



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. VII**

M.J. Cuenco Avenue, Corner V. Sotto Street, Barangay Tinago, 6000 Cebu City

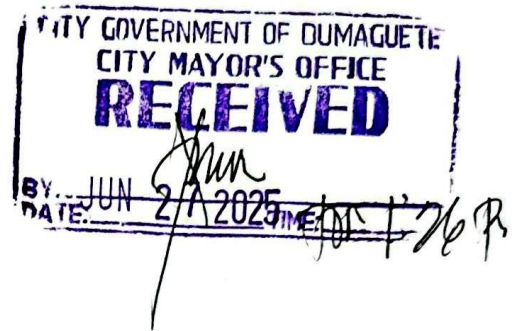
June 24, 2025

**HONORABLE FELIPE ANTONIO B. REMOLLO**

Mayor

City of Dumaguete

Province of Negros Oriental



**Dear Mayor Remollo:**

We are pleased to transmit the Annual Audit Report of the City of Dumaguete, for calendar year 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 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 March 24, 2025, are discussed 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 is discussed in Part III of this report.

We request that the recommended remedial measures to the audit observations be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (form attached) within 60 days from receipt hereof.

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

Very truly yours,

  
VISITACION Q. MENDOZA  
Director IV

Copy furnished:

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

Republic of the Philippines  
Province of Negros Oriental  
**CITY OF DUMAGUETE**

**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
			Target Implementation Date						
			Action Plan	Person/Dept. Responsible	From	To			

Agency sign-off:

\_\_\_\_\_  
Name and Position of Agency Officer

\_\_\_\_\_  
Date

Note: Status of Implementation may either be (a) Implemented, or (b) Not Implemented



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

**Office of the Supervising Auditor**

---

March 29, 2025

**VISITACION Q. MENDOZA**

Director IV

Commission on Audit

Regional Office No. VII

M.J. Cuenco Avenue, Corner V. Sotto St., Cebu City

**Dear Director Mendoza:**

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445, we conducted an audit on the accounts and operations of the City of Dumaguete for the year ended December 31, 2024.

The audit was conducted to ascertain the propriety of financial transactions and the agency's compliance with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

Our report consists of four parts: Part I presents the Audited Financial Statements; Part II presents the details of our Audit Observations and Recommendations; Part III presents the Status of Implementation of Prior Years' Audit Recommendations; and Part IV contains the Appendices.

The significant findings and recommendations were communicated to Management through Audit Observation Memoranda (AOM) and were discussed with concerned management officials and staff during the exit conference conducted on March 24, 2025. Their comments were incorporated in this Report, where appropriate.

The combined effects of the audit observations which are discussed in detail in Part II of this Report affected the fair presentation of the financial statements.

In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion Paragraph, the combined financial statements present fairly, in all material respects, the financial position of the City of Dumaguete as of December 31, 2024, and its

financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provides a reasonable basis for the results of the audit.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Katherine Z. Velez', is written over a vertical line that serves as a signature line.

**KATHERINE Z. VELEZ**

State Auditor V

Supervising Auditor



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

**Office of the Auditor – Audit Team R7-02**

---

March 28, 2025

**KATHERINE Z. VELEZ**

Supervising Auditor

Audit Group LGAS F-Province of Negros Oriental 1

**Dear Supervising Auditor Velez:**

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 City of Dumaguete, 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 March 24, 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, Local 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 December 31, 2024 for references on the areas audited.

GAI/SAI Focus Area	Remarks
<b>A. Financial Audit</b>	
Cash in Bank	With audit working paper but cannot be completed for lack of material time
Cash Local Treasury	With audit working paper but cannot be completed for lack of material time
Property, Plant and Equipment	With audit finding – AO Nos. 3, 4, 5, and 6
Investment Property, Building	Not applicable – no Investment Property
Inventories	With audit finding – AO No. 2
Receivables	No audit finding - with audit working paper
Breeding Stocks	With audit finding – AO No. 7
Accounts Payable	No audit finding – with audit working paper
Inter-Agency Payables	No audit finding – with audit working paper
Other Maintenance and Operating Expenses	With audit finding – AO No. 10
Loans Payable – Domestic	No audit finding – The City has no loans payable
Trust Liabilities	With audit finding – AO No. 9
Advances	No audit finding – with audit working paper
Due from Officers and Employees	No audit finding – with audit working paper
Due from NGOs/ POs	With audit finding – AO No. 1
<b>B. Subsequent Events and Going Concern issues</b>	No audit finding – No significant event that may affect the FS.
<b>C. Other Financial Related Issues</b>	
Taxes withheld from employees and suppliers and remittances to the Bureau of Internal Revenue (BIR) in accordance with RA No, 8424 and its IRR under BIR RR No. 02-98	No audit finding – with audit working paper
Premium contributions and loan amortization to the Government Service Insurance System in accordance with RA No. 8291	No audit finding – with audit working paper

GAI/SAI Focus Area	Remarks
Premium contributions and loan amortization to the Home Development Fund in accordance with RA No. 9679	No audit finding – with audit working paper
Premium contributions and remittance to Philhealth in accordance with RA No. 7875, amended	No audit finding – with audit working paper
Audit of Official Development Assistance (ODA)	No audit finding – The City has not received any ODA funds.
LGSF-Support to the Barangay Development Program of the National Task Force to End Local Communist Armed Conflicts (NTF-ELCAC)	No audit finding – with audit working paper
Twenty percent Development Fund	With audit finding - AO No. 11
Payment to Casuals, Job Order, Contractuals, and Consultants vis-à-vis the requirements of COA Memorandum No. 2012-010 dated October 17, 2012, and COA Resolution No. 2021-044 dated December 28, 2021	With audit finding - AO No. 12
DRRM Funds/QRF-Projects completed but not yet recorded and expenses not related to DRRM Funds	With audit finding - AO No. 8
Gender and Development (GAD) Funds – Expenses not related to GAD programs, projects and activities per approved GAD Plan and Budget	No audit finding – with audit working paper
National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) Funds	No audit finding – with audit working paper

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,



**ROSARIO B. VILLALUZ**

State Auditor IV

Audit Team Leader



Republic of the Philippines  
**REGIONAL OFFICE NO. VII**  
M.J. Cuenco Avenue, Corner V. Sotto Street, Barangay Tinago, 6000 Cebu City

**ANNUAL AUDIT REPORT**

**ON THE**

**CITY OF DUMAGUETE**

**PROVINCE OF NEGROS ORIENTAL**

**For the Year Ended December 31, 2024**



## **EXECUTIVE SUMMARY**

### **Introduction**

The City of Dumaguete is the capital of the Province of Negros Oriental and was created on June 15, 1948, by virtue of Republic Act (RA) No. 327. On June 21, 1969, RA No. 5797, otherwise known as the “Revised Charter of the City of Dumaguete,” was enacted. It is classified as a 3<sup>rd</sup> class City pursuant to the Bureau of Local Government Finance Memorandum Circular No. 01-C(a)-05 dated December 16, 2005.

The City derives its mandate from RA 7160, known as the Local Government Code of 1991. The code empowers Local Government Units (LGUs) to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. It is committed to discharge its mandated functions and responsibilities with the highest degree of integrity, dedication and nationalism, and to deliver prompt, responsive and quality services to its constituents.

To improve the standard of living of all the constituents had been the main thrust of the City. To attain this goal, the City uses its resources to the maximum level by implementing programs, projects, and activities that benefit its constituents.

### **Audit Objectives**

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.

### **Audit Methodology**

The Commission has been implementing risk-based audits 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 City of Dumaguete for CY 2024. The audit consisted of a review of operating procedures, evaluation of the City’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

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

	2024	2023	Increase/(Decrease)	%
Assets	5,447,489,049.61	4,979,606,091.89	467,882,957.72	9.40%
Liabilities	1,222,438,143.11	1,123,209,006.31	99,229,136.80	8.83%
Equity	4,225,050,906.50	3,856,397,085.58	368,653,820.92	9.56%

Moreover, the Statement of Financial Performance presented both increase in revenue and expenses, as shown below:

	2024	2023	Increase/ (Decrease)	%
Revenue	1,243,787,223.05	1,169,988,050.30	73,799,172.75	6.31%
Expenses	950,861,597.17	871,473,488.47	79,388,108.70	9.11%
Surplus (Deficit) from current operations	292,925,625.88	298,514,561.83	(5,588,935.95)	(1.87%)
Transfers, Assistance and Subsidy From/(To)	76,834,135.43	46,561,963.30	30,272,172.13	65.01%
Surplus (Deficit) for the period	369,759,761.31	345,076,525.13	24,683,236.18	7.15%

## Independent Auditor's Report on the Financial Statements (FS)

We rendered a qualified opinion on the fairness of the presentation of the FS for the year then ended, taking exception to the effects of the following:

- a. The existence and accuracy of the inventory accounts totaling ₱109,420,217.02 as of December 31, 2024 could not be fully ascertained because of the non-conduct of a physical count of inventories, incomplete report of issuances, incomplete Supplies Ledger Cards (SLCs) and Stock Cards (SCs), and inclusion of dormant items amounting ₱19,815,169.11, thus, overstating the asset and equity accounts;
- b. The accuracy and reliability of the Road Networks account totaling ₱97,548,062.80 could not be ascertained due to incomplete inventory reports, ledger and property cards, absence of depreciation and non-disclosure of the total road networks in the Notes to the Financial Statements, contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby affecting the fair presentation of the account in the

financial statements;

- c. Various maintenance and operating expenses, amounting ₱55,893,386.84, were lumped under the Other Maintenance and Operating Expenses account, instead of being classified under the appropriate expense accounts, inconsistent with Paragraph 27 of IPSAS 1 and COA Circular No. 2015-009 dated December 1, 2015, thus, affecting the fair presentation of the affected accounts in the financial statements as of year-end;
- d. The inadequate monitoring of fund transfers to various Non-Government Organizations (NGOs) or People's Organizations (POs) since 1994 has led to an accumulated balance of ₱46,497,781.78, which contradicts COA Circular 2007-001 dated October 25, 2007, and adversely affects the reliability of the year-end financial statement account balances;
- e. Completed projects funded by the 20 percent Economic Development Fund (EDF) amounting to ₱45,718,667.86, still remained in the Construction in Progress (CIP) Accounts, inconsistent with Paragraph 27 of IPSAS 1 and Section 50 of the NGAS Manual for LGUs, Volume I, thereby overstating the CIP account and understating the appropriate Property, Plant and Equipment (PPE) and Depreciation Expense accounts;
- f. Tangible items below ₱50,000.00, accounted as semi-expendable property, totalling ₱45,600,127.26, are included in the PPE account due to the non-implementation of the change in accounting policy retroactively, thus, affecting the fair presentation of the PPE account in the financial statements;
- g. The Buildings, Hospitals and Health Centers, and Motor Vehicles accounts of the City include items, totaling ₱4,655,979.35, that do not meet the asset recognition criteria, contrary to IPSAS 1 and 17, and Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, thus affecting the fair presentation of these accounts in the financial statements; and
- h. The reported balance of the Biological Assets account, totaling ₱1,123,860.00, is uncertain due to: (a) incomplete and unreconciled inventory count; (b) dormant accounts exceeding ten years; (c) non-maintenance of required ledger and property cards; and (d) the lack of recognition and measurement of stocks in accordance with IPSAS 27, thus affecting the accurate presentation of the accounts in the financial statements.

### **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:

- a. One hundred twenty-one (121) parcels of land of undetermined value, acquired through donation, were not recorded in the books due to delays of concerned offices in providing the City Accountant with the Deeds of Donation, valuation reports,

titles, and other supporting documents, contrary to Section 63 of PD No. 1445, thereby understating both the asset and equity accounts as at year-end.

We recommended that Management enhance the coordination and communication between the City Legal Office (CLO), City Assessor’s Office, City General Services Office (CGSO) and CAO to expedite property valuation and documentation process by establishing a tracking system or timeline for property documentation. A focal person from each office could be designated to oversee the timely submission and follow-up on any missing documents.

- b. The Local Disaster Risk Reduction and Management Fund (LDRRMF) has ₱12,052,699.82 in continuing appropriations for capital outlay that remained unutilized as of year-end due to inadequate monitoring of the implementation of 26 projects, which deviated from Items 5.1.5 and 5.1.11 of COA Circular No. 2012-002 dated September 12, 2012, thereby posing risks that the City may not be adequately prepared for the adverse impacts of disasters and calamities.

We recommended that the City Disaster Risk Reduction and Management Officer (CDRRM Officer), City Engineer, and City Accountant designate personnel to oversee the verification of completion of the 26 projects under the LDRRMF Continuing Appropriation-Capital Outlay of CYs 2016-2019, through comprehensive review and retrieval of relevant documents to facilitate a timely liquidation process. Furthermore, we recommended that, upon project completion and proper liquidation, the City Accountant make the necessary accounting entries to transfer the assets to the General Fund.

**Summary of total suspensions, disallowances, and charges as of year-end**

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

	<b>Ending Balance (As of 12/31/2023)</b>	<b>NS/ND/NC Issued from 01/01/2024 to 12/31/2024</b>	<b>NS/ND/NC Settled from 01/01/2024 to 12/31/2024</b>	<b>Ending Balance (As of 12/31/2024)</b>
Suspensions	₱ 303,822,104.49	0.00	0.00	₱ 303,822,104.49
Disallowances	51,707,298.00	0.00	0.00	51,707,298.00
Charges	0.00	0.00	0.00	0.00

**Status of prior years’ audit recommendations**

Of the 75 prior years’ audit recommendations, nine (9) were implemented, and 66 were not implemented.

## TABLE OF CONTENTS

<u><i>Part</i></u>	<u><i>Subject</i></u>	<u><i>Page No.</i></u>
I	Audited Financial Statements	
	Independent Auditor's Report	1-3
	Statement of Management Responsibility for Financial Statements	4
	Statement of Financial Position	5
	Statement of Financial Performance	6
	Statement in Changes in Net Assets/Equity	7
	Statement of Cash Flows	8
	Statement of Comparison of Budget and Actual Amounts	9-11
	Notes to Financial Statements	12-49
II	Audit Observations and Recommendations	50-86
III	Status of Implementation of Prior Years' Audit Recommendations	87-115
IV	Appendices	

# **PART I-AUDITED FINANCIAL STATEMENTS**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. VII**

M.J. Cuenco Avenue, Corner V. Sotto Street, Barangay Tinago, 6000 Cebu City

## **INDEPENDENT AUDITOR'S REPORT**

### **HONORABLE FELIPE ANTONIO B. REMOLLO**

Mayor  
City of Dumaguete  
Province of Negros Oriental

### **Qualified Opinion**

We have audited the financial statements of the City of Dumaguete, 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 City of Dumaguete as at December 31, 2024, and its financial performance, its cash flows, and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

### **Bases for Qualified Opinion**

In forming our audit opinion, we considered the following audit observations, which are discussed in detail in Part II of this report:

- a. The existence and accuracy of the inventory accounts totaling ₱109,420,217.02 as of December 31, 2024 could not be fully ascertained because of the non-conduct of a physical count of inventories, incomplete report of issuances, incomplete Supplies Ledger Cards (SLCs) and Stock Cards (SCs), and inclusion of dormant items amounting ₱19,815,169.11, thus, overstating the asset and equity accounts;
- b. The accuracy and reliability of the Road Networks account totaling ₱97,548,062.80 could not be ascertained due to incomplete inventory reports, ledger and property cards, absence of depreciation and non-disclosure of the total road networks in the Notes to the Financial Statements, contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby affecting the fair presentation of the account in the financial statements;
- c. Various maintenance and operating expenses, amounting ₱55,893,386.84, were lumped under the Other Maintenance and Operating Expenses account, instead of being classified under the appropriate expense accounts, inconsistent with

Paragraph 27 of IPSAS 1 and COA Circular No. 2015-009 dated December 1, 2015, thus, affecting the fair presentation of the affected accounts in the financial statements as of year-end;

- d. The inadequate monitoring of fund transfers to various Non-Government Organizations (NGOs) or People's Organizations (POs) since 1994 has led to an accumulated balance of ₱46,497,781.78, which contradicts COA Circular 2007-001 dated October 25, 2007, and adversely affects the reliability of the year-end financial statement account balances;
- e. Completed projects funded by the 20 percent Economic Development Fund (EDF) amounting to ₱45,718,667.86, still remained in the Construction in Progress (CIP) Accounts, inconsistent with Paragraph 27 of IPSAS 1 and Section 50 of the NGAS Manual for LGUs, Volume I, thereby overstating the CIP account and understating the appropriate Property, Plant and Equipment (PPE) and Depreciation Expense accounts;
- f. Tangible items below ₱50,000.00, accounted as semi-expendable property, totalling ₱45,600,127.26, are included in the PPE account due to the non-implementation of the change in accounting policy retroactively, thus, affecting the fair presentation of the PPE account in the financial statements;
- g. The Buildings, Hospitals and Health Centers, and Motor Vehicles accounts of the City include items, totaling ₱4,655,979.35, that do not meet the asset recognition criteria, contrary to IPSAS 1 and 17, and Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, thus affecting the fair presentation of these accounts in the financial statements; and
- h. The reported balance of the Biological Assets account, totaling ₱1,123,860.00, is uncertain due to: (a) incomplete and unreconciled inventory count; (b) dormant accounts exceeding ten years; (c) non-maintenance of required ledger and property cards; and (d) the lack of recognition and measurement of stocks in accordance with IPSAS 27, thus affecting the accurate presentation of the accounts in the financial statements.

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 a basis for our qualified opinion.

### **Key Audit Matters**

Except for the matters 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**

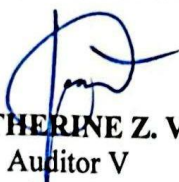
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

Those charged with governance are responsible for overseeing the LGU'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**



**KATHERINE Z. VELEZ**  
State Auditor V  
Supervising Auditor

March 27, 2025



CITY OF DUMAGUETE  
PROVINCE OF NEGROS ORIENTAL

---

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL  
STATEMENTS**

The Management of the City Government of Dumaguete is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2024 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/ Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

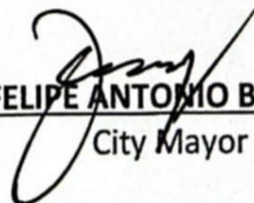
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.

  
DOREEN PAULINA S. CORDOVA

City Accountant *Li*

February 14, 2025

Date Signed

  
HON. FELIPE ANTONIO B. REMOLLO

City Mayor

February 14, 2025

Date Signed

**PART II-AUDIT OBSERVATIONS AND  
RECOMMENDATIONS**

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### FINANCIAL AUDIT

*Inventory totaling ₱109,420,217.02 cannot be fully ascertained*

1. **The existence and accuracy of the inventory accounts totaling ₱109,420,217.02 as of December 31, 2024 could not be fully ascertained because of the non-conduct of a physical count of inventories, incomplete report of issuances, incomplete Supplies Ledger Cards (SLCs) and Stock Cards (SCs), and inclusion of dormant items amounting ₱19,815,169.11, thus, overstating the asset and equity accounts.**

- 1.1 The Financial Statements as of December 31, 2024, showed that the accounts Inventory Held for Distribution and Inventory Held for Consumption had a combined balance of ₱109,420,217.02, as detailed below:

Account Title	Amount
<b>Inventory Held for Distribution</b>	
Agricultural Produce for Distribution	₱ 16,695.00
Property and Equipment for Distribution	5,902,999.86
Other Supplies and Materials for Distribution	596,688.00
<b>Inventory Held for Consumption</b>	
Office Supplies Inventory	10,946,681.33
Accountable Forms, Plates and Stickers Inventory	32,596.58
Animal/ Zoological Supplies Inventory	114,000.00
Food Supplies Inventory	572,713.00
Medical, Dental and Laboratory Supplies Inventory	15,645.22
Fuel, Oil and Lubricants Inventory	89,337,122.13
Agricultural and Marine Supplies Inventory	15,000.00
Construction Materials Inventory	488,224.38
Other Supplies and Materials Inventory	1,381,851.52
<b>Total</b>	<b>₱ 109,420,217.02</b>

- 1.2 It may be recalled that in the CY 2020 Annual Audit Report (AAR), the following audit recommendations were offered to Management:

- (a) To require the Inventory Committee to conduct an actual count of inventories and prepare the Report on Physical Count of Inventories (RPCI);
- (b) To require the City General Services Officer (CGSO) and the City Accountant to independently maintain property records and to regularly reconcile both records;
- (c) To require the requisitioning office to prepare and submit the Requisition Issue Slip (RIS) to the CGSO on a weekly basis; and
- (d) To require the CGSO to consolidate, through the SSMI, all the RIS and submit the same to the Accountant weekly as the basis for recording issuances in the books of accounts.

1.3 The audit of the CY 2024 accounts revealed, however, that management has yet to fully address the aforementioned deficiencies, thus, there is a need to reiterate the same, as follows:

**a) *Failure to conduct a physical count of inventories at the end of each semester:***

- 1.3.1. Section 124 of the Manual on the New Government Accounting System (NGAS)<sup>1</sup>, provides that the local chief executive (LCE) shall require periodic physical inventory of supplies or property. Physical count of inventory items by type **shall be conducted semestrially** and reported in the RPCI. This shall be submitted to the Auditor concerned not later than **July 31 and January 31 of each year for the first and second semesters, respectively**.
- 1.3.2. We followed up on the implementation of the audit recommendations in CY 2020 and found out that a physical count of supplies and materials for CY 2024 had not yet been conducted. Moreover, our records show that the RPCI had not been submitted to the Office of the Auditor for the years 2021, 2022, 2023, and 2024. Concerned City General Services personnel declared, however, that a physical inventory of supplies is scheduled to be conducted in CY 2025.

**b) *Incomplete Supplies Ledger Cards (SLCs) and Stock Cards (SCs)***

- 1.3.3. Additionally, Section 119 of the Manual on NGAS prescribes that the General Services Officer shall number each type of supply and maintain SCs per stock number.
- 1.3.4. During the interview with CGSO personnel, it was confirmed that they only maintained property records for monitoring four (4) out of 10 inventory accounts. Accountable Forms, Plates and Stickers Inventory was not directly monitored by CGSO as these items are under the custody of the City Treasurer. Moreover, the Medical, Dental, and Laboratory Supplies are held by the City Health Office.
- 1.3.5. It is important to note that the General Services Officer is responsible for the custody and accountability of all properties, both real or personal, owned by the City and those granted to it in the form of donation, reparation, assistance, and counterpart of joint projects<sup>2</sup>.
- 1.3.6. While delegating the monitoring of certain inventories to the appropriate offices may be efficient, CGSO should still maintain consolidated property records for these inventory accounts. Such records would prove invaluable during the mandatory conduct of the semi-annual inventory process and facilitate the reconciliation of property and accounting records.

---

<sup>1</sup> Prescribed for use in all local government units under COA Circular No. 2002-003 dated June 20, 2002

<sup>2</sup> Section 490, Article 20, Title 5 of Republic Act No. (RA) 7160, otherwise known as the Local Government Code (LGC)

**c) Use of RIS for the issuance of supplies and materials not executed**

- 1.3.7. Section 116 of the Manual on NGAS states that requisitions for supplies and materials shall be accomplished using the RIS for supplies carried in stock and Purchase Request (PR) for supplies not carried in stock.
- 1.3.8. Likewise, Section 121 thereof further states that the General Services Officer shall consolidate weekly the RIS using the Summary of Supplies and Materials Issued (SSMI). The SSMI shall be submitted to the Chief Accountant for proper recording of expenditures using appropriate expenditure accounts.
- 1.3.9. Further validation of prior years' audit recommendations revealed that CGSO has not yet fully implemented the use of the RIS form, and there has been no consolidation of all RIS in the SSMI. Evidently, SSMI was not submitted to the City Accountant's Office (CAO) for proper recording.

**d) Inclusion of dormant items totaling ₱19,815,169.11**

- 1.3.10. Further analysis of the subsidiary ledgers of the inventory accounts showed dormant items amounting to ₱19,815,169.11, as detailed below:

<b>Account</b>	<b>Account No.</b>	<b>Amount</b>
<b>Inventory Held for Distribution</b>		
Agricultural Produce for Distribution	1-04-02-060	₱ 16,695.00
Property and Equipment for Distribution	1-04-02-090	5,902,999.86
Other Supplies and Materials for Distribution	1-04-02-990	596,688.00
<b>Inventory Held for Consumption</b>		
Office Supplies Inventory	1-04-04-010	11,107,811.33
Accountable Forms Inventory	1-04-04-020	32,596.58
Food Supplies Inventory	1-04-04-050	499,500.00
Medical, Dental and Laboratory Supplies Inventory	1-04-04-070	15,645.22
Construction Materials Inventory	1-04-04-130	305,471.60
Other Materials and Supplies Inventory	1-04-04-990	1,337,761.52
<b>Total</b>		<b>₱ 19,815,169.11</b>

- 1.3.11. As a rule, it is very unlikely that inventory accounts have dormant balances since such items are supposed to be fast-moving, usually perishable, and consumed within a short period.
- 1.3.12. Under existing regulations, purchases of supplies and materials should be good only for a three-month requirement. However, the aforementioned inventories have been in the books for three (3) to five (5) years.
- 1.4 In view of the foregoing, the asset and equity accounts were overstated as of December 31, 2024, rendering the existence and accuracy of the inventory account balance unreliable, ultimately affecting the fair presentation of the

account in the financial statements.

- 1.5 The CGSO spearheaded a coordination meeting with concerned offices and departments regarding the conduct of inventory and use of prescribed templates. Moreover, CGSO will endeavor to conduct a physical inventory count in view of the implementation of the audit recommendations.
- 1.6 **We reiterated our recommendations and Management agreed to:**
  - a. **Require the Inventory Committee to conduct an actual count of inventories, prepare the RPCI, and submit the same to the Office of the Auditor, pursuant to Section 124 of the Manual on NGAS;**
  - b. **Ensure that CGSO maintains and consolidates property records of all inventory accounts, and the CGSO and the City Accountant reconcile both property and accounting records;**
  - c. **In coordination with CGSO, institutionalize the use of RIS in accordance with the inventory process in the control of inventory detailed in Section 122 of the Manual on NGAS;**
  - d. **Instruct the CGSO to consolidate weekly the RIS using the SSMI and submit the same to the Accountant as the basis for proper recording of expenditures using appropriate expenditure accounts; and**
  - e. **Examine all dormant accounts and, where applicable, request for relief of accountability for inventories that are lost, missing, and/or cannot be located.**

*Road Networks account totaling ₱97,548,062.80 could not be fully ascertained*

2. **The accuracy and reliability of the Road Networks account totaling ₱97,548,062.80 could not be ascertained due to incomplete inventory reports, ledger and property cards, absence of depreciation and non-disclosure of the total road networks in the Notes to the FS, contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby affecting the fair presentation of the account in the financial statements.**
  - 2.1 On November 23, 2015, COA Circular No. 2015-008 was issued, prescribing the Accounting and Reporting Guidelines for the Local Roads Asset Management System to ensure the fair presentation of the account Infrastructure Assets in the financial statements.
  - 2.2 The Circular specifically outlines the accounting guidelines for local roads and road network systems concerning initial recognition, subsequent measurement, and derecognition to ensure that all roads are accurately valued and recorded. It also includes the transitory provisions for transferring the local roads accounts from the Registry of Public Infrastructure to the books of accounts of the LGU responsible for managing these roads.

2.3 Verification of the financial statements as of December 31, 2024, revealed that the Road Networks account (1-07-03-010), with a book value of ₱97,548,062.80, showed the following deficiencies contrary to the aforementioned Circular:

**a) Incomplete inventory of local roads and Report on the Physical Count of Local Road Network (RPCLRN)**

2.3.1 Item V (1) of the Circular mandates conducting an inventory of local roads under the LGU's jurisdiction, while Item VI (3) requires the Inventory Committee to prepare the RPCLRN to be submitted to the concerned Auditor and Accounting Division/Unit not later than January 31 of each year.

2.3.2 On January 18, 2025, the CGSO submitted the Inventory Report on Property, Plant, and Equipment as of December 31, 2024 to the Audit Team. An interview with the Inventory Committee revealed that an inventory count of the road networks was conducted in CY 2023. However, no subsequent annual inventories were performed. The Inventory Committee encountered challenges in classifying road networks into road lots, pavements, drainage and slope protection structures, and other miscellaneous structures as required by the Circular. Additionally, difficulties arose in determining the dates of construction and assessing the physical condition of these assets.

2.3.3 As a result, the corresponding RPCLRN was not completely prepared, further highlighting the challenges and limitations encountered by the audit team.

**b) Incomplete Local Road Network Ledger Cards (LRNLC), Local Road Network Property Cards (LRNPC), and other records and a lack of cost segregation of Local Road Network (LRN) components**

2.3.4 Item VII enumerates the duties and responsibilities of the Local Accountant, General Services Officer, City Engineer, and Local Chief Executive, which include, among others, the following:

a. Local Accountant

1. Prepare the Journal Voucher (JV) to record the beginning balance of the local road network and its component in the general ledger and the Local Road Network Ledger Card, respectively;
2. Support the JV with the Registry of Public Infrastructures for Roads, working paper on the distribution of costs for the road components, and working paper on the determination of the depreciated replacement cost for road components with no available cost per registry;
3. Keep and maintain subsidiary records and road components for every road network; and
4. Prepare a lapsing schedule for the computation of the depreciation for each component at the year of the year.

- b. General Services Officer
  - 1. Maintain a Local Road Inventory and Road Map; and
  - 2. Keep a complete Local Road Network Property Card for all roads and its components.
- c. City Engineer
  - 1. Provide the local accountant and the general services officer with complete description and segregation of road components for road projects.
- d. Local Chief Executive (LCE)
  - 1. Enjoin the department heads' compliance with the requirements of the COA circular.

2.3.5 We requested copies of relevant reports and ledgers pertaining to Road Networks from the concerned offices. The Accounting Office provided Subsidiary Ledgers for the Road Networks account, which include the following details: Name of Property, Description, RD/RCI Number, Responsibility Center, ALOBS Number, Date Acquired, Account Code, and Total Cost. However, these lacked the necessary cost segregation of road components, making it difficult to properly account for each infrastructure element.

2.3.6 Additionally, while the City Engineer's Office (CEO) was able to submit records for projects undertaken from Calendar Years (CY) 2014 to 2021, records for other road projects had yet to be retrieved. This gap in documentation limits the ability to verify and reconcile the complete list of road assets.

2.3.7 Furthermore, the CGSO has maintained a Local Road Inventory and Road Map, but instead of using the required LRNPCs, they continued to utilize the LRNLCs. This deviation from prescribed documentation practices further contributes to the lack of clarity in asset valuation.

2.3.8 Due to the incomplete LRNLC and LRNPC, the Audit Team could not fully ascertain each component of the local roads with identified cost as provided under Item V of the Circular, which partly provides that Management shall (1) segregate and recognize the cost of each component of the local road with identified cost; and (2) determine the components of local roads identified in the inventory without corresponding cost and recognize the cost of each component at its fair value.

2.3.9 As defined under Item III.4 of the Circular, road asset components are the sub-components of a road which, having different useful life spans, need to be booked and depreciated separately. They include road lot, road pavement, drainage and slope protection structures and other miscellaneous structures.

2.3.10 In the absence of complete LRNLCs and LRNPCs, reconciliation of both records with the RPCLRN could not be performed, thus the balance of the Road Networks account remains uncertain.

**c) Depreciation for all depreciable components of the road network was not provided.**

2.3.11 Item IV of the Circular provides that road lot component of the road network system shall not be subject to depreciation. Each depreciable component of the road network shall be depreciated separately following the straight-line method of depreciation. Additionally, no residual value shall be provided for the depreciable components of the road network system.

2.3.12 Contrary to the foregoing provision, our examination of the trial balances disclosed that the City Accountant had not provided depreciation for all depreciable components of the LRN since the adoption of the International Public Sector Accounting Standards (IPSAS) in CY 2015.

2.3.13 The non-segregation of costs for each road component due to the non-maintenance of LRNLC affects the computation of depreciation, considering that the depreciable components have different useful life spans and, therefore, should have been depreciated separately following the straight-line method.

2.3.14 Paragraph 21 of the IPSAS No. 17 partly provides that infrastructure assets meet the definition of property, plant and equipment and should be accounted for in accordance with this Standard. Examples of infrastructure assets include road networks, sewer systems, water and power supply systems, and communication networks.

2.3.15 Thus, the LRN shall be subject to depreciation in accordance with Item IV.13 of the aforementioned Circular.

2.3.16 As a result of the foregoing, the City's assets and equity were overstated by an undetermined amount of depreciation that should have been provided for each depreciable road component of the road network.

**d) Non-disclosure of the total road network system in the Notes to the Financial Statements (FS)**

2.3.17 Item VI.2 of the Circular states that the total road network system shall be disclosed in the Notes to FS of the Agency. The standard format is provided in Annex B thereof, as presented below:

*“The LGU has a total of kilometers of roads with a total cost of Php \_\_\_. For the year ended, the agency spent a total of Php \_\_\_ for local road additions, Php \_\_\_ for major repairs and Php \_\_\_ for the regular maintenance. Reductions in the amount of Php \_\_\_ were recorded due to derecognition, Php \_\_\_ for impairment and Php \_\_\_ impairment were reversed.”*

2.3.18 Also, under Item IX of the Circular, the complete recognition of the

account Local Road Network in the books of account shall be made within four years, at the following targets:

End of 2016	-	25%
End of 2017	-	50%
End of 2018	-	75%
End of 2019	-	100%

2.3.19 Our review of the Notes to FS concerning Public Infrastructure, which includes Road Networks, is as follows:

*“Public Infrastructures were not previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. For the first year of implementation of the PPSAS in 2015, the LGU did not recognize the Public Infrastructure in the books of accounts. Only in the succeeding year will Public Infrastructure be recorded in the books.”*

2.3.20 Contrary to the requirement mentioned above, the disclosure in the Notes to FS did not adhere to the standard format, which failed to keep users of the financial statements adequately informed of the nature of the Road Network account.

2.3.21 In the absence of the aforementioned records and reports, we could not fully determine whether local road networks under the jurisdiction of the City were completely recorded in the books of account, thereby affecting the overall fair presentation of the Road Networks account in the City’s financial statements.

2.4 This deficiency was included in the CY 2021 Annual Audit Report (AAR). However, Management has not yet fully addressed the concern.

2.5 Management has encountered challenges in the inventory segregation of road network components, particularly for projects implemented before 2015, due to difficulties in retrieving the necessary documentation.

2.6 Moving forward, Management will explore potential solutions to address the segregation of road components through coordination with the CPDO, CEO, CAO, and CGSO. The CEO has confirmed that reflecting the segregation of the road network components in the Program of Works is feasible.

2.7 **We recommended and Management agreed to enjoin the concerned department heads to take the following actions to ensure compliance with COA Circular No. 2015-008 dated October 23, 2015, and improve the accuracy and reliability of the Road Networks account:**

**a. The Inventory Committee conducts an annual physical count of all LRN, and the results thereof are reported in the RPCLRN, which is to be submitted to the Auditor and Accounting unit not later than January 31**

of each year. The RPCLRN shall be reconciled with the accounting records, and the necessary adjusting entries must be prepared before the statement date;

- b. **The City Engineer provides the City Accountant and the CGSO with a complete description and segregation of all road components for road projects, ensuring proper cost allocation and asset valuation;**
- c. **The CGSO keeps complete and updated LRNPC for all roads and their components, ensuring compliance with the required documentation standards; and**
- d. **The City Accountant maintains the LRNLC, provides depreciation for all depreciable components of the road network, and discloses the total road network system in the Notes to the FS, following the prescribed format in COA Circular No. 2015-008.**

*Unclassified maintenance and operating expenses items totaling ₱55,893,386.84 were lumped under Other MOOE account*

3. **Various maintenance and operating expenses, amounting ₱55,893,386.84, were lumped under the Other Maintenance and Operating Expenses account, instead of being classified under the appropriate expense accounts, inconsistent with Paragraph 17 of International Public Sector Accounting Standards (IPSAS) 1 and COA Circular No. 2015-009 dated December 1, 2015, thus, affecting the fair presentation of the affected accounts in the financial statements as of year-end.**

3.1 According to the IPSAS 1, general-purpose financial statements aim to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users when making and evaluating decisions about resource allocation. Moreover, in the public sector, these financial statements should provide useful information for decision-making and demonstrate the accountability of the entity for the resources entrusted to it.<sup>3</sup>

3.2 Paragraph 17 of the same standard states that the financial statements should provide information about an entity's expenses<sup>4</sup> to meet its objectives.

3.3 Section 113 of Presidential Decree (PD) 1445, also known as the State Audit Code of the Philippines, states that the chart of accounts for government agencies shall be prescribed by the Commission on Audit (COA) and shall be so designed to **permit the agency heads to review their activities according to selected areas of responsibility to allow for a clearer definition of obligation accounting** leading to more precise budgetary control.

3.4 In line with this, the Commission issued COA Circular No. 2015-009 dated December 1, 2015, prescribing the use of the Revised Chart of Accounts for Local Government Units. Annex B of the same Circular defines Other Maintenance and Operating Expenses, with account number 5-02-99-990, as an account to be used

---

<sup>3</sup> Paragraph 15 of IPSAS 1 – Presentation of Financial Statements

<sup>4</sup> Paragraph 17(e) of IPSAS 1 – Presentation of Financial Statements

to record **other operating expenses not falling under any of the specific maintenance and other operating expense accounts.**

- 3.5 The Audit Team reviewed the subsidiary ledger of the Other MOOE account in the financial statements as of December 31, 2024. It was revealed that lumped transactions for the set-up of various accounts payable, totaling ₱55,893,386.84, were recorded under this account, as shown in the below:

<b>Fund</b>	<b>Particulars</b>	<b>Reference</b>	<b>Amount</b>
General Fund	To take up in the books the Adjusting Entry to Setup the Accounts Payable for CY 2024 on MOOE under the sub-account Slaughterhouse	JEV 100-2024-12-0695	67,050.00
	To take up in the books the Adjusting Entry to Setup the Accounts Payable for CY 2024 on MOOE under Transport Terminal and Cemetery	JEV 100-2024-12-0696	6,400.00
	To take up in the books the Adjusting Entry to Setup the Accounts Payable for CY 2024 on MOOE under 20% Development Fund	JEV 100-2024-12-0697	8,564,425.00
	To take up in the books the Adjusting Entry to Setup the Accounts Payable for CY 2024 on MOOE of various offices of the city	JEV 100-2024-12-0698	29,093,073.20
	To take up in the books the Adjusting Entry to Setup the Accounts Payable for CY 2024 on MOOE under City Mayor's Office-Special Purpose Appropriation	JEV 100-2024-12-0699	11,272,479.75
	To take up in the books the set-up of Accounts payable for the CY 2024	JEV 104-2024-12-0032	12,506.85
	<b>Subtotal</b>		
Special Education Fund	To take up in the books the set-up of Accounts Payable accounts for unpaid obligations for the calendar year 2024	GJ 200-2024-12-0061	6,877,452.04
<b>Subtotal</b>			<b>6,877,452.04</b>
<b>Grand Total</b>			<b>55,893,386.84</b>

- 3.7 Analysis of the General Journal disclosed that the Other MOOE account was used to set up accounts payable to 413 suppliers, as summarized in the next page (see Appendix 1 for details):

Reference	No. of Suppliers	Amount
JEV 100-2024-12-0695	3	₱ 67,050.00
JEV 100-2024-12-0696	1	6,400.00
JEV 100-2024-12-0697	8	8,564,425.00
JEV 100-2024-12-0698	299	29,093,073.20
JEV 100-2024-12-0699	102	11,272,479.75
JEV 104-2024-12-0032*	-	12,506.85
JEV 200-20204-12-0061*	-	6,877,452.04
<b>Total</b>	<b>413</b>	<b>₱ 55,893,386.84</b>

*\*Data not available on submitted documents by City Accountant's Office (CAO) as of the AOM date*

- 3.8 The lumped transactions lacked detailed breakdowns, making it difficult to determine their nature and purpose. For example, accounts payable to an LGU amounting ₱8,186,545.00 was recorded under the Other MOOE account. Additionally, an amount of ₱1,060,000.00 was set up for an account payable to an audio system and recording studio engaged in rental and/or sale of audio systems, lights, LED walls, and similar items. Likewise, an amount ₱1,489,922.15 payable to a supplier known for its construction and electrical supplies. These expenses should have been classified under specific expense accounts, e.g. rent expense, supplies and materials expense.
- 3.9 In an interview with the CAO personnel, it was revealed that part of the current process for recording accounts payable involves debiting the account as reflected in the approved annual budget to ensure alignment with the same. It is important to note that the City Accountant and the City Budget Officer work together to reconcile their records, ensuring that all disbursements align with the approved annual budget. This process guarantees that any budget account, such as the Other Maintenance and Operating Expenses account, used by the end users or implementing units in preparing their budget, remains consistent throughout the entire process, including the recording of expenses in the City's books of accounts.
- 3.10 It may be emphasized, however, that Section 2.2.19 of Local Budget Memorandum No. 87 dated June 9, 2023, on the guidelines for the preparation of the FY 2024 Annual Budgets of LGUs, requires that the FY 2024 annual budgets of provinces, cities, and municipalities shall be prepared consistent with the Revised Chart of Accounts for LGUs, as prescribed under COA Circular No. 2015-009 dated December 1, 2015.
- 3.11 This practice undermines the accuracy and transparency of financial reporting, which can result in misleading conclusions about the City's financial performance. Furthermore, it can materially affect the fairness of the presentation of the affected accounts in the year-end financial statements and hinder informed decision-making by users of those statements.
- 3.12 Management understood the importance of proper use of accounts, thus, concerned offices were enjoined to prepare their budget with proper segregation of accounts.

3.13 It was further emphasized that, since the CY 2025 Annual Budget was already approved, Management shall implement the audit recommendation in the preparation of the CY 2026 Annual Budget.

3.14 **We recommended and Management agreed that the City Budget Officer, in coordination with the City Accountant, enforce and institutionalize the proper use of accounts in accordance with COA Circular No. 2015-009 when consolidating the City's annual budget by developing comprehensive SOPs that outline the proper procedures for budget preparation, expense classification and monitoring for each office, unit or department. This will ensure proper and appropriate recording of all expenditures in the books of accounts in compliance with the IPSASs.**

*Unliquidated balance of Due from Non-Government Organizations (NGOs) or People's Organizations (POs) totaling ₱46,497,781.78*

4. **The inadequate monitoring of fund transfers to various NGOs/POs since 1994 has led to an accumulated balance of ₱46,497,781.78, which contradicts COA Circular 2007-001 dated October 25, 2007, and adversely affects the reliability of the year-end financial statement account balances.**

4.1 COA Circular No. 2007-001 dated October 25, 2007<sup>5</sup> prescribes the Revised Guidelines in the Granting, Utilization, Accounting and Auditing of the Funds Released to NGOs/POs.

4.2 Section 5.4 thereof provides that within 60 days after the project's completion, the NGO/PO shall submit the final Fund Utilization Report, certified by its Accountant and approved by its President/Chairman, to the Government Organization (GO), along with the inspection report and certificate of project completion rendered/issued by the GO authorized representative, as well as a list of beneficiaries acknowledging the project/funds/goods/services received. The validity of these documents shall be verified by the Internal Auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the NGO/PO.

4.3 Likewise, the Due from NGOs/POs account, as described in COA Circular No. 2015-009 dated December 1, 2015<sup>6</sup>, is used to recognize the amount of advances granted to NGOs/POs for the implementation of specific projects. The account is credited for the liquidation of advances.

4.4 Verification of the financial statements as of December 31, 2024, revealed that

---

<sup>5</sup> Previous promulgations to provide control and guidance in the granting, utilization, management and recording of funds released to NGOs/POs were COA Circular Nos. 95-003 and 96-003 dated February 15, 1995, and February 27, 1996, respectively.

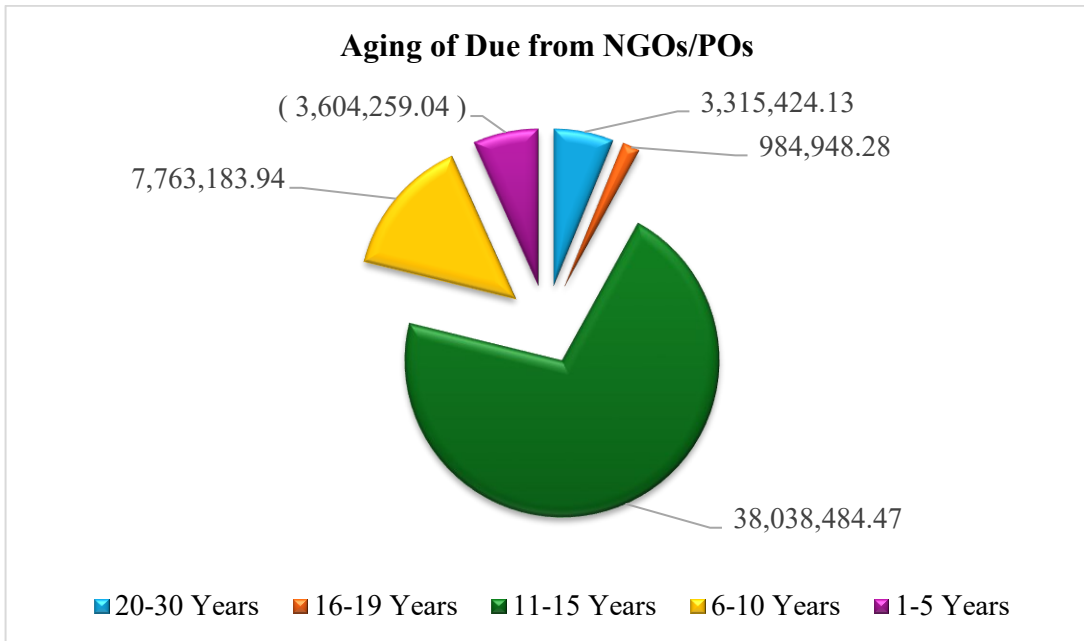
The adoption of the New Government Accounting System (NGAS) in 2002 prompted COA to revise the existing guidelines on the matter to ensure conformity to the prescribed NGAS financial accounting procedures for related transactions, put in place necessary controls in the release and utilization of funds, promote transparency and accountability, including monitoring of the implementation of projected funded out of the funds granted.

<sup>6</sup> Prescribing the Revised Chart of Accounts for Local Government Units

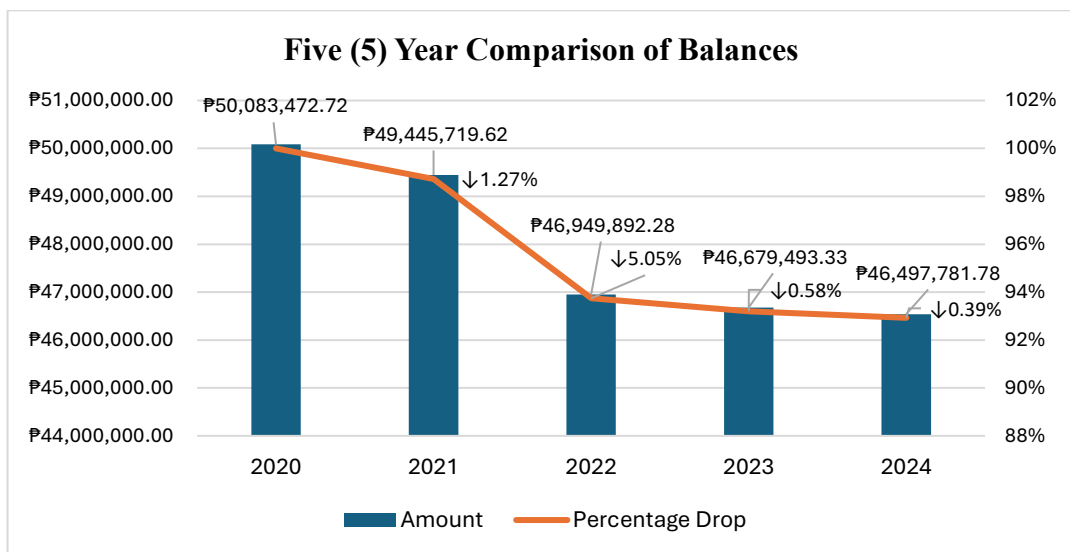
Due from NGOs/POs account had a balance of ₱46,497,781.78. Our review of the account disclosed the following deficiencies:

**a. Slow-moving balances, aged six (6) to 30 years**

4.4.1. An analysis of the Due from NGOs/POs account balance of ₱46,497,781.78 showed that it includes fund transfers dating back six (6) to 30 years, as illustrated in the chart below and detailed in Appendix 2. Transactions recorded in the past five (5) years were credit transactions, primarily representing payments for specific projects. Notably, the most recent fund release occurred in 2018.



4.4.2. The chart below illustrates the account’s activity over the past five (5) years.



4.4.3. As shown in the chart, the account displays minimal reductions in the

balance. While a 1.27 per cent and 5.05 per cent drop was observed in 2021 and 2022, respectively—attributable to credit transactions related to housing projects—only a 0.58 per cent to 0.39 per cent downward trend was noted from 2023 to 2024. This highlights the continued slow pace of liquidation and weak monitoring, especially considering the long-standing age of these transfers. With fund transfers ranging from six (6) to 30 years old, the likelihood of settlement appears remote.

4.4.4. Additionally, financial records revealed no impairment allowances were established for this account, which could signal an oversight in addressing the potential risk of non-recovery of these receivables.

**b. Inadequate monitoring, missing documents, and non-submission of liquidation reports**

4.4.5. Further analysis of the Due from NGOs/POs account showed the following components (Appendix 3):

Particulars	Amount	Percentage to Due from NGOs/PO balance
Housing Project	₱ 33,139,755.43	71.27%
Unidentified Entries	8,571,088.34	18.43%
NGOs/POs	2,711,747.41	5.83%
Non-Interest Bearing Notes	2,075,190.60	4.47%
<b>Total</b>	<b>₱ 46,497,781.78</b>	<b>100%</b>

4.4.6. As gleaned from the table above, a significant portion of the account, equivalent to 71.27 per cent or ₱33,139,755.43, is attributed to housing projects in various barangays. Moreover, we noted that 18.43 per cent (₱8,571,088.34) consists of unidentified entries recorded in the account. Notably, only 5.83 per cent (₱2,711,747.41) represents actual fund transfers to NGOs/POs for project implementation, while 4.47 per cent (₱2,075,190.60) pertains to non-interest-bearing notes.

4.4.7. Evidently, inadequate monitoring has contributed to confusion and missing records regarding these fund transfers. For example, during our evaluation of the transactions, we noted that payments totaling ₱3,604,259.04 were made for the housing project. However, the CAO was unable to close the specific fund due to insufficient supporting documentation. As a result, the fund transfer cannot be marked as completed or removed from the books, resulting in the subsidiary ledger reflecting the following debit and credit transactions:

Particulars	Debit	Credit	Balance
Housing Project	₱ 36,744,014.47	₱ 3,604,259.04	₱ 33,139,755.43

(See Appendix 3)

4.5 During the interview with the CAO, it became apparent that documents related to the fund transfers and associated projects and programs were missing. This raises

a significant concern, as proper documentation is crucial for ensuring accountability and transparency.

- 4.6 Moreover, the non-submission of liquidation reports by NGOs/POs stems from the source agency's lack of monitoring. Without proper follow-up and enforcement, NGOs may delay or neglect their reporting duties, creating accountability gaps.
- 4.7 COA Circular No. 2007-001 explicitly states that funds granted to NGOs/POs remain public funds. This means that effective monitoring is crucial to ensure these funds are used properly and efficiently. The current condition raises concerns about financial management and the potential misuse of public funds, which can negatively impact the reliability of the year-end financial statement account balances.
- 4.8 Management concurred to gather all available data and documents, beginning with the Sectoral Desk Office, CSWDO, CAO, and the City Treasurer's Office (CTO). Additionally, the CAO confirmed its commitment to reclassify unidentified entries and non-interest-bearing notes to the *Other Receivables* account. The CAO also agreed to review potential impairment on the Due to NGOs/POs account.
- 4.9 **We recommended and Management agreed that the concerned personnel at the CAO, in coordination with the Sectoral Desk Office and City Social Welfare and Development Office (CSWDO):**
  - a. **Conduct a thorough review of outstanding balances and consider factors such as the age of receivables and any specific circumstances that affect collectability. If necessary, establish impairment allowances to reflect the real recoverable value of this account;**
  - b. **Investigate and conduct a full review of the balances under Due from NGOs/POs account, including a thorough examination of Memorandum of Agreements to determine the validity and status of each grant, and take appropriate legal action against defaulting NGOs/POs in accordance with COA Circular No. 2007-001 dated October 25, 2007;**
  - c. **Upon assessing the condition and status of each grant, establish a comprehensive monitoring schedule to track progress and facilitate actions for resolutions of the same;**
  - d. **Reclassify the unidentified entries and non-interest-bearing notes, amounting ₱8,571,088.34 and ₱2,075,190.60, respectively, currently recorded under Due from NGOs/POs to Other Receivables account; and**
  - e. **Consider implementing the one-time cleansing of all dormant accounts under COA Circular No. 2023-008 dated August 17, 2023.**

Completed projects under 20 per cent Economic Development Fund (EDF) totaling ₱45,718,667.86 still remained in the Construction in Progress (CIP) account

**5. Completed projects funded by the 20% EDF amounting to ₱45,718,667.86, still remained in the CIP Accounts, inconsistent with Paragraph 27 of IPSAS 1 and Section 50 of the NGAS Manual for LGUs, Volume I, thereby overstating the CIP account and understating the Property, Plant and Equipment (PPE) and Depreciation Expense accounts.**

5.1 Section 50 of the NGAS Manual for LGUs, Volume I, provides that during the construction period, agency assets and public infrastructures shall be taken up in the books as CIP with appropriate asset classification. Upon completion of the project, the CIP for agency assets shall be closed to the appropriate asset account.

5.2 Notably, the Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG), and Department of Finance (DOF) issued various guidelines<sup>7</sup> on the appropriation and utilization of the 20% Economic Development Fund (EDF). On a general note, one of the purposes for issuing these guidelines is to promote transparency and accountability in the utilization of such funds.

5.3 The Audit Team’s review of the subsidiary ledgers of CIP accounts in the 20% EDF as of December 31, 2024 revealed that 999 items, aggregating ₱500,244,248.42 recorded since 2006, still remained in the CIP Accounts, as follows (See Appendix 4):

<b>Account</b>	<b>Year recorded</b>	<b>Amount</b>	<b>No. of Items</b>	<b>No. of Years in CIP Account</b>
Construction in Progress – Building and Other Structures (20% EDF)	2008-2013	₱ 42,932,947.77	203	> 10 years
	2014-2018	26,883,152.02	86	6-10 years
	2019-2023	66,284,180.89	62	1-5 years
<b>Subtotal</b>		<b>136,100,280.68</b>	<b>351</b>	
Construction in Progress – Infrastructure Assets (20% EDF)	2007-2008	13,523,503.68	76	> 15 years
	2009-2013	87,106,625.14	226	10-15 years
	2014-2018	128,865,697.17	232	6-10 years
	2019-2023	129,527,425.37	95	1-5 years
<b>Subtotal</b>		<b>359,023,251.36</b>	<b>629</b>	
Construction in Progress – Land Improvements (20% EDF)	2007-2008	201,884.68	3	> 15 years
	2009-2011	3,732,332.01	14	11-15 years
	2012-2020	1,186,499.69	2	1-5 years
<b>Subtotal</b>		<b>5,120,716.38</b>	<b>19</b>	
<b>Grand Total</b>		<b>₱ 500,244,248.42</b>	<b>999</b>	

<sup>7</sup> DILG-DBM Joint Memorandum Circular (JMC) No. 2011-1 dated April 13, 2011, DILG-DBM JMC No. 2017-1 dated February 22, 2007 and DBM-DOF-DILG JMC No. 1 dated November 4, 2020

- 5.5 Based on the age of the items in the CIP account, as seen in the previous table, projects remained classified as In Progress for more than 10 years.
- 5.6 A comparison between the items recorded in the CIP subsidiary ledgers and the Status of Appropriations, Allotments, and Obligations – Continuing Appropriations (SAAO-CO) of the EDF was conducted by the Audit Team. On a sampling basis, it was observed that 47 projects, amounting to ₱45,718,667.86, were reported as completed in the SAAO-CO, as detailed in Appendix 5. This indicates that these projects were erroneously classified under CIP as of year-end and should have been properly recorded under the appropriate PPE account.

<b>Account</b>	<b>Status</b>	<b>No. of Items</b>	<b>Amount</b>
CIP – Infrastructure Assets 20% EDF	<b>Completed</b>	<b>47</b>	<b>₱45,718,667.86</b>
	Ongoing	3	9,155,326.80
	No data available on audit evidence gathered	13	3,014,201.78
<b>Total</b>		<b>63</b>	<b>₱ 57,888,196.44</b>

- 5.7 Furthermore, as disclosed in the Notes to the Financial Statements, one of the accounting policies adopted by the City states that depreciation on assets is recognized using the straight-line method over the asset's useful life, in accordance with the rates prescribed by the COA.
- 5.8 Relative thereto, COA Circular No. 2003-007 dated December 11, 2003, prescribes the estimated useful life of the aforementioned assets, to wit:

<b>Property, Plant and Equipment</b>	<b>Estimated Useful Life (in years)</b>
Land Improvements	10
Buildings – those that are predominantly	
Wood	10
Mixed	20
Concrete	30

- 5.9 In effect, this practice resulted in the overstatement of the CIP account and the understatement of the corresponding PPE and Depreciation Expense accounts. Had the identified projects, totaling ₱45,718,667.86, been reclassified upon their completion, the correct asset accounts would have been presented fairly at year-end. Additionally, the related depreciation expenses would have been recorded. Furthermore, this approach deviated from the applicable reporting frameworks and the transparency and accountability standards outlined in various DBM-DILG-DOF guidelines for monitoring of 20% EDF were not adhered to.
- 5.10 The CEO commented that retrieval of documents for projects implemented in CY 2015 onwards will be prioritized, since these projects were the most current. For documents prior to CY 2015, retrieval of documents proved to be challenging.
- 5.11 However, the concerned offices confirmed that they will exert all efforts to liquidated the identified projects so the same shall be classified to the appropriate PPE account.

- 5.12 We recommended and Management agreed that the City Engineer and City Accountant designate personnel to oversee the verification of project completion under the 20% EDF, through comprehensive review and retrieval of relevant documents to facilitate the timely liquidation process and ensure accurate recording of completed projects.
- 5.13 We further recommended and Management agreed that the City Accountant, in coordination with the CEO, CGS Officer, and City Budget Officer obtain the required documentation of the identified completed projects amounting to ₱45,718,667.86 and effect the necessary adjustments to reclassify completed projects into their appropriate PPE accounts while recognizing the corresponding depreciation for each completed project.

*Semi-expendable properties totaling ₱45,600,127.26 still included in the PPE account*

6. Tangible items below ₱50,000.00, accounted as semi-expendable property, totalling ₱45,600,127.26, are included in the PPE account due to the non-implementation of the change in accounting policy retroactively, inconsistent with COA Circular No. 2024-006 dated March 14, 2024, thus, affecting the fair presentation of the PPE account in the financial statements.
- 6.1 Section 4.1 of COA Circular No. 2022-004 dated May 31, 2022, provides that tangible items that meet the definition criteria of PPE but cost is below ₱50,000.00 shall be accounted for in the books of accounts of the agencies as semi-expendable property.
- 6.2 On March 14, 2024, the Commission issued COA Circular No. 2024-006, providing supplemental guidelines on the implementation by Local Government Units (LGUs) of COA Circular No. 2022-004 dated May 31, 2022. Section 3.3 thereof prescribes that tangible items which meet the definition and recognition criteria of PPE, but with cost below ₱50,000.00, shall be accounted for in the books of accounts as inventory under the appropriate semi-expendable property account upon purchase and shall be recognized as an expense upon issuance to the end-user.
- 6.3 Further, Section 3.5 thereof states that the setting of a capitalization threshold of ₱50,000.00 shall be considered as a change in accounting policy and shall be applied retrospectively. It shall be applied for all tangible items acquired in CY 2024 onwards, as well as to items acquired in prior years.
- 6.4 The Audit Team reviewed the subsidiary ledger of PPE account as of December 31, 2024, and discovered that tangible items below ₱50,000.00, with a total cost of ₱45,600,127.26 (Appendix 6), which should have already been classified as semi-expendable property, were still included in the PPE account.
- 6.5 An interview with the City Accountant revealed that they began recording items procured using the new capitalization threshold only in the second semester of CY 2023. However, no adjustments and/or reclassifications have yet been made for items from prior years.

- 6.6 Paragraph 27 of IPSAS 17 states that financial statements shall fairly present an entity's financial position, financial performance, and cash flows. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions according to the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.
- 6.7 Fair presentation of the financial statements (1) reflects sound financial management and reporting; (2) promotes transparency and efficiency in government operations; and (3) aids in the decision-making of Management and its intended users, which ultimately benefits the agency and public as a whole.
- 6.8 In view of the foregoing, the non-implementation of the change in accounting policy affects the fair presentation of the affected accounts in the financial statements.
- 6.9 Management has already started classifying newly purchased semi-expendable property to the appropriate account. Reclassification of remaining semi-expendable property in the PPE account will also be addressed through the ongoing reconciliation as part of the one-time cleansing of PPE.
- 6.10 We recommended and Management agreed that the CAO review all items lodged in the PPE account, filter tangible items below ₱50,000.00 to be accounted for as semi-expendable property, and thereafter effect necessary adjustments in the books of accounts.**
- 6.11 Further, we recommended and Management agreed to institutionalize the implementation of internal control mechanisms for the semi-expendable property provided for in COA Circular No. 2024-006 dated March 14, 2024, and for the City General Services Officer (CGSO) to prepare the necessary forms, registry, and reports prescribed by the same Circular.**

*PPE items totaling ₱4,655,979.35 do not meet the asset recognition criteria*

**7. The Buildings, Hospitals and Health Centers, and Motor Vehicles accounts of the City include items, totaling ₱4,655,979.35, that do not meet the asset recognition criteria, contrary to IPSAS 1 and 17, and Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, thus affecting the fair presentation of these accounts in the financial statements.**

- 7.1 According to paragraph 27 of IPSAS 1<sup>8</sup>, fair presentation requires a faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.

---

<sup>8</sup> IPSAS 1 – Presentation of Financial Statements. This adoption is in accordance with COA Resolution 2017-006 dated April 26, 2017, prescribing the adoption of Adoption of Additional Six (6) Philippine Public Sector Accounting Standards (PPSASs) and Updates on the PPSAS prescribed through COA Resolution No. 2014-003 dated January 24, 2014, in accordance with the 2016 Edition of the Handbook of International Public Sector Accounting Pronouncements (HIPSAP) published by the International Federation of Accountants (IFAC)

- 7.2 As such, IPSAS 17, which sets the accounting standards for PPE, states that an item should be recognized as an asset if, and only if:
- a. It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
  - b. The cost or fair value of the item can be measured reliably.
- 7.3 Moreover, Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, supplements the recognition criteria stated in IPSAS 17, to wit:
- a. Beneficial ownership and control clearly rest with the government;
  - b. The asset is used to achieve government objectives; and
  - c. It meets the capitalization threshold of ₱50,000.00.<sup>9</sup>
- 7.4 Additionally, paragraph 29 of IPSAS 1 requires an entity to present information that is relevant, reliable, comparable, and understandable. Understandability, as discussed in the same standard, is the quality of information that enables users to comprehend its meaning. It is enhanced when information is **classified**, characterized, and presented clearly and concisely.
- 7.5 Our examination of the PPE accounts in the City's books of accounts as of December 31, 2024, revealed that these accounts included properties with an acquisition cost of ₱15,075,146.75 and a net book value of ₱10,162,778.22, which were implemented by the City with funding sourced from the City government, barangays, and other external sources. However, these properties were directly utilized and managed by various barangays, as summarized in the table below (Appendix 7 for details):

Account Title	Account Code	Cost	Accumulated Depreciation	Net Book Value
Buildings	1-07-04-010	₱ 8,454,069.30	₱2,460,445.71	₱5,993,623.59
Hospitals and Health Centers	1-07-04-030	981,077.45	175,403.15	805,674.30
Motor Vehicles	1-07-06-010	5,640,000.00	2,276,519.67	3,363,480.33
<b>Total</b>		<b>₱15,075,146.75</b>	<b>₱4,912,368.53</b>	<b>₱10,162,778.22</b>

- 7.6 The Audit Team issued audit queries to the respective barangays, and as of this date, five (5) barangays have responded. The following barangays have confirmed that the motor vehicles and the land on which the infrastructure are situated, are owned by the respective barangays, totaling ₱2,620,000.00 and ₱2,035,979.35, respectively (Appendix 8):

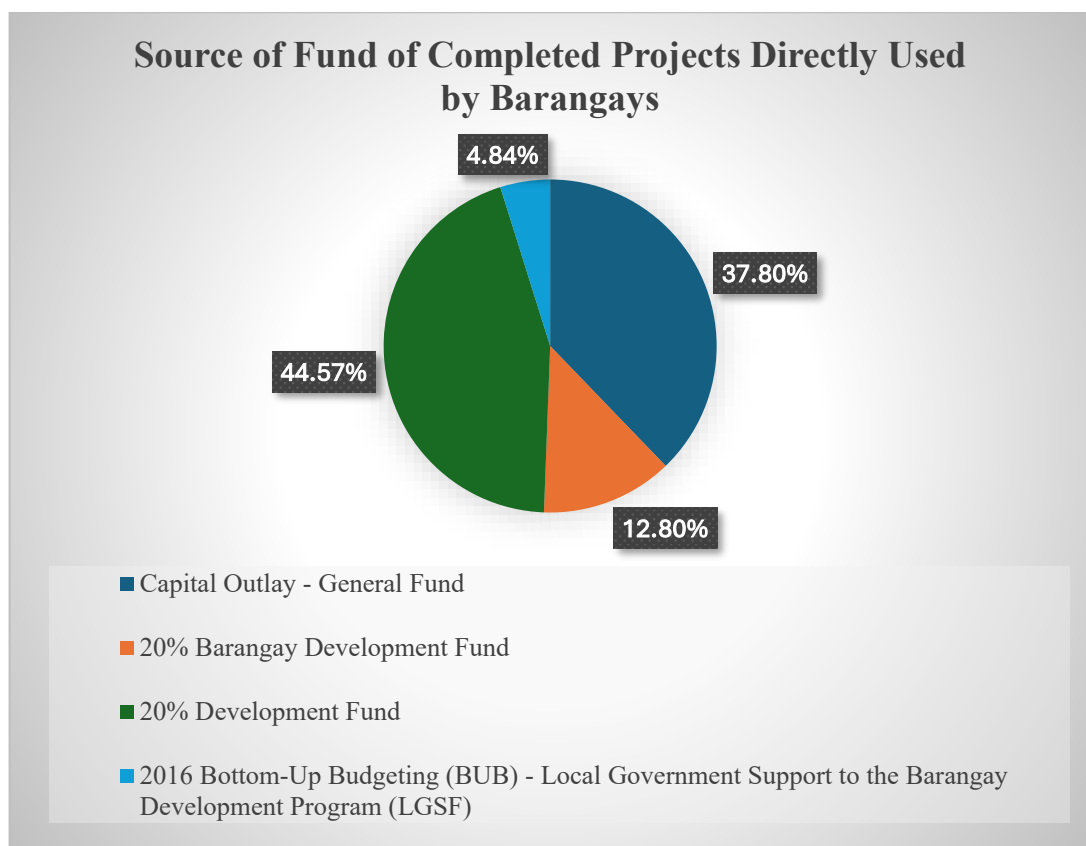
Name of Barangay	Motor Vehicles	Infrastructure Assets	Total
Bagacay	₱ 0.00	₱ 1,138,131.27	₱ 1,138,131.27
Banilad	950,000.00	0.00	950,000.00

<sup>9</sup> Semi-expendable Property. Tangible items below Fifty Thousand Pesos (₱50,000.00) shall be accounted as semi-expendable property. (CONDITIONAL IMPLEMENTATION – President’s Veto Message, December 30, 2021, Volume I-B, page 819, Republic Act (RA) No. 11639)

Name of Barangay	Motor Vehicles	Infrastructure Assets	Total
Mangnao	0.00	141,629.63	141,629.63
Poblacion 2	0.00	756,218.45	756,218.45
Talay	1,670,000.00	0.00	1,670,000.00
<b>Total</b>	<b>₱ 2,620,000.00</b>	<b>₱ 2,035,979.35</b>	<b>₱ 4,655,979.35</b>

7.7 Accordingly, as a fundamental principle of property law, the Civil Code of the Philippines<sup>10</sup> establishes that the owner of the land is considered the owner of the building constructed on it, including any improvements or repairs made thereto.

7.8 Furthermore, a detailed analysis of the accounts, as confirmed during an interview with the City Accountant, indicated that these projects were funded from various sources, as summarized below (Appendix 9).



7.9 Out of the identified assets, 44.57 per cent, amounting to ₱6,718,475.39, was sourced from the 20 per cent Economic Development Fund (EDF) of the City, while ₱5,697,975.95 or 37.80 per cent came from Capital Outlay (CO) under the General Fund.

7.10 Additionally, 12.80 per cent (₱1,929,016.93) of the assets were derived from the 20 per cent Barangay Development Fund (BDF), and 4.84 per cent (₱729,678.48) was allocated from the 2016 Bottom-Up Budgeting (BUB) – Local Government Support Fund (LGSF) for the Barangay Development Program.

<sup>10</sup> Title II, Articles 437 and 445

- 7.11 A key audit finding from the barangay audit in CY 2019 highlighted that the Barangays transferred their 20% Development Fund to the City. This arrangement was intended to facilitate the City's support in implementing infrastructure projects under this initiative, thereby accounting for assets sourced from the 20% Barangay Development Fund (BDF). Subsequently, these infrastructure projects should have been recorded under the books of the respective barangays.
- 7.12 Similarly, the assets funded by the BUB-LGSF, which represents 4.84 per cent of the subject assets, should have been recognized under the barangay's books. The BUB – LGSF program is designed to enhance governance by directly supporting barangays, promoting inclusive and sustainable development at the barangay level, and ensuring the efficient and effective utilization of resources.
- 7.13 While the City may have funded and/or implemented the construction and procurement of the aforementioned properties, it does not retain beneficial ownership or control over these assets, as they are directly utilized by the respective barangays. Notably, although a barangay is the smallest administrative unit within the government, it maintains its own books of accounts and is responsible for accurately recording any properties that meet the asset recognition criteria. These properties are currently utilized by various barangays to serve their constituents, and the economic benefits derived from their use contribute to achieving the barangay's objectives.
- 7.14 Moreover, additional expenses related to the control and management of these assets must be considered, including maintenance costs resulting from wear and tear, fuel consumption (if applicable), and property insurance, as mandated by Section 2 of Republic Act No. 656<sup>11</sup>.
- 7.15 Given the above, it is important to fully determine the rightful owner of these buildings and the land on which the infrastructure assets are situated. Once ownership of these assets, including movable properties, is confirmed, Management may then consider facilitating the proper recording of these accounts in their respective books of accounts. Any such transfer must comply with the provisions of Section 381 of RA No. 7160, which mandates that the transfer of property no longer needed may be made without cost to another local government unit, subject to the approval of the concerned local sanggunian and the head of the office, agency, subdivision, instrumentality, or local government unit receiving the property. This process will ensure that the officer in actual possession or accountability is held responsible for the proper utilization, maintenance, and insurance of the properties, in accordance with Section 101(1) of PD No. 1445, which states that "Every accountable officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law."

---

<sup>11</sup> "in order to indemnify or compensate the Government as defined in this Act for any damage to, or loss of its properties due to fire, earthquake, storm, or other casualties, there is hereby established the "Property Insurance Fund", which shall consist of all moneys resulting from the liquidation of the insurance constituted in section three hundred forty of the Revised Administrative Code and from premium of other incomes." – Section 2 of RA No. 656 otherwise known as the Property Insurance Law

7.16 In view of the foregoing, the Buildings, Hospitals and Health Centers, and Motor Vehicles accounts, as well as the Government Equity were overstated by ₱4,655,979.35 and ₱2,883,444.71 (net book value), respectively. This overstatement pertains to the cost of properties, including buildings situated on land owned by the barangays and motor vehicles that were either donated to or registered in the name of the barangay. As a result, this affects the fair presentation of these accounts in the financial statements.

7.17 **We recommended and Management agreed to:**

- a. **Require the City Accountant, in coordination with the Barangay Office Affairs (BAO) and the Liga ng mga Barangay, to obtain documents of ownership of properties and conduct a thorough examination of the ownership status of the land on which the subject infrastructure assets are situated, particularly those identified in Appendix 8;**
- b. **Upon verification of ownership, consider facilitating the necessary steps to transfer the identified assets directly utilized by the respective barangays through donation, in accordance with Section 381 of RA No. 7160 and other relevant provisions, to ensure that the individual in actual physical possession thereof is held responsible for their proper use, maintenance, and accountability;**
- c. **Require the City Accountant to prepare the necessary adjusting entries to reclassify items, totaling ₱4,655,979.35, that do not meet the asset recognition for PPE, pursuant to IPSAS 17 and Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, to present fairly the affected accounts in the financial statements; and**
- d. **Require the City Accountant, through BAO, to ensure that the necessary adjustments are also reflected in the barangay's books of accounts.**

*Biological assets totaling ₱1,123,860.00 could not be fully ascertained*

8. **The reported balance of the Biological Assets account, totaling ₱1,123,860.00, is uncertain due to: (a) incomplete and unreconciled inventory count; (b) dormant accounts exceeding ten years; (c) non-maintenance of required ledger and property cards; and (d) the lack of recognition and measurement of stocks in accordance with IPSAS 27, thus affecting the accurate presentation of the accounts in the financial statements.**

8.1 Paragraph 13 of the IPSAS 27 states that an entity shall recognize a biological asset or agricultural produce only when it controls the asset as a result of a past event, it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably.

8.2 Further, Paragraphs 16 of the IPSAS 27 provide that a biological asset is measured on initial recognition and at each reporting date at its fair value less costs to sell, except where the fair value cannot be measured reliably. As such, paragraph 34 of the same standard states that the presumption that fair value can be measured reliably for a biological asset can only be rebutted on initial recognition for a

biological asset for which for which market-determined prices or values are not available, and for which alternative estimates of fair value are determined to be clearly unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such a biological asset becomes reliably measurable, an entity shall measure it at its fair value less costs to sell.

**(a) Incomplete and unreconciled inventory of biological assets against accounting records**

- 8.2.1 Section 4.5 of COA Circular No. 2016-004 dated September 30, 2016, requires that the Local Agriculturist provide the Local Accountant with the (1) inventory report of breeding stocks and other biological assets, and the prevailing market price for each item as of reporting date, and, (2) information on the prevailing cost to sell of these assets. This is to ensure that biological asset accounts in the financial statements are fairly presented in accordance with IPSAS.
- 8.2.2 Breeding stocks and work animals (such as cattle, carabaos, horses, etc.) used in government programs are classified as biological assets and recorded under the appropriate biological asset accounts.
- 8.2.3 Upon verification of the financial statements as of December 31, 2024, we found that the Breeding Stocks (1-08-01-010) under the Biological Assets accounts had a balance of ₱1,123,860.00.
- 8.2.4 On January 7, 2025, the CGSO submitted the Report on Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2024, which included breeding stocks consisting of carabaos, cattle, goat, swine, small ruminants, rabbit and poultry amounting to ₱541,579.00. This resulted in a discrepancy of ₱582,281.00 when compared to the accounting records.
- 8.2.5 An interview with the Inventory Committee revealed that an inventory count of the Breeding Stocks was conducted in CY 2024. However, the inventory was incomplete because the animals had been distributed among various recipients from farmer associations across different barangays.
- 8.2.6 Consequently, the corresponding RPCPPE was not fully prepared, underscoring the challenges and limitations encountered by the Committee in conducting a comprehensive inventory.

**(b) Dormant accounts totaling ₱563,900.73 exceeding 10 years**

- 8.2.7 Our review of the subsidiary ledger indicates that the Breeding Stocks account includes items totaling ₱563,900.73 without specific details. These items have been dormant, showing no activity since CY 2010, which means they have not had any recorded transactions over 10 years.
- 8.2.8 Considering the significant length of time and the nature of these accounts, it is likely that the breeding stocks may have produced offspring, or that

some may have died or been disposed of through sale. However, the absence of detailed and updated records prevents us from verifying these occurrences, raising concerns regarding the accuracy and reliability of the reported balances.

**(c) Non-maintenance of required work, other animals and breeding stocks ledger and property cards**

8.2.9 Sections 12 and 46 of the NGAS Manual, Volume II prescribe the ledgers and reports that must be maintained for work, other animals, and breeding stocks, as follows:

- Work, Other Animals and Breeding Stocks Ledger Card (WOABSLC) – kept for each large cattle which includes cows, horses, mules, asses, carabaos and other members of the bovine family, acquired by purchase or raised which attained the age of one year. Small animals like pigs, goats, etc. shall also be singly recorded in this form and taken-up as inventory upon reaching marketable age or are ready for use.
- Work, Other Animals and Breeding Stocks Property Card (WAOBSPC) – shall be used by the Property Office to record details on the acquisition, birth of offspring and disposition of work, other animals and breeding stocks.

8.2.10 Our inquiry with the City Accountant revealed that, although a subsidiary ledger for breeding stocks was maintained, the records were just lumped into a single account. Individual subsidiary ledgers for each animal had not yet been created.

8.2.11 Furthermore, our inquiry with the CGSO revealed that they had not yet maintained the WAOBSPC, which is intended to document details on the acquisition, birth of offspring, and disposition of the City's breeding stocks. However, they did keep a general listing of the breeding stocks.

8.2.12 As a result, the existence, condition, and reliability of the Biological Assets account balance cannot be fully ascertained.

**(d) Lack of recognition and measurement of stocks**

8.2.13 So far, the City Agriculturist had not yet fully complied with the requirement to provide an inventory of breeding stocks and other biological assets, along with their prevailing market prices as of the reporting date. This is mandated by the provisions of COA Circular No. 2016-004. As a result, these accounts were not reported at fair value less costs to sell, which is not in accordance with IPSAS No. 27.

8.3 Consequently, the accuracy of the Breeding Stocks account cannot be determined with certainty.

- 8.4 This deficiency was highlighted in the CY 2021 AAR, but Management has yet to fully address the concern.
- 8.5 The City Agriculturist has submitted the required reports using the prescribed templates to the CGSO. The CGSO and the CAO will coordinate to reconcile the records accordingly.
- 8.6 **We recommended and Management agreed to require:**
- a. **The Inventory Committee and the CGSO to prioritize the reconciliation of the RPCPPE with the accounting records;**
  - b. **The City Agriculturist to conduct an inventory of biological assets and render a report thereon, including the fair market value of each stock, to the City Accountant for proper recording in the books of accounts and henceforth, keep a systematic record of births, deaths, and disposal of breeding stocks. In case of death or disposal, he shall facilitate the request for relief of accountability in accordance with Sections 151 and 152 of COA Circular No. 92-386 dated October 20, 1992, for dropping the account from the books; and**
  - c. **The City Accounting Office to maintain and update the WOABSLC monthly using the reports submitted by the City Agriculturist and require, as well, the CGSO to maintain the WOABSPC as a reference for identifying each animal in the conduct of physical inventory as well as for reconciliation with accounting records.**

*Donated lot of undetermined value were not yet recorded in the books of accounts*

9. **One hundred twenty-one (121) parcels of land of undetermined value, acquired through donation, were not recorded in the books due to delays of concerned offices in providing the City Accountant with the Deeds of Donation, valuation reports, titles, and other supporting documents, contrary to Section 63 of PD No. 1445, thereby understating both the asset and equity accounts as at year-end.**
- 9.1 Section 63 of PD No. 1445, otherwise known as the Government Auditing Code of the Philippines, partly provides that government property shall be taken up in the books of the agency concerned at acquisition cost or at appraised value.
  - 9.2 The Audit Team reviewed the RPCPPE as of December 31, 2024, submitted by the CGSO. It was observed that 121 parcels of land acquired through donations were not yet recorded in the City's books of accounts (see Appendix 10).
  - 9.3 The aforementioned properties have already been issued corresponding titles under the name of the City. Moreover, the donated properties are designated for road lots, road rights-of-way, and sites for government structures.
  - 9.4 An interview with personnel from the CAO confirmed that these real properties remain unvalued, preventing their inclusion in the City's books of accounts.

- 9.5 Further inquiries with CGSO personnel revealed that they are awaiting the necessary documentation from the City Legal Office and/or City Assessor's Office to properly assess the value of the aforementioned properties and update the corresponding property cards for accurate record keeping.
- 9.6 This deficiency was previously noted in the CY 2018 AAR, yet Management has not fully addressed the concern. As indicated in the prior audit findings, only five (5) out of nine (9) parcels of land have been recorded in the books.
- 9.7 Accordingly, the non-recording of the donated properties as of CY 2024 has resulted in the understatement of both the assets and equity accounts of the City, significantly affecting the Land account in the financial statements as of December 31, 2024.
- 9.8 The non-recording of properties in the City's books of accounts was attributed to two primary factors: (1) incorrect and inadequate documentation and filing practices inherited from previous administrations, and (2) difficulties in collecting taxes from the donors of the properties.
- 9.9 This situation hindered the issuance of new Tax Declarations. However, the City Legal Officer noted that, despite the absence of new Tax Declarations, the land titles—once transferred and registered under the name of the City—can serve as a valid basis for recording the properties in the City's books of accounts.
- 9.10 Moreover, the City Accountant committed to reviewing the available documents to determine the feasibility of recording the donated lots in the City's books of accounts.
- 9.11 **We recommended and Management agreed to enhance the coordination and communication between the City Legal Office (CLO), City Assessor's Office, City General Services Office (CGSO) and CAO to expedite property valuation and documentation process by establishing a tracking system or timeline for property documentation. A focal person from each office could be designated to oversee the timely submission and follow-up on any missing documents.**

## **OTHER FINANCIAL RELATED ISSUES**

*Unutilized Local Disaster Risk Reduction and Management Fund (LDRRMF) totaling ₱12,052,699.82*

10. **The LDRRMF has ₱12,052,699.82 in continuing appropriations for capital outlay that remained unutilized as of year-end due to inadequate monitoring of the implementation of 26 projects, which deviated from Items 5.1.5 and 5.1.11 of COA Circular No. 2012-002 dated September 12, 2012, thereby posing risks that the City may not be adequately prepared for the adverse impacts of disasters and calamities.**

- 10.1 Section 1, Rule 18 of the Implementing Rules and Regulations (IRR) of the

Republic Act No. (RA) 10121<sup>12</sup>, states that the Local Disaster Risk Reduction Management Council (LDRRMC) is responsible for monitoring and evaluating the use and disbursement of the Local Disaster Risk Reduction and Management Fund (LDRRMF) in accordance with the Local Disaster Risk Reduction and Management Plan (LDRRMP).

- 10.2 Additionally, Section 4 thereof provides that the tracking and utilization of the LDRRMF must comply with existing auditing and accounting guidelines on public funds, local government code and other applicable laws.
- 10.3 Anent thereto, Item 5.1.11 of COA Circular No. 2012-012 outlines the accounting and reporting guidelines for the LDRRMF of local government units (LGUs) as well as the National Disaster Risk Reduction Management Fund (NDRRMF) allocated to LGUs and receipts from other sources. It states that all unexpended/unobligated balance of the LDRRMF for Capital Outlay (CO) will continue to be recorded in the General Fund until the projects funded therefore are completed. In addition, any savings from these funds will be available for use in disaster risk reduction and management activities.
- 10.4 Moreover, Item 5.1.5 of the same Circular requires the submission of the Report on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRMMF) using the template provided in Annex B of the said Circular.
- 10.5 The Audit Team conducted a review of the financial statements and the SAAO-CO of the LDRRMF as of December 31, 2024. The review revealed that 26 projects, totaling ₱12,052,699.82, have not been fully utilized, as follows (See Appendix 11):

CA – CO (Year)	No. of Projects	Amount		
		Available	Utilized	Balance
2016	1	₱ 1,196,332.49	₱ 0.00	₱ 1,196,332.49
2017	4	2,799,309.64	0.00	2,799,309.64
2018	12	5,093,901.37	299,619.70	4,794,281.67
2019	9	3,262,776.02	0.00	3,262,776.02
<b>Total</b>	<b>26</b>	<b>₱ 12,352,319.52</b>	<b>₱ 299,619.70</b>	<b>₱ 12,052,699.82</b>
<b>Percentage</b>		<b>100%</b>	<b>2.43%</b>	<b>97.57%</b>

- 10.6 As provided in Appendix 11, these projects were included in the LDRRMP for CYs 2016 to 2019, which is five (5) to eight (8) years ago. Furthermore, only ₱299,619.70, or 2.43 per cent of the total appropriations, has been obligated as of December 31, 2024. These projects have not yet been fully implemented or completed.
- 10.7 The non-implementation of the identified projects puts the City Government at risk of being unprepared to effectively reduce or manage the adverse effects of disasters and calamities.

<sup>12</sup> Also known as the Philippine Disaster Risk Reduction and Management Act of 2010 (PDRRM Act of 2010)

10.8 It is important to note that Section 11 of RA No. 10121 requires the LDRRMC to approve, monitor, and evaluate the implementation of the LDRRMPs, as well as to regularly review and test the plans in alignment with other national and local planning programs. Therefore, it is crucial to emphasize the importance of monitoring and ultimately completing the projects, as their successful implementation will fulfill one of the purposes of DRRMF – to strengthen the City’s capacity for disaster resilience and to institutionalize measures aimed at reducing disaster risks while enhancing disaster preparedness and response capabilities.

10.9 **We recommended and Management agreed that the City Disaster Risk Reduction and Management Officer (CDRRM Officer), City Engineer, and City Accountant designate personnel to oversee the verification of completion of the 26 projects under the LDRRMF CA – CO of CYs 2016-2019, through comprehensive review and retrieval of relevant documents to facilitate a timely liquidation process. Furthermore, we recommended that, upon project completion and proper liquidation, the City Accountant make the necessary accounting entries to transfer the assets to the GF.**

*Incomplete documentation of disbursements totaling ₱9,886,775.97*

11. **Disbursements amounting ₱9,886,775.97 for the payment of salaries and wages to casual/job order personnel were not supported with basic documentary requirements, as required under Section 1.2.1 of COA Circular No. 2012-001 dated June 14, 2012, thus validity of the claim and the legality of the transactions cannot be fully ascertained.**

11.1 Section 4(6) and 4(7) of P.D. 1445 require that claims against government funds be supported by complete documentation and that all applicable laws and regulations regarding financial transactions be strictly adhered to.

11.2 Further, Section 1.2.1 of COA Circular No. 2012-001 requires, among others, the approved daily time records (DTRs) or Certificate of Service, and in the case of payment of personnel under the “job order” status, daily verified/accepted accomplishment report.

11.3 On a sampling basis, post audit of disbursements was conducted to obtain reasonable assurance that claims are supported by complete documentation. It was noted that disbursements amounting to ₱9,886,775.97, as payment for salaries and wages of casual and job order (JO) personnel of the City, lacked supporting documentation, with details shown below:

Disbursement Voucher (DV) Date	Check No.	DV No.	Particulars	Amount	Job Order		Casual	
					1	2	1	3
2/22/2024	88713215	100-0224-0661(0622)	Salaries and wages for city government casual and	₱5,343,736.94	×	×	×	×

Disbursement Voucher (DV) Date	Check No.	DV No.	Particulars	Amount	Job Order		Casual	
					1	2	1	3
			JO employees for 2/1-15/24 under GF					
9/20/2024	95604430	100-0924-2998(2814)	Salaries for city government casual and JO employees for 9/1-15/24 under GF	4,543,039.03	x	x	x	x
<b>Total</b>				<b>₱9,886,775.97</b>				

Legend:

1 – Approved DTR

2 – Accomplishment Report

3 – Certification by the Local Chief Executive (LCE), that the employment/ hiring is still within the Personnel Services (PS) limitation prescribed under Section 325(a) of Republic Act No. (RA) 7160

- 11.4 Furthermore, during an interview with personnel from the CAO, it was revealed that accomplishment reports were not previously required for the processing of payroll for casual and job order personnel. However, the CAO stated that beginning in March 2025, accomplishment reports shall be attached when processing payroll for these personnel.
- 11.5 It is imperative that disbursements be properly supported with complete documentation to ensure the legality of the transactions, establish the validity of the claim, and ensure conformity with law, rules, and regulations, with a view to promoting transparency and accountability of all government resources.
- 11.6 CAO remarked that the disbursement vouchers, subjected to audit, were cash advances for the payment of salaries and wages for casual and job order personnel. Accordingly, the DTR were attached to the liquidation reports of such cash advance. However, it was also disclosed that other documentary requirements, e.g. accomplishment reports in the case of personnel under the “job order” status, were not attached to the report.
- 11.7 It was further stated that Management has commenced requiring the above-mentioned documents to be attached to the DTR of casual and job order personnel, upon processing of payment of salaries and wages.
- 11.8 While the Audit Team acknowledged that the disbursement vouchers were cash advances, it was noted that the description on said vouchers was not representative of the transaction. Furthermore, attention is invited to documentary requirements for cash advances prescribed under COA Circular No. 2012-001 dated June 14, 2012.

11.9 We recommended and Management agreed that the CAO should see to it that disbursements for payment of salaries and wages of casual and job order personnel are completely supported with proper documents, as prescribed under COA Circular 2012-001 dated June 14, 2012, before payments are made to avoid issuance of Notices of Suspension.

*Unutilized LDRRMF- Special Trust Fund (STF) totaling ₱2,502,410.50 not yet reverted to General Fund (GF)*

12. The unutilized portion of the LDRRMF in the STF for CYs 2010 to 2017, amounting to ₱2,502,410.50, has not been reverted to the GF even after the lapse of the five-year period, primarily due to insufficient monitoring of obligations and corresponding liquidations, contrary to Item 5.1.13 of COA Circular No. 2012-002 dated September 12, 2012, thereby preventing the City from making available the said funds for other social services.

12.1 Item 4.4 of COA Circular No. 2012-002 dated September 12, 2012, provides that unexpended LDRRMF shall accrue to STF solely for the purpose of supporting disaster risk reduction and management activities of the LDRRMC **within the next five (5) years.**

12.2 As such, Item 5.1.13 thereof specifies that any unutilized amount after five (5) years shall revert to the unappropriated surplus of the GF and shall be available for other social services after subsequent enactment by the local sanggunian.

12.3 Our review of the City’s financial statements and schedules for CY 2024 revealed that the unutilized balance of the LDRRMF in the STF for CYs 2010-2017 amounting to ₱2,502,410.50 was not reverted to the GF even after the lapse of the five-year period, as presented on the below:

<b>Year</b>	<b>Amount</b>
2017	₱ 542,491.33
2016	141,093.90
2015	477,609.03
2014	119,925.00
2013	62,455.40
2012	563,099.25
2011	496,186.72
2010	99,549.88
<b>Total</b>	<b>₱ 2,502,410.51</b>

12.4 This deficiency was previously noted in the CY 2020 AAR. At that time, it was disclosed in the Notes to FS that the transfer of unobligated LDRRMF balances, held in trust and due for transfer to the GF, was pending because of unpaid obligations or unprocessed liquidations.

12.5 However, a comparison with the financial statements and other schedules, as presented in the AARs for the last five (5) years, reflected the following STF balances:

Year Transfer -red to STF	STF Balances (in ₱)				
	AAR CY 2020	AAR CY 2021	AAR CY 2022	AAR CY 2023	AAR CY 2024
2010	99,549.88	99,549.88	99,549.88	99,549.88	99,549.88
2011	486,695.15	486,695.15	486,695.15	496,186.72	496,186.72
2012	486,153.02	486,153.02	486,153.02	563,099.25	563,099.25
2013	25,053.00	25,053.00	25,053.00	62,455.40	62,455.40
2014	0.00	0.00	0.00	119,925.00	119,925.00
2015	689,814.83	251,609.03	251,609.03	477,609.03	477,609.03
2016	3,972.80	195,747.19	141,093.90	141,093.90	141,093.90
2017	9,004,451.61	2,628,981.21	542,491.33	542,491.33	542,491.33
2018	19,380,073.28	0.00	0.00	0.00	0.00
<b>Total</b>	<b>30,175,763.57</b>	<b>4,173,788.48</b>	<b>2,032,645.31</b>	<b>2,502,410.51</b>	<b>2,502,410.51</b>

12.6 The table indicates that funds transferred to STF in 2010 had remained stagnant for the last five years. Furthermore, funds transferred from 2011-2017 has no movement for two (2) to three (3) years, signifying that the funds are no longer in use.

12.7 Furthermore, the Audit Team conducted an analysis of the Reports on Utilization of DRRMF for appropriations transferred to the STF as of December 2024. The analysis reveals that 89 programs and projects were implemented from 2010 to 2018, with total obligations amounting to ₱97,609,315.86, summarized below (See Appendix 12):

Year Transferr ed to STF	Total Funds Transferred to STF	Total Utilization/ Obligations As of 12/31/2024	Unutilized Balance	No. of Programs/ Projects Implemented
2010	₱ 19,021,526.25	₱ 18,921,976.37	₱ 99,549.88	23
2011	12,112,984.31	11,616,797.59	496,186.72	37
2012	2,081,021.97	1,517,922.72	563,099.25	4
2013	6,775,524.29	6,713,068.89	62,455.40	5
2014	9,622,635.59	9,502,710.59	119,925.00	4
2015	11,933,916.42	11,456,307.39	477,609.03	5
2016	6,801,898.51	6,660,804.61	141,093.90	5
2017	12,382,145.75	11,839,654.42	542,491.33	5
2018	19,380,073.28	19,380,073.28	0.00	1
<b>Total</b>	<b>₱100,111,726.37</b>	<b>₱97,609,315.86</b>	<b>₱2,502,410.51</b>	<b>89</b>

12.8 Based on the above, it is apparent that unpaid obligations and/or liquidations were not sufficiently monitored, as minimal movement was observed in the unobligated balances of LDRRMF. Thus, the unutilized amount should have been reverted to the unappropriated surplus of the General Fund, as the prescribed period of five (5) years has already lapsed.

12.9 The existing condition prevented the City from making available funds for other social services that may be authorized by the local sanggunian, as outlined in the aforementioned COA Circular.

12.10 Management enjoined the concerned offices in the implementation of LDRRMF to submit pending liquidation reports of the identified projects, for both LDRRMF – STF and LDRRMF – CO, for appropriate action. It was emphasized that the liquidation of these projects may result to a surplus, which may be utilized for other programs and projects.

12.11 We recommended and Management agreed that the CDRRM Officer, City Engineer, and City Accountant assign personnel to oversee the verification of project completion for programs and projects under the STF, through a comprehensive review and retrieval of relevant documents to facilitate the timely liquidation process and ensure accurate recording of completed projects.

12.12 We further recommended and Management agreed that the City Accountant revert the unutilized funds, specifically those transferred from 2010 to 2017, to the GF, in compliance with COA Circular No. 2012-002 dated September 12, 2012, for other social services as may be authorized by the local sanggunian.

**SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES**

13. The reported audit suspensions, disallowances, and charges of the City of Dumaguete as of December 31, 2024, were as follows:

	<b>Ending Balance (As of 12/31/2023)</b>	<b>NS/ND/NC Issued from 01/01/2024 to 12/31/2024</b>	<b>NS/ND/NC Settled from 01/01/2024 to 12/31/2024</b>	<b>Ending Balance (As of 12/31/2024)</b>
Suspensions	₱ 303,822,104.49	0.00	0.00	₱ 303,822,104.49
Disallowances	51,707,298.00	0.00	0.00	51,707,298.00
Charges	0.00	0.00	0.00	0.00

Further, the table below shows the respective balances of suspensions, disallowances, and charges of ₱303,822,104.49, ₱51,707,298.00, and ₱0.00 with breakdown as to timing and age, as follows:

<b>Timing</b>	<b>Age</b>	<b>NS</b>	<b>ND</b>	<b>NC</b>
7/1/2022 to 12/31/2024 <i>(Current Administration)</i>	Less than 1 year to 2.5 years	₱ 0.00	₱ 0.00	₱ 0.00
7/1/2019 to 6/30/2022	More than 2.5 years to 5.5 years	0.00	0.00	0.00
7/1/2016 to 6/30/2019	More than 5.5 years to 8.5 years	299,775,580.84	938,798.00	0.00

<b>Timing</b>	<b>Age</b>	<b>NS</b>	<b>ND</b>	<b>NC</b>
7/1/2013 to 6/30/2016	More than 8.5 years to 11.5 years	2,254,851.49	27,584,500.00	0.00
7/1/2010 to 6/30/2013	More than 11.5 years to 14. Years	1,391,672.16	23,184,000.00	0.00
10/06/2009 <sup>13</sup> to 6/30/2010	More than 14.5 to 15.25 years	400,000.00	0.00	0.00
<b>Total</b>		<b>₱303,822,104.49</b>	<b>₱51,707,298.00</b>	<b>₱ 0.00</b>

Of the total balance of disallowances of ₱51,707,298.00, 38.02 per cent is pending appeal at various levels of adjudication pursuant to COA Rules and Regulations on Settlement of Accounts (RRSA), while 0.00 per cent attained finality and issued with Notice of Finality of Decision (NFD). Of the disallowances that had become final, 0.00 per cent were issued with COA Order of Execution.

Lastly, of the total suspensions of ₱303,822,104.49, 98.68 per cent is pending evaluation by the Audit Team while 1.32 per cent is still for settlement by persons determined responsible. Under the RRSA, a suspension should be settled within ninety (90) calendar days from receipt of the NS; otherwise, the transaction covered by it shall be disallowed/ charged after the Auditor is fully satisfied that such action is appropriate. Consequently, the Auditor shall issue the corresponding ND/NC.

## **COMPLIANCE WITH MANDATORY DEDUCTIONS AND TAX LAWS**

14. The City of Dumaguete complied with tax laws on withholding taxes from salaries, wages, purchases of goods and services, and value-added tax. Taxes withheld were remitted to the Bureau of Internal Revenue within the reglementary period.

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Beginning Balance	1,614,377.31	3,777.47	107,642.70	1,725,797.48
Add: Taxes withheld from Jan-Dec 2024	26,415,936.21	3,723,080.15	711,380.86	30,850,397.22
Less: Remittance from Jan-Dec 2024	25,063,782.19	2,684,465.94	562,970.89	28,311,219.02
<b>Balance as of December 31, 2024</b>	<b>2,966,531.33</b>	<b>1,042,391.68</b>	<b>256,052.67</b>	<b>4,264,975.68</b>

Out of the ending balance, the details of the remittances are summarized below:

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Amount Remitted	2,200,745.09	1,039,168.03	228,622.33	3,468,535.45
Date Remitted	1/09/2025	1/10/2025	1/21/2025	

Unremitted prior years' balances, which formed part of the balances as of December 31, 2024, are still subject to reconciliation.

<sup>13</sup> COA Circular No. 2009-006

**COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) ACT OF 1997 (RA No. 8291)**

15. The City of Dumaguete complied with the deductions and remittance of GSIS contributions, including remittance of loan repayments. Remittances were made within the reglementary period.

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Beginning Balance	6,231,322.15	122,806.74	116,793.35	6,470,922.24
Add: Withheld from Jan-Dec 2024	69,803,666.85	61,945.38	0.00	69,865,612.23
Less: Remittance from Jan-Dec 2024	70,628,330.69	0.00	0.00	70,628,330.69
<b>Balance as of December 31, 2024</b>	<b>5,406,658.31</b>	<b>184,752.12</b>	<b>116,793.35</b>	<b>5,708,203.78</b>

Out of the ending balance, the details of the remittances are summarized below:

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Amount Remitted	6,240,590.60	0.00	0.00	6,240,590.60
Date Remitted	1/10/2025			

Unremitted prior years' balances, which formed part of the balances as of December 31, 2024, are still subject to reconciliation.

**COMPLIANCE WITH HOME DEVELOPMENT MUTUAL FUND (HDMF) LAW OF 2009 (RA No. 9769)**

16. The City of Dumaguete complied with the deductions and remittance of HDMF contributions, including remittance of loan repayments. Remittances were made within the reglementary period.

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Beginning Balance	561,131.70	1,533.99	(248.09)	562,417.60
Add: Withheld from Jan-Dec 2024	6,086,969.07	0.00	0.00	6,086,969.07
Less: Remittance from Jan-Dec 2024	5,883,133.82	0.00	0.00	5,883,133.82
<b>Balance as of December 31, 2024</b>	<b>764,966.95</b>	<b>1,533.99</b>	<b>(248.09)</b>	<b>766,252.85</b>

Out of the ending balance, the details of the remittances are summarized below:

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Amount Remitted	508,848.45	0.00	0.00	508,848.45
Date Remitted	1/10/2025			

Unremitted prior years' balances, which formed part of the balances as of December 31, 2024, are still subject to reconciliation.

**COMPLIANCE WITH NATIONAL HEALTH INSURANCE ACT OF CY 2013 (RA No. 7875, as amended by RAs No. 9241 and 10606)**

17. The City of Dumaguete complied with the deductions and remittance of Philippine Health Insurance Corporation contributions. Remittances were made within the reglementary period.

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Beginning Balance	1,410,158.32	19,800.00	33,117.75	1,463,076.07
Add: Withheld from Jan-Dec 2024	10,776,378.66	0.00	0.00	10,776,378.66
Less: Remittance from Jan-Dec 2024	10,513,594.70	0.00	0.00	10,513,594.70
<b>Balance as of December 31, 2024</b>	<b>1,672,942.28</b>	<b>19,800.00</b>	<b>33,117.75</b>	<b>1,725,860.03</b>

Out of the ending balance, the details of the remittances are summarized below:

<b>Particular</b>	<b>General Fund</b>	<b>SEF</b>	<b>Trust Fund</b>	<b>Total</b>
Amount Remitted	890,025.48	0.00	0.00	890,025.48
Date Remitted	January 2025			

Unremitted prior years' balances, which formed part of the balances as of December 31, 2024, are still subject to reconciliation.

**COMPLIANCE WITH PROPERTY INSURANCE LAW**

18. The City of Dumaguete has complied with the Property Insurance Law. For CY 2024, the City paid to GSIS a total insurance premium of ₱1,019,730.78.

**COMPLIANCE WITH GENDER AND DEVELOPMENT (GAD)**

19. For the calendar year 2024, GAD budget amounted to ₱60,000,000.00, which is 5 percent of the Annual Budget of ₱1,200,000,000.00. Out of the total GAD budget, 72.24 per cent or ₱ 43,346,763.16 was utilized for GAD-responsive programs, projects and activities.

**COMPLIANCE WITH SENIOR CITIZENS AND PERSONS WITH DISABILITIES (PWDs)**

20. For the calendar year 2024, the appropriation for Senior Citizens and PWDs amounted to ₱19,711,366.70. The City Government utilized an aggregate amount of ₱16,857,149.15 or 85.52 per cent of its budget, for its programs, projects and activities, leaving a balance of ₱2,854,217.55.

## **PAYMENTS TO CASUALS, JOB ORDERS, AND CONTRACTUALS**

21. For the calendar year 2024, the City Government paid a total of ₱74,134,942.14 for casuals, job orders and contractual personnel.

## **COMPLIANCE WITH THE ONE PERCENT IRA ALLOCATION FOR THE LOCAL COUNCIL FOR THE PROTECTION OF CHILDREN (LCPC)**

22. The City of Dumaguete complied with the allocation of at least one per cent of its Share from Internal Revenue Collection for the strengthening and implementation of programs, projects, and activities related to child protection by the LCPC, in accordance with the Republic Act No. 9344 and the Department of the Interior and Local Government Memorandum Circular No. 2012-120 dated July 4, 2012. For CY 2024, the City Government appropriated ₱12,150,000.00, of which 91.14 per cent was utilized, or a total amount of ₱11,074,224.00.

## **OTHER MATTERS**

23. We have audited the other audit areas in compliance with the Unnumbered Memorandum dated October 30, 2024, of the Assistant Commissioner, Local Government Sector, containing the audit instructions for the Local Government Sector for CY 2024. However, we have not 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 RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

Of the 75 prior years’ audit recommendations, nine (9) were implemented, and 66 were not implemented.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
<p>2023 AAR; AO No. 1; Page No. 49</p> <p>2020 AAR; AO No. 3, Page No. 51</p> <p>2019/2017 AAR</p>	<p>The year-end balance of the City’s Property, Plant and Equipment (PPE) accounts could not be fully ascertained due to an unreconciled difference of ₱1.61 billion between the accounting and property records, which goes against Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1, and affects the fair presentation of the PPE accounts in the financial statements.</p>	<p>1. Require the Inventory Committee to fully implement the one-time cleansing of PPE account balances per COA Circular No. 2020-006 dated January 31, 2020, to facilitate the reconciliation of year-end PPE balances; and</p> <p>2. Direct the CAO and CGSO to designate focal persons for each office who will diligently reconcile their records and subsequently make necessary adjustments to their respective property records.</p>	<p>Not Implemented</p> <p>A coordination meeting with all persons/ departments responsible was conducted on June 11, 2024 for clarification on issues and concerns regarding one time cleansing. According to the focal committee, completion of the reconciliation between accounting and property records shall be prioritized prior to commencement of inventory count.</p> <p>Not Implemented</p> <p>Based on the coordination meeting, target date for completion of reconciliation process is targeted on July 31, 2025.</p>
<p>2023 AAR; AO No. 2; Page No. 50</p> <p>2019 AAR; AO No. 2; Page No. 47</p>	<p>Completed projects and unidentified cots totaling ₱23.02 million and ₱138.12 million, respectively, remained in the Construction in Progress (CIP) accounts, inconsistent with Paragraph 27 of IPSAS 1 and Section 50 of the NGAS Manual for LGUs, Volume I, thereby</p>	<p>3. The CEO expedite the preparation of the Fuel Consumption Reports, Report of Completed Projects, and the COCs and regularly provide the CAO with copies thereof monthly; and</p>	<p>Not Implemented</p> <p>As highlighted during the exit conference, there is ongoing liquidation of completed projects. Likewise, this will partly be addressed once reconciliation process for the one-time cleansing is completed.</p>

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	overstating the CIP account and understating the related asset and expense accounts.	4. The CAO assign personnel to focus on verifying the items for identification included in the CIP account and to effect the necessary adjustments for reclassifying these projects into their appropriate PPE accounts while recognizing the corresponding depreciation and accumulated depreciation for each completed project.	Not Implemented  Ongoing As of December 31, 2024, CAO has reclassified ₱91.5M worth of projects from CIP Account to the proper asset accounts. The following Journal Entry Voucher Nos. were verified, to wit:  100-2024-04-0070, 100-2024-12-0685, 100-2024-08-0445, 100-2024-09-0506, 100-2024-11-0606, 100-2024-06-0131, 100-2024-08-0444
2023 AAR; AO No. 3; Page No. 53  2021 AAR; AO No. 3; Page No. 48	The City has not yet fully complied with the one-time cleansing requirement for its PPE account as mandated by the Commission on Audit (COA) through COA Circular No. 2020-006 dated January 31, 2020. As a result, the accuracy of the PPE balances cannot be established, which affects the fairness of the presentation of the affected accounts in the financial statements.	5. The City Government carry out the one-time cleansing of PPE per COA Circular No. 2020-006 dated January 31, 2020, to ensure that the PPE balances are accurate and that the affected accounts are fairly presented in the financial statements.	Not Implemented  As of December 31, 2024, reconciliation of records for movable properties is at approximately 50%. Based on the coordination meeting, target date for completion of reconciliation process is targeted on July 31, 2025.
2023 AAR; AO No. 4; Page No. 54	The City's local economic enterprises (LEEs) such as the Market, Slaughterhouse, and Septage were operating at a loss in CYs 2019-2023, which is inconsistent with Section 17(a) of RA 7160 and Section 6.6.3	6. Conduct a thorough operational review of the Slaughterhouse, Market, and Septage Operations to pinpoint the root causes of financial losses and implement corrective actions to enhance the effectiveness and efficiency of operations	Not Implemented  Financial reports for the City's LEEs were submitted to the Office of the Auditor, which are still subject for review. Further, management has submitted proposed increase in rates for the services of the Market,

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	of the DBM Manual for the Setting Up and Operation of Local Economic Enterprises (LEE Manual), thus defeating the purpose for which these LEEs were established.	and avoid continuous financial losses.	Slaughterhouse, and Septage Facility, and is awaiting approval from the Sangguniang Panglungsod.
2023 AAR; AO No. 5; Page No. 57	Three projects worth ₱3.39 million under the Health Facilities Enhancement Program (HFEP) have not been fully implemented due to inadequate monitoring depriving the constituents of the timely benefits to be derived from the project.	7. The City Engineer and concerned officials regularly monitor and assess the implementation of projects under HFEP and other projects to ensure efficient, economical, and effective project implementation.	Not Implemented  As of December 31, 2024, two (2) of three (3) HFEP Projects are 96% - 98% complete.
2023 AAR; AO No. 6; Page No. 58	Unspent funds amounting to ₱399,240.18, intended as financial assistance to LGUs that were affected by Typhoon Odette, have not been returned to the National Treasury as required under Section 3.8 of Local Budget Circular (LBC) No. 140, thereby depriving the National Government of money that could have been used for other programs or projects.	8. The CEO and the CGSO fast-track the necessary documentation for the full liquidation of the said projects so that the unutilized balance of ₱399,240.18 of the financial assistance to LGUs will be reverted to the National Treasury in compliance with Section 3.8 of LBC No. 140 dated December 28, 2021, to allow the National Government to utilize the same for other PPAs.	Implemented  These funds were reverted to National Treasury in CY 2024 per Check Nos. 82963180 and 82963181.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2023 AAR; AO No. 7; Page No. 60	Unutilized funds of the Bayanihan Grant to Cities and Municipalities (BGCM) totaling ₱692,738.42 were not returned to the National Treasury as required under Section 3.9 of Local Budget Circular No. 125 dated April 7, 2020, thereby depriving the National Government of funds that could be utilized for other programs or projects.	9. The City Government remit to the National Treasury the unutilized BGCM funds amounting to ₱692,738.42 in compliance with Section 3.9 of Local Budget Circular No. 125 dated April 7, 2020, to allow the National Government to utilize the same for other useful programs or projects.	Not Implemented  Management has an ongoing review of records and liquidation of this account. The fund still remained unutilized as of December 31, 2024.
2023 AAR; AO No. 8; Page No. 60	The City did not undertake the general revision of real property assessments every three years based on an updated Schedule of Market Values, which is not compliant with Sections 212 and 219 of R.A. No. 7160 and DILG-DOF JMC No. 2010-01, hence precluding the City from maximizing its revenue-raising power to generate additional funds to finance development projects.	10. Management direct the City Assessor to prepare the city's updated SMVs pursuant to Section 212 of the LGC and eventually draft an Ordinance for consideration of the Sanggunian, incorporating the proposed SMVs, assessment level, and tax rate.	Not Implemented  Non-implementation due to RA 12001 (Reforms in Real Property Valuation and Assessment)  Management is continuously gathering sale data and conducting inventory through tax mapping operation for 2026 general revision as recommended by Bureau of Local Government Finance (BLGF).
2023 AAR; AO No. 9; Page No. 62	The reasonableness of fuel consumption for CY 2023 amounting to ₱23.46 million could not be fully ascertained because the required reports were not properly accomplished and regularly submitted to the Office of the Auditor, inconsistent with the pertinent sections of	11. Management instruct all heads of offices to require their drivers to properly accomplish the Driver's Trip Tickets, Monthly Report of Official Travels, and Report of Fuel Consumption to ensure that all items are filled out so that the reasonableness of fuel	Not Implemented  Per validation, timely submission of monthly report have not yet been complied with. Accordingly, per verification of some driver's trip ticket, the same had not been properly accomplished yet.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	COA Circular No. 77-61 dated September 26, 1977.	<p>consumed for the period can be determined.</p> <p>12. Also, for the stationary and construction and heavy equipment, the parameters in fuel consumption usage, i.e., number of hours used and rate of usage of equipment, should be provided in the report.</p> <p>13. The CGSO endeavor to submit the monthly reports on time, supported by the driver's trip tickets.</p> <p>14. CGSO repair or replace defective odometers.</p>	<p>Not Implemented</p> <p>Per validation of submitted documents, required data were still not indicated in the monthly reports submitted.</p> <p>Not Implemented</p> <p>Per validation, monthly reports were submitted, however, these were trip tickets for previous months and not for the current month.</p> <p>Not Implemented</p> <p>As of latest reports, some still still have no odometer readings, therefore, repair and/or replacements of defective odometers may have not been undergone.</p>
2023 AAR; AO No. 10; Page No. 65	Inadequate planning and insufficient use of the Agency Annual Procurement Plan (APP) for CY 2023 resulted in piecemeal purchases which was inconsistent with Section 7 of RA 9184, and Section 7, Rule II of its Revised IRR, thus, may render the procurement system less efficient and uneconomical.	15. Management instruct all heads of offices to submit purchase requisitions for supplies, materials, and equipment necessary for the day-to-day operations or in the pursuit of the principal mandate of the agency in accordance with the schedule in the APP or as may be preferred by the CGSO (i.e. monthly, quarterly), for consolidated procurement by the latter.	<p>Implemented</p> <p>City Budget has consolidated APP of each department/ unit/ office for a more efficient and effective procurement system of supplies, materials and equipment.</p>

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2023 AAR; AO No. 11; Page No. 67	The City Government has not provided a garage for motor vehicles, contrary to the requirements of Section V(5) of COA Circular No. 75-6 dated November 7, 1975, thereby exposing the assets to rapid deterioration, destruction, and possible loss.	16. Management consider the construction of a suitable garage for the safekeeping of government vehicles to protect them from the elements and safeguard them against damage and possible theft or unauthorized cannibalization of parts in accordance with Section V(5) of COA Circular No. 75-6 dated November 7, 1975.	Not Implemented  CEO has submitted the proposed Program of Works and Detailed Estimate for the Construction of Parking Facility at Barangay Candau-ay; for budgeting.  Vehicles are mostly parked in Burgos Street for close monitoring. Some are also housed in Central Materials Recovery Facility in Barangay Candau-ay.
2023 AAR; AO No. 12; Page No. 69	Control and monitoring over accountable forms was not fully observed as the AO still had 913 bank checks that were no longer usable and obsolete, which went against the PCHC Check Image Clearing System (CICS) Operating Memorandum (OM) No. 19-030. Thus, continued possession and custody of these forms only added impractical and unnecessary accountability to the concerned AO.	17. The City Treasurer's Office (CTO) agreed to communicate with the depository bank regarding the steps to replace the 913 obsolete checks they currently possess.  18. The CTO coordinate with all depository banks that hold checking accounts for the City, before the implementation of the new Check Design Standards, to ensure all bank checks are successfully replaced.	Implemented  CTO submitted RAAF to reflect return of obsolete checks.  Implemented  CTO coordinated with all depository banks and will abide by the new Check Design Standards.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2022 AAR; AO No. 2; Page No. 49	The Due to Other NGAs account amounting to ₱5,694,650.32 had remained outstanding for over 10 years due to unreturned remaining balances, unliquidated and unutilized funds, resulting to the overstatement of the Due to Other NGAs and understatement in the appropriate asset and expense accounts.	19. Immediately submit the audited Statement of Liquidation to the respective source agencies to ensure proper reporting and accounting of the funds received and utilized pursuant to COA Circular No. 94-013 and the terms and conditions of the MOA.	Not Implemented  As of year end, the balances were due to items not yet procured or delivered by the suppliers, and suppliers failed to claim payments. Moreover, CAO and implementing agencies endeavor to reconcile records for proper accounting of balances.
2022 AAR; AO No. 3; Page No. 50	One recycling equipment amounting to ₱6,505,000.00 donated to the City Government by the Environmental Management Bureau (EMB) was not taken up in the books due to the delay in forwarding to the CAO the deed of donation and supporting papers, contrary to Section 63 of PD No. 1445, thereby, understating both the asset and equity accounts as of December 31, 2022.	20. The City Legal Office (CLO) and the CGSO submit immediately to the CAO the donation documents, such as the deed of donation, Acceptance and Inspection Report, PAR, and other supporting papers as bases in recording the donated properties to the books of accounts.	Not Implemented  Deed of Donation and other supporting documents are already on hand. As of year end, CAO is still locating the documentation of its cost for proper recording in the books of accounts. Furthermore, the Audit Team will locate audit working papers of this audit observation to aid in the valuation of the said equipment.
2022 AAR; AO No. 4; Page No. 51	Unexpended balances of Continuing Appropriations (CA) amounting to ₱129,710,151.88 remained not fully utilized contrary to Section 5.0 of the DILG and DBM JMC No. 2017-1 and Section 322 of RA No. 7160, thereby depriving the public of	21. The City Budget Officer, City Planning and Development Officer, City Engineer, and City Accountant review and monitor the balances of the continuing appropriations under the 20 percent DF, which shall be the basis for the Local Finance Committee to	Not Implemented  This audit recommendation is restated/revised in CY 2024 (AO No. 5, Page No. 65).

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	timely benefits from the development PPAs that could have been programmed from the unexpended amount.	recommend to the Local Chief Executive the reversion of those pertaining to completed projects and those no longer needed so that the funds may be appropriated and utilized for other priority development projects.	
2022 AAR; AO No. 7; Page No. 56	Unexpended balances of the LDRRMF CA amounting to ₱33,153,873.72 from 49 projects and programs, were not reprogrammed to other disaster risk reduction and management activities as required under Section 5.1.11 of COA Circular No. 2012-002, thus may lead to suboptimal utilization of the fund's intended purpose and lesser funds for disaster risk reduction and management activities.	22. Management review the status of accomplishment and completion of all LDRRMF projects/programs and whatever unexpended or unobligated balances of completed projects be made available for other disaster risk reduction and management activities pursuant to Section 5.1.11 of the said Circular.	Not Implemented  This audit recommendation is restated/revised in CY 2024 (AO No. 10, Page No. 76).
2022 AAR; AO No. 9; Page No. 60	Expendable supplies and properties with a net book value of ₱409,928.53 charged against the LDRRMF were recorded under the Disaster Response and Rescue Equipment account instead of Supplies or Inventories account contrary to Section 5.5.4 of NDRRMC-DBM-DILG JMC No. 2013-1, affecting the fair presentation of the financial statements.	23. The City Accountant reclassify the aforementioned items into their appropriate account classification pursuant to IPSAS 1 and NDRRMC-DBM-DILG JMC No. 2013-1, so that affected accounts will be presented fairly in the financial statements.	Not Implemented  LDRRMO has ongoing reconciliation and liquidation, prior to adjustments. Manpower is a constant hindrance to its completion.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2022 AAR; AO No. 10; Page No. 61	The Local School Board (LSB) has not adequately monitored the implementation of Special Education Fund (SEF) priority PPAs in accordance with Section 100(c) of RA No. 7160, hence, there are still 64 PPAs since CY 2012 with balances totaling ₱85,534,569.05 that have not been fully implemented or liquidated resulting to the underutilization of the fund.	24. Management review and monitor the balances of the continuing appropriation under the SEF. Those amounts pertaining to completed projects and those that are no longer needed will be reverted and used to fund other SEF PPAs.	Not Implemented  Upon validation, 16 out of 64 projects were already reverted per LSB Resolution No. 8, series of 2023. The Audit team will follow up the remaining 48 projects in CY 2025.
2022 AAR; AO No. 11; Page No. 62	The accountability for assets procured from SEF cannot be properly established due to inadequate coordination in transferring property accountabilities and failure to renew Property Acknowledgement Receipts (PARs) at least every three years or every time there is a change in property accountability, contrary to Sections 375 and 376 of RA No. 7160 and Section 492 of the Government Accounting and Auditing Manual (GAAM), Volume 1.	25. The City Government and the DepEd Dumaguete City Division Office establish an internal policy for managing SEF properties to ensure that there is accountability for issued property items at all times and that the PARs are updated every three years or whenever there is a change of accountability or custodianship over the items.  26. The CGSO explore the option of donating SEF-funded properties, such as teacher's chairs and tables, instructional/teaching materials, etc. which are meant for direct classroom use, to the DepEd City School Division. This will ensure that the person in actual physical possession/control of	Implemented  Division Memorandum No. 079, series of 2024 was issued reiterating the policy on the processing of transfer of accountability.  Physical Inventory count was conducted by the CGSO in August and September 2024 and completed in December 2024. PARs were also updated as of year-end.  Not Implemented  Updated all PARs following the completion of physical inventory count last December 2024. No efforts were made yet whether donation of said assets is feasible or not.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
		the SEF property is made responsible for its proper use and accountability.	
2022 AAR; AO No. 13; Page No. 66	Twenty buildings and three hospitals/health centers with a total book value of ₱3,613,849.79 were not insured with the GSIS, contrary to Section 2 of RA No. 656, as amended by P.D. No. 245 and COA Circular No. 2018-002, thereby exposing these properties to the risk of having no indemnification in case of loss.	27. The CGSO prepare and submit to the GSIS the Property Inventory Form (PIF) listing all insurable properties to ensure that all insurable assets and properties are adequately insured with the General Insurance Fund to accord the city with some indemnification in case of damage or losses due to fortuitous events.	Not Implemented  Documentary requirements for insurance are not yet complete. CGSO has requested from the Office of the Building Official (OBO) and has yet to issue the occupancy permit, one of the required documents for property insurance.
2021 AAR; AO No. 1; Page No. 45	The Petty Cash Fund (PCF) amounting to ₱36,211.32 was not fully liquidated at the end of the year contrary to Section 48 of the New Government Accounting System (NGAS) Manual for LGUs, Volume 1.	28. Management sees to it that the guidelines on PCF are strictly observed.	Not Implemented  Management has yet to follow fully the imprest system as of December 31, 2024.
2021 AAR; AO No. 4; Page No. 54	The accuracy and reliability of the Road Networks account totaling ₱52,984,887.52 could not be ascertained due to: (a) non-conduct of inventory of local roads and non-preparation of the Report on the Physical Count of Local Road Network (RPCLRN); (b) non-maintenance of the Local Road Network Ledger Card (LRNLC) and Local Road Network	29. The Inventory Committee conduct an annual physical count of all LRN and the results thereof reported in the RPCLRN to be submitted to the Auditor and Accounting unit not later than January 31 of each year. The RPCLRN shall be reconciled with the accounting records, and the necessary adjusting entries are prepared before the statement date.	Not Implemented  This audit recommendation is restated/revised in CY 2024 (AO No. 2, Page No. 53).

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	<p>Property Card (LRNPC); (c) non-provision of depreciation for LRN items; and (d) non-disclosure of the total road networks in the Notes to the Financial Statements, 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>2021 AAR; AO No. 5; Page No. 58</p>	<p>The reported balance of the Biological Assets account amounting to ₱1,264,760.73 is unreliable due to: (a) incomplete and unreconciled inventory of biological assets against accounting records; (b) non-provision of inventory and prevailing market price for each biological asset by the City Agriculturist; and (c) non-maintenance of work, other animals and breeding stocks ledger and property cards contrary to pertinent provisions of COA Circular No. 2016-004, IPSAS No. 27 and the NGAS Manual, Volume II, hence, the existence and condition as well as the reliability of the Biological Assets account balance could not be ascertained.</p>	<p>30. Management require the Inventory Committee and the CGSO to prioritize the reconciliation of the RPCPPE with the accounting records;</p> <p>31. The City Agriculturist to conduct an inventory of biological assets and render a report thereon including the fair market value of each stock to the City Accountant, for proper recording in the books of accounts and to henceforth, keep a systematic record of births, deaths, and disposal of breeding stocks. In case of death or disposal, he shall facilitate the request for relief of accountability in accordance with Sections 151 and 152 of COA Circular No. 92-386 dated October 20, 1992, for dropping the account from the books; and</p>	<p>Not Implemented</p> <p>This audit recommendation is reiterated in CY 2024.</p> <p>Not Implemented</p> <p>This audit recommendation is reiterated in CY 2024.</p>

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
		32. The City Accounting Office to maintain and update the WOABSLC monthly using the reports submitted by the City Agriculturist, and require, as well, the CGSO to maintain the WOABSPC as reference for identifying each animal in the conduct of physical inventory as well as for reconciliation with accounting records.	Not Implemented  This audit recommendation is reiterated in CY 2024.
2021 AAR; AO No. 6; Page No. 61	The balance of the Due to Other NGAs account pertaining to Local Government Support Fund (LGSF) grants for priority development programs and projects amounting to ₱12,172,570.00 as of December 31, 2021, remained outstanding for three to six years even if the related programs and projects were completed resulting in the overstatement of the Due to Other NGAs and understatement in the appropriate asset and expense accounts.	33. The City Accountant designate one of its personnel to regularly monitor and demand from the City Engineer the liquidation reports of LGSF funded projects and to draw a journal voucher to take up the liquidation in order to present fairly the account Due from Other NGAs and the related asset and expense accounts in the financial statements.	Not Implemented  As December 31, 2024, ₱5.01M was fully liquidated. CAO has to submit liquidation documents yet for verification by Audit Team.
2021 AAR; AO No. 9; Page No. 67	The City Government did not conduct an annual evaluation of the performance/quality of services of PLDT, Inc., the service provider of City-Wide CCTV Services, thus it had no way of determining whether the services rendered were satisfactory enough for	34. The City Government conduct an annual evaluation of the performance/quality of City-Wide CCTV Services of PLDT, Inc., the service provider, to determine whether the services rendered were satisfactory enough for it to be allowed to continue its services in the succeeding year(s).	Not Implemented  CCTV Command Center has started streamlining its reports.  COA has recommended to furnish various offices of its reports, for further disposition, perusal and action.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	it to be allowed to continue its services in the succeeding year(s).		In spite of the accomplishment of monthly reports, no annual evaluation was conducted yet.
2021 AAR; AO No. 13; Page No. 71	The City failed to prepare the Public Service Continuity Plan (PSCP) as required in the National Disaster Risk Reduction and Management Council (NDRRMC) Memorandum No. 33, s. 2018 and No. 57, s. 2020 nor did the Local Chief Executive (LCE) organize a working group to formulate the plan as required in Section 5.0, Chapter II, of the PSCP Guidebook. Thus, impairing the continuous delivery of quality essential services to the public during an emergency, disaster or disruptive event.	35. The LCE institutionalize the PSCP by creating a working group that will perform the following activities: a. To conduct a risk assessment, risk and impact analysis; b. To identify critical processes and functions; c. To determine scenarios that may disrupt normal operations; d. To formulate the PSCP based on the identified risks on critical processes and functions and its related steps to be followed to eliminate, if not mitigate, the impact of the determined disruptions following the prescribed templates and requirements in the PSCP guidebook; and e. To submit a plan to the CDRRMO for review, to the Local Chief Executive for approval, and to the Sangguniang Panlungsod for the passage of a resolution to institutionalize the PSCP.	Not Implemented  No consolidation of outputs from the December 2022 PSCP seminar.
2020 AAR; AO No. 1; Page No. 48	The correctness of the balance of the Receivables account amounting to	36. The City Accountant conduct periodic verification, analysis, and validation of the	Not Implemented  CAO have issued demand letters on current

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	<p>₱313,845,193.49 in the General Fund is unreliable because it included dormant accounts amounting to ₱20,936,970.94 which have been in the books of accounts for more than ten years for which no request for write-off had been filed, contrary to COA Circular No. 2016-005 dated December 19, 2016, thus, affecting the fair presentation of accounts in the financial statements.</p>	<p>existence of the receivables and the City Mayor to file the request for write-off of dormant receivable accounts to the Audit Team Leader supported by the documents enumerated under Item 8.3 (a) and (b) of COA Circular No. 2016-005 dated December 19, 2016.</p>	<p>receivables. CAO has also prepared requests for write-off for receivables of deceased individuals, with complete documentary requirements, pending Mayor's approval.</p>
<p>2020/2019 AAR; AO No. 2; Page No. 50</p>	<p>The existence and accuracy of the inventory accounts totaling ₱52,175,027.33 as of December 31, 2020 are unreliable because of the non-conduct of physical count of inventories, unrecorded issuances of supplies and materials, inclusion of dormant accounts in the amount of ₱13,315,481.25 and non-maintenance of Supplies Ledger Cards (SLCs) and Stock Cards (SCs), thus, overstating the asset and equity accounts as of December 31, 2020.</p> <p>As of December 31, 2023, the inventory accounts totaled ₱88,979,583.98.</p>	<p>37. The CGSO to consolidate on the SSMI all RIS and submit the same to the Accountant weekly, as basis for recording in the books of accounts.</p>	<p>Not Implemented</p> <p>This audit recommendation is restated/ revised in CY 2024 (AO No. 1, Page No. 50).</p>



Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2020 AAR; AO No. 5; Page No. 56	The City granted COVID-19 Hazard Pay to its 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 ₱5,851,543.42 without the supporting documents necessary to determine compliance with the pertinent provisions of DBM Budget Circular No. 2020-1 dated March 24, 2020. Thus, the propriety and regularity of the grant could not be ascertained.	40. The City Accountant together with the heads of other concerned offices submit the following documents 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 from the head of agency/office directing the personnel to render service during the period of the ECQ stating the prescribed official working hours as well as the entitlement of the COVID-19 hazard pay; and b. Certification by the City Accountant that personnel who were granted COVID-19 Hazard Pay had not been paid with any other type of hazard pay under existing laws.	Not Implemented  Certification was not issued in the target year 2023.
2020 AAR; AO No. 7; Page No. 58	Insufficient profiling of beneficiaries and lack of validation using the Social Amelioration Cards (SACs) in the implementation of the Emergency Subsidy Program (SEP) through the Social Amelioration Program (SAP) of the Department of Social Welfare and Development (DSWD), contrary to	41. Management establish a comprehensive database of low-income families to facilitate identification and validation of target beneficiaries for social work, disaster risk reduction management and other similar initiatives of the City.	Not Implemented  As of December 31, 2024, comprehensive database is still on procurement process.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	DSWD Memorandum Circular No. 09, series of 2020, as well as the lack of database as reference in identifying target beneficiaries, resulted in the inclusion of unqualified individuals.		
2020 AAR; AO No. 14; Page No. 70	The unutilized portion of the LDRRMF in the Special Trust Fund (STF) for CYs 2010 to 2013 amounting to P1,097,451.05 was not yet reverted to the General Fund even after the lapse of the five-year period due to unpaid obligations and unprocessed liquidations, contrary to Item 5.1.13 of COA Circular No. 2012-002 dated September 12, 2012, thereby preventing the City from making available the said funds for other social services.	42. The City Accountant coordinate with the LDRRM Officer and City Engineer to immediately process the payment of obligations and liquidations under the LDRRMF - STF and strictly adhere to the provisions of Item 5.1.13 of COA Circular No. 2012-002 dated September 12, 2012.	Not Implemented  This audit recommendation is restated/ revised in CY 2024 (AO No. 12, Page No. 80).
2019 AAR; AO No. 3; Page No. 50	The balance of the Due from LGUs (1-03-030) account amounting to ₱8,363,499.26 as of December 31, 2019 was not fairly presented in the financial statements because fund transfers amounting to ₱8,001,999.26 or 96% of the total balance remained outstanding for more than one year to six years. This could have possibly resulted in the	43. The City Accountant regularly monitor and demand submission of liquidation of funds transferred to other LGUs, and thereafter, draw a journal voucher to take up the expenses in order to present fairly the Due from LGUs and the related expense accounts in the financial statements.	Not Implemented  Records and/or documents of prior years' balances are unavailable. The audit team recommended requesting for write off and/or processing of one time cleansing of dormant receivable accounts, in accordance with COA Circular 2023-008 dated August 17, 2023.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	overstatement and understatement of the Due from LGUs and the expense accounts, respectively, inasmuch as fund transfers aged more than one year must have been utilized already.		
2019 AAR; AONo. 5; Page No. 52	The operation of the septage facility was initially started in CY 2019 and finally declared as an LEE under Sangguniang Panlungsod Ordinance No. 27, series of 2020, dated January 15, 2020, without a feasibility study and a five-year Business Plan (BP), contrary to Chapter 4 of the Manual on the Setting Up and Operation of LEEs. Thus, the efficient and effective provision of basic services on septage collection and treatment may be affected.	44. Management assign or designate relevant officials who will be responsible for the conduct of a feasibility study and a five-year BP for the operation of the septage facility in accordance with the procedures provided in Items 4.2 and 4.6 of the Manual.	Implemented  The 5-year (2019-2023) Business Plan for Dumaguete City Septage Treatment Facility was submitted to the Office of the Auditor, subject to further review.
2019 AAR; AONo. 8; Page No. 57	The City's compliance with the NDRRMC Disaster Preparedness Minimum Standards, Volume 2, was inadequate, particularly on evacuation center (EC) management and services, thus, lacking privacy and not meeting the needs of different groups of people including PWDs, the elderly, women and children, and may result in	45. The LDRRM Council through the LDRRM Officer IV in coordination with CSWDO, CHO, CPDO, CEO and other concerned offices comply with the standards provided in the Disaster Preparedness Minimum Standards, Volume 2.	Not Implemented  Upon verification of evacuation centers, LDRRMO has already started preparing the facility. However, said facility still lacks compliance with standards.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	dehumanizing condition involving sanitation and self-hygiene.		
2019 AAR; AONo. 9; Page No. 58	A Local Disaster Risk Reduction and Management Officer (LDRMO) IV assisted by 16 job order (JO) composed the LDRRM Office, contrary to Section 5.0 of NDRRMC-DILG-DBM and CSC JMC No. 2014-1 dated April 4, 2014, thus, affecting the capability of the office to perform efficiently and effectively its functions in responding to and managing the adverse effects of emergency or calamity and in carrying out recovery activities.	46. The City hire qualified personnel to occupy the position of the three staff of the LDRRM Office in accordance with the position titles, qualification standards and salary grades set under Section 6.0 of NDRRMC-DILG-DBM and CSC JMC No. 2014-1 dated April 4, 2014.	Not Implemented  The HRMO, in coordination with the CDRRM Officer, follows certain qualifications. As of December 31, 2024, there were no applicants qualified.
2018 AAR; AONo. 4; Page No. 52	Delinquent taxes on real property totaling ₱28,353,162.49 were not collected as of December 31, 2018 due to unknown addresses of taxpayers and lack of manpower to enforce tax collection, depriving the City of additional income to finance more development projects.	47. Management avail of the remedies provided under Section 256 of RA No. 7160 to enforce collection of delinquent taxes and fill up vacancies, especially for core positions at the CTO to augment its manpower requirement.	Not Implemented  During the exit interview, the following were stated by the City Assessor:  1.) Registered owner of property/ies involved await resolution of the case which are under court litigation. 2.) Existing road lots donated to Dumaguete City have no proper documentation yet. 3.) Some properties declared under two owners, only one is settled, the other declarant remains delinquent.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
			<p>4.) Owners are already deceased and the surviving heirs are nowhere to be found.</p> <p>CTO recommends total cleansing of non-existing properties.</p> <p>Further coordination of department/ offices shall be conducted.</p>
2018 AAR; AONo. 8; Page No. 56	The operation of market, slaughterhouse and transport terminal as LEEs is not consistent with the pertinent provisions of the LEE Manual as prescribed in Local Budget Circular No. 111 dated June 10, 2016, thus, might affect the efficient and effective provision of basic services and facilities to the constituents.	48. Management designate a responsible employee to prepare a Five-Year BP and FSSE report for each LEE in accordance with the LEE Manual as basis for the LCE and Sangguniang Panlungsod in coming up with a decision on whether to continue the LEE operations or other related actions to make them financially self-sufficient and eventually profitable to ensure the efficient and effective provision of basic services and facilities to the constituents.	Not Implemented  Financial reports for the City's LEEs were submitted to the Office of the Auditor, which are still subject for review. Further, management is awaiting approval from the Sangguniang Panglungsod on the proposal to amend the Omnibus Market Code, Slaughterhouse Ordinance and Transport Terminal Ordinance.
2018/ 2017 AAR; AONo. 9; Page No. 59	The City was not able to implement several projects under the 20% DF costing ₱49,453,129.00 due to various reasons including insufficient funds, road right-of-way problem, absence of program of work, etc., as a result of inadequate planning, hence, the 20% DF was not optimally utilized contrary to pertinent provisions of RA No. 7160,	49. Management require the CPDO and City Engineer to fast track the implementation of projects under the 20% DF by addressing the causes of delay, like insufficient funds, issues on road right-of-way, lack of POW, and requiring the barangays to implement their projects.	Not Implemented  This audit recommendation is restated/revised in CY 2024. (AO No. 5, Page No. 65).

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	depriving its constituents of the benefits that could have been derived from the projects.		
2018 AAR; AO No. 12; Page No. 66	The City did not fully liquidate and/or return to the Source Agencies (SAs) the unexpended balances of various fund transfers from national government agencies totaling ₱13,575,554.20, which remained in the books as of December 31, 2018, despite the completion and/or end of the duration of the projects, due to non-submission of the COCs and reports of disbursements, contrary to COA Circular No. 94-013 dated December 31, 2013.	50. The CEO cause the timely submission of the COCs and reports on the disbursement for fuel and lubricants component of the various projects in order to fully liquidate the funds received and/or return to the SA the unspent transferred funds for completed projects.	Not Implemented  Ongoing reconciliation and liquidation was conducted by management.  Suppliers failed to collect payment. CEO has ongoing liquidation on fuel.
2017 AAR; AO No. 2; Page No. 47	The balance of the accounts payable amounting to ₱74,759,993.02 is unreliable due to errors in recording liabilities, inclusion of accounts totaling ₱2,329,273.96 aged more than five years, existence of negative subsidiary ledger balances totaling ₱3,644,747.29 and inclusion of accounts without specific claimants, contrary to Section 111(2) of PD No. 1445, defeating the purpose of the financial statements that is to provide useful information for	51. The City Accountant review all outstanding payables, validate available supporting documents, and revert those which are not supported with valid claims and those which are aged two years or more;  52. The City Accountant investigate accounts payable which have remained dormant and those with negative balances and determine the cause/s and prepare adjusting journal entries for all errors noted.	Not Implemented  Verification of financial statements and its supporting schedules showed that payable account still included dormant accounts payable as well as negative balances. Some items are still for reconciliation with the available records.  Not Implemented  Unavailability of records for those dormant accounts pertaining to the previous years hamper the reconciliation process.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	decision making pursuant to paragraph 15 of the Philippine Public Sector Accounting Standards (PPSAS) No.		
2017 AAR; AONo. 4; Page No. 54	Eighteen stale checks totaling ₱328,922.48 age nine to 111 months were still reports as outstanding checks in the bank reconciliation statements in violation of Section 59 of the Manual on the NGAS for LGUs, Volume I, thereby understating the Cash in Bank and Accounts Payable accounts.	53. The City Accountant review and analyze the list of outstanding checks and regularly draw a JEV for the cancellation of stale checks to reflect the correct monthly balances of the affected accounts in the financial statements.	Not Implemented  Difficulties in verification and gathering of supporting documents of prior years.
2017 AAR; AONo. 5; Page No. 56	Several reconciling items totaling ₱218,175.17 were not immediately adjusted but simply carried over from one bank reconciliation statement to the next contrary to Section 3.3 of COA Circular No. 96-011 dated October 2, 1996. Moreover, some of the bank accounts maintained by the City are already dormant and were not verified thus, rendering the Cash-In Bank account balances as of December 31, 2017 of ₱361,125,876.25 of doubtful and unreliable.	54. The City Accountant verify the reconciling items and draw a JEV to adjust all valid reconciling items pursuant to Section 3.3 of COA Circular No. 96-011 dated October 2, 1996;  55. Conduct a thorough verification of the dormant bank accounts and to effect the necessary adjustments; and  56. Provide copies of the bank reconciliation statements to the depository banks so that any discrepancies noted between the records of the banks and of the City can be immediately resolved.	Not Implemented  Difficulty in retrieving the supporting documents, especially those pertaining to prior years' transactions  Not Implemented  Difficulty in retrieving the supporting documents, especially those pertaining to prior years' transactions  Not Implemented  Difficulty in retrieving the supporting documents, especially those pertaining to prior years' transactions
2017 AAR; AONo. 8;	Total appropriations for LDRRMF for CY 2017 amounting to	57. Management expedite the implementation of all PPAs under the	Implemented

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
Page No. 62	₱32,119,461.20 was not optimally utilized with a very low percentage rate of 34.64% as of December 31, 2017, which critically impact on the capacity of the City Government to reduce and manage disaster risks.	LDRRMF to strengthen the capacity of the City Government to avoid or mitigate the adverse effects of disasters or calamity.	As of December 31, 2024, LDRRMF for CY 2024 was utilized for the implementation of relevant PPAs.
2016 AAR; AONo. 2; Page No. 50	Had there been regular monitoring by the City Department of Social Welfare and Development Office of the ₱1,738,335.00 seed capital assistance released to 17 associations/people's organizations to ensure timely payment of loan amortization amounting to ₱633,128.31 in accordance with the loan payment schedule, the Self-Employment Assistance-Kaunlaran (SEA-K) Program could have been efficiently and effectively implemented.	<p>58. Management require the DSWD to observe existing policy on program monitoring activities to immediately address any problem, ensure loan amortization payment in accordance with the loan payment schedule and achieve program objective.</p> <p>59. The City Accountant send demand letters to SKAs to settle their monthly/quarterly/semi-annually rollback of the seed capital assistance.</p>	<p>Not Implemented</p> <p>Unknown addresses of the members of the dissolved organizations.</p> <p>Not Implemented</p> <p>Unknown addresses of the members of the dissolved organizations. Lacking pertinent documentation on SKAs hampered the issuance of demand letters.</p>
2016 AAR; AONo. 9; Page No. 68	The Local Governance Transition Team did not conduct an inventory of all real and movable properties as of June 30, 2016, contrary to DILG Memorandum Circular No. 2016-21 dated February 17, 2016, thus a clear cut-off of accountabilities and proper turnover of property from the outgoing to the	60. Management prioritize the conduct of complete physical count of PPEs as required under DILG Memorandum Circular No. 2016-21 dated February 17, 2016 and other existing regulations. Results of the physical inventory should be reconciled with the accounting and property records to present accurate balances of the accounts	<p>Not Implemented</p> <p>A certificate confirming the clearance of money and property accountabilities for the former LCE was issued on April 19, 2024. However, accounting and property records were still not reconciled as of December 31, 2024.</p>

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	incoming LCE might not have been done.	in the financial statements.	
2015 AAR; AONo. 3; Page No. 48	The City reimbursed the LCE of his expenses for various travels outside of the province totaling ₱171,777.09 even without the approved travel orders issued by the Provincial Governor contrary to Section 96(b) of RA No. 7160, resulting in improper disbursement of funds.	61. The LCE submit travel orders for his travels listed in Annex A to the audit team and henceforth, secure permission from the Provincial Governor every time he travels outside the Province of Negros Oriental pursuant to Section 96(b) of RA No. 7160.	Not Implemented  Travel orders had been requested from the Provincial Governor to support the travels outside the province. The request had not been acted upon yet.
2014 AAR; AONo. 4; Page No. 25	The City spent ₱1,125,112.85 from the 5% LDRRMF without observing the pertinent provisions of RA No. 10121 and other existing regulations, thus, resulting to irregular expenditures.	62. Management to require the City Accountant, Budget Officer, City Treasurer and all other officials responsible for the improper charges against the 5% LDRRMF to refund the amount totaling ₱1,125,112.85 and henceforth, to adhere strictly to the provisions of RA No. 10121 and DILG Memorandum Circular 2012-73 in the use of the 5% LDRRMF to avoid audit disallowance.	Not Implemented  The audit team is still locating the audit working papers of the previous audit team, for proper verification.
2012 AAR; AONo. 1; Page No. 21	The agency did not effectively monitor and appropriately undertake safeguards against loss or wastage and ensure the existence of ₱3,042,511.77 included in its Cash in Bank – Local Currency, Current and Savings Accounts (111 and 112) by not preparing the necessary bank	63. Management immediately require the City Accountant to prioritize the reconciliation and substantiation of the bank accounts which have not been confirmed by the depository banks.	Not Implemented  As of December 31, 2024, ₱1.56M were reconciled and cleared. Reconciliation was difficult due to unavailability of documents and records, specifically those items pertaining to prior years.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	reconciliation statement and other required reports, contrary to pertinent provisions under PD 1445, thus, presenting an inaccurate and unreliable balance in the financial statements.		
2012 AAR; AONo. 2; Page No. 25	Failure of the City to take decisive action to address the long outstanding reconciling items in its bank accounts totaling ₱3,528,494.23 contrary to applicable provisions of COA Circular No. 96-011 and PD 1445 resulted in presenting an unreliable balance in the financial statements and precluding the utilization of such funds for other development projects beneficial to its constituents.	64. Management require the Accounting Office to give priority to and intensify the review and analysis of the existing reconciling items and adjust those which are clearly identified, based on the existing bank statements, including the set-up of accountability for the double issuance of check replacement.	Not Implemented  Lacking documents necessary to facilitate analysis and identification of unrecorded deposits and disbursements.
2012 AAR; AONo. 6; Page No. 38	The validity, existence, propriety and accuracy of the account Due from Non-Governmental Organizations/ People's Organizations (NGOs/POs) amounting to ₱8,880,919.14 is rendered doubtful due to overstatement, misclassification of accounts, incomplete documentation and improper charging,	65. The City Accountant analyze and validate the dormant accounts and accounts for "ID" classified under Due from NGOs/POs and the unsupported balances reflected in the subsidiary ledgers. If the analysis/review of the accounts is not possible due to the absence of records and documents, request for write-off and/or adjustment of account balances from the	Not Implemented  This audit recommendation is restated/revised in CY 2024. (AO No. 41, Page No. 61).

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	contrary to COA Circular No. 2007-001 dated October 25, 2007.	Commission on Audit, in accordance with the guidelines prescribed under COA Circular No. 97-001.	
2012 AAR; AO No. 9; Page No. 48	The agency did not regularly monitor transferred funds and submit liquidations to the source agencies immediately after the completion of the projects/activities, contrary to COA Circular Nos. 94-013 dated December 13, 1994, thus resulting in the accumulation of the Due to Other NGAs account amounting to ₱68,122,800.65, and casting doubt on the accuracy and the validity of the account balance.	66. Management immediately submit the audited Statement of Liquidation to the various source agencies for proper reporting and accounting of the funds received and utilized and to return any unutilized amount pursuant to the terms and conditions of the MOA and COA Circular No. 94-013.	Not Implemented  Lack of certificates of completion for the completed projects and clearance from the City Mayor to return the balance to the source agencies. CEO is already fast-tracking reconciliation and liquidation of completed projects for proper recording and accounting in the books of accounts.
2012 AAR; AO No. 10; Page No. 51	The accuracy of the account Due to Other NGAs amounting to ₱68,122,800.65 was doubtful and very unreliable because the balance under the General Fund had no breakdown while under the Trust Fund, not all its details were contained in the subsidiary ledgers nor could be traced to the Fund Utilization Reports (FURs), contrary to Sections 111 and 112 of PD No 1445 and Section 10 of the Manual on New Government Accounting System,	67. Management conduct review and reconciliation of all Due to Other NGAs accounts by ascertaining the status of project/activities completion, balances and status of liquidation; and  68. Require the City Accountant to likewise verify and investigate the status of the funds by confirming the balances with the source agencies.	Not Implemented  The subsidiary ledgers of this account were not updated due to lack of personnel.  Not Implemented  The subsidiary ledgers of this account were not updated due to lack of personnel.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
	Volume II.		
2011 AAR; AO No. 8; Page No. 29	Funds amounting to ₱2,849,353.40 and ₱512,614.98 representing the real property and community tax share, respectively, of the barangays remained in the books of the City under account Due to LGUs (418) thereby depriving the beneficiary-barangays of the use of such resources.	69. Management immediately release the RPT shares due to the barangays.  70. Henceforth, adherence to Section 272 (d) of the Local Government Code is encouraged and require the City Accountant to determine the actual status of the 50% share of the community taxes and if found to be erroneously recorded, cause the transfer of the amount to the unappropriated surplus of the General Fund to be used for other activities/programs.	Not Implemented  No record available to help determine the detail, composition and correctness of the account. ₱512,614.98 of 50% Community Tax remained dormant from 2016 to present.  Not Implemented  Reconciliation is ongoing.
2008 AAR; AO No. 1; Page No. 18	Balances of In-Process accounts under the old government accounting system representing unliquidated capital outlay obligations which were converted in 2002 to the account Items in Transit under the New Government Accounting System, have not been adjusted for liquidations thereof, thus resulting to gross overstatement of this account by approximately ₱165,935,158.07.	71. The City Accountant to determine the composition of the amount set up as Items In Transit converted from the in-process accounts in 2002 as well as the payments or liquidations thereof, and to adjust the Items in Transit account in order to fairly present the account in the financial statements.	Not Implemented  Unavailability of required documents for the reconciliation.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2008 AAR; AONo. 5; Page No. 26	The City did not provide for depreciation of its depreciable properties totaling ₱153,106,904.06 except for equipment acquired in 2008 in violation of Section 04, Volume I of the NGAS Manual, thereby overstating the carrying value of assets and understating the expenses for the current and previous years starting 2002.	72. The City Accountant to request from the CGSO for a list of assets acquired from 2002 to 2007, to compute the depreciation expense for all depreciable assets for the current audit period as well as from 2002 up to 2006 using the Prior Years' Adjustment and Accumulated Depreciation accounts in order to fairly present the asset and equity accounts in the financial statements.	Not Implemented  Identification of depreciable assets purchased from CY 2002 to 2007 is ongoing, although hampered by lack of available documents to support adjustments in the books of accounts.
2007 AAR	The cost of completed projects were not transferred to the General Fund books as required under Section 104 of the Manual, thus overstating Trust Fund equity by ₱48,719,909.98, although not affecting the City's total equity.	73. The City Accountant to identify the composition of the portion of government equity representing the costs of the different completed projects and fixed assets and transfer the same to the General Fund books.	Not Implemented  As of December 31, 2024, a total of ₱46.61M were transferred from TF to GF with the following General Journal Journal Entry Vouchers:  100-2022-01-012 100-2022-07-106 100-2022-07-107 100-2022-07-108 100-2022-07-109 100-2022-07-110 100-2022-07-232 100-2022-07-233  Ongoing retrieval of the documents for the balance of ₱2.09M.
2003 AAR; AONo. 6; Page No. 29	Balance of Due to Other Funds account did not reconcile with the balance of Due from Other Funds account resulting to a difference of ₱652,687.08, thereby rendering the accounts doubtful.	74. The City Accountant to effect the appropriate adjustments to reconcile accounts Due to Other Funds and Due From Other Funds.	Not Implemented  Reconciliation took some time because the CAO had to work back from the prior years' records. Incomplete documents caused the delay in the reconciliation.

Reference	Observation	Recommendations	Status of Implementation/ Result of Validation
2013 AAR; AONo. 8; Page No. 54	The City utilized ₱500,000.00 from the Priority Development Assistance Fund (PDAF) for intelligence purposes which is not within the project menu authorized in the General Appropriations Act, thus, resulting in illegal disbursements and disallowance of the said amount.	75. For the PDAF utilized for intelligence purposes, immediate refund of the amount of ₱500,000.00 so that these could be used instead for bona fide pro-poor projects and programs of the government.	<p>Not Implemented</p> <p>Awaiting the COA Central Office Audit and action for Credit Notice, and pending Management's action on the restitution of the amount. The ND is on appeal.</p> <p>Settlement had been done in July 2012, the liquidation documents were sent to COA Central office for audit and action.</p> <p>Discussion was done by top Management that the amount of P0.5M will be restituted from the GF-Unappropriated Surplus.</p>

## PART IV - APPENDICES

Title	Ref
<b>I. Financial Statements by Fund</b>	
A. General Fund	
Statement of Financial Position	A.1
Statement of Financial Performance	A.2
Statement of Changes in Net Assets/Equity	A.3
Statement of Changes in Cash Flows	A.4
Statement of Comparison of Budget and Actual Amounts	A.5
B. Special Education Fund	
Statement of Financial Position	B.1
Statement of Financial Performance	B.2
Statement of Changes in Net Assets/Equity	B.3
Statement of Changes in Cash Flows	B.4
Statement of Comparison of Budget and Actual Amounts	B.5
C. Trust Fund	
Statement of Financial Position	C.1
Statement of Financial Performance	C.2
Statement of Changes in Net Assets/Equity	C.3
Statement of Changes in Cash Flows	C.4
<b>II. Audit Observation and Recommendations Appendices</b>	
List of Accounts Payable to various suppliers booked under Other MOOE account	1
Aging of Due from NGOs/POs	2
List of NGOs/POs Who Received Funds/Grants	3
20% Development Fund Projects Recorded in the CIP Account	4
List of Completed Projects under the 20% Development Fund	5
Summary of Tangible Items ₱50,000 and Below Included in the PPE Account	6
List of Properties Directly Used by the Barangays	7
Details of Ownership of the Properties Directly Used by the Barangays	8
Sources of Funds for Completed Program/Projects Directly Used by the Barangays	9
List of donated lots which were not yet recorded in the books of accounts	10
List of Continuing Appropriation - LDRRMF	11
Summary Report on Utilization of DRRMF	12