

## 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 Calendar Year (CY) 2018, 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<br>Hon. Jarry V. Añago<br>Hon. Ma. Salvacion A. Villaran<br>Hon. Gina H. Bonita<br>Hon. Virginia M. Belleza<br>Hon. Angelina G. Nitario<br>Hon. Bayani M. Masicat Jr.<br>Hon. Jesus M. Pillas |
| LnB President            | : | Hon. Rocky C. Ramilo  |
| Municipal Accountant     | : | Michael Louie B. Mariano  |
| OIC-Municipal Treasurer  | : | Edwin S. Fulgueras  |

#### b. No. of Personnel Complement

|                    |                   |
|--------------------|-------------------|
| Permanent          | 58                |
| Temporary          | 7                 |
| Co-Terminus        | 5                 |
| Elective Officials | 11                |
| Job Order          | 110               |
| <b>Total</b>       | <b><u>191</u></b> |

### FINANCIAL HIGHLIGHTS

For CY 2018, the Municipality generated total revenue of ₱99,397,224.38 from local taxes, permits and licenses, services, business and other income and internal revenue allotment. Total revenue is ₱7,644,715.91 or eight percent higher than last year's revenue of ₱91,752,508.47. On the other hand, expenses reached the amount of ₱88,964,645.15, an increase of ₱14,371,750.34 or 19 percent from last year's level of ₱74,592,894.81.

Total appropriations under the General Fund (GF) amounted to ₱101,488,461.43, while under the Special Education Fund (SEF), amounted to ₱5,387,835.47 of which ₱84,576,094.98 and ₱3,831,690.63, respectively, were expended during the year.

The following is the Municipality's total assets, liabilities and equity, and total income and expenses for CYs 2018 and 2017:

|             | <b>2018</b>    | <b>2017</b>    | <b>Increase</b> |
|-------------|----------------|----------------|-----------------|
| Assets      | 333,930,817.47 | 238,754,419.74 | 95,176,397.73   |
| Liabilities | 149,752,869.84 | 98,144,945.84  | 51,607,924.00   |
| Equity      | 184,177,947.63 | 140,609,473.90 | 43,568,473.73   |
| Income      | 99,397,224.38  | 91,752,508.47  | 7,644,715.91    |
| Expenses    | 88,964,645.15  | 74,592,894.81  | 14,371,750.34   |

## **OPERATIONAL HIGHLIGHTS**

The Municipality's major accomplishments for CY 2018 are as follows:

| <b>Date</b>  | <b>Level</b> | <b>Award</b>   | <b>Award Giving Body</b>                               |
|--------------|--------------|--|--|
| Oct 18, 2018 | National     | Certificate of Drug Cleared Municipality                     | Philippine Drug Enforcement Agency (PDEA)              |
| Dec 12, 2018 | Regional     | Manila Bay Site Coordination                                 | Department of Environment and Natural Resources (DENR) |
| 2018         | National     | National Passer in Financial Administrator                   | Department of the Interior and Local Government (DILG) |
| 2018         | National     | National Passer in Business Friendliness and Competitiveness | DILG   |
| 2018         | National     | National Passer in Tourism, Culture and Arts                 | DILG   |
| 2018         | National     | Awarded Seal of Child Friend Local Governance                | DILG   |
| Mar 1, 2018  | Regional     | Technical and Vocational Education Program                   | Department of Education (DepEd)                        |
| Jun 27, 2018 | Regional     | Listong Pamayanan Roll-Out                                   | DILG   |

## **SCOPE OF AUDIT**

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Jalajala, Rizal for CY 2018. 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.

## **INDEPENDENT AUDITOR'S REPORT 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 reported balances of Property, Plant and Equipment (PPE) accounts with carrying value of ₱143,923,840.99 at year-end remained unreliable due to: a) non-maintenance of PPE Ledger Cards (PPELCs) and Property Cards (PCs) by the Municipal Accountant and General Services Officer (GSO), respectively; and b) discrepancy of ₱21,819,175.45 between the reported balance of PPE per financial statements and the submitted Report on the Physical Count of Property, Plant and Equipment (RPCPPE), contrary to Section 124, paragraph 2 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I; and
2. The accuracy of the reported balances of Cash in Bank accounts amounting to ₱86,963,243.83 could not be ascertained due to existence of various unidentified reconciling items in different funds of the Municipality; and the submitted Bank Reconciliation Statements (BRSs) were not supported with bank statements, debit/credit memoranda and paid checks, contrary to Section 111 of Presidential Decree (PD) No. 1445 and COA Circular No. 96-011 dated October 2, 1996, thus provided inaccurate and misleading information to the users of the financial statements.

### **SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATION**

For the exceptions cited above we reiterated/recommended that the Local Chief Executive direct the Municipal Accountant and the General Services Officer (GSO) to:

- a. establish and maintain complete PPELCs and PCs, respectively, for all PPE items;
- b. reconcile their property records in order to establish the correct balances of the PPE accounts. Any discrepancies noted between the inventory report and the accounting and property records should be investigated and make the necessary adjustments where the error was committed;
- c. exert more effort to trace the supporting documents of the above discrepancy and make necessary adjusting entries to present the correct balance of the Cash in Bank account; and
- d. submit the monthly BRS with complete supporting documents;

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

1. The accuracy of the recorded balance of the Due to Government Service Insurance System (GSIS) account amounting to ₱963,624.76 at year-end remained doubtful due to the existence of unaccounted amounts of ₱38,422.58 and ₱308,244.56 in the General Fund (GF) and Trust Fund (TF), respectively, contrary to Section 112 of PD No. 1445 and Republic Act (RA) No. 8291.

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

- a. continue exerting effort in reconciling the unaccounted amount to establish the correct balance of the Due to GSIS account and remit whatever balance due to the agency concerned; and
  - b. strictly comply with the prescribed guidelines on remittances of the amounts withheld from the salaries of municipal employees due to GSIS to avoid incurrence of penalties, surcharge, and inconveniences to the employees concerned.
2. Purchase of various supplies and materials amounting to ₱544,015.65 was erroneously taken up as an 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 adjusting journal entry to correct the balances of the affected accounts in the Municipality's books.

3. The year-end balance of Cash Local Treasury account amounting to ₱506,739.64 was still unreliable due to the discrepancies in the account's balances between Accounting and Treasury records amounting to ₱49,925.22, ₱10,487.16 and (₱1,288.00) in the GF, Special Education Fund, and TF, respectively, contrary to Section 181(c) of the Government Accounting and Auditing Manual (GAAM), Volume I.

We reiterated our prior year's recommendation that the Local Chief Executive direct the Municipal Accountant and the OIC-Municipal Treasurer to closely coordinate with each other in order to identify the cause of discrepancies between their respective records and make the necessary adjustments to reconcile their books.

4. Outstanding balances of the Due from LGUs and Due to LGUs accounts in all funds of the Municipality have discrepancies of ₱171,368.27 and (₱58,877.78), respectively, with their reciprocal accounts in the respective books of the Provincial Government of Rizal, thus rendering the recorded balances of the Due from LGUs and Due to LGUs accounts of the Municipality unreliable.

We recommended that the Local Chief Executive direct the Municipal Accountant and the OIC-Municipal Treasurer to coordinate with the Provincial Accountant and Treasurer to verify the discrepancies of ₱171,368.27 and (₱58,877.78) between the recorded balances of the Due from and Due to LGUs accounts of the Municipality and their respective reciprocal accounts Due to and Due from LGUs account reflected in the books of the Province; and subsequently prepare the necessary adjusting journal entries to present the true balance of the said accounts in the financial statements of the Municipality. Likewise, strictly enforce the collection and settlement for the receivables and payables found to be valid.

5. Due to manpower constraints, the accounts and financial reports of the Municipality for CY 2018 were not submitted within the prescribed period, contrary to the provisions of Section 7.2.1(a) of COA Circular No. 2009-06 and Sections 6.03, 6.04 and 6.05 of COA

Circular No. 95-006, thus precluded the Audit Team to conduct the timely review and verification of the financial transactions of the Municipality.

We recommended that the Local Chief Executive address the underlying issue on the manpower constraint in the Accounting Office to comply with the submission of accounts and financial reports to the Audit Team, within the period prescribed by the abovementioned regulations for timely review and post audit of the financial transactions of the Municipality.

We also recommended that the Municipal Accountant immediately submit the financial reports stated above to facilitate the preparation of the related reports required from the Audit Team.

6. The requirement to render a report on the signboards/public notices posted at project sites of all ongoing programs/projects and the list of projects to be implemented by the Municipality during the year were again not complied with, contrary to COA Circular No. 2013-004, thus resulting in the delays in the validation of the projects and verification of the Municipality's compliance with the posting of information signboards at project site.

We reiterated our prior year's recommendation that the Local Chief Executive direct the Municipal Engineer in coordination with the Bids and Awards Committee (BAC) Secretariat to:

- a. prepare and submit to the Audit Team at the beginning of the year a list of all on-going government PPAs and those that are to be implemented during the year; and
  - b. inform the Audit Team within 10 days after the award of the infrastructure project or before the start of the program/activity that the appropriate project signboards and/or public notices are already posted as required by the above-cited circular to promote transparency and accountability regarding the PPAs undertaken by the Municipality and to facilitate the validation of the same by the Audit Team.
7. Procurement Monitoring Reports for CY 2018 were still not submitted by the BAC to the Government Procurement and Policy Board (GPPB), contrary to Section 12.2 of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, thus the promotion on public monitoring of procurement process and implementation of awarded contracts was not undertaken.

We reiterated our prior year's recommendation that the Local Chief Executive require the BAC to 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 2016 RIRR of RA 9184.

8. Despite prior year's recommendation, the Municipality was still not compliant with the transition provision on the phased recognition of the Local Road Networks in the books of accounts, which requires 75 percent compliance at the end of year 2018 as stated under Item IX of COA Circular No. 2015-008 due to absence of supporting documents that will establish the cost segregation of road component of each project in the Local Road Inventory submitted by the Municipal Engineer.

We recommended that the Local Chief Executive direct the:

- a. Municipal Engineer to prepare a Road Map and Local Road Inventory of the Municipality to be maintained by the Municipal GSO;
  - b. Municipal Engineer to ensure the correctness of the cost segregation of road components of the road projects indicated in the Local Road Inventory by providing documents or additional information to support the same; and thereafter
  - c. Municipal Accountant to record the amount of road networks in the books of accounts in accordance with the accounting procedures of the abovementioned Circular.
9. The Municipality still did not appropriate one percent of the Internal Revenue Allotment (IRA) for the strengthening and implementation of its Programs, Projects and Activities of the Local Council for the Protection of Children (LCPC), contrary to Section 15 of the RA No. 9344 and Department of Budget and Management (DBM) Local Budget Memorandum No. 75, thus defeated the purpose for which the fund was created, to the disadvantage of the intended beneficiaries.

We reiterated our prior year's recommendation that the Local Chief Executive to require the Municipal Budget Officer to allocate one percent of the IRA for the strengthening and implementation of LCPC's PPAs.

10. Some Notices of Award and Notices to Proceed of various projects bidded by the Municipality during the year were not posted in the Philippine Government Electronic Procurement System (PhilGEPS) website, contrary to Section 5 of Administrative Order No. 17 series of 2011 and Section 37.1.6 of the 2016 Revised IRR of RA No. 9184.

We recommended that the Municipality upgrade their existing internet subscription to address the difficulty on posting its procurement activities to PhilGEPS website. Also, in case there is a failure in bidding, avoid posting the same project without updating the first post as failed.

We also recommended that the Local Chief Executive to direct the BAC Secretariat to strictly comply with the posting requirement, pursuant to the Revised IRR of RA No. 9184 to attain the widest circulation of the Municipality's procurement/bidding activities.

11. Current and prior years appropriations of ₱17,312,983.60 and ₱20,628,723.54, respectively, under 20% Development Fund were not fully utilized for the implementation of various development projects of the Municipality, contrary to Department of the Interior and Local Governments (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1, thus deprived its constituents of the benefits that could be derived therefrom.

We recommended that the Local Chief Executive direct the Municipal Engineer to closely monitor and vigorously pursue the timely and full implementation of all the programs and activities embodied in the 20% Development Fund so that the benefits would be delivered to its intended beneficiaries at the soonest possible time.

12. The Municipal Disaster Risk Reduction Management Council (MDRRMC) was not able to include in its Local Disaster Risk Reduction Management Investment Plan (LDRRMFIP) and implement the programs/projects chargeable to the previous year's unexpended balance of Local Disaster Risk Reduction Management Fund of P13,773,285.38, contrary to COA Circular No. 2012-002 dated September 12, 2012, thus the objectives of reducing disaster risks, and enhancing disaster preparedness and response capabilities of the Municipal Government were not fully attained.

We recommended that the Local Chief Executive direct the MDRRMC to include in the LDRRMFIP the programs/projects/activities to be funded out of the previous year's unexpended balance of LDRRMF to fully utilized the fund in order to attain the Municipality's ultimate goals and objectives of protecting the lives and property of its constituents during calamities.

**SUMMARY ON THE STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

Audit suspensions and disallowances amounting to P4,399,653.18 and P872,677.50, respectively, remained unsettled as of year-end, the details are as follows:

| Nature                 | Amount            |          |            |                | Status/ Remarks                          |
|------------------------|-------------------|----------|------------|----------------|--|
|                        | Beginning Balance | Issuance | Settlement | Ending Balance |  |
| Notice of Suspension   | P4,399,653.18     | P0.00    | P0.00      | P4,399,653.18  | With pending appeal with COA Region IV-A |
| Notice of Disallowance | 872,677.50        | 0.00     | 0.00       | 872,677.50     |  |

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 37 audit recommendations embodied in the CY 2017 Annual Audit Report, 17 were fully implemented, five were partially implemented and the remaining 15 were not implemented by the Municipal Government of Jalajala.