



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VII
Cebu City

ANNUAL AUDIT REPORT

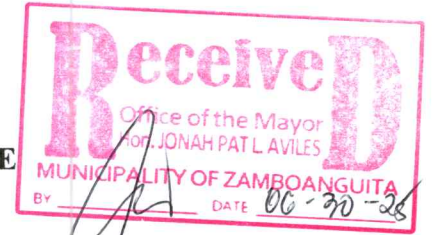
ON THE

**MUNICIPALITY OF
ZAMBOANGUITA
PROVINCE OF NEGROS ORIENTAL**

For the Year Ended December 31, 2024



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
PROVINCIAL SATELLITE AUDIT OFFICE
NEGROS ORIENTAL
E.J. Blanco Drive, Piapi, Dumaguete City 6200



LOCAL GOVERNMENT AUDIT SECTOR
AUDIT GROUP LGAS F, PROVINCE OF NEGROS ORIENTAL 1
OFFICE OF THE SUPERVISING AUDITOR

June 27, 2025

HONORABLE JONAH PAT L. AVILES

Municipal Mayor
Municipality of Zamboanguita
Province of Negros Oriental

Dear Mayor Aviles:

We are pleased to transmit the Annual Audit Report (AAR) of the Municipality of Zamboanguita, for the calendar year (CY) 2024 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted 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.

We conducted the audit in accordance with applicable International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provides a reasonable basis for our opinion.

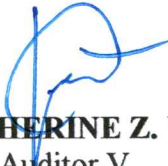
We rendered a qualified opinion on the fairness of the presentation of the financial statements (FS) for the year then ended.

The audit observations, together with the recommended courses of action, which were discussed by the Audit Team with you and your staff in an exit conference on June 19, 2025, are discussed in detail in Part II of the report. Likewise, Management's comments are also incorporated in Part II, where appropriate. The Status of Implementation of Prior Years' Audit Recommendations are discussed in Part III of this report.

We request that the recommendations be immediately implemented and we would appreciate being informed of the action(s) taken thereon by submitting the attached duly accomplished Agency Action Plan and Status of Implementation (AAPSI) within 60 days from receipt of this report.

We express our appreciation for the valuable support and cooperation extended by the officials and staff of the Municipality of Zamboanguita.

Very truly yours,



KATHERINE Z. VELEZ

State Auditor V
Supervising Auditor

Copy Furnished:

1. The Honorable Sangguniang Bayan Members
Thru: The Secretary, Sangguniang Bayan
Municipality of Zamboanguita
2. The Secretary
Department of the Interior and Local Government
Quezon City
3. The Regional Director
Bureau of Local Government Finance
4. National Library (Soft Copy)
5. University of the Philippines (UP) Law Center (Soft Copy)
6. COA Commission Central Library (Soft Copy)

MUNICIPALITY OF ZAMBOANGUITA
Province of Negros Oriental

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2024
As of _____

Ref.	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Prepared by:

Municipal Treasurer

Municipal Accountant

Noted by:

Local Chief Executive

Note: Status of Implementation may either be (a) Fully Implemented (b) Ongoing (c) Not Implemented (d) Partially Implemented (e) Delayed



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
PROVINCIAL SATELLITE AUDITING OFFICE NEGROS
ORIENTAL
E.J. Blanco Drive, Piapi, 6200 Dumaguete City

OFFICE OF THE AUDITOR
Audit Team R7-05, LGAS F, Province of Negros Oriental 1

June 25, 2025

KATHERINE Z. VELEZ

Supervising Auditor
LGAS F, Province of Negros Oriental 1
Dumaguete City

Madam:

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted Financial and Compliance Audit on the accounts and operations of the Municipality of Zamboanguita, Province of Negros Oriental, for the year ended December 31, 2024.

The audit was conducted to: (a) ascertain the fairness of presentation of the financial statements (FS); (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.

Our attached Report consists of four (4) parts, Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations, Part III - Status of Implementation of Prior Years' Audit Recommendations, and Part IV - Appendices.

Our comments and observations were communicated to Management through Audit Observation Memoranda and were discussed with agency personnel in an exit conference conducted on June 19, 2025. Their comments were incorporated in this Report, where appropriate.

We have looked into the audit areas which resulted from our risk assessments during the year as well as those contained in the General Audit Instructions (GAIs) dated 30 October 2024 of the Office of the Assistant Commissioner, Corporate Government Sector and in the Specific Audit

Instructions (SAIs) of the Office of the Regional Director, Local Government Sector. Attached is the Status of Implementation of the GAIs and SAIs as of November 11, 2024, for reference on the areas audited.

GAI/SAI Focus Area	Remarks
A. Financial Audit	
1. Cash in Bank	With audit finding – AO No. 8
2. Cash Local Treasury	No sufficient and competent evidence to warrant inclusion of audit observation
3. Investment Property, Buildings	N/A
4. Inventories (Inventory Held for Distribution: i) Welfare Goods for Distribution; Inventory Held for Consumption: i) Drugs and Medicines Inventory, ii) Medical, Dental and Laboratory Supplies Inventory, iii) Office Supplies Inventory, iv) Accountable Forms, Plates and Stickers, v) Other Supplies and Materials Inventory)	With audit finding – AO No. 1, 3, and 4
5. PPE: (Land; Other Land Improvements; Infrastructure Assets: i) Road Networks, ii) Water Supply Systems, iii) Power Supply Systems, iv) Flood Control Systems, v) Parks, Plazas, and Monuments, vi) Other Infrastructure Assets; CIP – Buildings and Other Structures, CIP – Infrastructure Assets, Buildings and Other Structures; Buildings and Other Structures: i) Buildings, ii) School Buildings, iii) Hospitals and Health Centers, iv) Markets, v) Slaughterhouses, vi) Other Structures; Machinery and Equipment: Machinery and Equipment: i) Machinery, ii) Office Equipment, iii) Construction and Heavy Equipment, iv) ICT Equipment, v) DRRM Equipment, vi) Medical Equipment, vii) Communication Equipt., viii) Agri and Forestry Equipment, ix) Sports Equipment, x) Military, Police, and Security Equipment, xi) Technical and Scientific Equipment, xii) Other Machinery and Equipment; Transportation Equipment: i) Motor Vehicles, ii) Watercraft, iii) Other Transportation Equipment; Furniture and Fixtures; Other PPE	With audit finding – AO No. 1, 3, and 4
6. Books	No sufficient and competent evidence to warrant inclusion of audit observation


GAI/SAI Focus Area	Remarks
7. Receivables (Loans and Receivable Accounts: i) Real Property Tax Receivable, ii) Special Education Tax Receivable)	With audit finding – AO No. 2 and 3
8. Advances (i) Advances to Officers and Employees, ii) Advances to Special Disbursing Officer, iii) Advances for Payroll)	No sufficient and competent evidence to warrant inclusion of audit observation
9. Other Receivables (i) Due from Officers and Employees, ii) Due from NGOs / Pos)	No sufficient and competent evidence to warrant inclusion of audit observation
10. Breeding Stocks	No sufficient and competent evidence to warrant inclusion of audit observation
11. Financial Liabilities (Accounts Payable: Bills / Bonds / Loans Payable, i) Loans Payable – Domestic; Inter-Agency Payables, i) Due to NGAs, ii) Due to LGUs)	With audit finding – AO No. 2
12. Trust Liabilities	With audit finding – AO No. 5
13. Drugs and Medicines Expenses	No sufficient and competent evidence to warrant inclusion of audit observation
14. Other MOOE	No sufficient and competent evidence to warrant inclusion of audit observation
E. Non-Financial Audit Issues for Mandatory Reporting in the AAR	
15. Remittance to the Bureau of Internal Revenue (BIR) on taxes withheld from employees and suppliers in accordance with RA No. 8424 and its IRR under BIR RR No. 02-98	No sufficient and competent evidence to warrant inclusion of audit observation
16. Premium contributions and loan amortization to the Government Service Insurance System (GSIS) and Home Development Mutual Fund in accordance with RA No. 8291 and RA No. 9679, respectively	No sufficient and competent evidence to warrant inclusion of audit observation
17. Premium contributions and remittance to PhilHealth in accordance with RA No. 7875, as amended	No sufficient and competent evidence to warrant inclusion of audit observation
18. Audit of Official Development Assistance (ODA)	No ODA Funds received by the Municipality in CY 2024
19. LGSF – Support to the Barangay Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC)	No sufficient and competent evidence to warrant inclusion of audit observation
20. Twenty percent Development Fund •Projects completed but not yet recorded •Expenses not related to 20% Development	No sufficient and competent evidence to warrant inclusion of audit observation

GAI/SAI Focus Area	Remarks
Fund	
21. Payments to Casuals, Job Order, Contractuals and Consultants vis-à-vis the requirements of COA Memorandum No. 2012-010 dated December 28, 2021	No sufficient and competent evidence to warrant inclusion of audit observation
22. DRRM Funds/QRF – Projects completed but not yet recorded and expenses not related to DRRM Funds	With audit finding – AO No.13
23. Gender and Development (GAD) Funds – Expenses not related to GAD programs, projects and activities per approved GAD Plan and Budget	With audit finding – AO No.14
24. National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) Funds	No sufficient and competent evidence to warrant inclusion of audit observation
F. Other Accounts/Thrusts area not included in the GAI/SAI	
1. Erroneous LDRRM Notes Disclosure	With audit finding – AO No. 6
2. Collection of delinquent real property taxes	With audit finding – AO No. 7
3. Use of negotiated procurement instead of competitive bidding	With audit finding – AO No. 9
4. Technical Inspection Report findings	With audit finding – AO No. 10 and 12
5. Ineligible supplier for program	With audit finding – AO No. 11
6. Compliance to Item 6.1 of DepED, DBM and DILG Joint Circular No. 1, Series of 2017 on monitoring, transparency, and accountability in the allocation and utilization of Special Education Fund (SEF)	With audit finding – AO No. 15

We rendered a qualified opinion on the fairness of presentation of the FS for the year then ended.

We conducted the audit in accordance with applicable International Standards of Supreme Audit Institutions, and we believe that it provides a reasonable basis for our opinion.

Very truly yours,


JANICE VERIÑA SARITA
 State Auditor III
 OIC-Audit Team Leader

EXECUTIVE SUMMARY

Introduction

The Municipality of Zamboanguita, Negros Oriental, was created on May 1, 1908, by virtue of Executive Order No. 37. The Municipality is located on the southeastern coast of the Province of Negros Oriental. It is the third town, 28 kilometers south of Dumaguete City. It has a total land area of 15,139 hectares and consists of ten barangays. It is classified as a fourth-class Municipality.

As of December 31, 2024, it had a personnel complement of 391, as shown below:

<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	12
Permanent Employees	75
Casual Employees	59
Job Order Employees	245
Total	391

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 areas 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 Zamboanguita for 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interviews of 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	487,325,519.10	439,599,830.23	47,725,688.87
Liabilities	123,194,285.72	76,129,703.09	47,064,582.63
Government Equity	364,131,233.38	363,470,127.14	661,106.24

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

Results of Operations			
Revenues	163,563,145.79	154,879,628.06	8,683,517.73
Personnel Services	68,814,358.99	66,060,881.80	2,753,477.19
Maintenance and Other Operating Expenses	110,545,507.21	87,747,520.33	22,797,986.88
Non-cash Expenses	27,287,945.38	22,918,702.71	4,369,242.67
Financial Expenses	2,463,003.61	1,259,673.80	1,203,329.81
Net Financial Assistance/ Subsidy	42,438,087.96	29,015,040.52	13,423,047.44
Net Surplus (Deficit)	(3,109,581.44)	5,907,889.94	(9,017,471.38)

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

Final Budget	255,298,819.78	351,050,838.37	(95,752,018.59)
Actual Amounts	220,992,010.71	171,986,830.72	49,005,179.99

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. Semi-expendable properties acquired and issued prior to CY 2024, with a total carrying amount of ₱3,199,594.81, were not reclassified in accordance with the provisions of COA Circular No. 2024-006 dated March 14, 2024, thereby overstating the Property, Plant, and Equipment (PPE) accounts and the Equity account by the same amount, and compromising the accuracy and reliability of the financial statements as of December 31, 2024.

2. The Accounts Payable balance of ₱4,479,781.22 was not fairly presented due to the inclusion of ₱428,893.60 which remained outstanding for more than two years and was not reverted to the unappropriated surplus, thus, may no longer represent valid claims.
3. Property, Plant and Equipment (PPE) acquired in CY 2024 totaling ₱408,532.00 was erroneously recognized in the books of accounts as Other Supplies and Materials Inventory instead of the appropriate PPE accounts, hence, both the asset accounts and the related depreciation expense accounts were overstated and understated, respectively, as of December 31, 2024.

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 June 19, 2025, are fully presented in Part II of this Report.

- 1. Tangible items acquired in CY 2024 with a total cost of ₱627,373.00 were incorrectly classified under "Other Supplies and Materials Inventory" instead of under the appropriate semi-expendable property accounts. Furthermore, these items were neither expensed upon issuance nor supported by the complete set of prescribed forms and records. These lapses may result in misstatements of semi-expendable property and expense accounts, thereby affecting the accuracy and reliability of the financial statements at year-end.**

We recommended that the Municipal Accountant strictly adhere to the accounting and reporting guidelines prescribed under COA Circular No. 2024-006. Specifically, tangible items costing below ₱50,000.00 and meeting the definition of semi-expendable property should be:

- Recorded under the appropriate semi-expendable inventory accounts upon acquisition, and
- Recognized as an expense upon issuance to end-users, with proper accounting entries reflected in the books of accounts.

We further recommended that the Municipal Treasurer, Municipal Accountant, and all accountable officers ensure the preparation, maintenance, and use of all required forms, registries, and reports for the proper tracking, issuance, transfer, return, and disposal of semi-expendable properties, as enumerated in Section 4.7 of COA Circular No. 2024-006.

- 2. The cost of 1,500 sacks of rice, amounting to ₱4,116,000.00, charged to the previous years' unexpended LDRRMF was recognized as credit to Subsidy from Other Funds instead of closing the recorded Welfare Goods Expenses account to the Trust Fund Liabilities-DRRMF account, thus, proper accounting was not assured.**

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 Notes to Financial Statements (FS) for CY 2024 did not correctly present the current appropriation for the Local Disaster Risk Reduction and Management Fund (LDRRMF), resulting in the incomplete disclosure of vital information in the financial statements.**

We recommended that, henceforth, the Municipal Accountant take into account the budget revisions made during the year to ensure that the current year appropriations for the LDRRMF are accurately disclosed in the Notes to FS as of December 31.

- 4. Delinquent Real Property Taxes (RPT) and Special Education Taxes (SET), including penalties accruing thereon that have accumulated to ₱18,159,182.68, remained uncollected as of December 31, 2024, thus, depriving the Municipality of a substantial amount of income that 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 sending Notices of Delinquency to all delinquent taxpayers regardless of the amount due, to ensure fair enforcement and maximize revenue collection.

We further recommended that the Municipal Treasurer ensure full compliance with the posting and publication requirements prescribed under Section 254 of RA No. 7160.

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

- 5. The Municipality inappropriately invested a total of ₱16,623,828.41 in time deposits without proper compliance, as the funds under the General Fund (GF) did not qualify as idle and documentary support was lacking, thereby rendering its propriety doubtful.**

We recommended that Management:

- a. Cease the placement of funds in time deposits unless properly supported by a detailed computation showing excess funds beyond the Municipality's normal operating and financial requirements, in accordance with Sections 21 and 22 of COA Circular No. 92-382; and

- b. Instruct the Municipal Treasurer to retrieve and submit complete supporting documents for the existing time deposit account to validate the legality and appropriateness of such investments.

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

The Notices of Suspension and Disallowance showed the following balances as of December 31, 2024:

Particulars	Beginning Balance (1/1/2024)	Issued this Period (1/1/2024 to 12/31/2024)		Ending Balance (12/31/2024)
		NS/ND	NSSDC	
Suspensions	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Disallowances	3,128,327.00	0.00	0.00	3,128,327.00
Charges	0.00	0.00	0.00	0.00

Status of Implementation of Prior Years' Recommendations

Of the 99 prior years' recommendations, 24 were implemented and 75 were unimplemented.

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PART I
AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. VII
M.J. Cuenco Avenue, Corner V. Sotto Street, 6000 Cebu City

INDEPENDENT AUDITOR'S REPORT

HONORABLE JONAH PAT L. AVILES

Municipal Mayor
Municipality of Zamboanguita
Province of Negros Oriental

Qualified Opinion

We have audited the financial statements of the Municipality of Zamboanguita, Province of Negros Oriental, which comprise the statement of financial position as at December 31, 2024, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly in all material respects, the financial position of the Municipality of Zamboanguita as at December 31, 2024, and its financial performance, its cash flows, and its statement of comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Bases for Qualified Opinion

As discussed in Part II of this Report:

1. Semi-expendable properties acquired and issued prior to CY 2024, with a total carrying amount of ₱3,199,594.81, were not reclassified in accordance with the provisions of COA Circular No. 2024-006 dated March 14, 2024, thereby overstating the PPE accounts and the Equity account by the same amount, and compromising the accuracy and reliability of the financial statements as of December 31, 2024.
2. The Accounts Payable balance of ₱4,479,781.22 was not fairly presented due to the inclusion of ₱428,893.60 which remained outstanding for more than two years and was not reverted to the unappropriated surplus, thus, may no longer represent valid claims.
3. PPE acquired in CY 2024 totaling ₱408,532.00 was erroneously recognized in the books of accounts as Other Supplies and Materials Inventory instead of the appropriate PPE accounts, hence, both the asset accounts and the related depreciation expense accounts were overstated and understated, respectively, as of December 31, 2024.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our qualified opinion.

Key Audit Matters

Except for the matter described in the *Bases for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as Management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


Those charged with governance are responsible for overseeing the Municipality of Zamboanguita's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


JANICE VERIÑA SARITA
State Auditor III
OIC-Audit Team Leader

June 25, 2025



REPUBLIC OF THE PHILIPPINES
PROVINCE OF NEGROS ORIENTAL
Municipality of Zamboanguita

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Municipality of Zamboanguita is responsible for all information and representation contained in the Consolidated Statement of Financial Position as of December 31, 2024 and the related Consolidated Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, and Statement of Comparative Budget and Actual Amount for the year then ended. The financial statements have been prepared in conformity with Philippine Public Sector Accounting Standards and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded assets are safeguarded against unauthorized use or disposition and liabilities recognized.


JOSELITO M. TINAYTINAY
Municipal Accountant

06/19/25
Date Signed


HON. JONAH PAT L. AVILES
Municipal Mayor

06/19/25
Date Signed

Republic of the Philippines
Province of Negros Oriental
Municipality of Zamboanguita

NOTES TO FINANCIAL STATEMENTS
December 31, 2024

Note 1 – Profile

The LGU was created by virtue of Executive Order No. 37 dated May 1, 1908. It is a fourth-class Municipality located in the southeastern coast of Negros Oriental, and is the third town located 28 kilometers south of Dumaguete City. It has a total land area of 15,139 hectares, mostly devoted to farming and other agricultural activities. Its population was reported at 27,552 in the census of the Philippine Statistics Office in CY 2015.

Pursuant to RA No. 7160, known as the Local Government Code of 1991, the Municipality 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.

Note 2 – Statement of Compliance and Basis of Preparation of Financial Statements

The consolidated financial statements of the LGU have been prepared in accordance with the International Public Sector Accounting Standards (PPSAS). They are presented in Philippine pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied since 2015.

Note 3 – Summary of significant accounting policies

3.1 Basis of accounting

The combined financial statements are prepared on an accrual basis, in accordance with the International Public Sector Accounting Standards (IPSAS).

3.2 Consolidation

The controlled entities (funds) are all those over which the controlling entity has the power to govern the financial and operating policies. Inter-group transactions, balances, and unrealized gains and losses on transactions between entities and funds are eliminated in full.

The LGU maintains the following special accounts under the General Fund:

- General Fund Proper
- Market Operation
- Slaughterhouse Operation
- Waterworks Operation
- 20% Economic Development Fund
- LGSEF

3.3 Presentation of Financial Statements

The financial statements were presented in accordance with the International Public Sector Accounting Standards (IPSAS).

3.4 Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, a liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

3.5 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a

replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life.

Leased assets may consist of vehicles and machinery. The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. The LGU derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

Public Infrastructures were not previously recognized in the books. The LGU availed of the five-year transitional provision for the recognition of the Public Infrastructure. For the first year of implementation of the IPSAS, the LGU did not recognize the Public Infrastructure in the books of accounts.

3.6 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The LGU determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the LGU commits to purchase or sell the asset.

The LGU's financial assets include: cash and short-term deposits; and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Derecognition

The LGU derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- a) The rights to receive cash flows from the asset have expired or is waived; and
- b) The LGU has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the LGU has transferred substantially all the risks and rewards of the asset; or (b) the LGU has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The LGU determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings.

The LGU's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank; deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to cash and they present insignificant risk of changes in value because of changes in interest rates.

Petty Cash Fund (PCF) is maintained under an imprest system wherein replenishment is charged to the expense accounts. The PCF is not used to purchase regular inventory items for stock.

3.8 Investments

The LGU limits its exposure to risk by investing in authorized depository banks.

3.9 Receivables

Receivables represent amounts collectible from various constituents, taxpayers, other local government units, national government agencies, municipal officials and employees arising from claims for money lent, real property taxes due the local government unit and cash advances granted or travel and for payment of salaries, wages, allowances, honoraria and petty operating expenses.

3.10 Inventories

Inventories are recognized and measured at cost upon initial recognition.

Inventories are recognized as expense when issued for utilization or consumption in the ordinary course of operation.

3.11 Prepayments and Deferred Charges

Prepayments are recorded under asset method. Adjusting entries are prepared at the end of the year to record the portion of the prepayment representing the expense incurred during the current accounting period.

3.12 Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

3.13 Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Mayor, and Vice-Mayor, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, and all Chiefs of Departments/Divisions.

3.14 Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are bases, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or under-spending on line items.

3.15 Significant judgments and sources of estimation uncertainty

Judgments

In the process of applying the LGU's accounting policies, Management has made judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;

Investments

The LGU limits its exposure to risk by investing in Authorized Depository Banks.

Receivables

Receivables are amounts owed by consumers, and are presented net of impairment losses.

Cash and cash equivalents

The LGU limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating.

Liquidity risk

Liquidity risk is the risk of the LGU not being able to meet its obligations as they fall due. The LGU's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due.

The LGU ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

Capital management

The primary objective of managing the LGU’s capital is to ensure that there is sufficient cash available to support the LGU’s funding requirements, including capital expenditure, to ensure that the LGU remains financially sound.

Note 4 – Cash and Cash Equivalents

Cash and Cash Equivalents amounting to ₱35,172,328.44 and ₱53,455,071.72 in CYs 2024 and 2023 represent 55.79% and 73.65%, respectively, of the total current assets. These consist of the following:

	2024	2023
Cash on Hand		
Cash – Local Treasury	₱ 0.00	₱ 109,074.45
Cash in Bank – Local Currency		
DBP – Checking Account #0-01443-740-0 (GF)	824,602.27	5,233,344.43
LBP – Current Account # 0292-1058-86 (GF)	319,845.51	12,006,006.84
PVB – Current Account # 470000224 (GF)	756,358.15	0.00
LBP – Current Account # 0292-1050-10 (TF)	12,580,548.82	8,344,225.33
LBP – Current Account # 0292-1085-75 (TF-KC NCDDP AF)	216,254.89	20,206.35
LBP – Current Account # 0292-1088-69 (TF-BuB)	186,320.51	186,320.51
LBP – Current Account # 0292-1097-68 (TF-PF)	141,700.00	141,700.00
LBP – Current Account # 0292-1096-60 (LDRRM)	2,505,225.94	9,425,127.92
DBP – Current Account # 0740-0126-36031 (SEF)	1,017,643.94	1,490,323.60
Cash in Bank – Local Currency, Time Deposits (GF):		
DBP – Special Savings Account # 5-000008-03-9	16,623,828.41	16,498,742.29
Total Cash and Cash Equivalents	₱ 35,172,328.44	₱ 53,455,071.72

Cash in bank earns interest based on the prevailing bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the LGU, and earn interest at the respective short-term deposit rates.

During the year, the Municipality opened an account with the Philippine Veterans Bank, one of the authorized government depository banks, as an option for the Municipality's regular deposit and payment transactions.

The DBP Special Savings Account with balances of ₱16,623,828.41 and ₱16,498,742.29 in CY 2024 and CY 2023, respectively, represents the time deposit maintained by the LGU, bearing an interest rate of 3% per annum, renewed on a monthly basis.

Note 5 – Receivables

This consists of the following:

	2024	2023
Loans and Receivables Accounts		
Real Property Receivable	₱ 4,430,232.11	₱ 5,341,588.59
Special Education Tax Receivable	4,426,231.50	5,341,819.89
	₱ 8,856,463.61	₱ 10,683,408.48
Inter-Agency Receivables		
Due from National Government Agencies	₱ 9,816.06	₱ 9,816.06
Due from Government-Owned and/or Controlled Corporations	560.19	560.19
Due from Local Government Units	20,759.84	20,759.84
	₱ 31,136.09	₱ 31,136.09
Intra-Agency Receivables		
Due from Other Funds	₱ 8,623,576.64	₱ 8,539,892.40
Advances		
Advances to Officers and Employees	₱ 65,311.57	₱ 30,022.57
Advances for Operating Expenses	8,000.00	
Other Receivables		
Receivables – Disallowances/Charges	₱ 806,653.80	₱ 894,959.40
Due from Officers and Employees	15,530.79	9,097.78
Due from Non-Government Organizations/ People's Organizations	291,000.00	291,000.00
Other Receivables	3,741,276.55	3,739,876.55
	₱ 4,854,461.14	₱ 4,934,933.73
Total Receivables	₱ 22,438,949.05	₱ 24,219,393.27
Elimination of Reciprocal Accounts	6,072,749.16	8,142,867.64
Total Receivables, net	₱ 16,366,199.89	₱ 16,076,525.63

Due from/Due to Other Funds, amounting to ₱6,072,749.16 and ₱8,142,867.64 for CYs 2024 and 2023, respectively, being a reciprocal account, were eliminated in the preparation of the Consolidated Financial Statements.

The account Due from Officers and Employees represents the account in the General Fund amounting to ₱9,275.73 for the accumulated undeposited collections in prior years from various accountable officers. It also includes the amount due from the Disbursing Officer representing unreturned advances amounting to ₱8,000.00, which is subject to further verification. An amount of ₱3,000.00 pertains to honoraria given to Ms. Merryline Banua in prior years, and ₱3,255.06 pertains to under-remitted collections under the Special Education Fund.

Due from NGAs includes long overdue accounts from the Ministry of Justice amounting to ₱9,376.06 and from COMELEC amounting to ₱440.00.

Due from GOCCs represents the balance in the old books of accounts amounting to ₱560.19, for which no records are available regarding the details.

Due from LGUs represents amounts receivable from barangays, with no record is available for the details.

Due from NGOs/POs represents funds granted to accredited NGOs/POs as beneficiaries for the implementation of livelihood programs/projects.

Receivables-Disallowances/Charges consist of the following claims/disallowances:

	2024	2023
Receivable from Mr. Nicanor Geronimo	₱ 2,167.70	₱ 2,167.70
Disallowances:		
Extra Cash Gift CY 2001	10,000.00	10,000.00
Extra Cash Gift/PEI CY 2013	69,000.00	69,000.00
PEI CY 2013	91,240.00	91,240.00
PEI CY 2014	722,551.70	829,451.70
Sub-total	₱ 894,959.40	₱ 1,001,859.40
Less: Settlements	88,305.60	106,900.00
Balance	₱ 806,653.80	₱ 894,959.40

Advances to Officers and Employees account consists of cash advances granted to employees for various trainings and/or seminars, amounting to ₱65,311.57 and ₱30,022.57 in CY 2024 and CY 2023, respectively, which are subject to liquidation.

The Other Receivables account includes, but not limited to, KKK/SEA loans amounting to ₱50,212.50 and ₱1,336,982.90 under the General Fund and Trust Fund, respectively. It also includes overpayment to GSIS and HDMF amounting to ₱99,492.24 and ₱39,081.16, respectively, and receivables from various suppliers and former employees amounting to ₱83,552.63, which are both subject to reconciliation.

In CY 2024, the Municipality recorded an amount of ₱2,000,000.00 under the Trust Fund, representing its counterpart to the Barangay for the implementation of KC-NCDDP AF.

Included also in the Other Receivables account is the long overdue cash overdraft of ₱128,415.12 from former Assistant Municipal Treasurer, Mr. Nicanor Geronimo; ₱1,740.00 from Mr. Delfin Flores; and ₱800.00 from Mr. Teodocio Dayao, Jr., both former members of the PNP; and ₱1,000.00 from, Mr. Danilo Solana, who is no longer in the service. These accounts were previously recorded as part of the Advances to Officers and Employees account.

Note 6 – Inventories

This consists of the following:

	2024	2023
Office Supplies Inventory	₱ 0.00	₱ 101,404.00
Accountable Forms, Plates and Stickers	0.00	80,678.00
Drugs and Medicines Inventory	0.00	731,368.20
Other Supplies and Materials Inventory	1,035,905.00	2,010,990.00
Total Inventories	₱ 1,035,905.00	₱ 2,924,440.20

Other Supplies and Materials Inventory pertains to various tangible items classified as semi-expendable property, with an expected useful life of more than one (1) year but below the capitalization threshold.

Note 7 – Prepayments and Deferred Charges

Advances to Contractors	₱ 473,189.10	₱ 125,296.86
Other Prepayments and Deferred Charges	10,000,000.00	0.00
Total	₱ 10,473,189.10	₱ 125,296.86

This amount pertains to mobilization fees and other advance payments for ongoing projects/contracts entered into by the Municipality, in accordance with its terms and conditions.

Note 8 – Property, Plant and Equipment, net

The transfer and adjustment column relates to reclassifications between the different classes of assets, as well as to other categories of assets, including inventory and intangible assets.

The LGU measures the residual value of all items of property, plant and equipment but does not expect a residual value for these assets, as they will be utilized for their entire economic lives and do not have a significant scrap value. During the

current financial year, the LGU reviewed the estimated useful lives and residual values of property, plant and equipment, where applicable.

The details of this account are presented in the attached schedule.

Note 9 – Biological Assets

	2024	2023
Other Bearer Biological Assets	₱ 3,614,257.00	₱ 3,614,257.00
Total Biological Assets	₱ 3,614,257.00	₱ 3,614,257.00

This amount represents the cost of livestock – large cattle and carabaos – for the dispersal program of the Municipality.

Note 10 – Liabilities

This consists of the following:

10.1.1 Financial Liabilities		
<i>Current:</i>		
Accounts Payable	₱ 4,479,781.22	₱ 8,183,566.25
Due to Officers and Employees	267,785.68	326,043.68
Loans Payable – Domestic	8,091,258.32	2,924,315.55
	₱ 12,838,825.22	₱ 11,433,925.48
10.1.2 Financial Liabilities		
<i>Non-current:</i>		
Loans Payable – Domestic	51,304,921.17	16,452,506.26
Total Financial Liabilities	₱ 64,143,746.39	₱ 27,886,431.74

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are also non-interest bearing and have an average term of six months. Interest payable is normally settled quarterly throughout the financial year.

Loans Payable – Domestic pertains to the outstanding loans from Land Bank of the Philippines and the Development Bank of the Philippines. During the year, the Municipality availed of a loan facility from the Land Bank of the Philippines amounting to ₱42,909,000.00 to finance the acquisition of new heavy equipment and the purchase of a lot for the planned construction of sanitary landfill at Barangay Lutoban.

The Loan from Development Bank of the Philippines pertains to previously availed loans for the construction of public market and passenger terminal buildings, and the purchase of heavy equipment, with approved amounts of ₱10,000,000.00 and ₱15,000,000.00, respectively. It also includes loan with the National Electrification Administration amounting to ₱196,828.22; this balance is subject to further verification as it has remained in the records for an unreasonable period.

10.2 Inter-Agency Payables	2024	2023
Due to BIR	₱ 487,568.69	₱ 376,884.02
Due to GSIS	1,113,040.70	1,139,028.01
Due to PAG-IBIG	101,841.96	68,098.63
Due to PHILHEALTH	172,255.70	125,432.40
Due to Other NGAs	31,327,824.72	17,933,879.28
Due to Other GOCCs	(4,433.94)	(4,433.94)
Due to LGUs	5,292,004.98	4,725,977.44
Total Inter-Agency Payables	₱ 38,490,102.81	₱ 24,364,865.84

The first four accounts represent the amounts deducted from the salaries of officials and employees and remitted to the respective government agencies in the month following the month in which these were deducted. The remaining accounts represent balances of funds received by the LGU for specific purposes.

Transfers from other government agencies represent funds received for specific projects undertaken by the LGU. These funds are received based on the budgets submitted. Accordingly, the LGU is contractually bound to spend these funds only in connection with the designated projects. Furthermore, the contracts stipulate that the funds received for the project may only be applied to the costs incurred as each phase of the project is certified complete. The remaining conditions therefore represent phases of the projects that are yet to be certified as complete. The return of the unspent portion of the fund is subject to the conditions stated in the respective Memorandum of Agreements executed between the LGU and the proponent government agencies.

10.3 Intra-Agency Payables		
Due to Other Funds	₱ 6,072,749.16	₱ 8,142,867.64
Elimination of Reciprocal Accounts	(6,072,749.16)	(8,142,867.64)
Total Inter-Agency Payables, net	₱ 0.00	₱ 0.00

Due to Other Funds represent funds due for transfer to other funds, net of the amount eliminated for Due from Other Funds amounting to ₱6,072,749.16 and ₱8,142,867.64 for CYs 2024 and 2023, respectively. Out of the total, Due to Other Funds pertains to the amount received from the National Government that is due for transfer to other funds after compliance with the required documentation or conditions therein.

10.4 Trust Liabilities		
Trust Liabilities – DRRM Fund	₱ 7,349,020.57	₱ 9,869,415.79
Bail Bonds Payable	1,105,540.92	
Guaranty/Security Deposits Payable	0.00	858,860.91
Total Trust Liabilities	₱ 8,454,561.49	₱ 10,728,276.70

Trust Liabilities – DRRM Fund refers to the unexpended balance of DRRM Fund as of December 31, 2024, which was transferred from General Fund to Trust Fund, net of the related appropriations for capital expenditures in prior years, and is subject to the

required five-year sunset review. The Guaranty/Security Deposits Payable account consists of bidder's bonds, performance bonds, and warranty securities.

10.5 Deferred Credits/Unearned Income	2024	2023
Deferred Real Property Tax	₱ 4,430,232.11	₱ 5,341,588.59
Deferred Special Education Tax	4,426,231.50	5,341,819.89
Other Deferred Credits	12,461.95	12,461.95
Total Deferred Credits/Unearned Income	₱ 8,868,925.56	₱ 10,695,870.43

This account represents the unrealized income from Real Property Tax for the General Fund and Special Education Tax for the School Board. The nature of the Other Deferred Credits amounting to ₱12,461.95 in the Trust Fund books still needs to be determined, as this has been in the books prior to CY 2008.

Note 11 – Other Payables

Other Payables	₱ 3,236,949.47	₱ 2,454,258.38
Total Other Payables	₱ 3,236,949.47	₱ 2,454,258.38

This account pertains to various retention monies, deposit payments for disallowances pending appeal, and salary loan payments due to financial institutions and/or cooperatives of which the municipal employees are members.

Note 12 – Tax Revenue

This consists of the following:

<i>Tax Revenue - Individual and Corporation</i>		
Community Tax	₱ 567,653.37	₱ 546,328.50
<i>Tax Revenue – Property</i>		
Real Property Tax- Basic	1,534,085.67	1,599,517.80
Special Education Tax	2,106,114.57	2,241,472.03
<i>Tax Revenue - Goods and Services</i>		
Business Tax	4,895,022.51	4,579,827.05
Tax on Sand, Gravel and Other Quarry Products	4,350.00	21,000.00
Amusement Tax	371,355.00	372,261.00
<i>Tax Revenue – Others</i>		
Other Taxes	2,068,363.60	1,686,185.00
<i>Tax Revenue - Fines and Penalties</i>		
Tax Revenue - Fines and Penalties – Property Taxes	150,805.92	193,659.82
Total Tax Revenue	₱ 11,697,750.64	₱ 11,240,251.20

Note 13 – Share from National Taxes

	2024	2023
Share from Internal Revenue Collections (NTA)	₱ 139,018,613.00	₱ 130,829,552.00
Total Share from National Taxes	₱ 139,018,613.00	₱ 130,829,552.00

The Municipality’s share from National Tax Allotment (NTA) (formerly Internal Revenue Allotment) represents 86.16% and 84.47% of the total revenues in CYs 2024 and 2023, respectively. In CY 2024, the NTA received by the Municipality increased by ₱8,189,061.00, or 6.26% compared to that Regular NTA received in CY 2023.

Note 14 – Service and Business Income

<i>Service Income</i>		
Permit Fees	₱ 3,187,413.97	₱ 3,758,194.20
Registration Fees	148,478.75	198,762.00
Clearance and Certification Fees	708,990.00	780,207.00
Occupation Fees	219,000.00	191,700.00
Fishery Rentals, Fees and Charges	0.00	34,440.00
Fees for Sealing and Licensing of Weights and Measures	45,672.20	57,500.00
Fines and Penalties – Service Income	598,662.96	469,409.61
<i>Business Income</i>		
Waterworks System Fees	5,214,792.66	4,724,448.66
Receipts from Market Operations	1,609,566.00	1,370,798.00
Receipts from Slaughterhouse Operation	461,255.00	374,880.00
Interest Income	141,128.85	151,062.18
Total Service and Business Income	₱ 12,334,960.39	₱ 12,111,401.65

Note 15 – Transfers, Assistance and Subsidy from

Subsidy from National Government	₱ 37,652,012.75	₱ 29,894,918.25
Subsidy from Local Government Units	808,289.00	1,806,820.00
Subsidy from Other Funds	7,524,315.98	2,198,221.00
Total Transfers, Assistance and Subsidy from	₱ 45,984,617.73	₱ 33,899,959.25

Subsidy from National Government refers to funds held in trust for the implementation of various programs, projects, and activities during the year. These include, among others, the Social Pension Program amounting to ₱14,802,000.00, the distribution of welfare goods assistance during the prolonged dry season caused by the El Niño Phenomenon, and other social services-related programs.

Subsidy from Local Government Units refers to the amount utilized from the funds previously transferred by the Provincial Government and other Local Government Units in support of the Municipality's various programs and projects. This also includes contributions or counterparts to the Municipality from the ten barangays for the Hospitalization Program – Medicare Sa Masa, as well as support for office supplies under Barangay Affairs.

Note 16 – Shares, Grants and Donations

This consists of the following:

	2024	2023
Share from PCSO	₱ 76,122.33	₱ 30,170.03
Grants and Donations in Cash	114,295.00	0.00
Total Shares, Grants and Donations	₱ 190,417.33	₱ 30,170.03

Shares from PCSO represent the Municipality's share in revenues derived from operations of various lotto outlets. Grants and Donations in Cash pertain to the donations received from Marine Conservation Philippines (MCP) to support the implementation of various Coastal Resource Programs/Projects.

Note 17 – Other Income

Miscellaneous Income	₱ 321,404.43	₱ 668,253.18
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Note 18 – Employee Costs

This consists of the following:

Salaries and Wages – Regular	₱ 33,466,141.76	₱ 31,938,679.26
Salaries and Wages – Casual/Contractual	5,432,745.62	4,175,280.00
Sub-total	₱ 38,898,887.38	₱ 36,113,959.26
Other Compensation		
Personal Economic Relief Allowance	3,485,000.00	3,185,545.46
Representation Allowance (RA)	1,858,500.00	1,508,906.25
Transportation Allowance (TA)	1,858,500.00	1,570,781.25
Clothing/Uniform Allowance	922,000.00	810,000.00
Subsistence Allowance	187,500.00	178,500.00
Laundry Allowance	18,750.00	17,850.00
Honoraria	1,490,000.00	1,619,992.12
Hazard Pay	969,495.25	1,013,593.65
Overtime and Night Pay	103,795.75	211,328.54
Year End Bonus	3,315,905.00	3,018,361.20
Cash Gift	819,000.00	656,000.00
Other Bonuses and Allowances	3,203,914.00	2,987,419.00
Sub-total	₱ 18,232,360.00	₱ 16,778,277.47

	2024	2023
<i>Personnel Benefit Contribution</i>		
Retirement and Life Insurance Premiums	₱ 4,372,193.27	₱ 4,044,048.73
Pag-IBIG Contributions	336,361.70	154,700.00
PhilHealth Contributions	1,008,553.95	750,243.41
Employees Compensation Insurance Premiums	153,603.61	140,917.49
Sub-total	₱ 5,870,712.53	₱ 5,089,909.63
<i>Other Personnel Benefit</i>		
Terminal Leave Benefits	2,204,399.08	4,644,271.90
Other Personnel Benefits	3,608,000.00	3,434,463.54
Sub-total	₱ 5,812,399.08	₱ 8,078,735.44
Total Employee Costs	₱ 68,814,358.99	₱ 66,060,881.80

Note 19 – Maintenance and Other Operating Expenses (MOOE)

This consists of the following:

<i>Traveling Expenses</i>		
Traveling Expenses – Local	₱ 2,189,884.71	₱ 1,110,306.71
Traveling Expenses – Foreign	0.00	0.00
Sub-total	₱ 2,189,884.71	₱ 1,110,306.71
<i>Training and Scholarship Expenses</i>		
Training Expenses	1,420,180.08	2,195,553.34
<i>Supplies and Material Expenses</i>		
Office Supplies Expenses	891,602.65	912,229.38
Accountable Forms Expenses	517,318.50	361,047.50
Non-Accountable Forms Expenses	262,405.75	59,780.09
Food Supplies Expenses	24,120.00	710,108.00
Welfare Goods Expenses	5,215,000.00	0.00
Drugs and Medicines Expenses	2,672,548.80	1,769,680.30
Medical, Dental and Laboratory Supplies Expenses	11,000.00	484,840.20
Fuel, Oil and Lubricants Expenses	6,516,752.52	5,448,029.61
Agricultural and Marine Supplies Expenses	23,900.00	868,533.00
Other Supplies and Materials Expenses	4,607,692.50	4,103,828.49
Sub-total	₱ 20,742,340.72	₱ 14,718,076.57
<i>Utility Expenses</i>		
Water Expenses	0.00	0.00
Electricity Expenses	4,656,855.80	5,045,154.19
Sub-total	₱ 4,656,855.80	₱ 5,045,154.19

<i>Communication Expenses</i>	2024	2023
Postage and Courier Services	₱ 7,136.00	₱ 3,899.00
Telephone Expenses	474,300.00	348,176.00
Internet Subscription Expenses	367,579.81	212,934.57
Sub-total	₱ 849,015.81	₱ 565,009.57
<i>Awards/Rewards and Prizes</i>	380,000.00	534,500.00
<i>Survey, Research, Exploration and Development Expenses</i>		
Survey Expenses	0.00	38,000.00
<i>Confidential, Intelligence and Extraordinary Expenses</i>		
Extraordinary and Miscellaneous Expenses	22,990.00	22,914.00
<i>Professional Services</i>		
Legal Services	₱ 400.00	₱ 2,100.00
Auditing Services	0.00	0.00
Other Professional Services	447,002.48	442,092.35
Sub-total	₱ 447,402.48	₱ 444,192.35
<i>General Services</i>		
Environment/Sanitary Services	422,205.00	108,253.00
Other General Services	140,000.00	102,500.00
Sub-total	₱ 562,205.00	₱ 210,753.00
<i>Repairs and Maintenance</i>		
Repairs and Maintenance – Infrastructure Assets	₱ 2,740,458.94	₱ 2,328,240.25
Repairs and Maintenance – Land Improvements	0.00	0.00
Repairs and Maintenance – Buildings and Other Structures	1,911,982.36	1,668,783.41
Repairs and Maintenance – Machinery and Equipment	397,769.50	411,066.42
Repairs and Maintenance – Transportation Equipment	1,216,915.99	1,156,758.62
Repairs and Maintenance – Furniture and Fixtures	0.00	156.00
Repairs and Maintenance – Leased Assets Improvement	0.00	15,120.00
Repairs and Maintenance – Other Property, Plant and Equipment	148,959.54	151,960.37
Sub-total	₱ 6,416,086.33	₱ 5,732,085.07
<i>Taxes, Insurance Premiums and Other Fees</i>		
Taxes, Duties and Licenses	₱ 321,817.50	₱ 1,740.00
Fidelity Bond Premiums	45,000.00	38,250.00
Insurance Expenses	238,398.51	506,416.70
Sub-total	₱ 605,216.01	₱ 546,406.70

<i>Other Maintenance and Operating Expenses</i>	2024	2023
Advertising Expenses	₱ 89,200.00	₱ 4,000.00
Printing and Publication Expenses	0.00	0.00
Rent Expenses	120,000.00	115,500.00
Membership Dues and Contributions to Organizations	57,600.00	7,600.00
Subscription Expense	0.00	2,124.00
Donations	5,734,104.00	11,688,652.00
Other Maintenance and Operating Expenses	66,252,426.27	44,766,692.83
Sub-total	₱ 72,253,330.27	₱ 56,584,568.83
Total Maintenance and Other Operating Expenses	₱ 110,545,507.21	₱ 87,747,520.33

Rent expenses pertain to the annual lease payment for the parcel of land utilized by the Municipality for its Malatapay Livestock area. Donations represent the total amount granted by the Municipality through the MSWD Office under the Aid in Individuals in Crisis Situations (AICS) Program.

Other MOOE under the General Fund also include various expenditures, such as the provision of honoraria amounting to ₱180,000.00 for personnel assigned to the Municipality from NGAs (i.e. DILG, PNP and BFP), in accordance with Compensation Policy Guidelines No. 98-1 dated March 23, 1988. It also includes support to PNP and BFP programs, projects, and activities aimed at promoting peace and order, as well as ensuring public safety in the locality. The account also covers health service initiatives, gratuity pay for Job Order workers, and for programs related to coastal and natural resource management, comprehensive land use plan, sports development, and various social and cultural activities. Additionally, it includes funding support for various agricultural, educational, health, and environmental related services, programs and activities.

Note 20 – Financial Expenses

This account pertains to the Interest Expense incurred in CY 2024 and CY 2023 amounting to ₱2,463,003.61 and ₱1,259,673.80, respectively. These amounts represent the interest on the Municipality's loan liabilities with the Land bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP), which were availed to finance various developmental projects of the Municipality.

Note 21 – Non-Cash Expenses

This consists of the following:

	2024	2023
Depreciation – Land Improvements	₱ 11,063.25	₱ 11,063.25
Depreciation – Infrastructure Assets	14,835,001.52	13,034,831.17
Depreciation – Buildings and Other Structures	5,064,017.55	4,652,675.00
Depreciation – Machinery and Equipment	4,238,621.88	2,447,886.50
Depreciation – Transportation Equipment	2,349,790.80	1,950,221.73
Depreciation – Furniture, Fixtures and Books	96,811.56	97,322.95
Depreciation – Other Property, Plant and Equipment	692,638.82	724,702.11
Total Non-Cash Expenses	₱ 27,287,945.38	₱ 22,918,702.71

Note 22 – Transfers, Assistance and Subsidy to

This consists of the following:

Subsidy to Other Local Government Units	₱ 975,000.00	₱ 1,046,416.78
Subsidy to Other Funds	2,571,529.77	3,838,501.95
Total Transfers, Assistance and Subsidy to	₱ 3,546,529.77	₱ 4,884,918.73

The Subsidy to NGAs pertains to the Municipal Government's counterpart contribution for the implementation of nationally funded projects that require local equity. The Subsidy to Other Local Government Units represents assistance extended to the ten barangays within the Municipality. Meanwhile, the Subsidy to Other Funds pertains to the unspent Quick Respond Fund and Pre-Disaster Preparedness Fund from the CY 2024 LDRRM Fund, which is due for transfer to the Special Trust Account in the ensuing year.

Note 23 – Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

Surplus/(Deficit)	₱ (3,109,581.44)	₱ 5,907,889.94
Non-cash transactions:		
Grants and Donations in Kind – PPE	0.00	0.00
Depreciation	27,287,945.38	22,918,702.71
(Decrease) Increase in Payables	10,572,739.02	3,195,437.47
Increase in current assets – inventories	80,678.00	(45,990.00)
Prior Period Adjustment	0.00	(20,374.94)
(Increase) Decrease in Receivables	(127,178.65)	(2,030,848.61)
Net Cash from Operating Activities	₱ 34,704,602.31	₱ 29,924,816.57

The increase in Depreciation Expense is attributed to the recognition of depreciation on various infrastructure assets (i.e. Roads, Water supply system, etc.). The decrease in payables primarily due to the downloaded funds from various NGAs for the implementation of priority programs and projects under the Local Government Support Fund – Financial Assistance to Municipalities (LGSF-FA), which are subject to liquidation. Additionally, the transfer of the unspent LDRRM Fund to the Trust Fund resulted in an increase in the Trust Liabilities account.

Note 24 – Local Disaster Risk Reduction and Management Fund (LDRRMF)

The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to RA No. 10121, otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010”. The amount available and utilized during the year totaled ₱29,770,606.38 and ₱20,371,330.60, respectively, broken down as follows:

Particular	Amount Available	Amount Utilized	Balance
Current Appropriation:			
Quick Response Fund (QRF)	₱ 2,412,288.70	₱ 1,029,000.00	₱ 1,383,288.70
Mitigation Fund (MF):			
MOOE	2,528,673.65	1,340,432.58	1,188,241.07
Capital Outlay (CO)	3,100,000.00	1,592,703.00	1,507,297.00
Supplemental Budget (CO)	4,215,422.82	4,213,421.82	2,001.00
	₱ 12,256,385.17	₱ 8,175,557.40	₱ 4,080,827.77
Continuing Appropriation:	₱ 3,806,303.47	₱ 3,262,280.77	₱ 544,022.70
Special Trust Fund			
CY 2023	₱ 3,838,501.95	₱ 0.00	₱ 3,838,501.95
CY 2022	4,683,591.89	3,747,668.53	935,923.36
CY 2021	1,499,565.92	1,499,565.92	0.00
CY 2020	1,805,845.89	1,805,845.89	0.00
CY 2019	1,880,412.09	1,880,412.09	0.00
	₱ 13,707,917.74	₱ 8,933,492.43	₱ 4,774,425.31
Total	₱ 29,770,606.38	₱ 20,371,330.60	₱ 9,399,275.78

The Municipality’s total appropriation for the 5% Local Disaster Risk Reduction and Management Fund for the current year amounted to ₱8,040,962.35. In addition, a Supplemental Budget was approved utilizing the prior year’s unspent LDRRM Fund totaling ₱4,215,422.82 making the total current year appropriation to ₱12,256,385.17. Of this amount, ₱9,844,096.47 was programmed for pre-disaster related projects and activities by the Local Disaster Risk Reduction and Management Council. In compliance with COA Circular No. 2012-002, a total amount of ₱2,571,529.77 representing the unexpended/unobligated balance of the Quick Respond Fund and Pre-Disaster Preparedness Program will be transferred to the Trust Fund books in the ensuing year.

CY 2024 Local Disaster Risk Reduction and Management Fund

Annual Budget	₱ 8,040,962.35
Supplemental Budget	<u>4,215,422.82</u>
Total	<u>₱ 12,256,385.17</u>
A. 30% Quick Response Fund	<u>₱ 2,412,288.70</u>
B. 70% Pre-Disaster Preparedness Program	9,844,096.47
Less: Amount Utilized	<u>8,175,557.40</u>
Balance of the CY 2024 DRRMF	₱ 4,080,827.77
Less: Balance of the Capital Outlay	<u>1,509,298.00</u>
Amount Transferred to the Special Trust Fund	<u><u>₱ 2,571,529.77</u></u>

Note 8

Property, Plant and Equipment									
Property, Plant and Equipment	January 1, 2023	Additions	Disposals	(Transfers)/ Adjustments	December 31, 2023	Additions	Disposals	(Transfers)/ Adjustments	December 31, 2024
Land	1,593,986.90	-	-	-	1,593,986.90	-	-	-	1,593,986.90
Land Improvements, Aquaculture Structures	3,657,332.91	-	-	-	3,657,332.91	-	-	-	3,657,332.91
Road Networks	92,691,269.07	19,194,587.69	-	-	111,885,856.76	11,676,883.00	-	-	123,562,739.76
Flood Control Systems	53,576,535.65	1,706,369.00	-	-	55,282,904.65	3,770,687.68	-	-	59,053,592.33
Water Supply Systems	99,551,393.89	13,246,742.29	-	-	112,798,136.18	4,244,222.50	-	-	117,042,358.68
Power Supply Systems	12,992,122.98	849,140.00	-	-	13,841,262.98	-	-	-	13,841,262.98
Parks, Plazas and Monuments	5,934,611.01	-	-	-	5,934,611.01	-	-	-	5,934,611.01
Communication Networks	95,802.00	-	-	-	95,802.00	-	-	-	95,802.00
Buildings	18,971,664.47	5,252,413.93	-	-	24,224,078.40	-	-	-	24,224,078.40
School Buildings	9,157,303.10	996,567.95	-	-	10,153,871.05	-	-	-	10,153,871.05
Hospitals and Health Centers	8,980,593.70	-	-	-	8,980,593.70	-	-	-	8,980,593.70
Markets	8,064,463.79	132,780.00	-	-	8,197,243.79	-	-	-	8,197,243.79
Slaughterhouses	1,949,204.00	-	-	-	1,949,204.00	-	-	-	1,949,204.00
Other Structures	31,972,414.37	3,594,337.96	-	-	35,566,752.33	6,020,873.56	-	-	41,587,625.89
Office Equipment	5,751,182.80	90,600.00	-	-	5,841,782.80	93,595.00	-	-	5,935,377.80
Information and Communication Technology Equipment	5,366,300.71	167,950.00	-	-	5,534,250.71	-	-	-	5,534,250.71
Agricultural and Forestry Equipment	343,189.65	-	-	-	343,189.65	-	-	-	343,189.65
Marine and Fishery Equipment	600,152.23	-	-	-	600,152.23	-	-	-	600,152.23
Communication Equipment	1,151,450.07	-	-	-	1,151,450.07	59,420.00	-	-	1,210,870.07
Construction and Heavy Equipment	18,420,735.19	-	-	-	18,420,735.19	32,909,000.00	-	-	51,329,735.19
Disaster Response and Rescue Equipment	4,559,306.85	-	-	-	4,559,306.85	2,399,000.00	-	-	6,958,306.85
Military, Police and Security Equipment	209,281.75	-	-	-	209,281.75	-	-	-	209,281.75
Medical Equipment	394,727.30	-	-	-	394,727.30	-	-	-	394,727.30
Other Machinery and Equipment	2,547,926.95	-	-	-	2,547,926.95	-	-	-	2,547,926.95
Motor Vehicles	19,603,491.09	10,269,674.00	-	-	29,873,165.09	2,054,910.00	-	-	31,928,075.09
Furniture and Fixtures	1,403,612.95	159,357.00	-	-	1,562,969.95	-	-	-	1,562,969.95
Books	257.50	-	-	-	257.50	-	-	-	257.50
Construction in Progress - Land Improvements	531,250.00	-	-	-	531,250.00	-	-	-	531,250.00
Construction in Progress - Infrastructure Assets	5,437,798.66	19,609,196.82	-	(23,901,003.92)	1,145,991.56	21,927,160.81	-	(8,392,439.99)	14,680,712.38
Construction in Progress - Buildings and Other Structures	2,095,689.46	6,911,254.33	-	(8,711,943.44)	295,000.35	11,086,407.17	-	(8,030,476.82)	3,350,930.70
Construction in Progress - Leased Assets Improvements	-	-	-	-	-	-	-	-	-
Other Property, Plant and Equipment	11,103,735.95	80,114.00	-	-	11,183,849.95	4,728,103.32	-	-	15,911,953.27
Total	428,708,786.95	82,261,084.97	-	(32,612,947.36)	478,356,924.56	100,970,263.04	-	(16,422,916.81)	562,904,270.79

DEPRECIATION

Property, Plant and Equipment	January 1, 2023	Additions	Disposals	(Transfers)/ Adjustments	December 31, 2023	Additions	Disposals	(Transfers)/ Adjustments	December 31, 2024
Accumulated Depreciation - Land Improvements, Aquaculture Structures	781,370.78	11,063.25	-	-	792,434.03	11,063.25	-	-	803,497.28
Accumulated Depreciation - Road Networks	-	12,865,742.95	-	-	12,865,742.95	5,034,863.55	-	-	17,900,606.50
Accumulated Depreciation - Parks, Plazas and Monuments	-	1,869,402.47	-	-	1,869,402.47	267,057.50	-	-	2,136,459.97
Accumulated Depreciation - Water Supply Systems	-	24,709,285.99	-	-	24,709,285.99	6,691,711.07	-	-	31,400,997.06
Accumulated Depreciation - Flood Control Systems	-	4,665,963.13	-	-	4,665,963.13	1,894,197.13	-	-	6,560,160.26
Accumulated Depreciation - Power Supply Systems	5,956,802.12	866,992.17	-	-	6,823,794.29	947,172.27	-	-	7,770,966.56
Accumulated Depreciation - Communication Networks	-	-	-	-	-	-	-	-	-
Accumulated Depreciation - Buildings	3,555,301.62	385,929.86	-	-	3,941,231.48	602,110.61	-	-	4,543,342.09
Accumulated Depreciation - School Buildings	1,340,959.47	302,218.45	-	-	1,643,177.92	324,183.62	-	-	1,967,361.54
Accumulated Depreciation - Hospitals and Health Centers	1,483,018.54	693,955.63	-	-	2,176,974.17	693,955.63	-	-	2,870,929.80
Accumulated Depreciation - Markets	1,404,347.32	542,141.38	-	-	1,946,488.70	553,770.28	-	-	2,500,258.98
Accumulated Depreciation - Slaughterhouses	923,439.23	130,313.69	-	-	1,053,752.92	130,313.69	-	-	1,184,066.61
Accumulated Depreciation - Other Structures	8,594,514.21	2,598,115.99	-	-	11,192,630.20	2,759,683.72	-	-	13,952,313.92
Accumulated Depreciation - Office Equipment	3,870,855.11	287,412.68	-	-	4,158,267.79	217,747.52	-	-	4,376,015.31
Accumulated Depreciation - Information and Communication Technology Equipment	3,184,998.12	374,491.04	-	-	3,559,489.16	374,491.04	-	-	3,933,980.20
Accumulated Depreciation - Agricultural and Forestry Equipment	46,350.00	-	-	-	46,350.00	-	-	-	46,350.00
Accumulated Depreciation - Marine and Fishery Equipment	514,815.06	8,440.65	-	-	523,255.71	8,440.65	-	-	531,696.36
Accumulated Depreciation - Communication Equipment	434,576.43	5,310.00	-	-	439,886.43	5,310.00	-	-	445,196.43
Accumulated Depreciation - Construction and Heavy Equipment	3,580,725.34	1,338,796.55	-	-	4,919,521.89	3,260,866.55	-	-	8,180,388.44
Accumulated Depreciation - Disaster Response and Rescue Equipment	3,641,931.67	119,294.95	-	-	3,761,226.62	107,975.31	-	-	3,869,201.93
Accumulated Depreciation - Military, Police and Security Equipment	133,689.83	-	-	-	133,689.83	-	-	-	133,689.83
Accumulated Depreciation - Medical Equipment	14,219.37	97,438.63	-	-	111,658.00	48,719.31	-	-	160,377.31
Accumulated Depreciation - Other Machinery and Equipment	1,089,615.27	216,702.00	-	-	1,306,317.27	215,071.50	-	-	1,521,388.77
Accumulated Depreciation - Motor Vehicles	13,179,174.65	1,950,221.73	-	-	15,129,396.38	2,349,790.80	-	-	17,479,187.18
Accumulated Depreciation - Furniture and Fixtures	393,431.52	97,322.95	-	-	490,754.47	96,811.56	-	-	587,566.03
Accumulated Depreciation - Books	-	-	-	-	-	-	-	-	-
Accumulated Depreciation - Other Property, Plant and Equipment	5,967,291.83	724,702.11	-	-	6,691,993.94	692,638.82	-	-	7,384,632.76
Accumulated Depreciation	60,091,427.49	54,861,258.25	-	-	114,952,685.74	27,287,945.38	-	-	142,240,631.12
Net Book Value	368,617,359.46	27,399,826.72	-	(32,612,947.36)	363,404,238.82	73,682,317.66	-	(16,422,916.81)	420,663,639.67

PART II
AUDIT OBSERVATIONS AND
RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

Semi-Expendable Equipment still in PPE

1. **Semi-expendable properties acquired and issued prior to CY 2024, with a total carrying amount of ₱3,199,594.81, were not reclassified in accordance with the provisions of COA Circular No. 2024-006 dated March 14, 2024, thereby overstating the Property, Plant, and Equipment (PPE) accounts and the Equity account by the same amount, and compromising the accuracy and reliability of the financial statements as of December 31, 2024.**

- 1.1. Prior to CY 2024, this Commission issued COA Circular No. 2022-004 dated May 31, 2022, which set the guidelines for implementing the increase in the capitalization threshold for PPE from ₱15,000.00 to ₱50,000.00. Under Section 4 of the Circular, **tangible items that meet the definition and recognition criteria of PPE but have a cost below ₱50,000.00 shall instead be classified and recorded as semi-expendable property** in the agencies' books of accounts.
- 1.2. The adjustment of the capitalization threshold from **₱15,000.00 to ₱50,000.00** is classified as a **change in accounting policy** and will be applied **retrospectively**. Consequently, the revised threshold of **₱50,000.00** will apply to all tangible assets acquired in **CY 2022** and prior years (Sec. 4.2, COA Circular No. 2022-004). Moreover, Sec. 4.6 emphasizes that the **change in accounting policy** requires **retrospective application and restating the amounts for the prior period/s in the comparative financial statements to reflect the change**. The entity shall **adjust the opening balance of each affected component of net assets/ equity for the earliest period presented**, and the other comparative amounts disclosed for each prior period **presented as if the new accounting policy had always been applied**.
- 1.3. In the absence of available guidelines or issued circulars from COA concerning the proper categorization of semi-expendable properties for inclusion in the Revised Chart of Accounts, local government units (LGUs) have been allowed to temporarily record properties valued below ₱50,000.00, as long as they meet the definition of Property, Plant, and Equipment (PPE) within the inventory accounts.
- 1.4. Relative thereto, in CY 2024, the Commission issued COA Circular No. 2024-006, dated March 14, 2024, which serves as a supplemental guideline for the implementation of COA Circular No. 2022-004, which provided guidance on accounting for tangible items, as follows:
 - ❑ **Tangible items below ₱50,000.00 acquired prior to CY 2024 and previously classified as PPE, which are still in custody of the Supply and/or Property Division/Unit, the cost shall be reclassified to the appropriate semi-expendable property account under the major account group Inventories and the**

corresponding accumulated depreciation and accumulated impairment losses shall be closed in the books of accounts;

- ❑ Tangible items below ₱50,000.00 **acquired and issued prior to CY 2024 and have been classified as PPE**, the carrying amount shall be expensed/charged to Prior Period Adjustment and the corresponding accumulated depreciation and accumulated impairment losses shall be closed in the books of accounts.

- 1.5. We would like to draw Management’s attention to Annex B of the Circular, which outlines the new accounts that will be utilized. Additionally, Annex C presents illustrative accounting entries for various cases.
- 1.6. Our review of the Municipality’s financial records disclosed that semi-expendable properties with individual acquisition costs below ₱50,000.00, with their carrying amounts totaling ₱3,199,594.81 as of December 31, 2024, remain recorded under various PPE accounts, as follows:

Agricultural and Forestry Equipment	₱ 5,150.00
Books	257.50
Communication Equipment	198,530.01
Construction and Heavy Equipment	11,030.80
Disaster Response and Rescue Equipment	15,424.00
Furniture and Fixtures	568,185.43
Information and Communication Technology Equipment	734,061.89
Marine and Fishery Equipment	12,272.58
Medical Equipment	1,579.93
Military, Police and Security Equipment	2,238.79
Motor Vehicles	97,213.53
Office Equipment	652,708.19
Other Machinery and Equipment	191,029.28
Other Property, Plant and Equipment	709,912.89
Total	₱3,199,594.81

- 1.7. The above properties remain in PPE despite the issuance of COA Circular No. 2024-006, which states that these items should have been appropriately reclassified to the accounts listed in the Revised Chart of Accounts in COA Circular 2024-006, and that the corresponding prior period adjustments should have been made.
- 1.8. It is also emphasized that the existing Acknowledgment Receipts for Equipment (ARE) will be replaced by Inventory Custodian Slips (ICS) for tangible items valued below ₱50,000.00, acquired and issued prior to CY 2024, and classified as PPE (Sec. 3.7, COA Circular No. 2024-006). However, an inquiry with the Municipal Accountant revealed that they have yet to reclassify the items in PPE, thus, they did not issue ICS for the items from prior years.

- 1.9. The Municipality's inability to retrospectively reclassify tangible items valued below ₱50,000.00 that were acquired and issued prior to CY 2024, contrary to COA Circular Nos. 2022-004 and 2024-006, has resulted in the misstatement of its financial accounts. Specifically, the non-transfer of semi-expendable items from PPE to Prior Period Adjustment (PPA) has led to an understatement of PPA and a corresponding overstatement of Equity amounting to ₱3,199,594.81. These accounting discrepancies distort the Municipality's true financial position and impair the fairness and credibility of the financial reports submitted to stakeholders.
- 1.10. We recommended and the Municipal Accountant agreed to thoroughly review all PPE items with individual acquisition costs below ₱50,000.00 that were acquired and issued prior to CY 2024, and effect the required retrospective reclassification and adjustments. This includes transferring the carrying amounts to Prior Period Adjustment and restating the affected comparative figures in the financial statements, in compliance with Sections 4.2 and 4.6 of COA Circular No. 2022-004, as supplemented by COA Circular No. 2024-006.**
- 1.11. We further recommended and the Municipal Accountant agreed to implement the prescribed accounting treatments and documentation protocols moving forward, including the proper use of Inventory Custodian Slips (ICS) for applicable semi-expendable items, and ensure timely and accurate recording based on the guidelines set forth in COA Circular No. 2024-006 and its annexes.**
- 1.12. The Municipal Accountant submitted a pro forma JEV but will still need to verify the final amounts to be adjusted.

Accounts Payable

- 2. The Accounts Payable balance of ₱4,479,781.22 was not fairly presented due to the inclusion of ₱428,893.60 which remained outstanding for more than two years and was not reverted to the unappropriated surplus, contrary to Section 98 of Presidential Decree No. 1445, thus, may no longer represent valid claims.**
- 2.1 COA Circular No. 2015-009 dated December 1, 2015, defines Accounts Payable as an account used to record the receipt of goods or services on account in the normal course of trade and business operations. Accordingly, Accounts Payable are considered current liabilities, as they meet the criteria set forth under paragraph 83 of the IPSAS 1, which states that a liability should be classified as current when it is expected to be settled in the normal course of the entity's operating cycle or is due to be settled months after the reporting date.
- 2.2 Relative thereto, Section 98 of the P.D. No. 1445 provides that any unliquidated balance of accounts payable in the books may be reverted to the unappropriated surplus of the general fund, provided that these have been outstanding for two years

or more and against which no actual claims, administrative or judicial, have been filed or which are not covered by perfected contracts on record.

2.3 While we are aware that the above provisions pertain specifically to the unliquidated balances of accounts payable in the books of the national government, Honorable Celso D. Gangan, former Chairman of the Commission on Audit, as stated in his 5th Indorsement dated September 2, 1998, reads in part:

“ *Every statute be construed in connection with those already existing in relation to the same subject matter and should be made to harmonize and stand tighter if they can be done by fair and reasonable interpretation. (City of Naga vs. Agna SCRA 176) x x x.*”

2.4 As of December 31, 2024, the Municipality’s Accounts Payable balance amounted to ₱4,479,781.22, as shown in the table below:

Fund	Total	Current	Over 1 - 2 yrs.	Over 2 - 10 yrs.
General Fund				
CY 2024	3,918,429.55	3,918,429.55	-	-
CY 2023	53,598.07	-	53,598.07	-
CY 2022	380,917.77	-	-	380,917.77
CY 2021	2,050.00	-	-	2,050.00
CY 2020	44,415.00	-	-	44,415.00
Sub-total	4,399,410.39	3,918,429.55	53,598.07	427,382.77
Special Education Fund				
CY 2024	78,860.00	78,860.00	-	-
Prior years	1,510.83	-	-	1,510.83
Sub-total	80,370.83	78,860.00	0.00	1,510.83
Total	4,479,781.22	3,997,289.55	53,598.07	428,893.60

2.5 As noted above, ₱428,893.60 of the total amount has been outstanding for over two years.

2.6 An inquiry with the Municipal Treasurer’s Office revealed that there are still outstanding documents related to obligations for CY 2024 that are pending, particularly regarding gasoline payments, as they still lack some trip tickets from the drivers. Our review of the accounts payable schedule showed that this comprised only 4% of the total outstanding liabilities of the Municipality. The Municipal Accountant also mentioned that he has yet to review the outstanding payables to determine why they remain unpaid.

2.7 Due to the lack of evaluation of the ₱428,893.60, which has remained outstanding for over two years, we cannot ascertain the validity of the accounts. These accounts are also doubtful because it is unlikely that the suppliers or claimants would wait such a long time to be paid or to claim what is supposedly owed to them. Consequently, the financial statements may not have been presented fairly because a substantial amount may no longer represent valid claims.

2.8 We recommended and the Municipal Accountant agreed to coordinate with the Municipal Budget Officer and the Municipal Treasurer to determine whether the Accounts Payable totaling ₱428,893.60, aged from over two to 10 years, are still valid claims and to ensure the accuracy of the liability account presented in the financial statements.

PPE recorded in Inventories

3. Property, Plant and Equipment (PPE) acquired in CY 2024 totaling ₱408,532.00 was erroneously recognized in the books of accounts as Other Supplies and Materials Inventory instead of the appropriate PPE accounts, hence, both the asset accounts and the related depreciation expense accounts were overstated and understated, respectively, as of December 31, 2024.

3.1 COA Circular No. 2024-006 dated March 14, 2024, provides implementing guidelines for the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00. Specifically, Section 3 thereof mandates that tangible items costing ₱50,000.00 and above that meet the following criteria shall be recognized as PPE:

- 3.1.1 It is probable that the future economic benefits or service potential associated with the item will flow to the entity;
- 3.1.2 The cost or fair value of the item can be measured reliably;
- 3.1.3 Beneficial ownership and control clearly rest with the government; and
- 3.1.4 The asset is used to achieve government objectives.

3.2 In relation thereto, COA Circular No. 2015-009 dated December 1, 2015, prescribes the Revised Chart of Accounts for Local Government Units to record and report the financial transactions of LGUs. Annex B thereof contains the description of accounts and the instructions.

3.3 Our review of the transactions during the year revealed that the acquisitions of tangible items, which exceeded the PPE threshold of ₱50,000.00, were recorded under Other Supplies and Materials Inventory instead of their appropriate PPE accounts. A portion of the composition of the Other Supplies and Materials Inventory for the year is shown in the table on the next page.

Particulars	Amount
Solar Flood Lights for GAD Provision Lights	₱ 194,000.00
Pipe Wrench for Operation Transfer of Water Meter at Mainline	89,832.00
Power Sprayer 6HP-8HP Hose and Nozzle Sprayer	56,700.00
Generator 180 amps Thunderbolt	68,000.00
Total	₱ 408,532.00

3.4 The Municipal Accountant acknowledged that these items were incorrectly recorded in the Other Supplies and Materials inventory account due to the misclassification of the items as semi-expendable properties. The recording of the above equipment as Other Supplies and Materials Inventory instead of the appropriate PPE accounts is inconsistent with the aforementioned Circulars. Consequently, both asset accounts, including the related depreciation expense accounts, were overstated and understated, respectively, as of December 31, 2024.

3.5 We recommended that the Municipal Accountant prepare the necessary accounting entries to correct the recording of the PPE items totaling ₱408,532.00, and adjust the corresponding depreciation expense accounts.

3.6 We further recommended that the Municipal Accountant, henceforth, refer to the description of accounts as a guide for recording expenses in accordance with COA Circular No. 2015-009 dated December 1, 2015, to avoid making erroneous accounting entries in the books of accounts.

3.7 Management explained that these items were classified as MOOE during the budgeting process thus, they were recorded as inventory instead of PPE when procured. Management committed to make the necessary adjustments after a careful review of the items, with the guidance of the relevant circulars.

Erroneous Classification of Semi-expendable Equipment

4. Tangible items acquired in CY 2024 with a total cost of ₱627,373.00 were incorrectly classified under "Other Supplies and Materials Inventory" instead of under the appropriate semi-expendable property accounts. Furthermore, these items were neither expensed upon issuance nor supported by the complete set of prescribed forms and records, contrary to COA Circular No. 2024-006 dated March 14, 2024. These lapses may result in misstatements of semi-expendable property and expense accounts, thereby affecting the accuracy and reliability of the financial statements at year-end.

4.1 COA Circular No. 2022-004 dated May 31, 2022, provides guidelines for implementing the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00. Specifically, Section 4 thereof requires that **tangible items meeting the definition and recognition criteria of Property, Plant, and Equipment (PPE) but costing below ₱50,000.00** be accounted for in the agencies' books of accounts as **semi-expendable property**.

4.2 Relative thereto, in CY 2024, the Commission issued COA Circular No. 2024-006, dated March 14, 2024, which serves as a supplemental guideline for implementing COA Circular No. 2022-004. This Circular states that tangible items that meet the definition and recognition criteria of PPE, but costing less than Fifty Thousand Pesos (P50,000.00), shall be recorded in the LGU's books of accounts as **inventory under the appropriate semi-expendable property account upon purchase and shall be recognized as an expense when issued to the end-user.**

4.3 Additionally, to strengthen controls over semi-expendable property, the forms, registry, and reports are detailed in Section 4.7 of the aforementioned Circular:

Form/ Registry/ Report	Description	Responsible Person
Semi-Expendable Property Card (SPC)	To record the acquisition, issue/transfer/disposal and the description/information	Supply and/or Property Division/Unit
Semi-Expendable Property Ledger Card (SPLC)	To record the acquisition, description, custody, impairment, issue/transfer/disposal, repair history, and other information	Accounting Division/Unit
Inventory Custodian Slip (ICS)	To issue tangible items amount to less than ₱50,000.00 to end-user to establish accountability	Property and/or Supply Division/Unit
Registry of Semi-Expendable Property Issued (RegSPI)	To record the issue, return, reissue, disposal, and other information; maintained by fund	Property and/or Supply Division/Unit
Inventory Transfer Report (ITR)	Used every time there is a transfer of inventory	Accountable Officer/Employee
Receipt of Returned Semi-Expendable Property (RRSP)	For returned semi-expendable property whether serviceable or unserviceable	Accountable Officer
Report of Semi-Expendable Property Issued (RSPI)	To report/summarize all issued semi-expendable property at least weekly	Property and/or Supply Division/Unit
Report on the Physical Count of Semi-Expendable Property (RPCSP)	To report the physical count of semi-expendable property, which are owned by the agency, by type of property still in the custody of the Property and/or Supply Division/Unit as at a given date.	Accountable Officer/Employee
Report of Lost, Stolen, Damaged or Destroyed Semi-Expendable Property (RLSDDSP)	To report or notify within 30 days the officials concerned of the loss, theft, damage or destruction of the semi-expendable property whether issued or unissued.	Accountable Office/Employee
Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP)	To account for all unserviceable semi-expendable property of an entity, which is subject to disposal.	Property and/or Supply Division/Unit

4.4 The following deficiencies were noted in the Municipality's transactions for the year:

Misclassification of Semi-Expendable Properties under Other Supplies and Materials Inventory

4.5 Our review of CY 2024 transactions revealed that acquisitions amounting to ₱627,373.00, which meet the criteria for semi-expendable properties, were erroneously recorded under Other Supplies and Materials Inventory instead of the appropriate semi-expendable accounts.

4.6 The items involved include various equipment and furnishings, all individually valued below the ₱50,000.00 capitalization threshold, and are as follows:

Particulars	Amount
Printer Brother DCP-7 7200W 3-in1 ink tank	₱ 14,990.00
Steel Cabinet 4 Drawers Lateral Jersey Brand	16,000.00
Window Type 2.5 HP Inverter Koppel	47,595.00
Split Type 2.5HP Condura FP53KSVO24313	42,717.00
Lenovo Ideapad 3151 AU7-82KK004a PH Core i7 1255U	49,950.00
Acer A515-56G-5186 i5	47,695.00
Acer Laptop A315-24P-R5GC	39,850.00
Sharp Aircon 2.0 HP AH-X20ZF	42,017.00
Power Sprayer 1.5HP Emerald	10,500.00
Sharp Aircon 1.5HP AH-X15ZF	32,726.00
Monoblock Chairs Brand: Uno for Brgy. Calango	16,500.00
Steel Jersey Cabinet	16,000.00
Sharp Aircon Split Type 1.5HP AF-XG15ZCF	28,151.00
Wheelchairs Avimed for Adult	21,000.00
HP Laptop 15s-FQ5216TU	39,799.00
Crutches and Walker VMED for Senior Citizen and PWD	7,529.00
EPSON Projector H916C EB-X51 w/ Tripod	38,200.00
Condura Split Type Aircon 2.5HP FP53KPV024313	38,901.00
Lenovo Laptop Ideapad 3 CB 14IGL05 N4020	18,950.00
Window Type Aircon G.E 2.5HP AEV24KP	24,999.00
Wheelchair Avimed and Walker Avimed	17,579.00
Monoblock Uno Chairs	15,725.00
Total	₱ 627,373.00

4.7 According to the Municipal Accountant, he began recording newly acquired semi-expendable items under Other Supplies and Materials Inventory when COA Circular No. 2022-004 was issued. However, the necessary reclassification to the correct semi-expendable property accounts has not been made due to his delayed awareness of COA Circular No. 2024-006, which provides supplemental accounting guidelines. The continued misclassification of these items misstates the various inventory accounts involved.

Non-recording of expense upon issuance

4.8 Our examination of the schedule and the related supporting documents also revealed that the items in Other Supplies and Materials Inventory had already been issued to personnel of the Municipality with an ICS. As mentioned before, the Circular dictates that from inventory under the appropriate semi-expendable property account, the item should be recognized as an expense upon issuance to the end-user. The non-recognition of these items overstates the inventory accounts and understates the related expense accounts by ₱627,373.00 during the year.

Inadequate monitoring of semi-expendable properties using the prescribed forms

4.9 Inquiry with the Municipal Accountant disclosed that the Inventory Custodian Slip (ICS) is the only document currently maintained by the Municipality to track the issuance of semi-expendable properties. However, this falls short of the documentation requirements outlined in Section 4.7 of COA Circular No. 2024-006, which mandates the use of multiple forms, registries, and reports to ensure complete monitoring and control.

4.10 The absence of these prescribed records may lead to ineffective tracking, reduced accountability, and non-compliance with established financial and inventory management procedures.

4.11 The Audit Team would like to bring Management's attention to Annex B of the Circular, which delineates the new accounts that will be utilized. Additionally, Annex C provides illustrative accounting entries for various cases.

4.12 The enumerated discrepancies impair the fairness and reliability of the financial statements, potentially affecting stakeholder decision-making and resulting in the misrepresentation of financial information presented to users.

4.13 We recommended and the Municipal Accountant agreed to strictly adhere to the accounting and reporting guidelines prescribed under COA Circular No. 2024-006. Specifically, tangible items costing below ₱50,000.00 and meeting the definition of semi-expendable property should be:

4.13.1 Recorded under the appropriate semi-expendable inventory accounts upon acquisition, and

4.13.2 Recognized as expense upon issuance to end-users, with proper accounting entries reflected in the books of accounts.

4.14 We further recommended and the Municipal Treasurer, Municipal Accountant, and all accountable officers agreed to ensure the preparation, maintenance, and use of all required forms, registries, and reports for the proper tracking, issuance, transfer, return, and disposal of semi-expendable properties, as enumerated in Section 4.7 of COA Circular No. 2024-006.

4.15 The Municipal Accountant submitted a pro forma JEV but will still need to verify the final amounts to be adjusted.

Erroneous LDRRM Expense Entries

5. The cost of 1,500 sacks of rice, amounting to ₱4,116,000.00, charged to the previous years' unexpended LDRRMF was recognized as credit to Subsidy from Other Funds instead of closing the recorded Welfare Goods Expenses account to the Trust Fund Liabilities-DRRMF account. This treatment is inconsistent with COA Circular Nos. 2012-002 and 2015-009 dated September 12, 2012 and December 1, 2015, respectively, thus, proper accounting was not assured.

5.1 COA Circular No. 2012-002 dated September 12, 2012, prescribes the accounting and reporting guidelines for the Local Disaster Risk Reduction and Management Fund (LDRRMF) of Local Government Units (LGUs), the National DRRMF provided to LGUs, and receipts from other sources.

5.2 Annex C of the aforementioned Circular provides illustrative accounting entries for the accounting of LDRRMF and DRRM funds transferred from national government agencies, other LGUs, and other sources, within the LGUs' General Fund and Trust Fund books. Items A.3 and A.5 thereof provide the following:

Particulars	LGU Books	
	General Fund	Trust Fund
A. 3. Incurrence of expenses charged to the previous year's unexpended Quick Response and Mitigation Funds	-	Dr. Expenses Cr. Accounts Payable or Cash
A. 5. Year-end accounting entries	-	Dr. Trust Liabilities-DRRMF Cr. Expenses

Dr. – Debit; Cr. – Credit

5.3 However, when COA Circular No. 2015-009 dated December 1, 2015, which prescribes the Revised Chart of Accounts for recording and reporting the financial transactions of LGUs, took effect, changes were made to the relevant accounts to be used. Annex B of the Circular includes the account descriptions and instructions, which partly provides:

<p><i>Account Title</i> <i>Account Number</i> <i>Normal Balance</i></p> <p><i>Description</i></p>	<p><i>Welfare Goods Expenses</i> <i>5-02-03-060</i> <i>Debit</i></p> <p><i>This account is used to record the cost of goods issued/distributed to people affected by calamities/disasters/ground conflicts such as canned goods, blankets, mats, kitchen utensils, flashlights and other similar items. This also includes the cost of food served to people affected by calamities/disasters/ground conflicts.</i></p>
<p><i>Account Title</i> <i>Account Number</i> <i>Normal Balance</i></p> <p><i>Description</i></p>	<p><i>Transfers of Unspent Current Year DRRM Funds to the Trust Funds</i> <i>5-02-15-010</i> <i>Debit</i></p> <p><i>This account is used to record the current year unspent disaster risk reduction and management funds to the Trust Fund.</i></p>
<p><i>Account Title</i> <i>Account Number</i> <i>Normal Balance</i></p> <p><i>Description</i></p>	<p><i>Trust Liabilities – Disaster Risk Reduction and Management Fund</i> <i>2-04-01-020</i> <i>Credit</i></p> <p><i>This account is used to record the receipt of amount held in trust for disaster risk reduction and management fund. Debit this account for settlement or compliance of the condition.</i></p> <p><i>Subsidiary ledgers shall be maintained based on source. Unspent DRRM funds of LGUs from current year appropriations shall likewise maintain subsidiary ledger by year.</i></p>
<p><i>Account Title</i> <i>Account Number</i> <i>Normal Balance</i></p> <p><i>Description</i></p>	<p><i>Subsidy from Other Funds</i> <i>4-03-01-040</i> <i>Credit</i></p> <p><i>This account is used to record the financial assistance received by one fund from another fund maintained by the same government agency as expressly authorized by law.</i></p>

5.4 Given the previous table, the accounting entries illustrating the use of the unspent LDRRMF would be as follows:

Particulars	LGU Books	
	General Fund	Trust Fund
Use of the unspent LDRRMF	-	Dr. Expenses Cr. Cash
At the end of the year, reporting date	-	Dr. Trust Liabilities–DRRMF Cr. Transfers from Unspent Current Year DRRM Funds to the Trust Funds
Closing	-	Dr. Transfers from Unspent Current Year DRRM Funds to the Trust Funds Cr. Expenses

5.5 On May 16, 2024, the Municipal Development Council (MDC) passed Resolution No. 5, s. 2024, to reprogram the CY 2019 to 2023 unexpended Quick Response Fund (QRF) due to the Municipality being under a state of calamity from the impact of the El Niño Phenomenon. The said MDC resolution was then approved in the Sangguniang Bayan Resolution No. 2024-063, which authorized the appropriation of the LDRRMF in the Trust Fund for the purchase of rice to mitigate the effects of the phenomenon.

5.6 Management purchased 1,500 sacks of rice for a total of ₱4,116,000.00 for the affected constituents of the Municipality. The payment was covered by Disbursement Voucher No. 300-2024-07-27 and Check No. 1515811 dated July 11, 2024.

5.7 However, the related Journal Entry Voucher indicated that while the Welfare Goods Expense account was used to record the distribution of the rice, the amount was not closed to Trust Liabilities-DRRMF. Instead, the transaction was recorded as a credit to Subsidy from Other Funds, inaccurately reflecting income where none should exist. The illustrative accounting entries above were not adhered to. Consequently, proper accounting of the transaction was not ensured.

5.8 We recommended and the Municipal Accountant agreed to 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.

5.9 The Municipal Accountant had submitted Unnumbered JEV to rectify the erroneous entries.

6. Inconsistent with Section 127 of Philippine Public Sector Accounting Standards (PPSAS) No. 1, the Notes to Financial Statements (FS) for CY 2024 did not correctly present the current appropriation for the Local Disaster Risk Reduction and Management Fund (LDRRMF), resulting in the incomplete disclosure of vital information in the financial statements.

6.1 Paragraph 127 of PPSAS No. 1- Presentation of Financial Statements states that the notes shall:

- “(a) Present information about the basis of preparation of the financial statements and the specific accounting policies used.*
- (b) Disclose the information required by IPSASs (International Public Sector Accounting Standards) that is not presented on the face of the financial position, statement of financial performance, statement of changes in net asset and equity, or cash flow statement; and*
- (c) Provide additional information that is not presented on the face of the financial position, statement of financial performance, statement of changes in net asset and equity, or cash flow statement that is relevant to an understanding of any of them.”*

6.2 Below is a sample disclosure from Annex D of COA Circular No. 2012-002 dated September 12, 2012, which requires that the Notes to FS include a discussion of the amount and details of the unexpended balance of the LDRRMF:

*“Note ___. Local Disaster Risk Reduction Management Fund (LDRRMF)
The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to R.A. No. 10121 otherwise known as the “Philippine Disaster Reduction and Management Act of 2010.” The amount available and utilized during the year totaled ₱ _____ and ₱ _____, respectively, broken down as follows*

Particulars	Amount		
	Available	Utilized	Balance
<i>Current Year Appropriation:</i>			
<i>Quick Response Fund (QRF)</i>	<i>₱</i>	<i>₱</i>	<i>₱</i>
<i>Mitigation Fund (MF)</i>			
<i>MOOE</i>			
<i>Capital Outlay</i>			
<i>Total</i>			

<i>Continuing Appropriation:</i>	<i>₱</i>	<i>₱</i>	<i>₱</i>
<i>Special Trust Fund</i>			
<i>CY 20</i>	<i>₱</i>	<i>₱</i>	<i>₱</i>
<i>CY 20</i>			
<i>CY 20</i>			
<i>CY 20</i>			
<i>CY 20</i>			
<i>Total</i>			
<i>Total</i>	<i>₱</i>	<i>₱</i>	<i>₱</i>

6.3 During the audit, we noted that the amount of the LDRRMF Current Year Appropriation presented in the Notes to FS reflected only the initial annual appropriation of ₱8,040,962.35 along with a portion of the supplemental budget amounting to ₱4,215,422.82. The budget revisions made during the year were not fully considered. In fact, the final amount of the LDRRMF appropriation for CY 2024, as indicated in the LDRRMFIP and LDRRMFIP Addendum No. 1, was ₱13,821,385.17. Thus, a difference of ₱1,565,000.00 was not disclosed in the Notes to FS as of December 31, 2024.

6.4 A review of the addendum to the LDRRMFIP showed additional appropriations, however, the corresponding numerical or narrative disclosures included in the Notes to FS were incorrect.

6.5 The Notes to FS provide explanatory details on the accounts and accounting policies that enhance the value and clarity of the financial statements. Since the preparation of the FS, including the Notes, is the responsibility of Management, it must be carried out with diligence and accuracy in both substance and form.

6.6 We recommended that, henceforth, the Municipal Accountant take into account the budget revisions made during the year to ensure that the current year appropriations for the LDRRMF are accurately disclosed in the Notes to FS as of December 31.

6.7 The Municipal Accountant submitted a corrected disclosure reflecting the previously omitted amounts and committed to properly disclose the LDRRM utilization henceforth.

Delinquent RPT and SET

- 7. Delinquent Real Property Taxes (RPT) and Special Education Taxes (SET), including penalties accruing thereon that have accumulated to ₱18,159,182.68, remained uncollected as of December 31, 2024, thus, depriving the Municipality of a substantial amount of income that could have been utilized to finance the implementation of various development projects or other major programs/projects/activities (PPAs).**

7.1 Section 254 of Republic Act (R.A.) No. 7160 provides that:

“(a) When the real property tax or any other tax imposed under this Title becomes delinquent, the xxx municipal treasurer shall immediately cause a notice of the delinquency to be posted at the main entrance of the xxx municipal hall and in a publicly accessible and conspicuous place in each barangay of the local government unit concerned. The notice of delinquency shall also be published once a week for two (2) consecutive weeks, in a newspaper of general circulation in the xxx municipality.

(b) Such notice shall specify the date upon which the tax became delinquent and shall state that personal property may be distrained to effect payment. It shall likewise state that at any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made xxx, and unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due except when the notice of assessment or special levy is contested administratively or judicially pursuant to the provisions of Chapter 3, Title II, Book II of this Code, the delinquent real property will be sold at public auction, and the title to the property will be vested in the purchaser, subject, however, to the right of the delinquent owner of the property or any person having legal interest therein to redeem the property within one (1) year from the date of sale.”
(Emphasis supplied.)

7.2 Furthermore, Section 270 of the same Act provides that the collection of basic RPT and any other tax levied should be made within five years from the date they become due and that no action for the collection of the tax, whether administrative or judicial, should be initiated after the expiration of this period.

7.3 The balances of delinquent Real Property Tax (RPT) and Special Education Tax (SET) as shown in the summary of delinquencies per barangay as of December 31, 2024, are summarized as follows (see details in *Appendix I*):

	Tax	Penalty	Total
Real Property Tax	₱ 5,545,519.43	₱ 3,533,760.34	₱ 9,079,279.77
Special Education Tax	5,545,781.53	3,534,121.38	9,079,902.91
Total	₱ 11,091,300.96	₱7,067,881.72	₱ 18,159,182.68

- 7.4 Inquiry with the Municipal Treasurer (MT) revealed that in CY 2024, they sent Notices of Realty Tax Delinquency to the delinquent taxpayers. However, not all delinquent taxpayers were notified because they chose only those with at least ₱4,000.00 of unpaid taxes.
- 7.5 The MT also mentioned that they reached out to delinquent taxpayers usually after the first quarter of the year and then every two months thereafter. He added that they even offered a compromise agreement for the settlement of tax dues. However, many delinquent taxpayers, especially those who no longer reside in the Municipality, still failed to settle their tax obligations.
- 7.6 The MT also revealed that the notice of delinquency was not posted at the main entrance of the municipal hall or in publicly accessible and conspicuous places within each barangay of the Municipality. In addition, the notice of delinquency was not published once a week for two consecutive weeks, in a newspaper of general circulation in the municipality. This contradicts the aforementioned provisions of R.A. 7160.
- 7.7 The continued non-collection of the delinquent RPT and SET deprived the Municipality of substantial revenues that could have been used to finance the implementation of various development projects or other major PPAs.
- 7.8 We recommended and the Municipal Treasurer agreed to strengthen efforts to collect delinquent real property taxes by conducting intensive tax campaigns in each barangay and sending Notices of Delinquency to all delinquent taxpayers regardless of the amount due, to ensure fair enforcement and maximize revenue collection.**
- 7.9 We further recommended and the Municipal Treasurer agreed to ensure full compliance with the posting and publication requirements prescribed under Section 254 of R.A. No. 7160.**
- 7.10 Lastly, we recommended and Management agreed to consider applying the remedies for the collection of real property taxes, in accordance with the pertinent provisions of R.A. No. 7160.**

Time Deposit

8. The Municipality inappropriately invested a total of ₱16,623,828.41 in time deposits without proper compliance with COA Circular No. 92-382, as the funds under the General Fund (GF) did not qualify as idle and documentary support was lacking, thereby rendering its propriety doubtful.

8.1 Section 21 of COA Circular No. 92-382 dated July 3, 1992, states that provinces, cities, and municipalities may deposit idle funds from the General Fund into time deposit accounts with authorized depository banks, subject to prior authorization from the local sanggunian and the approval of the local chief executive (LCE).

8.2 Moreover, Section 22 of the Circular defines idle funds in excess of normal operating requirements as the level of funds an entity can freely invest in government securities and/or fixed-term deposits. This determination should account for provisions needed to cover regular and recurring operating expenses, such as salaries and wages, repairs and maintenance, inventories and supplies, debt servicing, and other obligations within the context of the entity's cash operating cycle. Notably, unremitted national collections and funds earmarked for obligations to government corporations or cooperatives shall not be considered part of the idle funds of local government units.

8.3 As of December 31, 2024, the Municipality held time deposits totaling ₱16,623,828.41 under the account Cash-in Bank-Local Currency, Time Deposits (CIB-LCTD), which are rolled over or renewable upon maturity, as presented in the following table:

Bank	Account No.	Fund	Balance	Date Opened/ Subscribed	Term	Maturity Date	Remaining Term
DBP	0740012636160	GF	16,623,828.41	1/2/2006	30 days	1/06/2025	6 days

8.4 The review and analysis of the CIB-LCTD revealed the following deficiencies concerning its compliance with the provisions of the Circular:

Funds invested in time deposits under the GF were not idle

8.5 The Audit Team requested a Certification of Idle Funds from the Municipal Treasurer stating that the Municipality has idle funds available for investment in a time deposit; However, a phone inquiry with the Municipal Treasurer revealed that he is unable to issue such certification, and the Municipality even withdrew from the time deposit in January 2025 due to a delay in receiving the National Tax Allocation.

8.6 A detailed cash analysis revealed that the Municipality's available cash balance as of December 31, 2024, 2023, and 2022 was insufficient to cover total obligations, as well as regular and recurring operating expenses, including salaries, wages, maintenance costs, and debt servicing.

8.7 The cash analysis is summarized below

Particulars	2024	2023	2022
Cash, Local Treasury	₱ -	₱ 109,074.45	₱ -
Cash, Cash in Bank	1,900,805.93	17,239,351.27	36,578,719.05
Total Cash Available	₱ 1,900,805.93	₱ 17,348,425.72	₱ 36,578,719.05
Deductions:			
Total Obligations	70,955,072.67	37,611,453.69	43,336,356.48
Total Operating Expenses	130,741,233.62	117,400,376.54	113,023,338.94
Cash Available for Investment	₱(199,795,500.36)	₱(137,663,404.51)	₱(119,780,976.37)

8.8 These figures show that the Municipality had negative cash available for investment in all three years. As such, the placement of funds in time deposits did not meet the criteria for idle funds as defined in Section 22 of COA Circular No. 92-382. Idle funds must represent surplus cash remaining after accounting for regular and recurring financial obligations.

8.9 Moreover, the absence of supporting computations and the evident cash shortfall cast doubt on the appropriateness and compliance of the investment decision. This raises concerns regarding the Municipality's adherence to sound financial management practices and regulatory requirements.

Lack of Supporting Documents for the Time Deposit

8.10 Aside from the absence of idle funds, there is a lack of supporting documentation for the time deposits placed with the DBP. To validate the legitimacy and purpose of these deposits, the Audit Team requested the relevant authorizing documents from the Municipal Treasurer's Office. In response, the following were provided:

8.10.1 Sangguniang Bayan (SB) Resolution No. 204 s. 2005, which authorized the previous Mayor to open an account with the Development Bank of the Philippines (DBP), Dumaguete Branch and authorized the Municipal Treasurer as signatory to any deposit transaction; and,

8.10.2 Bank statement for the time deposit account as of January 2, 2025.

8.11 Upon reviewing the SB Resolution, the authorization granted did not specify what type of account could be opened with the DBP. The Audit Team inquired with the Municipal Treasurer about whether there was another document detailing the opening of a time deposit and whether there was an authorization from the LCE for that action. The Municipal Treasurer revealed that they could not find any records and that the time deposit was made during the term of the previous Municipal Treasurer, leaving him uncertain about the purpose of the time deposit at that time.

8.12 Due to the lack of submitted documents, the purpose of the time deposit placement could not be fully verified.

8.13 We recommended and Management agreed to:

8.13.1 Cease the placement of funds in time deposits unless properly supported by a detailed computation showing excess funds beyond the Municipality's normal operating and financial requirements, in accordance with Sections 21 and 22 of COA Circular No. 92-382; and

8.13.2 Instruct the Municipal Treasurer to retrieve and submit complete supporting documents for the existing time deposit account to validate the legality and appropriateness of such investments.

Negotiated Procurement of CCTVs

9. Disbursements for the project *Installation of Multi-Hazard Monitoring Device*, with a contract cost of ₱3,378,422.82 and funded under the LDRRMF, procured through Negotiated Procurement (Two Failed Biddings), were processed despite lacking essential supporting documents required under the Revised IRR of RA No. 9184. Thus, the contractor's technical, legal, and financial qualifications, as well as the Municipality's compliance with procurement law and standards of transparency and fairness, could not be properly validated.

9.1 Section 53.1 of the Revised IRR of RA No. 9184 states that, "Negotiated Procurement is a method of procurement of Goods, Infrastructure Projects, and Consulting Services, whereby the Procuring Entity directly negotiates a contract with a technically, legally, and financially capable supplier, contractor or consultant, in the case of two failed biddings."

9.2 Item IV.G of Annex "H" of the Revised IRR provides that, "For purposes of Negotiated Procurement under Section 53.1 (Two Failed Biddings), the BAC shall require the submission of a Certificate of PhilGEPS Registration in accordance with Section 8.5.2 of the IRR of R.A. 9184." This requirement is also reiterated under Item V.D.1.b.iv of the Annex.

9.3 Item IV.L.1.a of the same Annex states that, "The BAC shall recommend to the HOPE the award of contract. Within a period not exceeding fifteen (15) calendar days from receipt, the HOPE shall approve or disapprove the BAC's recommendation."

9.4 Moreover, IV.L.2 thereof partly provides that, "the BAC, through its Secretariat, shall post the NOA, Contract/PO, including the NTP if necessary, for information purposes, in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity within ten (10) days from their issuance."

9.5 On October 16, 2024, the Municipality entered into a contract for the project titled *Civil Works for the Installation of Multi-Hazard Monitoring Device (Closed-Circuit Television & Command Center)* with a contract amount of ₱3,378,422.82.

- 9.6 The project was procured through Negotiated Procurement (Two Failed Biddings). The contractor had previously been disqualified for being non-responsive in both the first and second bidding for the said project.
- 9.7 Our review of the supporting documents for Disbursement Voucher (DV) No. 100-2024-10-1723 dated October 17, 2024, covering the payment of the 15% mobilization revealed that, contrary to the aforementioned regulations, the DV was not supported by the following:
- 9.7.1 Contractor's updated Certificate of PhilGEPS Registration;
 - 9.7.2 BAC's recommendation to the Municipal Mayor for the award of the contract;
 - 9.7.3 Municipal Mayor's approval of the BAC's recommendation; and
 - 9.7.4 Documentary evidence or proof for the posting of the Notice Of Award, Contract/Purchase Order, including the Notice To Proceed, for information purposes, in the PhilGEPS website, the website of the Municipality, if available, and at any conspicuous place reserved for this purpose in the premises of the Municipality within ten (10) days from their issuance.
- 9.8 Further examination of the DV and its supporting documents revealed that the Request for Quotation, signed by the BAC Chairman, and the Notice for Negotiated Procurement, published on the PhilGEPS website, were both dated October 5, 2024. However, the respective quotations from the three suppliers/contractors who participated in the procurement were all dated October 4, 2024, suggesting that the suppliers/contractors submitted their quotations even before the Request for Quotation and the Notice for Negotiated Procurement were issued by Management.
- 9.9 The fact that the quotations were dated prior to the publication of the Request for Quotation and the Notice for Negotiated Procurement suggests that the contractors/suppliers may have been informed in advance or that the documents were antedated, thereby impairing the integrity of the procurement process. Moreover, this contravenes the principle of equal opportunity for all prospective contractors/suppliers. It weakens market competition, which may result in overpricing, substandard delivery, or biased awarding, defeating the primary objective of government procurement.
- 9.10 Based on the foregoing, the technical, legal, and financial capability of the contractor, as well as Management's transparency, fairness, and compliance with RA No. 9184 and its Revised IRR, could not be properly validated.
- 9.11 We recommended that Management ensure strict adherence to the procurement procedures prescribed under the Revised IRR of RA No. 9184, especially for Negotiated Procurement under the "Two Failed Biddings" modality. This includes requiring and retaining all mandated supporting documents, such as:**
- 9.11.1 Updated Certificate of PhilGEPS Registration,**
 - 9.11.2 BAC recommendation to the Head of the Procuring Entity (HOPE),**
 - 9.11.3 HOPE's approval of the award, and**

- 9.11.4 Proof of posting of the Notice of Award, Contract/PO, and Notice to Proceed.**
- 9.12 We further recommended that Management ensure that all disbursements for the project titled *Civil Works for the Installation of Multi-Hazard Monitoring Device (Closed-Circuit Television & Command Center)*, costing ₱3,378,422.82, are supported by the required documents.**
- 9.13 Lastly, we recommended that Management investigate the apparent irregularity of supplier quotations predating the procurement notices to determine whether there was prior disclosure or manipulation of procurement timelines. Appropriate accountability measures should be implemented if impropriety is confirmed.**
- 9.14 The Municipality's BAC believed that once procurement through public bidding had failed twice, the third attempt could proceed through negotiated procurement, requiring only the basic legal documents rather than the complete set of eligibility requirements. However, Management now aims to strictly comply with all applicable laws, rules, and regulations governing procurement moving forward.
- 9.15 The Auditor would like to emphasize that as previously mentioned, Section 53.1 of the Revised IRR of RA No. 9184 allows Negotiated Procurement as a method of procurement of Goods, Infrastructure Projects, and Consulting Services, whereby the Municipality directly negotiates a contract with a technically, legally, and financially capable supplier, contractor or consultant, in the case of two failed biddings.
- 9.16 Management is advised to refer to the provisions of applicable laws, rules, and regulations before initiating any procurement process, rather than relying on their assumptions.

Technical Inspection: Road Concreting in Barangay Najandig

10. The infrastructure project titled *Concreting of Barangay Road*, with a total contract cost of ₱3,044,820.36, was reported as 100% complete and fully paid in CY 2023. However, an inspection by a COA Technical Audit Specialist disclosed that the project was only 97.22% complete, resulting in an overpayment of ₱84,575.18.

10.1 On January 9, 2023, the Municipality entered into a contract for the implementation of the project titled *Concreting of Barangay Road* at Sitio Cali Area, Barangay Najandig, Zamboanguita, Negros Oriental, with a total contract amount of ₱3,044,820.36.

10.2 The project was reported to be 100% complete as of February 20, 2023, based on the Statement of Work Accomplished (SWA) attached to the payment of the final billing covered by Check No. 1559423 and Disbursement Voucher (DV) No. 100-2023-03-389 dated March 17, 2023.

10.3 Furthermore, as indicated on the Certificate of Final Inspection and Completion dated March 6, 2023, signed by the Municipal Engineer and Municipal Mayor, the project was reported to have been completed in accordance with the technical engineering specifications set forth in the contract documents.

10.4 However, an ocular inspection conducted by the COA Technical Audit Specialist (TAS) on November 4, 2024, revealed that the project was only 97.22 percent complete, contrary to the 100 percent completion stated in the Certificate of Final Inspection and Completion dated March 6, 2023, prepared by Management. The discrepancy between the reported and verified accomplishments is detailed in the table on the following page:

Work Items Involved		Agency's Reported Accomplishment			COA Verified Accomplishment		
		Amount	Wt%	% Completed	Wt%	% Completed	Amount
A. Other General Requirement							
A.1	Occupational Safety & Health Program	₱ 22,500.00	0.739	100%	0.739	100%	₱ 22,500.00
A.2	Project Billboard/ Signboard	₱ 4,312.50	0.142	100%	0.142	100%	₱ 4,312.50
A.3	Mobilization/ Demobilization	₱ 15,000.00	0.493	100%	0.493	100%	₱ 15,000.00
B. Earthworks							
100(1)	Clearing & Grubbing	₱ 7,125.00	0.234	100%	0.234	100%	₱ 7,125.00
102	Roadway Excavation Works	₱ 40,077.00	1.316	100%	1.316	100%	₱ 40,077.00
105	Sub-grade Preparation Works	₱ 24,000.00	0.788	100%	0.788	100%	₱ 24,000.00
C. Base Course							
201	Aggregate Base Course Works	₱ 488,523.00	16.044	100%	16.044	100%	₱ 488,523.00
D. Surface Course							
311	Portland Cement Concrete Pavement Works	₱ 2,443,282.86	80.244	100%	77.466	96.54%	₱ 2,358,707.68
Total		₱ 3,044,820.36	100		97.22		₱ 2,960,245.18

10.5 The inspection report from the COA Technical Audit Specialist (TAS) for the above project stated that during the inspection, four blocks with longitudinal cracks were observed on the left lane, with a corresponding cost of ₱84,575.18, which was not included in the COA Verified Accomplishment.

10.6 The difference of 2.78 percent between the reported accomplishment and the verified accomplishment for the above project, corresponding to an amount of ₱84,575.18, is shown below:

	Difference	
	Wt%	Amount
Agency's Reported Accomplishment	100	₱ 3,044,820.36
COA Verified Accomplishment	97.22	₱ 2,960,245.18
Difference	2.78	₱ 84,575.18

- 10.7 It is worth mentioning that the deficiency noted during the inspection was incorporated into the final billing and has already been paid. As a result, the Municipality incurred an overpayment amounting to ₱84,575.18.
- 10.8 The foregoing impairs the reliability of the completion reports submitted by the implementing office and raises concerns about the effectiveness of project monitoring and validation prior to payment. It also reflects lapses in internal controls, particularly in the verification and inspection processes, which may expose public funds to the risk of loss or misuse.
- 10.9 We recommended and the Municipal Mayor and the Municipal Engineer agreed to inform the contractor of the deficiencies noted and require them to either perform the needed remedy works or refund the amount corresponding to the deficiency noted, totaling ₱84,575.18.**
- 10.10 The Municipal Engineer explained that the observed longitudinal cracks were evaluated and determined not to be critical, as they are unlikely to cause major structural damage to the road, especially if addressed with appropriate engineering interventions.
- 10.11 He also explained that more than a year had passed between the project's completion and the technical inspection, which may have slightly affected the structural integrity of the pavement compared to its original strength, given that the road is heavily used by sugarcane-hauling trucks and subjected to constant, substantial load stress. Nevertheless, they are willing to contact the concerned contractors for any necessary immediate action.

Fabrication of Rescue Boat

- 11. The fabrication of a rescue boat costing ₱1,592,703.00 and funded through the LDRRMF was awarded to a contractor whose license and business scope is limited to building construction, contrary to the requirements of the 2016 Revised IRR of R.A. No. 9184, thereby casting doubt on the contractor's eligibility and Management's compliance with procurement laws.**
- 11.1 Section 23.1.vi of the 2016 Revised IRR of Republic Act (R.A.) No. 9184 states that, "In the case of procurement of Infrastructure Projects, **a valid Philippine Contractors Accreditation Board (PCAB) License, or Special PCAB License in case of Joint Ventures, and registration for the type and cost of the contract to be bid.** (Emphasis ours.)
- 11.2 In CY 2024, the Municipality procured the *Fabrication of Rescue Boat* with a total cost of ₱1,592,703.00, charged against the LDRRMF. Our review of the contractor's credentials revealed a potential mismatch between the nature of the project and the contractor's licensing and registration.

- 11.3 Specifically, the contractor held a Philippine Contractors Accreditation Board (PCAB) license classified under General Building, with General Engineering as a secondary classification. However, rescue boat fabrication generally falls under marine, mechanical, or specialized fabrication categories, which are not covered by this license.
- 11.4 Additionally, the contractor's BIR Certificate of Registration listed its line of business as Construction of Buildings, and its Mayor's Permit reflected business codes 41001 (Residential Building Construction) and 42100 (Construction of Roads and Railways). These classifications are unrelated to the fabrication of watercraft or rescue equipment.
- 11.5 By awarding the contract to a firm without an appropriate license for marine or mechanical works, the Bids and Awards Committee (BAC) failed to ensure that the contractor met the required technical eligibility standards outlined in Section 23.1.vi of the 2016 Revised IRR of R.A. No. 9184.
- 11.6 Given the above, the absence of an appropriate PCAB license and relevant business classification raises significant concerns about the contractor's technical capacity to fabricate rescue boats. It also suggests lapses in procurement due diligence and impairs the Municipality's assurance that public funds were used in accordance with legal and technical requirements.

11.7 We recommended that Management:

- 11.7.1 Ensure that future contractors for specialized projects such as rescue boat fabrication hold a PCAB license and business registration specifically covering marine or mechanical works.**
- 11.7.2 Require the BAC to thoroughly assess the technical and legal eligibility of bidders before awarding contracts, including verification of appropriate license classifications.**
- 11.7.3 Obtain technical certification or clearance from relevant regulatory agencies such as MARINA or the Bureau of Fire Protection (BFP) to validate project specifications and contractor capability.**
- 11.8 Management identified the contractor as one with a good track record and believed that their General Engineering License would cover boat fabrication. Nevertheless, they will communicate with the contractor to determine whether they hold another license or certification that encompasses the completed project.
- 11.9 The Auditor would like to point out that it is the duty of the BAC to ensure that contracts are awarded only to suppliers or contractors who are technically, legally, and financially capable. The BAC must also ensure compliance with procurement laws, rules, and guidelines to promote transparency and accountability.

Technical Inspection: Improvement of Municipal Hall

12. The infrastructure project titled *Improvement of Municipal Hall (Phase I)*, with a total contract cost of **₱1,200,000.00, was reported as **100% complete and fully paid in CY 2023**. However, an inspection by a COA Technical Audit Specialist disclosed that the project was only **87.76% complete**, resulting in an overpayment of **₱146,864.77**.**

12.1 In CY 2022, the Municipality implemented the project titled *Improvement of Municipal Hall (Phase I)*, with a total contract amount of **₱1,200,000.00**.

12.2 The project was reported to be 100% complete as of February 11, 2023, based on the Statement of Work Accomplished (SWA) attached to the payment of the final billing covered by Check No. 1559432 and Disbursement Voucher (DV) No. 100-2023-03-401 dated March 21, 2023.

12.3 Furthermore, as indicated on the Certificate of Final Inspection and Completion dated February 27, 2023, signed by the Municipal Engineer and Municipal Mayor, the project was completed in accordance with the specified technical engineering specifications set forth in the contract documents.

12.4 However, an ocular inspection conducted by the COA Technical Audit Specialist (TAS) on October 31, 2024, revealed that the project was only 87.76 percent complete, contrary to the 100 percent completion stated in the Certificate of Final Inspection and Completion dated February 27, 2023, prepared by Management. The discrepancy between the reported and verified accomplishments is detailed in the table below:

Work Items Involved	Agency's Reported Accomplishment			COA Verified Accomplishment		
	Description	Amount	% Completed	Wt%	% Completed	Wt. %
E. Direct Cost						
Carpentry Works	₱ 193,470.33	100	16.123	100	16.123	₱ 193,470.33
Masonry Works	₱ 101,789.00	100	8.482	100	8.482	₱ 101,789.00
Concrete Works	₱ 29,410.00	100	2.451	100	2.451	₱ 29,410.00
Painting Works	₱ 233,659.94	100	19.472	37	7.233	₱ 86,795.16
Steel/Welding Works	₱ 235,395.00	100	19.616	100	19.616	₱ 235,395.00
Roofing Works	₱ 208,782.00	100	17.399	100	17.399	₱ 208,782.00
F. Indirect Cost						
OCM. Profit, VAT	₱ 197,493.74	100	16.458	100	16.458	₱ 197,493.74
Total	₱ 1,200,000.00		100		87.76	₱ 1,053,135.23

12.5 The inspection report from the COA Technical Audit Specialist (TAS) for the above project stated that during the inspection, an area of 817.92 sq. m. could no longer be verified due to a change in color that occurred during the implementation of the Phase 2 contract, six months after the completion of Phase 1. This observation, with a corresponding cost of **₱146,864.77**, was not included in the COA Verified Accomplishment.

12.6 The difference of 12.24 percent between the reported accomplishment and the verified accomplishment for the above project, corresponding to an amount of ₱146,864.77, is shown below:

	Difference	
	Wt%	Amount
Agency's Reported Accomplishment	100	₱ 1,200,000.00
COA Verified Accomplishment	87.76	₱ 1,053,135.23
Difference	12.24	₱ 146,864.77

12.7 It is worth mentioning that the deficiency noted during the inspection was incorporated into the final billing and has already been paid. As a result, the Municipality incurred an overpayment amounting to ₱146,864.77.

12.8 The foregoing impairs the reliability of the completion reports submitted by the implementing office and raises concerns about the effectiveness of project monitoring and validation prior to payment. It also reflects lapses in internal controls, particularly in the verification and inspection processes, which may expose public funds to the risk of loss or misuse.

12.9 We recommended and the Municipal Mayor and the Municipal Engineer agreed to inform the contractor of the deficiencies noted and require them to either perform the needed remedy works or refund the amount corresponding to the deficiency noted, totaling ₱146,864.77.

12.10 The Municipal Engineer explained that the discrepancy was due to a change in paint color during project implementation, as suggested by certain municipal officials. Management committed to try requesting a refund from the contractor. However, if the contractor refuses, the municipal officials will shoulder the cost of the refund if they are found to have caused the deficiency.

12.11 The Auditor would like to remind Management to strictly follow the approved plans and specifications during project implementation. If any changes are to be considered, prior approval should be sought.

LDRRMFIP

13. The Municipality's Local Disaster Risk Reduction and Management Council (LDRRMC) and the LDRRM Officer (LDRRMO) did not include in the CY 2024 LDRRM Fund Investment Plan (LDRRMFIP) the list of projects and activities to be funded by the unexpended LDRRMF from prior years amounting to ₱12,143,559.77, which is inconsistent with COA Circular No. 2012-002 dated September 12, 2012, thereby risking delays in fund utilization during the year due to the absence of prior appropriation and approval.

13.1 COA Circular No. 2012-002 dated September 12, 2012, provides the accounting and reporting guidelines for the LDRRMF of Local Government Units (LGUs), National DRRMF transferred to LGUs, funds received from other LGUs, and other sources, starting with the unspent balance of the funds for DRRM for CY 2011 and years thereafter. Sections 4.4, 5.1.2, and 5.1.15 thereof provide:

“4.4 The unexpended LDRRMF shall accrue to a special trust fund solely for the purpose of supporting disaster risk reduction and management activities of the LDRRMC within the next five years. **The LDRRMCs shall decide on the use of the unexpended balance of the LDRRMF which shall be incorporated in the LDRRMFIP.**

5.1.2 A LDRRMFIP for the DRRM program shall be prepared annually. It shall present the 30% allocation for QRF in lumpsum and the allocation for disaster mitigation, prevention and preparedness with details as to projects and activities to be funded. **The LDRRMFIP shall also include under a separate caption, the list of projects and activities charged to the unexpended LDRRMF of previous years.**

5.1.15 The LDRRMFIP shall be reviewed and updated annually to include the activities to be funded from the unexpended QRF and DRRMF-MOOE of the previous years which were transferred to the Special Trust Fund.” (*Emphasis supplied.*)

13.2 Our review of the Municipality’s records indicated that in CY 2024, the LDRRMC and the LDRRMO did not review and update the LDRRMFIP annually. The programs, projects and activities (PPAs) to be funded from the unexpended Quick Response Fund (QRF) and Disaster Risk Reduction Management (DRRM)-Maintenance and Other Operating Expenses (MOOE) from previous years, which were transferred to the Special Trust Fund, were not included in the LDRRMFIP.

13.3 The initial LDRRMFIP only included PPAs chargeable to the CY 2024 70% Mitigation Fund, amounting to ₱5,628,673.65, which is intended for disaster prevention and mitigation, preparedness, response, rehabilitation, and recovery programs and activities. It also included the 30% QRF, or stand-by fund, totaling ₱2,412,288.70, for relief and recovery efforts.

13.4 There was a subsequent addendum to the LDRRMFIP totaling ₱5,780,422.82, which included ₱4,216,064.85 sourced from the LDRRMF Continuing Appropriations (Capital Outlay) from prior years and ₱1,564,357.97 sourced from the Unspent CY 2023 LDRRMF-MOOE, a portion of the Special Trust Fund (STF). However, PPAs chargeable to the remaining unexpended LDRRMF from prior years, including the implementation timeframe and specific expected outputs, were not reflected in the Plan.

13.5 The total LDRRMF for the year is summarized below:

Year	Amount
Initial Budget:	
70% Mitigation Fund	₱ 5,628,673.65
30% QRF	2,412,288.70
Sub-total	₱ 8,040,962.35
Additional Appropriations:	
LDRRMF Continuing Appropriations	₱ 4,216,064.85
Unspent CY 2023 LDRRMF-MOOE (STF)	1,564,357.97
Sub-total	₱ 5,780,422.82
Total	₱ 13,821,385.17

13.6 As of December 31, 2024, the total amount of unexpended LDRRMF from previous years' appropriations booked as STF is as follows:

Year	Amount
CY 2023	₱ 3,838,501.95
CY 2022	4,683,591.89
CY 2021	1,499,565.92
CY 2020	1,805,845.89
CY 2019	1,880,412.09
Sub-total	₱ 13,707,917.74
Appropriated in CY 2025	1,564,357.97
Balance	₱ 12,143,559.77

13.7 As shown above, only ₱1,564,357.97 or 11.41% of the STF was considered for the current year. It is emphasized that the unutilized balances of the prior years' LDRRMF in the STF may only be released and used upon the inclusion of their corresponding PPAs in the annually prepared LDRRMFIP. The LDRRMFIP serves as the basis for the preparation of the Annual Investment Plan (AIP), which must be approved by the local Sanggunian. This indicates the need for conducting an annual review and update of the LDRRMFIP to include PPAs to be funded from the unexpended LDRRMF of previous years.

13.8 We are concerned that if the LDRRMC and LDRRMO continue the practice of not reviewing and updating the LDRRMFIP annually, it may cause delays in the utilization of unexpended LDRRMF from previous years, particularly when urgent needs arise during the year, as these funds were not duly appropriated and approved at the beginning of the year. This deficiency defeats the purpose of the LDRRMF, which is to ensure the availability of funds for the timely and effective implementation of LDRRM-related PPAs.

13.9 We recommended and the LDRRMC and LDRRMO agreed to review and update the LDRRMFIP annually to include projects and activities chargeable to prior years' unexpended LDRRMF in accordance with COA Circular No. 2012-002 dated September 12, 2012, to ensure the availability of funds for the timely implementation of LDRRM programs, projects, and activities.

GAD Plan and Budget and Accomplishment Report

14. . The GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) were not submitted to the PPDO, DILG Provincial Office, and the concerned Audit Team within the prescribed period, for the alignment of the Municipality's GAD PPAs with the Province's priorities and for review and endorsement, respectively, contrary to Section 4.0 of the PCW, DILG, DBM and NEDA JMC No. 2016-01 dated January 12, 2016 and COA Circular No. 2014-001 dated March 18, 2014, thus, gender responsiveness of the programs and activities was not assured.

14.1 The Philippine Commission on Women (PCW), the Department of the Interior and Local Government (DILG), the Department of Budget and Management (DBM) and the National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016 was issued to amend parts of PCW-DILG-DBM-NEDA JMC No. 2013-01 to clarify the process of costing, allocation and attribution of the GAD budget, as well as the duties and functions of the DILG as the lead agency in the review, endorsement and monitoring of submission of GPB and GAD AR of Local Government Units (LGUs).

14.2 Section 4.0 of the JMC partly states, thus:

“Section 4.1.C.5 (Schedule to be observed in GAD Planning and Budgeting) are hereby amended to read as follows:

C.5 Schedule to be Observed in GAD Planning and Budgeting

- 1) January (a year before budget year) - The Local chief Executive (LCE) shall issue directive (i.e., memo or executive order) to all LGU department/offices for the preparation of their annual GPB and annual GAD AR (eg., LGU FY 2017 GPB and FY 2015 GAD AR).
- 2) January-February - All LGU departments/offices including barangays shall formulate their GAD AR of the preceding year. Based on its accomplishments in the preceding year and the results of the conduct of gender analysis to determine the existing gender issues of the locality, the LGU departments/offices shall prepare its GPB proposal for the succeeding year for submission to the LGU GAD Focal Point System (GFPS). The LGU GFPS Technical working Group

(TWG) shall review and consolidate the inputs submitted by the LGU departments/offices for the preparation of the LGU GPB and GAD AR.

- 3) March - The consolidated GPBs, together with the GAD ARs, shall be submitted to the City/Municipal Planning Development office (C/MPDO) in the case of barangays; and to the Provincial Planning Development office (PPDO) in the case of component cities and municipalities to ensure the alignment of the GAD PPAs of the concerned LGU to the priorities of the LGU exercising jurisdiction over it. Afterwards, the GPBs shall be submitted not later than March 31 to the DILG City/Municipal Local Government Operations Officer (C/MLGOOI) in the case of barangays, and the DILG Provincial Office in the case of component cities and municipalities for review and endorsement.”

14.3 During the audit of its GAD Programs, we observed that the Municipality submitted its FY 2024 GPB to the Provincial Planning and Development Office (PPDO) and to the DILG only on November 20, 2023, which is contrary to the aforecited regulations that requires the GFPS TWG to submit the consolidated GPBs, along with the GAD ARs, in March to the PPDO and not later than March 31, 2023 to the DILG Provincial Office.

14.4 Since the Municipality did not submit the GPB to the PPDO within the designated timeframe, the PPDO was unable to conduct a timely review of its FY 2024 GPB to ensure that its GAD PPAs align with the priorities of the Provincial Government. Additionally, the Municipality’s failure to submit the GPB to the DILG Provincial Office also prevented a timely review and endorsement, making it impossible to guarantee the gender-responsiveness of the PPAs in the GPB.

14.5 On the other hand, Section C.8 (5) of the PCW-DILG-DBM-NEDA JMC No. 2013-01 states that the annual GAD AR must be accompanied by the following: (1) a brief summary of the reported program or project; (2) copies of reported policy issuances; (3) the results of HGDG tests; and (4) actions taken by the LGU on the COA audit findings and recommendations.

14.6 It is worth mentioning that Item V of COA Circular No. 2014-001 dated March 18, 2014, requires the audited agency to submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five working days from the receipt of the approved plan from the PCW or their mother or central offices, as applicable. The agency must also provide a copy of the corresponding Accomplishment Report to the Audit Team within five working days from the end of January of the preceding year.

- 14.7 Inconsistent with the above requirements, Management was unable to submit a copy of their Annual GPB and the corresponding GAD AR to the Audit Team within the specified timeframe.
- 14.8 The inability to furnish the Audit Team with the required documents within the specified timeframe compromised the timely evaluation of the Municipality's GAD implementation and responsiveness, as intended under the applicable regulations.
- 14.9 We recommended and Management agreed to submit the GPB and AR to the PPDO and DILG Provincial Office within the prescribed period in accordance with Section 4.0 of PCW-DBM-DILG-NEDA JMC No. 2016-01 dated February 12, 2016.**
- 14.10 We also recommended and Management agreed to strictly adhere to Item V of COA Circular No. 2014-001 dated March 18, 2014, for the timely submission of the said reports to the COA Audit Team.**
- 14.11 We further recommended and Management agreed to ensure that the GAD AR is accompanied by the required reports listed under Section C.8 (5) of the PCW-DILG-DBM-NEDA JMC No. 2013-01.**

SEF Utilization Report

15. The Local School Board (LSB) has not fully complied with the required posting and submission of the Quarterly SEF Utilization Reports to DepEd and other relevant authorities, as stipulated in Item 6.1 of the DepEd-DBM-DILG JC No. 1, s. 2017 dated January 19, 2017, thus hindering effective monitoring, transparency, and accountability in the allocation and utilization of the SEF.

15.1 The Department of Education (DepEd), Department of Budget and Management (DBM), and the Department of the Interior and Local Government (DepEd-DBM-DILG) issued Joint Circular (JC) No. 1 dated January 19, 2017, to provide revised guidelines on the use of the Special Education Fund (SEF). Specifically, Item 6.1 of the JC states that:

- 6.1 To promote and enhance transparency and accountability in the allocation and utilization of the SEF, the parties concerned shall comply with the following:

Activities and Documents	Person/s Responsible	Indicative Timelines
Furnish the Local Budget Officer, the Local Accountant, and the Local Treasurer a copy of the SEF Budget as basis for disbursement or certification of availability of funds and for recording purposes	LSB	Not later than seven (7) days after the approval of the SEF Budget

Activities and Documents	Person/s Responsible	Indicative Timelines
<p>Submit quarterly and annual reports using the SEF Budget Accountability Form No. 1 (Annex B) on SEF Utilization, as prepared by the Local Accountant, to the DepEd CO, through appropriate channels, copy furnished the local sanggunian concerned and Regional Offices of the DBM and DILG</p> <p>The appropriate DepEd offices shall prepare the consolidated provincial and regional reports</p>	<p>LSB</p> <p>DepEd representative in the LSB</p>	<p>For quarterly reports, not later than the 20th day after the end of the quarter, and for annual reports, not later than the 15th day of February of the following year</p>
<p>Post the utilization report of the SEF Budget in the website of the LGU and/or in at least three (3) conspicuous public places for transparency and accountability in compliance with the Full Disclosure Policy of the DILG</p>	<p>LSB</p>	<p>Pertinent deadline consistent with the Full Disclosure Policy of the DILG</p>

15.2 Verification conducted by the Audit Team on the Municipality’s compliance with the above provision yielded the following results:

Timely submission of the SEF Annual Budget to concerned municipal officials

15.3 Management submitted copies of the SEF Annual Budget, which were officially received by the Municipal Accountant and the Municipal Budget Officer, on November 27, 2024, within the prescribed timeline. The budget itself is dated November 22, 2024. As the Municipal Treasurer also serves as the LSB Secretary and is responsible for preparing the SEF Annual Budget, he already has his own copy.

15.4 On this note, we commend the LSB for ensuring the prompt distribution of the SEF Annual Budget to the Municipal Treasurer, Municipal Budget Officer, and Municipal Accountant, thereby supporting the timely disbursement of funds, certification of fund availability, and proper recording.

Non-submission of quarterly and annual reports using the SEF Budget Accountability Form No. 1 on SEF Utilization

15.5 A phone inquiry with the Municipal Accountant revealed that the SEF Utilization reports prepared by their office were not submitted on a quarterly and annual basis to the Regional Offices of the DBM and the DILG, nor were copies provided to the Sangguniang Bayan, as required.

Non-compliance with the required posting of the SEF Utilization Report

15.6 The Municipality has designated Full Disclosure Policy (FDP) Bulletin Boards for the posting of SEF Utilization Reports, located at the Municipal Quadrangle, Municipal Plaza, and the Municipal Public Market. Although the reports were uploaded to the DILG Full Disclosure Policy Portal, verification revealed that the most recent report physically posted on the bulletin boards was only for the 2nd Quarter of 2024. The 3rd Quarter SEF Utilization Report was not posted on any of the designated bulletin boards.

15.7 Overall, the LSB did not fully comply with all the required activities under Item 6.1 of DepEd-DBM-DILG JC No. 1, series of 2017, thereby hindering the attainment of the national objective of promoting and enhancing transparency and accountability in the allocation and utilization of the SEF.

15.8 We recommended that the Municipal Accountant, in coordination with the LSB, ensure the prompt and regular posting of the quarterly and annual SEF Utilization Reports in at least three conspicuous places. Additionally, these reports should be submitted to the DepEd Central Office, the Sangguniang Bayan, and the DBM and DILG Regional Offices as mandated by the same Circular.

15.9 We further recommended that the LSB implement a monitoring system to track the timely submission of required reports to avoid future delays.

15.10 Management believed they were complying with the mandate, as they had been an awardee of the Seal of Good Housekeeping conferred by the DILG. However, they will raise this concern during the monthly LSB meeting and also coordinate with their DepEd counterpart regarding the posting and submission of the SEF Utilization Report.

B. OTHER MANDATORY AREAS

Compliance with Mandatory Deductions and Tax Laws

16.1. During the year under audit, taxes withheld from salaries, wages and other services, including Value-Added Taxes withheld from suppliers and contractors were remitted to the Bureau of Internal Revenue (BIR) pursuant to existing Revenue Regulations. Of the balance of the Due to BIR account as of December 31, 2024 amounting to ₱487,568.69, ₱348,258.21 was remitted on January 10, 2025.

16.2. On the other hand, the Due to GSIS account amounting ₱1,113,040.70 consists of ₱1,235,139.24 from the General Fund and a negative balance of ₱122,098.54 from the Trust Fund. Out of the General Fund balance which pertains to the Municipality's share from premiums, and various deductions from employees, ₱1,062,520.00 was remitted on January 10, 2025. The negative balance of ₱122,098.54 pertaining to prior year

transactions is still subject to further verification as this has been long outstanding and requires thorough verification.

16.3. Moreover, of the balance of the Due to PhilHealth account amounting to ₱172,255.70, ₱172,246.10 was remitted on January 14, 2025. The difference of ₱9.60 is still subject to further verification.

16.4. Lastly, of the balance of the Due to PAG-IBIG account totaling ₱101,841.96, ₱90,975.72 was remitted on January 20, 2025. Prior year balances amounting to ₱10,866.24 are still being verified.

C. SETTLEMENT OF ACCOUNTS

17.1. The reported audit suspensions, disallowances, and charges of the LGU as of December 31, 2024, were as follows:

Particulars	Ending Balance (As of 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 12/31/2024)
Suspensions	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Disallowances	3,128,327.00	0.00	0.00	3,128,327.00
Charges	0.00	0.00	0.00	0.00

17.2 Further, the table below shows the balance of disallowances of ₱3,128,327.00, with breakdown as to timing and age:

Timing	Age	ND
07/01/2022 to 12/31/2024 (Current Administration)	Less than 1 year to 2.5 years	₱ 0.00
07/01/2019 to 06/30/2022	More than 2.5 to 5.5 years	0.00
07/01/2016 to 06/30/2019	More than 5.5 to 8.5 years	0.00
07/01/2013 to 06/30/2016	More than 8.5 to 11.5 years	1,485,000.00
07/01/2010 to 06/30/2013	More than 11.5 to 14.5 years	0.00
10/06/2009 to 06/30/2010	More than 14.5 to 15.25 years	184,000.00
For verification		1,459,327.00
Total		₱3,128,327.00

17.3 Of the total balance of disallowances of ₱3,128,327, none have attained finality nor were issued with Notice of Finality of Decision (NFD).

D. OTHER MATTERS

18. We have audited the other audit areas specified under the COA Local Government Audit Sector (LGAS) Unnumbered Memorandum dated October 30, 2024. However, we have not yet obtained sufficient and competent evidence on these matters to warrant the inclusion of audit observations in this Report.

PART III

**STATUS OF IMPLEMENTATION OF PRIOR
YEARS' AUDIT RECOMMENDATION**

PART III – STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS

Of the 99 prior years’ recommendations, 24 were implemented and 75 were unimplemented, as shown in the results of validations presented below:

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2023 p.34	1. The Municipality did not take advantage of the one-time cleansing of Property, Plant, and Equipment (PPE) due to non-compliance with the guidelines and procedures of COA Circular No. 2020-006 dated January 31, 2020, thus adversely affecting the fairness of the presentation of the PPE accounts with a net book value of ₱363,404,238.82 as of December 31, 2023, and may deprive Management of reliable and useful information in decision-making and accountability for these assets.	1. We recommended that Management prioritize the implementation of the one-time cleansing of PPE accounts by strictly following the guidelines and procedures provided in COA Circular No. 2020-006 dated January 31, 2020, to have reliable PPE balances that are verifiable as to existence, condition, and accountability.	Unimplemented Management had yet to perform the one-time cleansing of PPE accounts.
AAR 2023 p.35	2. Several errors were identified in the accounting records, including the inaccurate recording of the purchase of four dump trucks totaling ₱10,269,674.00, the transfer of unspent CY 2023 QRF and LDRRMF-MOOE balances to the Special Trust Fund and the amount due to the Trust Fund totaling	We recommended that the Municipal Accountant: 2. Reclassify the cost of four units of brand-new dump trucks erroneously recorded to asset account Motor Vehicles (1-07-06-010) to the proper account Construction and Heavy Equipment	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>₱3,838,501.95, and the cash advances for wage payment amounting to ₱1,638,341.25. These errors are inconsistent with COA Circular No. 2015-009 dated December 1, 2015, and have resulted in the misclassification of the affected accounts based on the amounts involved.</p>	<p>(1-07-05-080) by making the following adjusting entries:</p> <p>Construction and Heavy Equipment ₱10,269,674.00</p> <p>Motor Vehicles ₱10,269,674.00</p> <p>3. Record the corresponding depreciation expense accounts used in recording the annual depreciation expense for the dump trucks to be reclassified;</p> <p>4. Transfer the unexpended and unobligated balances of the QRF and the LDRRMF-MOOE to the Special Trust Fund be recorded in the General Fund books at the end of the year as Transfers of Unspent Current Year DRRM Funds to the Trust Funds (5-02-15-010);</p> <p>5. Reclassify the recorded cash advances from the asset account Advances for Payroll (1-03-05-020) to the appropriate account Advances to Special Disbursing Officer (1-03-05-030) by making the following adjusting entry:</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>Advances to Special Disbursing Officer (1-03-05-030) ₱1,638,341.25</p> <p>Advances for Payroll (1-03-05-020) ₱1,638,341.25</p> <p>6. Rectify the corresponding liquidation of the cash advances that were previously credited to the account Advances for Payroll (1-03-05-020); and</p> <p>7. Refer to the description of accounts as a guide in recording expenses in the books of accounts pursuant to COA Circular No. 2015-009 dated December 1, 2015, to avoid erroneous entries.</p>	<p>Implemented</p> <p>Unimplemented Erroneous entries had still been noted during the year.</p>
<p>AAR 2023 p.41</p> <p>AAR 2021 p.47</p>	<p>3. The Municipality paid honoraria amounting to ₱1,305,890.00 to the members of the KALAHI-CIDSS-NCDDP Municipal Coordinating Team (MCT) and Municipal Inter-Agency Committee (MIAC) without strictly complying with the guidelines set forth under Department of Budget and Management (DBM) Budget Circular No. 2007-2 dated October 1, 2007</p>	<p>We recommended that Management submit the following documents to support the payment of honoraria to the members of the MCT and MIAC:</p> <p>8. Performance evaluation plan formulated by project management used as a basis for rating the performance of the members of the MCT and MIAC;</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>and COA Circular No. 2012-001 dated June 14, 2012, thus the propriety and legality of the disbursements could not be established.</p>	<p>9. Special Project Plan; 10. Certificate of completion of project deliverables; 11. Certificate of acceptance by the agency head of the deliverables per project component; 12. Documentary evidence showing the following: i. number of man-hours each member of the MCT and MIAC spent on the project beyond their regular working hours; ii. nature of the member's work assignments and the level of difficulty of the duties and responsibilities assigned; iii. extent of their productivity and quality of performance measured in terms of completed and accepted deliverables in accordance with the timeframes set; and iv. performance rating given by the project management; and 13. Computation of the honoraria paid to the payees.</p>	<p>Implemented Implemented Implemented Unimplemented Although the rest of the documents had been submitted, the documents submitted had not been able to substantiate the man hours rendered beyond regular hours since some of the minutes of meetings showed that these were held during regular work hours. Unimplemented The computation had not been substantiated with documents showing the man hours rendered beyond regular working hours.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		14. We also recommended that, henceforth, Management strictly comply with all the conditions stipulated under DBM Budget Circular No. 2007-2 dated October 1, 2007, before honoraria of personnel are granted due to assignment in special government projects.	Unimplemented Management had not completely complied with all the conditions stipulated.
AAR 2023 p.45	4. The Municipality continued to grant hazard pay to its 10 Public Health Workers (PHWs) amounting to ₱877,239.65 from January 2023 to December 2023 without adhering to the conditions set forth under R.A. No. 7305, and likewise, without fulfilling the documentary requirements listed in COA Circular No. 2012-001 dated June 14, 2012, thus rendering the propriety and validity of the payments questionable.	15. We recommended that Management strictly observe the provisions of R.A. No. 7305 and its revised IRR for the grant of hazard pay to its PHWs. We further recommended that Management secure and submit to the audit team the documentary requirements for the payment of hazard pay to the PHWs as listed under COA Circular No. 2012-001 dated June 14, 2012.	Implemented
AAR 2023 p.46	5. The Disbursing Officer (DO) was allowed to draw multiple cash advances in a single day to make payments for social pensions, allowances, gratuity pay, honoraria, and other similar payments, going against Section 4.1.2 of COA	16. We reiterated our recommendation that the Municipal Mayor appoint or designate an additional DO to avoid granting multiple cash advances to the incumbent DO.	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>CSC-COA-DBM JC No. 1, s. of 2018, COA-DBM JC No. 2, s. of 2020, and COA-DBM JC No. 2, s. of 2022 on a review of the agency functions, systems and procedures, organizational structure, and staffing pattern to identify any needs and gaps and determine the appropriate human resource complement for the Municipality's PPAs. Moreover, payment of wages to COS/JOs equivalent to salary of comparable government positions and up to 20% premium had not been implemented, as required in the aforesaid JC.</p>	<p>address any needs and gaps in the human resource complement.</p> <p>21. We also recommended that Management comply with all the provisions of the CSC-COA-DBM JC No. 1, s. of 2017, as amended, and provide for wages of COs/JOs at a rate equivalent to a comparable position in the government plus premium if funds are available.</p>	<p>Unimplemented</p> <p>Management had commented that they are committed to the well-being and welfare of their workers, regardless of their employment status. But due to the scarcity of the budget as a 4th Class Municipality, the desire to augment the rate and premium had not been achieved at present. The Municipality had tried to minimize the hiring of JOs and COS considering that the minimum wage could not be provided, but several unemployed individuals showed interest in working even at the below-minimum rate.</p>
<p>AAR 2023 p.56</p>	<p>8. The unexpended balances of the Quick Response Fund (QRF) and the LDRRMF-Maintenance and Other Operating Expenses (MOOE) amounting to ₱3,838,501.95 were obligated for transfer to the Special Trust Fund at year-end but were not recognized in the latter fund, inconsistent with COA Circular 2012-002 dated September 12, 2012, thereby understating the Trust</p>	<p>22. We recommended that the Municipal Accountant take up an accounting entry in the Trust Fund books to record the authorized receipt of funds from the General Fund for the transfer of the unexpended balances of the QRF and DRRMF-MOOE at the end of the year in compliance with the accounting requirements under Annex C of COA Circular No.</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Liability-DRRM account by the same amount as well as causing unreconciled balances in the reciprocal accounts.	2012-002 dated September 12, 2012, to fairly present the accounts in the financial statements and to avoid unreconciled balances in the reciprocal accounts.	
AAR 2023 p.58	9. The unexpended balances of the Quick Response Fund (QRF) and the DRRMF-Maintenance and Other Operating Expenses (MOOE), totaling ₱3,838,501.95, were not transferred to the Special Trust Fund (STF), inconsistent with Sections 5.1.10 and 5.1.13 of COA Circular 2012-002 dated September 12, 2012, thereby funds may not be timely made available for DRRM programs, projects, and activities (PPAs).	23. We recommended that the Municipality transfer the unutilized balances of QRF and DRRMF-MOOE to the DRRM Special Trust Fund pursuant to COA Circular No. 2012-12 to ensure the availability of funds to support the disaster risk reduction and management activities of the Local Disaster Risk Reduction and Management Council within the next five years.	Implemented
AAR 2023 p.60	10. Pakyaw labor contracts amounting to ₱598,400.00 engaged by the Municipality for its infrastructure projects implemented “By Administration” under the LDRRMF were not in accordance with the pertinent provisions of RA No. 9184 and its 2016 Revised IRR, and the payments thereof were not supported with adequate documentation which is inconsistent	24. We recommended that Management submit the following: i. The BAC resolution justifying and recommending the change in the mode of procurement or the updated APP approved by the Municipal Mayor; ii. Name of the Project Facilitator per project and the related documents that would prove his/her appointment as	Unimplemented Management had yet to submit the documents.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	with Section 4.6 of PD No. 1445, rendering the propriety and legality of the disbursements questionable.	<p>such, duly approved by the Municipal Mayor;</p> <p>iii. Relevant documents for the formation of the Pakyaw Group showing that the barangay leaders and the community were actively involved; and</p> <p>iv. Detailed information for each individual/worker member of each Pakyaw Group for each Pakyaw Contract.</p> <p>25. We also recommended that the payment for the work output of the pakyaw workers be disbursed using a payroll system.</p> <p>26. We furthermore recommended that henceforth, Management ensure strict compliance with the guidelines and provisions of R.A. No. 9184 and its Revised IRR in implementing infrastructure projects by the administration.</p>	<p>Unimplemented Management had yet to submit the documents.</p> <p>Unimplemented Management still had transactions during the year which were non-compliant.</p>
AAR 2022 p.36	11. The accuracy and reliability of the Road Networks account totaling ₱92,691,269.07 could not be	27. We recommended that Management strictly comply with the accounting and reporting	Unimplemented Management had yet to comply due to the unavailability of records.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>ascertained due to (a) non-conduct of inventory of local roads and non-preparation of the Report of the Local Road Network (RLRN) and Report on the Physical Count of Local Road Network (RPCLR); (b) non-segregation of the cost of each road component of the local road projects in the books of accounts; (c) non-provision of depreciation for LRN items; (d) non-maintenance of the Local Road Network Ledger Card (LRNLC) by the Municipal Accountant and Local Road Inventory and Road Map and Local Road Network Property Card (LRNPC) by the Property Officer; and (e) non-disclosure of the total road networks in the Notes to the Financial Statements (FS), contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby, affecting the fair presentation of the account in the financial statements.</p>	<p>guidelines on the local roads asset management system and earnestly perform their respective duties and responsibilities set forth under COA Circular No. 2015-008 dated October 23, 2015.</p> <p>28. We further recommended that, henceforth, the Inventory Committee conduct an annual physical count of all its Local Road Networks and the results thereof reported in the RPCLR to be submitted to the Auditor and Accounting Unit not later than January 31 of each year. The RPCLR shall be reconciled with the accounting records, and the necessary adjusting entries be prepared before the statement date.</p>	<p>Unimplemented Management had yet to conduct the physical inventory count.</p>
<p>AAR 2022 p.40</p>	<p>12. The cashbooks maintained by the accountable officers were neither updated and balanced daily, ruled and footed, nor closed at the end of each month, while the required</p>	<p>29. We recommended that the Local Chief Executive require the Municipal Treasurer to promptly update, balance, and certify the collections, deposits, and</p>	<p>Unimplemented Management had yet to completely update the cashbooks.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>certifications were not accomplished either, contrary to the pertinent provisions of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume II, resulting in the non-reconciliation with the accounting records in violation of the pertinent provisions of the Local Treasury Operations Manual (LTOM), 2nd Edition. Thus, early detection of errors and corrections thereof could not be made, affecting the reliability and accuracy of the cash and cash equivalent account balances amounting to ₱76,787,692.63 as of December 31, 2022.</p>	<p>disbursements on the cashbooks, ensure the correctness and accuracy of entries recorded therein, and henceforth adhere to the existing regulations on the handling, custody, and disposition of the cashbooks.</p> <p>30. We further recommended that the Municipal Accountant and the Municipal Treasurer closely coordinate and regularly reconcile their respective records for the early detection and correction of errors to ensure the fairness of the presentation of the cash and cash equivalent account balances in the financial statements.</p>	<p>Unimplemented Management had yet to reconcile the cashbooks, as these have not been fully updated.</p>
AAR 2022 p.45	<p>13. Cash advances amounting to ₱1,478,000.00, for aiding individuals affected by Typhoon Odette in December 2021, were incorrectly recorded under the account Advances for Payroll (1-03-05-020) instead of account Advances to Special Disbursing Officer (1-03-05-030), contrary to COA Circular No. 2015-009 dated December 1, 2015, resulting in an overstatement of the</p>	<p>31. We furthermore recommended that, henceforth, Management refer to the description of accounts as a guide in recording expenses in the books of accounts pursuant to COA Circular No. 2015-009 dated December 1, 2015, to avoid erroneous entries.</p>	<p>Unimplemented Management still had erroneous entries in CY 2024.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Advances for Payroll account and an understatement of the Advances to Special Disbursing Officer account. Moreover, the liquidation of ₱900,000.00 related to these cash advances was inaccurately recorded under the account Other Maintenance and Operating Expenses (5-02-99-990) instead of the account Donations (5-02-99-080), hence, the accounts were overstated and understated, respectively, as of December 31, 2022.</p>		
<p>AAR 2022 p.48</p> <p>AAR 2019 p.32</p>	<p>14. Various cash advances remained unliquidated even if the purpose for which these were given had already been served, while other receivables remained unsettled as of December 31, 2022, of which ₱340,876.96 had already aged over 10 years, contrary to pertinent provisions of COA Circular No. 97-002 dated February 10, 1997, thereby rendering the total receivables as at year-end doubtful and possibly overstating the assets and understating the related expense accounts of the Municipality, while exposing government funds to</p>	<p>32. We recommended that the Municipal personnel who are still employed in the Municipality be required to immediately liquidate their outstanding cash advances, otherwise, the sanction of withholding of honoraria provided under existing COA rules and regulations will have to be imposed.</p> <p>33. We further recommended that the Municipal Mayor, through the Municipal Accountant, issue a demand letter to the persons who had already retired from the</p>	<p>Unimplemented</p> <p>Management could no longer liquidate the long existing cash advances since the personnel involved are no longer in government service.</p> <p>Unimplemented</p> <p>Management had yet to issue the demand letters.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	possible loss should these individuals/entities fail to liquidate/settle.	<p>government service and require them to immediately settle their unliquidated cash advances.</p> <p>34. We furthermore recommended that the Municipal Accountant exert extra effort to locate the documents supporting the receivables for overpayment to suppliers and other government agencies, make representation with these entities for the furnishing of documents that could aid in the verification of the receivables, and prepare the demand for collection or the necessary adjusting entries in the books of accounts, if warranted.</p>	<p>Unimplemented Management had yet to comply with this recommendation.</p>
AAR 2022 p.50	15. A loan from the National Electrification Administration (NEA) amounting to ₱196,828.22, which has been outstanding for at least 10 years, remained in the books, thereby affecting the reliability of the Loans Payable account balance as of December 31, 2022. Moreover, the Notes to FS did not adequately disclose sufficient and relevant financial information on the details	35. We recommended that Management direct the Municipal Accountant to analyze the Loans Payable-Domestic account and coordinate with NEA to reconcile and update records maintained by both parties. Discrepancies noted should be reconciled, and the necessary adjustments effected, to ensure a fair presentation of the account in the financial statements.	<p>Unimplemented Management had yet to reconcile the loan with NEA.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>pertaining to the long-term liabilities, contrary to Section 127 of the Philippine Public Sector Accounting Standards (PPSAS) No. 1, thus users of the report may be misled by the lack of information that may affect decision-making.</p>	<p>We further recommended that the Municipal Accountant disclose in the Notes to FS the details of the Loans Payable pursuant to paragraph 127 of PPSAS No. 1.</p>	
<p>AAR 2022 p. 53</p>	<p>16. An emergency rescue vehicle of the Municipality used as a Patient Transport Vehicle was not registered with the Health Facilities and Services Regulatory Bureau (HFSRB) as required under DOH Administrative Order (AO) No. 2018-0001 dated January 26, 2018. Thus, there is the possibility that the vehicle may be used for purposes not in accordance with its proper usage as authorized by the HFSRB.</p>	<p>36. We recommended that Management take immediate action to register the emergency rescue vehicle with the HFSRB pursuant to DOH AO No. 2018-001 dated January 28, 2018, to enable the Municipality to rectify the existing non-compliance and ensure that the vehicle be exclusively used for response and rescue/relief activities.</p>	<p>Unimplemented Management had yet to register the rescue vehicle due to the lack of personnel assigned to process the registration.</p>
<p>AAR 2022 p.54</p>	<p>17. Advance payments to contractors representing 15% mobilization fees of the projects implemented under the 20% Development Fund (DF) amounting to ₱1,202,590.45 were recorded to the account Other Prepayments (1-05-01-990) instead of Advances to Contractors (1-05-01-010), as</p>	<p>37. We recommended that the Municipal Accountant reclassify the amounts of mobilization fees recorded to the account Other Prepayments (1-05-01-990) to the proper account Advances to Contractors (1-05-01-010) by making the following adjusting entry:</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation									
	<p>provided under COA Circular No. 2015-009 dated December 1, 2015, thus, overstating and understating the accounts Other Prepayments and Advances to Contractors, respectively, by ₱1,202,590.45 as at December 31, 2022.</p>	<table border="1" data-bbox="856 347 1367 492"> <thead> <tr> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>Advances to Contractors</td> <td>1,202,590.45</td> <td></td> </tr> <tr> <td>Other Prepayments</td> <td></td> <td>1,202,590.45</td> </tr> </tbody> </table> <p>38. We furthermore recommended that, henceforth, Management refer to the description of accounts as a guide in recording expenses in the books of accounts pursuant to COA Circular No. 2015-009 dated December 1, 2015, to avoid erroneous entries.</p>		Debit	Credit	Advances to Contractors	1,202,590.45		Other Prepayments		1,202,590.45	<p>Unimplemented Management still had erroneous entries in CY 2024.</p>
	Debit	Credit										
Advances to Contractors	1,202,590.45											
Other Prepayments		1,202,590.45										
<p>AAR 2022 p.56 AAR 2021 AAR 2020 AAR 2018</p>	<p>18. The Municipality improperly charged its Local Disaster Risk Reduction and Management Fund (LDRRMF) with expenses amounting to ₱644,533.40 for the rehabilitation of wastewater treatment facilities, purchase of transistor for the Radio Kaigsoonan Station, and improvement of Annex Building and access way at the Municipal Hall, contrary to Section 5.0 of National Disaster Risk Reduction and Management (NDRRMC), Department of Budget and Management (DBM), and</p>	<p>39. We recommended that Management desist from charging the expenses mentioned above to the LDRRMF and henceforth observe strictly the provisions of NDRRMC, DBM, and DILG JMC No. 2013-01 dated March 25, 2013, and DILG MC No. 2012-73 dated April 17, 2012, on the proper utilization of the LDRRMF.</p>	<p>Implemented</p>									

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Department of the Interior and Local Government (DILG) Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013 and Sections A and B of DILG Memorandum Circular (MC) No. 2012-73 dated April 17, 2012, hence, reducing the funds available for disaster risk reduction and management activities.</p>		
<p>AAR 2022 p.58</p>	<p>19. Local Disaster Risk Reduction and Management (LDRRM) motor vehicles were used for purposes other than disaster/calamity response and rescue/relief operations, contrary to Section 5.2.1.1.1 of the Department of the Interior and Local Government (DILG) Memorandum Circular (MC) No. 2021-004 dated January 18, 2021, subjecting the motor vehicles to wear and tear which could result in their unavailability during an actual calamity or disaster, thereby negating the purpose for which the vehicles were purchased.</p>	<p>40. We recommended that Management ensure that the LDRRM motor vehicles be exclusively used for disaster/calamity response and rescue/relief operations in conformity with DILG MC No. 2021-004 dated January 18, 2021.</p>	<p>Unimplemented The LDRRM vehicles continued to be used for purposes other than disaster-related activities.</p>
<p>AAR 2022 p.60</p>	<p>20. The Drivers' Trip Tickets covering the usage of the LDRRM motor vehicles were not properly</p>	<p>41. We recommended that the MDRRMO and the Property Officer require the drivers of the</p>	<p>Unimplemented Some drivers had still not provided adequate information about their trips.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>accomplished contrary to the pertinent provisions of COA Circular No. 77-61 dated September 26, 1977, thus, the reasonableness of fuel consumption and the necessity of the trips undertaken could not be determined.</p>	<p>LDRRM vehicles to accomplish properly the prescribed form for the Driver's Trip Tickets to ensure that all the data needed to determine the reasonableness of fuel consumed for the period and the necessity of the trips undertaken are provided.</p>	
<p>AAR 2021 p.45</p>	<p>21. Disbursements amounting to at least ₱1,161,552.03 for repairs and maintenance of motor vehicles were not supported with pre-repair inspection and post-inspection reports, report of waste materials, copy of documents indicating the history of repair, and other documentary requirements enumerated under Section 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012, thus, it could not be ascertained whether the extent of the damage and necessity of repair were determined, the scope of work specified in the Job Order was completed, and the required replacement of parts was undertaken, while effective and efficient monitoring of the periodic repairs and preventive maintenance of all</p>	<p>42. We recommended that before any repairs and maintenance of motor vehicles are undertaken, the personnel in charge shall be required to prepare the following reports, namely: a) pre-repair evaluation report and approved detailed plans showing in sufficient detail the scope of work/extent of repair to be done, b) report of waste materials, and c) document indicating the history of repair.</p> <p>43. We further recommended that the Municipal Accountant ensure that disbursements for the repairs and maintenance of motor vehicles are supported with the foregoing required documents plus a post-inspection report as required under</p>	<p>Unimplemented</p> <p>The inspection reports had not been fully filled-up or numbered. There had also been no history of repair attached to the disbursements covering payment of repairs and maintenance of motor vehicles.</p> <p>Unimplemented</p> <p>The inspection reports had not been fully filled-up or numbered. There had also been no history of repair attached to the disbursements covering payment of repairs and maintenance of motor vehicles.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	motor vehicles owned by the Municipality may not be achieved.	Section 9.1.3.4 of COA Circular No. 2012-001.	
AAR 2021 p.52	22. The Municipality failed to provide sufficient and vital information such as specific boundaries, stationing, landmarks, and symbols in the Programs of Work (POWs), plans, and drawings for various projects of road concreting and electrification of municipal streets under the 20% Development Fund, an indication that the detailed engineering activities provided under Annex A of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 were not strictly complied with, thus, overlapping stations, double listed road sections, and any gaps or duplications that might exist may go undetected or unidentified while effective and efficient monitoring of the completed projects may not be established or strengthened.	44. We recommended that the Municipal Engineer see to it that sufficient and vital information such as specific boundaries, stationing, landmarks, and symbols are provided in the Programs of Work, plans, and drawings for projects of road concreting and electrification of municipal streets. 45. We further recommended that, henceforth, Management unflinchingly ensure strict compliance to the required detailed engineering activities in accordance with the provisions under Annex A of the RIRR of RA 9184, giving utmost consideration to the deficiencies discussed above.	Unimplemented Per checking of the POWs, there were still lacking information regarding specific boundaries, stationing, and landmarks. Unimplemented Management had yet to comply with this.
AAR 2021 p.58	23. The Municipality spent ₱407,129.00 out of the CY 2021 appropriations for Gender and	46. We recommended that Management properly identify the GAD issues and concerns and use	Unimplemented Due to the lack of a GAD Database, gender gaps and/or differences within

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Development (GAD) for expenses that did not address specific gender issues, such as the purchase of various supplies used for COVID-19 activities, thereby reducing the funds available for the implementation of more appropriate programs, projects and activities that would address gender issues and concerns outlined under Joint Memorandum Circular (JMC) No. 2013-01 dated July 18, 2013 of the Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM), and National Economic and Development Authority (NEDA).</p>	<p>the Fund in order to implement programs, projects, and activities that would address specific gender gaps and are aligned with PCW, DILG, DBM, and NEDA Joint Memorandum Circular No. 2013-01 dated July 18, 2013.</p>	<p>the locality could not be fully identified and analyzed, defeating the purpose of having GAD-responsive Programs/ Projects/ Activities (PPAs).</p>
<p>AAR 2020 p.35</p>	<p>24. The propriety and validity of disbursements amounting to at least ₱13,416,000.00 under the Social Amelioration Program (SAP) of the Department of Social Welfare and Development (DSWD) were rendered doubtful due to the inclusion of deceased individuals and personnel under job order (JO) or contract of service and incomplete documentary requirements prescribed</p>	<p>47. We recommended that the Municipality, through the MSWDO, apprise the DSWD, RO No. VII of the beneficiaries listed under the UCT program who are already deceased, and recommend for possible replacement from among the eligible family members of the deceased.</p>	<p>Unimplemented Possible replacements for the deceased beneficiaries had yet to be recommended. Management is also hoping for reconsideration for the JO Workers since they belong to indigent families as well and the contract with the Municipality does not create an employer-employee relationship.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	under DSWD Memorandum Circular No. 09 series of 2020.	48. We also recommended that Management ensure systematic procedures while strictly adhering to existing guidelines set forth under DSWD Memorandum Circular No. 09 series of 2020 in the implementation of SAP.	Unimplemented Management had yet to comply with this.
AAR 2020 p.39	25. The price reasonableness of medical supplies and welfare goods procured out of the Bayanihan Grant to Cities and Municipalities (BGCM) and Local Disaster Risk Reduction and Management Fund (LDRRMF) amounting to ₱8,593,687.00 and ₱6,991,850.43, respectively, could not be ascertained because the complete detailed specifications and brand names of the items were not indicated in the Purchase Orders (POs) contrary to Item B of COA Circular No. 96-010 dated August 15, 1996, hence purchase prices could not be compared with the prevailing market price and compliance with Section 5 of the Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020 could neither be established.	49. We recommended that Management require the personnel concerned or the end-user duly authorized by the Head of the Procuring Entity to completely and properly fill-up the relevant and required information in the PO pursuant to Item B of COA Circular No. 96-010 dated August 15, 1996.	Unimplemented Some POs in CY 2024 had still not been completely and properly filled out with the relevant and required information.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2020 p.41	26. The Municipality paid at least ₱2,134,984.00 for purchases of goods and services from various suppliers in response to the COVID-19 pandemic despite the lack of required supporting documents contrary to GPPB Circular No. 01-2020 dated April 6, 2020, GPPB Resolution No. 18-2020 dated September 16, 2020 and Section 4(6) of Presidential Decree (PD) No. 1445, thus, it could not be established whether the suppliers were legally, technically and financially capable and whether the subject goods and services were procured at the most advantageous prices.	We recommended that Management: 50. That the Municipal Accountant ensure that the documentary requirements are satisfactorily complied with in accordance with GPPB Resolution No. 18-2020 dated September 16, 2020 and GPPB Circular No. 01-2020 dated April 6, 2020 and that the DVs are duly supported with complete documents pursuant to Section 4(6) of PD No. 1445.	Unimplemented Management still had procurements during the year which were non-compliant with the required regulations.
AAR 2020 p.44	27. The Municipality granted COVID-19 Hazard Pay to its 290 personnel who physically reported for work at their respective offices or work stations during the implementation of the Enhanced Community Quarantine (ECQ) in the total amount of ₱1,212,427.25 without the supporting documents necessary to determine compliance with the pertinent provisions of DBM Budget Circular No. 2020-1 dated	51. We recommended that the following documents be immediately submitted to the Auditor to determine compliance with the conditions on the grant of COVID-19 Hazard Pay set forth in Paragraph 4 of DBM Budget Circular No. 2020-01 dated March 24, 2020, to wit: a. Authority for the entitlement of the allowance;	Unimplemented There had still been no IATF Resolution on the Risk Certification in the workplace submitted.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>March 24, 2020. Thus, the propriety and regularity of the grant could not be ascertained.</p>	<p>b. Certificate of attendance during the ECQ period; and c. IATF Resolution of the Risk Certification in the workplace</p> <p>52. Likewise, we recommended that Management submit (a) Individual approved daily time record or daily report of attendance of the 290 Municipal personnel paid with COVID-19 Hazard Pay showing the official dates and hours they physically reported for work at their respective offices or work stations during the implementation of the ECQ period; and (b) Copy of the approved contracts of personnel under COS and JO scheme.</p>	<p>Unimplemented</p> <p>There had been no DTRs attached to the DVs covering the payment of Hazard Pay because only the payroll was attached.</p>
<p>AAR 2020 p.46</p>	<p>28. The payroll covering the payment of COVID-19 Special Risk Allowance (SRA) to ten public health workers (PHWs) in the total amount of ₱79,042.25 was not substantially supported with complete documents contrary to Section 4(6) of Presidential Decree (PD) No. 1445, hence, the propriety and regularity of the grant during the</p>	<p>53. We recommended that Management submit to the Auditor the following documents to substantiate the grant of SRA to the ten PHWs:</p> <p>a) Inter-Agency Task Force for the Management of Emerging Infectious Diseases Resolution of the Risk Certification in the</p>	<p>Unimplemented</p> <p>Management had yet to submit the IATF Resolution on the Risk Certification in the workplace submitted. Also, there had been no DTRs attached to the DVs covering the payment of Hazard Pay because only the payroll was attached. Information regarding the prescribed official working hours, as well as entitlement</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>period of the implementation of the Enhanced Community Quarantine (ECQ) could not be ascertained.</p>	<p>workplace; b) Authority from the head of agency/office to render service during the period of the ECQ stating the prescribed official working hours as well as the entitlement of the SRA; c) Individual approved daily time record or daily report of attendance indicating the dates and time they physically reported for work; and d) Daily status/monitoring report on COVID-19 patients, PUIs or PUMs quarantined in the Municipality's COVID-19 facility, in the homes, and in other isolation facilities covering the same period of the ECQ.</p>	<p>of the SRA, had not been mentioned in the authority issued by the head of agency/office. Also, the documents submitted had lacked the Daily status/monitoring report on COVID-19 patients, PUIs, or PUMs quarantined in the Municipality.</p>
<p>AAR 2020 p.52</p>	<p>29. The Municipality granted hazard pay amounting to ₱682,802.01 to its ten Public Health Workers (PHWs) assigned at its Rural Health Unit and in its ten barangays without considering the actual exposure to hazards and hardships pursuant to the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No.</p>	<p>We recommended that: 54. The Municipal Accountant require all the PHWs to support their claims for hazard pay with proof of actual exposure to specific health hazards and occupational risks with certification from appropriate agencies and other documents required under Section</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	7305 and Department of Budget and Management (DBM)-Department of Health (DOH) Joint Circular No. 1, series of 2012 dated November 29, 2012, as amended by DBM-DOH Joint Circular No. 1, series of 2016 dated July 15, 2016, and without the documentary requirements prescribed under Section 5.8 of COA Circular No. 2012-001 dated June 14, 2012, hence, the validity and propriety of the payment could not be determined.	5.8 of COA Circular No. 2012-001 dated June 14, 2012.	
AAR 2020 p.54	30. The former Municipal Health Officer was paid hazard duty pay at a rate less than what is allowed under Section 3.3. of Department of Budget and Management (DBM) and Department of Health (DOH) Joint Circular No. 1, series of 2016 dated July 15, 2016, depriving him of the actual amount of hazard pay due him for his economic well-being.	55. We recommended that Management adhere strictly with the rates of hazard pay per month applied to the monthly basic salary in accordance with Section 3.3 of DBM-DOH Joint Circular No. 1 series of 2016 dated July 15, 2016 subject to the Personal Services limitation in LGU budget, to ensure that health workers are justly compensated.	Implemented
AAR 2020 p.56	31. The fees collected from clients for the airing of advertisements through its Project Nutri-skwela Community Radio Station were not	We recommended that Management: 56. Make all payment of expenses for the operation of the Station by check except for petty expenses	Unimplemented Management had yet to identify the transactions directly relating to the

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>acknowledged by official receipts (ORs) and neither were the financial report prepared for the receipts and expenses of the Station, in violation of pertinent provisions of Presidential Decree (PD) No. 1445 and the Manual on the New Government Accounting System (NGAS), Volume I, thereby, eliminating accounting thereof as government funds and audit by the Commission on Audit (COA).</p>	<p>which should be charged against the Petty Cash Fund;</p> <p>57. Submit to the Auditor the following: (i) Latest annual reports submitted to NNC with proof of receipt by the NNC; and (ii) List of clients/subscribers together with the corresponding contract, if there is any; and</p> <p>58. Submit an explanation on the deficiencies noted.</p>	<p>maintenance and operation of the station.</p> <p>Unimplemented Management had difficulty locating the needed reports.</p> <p>Unimplemented Management had been unable to receive an explanation from the station.</p>
AAR 2020 p.61	<p>32. The Municipal Engineer did not conduct a complete detailed engineering works prior to the preparation and subsequent approval of program of work (POW) contrary to Section 17.6 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, causing prolonged suspension of work in project implementation and unnecessary delay in the delivery of desired benefits to the targeted end-users of the projects.</p>	<p>We recommended that Management:</p> <p>59. Require the Municipal Engineer to conduct the complete detailed engineering activities before any POW is prepared and subsequently approved to ensure that projects are completed on schedule, the desired benefits are immediately enjoyed by the intended beneficiaries;</p> <p>60. Closely monitor project implementation so that any unnecessary delays may be</p>	<p>Unimplemented Management had yet to comply with this.</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>avoided; and</p> <p>61. Immediately submit the suspension orders and resumption orders issued relative to the project Construction of Water Supply System at Sitio Bato, Barangay Basak together with the contractor's requests for extension and justification, and the Municipal Engineer's investigation reports used as basis in approving the request for suspensions.</p>	<p>Unimplemented Documents had yet to be submitted for verification.</p>
AAR 2019 p.36	<p>33. The Municipality paid registration and term membership fees/dues to the Vice Mayors' League of the Philippines (VMLP), Inc. and Philippine Councilors League (PCL), Inc.-Negros Oriental Federation totaling ₱118,500.00 but were issued only customized printed receipts instead of official receipts (Accountable Form No. 51) as required under Section 42, Chapter 7, Title I (B), Book V of the Administrative Code of 1987, hence, the propriety and accuracy of the transactions made could not be</p>	<p>62. We recommended that the Municipal Treasurer require the issuance of ORs (AF No. 51) from the VMLP, Inc. and PCL, Inc. - Negros Oriental Federation for the payments made for membership dues/fees in CY 2019. We further recommended that the Municipality withhold future payments until the leagues comply with this requirement.</p>	<p>Unimplemented The PCL had still not used the AF No. 51 since the National Printing Office could not provide it for them.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	ascertained.		
AAR 2019 p.38	34. Management did not submit the Agency Action Plan and Status of Implementation (AAPSI) within 60 days from the date of receipt of the 2018 Annual Audit Report (AAR) contrary to Section 93 of the General Provisions of Republic Act (RA) No. 10964 dated December 29, 2017 for Fiscal Year (FY) 2018, precluding the Auditor from monitoring and validating the actions taken to implement audit recommendations, hence, the risk that deficiencies may continue to exist and, thus, affect the fairness of the presentation of the Municipality's financial statements as well as its operational efficiency that may render the entire Municipality ineligible for the FY 2019 Performance-Based Bonus (PBB).	63. We recommended that the Local Chief Executive direct all department heads concerned to submit their respective duly accomplished AAPSI on the CY 2018 AAR, and assign personnel to consolidate the same for submission to the Auditor. Henceforth, Management should strictly comply with the submission of the AAPSI within 60 days upon receipt of the AARs for the succeeding years.	Implemented
AAR 2019 p.40	35. The LDRRM Officer failed to prepare and submit to the Auditor the Monthly Report on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF) for CY 2019 duly certified	64. We recommended that, henceforth, the LDRRM Officer prepare the Monthly Report on Sources and Utilization of DRRMF duly reconciled with the accounting records and certified correct by the	Unimplemented Management had been unable to comply with this due to lack of personnel to process the reportorial requirements.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	correct by the Municipal Accountant, contrary to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, depriving the stakeholders and the public of relevant and vital information while precluding the Auditor from conducting timely review and evaluation of the utilization of the Local DRRMF.	Municipal Accountant, and submit the report to the Auditor on or before the 15th day after the end of each month.	
AAR 2019 p.41	36. The Annual GAD Plan and Budget (GPB) FY 2019 was not submitted to the Provincial Planning Development Office (PPDO) and DILG Provincial Office within the prescribed period, for alignment of the Municipality's GAD PPAs with the priorities of the Province and for review and endorsement, respectively, contrary to Section 4.0 of the Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016,	65. We recommended that Management submit the GAD Plan and Budget to the PPDO and DILG Provincial Office within the prescribed period in accordance with Section 4.0 of PCW-DBM-DILG-NEDA JMC No. 2016-01 dated February 12, 2016.	Unimplemented The GPB had yet to be submitted within the prescribed period.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>thus, gender responsiveness of the programs and activities was not assured.</p> <p><i>(Reiterated under Finding No. 14, Part II of this Report.)</i></p>		
AAR 2018 p.34	<p>37. The balance of accounts Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable as of December 31, 2018 per records of the Municipal Accountant's Office (MAO) and Municipal Treasurer's Office (MTO) showed a difference of ₱4,263,515.17 because the accounts were not established based on the Real Property Tax Account Register/Taxpayer's index card and no subsidiary ledgers were maintained by the MAO, contrary to Section 20 of the Manual on the New Government Accounting System (NGAS), Volume I, and Section 10, Volume II of the same Manual, thus, RPT Receivable/SET Receivable and Deferred RPT Income/Deferred SET Income accounts might not have been fairly presented in the financial statements.</p>	<p>We recommended that:</p> <p>66. The Municipal Accountant and Municipal Treasurer reconcile the difference between the RPT and SET balances totaling ₱4,263,515.17 and, henceforth, conduct, together with the Municipal Assessor, a periodic reconciliation of the balances of Basic and Special Education Tax dues and RPT Receivable and SET Receivable accounts to avoid accumulation of unreconciled items;</p> <p>67. The Municipal Assessor prepare and submit to the Municipal Treasurer an assessment roll containing a list of all persons whose real properties have been newly assessed or reassessed and the values of such properties, on or before the thirty-first (31st) day of</p>	<p>Unimplemented Management had been unable to fully utilize the iTax system to generate the correct balances since no dedicated personnel trained to operate the system.</p> <p>Unimplemented The assessment roll had been submitted but not within the required period.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>December each year;</p> <p>68. The Municipal Treasurer furnish the Municipal Accountant a duly certified list of taxpayers with the amount due and collectible for the current year as basis for recording the RPT Receivable and SET Receivable accounts in compliance with Section 20 of the NGAS Manual for LGUs, Volume I; and</p> <p>69. The Municipal Accountant maintain SLs for control accounts RPT Receivable and SET Receivable in accordance with Section 10 of the NGAS Manual for LGUs, Volume II.</p>	<p>Unimplemented Management had been unable to fully utilize the iTax system to generate the reports since no dedicated personnel trained to operate the system.</p> <p>Unimplemented The Municipal Accountant had yet to fully maintain this.</p>
AAR 2018 p.36	38. Delinquent Real Property Taxes (RPT) and Special Education Taxes (SET) including penalties accruing thereon which accumulated to ₱12,245,936.15 remained uncollected as of December 31, 2018, thus, depriving the Municipality of substantial amount of income which could have been utilized to finance the implementation of various	70. We recommended that the Municipal Treasurer enforce collection of delinquent real property taxes by conducting intensive tax campaign in every barangay and by sending Notices of Delinquencies to all delinquent taxpayers and for the Municipality to avail of the remedies in collecting delinquent real property taxes provided in Sections 256 to	Unimplemented Management had yet to enforce collection of delinquencies since they had been unable to locate them and those with notices still refused to settle.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>development projects or other major programs/projects/activities (PPAs).</p> <p><i>(Reiterated under Finding No. 7, Part II of this Report.)</i></p>	260 of RA No. 7160.	
AAR 2018 p.38	<p>39. Inventory of Biological Assets including the prevailing market price for each item as of reporting date was not submitted by the Municipal Agriculturist to the Municipal Accountant as required under Section 4.5.1 of COA Circular No. 2016-004 dated September 30, 2016, hence, the existence and condition of the biological assets with total acquisition cost of ₱3,614,257.00 could not be ascertained. Likewise, the account balances were not fairly presented in the financial statements in accordance with paragraph 16 of the Philippine Public Sector Accounting Standards (PPSAS) No. 27.</p>	<p>71. We recommended that the Municipal Agriculturist establish the actual status of the breeding stocks under the dispersal program by tracing the whereabouts and condition of the original breeding stocks and their offspring, if any, and render a report to the Municipal Accountant which should include the fair market value of each stock, for proper recording in the books of accounts. In case of death/loss of assets, necessary adjusting entries shall be taken only after the issuance of a credit notice arising from the result of the evaluation of the relief from accountability, if any.</p>	Implemented
AAR 2018 p.40	<p>40. Copies of perfected contracts together with the supporting documents of at least seven infrastructure projects implemented in CY 2018 under the 20%</p>	<p>72. We recommended that, henceforth, Management furnish the Auditor with a copy of contracts together with the supporting documents within the reglementary period of</p>	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Development Fund (DF) with a total project cost of ₱10,228,034.26 were not submitted to the Auditor for review, as required under Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009, hence, the reasonableness of contract prices and whether or not the contractual covenants were advantageous to the Municipality could not be determined.	five working days from perfection, in accordance with Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009.	
AAR 2017 p.34	41. Out of the total expenses of ₱474,823.13 of the Local Council for the Protection of Children (LCPC) in CY 2017, only ₱252,048.13 or 26.52% was expended for child protection services while ₱222,775.00 or 23.44% was given as Aid to Individuals in Crisis Situation (AICS), disregarding the primary purpose of the fund as contemplated under R.A. 9344.	73. We recommended that Management prioritize the implementation of PPAs which are responsive to the objective of providing protection to children against abuse, neglect, exploitation and violence and promotion of their rights and welfare as envisioned under R.A. 9344.	Unimplemented Management had yet to implement all the PPAs programmed under the LCPC.
AAR 2017 p.40 AAR 2013	42. The Municipality continued to practice indiscriminate disposal of solid waste in an open dump site and allowed dump site scavenging in violation of Republic Act 9003, thereby posing major public health	74. We recommended that Management prioritize the establishment and operation of a sanitary landfill in accordance with Sections 40 and 41 of R.A. 9003 and meantime, take action to	Unimplemented Management had yet to complete the establishment and operation of the sanitary landfill.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	threat and environmental risks.	convert the existing open dump site into a controlled dump and hasten its closure within a specific time frame. We further recommended that all barangays be involved in the implementation of waste reduction and segregation at source in accordance with RA No. 9003.	
AAR 2016	43. The Municipality failed to insure the flood river control project costing ₱2.29 million, contrary to Section 2.2b of the Memorandum of Agreement entered into by and between the Department of the Interior and Local Government and the Municipality, thus, exposing the government to unnecessary losses in the event of damage to, or loss of, such property due to fire, flood or other calamity.	75. We recommended that the Municipality insure the project with the General Insurance Fund of the Government Service Insurance System (GSIS) in order that the government may be indemnified from any damage to, or loss of the project in case fire, earthquake, storm, or other calamity.	Implemented
AAR 2016	44. Monthly reports of collections and disbursements together with the corresponding official receipts, disbursement vouchers and supporting documents were not submitted to the Auditor within the reglementary period contrary to	76. We recommended that Management adhere strictly to the prescribed time frame on the submission of accounts to the Office of the Auditor pursuant to Section 6.05 of COA Circular No. 95-006.	Unimplemented Management had been unable to comply with this due to lack of personnel.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Section 6.05 of COA Circular No. 95-006 dated May 18, 1995, adversely affecting the timely audit of accounts and the reporting of the results thereon necessary for Management in the decision making.		
AAR 2016	45. The former OIC-District Supervisor of Zamboangita District Office did not turn over the equipment issued to him as evidenced by copies of several uncanceled Acknowledgment Receipts for Equipment/Property Acknowledgment Receipts (AREs/PARs) contrary to Section 490.d of the Government Accounting and Auditing Manual, Volume 1, which could possibly result to loss of government properties.	77. We recommended that the OIC-Municipal Treasurer require the former OIC-District Supervisor to return the properties listed in Annex 16, including the one (1) unit 4WD, E-rider Recon Suzuki, otherwise, the latter should be required to pay the money value of these properties.	Unimplemented The return of the properties other than the one (1) unit 4WD, E-rider Recon Suzuki had not been supported by any documents and could not be located as they were semi-expendable items.
AAR 2015	46. The Local Chief Executive granted scholarship to constituents of other municipalities funded from the Development Acceleration Program (DAP) received by the Municipality from the Department of Budget and Management contrary to DBM NCA No. 388670-2, thus rendering the grant irregular. Moreover, the	78. We recommended that Management adhere to the specific purpose contained in the NCA in the disbursement of funds. We further recommended that the Scholarship Committee require the applicants to submit the required report cards in 4th Year or previously completed year in	Unimplemented Management had yet to locate all the beneficiaries since they reside outside the Municipality and due to the lapse of time.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	disbursement vouchers were not supported with the basic supporting documents required under Sections 9, 10 and 12 of Local Executive Order No. 14 dated November 12, 2012, thus the validity of the disbursements could not be determined.	tertiary level, proof of residency and the LGU to also require the submission of certificates of eligibility duly signed by the Chairman of the Committee pursuant to Sections 9, 10 and 12 of the Local Executive Order No. 14.	
AAR 2015	47. Gasoline expenses amounting to ₱73,169.94 could not be accounted and verified because trip tickets were not properly accomplished, and Fuel Consumption Reports and Monthly Report of Official Travels were neither prepared as required in COA Circular No. 77-61 dated September 26, 1977.	79. We recommended that Management comply with the provisions of COA Circular No. 77-61 on the preparation and submission of the duly accomplished Trip Ticket and Monthly Reports of Fuel Consumption and Official Travels so that the reasonableness of the consumption of fuel and the use of municipal vehicle can be easily established.	Unimplemented The Municipality had already required the drivers to properly and completely fill up the trip tickets but some still lacked details.
AAR 2015	48. The Municipality released a total amount of ₱110,000.00 to five (5) NGOs/POs notwithstanding non-compliance with the requisites enumerated in Paragraph 4.4 of COA Circular No. 2007-001, for entitlement thereof thus, the purpose for which the funds were granted	80. We recommended that the Municipality (i) require NGOs/POs to submit the required three-year period financial statement, (ii) release the amount of financial assistance as stipulated in the Work and Financial Plan (WFP) of the Municipality for the	Unimplemented The Municipality had already stopped granting financial support to NGOs/POs but the released amounts had yet to be substantiated.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	may not have been attained.	year, (iii) require the five (5) associations to submit lists of beneficiaries as an addendum to the MOA, (iv) monitor and inspect project implementation and verify financial records and reports of the NGOs/POs; and (v) require the liquidation of funds granted.	
AAR 2015	49. The Municipality of Zamboanguita did not conduct a physical count of accountable forms as required in Section 124 of the NGAS Manual, Volume I, thus, affecting the fairness of presentation of the accountable forms inventory in the financial statements as of December 31, 2015.	81. We recommended that the Municipal Treasurer's Office conduct a regular count of the accountable forms in order to confirm the existence of the forms as reported in the Consolidated Monthly Report of Accountability for Accountable Forms and reconcile with the subsidiary records maintained by the Accounting Office to ensure the correctness of the account balance shown in the financial statements at year-end.	Unimplemented Management had yet to do this due to the volume of items and lack of personnel.
AAR 2014 AAR 2013	50. The Municipality did not conduct a physical count of its property plant and equipment as required under Section 124 of the NGAS Manual, Volume I, Property Ledger Cards were also not	82. The Mayor strictly require the Inventory Committee to conduct the physical count of properties and reconcile the same with related property and accounting records and for the municipal	Unimplemented Management had yet to conduct the physical inventory count since the Inventory Committee members are also occupying key functions in the Municipality.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
<p>AAR 2012</p> <p>AAR 2011</p>	<p>maintained thus the existence as well as the reliability of the account balances in the financial statements as of December 31, 2016 which amounted to ₱16,997,317.41 or 12.56% of the total asset accounts could not be ascertained.</p> <p><i>(As of December 31, 2024, movable property, plant and equipment amounted to ₱75,817,403.76, or 18.02% of the total PPE and 15.56% of the total assets.)</i></p>	<p>treasurer's office to maintain property cards in accordance with existing regulations and to locate the missing two (2) DG computers with printers including its accessories and the black Suzuki 125.</p> <p>83. The Municipal Engineer inform proper offices of any public structures due for demolition so that appropriate documents can be prepared thereto, and to submit written explanation why the health center in Barangay Lutoban is being occupied by a private individual and updated Acknowledgement Receipt for Equipment (ARE) or Application for Relief from Accountability for lost items, if warranted.</p> <p>84. The Municipal Accountant to reclassify the fully depreciated and unserviceable assets from the Property Plant and Equipment to Other Asset accounts and to locate the disbursement vouchers of the unbooked medical equipment and record the same in the books of</p>	<p>Unimplemented Management had yet to provide any information on this.</p> <p>Unimplemented Management had been unable to do this since the inventory count had yet to be done.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		accounts.	
AAR 2014	51. The Local Chief Executive gave assistance to constituents of other municipalities from the Development Acceleration Program (DAP) fund received by the Municipality from the Department of Budget and Management contrary to DBM SARO No. G-12-01378 dated December 20, 2012, thus, rendering the grant of financial assistance irregular. Moreover, the disbursement vouchers were not supported with the basic supporting documents required under Administrative Order No. 1 series of 2011, thus, the validity of the disbursements could not be determined.	85. It was recommended that the Local Chief Executive refund the questioned financial assistance granted to constituents from other municipalities and comply with DBM SARO No. G-12-01378 on the limitation of the grant of financial assistance to residents of Zamboanguita only. Furthermore, the Municipal Social Welfare Office must see to it that the supporting documents required pursuant to the Omnibus Guidelines on the Management of DSWD-Operated Crisis Intervention Units are attached to the claims for payment.	Unimplemented Management had yet to refund the amount since the individuals could no longer be located and more than 8 years had already passed.
AAR 2013	52. The Municipality paid honoraria to the BIR Collection agents stationed in the Municipality although the position is not among those entitled to honoraria pursuant to DBM Compensation Policy Guidelines No. 98-1 resulting to irregular payments totaling ₱112,000.00 for the years 2009 to	86. We recommended that the payment of honorarium to BIR Collection Agents stationed in the Municipality be immediately stopped and the amounts already paid be refunded by the personnel concerned.	Unimplemented The Municipality had stopped payment of honorarium and the personnel concerned could no longer be located since more than 9 years had already passed.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	2013.		
AAR 2012	53. Various properties amounting to ₱8,420,323.37 funded out of trust funds remained recorded in said fund despite completion of the various projects contrary to Section 104, Volume I of the NGAS, hence, misstating the financial position of the Agency.	We recommended that Management: 87. Conduct a Physical Inventory of all involved properties to determine the existence and physical condition of these assets. 88. Require the LGU to maintain a properly accomplished/updated Property, Plant and Equipment Ledger Cards (PPELC) for easy verification and reference both by the auditee and auditor.	Unimplemented Management had yet to complete the physical inventory count. Unimplemented Management had yet to assign personnel tasked with maintaining the properly accomplished PPELC.
AAR 2010	54. The Municipality granted a total of ₱1,104,000.00 Productivity Enhancement Incentive (PEI) to its employees when it already exceeded the Personal Services limitation, in violation of Section 8.1 of DBM Budget Circular No. 2010-3 dated November 30, 2010, thus resulting in irregular disbursement of government funds amounting to ₱746,543.85.	89. We recommended that Management require the refund of PEI granted to the municipal officials and employees exceeding the PS limitation in the total amount of ₱746,543.85 and adhere to the provisions of Budget Circular No. 2010-3 dated November 30, 2010.	Unimplemented Management had yet to refund the full amount as the payment had been done through payroll deduction or offsetting against terminal pay in case of retirement.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2010	55. The Municipality violated Sections 305 and 335 of RA 7160 and the guidelines on Emergency Assistance Program of the DSWD by procuring, under its Food Relief Program, non-priority food items, such as catsup, soy sauce, black beans, onions and garlic totaling at least ₱529,427.50 distributed to seven (7) barangays a day or more before or after the barangay fiesta, resulting to an audit disallowance of the total amount spent for that purpose.	90. We recommended that all municipal officials who participated in the transactions, from the requisitioning to the approving officials, shall refund the total amount of the procured food items, being jointly and solidarily liable therefor.	Unimplemented The Municipality had yet to receive a resolution of their appeal made February 26, 2015.
AAR 2009	56. Copies of the delivery documents were not submitted to the auditor within twenty-four (24) hours after acceptance of deliveries of goods and services, in violation to Section 6.9 of COA Circular No. 2009-002 dated May 18, 2009, thereby precluding the auditor from inspecting deliveries.	91. Require the municipal officials concerned to submit copies of the delivery documents within twenty-four (24) hours from acceptance of goods and services thereof, to enable the auditor to inspect, review and evaluate the transactions/projects.	Unimplemented The submission had yet to be done within the required period.
AAR 2008	57. Other Receivables (149) – SEA Loans account representing loans released to qualified individuals under the Self Employment Assistance Program of the	92. Require the municipal accountant to maintain subsidiary ledgers representing loans granted to qualified individuals under the Self-Employment Assistance	Unimplemented The Municipal Accountant had yet to maintain the required ledgers due to the need to validate previous records that were not properly managed.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Municipality which has a balance of ₱1,033,640.75 as of December 31, 2009 is doubtful due to inaccuracies and non-availability of accounting records, thus, exposing the risk of loss of funds from non-payment, as well as possible misstatement of receivables in the Financial Statements.	Program of the DSWD. Likewise, require him to reconcile the Other Receivables – SEA Loan account with the available accounting records so that this can be supported with reliable balances of the persons granted with loans.	
AAR 2008	58. A total of 32 units of unserviceable properties of the Municipality amounting to ₱159,309.22 were not covered with an Inventory and Inspection Report for Unserviceable Property (IIRUP) in violation of Section 59 of the New Government Accounting System Manual, Volume II, thus depriving municipal officials of vital information on the status of the municipal properties for them to take appropriate action/disposition thereof, thus overstating the property, plant and equipment accounts of the Municipality.	93. Require the Committee on Inventory to prepare and submit the Inventory and Inspection Report for Unserviceable Property (IIRUP) pursuant to Section 59 of the New Government Accounting System Manual, Volume II as basis in taking up the dropping of the properties from the books of accounts.	Unimplemented The report had yet to be submitted due to unavailability of records on the properties.
AAR 2007	59. The Municipality granted additional cash gift for CY 2007 to its officials and employees at	94. Immediately refund in full the extra cash gift amounting to ₱950,000.00 for CY 2009.	Unimplemented The documents showing completion of the payroll deduction had yet to be

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>₱10,000.00 each in the total amount of ₱950,000.00 which exceeded the PS limitation by ₱1,570,872.74 in violation of Local Budget Memorandum No. 54 dated December 19, 2009, Sec. 325 of the Local Government Code of 1991, thus resulting to unlawful and overspending of government funds.</p>	<p>Henceforth, the local chief executive should ensure that the grant of similar benefits complies with prescribed guidelines especially insofar as observance of the PS limitation is concerned so that the disbursements will not be disallowed in audit.</p>	<p>submitted.</p>
AAR 2006	<p>60. Trial Balances and supporting schedules were not submitted by the Municipal Accountant to the Office of the Auditor within the reglementary period contrary to Section 70, Volume I of the Manual on the New Government Accounting System for Local Government Units, thus negating the usefulness of the said reports.</p>	<p>95. Required the Municipal Accountant to update the submission of the trial balances and the required schedules to the Office of the Auditor pursuant to Section 70 of the Manual on the New Government Accounting System for Local Government Units, Vol. I.</p>	<p>Unimplemented The required reports had yet to be submitted within the prescribed period.</p>
AAR 2006	<p>61. A number of livestock of the Municipality were not accounted for by taking up in the books of account as required under Section 63 of P.D. 1445, thus total assets were understated and the accountability thereof was not established.</p>	<p>96. Likewise, required the municipal agricultural officer to maintain and update Work, Other Animals and Breeding Stocks Property Card as required under Section 46 of the new Government Accounting System manual, Volume II and to prepare an Inventory Report so that accountability will be properly</p>	<p>Unimplemented The balance in the books had yet to be updated.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		established monitored.	
AAR 2004	62. The Local Government failed to reconcile records and substantiate ownership of various real properties, thus, giving rise to unrecorded assets and misstatement of the Land account presented in the financial statements.	<p>97. Instructed the Treasury, Assessor and Accounting Offices to make a reconciliation of the Land account. Direct the Municipal Assessor to update his records so that all lands of the government could be taken up, to gather sufficient data for the proper treatment of said lands, and to facilitate the titling of such lots, if warranted under the circumstances, so that the properties of the government could be properly secured and recognized in the accounting records.</p> <p>98. Directed the Municipal Treasurer, Municipal Accountant and Municipal Assessor to secure the Land Titles to all real properties to reconcile records and substantiate ownership of agency's real properties.</p>	<p>Unimplemented The reconciliation of the Land account had yet to be completed.</p> <p>Unimplemented The Municipality had yet to secure the land titles of three out of the nine parcels.</p>
AAR 2004	63. Nine out of the ten parcels of land owned by the local government and already recorded in the books of accounts have not been issued with	99. Directed the Treasury, Accounting, and Assessor Offices to secure the Land Titles of all real properties as an indispensable	Unimplemented The Municipality had yet to secure the land titles of three out of the nine parcels.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>new Transfer Certificate of Title in the name of the Municipality of Zamboanguita, thus, posing risk for potential ownership claims/legal violations that may arise in the future.</p>	<p>requirement to establish true ownership of said properties. Lands owned or acquired by local governments without Torrens Title shall within the next fiscal year from their acquisition be surveyed with a view to securing title thereto, and the appropriation for such survey and other requirements for securing title shall be deemed against the unappropriated funds of such Municipality during the said ensuing fiscal year. All purchases of real property should be done in accordance with the pertinent laws governing such transaction in order to prevent future disallowances in audit.</p>	

PART IV
APPENDICES

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