EXECUTIVE SUMMARY

Introduction

The Municipality of Ayungon was created by virtue of Governor General Order No. 31, series of 1924, by Governor General Leonard Wood on July 1, 1924. It is located northeast of Negros Oriental with a total land area of approximately 28,168 square kilometers mostly devoted to agriculture and housing. Based on the CY 2020 census, its population was reported at 47,102. It is presently classified as a second-class municipality, envisioned to be the rice bowl of Central Negros.

As of December 31, 2024, it had a personnel complement of:

Nature of Appointment to Office	No. of Personnel	
	2024	2023
Elective Officials	12	10
Permanent Positions	64	55
Coterminous	2	2
Temporary	0	1
Casual/Contractual	67	60
Job Orders	211	206
Total	**356**	**334**

Audit Objective

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

Audit Methodology

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

Scope of Audit

An audit was conducted on the accounts and operations of the Municipal Government of Ayungon for 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, 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 and equity and a decrease in liabilities:

Accounts	2024 (in ₱)	2023 (in ₱)	Increase/ (Decrease)
Statement of Financial Position			
Assets	747,654,958.44	684,819,428.20	62,835,530.24
Liabilities	87,859,733.10	98,602,236.09	(10,742,502.99)
Equity	659,795,225.34	586,217,192.11	73,578,033.23

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase/ (Decrease)
Statement of Financial Performance			
Revenue	238,756,283.99	226,238,926.79	12,517,357.20
Personnel Services	71,736,120.93	71,750,572.44	(14,451.51)
MOOE	154,696,252.97	124,357,294.96	30,338,958.01
Non-Cash Expenses	33,864,117.48	32,991,938.29	872,179.19
Financial Expenses	0.00	0.00	0.00
Transfers, Assistance, and Subsidy From	41,367,819.77	13,064,513.31	28,303,306.46
Transfers, Assistance, and Subsidy To	4,980,831.30	11,225,320.57	(6,244,489.27)
Net Surplus/(Deficit)	14,846,781.08	(1,021,686.16)	15,868,467.24

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

Particulars	2024 (in ₱)	2023 (in ₱)	Increase/ (Decrease)
Final Budget	359,184,399.36	363,279,395.86	(4,094,996.50)
Actual Amounts	245,350,472.55	259,351,749.92	(14,001,277.37)

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:

1. The Inventory Committee was not able to conduct a complete physical inventory count for the one-time cleansing of the Property, Plant, and Equipment (PPE) accounts thereby raising concerns about the existence and fairness of the presentation of the PPE balances of ₱377,956,496.66 in the financial statements, including movable properties totaling ₱82,252,926.83 as of December 31, 2024; and

2. The accuracy of the Accountable Forms, Plates and Stickers inventory account in the total amount of ₱1,074,559.30 is unreliable because the Municipal Treasurer did not conduct a physical count of inventory items every semester and did not prepare the Summary of Supplies and Materials Issued (SSMI), which is the basis for recording the utilization of inventory items, thereby overstating the Inventory account by ₱889,767.22 and understating the Expense account of the same amount, affecting the fair presentation of the accounts in the financial statements.

Significant 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. The balances of the Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable accounts as of December 31, 2024, between the records of the Municipal Accounting Office (MAO) and the Municipal Treasurer's Office (MTO) showed a difference of ₱8,907,556.24 due to the non-reconciliation of their records and the non-recording of the RPT and SET receivables. Consequently, the RPT/SET Receivable and Deferred Income accounts, as presented in the financial statements, are deemed unreliable.

   We recommended that the Municipal Mayor direct:

   a. The Municipal Accountant and Municipal Treasurer to reconcile the difference between the RPT and SET Receivables account balances totaling ₱8,907,556.24 and henceforth, conduct periodic reconciliation, together with the Municipal Assessor, of the total collectibles from the Basic and Special Education Tax with the RPT and SET Receivables account balances to prevent the accumulation of unreconciled differences;

   b. The Municipal Treasurer to 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 and SET Receivable accounts in compliance with Chapter 3, Section 20 of the NGAS Manual for LGUs, Volume I; and

   c. The Municipal Accountant to maintain subsidiary ledgers for RPT and SET receivables to support the general account in the financial statements.

2. Loans totaling ₱2,461,183.81 granted to individuals and people's organizations have remained outstanding for over 10 years due to the inaction of the LGU to demand and strictly enforce the collection of the loans, depriving the government of funds that could have been used for expanding the program or implementing other priority projects.

   We recommended that the Municipal Treasurer and Municipal Accountant, with the concurrence of the Local Chief Executive, evaluate the collectability of these loans and exhaust all efforts to collect from the debtors, such as sending demand letters, conducting follow-ups, negotiating payment terms, or implementing legal actions.

   Henceforth, we recommended that the Municipal Accountant maintain subsidiary records for future borrowers to monitor each borrower's status and provide detailed records that support the General Ledger to ensure accurate financial reporting.

3. The utilization of the Local Disaster Reduction and Management Fund (LDRRMF) amounting to ₱198,850.00 was paid despite the absence and inaccuracy of supporting documents due to insufficient review by responsible personnel from various departments, increasing the risk of irregular or unsupported expenditures compromising the integrity and accountability of public fund utilization.

   We recommended that the Municipal Mayor direct:

   a. The Municipal Accountant to ensure that all disbursement vouchers (DVs) and claims against public funds are supported with complete, accurate, and relevant documents in accordance with Section 4(6) of Presidential Decree No. 1445, which states that claims must be backed by complete documentation.

   b. The Municipal Treasurer to mandate the use of "PAID" stamps on all DVs and supporting documents immediately after payment to establish proof of settlement, prevent duplicate disbursements, and maintain a clear audit trail.

   c. The LDRRM Officer to review the Activity Design of all LDRRM activities to ensure that the planned objectives, target participants, and budget allocations are clearly defined, realistic, and aligned with actual implementation.

   d. All Department Heads to use the updated forms such as the DV, PR etc. as prescribed in the Manual of New Government Accounting System for LGUs.

   e. All Department Heads and personnel responsible for any transaction to review, sign, and fill in all the information needed in the Disbursement Voucher, Purchase Request, Requests for Quotation, Purchase Orders, Activity Designs, Acceptance and Inspection Reports, and other related pertinent documents.

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

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

Particulars	Beginning Balance (01/01/2024)	Issued this Period (01/01/2024 to 12/31/2024)		Ending Balance (12/31/2024)
		NS/ND/NC	NSSDC	
Suspension	₱ 1,042,905.13	₱ 0.00	₱ 0.00	₱ 1,042,905.13
Disallowances	2,615,028.00	0.00	0.00	2,615,028.00
Charges	0.00	0.00	0.00	0.00
Total	**₱ 3,657,933.13**	**₱ 0.00**	**₱ 0.00**	**₱ 3,657,933.13**

Status of Implementation of Prior Years' Audit Recommendations

Out of the 49 recommendations embodied in the previous years' Annual Audit Reports, 12 were implemented and the remaining 37 were unimplemented.