EXECUTIVE SUMMARY

Introduction

Basay is a 4th class Municipality in the Province of Negros Oriental. It is located in the southern portion of the province and based on the 2020 census, it had a population of 28,531. It was formerly called Busay, which means Spring because of the abundance of springs in the area. Pursuant to Republic Act No. 7160, otherwise known as the Local Government Code of 1991, the Municipality, like all other government units, enjoys total independence in managing and planning its own administrative, fiscal, and development affairs in conformity with the national government's thrust for sustainable social and economic growth. As of December 31, 2024, it had a personnel complement of:

Nature of Appointment to Office	*Quantity*
Elective Officials	12
Coterminous	2
Permanent	69
Casuals	53
Job Orders/Contract of Service	249
Total	**385**

Audit Objective

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

Audit Methodology

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

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

Financial Highlights

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

Statement of Financial Position			
	2024	**2023**	**Increase/ (Decrease)**
Assets	₱ 514,465,869.67	₱ 503,058,794.49	₱ 11,407,075.18
Liabilities	166,056,060.17	194,075,201.53	(28,019,141.36)
Equity	₱ 348,409,809.50	₱ 308,983,592.96	₱ 39,426,216.54

Results of Operations			
	2024	**2023**	**Increase/ (Decrease)**
Revenues	₱ 190,770,213.10	₱ 151,854,528.37	₱ 38,915,684.73
Personal Services	72,100,126.49	60,306,365.40	11,793,761.09
MOOE	108,699,009.57	100,255,242.43	8,443,767.14
Financial Expenses	14,115,781.41	11,075,475.33	3,040,306.08
Non-Cash Expenses	8,123,852.22	6,935,359.64	1,188,492.58
Transfers, Assistance and Subsidy from (to)	48,374,361.45	18,494,731.09	29,879,630.36
Net Profit/ (Loss)	₱ 36,105,804.86	₱ (8,223,183.34)	₱ 44,328,988.20

Independent auditor's report on the Financial Statements

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

The accuracy of the balance of Property, Plant and Equipment (PPE) accounts valued at ₱439.554.040.51, which include movable properties amounting to ₱66,016,501.17, cannot be verified, because the one-time cleansing procedures were not completed, particularly the conduct of physical count of the Municipality's properties. Moreover, ₱133,995,806.25 of the total PPE were not provided with annual depreciation, thereby overstating the asset and equity accounts by the amount of depreciation that should have been applied to these properties.

Further, the total receivables were understated by ₱54,931,515.89 because no Real Property Tax and Special Education Tax receivables were reported in the financial statements due to the absence of coordination between the responsible offices. Also, the accuracy of the cash in bank balance cannot be assured due to the substantial discrepancy of ₱8,011,497.85 between the reported balance in the financial reports and bank statements, which is yet to be reconciled.

Lastly, inventories totaling ₱14,179,441.45 were immediately recognized as expenses for the audited year, instead of remaining in inventory, thus, overstating the expenses and understating the inventories by the same amount.

Significant Audit Observations and Recommendations

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

1. **Expenditures totaling ₱9,806,881.38 incurred for serving meals and snacks, honoraria, equipment and inventories were incorrectly classified as Other Maintenance and Operating Expenses (5-02-99-990), and negatively impacts the effectiveness of financial information available for Management's decision-making.**

   We recommended that the Municipal Accountant establish internal accounting policies to identify whether a particular expenditure pertains to Other Maintenance and Operating Expenses, Training Expenses, Extraordinary and Miscellaneous Expenses, etc. We further recommended that the Municipal Accountant, henceforth, strictly follow the Revised Chart of Accounts. Lastly, we recommended that the Municipal Budget Officer, in coordination with the Municipal Treasurer and Municipal Accountant, ensure that annual appropriation and disbursement of funds for discretionary purposes are within the statutory limit provided.

2. **Procurement of various goods, materials, and supplies totaling ₱3,456,340.65 was not supported by appropriate and complete documentation, thus, the propriety and validity of the related disbursements could not be established.**

   We recommended that the Management, henceforth, ensure that all purchases are supported by the appropriate and complete documentation.

3. **Cash advances totaling ₱3,379,262.99, of which ₱3,258,786.99 has been outstanding for over three years, remain unliquidated as of December 31, 2024, despite management's efforts to compel the concerned officials and employees to effect settlement, thus the related receivable and expense accounts in the financial statements are still not fairly presented. Moreover, the unutilized government funds in the possession of the accountable persons are exposed to the risk of loss or unauthorized use.**

   We recommended that the Municipal Accountant issue final demand letters directing the individuals involved to immediately liquidate all outstanding cash advances. If no liquidation is made, we recommend that the Municipal Accountant impose the sanction of withholding the salaries of those who still fail to settle their accounts after receiving notice. We further recommended that Management take aggressive measures to compel all accountable officers to settle their accounts, including the filing of appropriate administrative proceedings.

4. **Procurement contracts entered into by the Municipal Government, and disbursements related thereto, amounting to at least ₱3,456,340.65, were incurred without the required Certificate of Availability of Funds (CAF) from the Chief Accountant, contrary to Section 86 of Presidential Decree (PD) No. 1445, thereby rendering the validity and legality of the transactions questionable.**

   We recommended that Management, henceforth, secure the Certificate of Availability of Funds (CAF) from the Municipal Accountant, prior to entering into any contract and before making any disbursement or obligations charged to any authorized appropriation.

5. **The Municipal Government incurred costs for meals and snacks served during regular and administrative meetings, budget and public hearings, social pension payouts, courtesy calls, and similar events, totaling ₱1,164,842.50, and inappropriately charged these costs to Other Supplies and Materials Expenses, leading to unnecessary expenditures and excessive disbursements beyond the allowable limit for discretionary spending.**

   We recommended that Management, henceforth, ensure that annual appropriations and disbursements for discretionary purposes or those relating to Extraordinary and Miscellaneous Expenses do not exceed the statutory threshold. We further recommended that meals and snacks served during regular and administrative meetings of local officials and employees be charged to the appropriations for EME, to the extent of its threshold, and representation allowances of officials concerned.

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

Summary of Total Suspensions, Disallowances, and Charges

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

	Beginning Balance (01/01/2024)	This Period 01/01 to 12/31/2024		Ending Balance (12/31/2024)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱13,983,906.40	0.00	0.00	₱13,983,906.40
Notice of Disallowance	2,312,910.00	0.00	0.00	2,312,910.00
Notice of Charge	0.00	0.00	0.00	0.00

Status of Implementation of Prior Years' Audit Recommendations

Of the 65 prior years' recommendations, 26 were implemented and 39 were unimplemented.