EXECUTIVE SUMMARY

Introduction

The Municipality of Santa Catalina, Province of Negros Oriental, was formerly called Tolong Viejo, a barrio of Tolong Nuevo (now named Bayawan City). On December 19, 1947, President Manuel Roxas issued Executive Order No. 111 making Sta. Catalina the 26th Municipality of Negros Oriental with 22 component barangays. The Municipality covers 523.10 square kilometers, with a majority of its area classified as rural. Only one barangay is urbanized. Based on the CY 2020 census, it had a total population of 77,501. It is classified as a 1st class Municipality. Pursuant to Republic Act No. 7160, the Municipality, like all other government units, enjoys total independence in managing and planning its own administrative, fiscal, and development affairs in conformity with the national government's thrust for sustainable social and economic growth. As of December 31, 2024, it had a personnel complement of:

Nature of Appointment to Office	*Quantity*
Elective Officials	12
Coterminous	2
Permanent	147
Casuals	41
Contact of Service	3
Job Orders/Contract of Service	1096
Total	**1,301**

Audit Objective

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

Audit Methodology

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated, and audit procedures were applied to less than 100 percent of items within a population of audit relevance, in accordance with ISA 530.

Scope of Audit

An audit was conducted on the accounts and operations of the Municipal Government of Santa Catalina for 2024. The audit consisted of verification, reconciliation, confirmation, inspection, and analysis of accounts reported on the financial statements, review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, and such other procedures considered necessary.

Financial Highlights

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

Statement of Financial Position			
	2024	2023	Increase/ (Decrease)
Assets	₱ 1,812,468,342.21	₱ 1,671,814,284.42	₱ 140,654,057.79
Liabilities	283,361,811.49	255,528,904.18	27,832,907.31
Equity	₱ 1,529,106,530.72	₱ 1,416,285,380.24	₱ 112,821,150.48

Results of Operations			
	2024	2023	Increase/ (Decrease)
Revenues	₱ 384,634,489.37	₱ 365,175,854.08	₱ 19,458,635.29
Personal Services	116,886,122.24	108,987,662.42	7,898,459.82
MOOE	168,272,526.14	148,553,496.90	19,719,029.24
Financial Expenses	317,307.00	18,000.00	299,307.00
Non-Cash Expenses	69,082,435.95	59,678,340.93	9,404,095.02
Transfers, Assistance and Subsidy from (to)	1,522,146.74	818,090.78	704,055.96
Net Profit/ (Loss)	₱ 31,598,244.78	₱ 48,756,444.61	₱ (17,158,199.83)

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 then ended, taking exception to the effects of the following:

The accuracy of the balance of the Property, Plant and Equipment accounts valued at ₱1,128,712,417.76 is unreliable due to unreconciled discrepancies between the actual count and the figures reported in the financial statements, including movable properties valued at ₱2,666,049.75.

The unreconciled balances of the Certified List of Taxpayers and Amounts Due and Collectible for the year and the Real Property and Special Education Tax Receivables led to the overstatement thereof by ₱22,098,576.94.

Further, inventories totaling ₱7,173,567.76 were recognized as expenses for the audited year, instead of remaining in inventory, and prior year expenditures amounting to ₱2,305,292.13 were erroneously recorded as current year expenses, therefore overstating the expenses by an aggregated amount of ₱9,478,859.89.

In addition to the above financial information, the accuracy of the cash balance reported for the 20 percent development fund cannot be determined, because there is a substantial discrepancy amounting to ₱36,807,717.53, between the reported balance in the financial statements and the financial data reported in the status of appropriations, allotments, and obligations, which is yet to be reconciled.

Significant Audit Observations and Recommendations

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

1. **Only 20 out of the 62 projects programmed under the 20 percent Development Fund (DF) were implemented because of the unavailability of heavy equipment, non-prioritization of development projects, among others, thus not achieving optimum efficiency in providing basic facilities and services to the constituents.**

   We recommended that the Municipal Engineer evaluate the feasibility and closely monitor the implementation of the various PPAs according to the approved development plan. In addition, we recommended that Management consider all possible limitations, including the availability of equipment, during the planning stage.

2. **Management does not maintain a separate bank account for its 20 percent Development Fund (DF) special account, making it difficult to determine, in a timely manner, the availability of actual cash backup of the unutilized balance of ₱261,520,856.29 as of December 31, 2024, which consists of current and continuing appropriations for the implementation of development projects.**

   We recommended that the Municipal Accountant and the Municipal Budget Officer reconcile their reports and determine the actual funds available for ongoing and/or unimplemented projects under the 20 percent DF. We further recommended that Management, upon the authorization of the Sanggunian, open a separate bank account in the General Fund for the 20 percent DF, to which the Municipal Accountant and Municipal Treasurer transfer the determined or reconciled balance of the said account.

3. **Defects in the procurement process for the rehabilitation of Barangay roads and the purchase of construction materials and office supplies totaling ₱17,975,445.24, particularly in the observance of proper timelines and compliance with the procurement procedures, compromised the integrity of these transactions, creating potential inefficiencies and additional costs to the government.**

We recommended that the BAC evaluate and address bottlenecks causing delays in the procurement process, including the posting of NOAs and NTPs, to enhance transparency in government procurement.

4. **Expenditures totaling ₱594,689.00 incurred for serving meals and snacks during various gatherings, such as public hearing, capability building, women's month celebration, and planning, were incorrectly recorded as Other Maintenance and Operating Expenses (5-02-99-990), instead of Training Expenses (5-02-02-010) or Extraordinary and Miscellaneous Expenses (5-02-10-030), and negatively impacts the effectiveness of financial information available for decision-making by Management.**

   We recommended that the Municipal Accountant establish internal accounting policies to identify whether a particular expenditure pertains to Other Maintenance and Operating Expenses, Training Expenses, or Extraordinary and Miscellaneous Expenses. We also recommended that the Municipal Accountant, henceforth, strictly follow the Revised Chart of Accounts.

5. **The Municipality's Integrated and Ecological Solid Waste Management Ordinance includes stipulations concerning fines and penalties, which not only leads to lost revenue opportunities but also hinders local enforcement efforts for environmental protection and sustainability.**

   We recommended that the Municipality's Solid Waste Management Board conduct a comprehensive review of its existing solid waste management ordinance and enhance enforcement strategies, to ensure that penalties are consistently applied, discouraging violations and improving overall waste management practices. We further recommended that the MENRO conduct public consultations and develop awareness campaigns to inform residents and businesses about the changes in fines, penalties, and their responsibilities under the updated ordinance.

All other audit observations and recommendations are discussed in detail in Part II of this Report.

Summary of Total Suspensions, Disallowances and Charges

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

	Beginning Balance (As of January 1, 2024)	This Period January 1 to December 31, 2024		Ending Balance (As of December 31, 2024)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	₱2,136,400.00	0.00	0.00	₱2,136,400.00
Notice of Charge	0.00	0.00	0.00	0.00

The outstanding disallowances are currently on appeal with the Commission.

Status of Implementation of Prior Years' Audit Recommendations

Of the 52 prior years' recommendations 19 were implemented and 33 were unimplemented.