

EXECUTIVE SUMMARY

A. Introduction

In 1865, Jaen was merely a part of San Antonio, known with its old name “Ibayong Ilog”. When the place showed improvements and its population grew to no less than 5,000 people, it became a town through a petition filed by the inhabitants. The Spanish officials signed the papers granting the petition that “Ibayong Ilog” be a town in Factoria (San Isidro) which was then the capital of Nueva Ecija.

The declaration was brought to the Governor General in Manila, which afterwards was submitted to the Vice General of the Philippines in the person of Father Gregorio Martinez. Father Martinez marked this approved but further wrote his wish, changing the name “Ibayong Ilog” to the name of the place of his birth in Spain, the town of Jaen.

The Municipality is headed by the newly elected Mayor Sylvia C. Austria. It is a second class municipality effective November 11, 2008 under M.C. No. 01-M (54)-08 with twenty seven barangays under its territorial jurisdiction.

B. Scope of Audit

The audit on a sampling basis, covered the financial and compliance audit on the transactions and operations of the Municipality of Jaen for Calendar Year 2017, particularly on the audit focus and thrusts for the Local Government Sector (LGS) contained in the Memorandum dated October 12, 2017 of the Assistant Commissioner for Local Government Sector. The significant observations noted in the audit are discussed in Part II of this report. The objectives of the audit were to: a) ascertain the level of assurance that may be placed on management assertions on the financial statements; b) recommend agency improvement opportunities; and c) determine the extent of implementation of prior year’s audit recommendations.

C. Financial Highlights

The comparative analysis of the agency’s financial position for CYs 2017 and 2016 is shown below:

	CY 2017	CY 2016	Inc./ (Dec.)
Financial Condition			
Assets	₱ 252,845,174.99	₱ 162,129,890.77	₱ 90,715,284.22
Liabilities	80,502,323.82	37,298,628.39	43,203,695.43
Gov’t. Equity	172,342,851.17	124,831,262.38	47,511,588.79
Results of Operation			
Income	₱ 163,502,826.04	₱ 143,430,055.77	₱ 20,072,770.27
Expenses	115,991,237.25	107,028,118.75	8,963,118.50
Excess of Income Over Expenses	47,511,588.79	36,401,937.02	11,109,651.77

Sources and Application of Funds

Appropriations	₱ 169,495,590.87	₱ 132,835,375.79	₱ 36,660,215.08
Allotments	169,495,590.87	132,835,375.79	36,660,215.08
Obligations	143,655,778.58	132,835,375.79	10,820,402.79
Balances	25,839,812.29	-	25,839,812.29

D. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Jaen for the year ended December 31, 2017 due to the following:

1. The existence, propriety and correctness of Property, Plant and Equipment valued at ₱147,008,520.56 could not be ascertained due to (a) non-conduct of complete physical inventory of properties and inventories; and (b) non-reconciliation of the inventory report with the accounting records. (*Observation No. 1*)
2. Cash advances of ₱925,496.33 for various expenses granted to employees and officials of the municipality during the period CYs 2007 and 2014 remained unliquidated as of December 31, 2017, thereby resulting in overstatement of receivable accounts and understatement of expenses for the said period. (*Observation No.3*)
3. Other Receivable accounts totaling ₱158,421.61 as of December 31, 2017 remained outstanding for more than six (6) years and above due to failure to collect from the recipients of the Poverty Alleviation Program, hence, affecting the collectability thus overstating the receivable account and understating equity account by the same amount. (*Observation No.2*)

For the exceptions cited above, we recommended the following:

Property, Plant and Equipment

1. We recommended that management (a) prioritize the conduct of complete physical inventory as required in Section 124 of the Manual on the New Government Accounting System (NGAS) for Local Government Units Volume 1; and (b) reconcile the results of the physical inventory with the accounting and property records, and prepare and effect the necessary adjustments in order to present fairly the PPE accounts in the financial statements.

Unliquidated Cash Advances

2. We recommended that the Local Chief Executive (a) cause the immediate liquidation of the cash advances granted to LGU officials/employees or the withholding of salaries or any money due the officers and employees with overdue unliquidated cash advances to compel its settlement; and (b) ensure that the liquidation reports are submitted to the Office of the COA Auditor for review. The necessary documents must

be attached therein, such as the official receipts, certificate of seminar/trainings completed, etc. Henceforth, introduce controls that would assure that cash advances are liquidated or reported as soon as the purpose of the cash advance is served.

Other Receivables

3. We recommended that the Local Chief Executive require the Accountant to (a) send collection letters to the recipients of Poverty Alleviation Programs with uncollected receivable balance in the books; and (b) strictly monitor the uncollected balances of receivable accounts to facilitate its timely collection.

E. Summary of Significant Observations and Recommendations

Summarized below are the other significant observations noted during the year and the corresponding recommendations which are discussed in detail in Part II of this report. Management views and comments were incorporated in the report, where appropriate:

1. Optimum utilization of the 20% development fund appropriated for this year was not achieved by the Municipality due to non-implementation of several development projects, thus the Municipality's constituents have been deprived of the early enjoyment of the intended benefits therefrom. (*Observation No. 5*)

We recommended that the Local Chief Executive direct the Municipal Planning and Development Officer to immediately look into the unimplemented projects, identify causes of non-implementation and develop specific solution to effectively implement these projects.

2. The Municipality has not fully complied with the environmental laws on preserving and protecting the environment particularly on the mandatory segregation of waste at source, "no segregation/no collection" policy on different types of wastes, non-establishment/inoperative of MRF for eight (8) out of 27 barangays for re-use, recycling and composting of wastes and the absence of a no-littering ordinance, thus, the total protection of the environment and general welfare of the constituents in harmony with economic development may not be attained as required under Republic Act No. 9003, the Ecological Solid Waste Management Act of 2000. (*Observation No. 8*)

We recommended that the Local Chief Executive (a) avail of the fund set aside as Solid Waste Management Fund in the National Treasury pursuant to Section 46 of R.A. No. 9003; (b) establish a permanent RCA upon approval of EMB of the location proposal in accordance with the approved 10-year Solid Waste Management Plan (2016-2025); (c) make a clear proposal to the Sangguniang Bayan for the campaign on the "no segregation, no collection" policy among the residents; (d) through the Liga ng mga Barangay, encourage active participation of barangay officials to support the solid waste management program of the government by educating their respective constituents on the proper segregation of reusable or recyclable materials from compostable wastes; (e) comply with the requirements of the law on waste segregation by collecting only those

garbage that are properly segregated; (f) provide facility for composting of biodegradable wastes; (g) strictly enforce the establishment/use of Material Recovery Facility in barangay levels.

3. Several insurable properties of the Municipality were not insured against any insurable risk with the General Insurance Fund administered by the Government Service Insurance System (GSIS), in violation of RA No. 656, otherwise known as the “Property Insurance Law” and COA Circular No. 92-390 dated November 17, 1992, thus the agency may not be indemnified or compensated for any damage or loss of said properties. *(Observation No. 10)*

We recommended that the Local Chief Executive (a) require the insurance of all government properties such as motor vehicles, machineries, permanent buildings and properties stored therein against any insurable risk with the General Insurance Fund by the GSIS; and (b) exert more effort to obtain records/documents on the Municipal Hall for a complete database of information and facilitate registration thereof.

4. The Municipality failed to inform the audit team within reasonable time that appropriate project signboards and/or public notices were already posted as required by COA Circular No. 2013-004 dated January 30, 2013. Likewise, the Municipality failed to submit the monthly monitoring report, thus, precluding the team from the conduct of timely validation of the Municipality’s programs, projects and activities. *(Observation No.11)*

We recommended that the LCE instruct the Municipal Engineer to submit the monthly monitoring report of the project status and inform the audit team on the posting of project signboards and/or public notices within the time specified in the aforementioned circular for validation.

F. Summary of Suspensions, Disallowances and Charges at Year-End

As of December 31, 2017, the total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality of Jaen, including its settlements are shown below:

	Beginning Balance (As of December 31, 2016)	This Period (January 1 to December 31, 2017)		Ending Balance (As of December 31, 2017)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ -	₱ -	₱ -	₱ -
Notice of Disallowance	86,700.00	-	86,700.00	-
Notice of Charge	-	-	-	-
Total	₱ 86,700.00	₱ -	₱86,700.00	₱ -

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Monitoring and evaluation of management action on the thirty-eight (38) recommendations contained in the CY 2016 Annual Audit Report revealed that eight (8) were fully implemented, fourteen (14) were partially acted upon while the remaining sixteen (16) were not implemented thus, some were reiterated in this Audit Report.