

EXECUTIVE SUMMARY

A. INTRODUCTION

The Bureau of Jail Management and Penology (BJMP) was created on January 2, 1991, pursuant to Republic Act No. 6975. The act was passed in order to establish the Philippine National Police under a reorganized Department of the Interior and Local Government under whose administrative supervision and control the Bureau falls.

The Bureau shall exercise supervision and control over all district, city and municipal jails to ensure secured, clean, sanitary and adequately equipped jail for the custody and safekeeping of city and municipal prisoners, and fugitive from justice or prisoners detained awaiting investigation or trial and/or transfer to the National Penitentiary and any violent, mentally ill person who endangers himself or the safety of others.

The Bureau is presently under the stewardship of C/Superintendent Antonio Cabil Cruz. Its personnel complement as of December 31, 2005 totaled 6,976 compared to that of last year's 6,763, or an increase of 213 personnel.

B. FINANCIAL HIGHLIGHTS

The following are the BJMP's assets, liabilities and government equity, together with the information on the sources and application of funds, to wit:

<u>Group of Accounts</u>	<u>2005</u>	<u>2004</u>	<u>Increase</u>
Assets	₱684,909	₱674,611	₱ 10,298
Liabilities	40,470	35,158	5,312
Government Equity	644,439	639,453	4,986

Sources and Application of Funds

<u>Sources</u>	<u>2005</u>	<u>2004</u>	<u>Increase</u>
Allotment received	₱2,856,599,848.00	₱2,451,205,513.00	₱405,394,335.00
NCA received	2,843,176,322.00	2,403,738,823.00	439,437,499.00

	<u>2005</u>	<u>2004</u>	<u>Increase</u>
Total funds application	₱2,855,234,139.58	₱2,428,947,975.18	₱426,286,164.40

Funds were applied for the payment of operating expenses, prisoners subsistence allowance, accounts payables and remittances to GSIS, PAG-IBIG, PHILHEALTH, Air Materiel Wing Savings and Loan Association, etc.

C. SCOPE OF AUDIT

The audit covered the operations of the BJMP for CY 2005. Examination was made to ascertain the fairness on the presentation of financial statements and results of its operations for the year then ended. The audit was also made to ascertain compliance of the agency to the prescribed rules and regulations. It also included review of the existing internal control system and examination of the accounting records and evidence necessary to form an opinion on the financial statements.

D. AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the financial statements due to some discrepancies noted in the balances of accounts and deficiencies in the accounting system of the agency, details of which are discussed in Part II of this report.

E. OBSERVATIONS AND RECOMMENDATIONS:

1. Cash advances totaling ₱ 514,604.72 granted to disbursing officers, officials and employees still remained unliquidated as of balance sheet date due to the practice of granting cash advances despite the non-liquidation or delayed liquidation of the previous cash advance(s) granted. Likewise, fund transfers totaling ₱62,879,000.00 to National Computer Center (NCC) and Department of the Interior and Local Government (DILG) which remained outstanding for more than five and nine years, respectively, resulted to overstatement of the cash and receivable accounts and understatement of related expense.

We reiterate our previous recommendation that management implement a workable plan to ensure the immediate liquidation of the outstanding balance, and refrain from granting additional cash advances unless the previous ones are fully liquidated or a proper accounting thereof is made.

For unliquidated fund transfers to NCC which had been the subject of litigation, we recommend that management coordinate with the latter to determine the status of the case. Coordination should also be made with DILG officials for the reconciliation of their records and to exhaust all possible means to liquidate the fund granted to them.

2. The balances of Property, Plant and Equipment (PPE), per books and per count differed by ₱156,406,829.16, rendering the account balances unreliable.

We recommend that the Accounting and Property units to immediately reconcile the discrepancies noted and subsequently take up the necessary adjustments in the books.

3. Various *PPE* valued at ₱292,159,559.88 were inadequately provided with allowance for depreciation, thereby understating the balances of the *Depreciation Expense* and *Accumulated Depreciation* accounts, and renders the net book values of the *PPE* unreliable.

We recommend that the Accountants of the concerned BJMP offices provide adequate allowance for depreciation for all recorded properties as prescribed under the NGAS and make the necessary adjustments in the books to come up with the correct net book values of the PPEs.

Other equally significant audit comments and observations with the corresponding recommendations are discussed in detail in the attached report.

The Auditor however, favorably noted the disposal of twenty-one (21) unserviceable motor vehicles of various make and models with a total net book value of P993,646.20, reversion of ₱412,428.15 payables to the Retained Operating Surplus, as well as the remittance of withheld taxes to the Bureau of Internal Revenue of ₱45,794,682.74.

The above observations and recommendations were discussed with the concerned officials of the Bureau of Jail Management and Penology. Their views and reactions were considered in the report, where appropriate.

IMPLEMENTATION OF PRIOR YEARS' RECOMMENDATIONS

Out of the twenty five (25) prior years' recommendations contained in the CY 2004 Annual Audit Report, eight (8) were fully implemented, thirteen (13) were partially implemented and four (4) were not implemented in CY 2004.