

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) 2019, the organizational structure of the Municipality is as follows:

a. Key Officials

Mayor	:	Hon. Elmer C. Pillas
Vice-Mayor	:	Hon. Jose B. De Los Santos
Members of the Sangunian	:	Hon. Jarry V. Añago Hon. Ma. Salvacion A. Villaran Hon. Virginia M. Belleza Hon. Bayani M. Masicat Jr. Hon. Gina H. Bonita Hon. Froilan P. Candelaria Hon. Racky B. Dumandan Hon. Rolando C. De Leon
LnB President	:	Hon. Rocky C. Ramilo
SK President	:	Hon. Jan Beneigh R. Perez
Municipal Accountant	:	Michael Louie B. Mariano
OIC-Municipal Treasurer	:	Rodolfo R. Pillas

b. No. of Personnel Complement

Permanent	59
Temporary	2
Co-Terminus	5
Elective Officials	12
Job Order	120
Total	<u>198</u>

FINANCIAL HIGHLIGHTS

For the year 2019, the Municipality generated a total revenue of ₱112,201,242.44, an increase of ₱12,804,018.06 or 12.88 percent as compared with last year's revenue of ₱99,397,224.38. The significant increase in the revenue of the LGU is attributable to the increase in Internal Revenue Allotment of the LGU and Service and Business Income. The total expenses reached ₱107,750,229.95, including subsidies to other funds, an increase of ₱18,785,684.80 or 21.12 percent from last year's level of ₱88,964,645.15. The surplus for the year amounted to ₱4,451,012.49 or a decrease of ₱5,981,566.74 or 57.34 percent from that of last year's amount of ₱10,432,579.23 due to the significant increase of expenses.

Total assets, liabilities and equity as of December 31, 2019 amounted to ₱352,623,339.31, ₱151,427,164.14 and ₱201,196,175.17, respectively. The total assets of the Municipality increased by ₱18,692,521.84 while total liabilities increased by ₱1,674,294.30. Consequently, total equity increased by ₱17,018,227.54.

Total current appropriations amounted to ₱112,000,854.00 of which ₱97,469,965.84 was the reported expenditures during the year.

The following is the Municipality's total assets, liabilities and equity, and total income and expenses for CYs 2019 and 2018:

	2019	2018	Increase
Assets	₱352,623,339.31	₱333,930,817.47	₱18,692,521.84
Liabilities	151,427,164.14	149,752,869.84	1,674,294.30
Equity	201,196,175.17	184,177,947.63	17,018,227.54
Income	112,201,242.44	99,397,224.38	12,804,018.06
Expenses	107,750,229.95	88,964,645.15	18,785,684.80

OPERATIONAL HIGHLIGHTS

The Municipality was awarded a Seal of Child Friendly Local Governance at the Regional Category on April 10, 2019.

SCOPE OF AUDIT

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Jalajala, Rizal for CY 2019. 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. As in previous years, the recorded balance of the Cash in Bank-Local Currency, Current Account (CIB-LCCA) account amounting to ₱80,618,666.42 as at year-end is doubtful due to existence of various unidentified book reconciling items aggregating ₱175,840.93 in different funds of the Municipality; and, the submitted Bank Reconciliation Statements (BRSs) were again not supported with bank statements, debit/credit memoranda and paid checks, contrary to Section 111 of Presidential Decree (PD) No. 1445 and Commission on Audit (COA) Circular No. 96-011 dated October 2, 1996.
2. The correctness, existence and validity of the recorded balances of the Property, Plant and Equipment (PPE) accounts with carrying value of ₱175,909,123.75 or 49.89 percent of the total assets of the Municipality at year-end could not be ascertained due to: (a) existence of unreconciled net difference of P(977,595.57) between Accounting

records and the Report on Physical Count of PPE (RPCPPE), contrary to Section 124 of the Manual on New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I; (b) no PPE Ledger Cards (PPELCs) and incomplete Property Cards (PCs) being maintained by the Accounting Office and General Services Offices, respectively; (c) unrecorded PPE from the National Government Agencies (NGAs) amounting to at least ₱8,989,000.00; (d) non-preparation and maintenance of the required report for Local Road Network; and (e) non-disclosure of total road network system in the Notes to Financial Statements, contrary to Item VI of COA Circular No. 2015-008 dated November 25, 2015.

3. The recorded balances of Real Property Tax (RPT) and Special Education Tax (SET) Receivables as of December 31, 2019 amounting to ₱44,316,115.85 and ₱44,316,115.85, respectively, are doubtful due to inability of the Municipal Accountant to maintain subsidiary ledger of taxpayers per Real Property Unit (RPU), contrary to Section 111 of Presidential Decree (PD) No. 1445.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATION

For the exceptions cited above we reiterated/recommended that the Municipal Mayor direct the:

- a. Municipal Accountant to exert more effort to trace the supporting documents of the above discrepancy in order to make necessary adjusting entries to ensure the correct balance of the CIB-LCCA account appearing in the Municipality's financial statements;
- b. Municipal Accountant to submit the monthly BRSs with complete supporting documents;
- c. Inventory Committee and the Municipal Accountant to conduct periodic reconciliation of their records in order to immediately determine the cause and details of the net difference ₱(977,595.57); thereafter, make necessary adjustments where error was committed;
- d. Inventory Committee to conduct physical inventory of the Road Network System of the Municipality and prepare and submit the required report thereon, in proper form as required under Item VI of COA Circular No. 2015-008;
- e. GSO and the Municipal Accountant to maintain a complete and updated PCs and PPELCs, respectively;
- f. Municipal Accountant to immediately make the necessary adjustment to record the PPE from the NGAs;
- g. Municipal Engineer to expedite the submission of the complete description and cost segregation of the road components for road projects of the Municipality;
- h. GSO to maintain Local Road Inventory and Road Map and keep a complete LRNPC for all roads and its components;
- i. Municipal Accountant to disclose in the Notes to Financial Statements the total road network system of the Municipality at year-end; and

- j. Municipal Accountant to immediately coordinate with Information Technology Department of the Municipality to provide them the needed assistance to facilitate the preparation of a subsidiary ledger of taxpayers per RPU.

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

1. The reliability and correctness of the balance of Cash - Local Treasury account amounting to ₱768,680.99 as of December 31, 2019 could not be ascertained due to the discrepancy between the Accounting and Treasury records amounting to ₱51,208.22 and ₱10,487.13 in the General Fund and Special Education Fund, respectively, which can be attributed to the absence of periodic reconciliation between the two records, contrary to Section 181(c) of the Government Accounting and Auditing Manual (GAAM), Volume I.

We reiterated our prior year's recommendation that the Municipal Mayor direct the Municipal Accountant and the OIC-Municipal Treasurer to exert extra efforts to identify the cause of the discrepancies between their respective records and thereafter, make the necessary adjustments to reconcile their books.

2. Despite previous year's recommendation, the subsidiary ledger balances of Due from and Due to Local Government Units (LGUs) - Province accounts in all funds totaling ₱1,652,907.91 and ₱453,908.25, respectively, are unreliable due to unreconciled differences of ₱35,343.41 and ₱(266,990.46), respectively, with the reciprocal accounts in the books of the Provincial Government of Rizal, thereby affecting the fair presentation of the said accounts in the Municipality's financial statements.

We reiterated our prior year's recommendations that the Municipal Mayor direct the Municipal Accountant and the OIC-Municipal Treasurer to coordinate with the OIC-Provincial Accountant and Provincial Treasurer to verify the discrepancies of ₱35,343.41 and ₱(266,990.46) between the recorded balances of Due from and Due to LGUs accounts of the Municipality and their reciprocal accounts Due to and Due from LGUs reflected in the books of the Province; and subsequently prepare the required adjusting journal entries to present the correct balances of the said accounts in the Municipality's financial statements.

3. Payment for Comprehensive Land Information Management Automation (CLIMA) totaling ₱28,618,000.00 for Calendar Year (CY) 2019 charged against the 10-year loan from the Land Bank of the Philippines were not supported with complete documentation, contrary to Section 4(6) of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001, thus rendering the propriety and validity of claims doubtful.

We recommended that the Municipal Mayor direct the Municipal Accountant in coordination with the BAC Chairman and BAC Secretariat to immediately submit to the Auditor all the lacking supporting documents relative to CLIMA Project to substantiate the disbursements made. Otherwise, the said transactions shall be suspended in audit.

4. Payment of various expenses totaling ₱262,953.41 were made on reimbursement basis, contrary to Section 93 of Presidential Decree (PD) No. 1445 and Section 2 of Commission on Audit (COA) Circular No. 97-002 dated February 10, 1997, thus depriving the government of collecting taxes that could have been withheld from the payments thereof.

We recommended that the Municipal Mayor direct the concerned Municipal Officials to strictly adhere to the above-cited regulations that all payments should be made by check directly payable to the suppliers; and ensure that only payments in small amounts should be paid in cash through the petty cash fund.

5. Submission of accounts and financial reports to the Office of the Auditor for CY 2019 was not within the reglementary period prescribed by Section 7.1 of COA Circular No. 2009-006 dated September 15, 2009, Sections 70 and 72 of the Manual on the New Government Accounting System (MNGAS), Volume I, and Section 6.05 of COA Circular No. 95-006 dated May 18, 1995, thus prevented the Audit Team from conducting the timely review of the financial transactions of the Municipality and verification of the accounts' balances presented in the financial statements.

We strongly reiterated our recommendation that the Municipal Mayor instruct the Municipal Accountant and the Municipal Budget Officer to submit within the prescribed period all their accounts and financial reports to the Office of the Auditor pursuant to the abovementioned regulations, to facilitate timely review/post-audit of the financial transactions of the Municipality.

6. Outstanding Loans Receivable of ₱1,127,095.01 which was granted under the Fly Now Pay Later Program and Livelihood Program of the Municipal Government to various constituents remained uncollected and the documents supporting the claim of the Municipality were likewise missing, thus exposed the fund to possible loss.

We recommended that the Municipal Mayor direct the Municipal Accountant to exert extra effort to locate the missing documents in order to legally enforce the collection of the outstanding receivables.

7. The utilization for "Solid Waste Management Program" amounting to ₱2,676,841.50 charged against 20% Development Fund (DF) did not partake the nature of investment or capital expenditures, contrary to Item 2.3 of the Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017, thereby defeating the primary purpose for which the fund was established.

We recommended that the Municipal Mayor direct the Municipal Budget Officer to strictly adhere to the guidelines in the appropriation and utilization of the 20% DF, pursuant to the DILG-DBM JMC No. 2017-01 dated February 27, 2017 in order to ensure proper utilization of the said fund and to avoid disallowance in the future.

8. The Municipality was unable to establish its Gender and Development (GAD) Database to serve as basis for gender-responsive planning, programming and policy formulation as required under Section 37 (D) of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9710 and Section 4.1.B of the Philippine

Commission on Women-Department of Interior and Local Government-Department of Budget and Management-National Economic and Development Authority (PCW-DILG-DBM-NEDA) Joint Memorandum Circular (JMC) No. 2013-01, as amended by PCW-DILG-DBM-NEDA JMC No. 2016-01, thus gender gaps and/or differences within the Municipality could not be fully analyzed.

We recommended that the Municipal Mayor require the Municipal Planning Office along with the GAD Focal Point System to establish GAD Database with adequate and systematically gathered GAD information to include gender statistics and sex-disaggregated data which will provide the bases for gender analysis and effective gender-responsive planning, programming and policy formulation.

9. Payment for the procurement of various Disaster Response and Rescue Equipment totaling ₱6,884,884.00 for Calendar Year (CY) 2019 charged to Local Disaster Risk Reduction and Management Fund (LDRRMF) were not supported with complete documentation, contrary to Section 4(6) of Presidential Decree (P.D.) No. 1445 and COA Circular No. 2012-001, thus rendering the propriety and validity of claims doubtful.

We recommended that the Municipal Mayor direct the Municipal Accountant in coordination with the BAC Chairman and BAC Secretariat to immediately submit to the Auditor all the required supporting documents relative to the utilization of LDRRMF to substantiate the disbursements made. Otherwise, the said transactions shall be suspended in audit.

10. Ten-Year Municipal Solid Waste Management Plan (MSWMP) for the Calendar Years (CYs) 2015-2024 was not revised/updated by the Municipal Solid Waste Board (MSWB) despite their average daily residual waste in cubic meters for CY 2019 had increased significantly to at least 17.1941 as compared with CY 2015 projected data of 0.1984, contrary to Section 12(7) of Republic Act (R) No. 9003, thus may result in rising issues concerning the Municipality's environment and sanitation that could affect the general welfare of its constituents.

We recommended that the Municipal Mayor instruct the MSWB to create a Technical Working Group who will contribute their expertise and will assist the Board in the immediate revision/update of the MSWMP to effectively and efficiently address the above-cited solid waste management problems.

SUMMARY ON THE STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2019, the Municipality has an outstanding disallowance amounting to ₱872,677.50 and suspensions amounting to ₱4,399,653.18 and zero charges based on their Statement of Audit Suspensions, Disallowances and Charges

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 21 audit recommendations embodied in the CY 2018 Annual Audit Report, nine were fully implemented, 11 were partially implemented and one was not implemented by the Municipality.