

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of San Jose, Batangas, formerly known as “Malaking Tubig”, was founded on April 26, 1765. It is about 85 kilometers from Metro Manila and about 13 kilometers from Port of Batangas. It occupies approximately 56.094 square kilometers of land and comprises 1.88% of the total land area of the province of Batangas. Its population was reported at 68,517 based on Community-Based Monitoring System (CBMS) report.

It has 33 component barangays and now under the leadership of Mayor Valentino R. Patron. Its Organizational structure is as follows:

a) Key Officials

Municipal Mayor	:	Hon. Valentino R. Patron
Vice Mayor	:	Hon. Entiquio M. Briones
Members of the Sanggunian	:	Hon. Ronald I. Apritado Hon. Ruel F. Ilao Hon. Renji A. Arcilla Hon. Marife E. Bathan Hon. Armida A. De Roxas Hon. Herminigildo P. Maquinto Hon. Godfrey A. Umali Hon. Arnold A. Aguila Hon. Celso G. Mandocdoc
Municipal Accountant	:	Ms. Charito M. Laroza
Municipal Treasurer	:	Mr. Joselito J. Marquez

b) Number of Personnel Complement

Permanent	100
Temporary	1
Casual	13
Job Order/Contractual	50
Elective Officials	11
Coterminus	<u>6</u>
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The local government of San Jose is envisioned to be:

“Isang pamayanang maka-Diyos, maunlad, mapayapa, makakalikasan, nagkakaisa, may pantay na karapatan at disiplina, na pinakikilos ng bukas na pamamahala na handang mag-SERBISYO at tumutugon sa tinig ng mamamayan.

Pagpapatupad ng mga Programa at Aksyon Tungo sa Responsable at Organisadong pamahalaan at mamamayan, upang matugunan ang mga pangangailangan ng lahat na sektor ng pamayanan sa pamamagitan ng tapat at makabuluhang:

- S-anitasyon at kalusugan*
- E-dukasyon, Sining at Kultura*
- R-esponsible at tapat na pamamahala*
- B-alanseng kapaligiran*
- I-ndustriya at Imprastruktura*
- S-eguridad ng pamayanan*
- Y-aman at dangal sa agrikultura*
- O-rganisasyong panlipunan*

The Municipality was also awarded the following recognitions during CY 2016:

- Diploma of Service by the Philippine Red Cross on July 27, 2016;
- Certificate of Recognition (Local Governance Assessment Areas for the Year 2016) from the Department of the Interior and Local Government (DILG) on October 2016;
- Certificate of Recognition (Most Number of Assisted LRA - 1st Class Municipality Category) for the period January to June 2016 from the Department of Labor and Employment (DOLE) Region IV-A CALABARZON on October 21, 2016;
- Seal of Good Local Governance from DILG on October 27, 2016;
- Certificate of Recognition (Passer of Good Financial Housekeeping) from DILG - CALABARZON Region on December 2, 2016; and
- Trade Fair Best Booth by the Provincial Government of Batangas on December 8, 2016

FINANCIAL HIGHLIGHTS

The Municipal Government of San Jose, Batangas for Calendar Year (CY) 2016 generated a total income of ₱183,151,175.10 from local taxes, permits and licenses, service and business income and Internal Revenue Allotment (IRA), while total funds utilized, comprising of current and continuing appropriations, totaled ₱ 185,841,230.75.

The total assets, liabilities, equity, income and expenses for CY 2016 compared with that of the preceding year, are as follows:

	CY 2016	CY 2015	Increase/Decrease
Assets	₱526,446,680.49	₱373,714,785.75	₱152,731,894.74
Liabilities	101,187,798.56	66,053,516.37	35,134,282.19
Equity	425,258,881.93	307,661,269.38	117,597,612.55
Revenue	184,153,175.10	169,204,002.05	14,949,173.05
Expenses	104,823,213.98	99,414,741.78	5,408,472.20

SCOPE OF AUDIT

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality for CY 2016. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality with laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

AUDIT OPINION

The Auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of the Municipality of San Jose, Batangas as of December 31, 2016.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The significant observations and recommendations in the audit of the Municipality of San Jose for CY 2016 are summarized as follows:

1. The balances of Due from LGUs (Province) and Due to LGUs (Province) accounts amounting to ₱115,751.25 and ₱638,915.06, respectively, were not reconciled with the reciprocal accounts in the books of the Province of Batangas, thus affecting the fair presentation of both accounts in the financial statements of the Municipality for CY 2016.

We recommended that the Local Chief Executive require the Municipal Accountant to evaluate and compare the amount of collectibles and payables with the records of the Provincial Government to ascertain the legality and validity of both claims. If claims are fully documented and establishes regularity of transactions, then settlements/collections should be made by the Municipality. For those undocumented collectibles, where after all diligent efforts that had been exhausted by the Municipal Accountant still disclosed zero basis, then proper procedures leading to write-off of these accounts may be considered.

As to the undocumented payables, where after conferring with the Provincial Accountant showed the absence of any documents to prove validity of claims, then the Municipal Accountant may seek approval from the Sangguniang Bayan for the reversion of these undocumented obligations to surplus accounts, where it could be used as a source of funds for succeeding appropriation to some municipal programs or projects.

Said remedial measures would eliminate the books of accounts of balances that are not fully supported with valid documents to warrant continued fair presentation in the financial statements of the Municipality of San Jose.

2. The year-end balance of Office Supplies Inventory of ₱436,276.00 did not reconcile with the recorded stocks on hand of the General Services Office (GSO) of ₱438,276.02, thus resulted in the understatement of the account and affecting its fair presentation in the financial statements of the Municipality at year-end 2016.

We recommended that the Mayor direct the Municipal Accountant and the General Services Officer to reconcile the differences noted in order to arrive at the correct balance of the account so as to ensure fairness in the presentation of accounts and maintain integrity of information being reported in the financial statements of the Municipality.

3. The unexpended balance at year-end of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for the Quick Response Fund (QRF) of ₱ 500,000.00 out of the current appropriations of ₱ 2,436,650.64 was not transferred to the Trust Fund books of accounts, contrary to Item 5.1.10 of COA Circular No. 2012-002 dated September 12, 2012.

We recommended that the Municipal Mayor require the Municipal Budget Officer to ensure full compliance with the provisions of COA Circular No. 2012-002, whereby the appropriation for 30% Quick Response Fund be made in lump-sum appropriation, and that if remained unexpended at year-end be transferred in full to the Special Trust account of the Trust Fund books. This is to ensure that all unexpended LDRRMF will become available for use in the disaster risk reduction and management activities as provided in the approved LDRRMF Investment Plan of the Municipality for the next five years.

4. Disposal of unserviceable properties with net book value of ₱1,328,125.77 was not undertaken during the year contrary to Sections 162 and 163 of COA Circular No. 92-386 dated October 20, 1992, thus exposing these assets to further deterioration.

We strongly recommended that the Municipal Mayor instruct the Municipal OIC-General Services Officer to continue and expedite the process by which these unserviceable properties could be disposed of, in accordance with the aforecited rules and regulations, so that the balances of Property, Plant and Equipment accounts presented in the financial statements would only represent those assets that are in existence and servicing the needs of the Municipality.

The above, together with the other findings and recommendations contained in the report were discussed with the concerned Municipal officials and staff during the exit conference conducted on July 24, 2017. Management's views and reactions were considered in the report, where appropriate.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the eight (8) prior year's audit recommendations embodied in the CY 2015 Annual Audit Report, five (5) were fully implemented and three (3) were partially implemented by the Municipal Government of San Jose.