Municipal Accountant be required to prepare the Monthly Report on Sources and Utilization of MDRRMF in the prescribed form and submit the same on or before the 15th day after the end of each month through the LDRRMC and Local Development Council (LDC) to the Audit Team.

The foregoing observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference on June 28, 2018 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 22 audit recommendations embodied in the CY 2016 Annual Audit Report, two were fully implemented, six were partially implemented and the remaining 14 were not implemented by the Municipal Government. The results of the validation of the implementation of prior year's recommendations are presented in Part III of this Annual Audit Report.