EXECUTIVE SUMMARY

Introduction

The Municipality of Bacong, Negros Oriental was officially recorded and published in the Spanish Journal of 1801 as El Barangay de Bacong Pueblo de Dumaguete. It is a fourth-class Municipality located on the southeastern coast of Negros Oriental and the first town located eight kilometers south of Dumaguete City. It has a total land area of 4,126.67 hectares, consisting of 22 barangays.

As of December 31, 2024, it had a personnel complement of 371, as shown below:

Nature of Appointment to Office	***Quantity***
Elective Officials	10
Permanent Positions	50
Casuals	24
Job Orders/Contractual	287
Total	**371**

Audit Objective

The objective of the audit is to (a) ascertain the fairness of the presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations. The performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures, and management of resources.

Audit Methodology

The Commission has been implementing a risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in the audit was incorporated.

Scope of Audit

An audit was conducted on the accounts and operations of the Municipal Government of Bacong for CY 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interviews with the concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary.

Financial Highlights

A comparative analysis of the Statement of Financial Position, as illustrated below, showed increases in assets, liabilities, and equity:

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	2,324,583,763.47	1,581,037,683.33	743,546,080.14
Liabilities	1,750,210,348.77	1,072,989,633.98	677,220,714.79
Government Equity	574,373,414.70	508,048,049.35	66,325,365.35

On the other hand, the Statement of Financial Performance reflects increases in revenue, surplus, and expenses, as shown below:

Results of Operations			
Revenues	208,435,582.79	194,142,948.19	14,292,634.60
Personnel Services	52,342,407.38	50,334,247.08	2,008,160.30
Maintenance and Other Operating Expenses	70,786,969.03	57,442,290.31	13,344,678.72
Non-cash Expenses	9,941,093.19	9,338,973.93	602,119.26
Financial Expenses	525,894.68	650,513.07	(124,618.39)
Net Financial Assistance/ Subsidy	(3,107,000.00)	(7,333,561.00)	4,226,561.00
Net Surplus (Deficit)	71,732,218.51	69,043,362.80	2,688,855.71

The following table illustrates decreases in the final budget or appropriations and actual amounts obligated during the year:

Final Budget	403,670,248.55	429,441,263.70	(25,771,015.15)
Actual Amounts	192,105,059.42	221,423,563.18	(29,318,503.76)

Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended taking exceptions to the effects of the following:

1. At least 186 completed infrastructure projects, comprising 33 projects under the Trust Fund (₱207,195,565.98) and 153 under the General Fund (₱42,292,425.04), were not properly reclassified from Construction in Progress (CIP) to the appropriate Property, Plant, and Equipment (PPE) accounts upon completion, resulting in significant overstatements in CIP balances and understatements in PPE and depreciation expense accounts in the financial statements.

2. Entries for the Special Education Tax (SET) totaling ₱9,589,520.80 were recorded in the General Fund's books instead of the Special Education Fund's books, thus affecting the fair presentation of the SET Receivable and Deferred SET Income accounts in the financial statements at year-end.

Significant Findings and Recommendations

The following are the significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality for CY 2024. These and other audit observations discussed by the Audit Team with Management in an exit conference on May 8, 2025, are fully presented in Part II of this Report.

1. **The Accounts Payable balance of ₱14,059,061.35 was not fairly presented due to the inclusion of unpaid obligations amounting to ₱2,465,908.11, of which ₱2,232,423.11 remained outstanding for more than two years and were neither reverted to the unappropriated surplus, thus, may no longer represent valid claims.**

   We recommended that the Municipal Accountant coordinate with the Municipal Budget Officer and the Municipal Treasurer to determine whether the Accounts Payable totaling ₱2,465,908.11, aged from over one year to more than 10 years, were recorded based on obligation requests duly supported by supplier bills/invoices and accomplished Inspection and Acceptance Reports, to ensure the validity and accuracy of the liability account presented in the financial statements.

   We further recommended that, henceforth, the Municipal Accountant recognize liabilities only at the time goods and services are accepted or rendered and supplier or creditor bills are received, based on valid claims that are adequately supported by sufficient and appropriate evidence.

2. **The cost of 12,644 bags of 10-kilogram rice, amounting to ₱7,143,860.00, procured using the prior years' unexpended LDRRMF, was incorrectly recorded as a direct debit to the Trust Liabilities – DRRMF account instead of the Welfare Goods Expenses account, thus affecting the reliability of financial reporting and the accurate presentation of expenses related to disaster response.**

   We recommended that the Municipal Accountant strictly adhere to the illustrative accounting entries prescribed under COA Circular Nos. 2012-002 and 2015-009 in recording the utilization of the unspent LDRRMF to ensure proper accounting and accurate financial reporting of trust fund transactions.

3. **The Municipality's recording of various medicines and medical supplies worth ₱2,235,426.25 used for GAD programs and projects, was without the proper documentation of actual issuance, specifically the Requisition and Issue Slip (RIS) and Summary of Supplies and Materials Issued (SSMI), thereby compromising the accuracy of expense recognition and rendering the balances of the Drugs and Medicines Inventory and Medical, Dental and Laboratory Supplies Inventory accounts unreliable as of December 31, 2024.**

We recommended that Management observe the requisition procedures for materials and the reporting of their issuance, as prescribed in the NGAS Manual for LGUs, Volume I. This will help ensure proper monitoring and accounting, as well as establish reliable inventory account balances in the financial statements at year-end.

4. **Penalties from Real Property Tax (RPT) and Special Education Tax (SET) collections totaling ₱1,934,234.14 in CY 2024 were erroneously recorded in the books of accounts as Real Property Tax - Basic (4-01-02-040) instead of Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020), hence, both income accounts were overstated and understated, respectively, as of December 31, 2024.**

   We recommended that the Municipal Accountant:

   a. Prepare the necessary adjusting entries to effect the corrections in the financial statements and ensure accurate financial reporting; and

   b. Henceforth, ensure that all penalties collected from RPT and SET are properly recognized as Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020) at the time of collection, in compliance with COA Circular No. 2015-009.

5. **The Notes to Financial Statements (FS) of the Municipality for the year ended December 31, 2024, did not provide sufficient disclosures on several key accounts, including advances, other receivables, accounts payable, due to officers and employees, trust liabilities, other deferred credits, and other payables, contrary to Sections 127 and 129 of IPSAS No. 1, thereby diminishing the transparency and usefulness of the FS for users and stakeholders.**

   We recommended that the Municipal Accountant ensure full compliance with the disclosure requirements of Sections 127 and 129 of PPSAS No. 1 by providing comprehensive and relevant explanatory notes for all significant account balances in the financial statements.

6. **Delinquent RPT and SET including penalties accruing thereon which accumulated to ₱23,751,277.85 remained uncollected as of December 31, 2024, depriving the Municipality of substantial amount of income which could have been utilized to finance the implementation of various development projects or other major programs/projects/activities (PPAs).**

   We recommended that the Municipal Treasurer strengthen efforts to collect delinquent real property taxes by conducting intensive tax campaigns in each barangay and issuing updated Notices of Delinquency to all delinquent taxpayers, ensuring that these notices include the information mandated under Section 254(b) of RA No. 7160.

   We also recommended that Management consider applying the remedies for the collection of real property taxes, in accordance with the pertinent provisions of RA No. 7160.

Summary of Total Suspensions, Disallowances, and Charges as of Year-End

As of December 31, 2024, the Municipality had no audit suspensions, disallowances, and charges.

Status of Implementation of Prior Years' Recommendations

Of the 117 prior years' recommendations, 34 were implemented and 83 were unimplemented.