EXECUTIVE SUMMARY

Introduction

Republic Act (RA) No. 9409, converting the Municipality of Guihulngan into a component city, lapsed into law on March 29, 2007, after President Gloria Macapagal-Arroyo failed to sign it. It was ratified on July 14, 2007. Fifteen months later, however, Guihulngan lost its cityhood, along with 15 other cities, after the Supreme Court of the Philippines granted a petition filed by the League of Cities of the Philippines declaring the cityhood law (RA No. 9409), which had allowed the town to acquire its city status, unconstitutional. On December 22, 2009, the Supreme Court reversed its earlier ruling, and the cityhood status of Guihulngan was restored. The League of Cities filed a motion for reconsideration. However, the Supreme Court decided with finality in December 2010, declaring the cityhood law as constitutional. Thus, together with the 13 other LGUs aspiring for cityhood, Guihulngan is now officially recognized as a newly created city. It has a total land area of 42,275 hectares and a population of 102,656, based on the CY 2020 census. It is presently classified as a third-class city.

Pursuant to RA No. 7160, known as the Local Government Code of 1991, Guihulngan City, like other local government units, enjoys total independence in managing, deciding, and planning its own administration, fiscal, and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

As of 31 December 2024, it had a personnel complement of 3,535, as shown below:

Nature of Appointment to Office	Number
Elective Officials	14
Permanent Positions	389
Temporary	1
Coterminous	8
Casual Plantilla	145
Contract of Service	81
Job Orders	2,897
Total	**3,535**

Audit Objectives

The objectives of the audit are to (a) ascertain the fairness of 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.

Audit Methodology

The Commission has been implementing 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 audit was incorporated.

Scope of Audit

An audit was conducted on the accounts and operations of the City of Guihulngan for 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, and analysis of accounts, and other procedures considered necessary.

Financial Highlights

The financial condition and results of operation of the City Government of Guihulngan as of December 31, 2024, with comparative figures for 2023 are summarized, as follows:

Statement of Financial Position			
	2024	**2023**	**Increase/(Decrease)**
Assets	₱3,817,177,128.55	₱3,773,591,015.59	₱43,586,112.96
Liabilities	1,085,290,867.66	973,589,330.41	111,701,537.25
Equity	2,731,886,260.89	2,800,001,685.18	(68,115,424.29)

Results of Operations			
	2024	**2023**	**Increase/(Decrease)**
Revenue	₱1,111,565,131.13	₱1,049,986,573.82	₱61,578,557.31
Personal Services	295,528,862.06	262,416,634.46	33,112,227.60
MOOE	632,390,299.00	543,721,694.25	88,668,604.75
Non-Cash Expenses	100,349,763.70	74,707,674.97	25,642,088.73
Financial Expenses	40,853,750.71	28,582,402.57	12,271,348.14
Transfers, Assistance, and Subsidy From	81,008,162.62	65,931,447.68	15,076,714.94
Transfers, Assistance, and Subsidy To	85,504,650.06	59,994,617.94	25,510,032.12
Net Profit/(Loss)	37,945,968.22	146,494,997.31	(108,549,029.09)

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements for the year then ended due to the exception as discussed in Part II of the Report on the non-reconciliation of the Property, Plant and Equipment (PPE) account resulting to a net difference amounting to ₱40,304,574.47.

Summary of Significant Audit Observations and Recommendations

In addition to the above-noted deficiency, the following are the significant audit observations and recommendations noted in the course of the audit:

1. The City was not able to recouped advance payments made to contractors amounting to ₱5,072,122.24 for completed and terminated projects, thus resulting to possible loss of government funds.

   We recommended that Management efficiently and effectively monitor the recoupment of advances made to contractors, ensuring that these are repaid accordingly and likewise initiate the procedures on the forfeiture of performance bond posted by the defaulting contractors in case of non-completion, delay or termination of contracts.

2. Several projects under the 20 per cent development fund with total appropriations of ₱69,256,081.62 were considered to be not well-planned and not procurement-and-implementation ready affecting the optimal utilization of the said funds which could have contributed to the attainment of desirable socio-economic targets and outcomes of the City.

   We recommended that Management, through the City Engineering Office and City Planning and Development Office, and other concerned offices such as the end-users, to formulate collectively a comprehensive and realistic plan to expedite the procurement and implementation of all identified priority development projects under the 20 per cent DF.

3. Nine permanent employees of the Local Disaster Risk Reduction Management Office (LDRRMO) were included in the Group Life Insurance for community disaster volunteers, thus reducing the funds available for disaster risk management, relief, rehabilitation, and recovery programs.

   We recommended that the LDRRMO adhere strictly to the provisions outlined in National Disaster Risk Reduction Management Council-Memorandum Circular NO. 64, s. 2021 on the protection of accredited community Disaster Volunteers (ACDVs) so that the LDRRMF would only be used for its intended purpose.

4. The Waterworks System's operation incurred losses over the three-year period ending December 31, 2024 amounting to ₱1,024,411.69, ₱536,465.56 and ₱3,245,152.41, respectively.

   We recommended that Management conduct a comprehensive operational review of the Operation of the Waterworks System to become self-reliant and avoid losses so that it can contribute to sustainable development and community empowerment.

5. Payment of ₱5,964,085.88 corresponding to 83.88 per cent of the contract for the purchase of drugs and medicines for City Health Unit (CHU) I was made even without the certification by the Head of Procuring Entity that the goods have been delivered in accordance with the terms of the contract, thus undermining good governance in the procurement process

We recommended that Management: (a) Enforce the terms and conditions of the contract, particularly on full delivery requirements before payment, unless partial delivery is explicitly authorized and clearly provided for and stipulated in the contract, including delivery and payment schedules; (b) Impose liquidated damages, in accordance with the contract and RA 9184, in all instances of delayed or incomplete delivery, unless a valid reason supported by documentation is accepted and approved by the HOPE; and (c) Develop and adopt standard guidelines on the handling of partial deliveries and payments to ensure consistency, legal compliance, and alignment with government procurement principles of transparency, efficiency, and accountability.

6. Drugs and medicines were accepted by the City even though the items delivered did not conform to the specifications stipulated in the contract agreement, as listed in the Request for Quotation (RFQ) submitted by the winning bidder, thereby compromising the integrity of the procurement process of 40 items or 41 per cent of the goods delivered amounting to ₱1,830,982.88.

   We recommended that Management enforce compliance with the terms and specifications stated in the contract and the Request for Quotation (RFQ), such that items delivered exactly match the descriptions, brand names, and specifications indicated therein, unless a formal amendment of the contract is duly signed by both parties prior to delivery.

7. Due to the extensive requirements to secure a Department of Health License to Operate (DOH-LTO) land ambulances, the five vehicles owned by the City were operating as a Patient Transport Vehicle instead of ambulances as marked on its body, thus the assurance that the ambulances operate with competent personnel and appropriate equipment to respond to medical emergencies, provide quality care, and ensure patient safety may not be fully attained.

   We recommended that Management secure the DOH-LTO for the five vehicles marked with "AMBULANCE" otherwise, register them as Patient Transport Vehicle (PTV) and change the labels accordingly pursuant DOH AO No. 2018-001 dated January 28, 2018.

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

The reported audit suspensions and disallowances of the City Government of Guihulngan as of December 31, 2024, were as follows:

	Ending Balance (12/31/2023)	**NS/ND/NC Issued from 01/01/2024 to 12/31/2024**	**NS/ND/NC Settled from 01/01/2024 to 12/31/2024**	**Ending Balance (As of 12/31/24)**
Notice of Suspension	₱ 3,437,511.00	₱ 0.00	₱ 0.00	₱ 3,437,511.00
Notice of Disallowance	₱ 3,342,730.63	₱ 0.00	₱ 1,724,203.82	1,618,526.81
Total	**₱ 6,780,241.63**	**₱ 0.00**	**₱1,724,203.82**	**₱ 5,056,037.81**

These ending balances pertain to audit suspensions and disallowances issued and received in the following years:

Year Issued	Balance as of 12/31/2024	Transaction Year	Remarks
Notice of Suspension (NS)			
2021	₱3,437,511.00	2020	Foodstuff for meals and snacks of PUMs
Notice of Disallowance (ND)			
2015	1,003,126.81	2014	Overpayment of PEI
2016	615,400.00	2015	T-shirts for Charter Day Celebration
Total NS and ND	**₱5,056,037.81**		

Status of Prior Years' Audit Recommendations

Of the 26 prior years' audit recommendations in the Annual Audit Reports (AARs), 15 were implemented and 11 were not implemented.