



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

# **ANNUAL AUDIT REPORT**

**ON THE**

**CITY OF BAYAWAN**  
**Province of Negros Oriental**

For the Year Ended December 31, 2024

## EXECUTIVE SUMMARY

### Introduction

The City of Bayawan is a first-class component City of the Province of Negros Oriental, located in the southern part of the Province. It became a chartered City on December 5, 2000, under Republic Act No. 8983. Most programs of the City Government are geared towards being an agri-industrial center and learning hub for environmental best-practices, as this is the development direction and guiding vision of the City. It is more of a rural setting than urbanized, with only 2.3 percent of its total land area as urban. Most are agricultural, and its economy sits on the agricultural platform. Pursuant to Republic Act No. 7160, the City, 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 total personnel complement of:

<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	14
Coterminous	24
Permanent	519
Consultants	5
Casuals	315
Job Orders/Contract of Service	2,187
<b>Total</b>	<b>3,064</b>

### 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. A 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 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 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 City Government of Bayawan for 2024. The audit consisted of verification, reconciliation, confirmation, inspection, and analysis of accounts reported in the financial statements, review of operating procedures, evaluation of the LGU's programs and projects, interviews with concerned government officials and employees, and other procedures deemed necessary.

## Financial Highlights

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

<b>Statement of Financial Position</b>			
	<b>2024</b>	<b>2023</b>	<b>Increase/(Decrease)</b>
Assets	₱6,579,887,715.12	₱6,204,937,817.09	₱374,949,898.03
Liabilities	1,888,445,447.76	1,849,258,849.48	39,186,598.28
Equity	4,691,442,267.36	4,355,678,967.61	335,763,299.75

<b>Results of Operations</b>			
	<b>2024</b>	<b>2023</b>	<b>Increase/(Decrease)</b>
Revenues	₱1,624,961,897.10	₱1,530,588,446.97	₱94,373,450.13
Personnel Services	490,486,255.67	469,896,918.91	20,589,336.76
MOOE	779,501,215.72	609,371,896.26	170,129,319.46
Non-cash Expenses	273,365,018.88	235,222,210.69	38,142,808.19
Financial Expenses	37,545,403.24	22,870,094.93	14,675,308.31
Transfers, Assistance and Subsidy from/(to)	(63,356,443.98)	(45,856,928.78)	(17,499,515.20)
Net Surplus/(Deficit)	(19,292,440.39)	147,370,397.40	(166,662,837.79)

In 2023, Bayawan City had savings of ₱118,694,862.14, an excess of its actual income over its actual expenditures. There were expenditures in the current year that were funded by savings, thereby contributing to the deficit, in addition to the significant increase in maintenance and other operating expenses.

## 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 incorrect treatment in the reclassification of semi-expendable properties led to an overstatement of the Other Supplies and Materials Inventory, Other Supplies Inventory, and Other Property Equipment amounting to ₱25,654,129.33, ₱20,014,411.95, and

₱1,113,365.39, respectively, and thus an overstatement in Equity totaling ₱46,781,906.67. Furthermore, supplies totaling ₱736,835.00 were recognized as expenses for the audited year rather than being retained in inventory. Additionally, prior year expenditures amounting to ₱133,160.00 were erroneously recorded as current year expenses, thereby overstating expenses by an aggregate amount of ₱869,995.00.

In addition to the financial information mentioned above, the accuracy of the cash balance reported for the 20 percent development fund cannot be determined due to a substantial discrepancy of ₱149,539,738.49 between the balance stated in the financial statements and the data reported in the status of appropriations, allotments, and obligations, which has yet to be reconciled.

### **Significant Audit Observations and Recommendations**

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

- 1. Expenditures for travel and those incurred during gatherings such as consultative meetings totaling ₱15,751,263.14 were misclassified to other expense accounts, thereby affecting the usefulness of financial information available for users of financial statements, especially in the budgeting and decision-making process of Management.**

We recommended that the City Accountant establish internal accounting policies in identifying whether a particular expenditure pertains to training, travel, extraordinary and miscellaneous expenses, or other materials and supplies expenses. We also recommended that the City Accountant, henceforth, strictly follow the Revised Chart of Accounts.

- 2. The Loans Receivable – Others account includes financial assistance to cooperatives or non-governmental organizations/people’s organizations (NGOs/POs), totaling ₱23,682,271.32, thus defeating the purpose of providing financial assistance to the intended NGO/PO and affecting the fair presentation of the Loans Receivable account in the Statement of Financial Position.**

We recommended that Management strictly implement guidelines and procedures established under COA Circular No. 2007-001 in granting, utilization, accounting, and auditing of all funds released to NGOs/POs. We also recommended for Management to demand liquidation of funds granted. Lastly, we recommended that, henceforth, Management re-evaluate their true intentions in granting financial assistance to organizations and individuals, ensuring compliance with the law so that proper accounting and recording can be made.

- 3. Management did not maintain a separate bank account for its 20 percent Development Fund (DF) special account, making it difficult to determine, in a timely manner, the availability of actual cash backup of the unutilized balance of ₱244,914,818.32 as of December 31, 2024, which consists of current and continuing appropriations for the implementation of development projects.**

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

- 4. The City Government placed a total of ₱385 million into four time deposit accounts, of which ₱366 million represents the cash back-up of its current and continuing capital outlay appropriations under the General Fund, leaving only ₱19 million as idle funds, thus, tying up funds necessary for the timely implementation of projects and activities.**

We recommended that Management transfer the funds from the time deposit accounts to the City's regular savings or current account upon maturity to ensure cash availability when required for project implementation. We further recommended that Management review the funds intended for capital outlay projects that are placed in time deposit accounts and assess whether these projects are still subject to implementation or not. If not, such funds shall be reverted to the unappropriated surplus of the General Fund and realigned to appropriate capital expenditures.

- 5. Defects in the procurement process for the construction of farm-to-market road (FMR) projects and the purchase of vehicles, equipment, supplies, and materials totaling ₱129,067,459.84, particularly in the observance of proper timelines and compliance with the procurement procedures, compromised the integrity of these transactions, creating potential inefficiencies and additional costs to the government.**

We recommended that BAC strictly observe the prescribed bid validity period or, if necessary, secure the bidder's written concurrence for extension before bid validity expires. We also recommended for them to ensure that the conduct of bidding, specifically the Negotiated Procurement – Two Failed Biddings, is within the prescribed period, otherwise, request an extension of 30 days upon approval of the Head of Procuring Entity. Lastly, we recommended that BAC evaluate and address bottlenecks that cause delays in the procurement process, including the posting of NOAs and NTPs, to prevent the recurrence of procurement gaps.

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

**Summary of Total Suspensions, Disallowances, and Charges**

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

	Beginning Balance (As of January 1, 2024)	This Period January 1 to December 31, 2024		Ending Balance (As of December 31, 2024)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	₱51,574,500.00	0.00	0.00	₱51,574,500.00
Notice of Charge	0.00	0.00	0.00	0.00

The outstanding disallowances are currently on appeal with the Commission.

**Status of Implementation of Prior Years’ Audit Recommendations**

Of the 44 prior years’ recommendations embodied in CY 2023 and prior years’ Annual Audit Report, 20 were implemented, and 24 were unimplemented.

## TABLE OF CONTENTS

<u>Part</u>	<u>Subject</u>	<u>Page No.</u>
I	Audited Financial Statements	1
II	Audit Observations and Recommendations	37
III	Status of Implementation of Prior Years' Audit Recommendations	89
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, Brgy. Tinago 6000 Cebu City

## **INDEPENDENT AUDITOR'S REPORT**

### **HONORABLE JOHN T. RAYMOND, JR.**

City Mayor

City Government of Bayawan

Province of Negros Oriental

### **Qualified Opinion**

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

In our opinion, except for the effects of the matters 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 Bayawan as of December 31, 2024, and its financial performance, cash flows, changes in net assets/equity, and comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Bases for Qualified Opinion**

As discussed in the Audit Observations and Recommendations under Part II of this Report, the incorrect treatment in the reclassification of semi-expendable properties led to an overstatement of the Other Supplies and Materials Inventory, Other Supplies Inventory, and Other Property Equipment amounting to ₱25,654,129.33, ₱20,014,411.95, and ₱1,113,365.39, respectively, and thus an overstatement in Equity totaling ₱46,781,906.67. Furthermore, supplies totaling ₱736,835.00 were recognized as expenses for the audited year rather than being retained in inventory. Additionally, prior year expenditures amounting to ₱133,160.00 were erroneously recorded as current year expenses, thereby overstating expenses by an aggregate amount of ₱869,995.00.

In addition to the financial information mentioned above, the accuracy of the cash balance reported for the 20 percent development fund cannot be determined due to a substantial discrepancy of ₱149,539,738.49 between the balance stated in the financial statements and

the data reported in the status of appropriations, allotments, and obligations, which has yet to be reconciled.

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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together 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 and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our qualified opinion.

### **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.

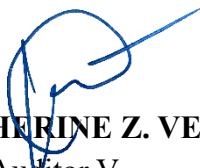
Those charged with governance are responsible for overseeing the City Government's financial reporting process.

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

### **COMMISSION ON AUDIT**

By:



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

March 20, 2025



**STATEMENT OF MANAGEMENT RESPONSIBILITY FOR  
FINANCIAL STATEMENTS**

The management of Bayawan City is responsible for all the information and representation contained in the Statement of Financial Position as of December 31, 2024 and the related Statement of Financial Performance and Statement of Cash Flows for the period then ended. The financial statements have been prepared in conformity with generally accepted 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.

**DONALD B. TUBIO, CPA, MPM**  
City Accountant

January 22, 2025

Date Signed

**HON. JOHN T. RAYMOND, JR.**  
Local Chief Executive

January 22, 2025

Date Signed



Republic of the Philippines  
Province of Negros Oriental  
City of Bayawan

**Statement of Financial Position**  
As at December 31, 2024  
(With Comparative Figures for CY 2023)

	<i>Note</i>	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	1,023,115,439.15	1,658,587,517.95
Receivables	5	118,711,331.12	80,886,226.19
Inventories	6	133,810,181.18	168,526,295.54
Prepayments and Deferred Charges	7	21,028,488.20	10,282,556.95
<b>Total Current Assets</b>		<b>₱ 1,296,665,439.65</b>	<b>₱ 1,918,282,596.63</b>
<b>Non-Current Assets</b>			
Receivables	5.2	₱ 25,283,319.72	₱ 41,365,470.02
Investment Property	8	11,124,370.49	11,124,370.49
Property, Plant and Equipment	9	5,123,789,668.85	4,195,190,975.07
Biological Assets	10	40,807,468.03	38,589,497.20
Intangible Assets	11	381,641.02	384,907.68
<b>Total Non-Current Assets</b>		<b>₱ 5,201,386,468.11</b>	<b>₱ 4,286,655,220.46</b>
<b>Total Assets</b>		<b>₱ 6,498,051,907.76</b>	<b>₱ 6,204,937,817.09</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	12.1	₱ 214,452,537.90	₱ 260,050,155.08
Inter-Agency Payables	12.1	424,789,057.97	79,875,630.08
Intra-Agency Payables	12.1	-	-
Trust Liabilities	12.1	184,224,280.35	473,599,037.62
Deferred Credits/Unearned Income	12.1	96,768,728.10	73,275,237.79
Other Payables	12.1	63,975,238.31	26,998,785.24
<b>Total Current Liabilities</b>		<b>₱ 984,209,842.63</b>	<b>₱ 913,798,845.81</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	12.2	₱ 573,685,569.48	₱ 611,728,971.37
Deferred Credits/Unearned Income	12.2	293,975,397.00	323,731,032.30
<b>Total Non-Current Liabilities</b>		<b>₱ 867,660,966.48</b>	<b>₱ 935,460,003.67</b>
<b>Total Liabilities</b>		<b>₱ 1,851,870,809.11</b>	<b>₱ 1,849,258,849.48</b>
<b>NET ASSETS/EQUITY</b>			
<b>Government Equity</b>		<b>₱ 4,646,181,098.65</b>	<b>₱ 4,355,678,967.61</b>
<b>Total Liabilities and Net Assets/Equity</b>		<b>₱ 6,498,051,907.76</b>	<b>₱ 6,204,937,817.09</b>

(See accompanying Notes to Financial Statements.)

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

**Statement of Financial Performance**  
For the Year Ended December 31, 2024  
*(With Comparative Figures for CY 2023)*

	<i>Note</i>	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Revenue</b>			
Tax Revenue	13	₱ 67,682,157.65	₱ 59,552,979.38
Share from Internal Revenue Collections	13	1,506,305,345.00	1,419,914,498.00
Service and Business Income	14	48,260,638.66	47,674,885.78
Shares, Grants and Donations	15	2,713,755.79	3,446,083.81
<b>Total Revenue</b>		<u><b>1,624,961,897.10</b></u>	<u><b>1,530,588,446.97</b></u>
<b>Less: Current Operating Expenses</b>			
Personnel Services	16	490,486,255.67	469,896,918.91
Maintenance and Other Operating Expenses	17	778,754,659.91	609,371,896.26
Non-Cash Expenses	18	273,365,018.88	235,222,210.69
Financial Expenses	19	37,545,403.24	22,870,094.93
<b>Current Operating Expenses</b>		<u><b>1,580,151,337.70</b></u>	<u><b>1,337,361,120.79</b></u>
<b>Surplus (Deficit) from Current Operation</b>		<u><b>44,810,559.40</b></u>	<u><b>193,227,326.18</b></u>
Add (Deduct) :			
Transfers, Assistance and Subsidy From	20	43,915,532.32	146,665,806.85
Transfers, Assistance and Subsidy To	21	(115,772,854.70)	(199,789,646.13)
Other Non-Operating Income/Losses	22	8,500,878.40	7,266,910.50
<b>Surplus (Deficit) for the Period</b>		<u><b>₱ (18,545,884.58)</b></u>	<u><b>₱ 147,370,397.40</b></u>

*(See accompanying Notes to Financial Statements.)*

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

**Statement of Changes in Net Assets/Equity**  
For the Year Ended December 31, 2024  
*(With Comparative Figures for CY 2023)*

	<u>2024</u>	<u>2023</u>
<b>Balance at January 1</b>	4,355,678,967.61	3,999,731,279.47
Add (deduct):		
Change in Accounting Policy		
Prior Period Errors		23,541,528.46
Prior Period Adjustments	(47,678,334.07)	-
Other Adjustments	955,752,893.28	-
<b>Restated Balance</b>	<b>₱ 5,263,753,526.82</b>	<b>₱ 4,023,272,807.93</b>
<b>Add (deduct) Changes in Net Assets/Equity during the year</b>		
Adjustment of net revenue recognized directly in net assets/equity		
Surplus (Deficit) for the operation	(18,545,884.58)	147,370,397.40
Others	(599,026,543.59)	185,035,762.28
<b>Total recognized revenue and expenses for the period</b>	<b>₱ (617,572,428.17)</b>	<b>₱ 332,406,159.68</b>
<b>Balance at December 31</b>	<b>₱ 4,646,181,098.65</b>	<b>₱ 4,355,678,967.61</b>

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

**Statement of Cash Flows**  
For the Year Ended December 31, 2024  
(With Comparative Figures for CY 2023)

	<i>Note</i>	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Collection from Taxpayers	P	85,477,215.52	P 87,914,975.90
Share from Internal Revenue Allotment		1,506,305,345.00	1,419,914,498.00
Receipts from business/service income		35,646,383.01	34,444,024.57
Collection of Receivables		3,176,552.47	1,776,257.93
Interest Income		3,826,740.56	4,149,226.29
Other Receipts		171,611,994.68	166,222,457.75
Adjustments		(5,275,860.78)	(6,663,301.87)
<b>Total Cash Inflows</b>		<b>P 1,800,768,370.46</b>	<b>P 1,707,758,138.57</b>
<b>Cash Outflows</b>			
Payment of Expenses	P	781,778,800.93	P 783,747,716.07
Payment to Suppliers and Creditors		313,281,190.80	259,477,604.06
Payment to Employees		265,068,297.11	209,684,689.25
Other Expenses		241,900,620.09	161,389,049.14
Adjustments		1,162,087.05	22,382.24
<b>Total Cash Outflows</b>		<b>P 1,603,190,995.98</b>	<b>P 1,414,321,440.76</b>
<b>Net Cash Flow from Operating Activities</b>	23	<b>P 197,577,374.48</b>	<b>P 293,436,697.81</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Sale/Disposal of Property, Plant and Equipment	P	3,586.87	P 837.50
Collection of Long Term-Loan and Fund Transfer from Other agencies	P	44,259,647.00	P 9,536,189.21
<b>Total Cash Inflows</b>		<b>P 44,263,233.87</b>	<b>P 9,537,026.71</b>
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		860,082,786.62	525,361,372.99
Grant of Loans		3,300,000.00	2,300,000.00
<b>Total Cash Outflows</b>		<b>P 863,382,786.62</b>	<b>P 527,661,372.99</b>
<b>Net Cash Used in Investing Activities</b>		<b>P (819,119,552.75)</b>	<b>P (518,124,346.28)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Loans	P	37,499,269.15	P 56,971,145.26
<b>Total Cash Inflows</b>		<b>P 37,499,269.15</b>	<b>P 56,971,145.26</b>
<b>Cash Outflows</b>			
Payment of loan amortization	P	51,429,169.68	P 24,906,543.68
<b>Total Cash Outflows</b>		<b>51,429,169.68</b>	<b>24,906,543.68</b>
<b>Net Cash from Financing Activities</b>		<b>P (13,929,900.53)</b>	<b>P 32,064,601.58</b>
<b>Total Cash Used in Operating, Investing and Financing Activities</b>		<b>P (635,472,078.80)</b>	<b>P (192,623,046.89)</b>
<b>Add: Cash at the Beginning of the year</b>		1,658,587,517.95	1,851,210,564.84
<b>Cash Balance at the End of the Year</b>		<b>P 1,023,115,439.15</b>	<b>P 1,658,587,517.95</b>

(See Accompanying Notes to Financial Statements.)

**City of Bayawan, Negros Oriental**  
**Consolidated Statement of Comparison of Budget and Actual Amounts**  
For the Year Ended December 31, 2024  
*(With comparative figures for CY 2023)*

Particulars	Budgeted Amounts				Difference Original and Final Budget		Actual Amounts		Difference Final Budget and Actual	
	Original		Final		2024	2023	2024	2023	2023	2022
	2024	2023	2024	2023						
<b>Revenue</b>										
A. Local Sources										
1. Tax Revenue										
a. Tax Revenue- Property	11,900,000.00	11,600,000.00	11,900,000.00	11,600,000.00	-	(11,600,000.00)	13,077,524.07	11,549,464.73	(1,177,524.07)	50,535.27
b. Special Education Fund	11,000,000.00	11,000,000.00	11,000,000.00	11,000,000.00	-	-	11,659,174.73	11,578,211.48	(659,174.73)	(578,211.48)
c. Tax Revenue – Goods and Services	10,140,000.00	30,420,000.00	10,140,000.00	30,420,000.00	-	-	40,672,232.59	33,877,001.66	(30,532,232.59)	(3,457,001.66)
d. Other Local Taxes	4,440,000.00	870,000.00	4,469,940.20	870,000.00	(29,940.20)	-	2,273,226.26	2,548,301.51	2,196,713.94	(1,678,301.51)
<b>Total Tax Revenue</b>	<b>37,480,000.00</b>	<b>53,890,000.00</b>	<b>37,509,940.20</b>	<b>53,890,000.00</b>	<b>(29,940.20)</b>	<b>(11,600,000.00)</b>	<b>67,682,157.65</b>	<b>59,552,979.38</b>	<b>(30,172,217.45)</b>	<b>(5,662,979.38)</b>
2. Non-Tax Revenue										
a. Service Income	15,513,000.00	13,193,000.00	15,513,000.00	13,193,000.00	-	-	14,491,909.12	13,771,886.98	1,021,090.88	(578,886.98)
b. Business Income	45,930,000.00	10,690,000.00	46,678,799.00	10,690,000.00	(748,799.00)	-	33,768,729.54	33,880,278.87	12,910,069.46	(23,190,278.87)
c. Other Income and Receipts	4,800,000.00	4,220,000.00	4,800,000.00	4,220,000.00	-	-	8,500,878.40	7,358,547.93	(3,700,878.40)	(3,138,547.93)
<b>Total Non-Tax Revenue</b>	<b>66,243,000.00</b>	<b>28,103,000.00</b>	<b>66,991,799.00</b>	<b>28,103,000.00</b>	<b>(748,799.00)</b>	<b>-</b>	<b>56,761,517.06</b>	<b>55,010,713.78</b>	<b>10,230,281.94</b>	<b>(26,907,713.78)</b>
B. External Sources										
1. Share from the National Internal Revenue Taxes (IRA)	1,508,007,492.00	1,423,167,868.00	1,508,007,492.00	1,423,167,868.00	-	-	1,506,305,345.00	1,419,914,498.00	1,702,147.00	3,253,370.00
2. Share from GOCCs	-	-	-	-	-	-	-	-	-	-
3. Other Shares from National Tax Collections	-	-	-	-	-	-	-	-	-	-
a. Share from Ecozone	-	-	-	-	-	-	-	-	-	-
b. Share from EVAT	-	-	-	-	-	-	-	-	-	-
c. Share from National Wealth	-	-	-	-	-	-	-	-	-	-
d. Share from Tobacco Excise Tax	-	-	-	-	-	-	-	-	-	-
4. Other Receipts	-	-	-	-	-	-	-	-	-	-
a. Grants and Donations	-	-	-	-	-	-	-	-	-	-
b. Other Subsidy Income	-	-	-	-	-	-	-	107,830,614.60	-	(107,830,614.60)
5. Inter-local Transfer	-	-	-	-	-	-	-	-	-	-
6. Capital/Investment Receipts	-	-	-	-	-	-	-	-	-	-
a. Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
b. Sale of Investments	-	-	-	-	-	-	-	-	-	-
c. Proceeds from Collections of Loans Receivable	-	900,000.00	-	900,000.00	-	-	-	-	-	900,000.00
C. Receipts from Borrowings	900,000.00	-	900,000.00	549,500,000.00	-	(549,500,000.00)	37,499,269.15	-	(36,599,269.15)	549,500,000.00
D. Other Non Income Receipts	-	-	-	-	-	-	-	-	-	-
1. Surplus	-	-	153,573,420.84	210,278,047.71	(153,573,420.84)	(210,278,047.71)	133,935,065.47	-	19,638,355.37	210,278,047.71
2. Savings from Prior Year's Obligation	-	-	-	-	-	-	-	-	-	-
3. Reversions	-	-	-	197,984,679.32	-	(197,984,679.32)	-	-	-	197,984,679.32
4. Continuing Appropriations	1,347,063,174.14	15,272,202.21	1,199,201,954.70	766,686,421.27	147,861,219.44	(751,414,219.06)	538,192,792.37	-	661,009,162.33	766,686,421.27
5. Others	-	949,398,898.38	-	-	-	949,398,898.38	-	-	-	-
<b>Total Revenues and Receipts</b>	<b>2,959,693,666.14</b>	<b>2,470,731,968.59</b>	<b>2,966,184,606.74</b>	<b>3,230,510,016.30</b>	<b>(6,490,940.60)</b>	<b>(771,378,047.71)</b>	<b>2,340,376,146.70</b>	<b>1,642,308,805.76</b>	<b>625,808,460.04</b>	<b>1,588,201,210.54</b>
<b>Expenditures</b>										
<b>General Public Services</b>										
Personnel Services	331,697,033.00	354,857,312.00	345,172,382.51	355,763,867.00	(13,475,349.51)	(906,555.00)	338,578,914.74	324,089,525.94	6,593,467.77	31,674,341.06
Maintenance and Other Operating Expenses	318,214,582.00	226,608,201.54	380,537,179.38	306,588,443.94	(62,322,597.38)	(79,980,242.40)	343,818,393.24	354,073,104.06	36,718,786.14	(47,484,660.12)
Capital Outlay	-	-	70,287,900.00	330,384,695.98	(70,287,900.00)	(330,384,695.98)	35,573,931.81	17,706,547.92	34,713,968.19	312,678,148.06

**City of Bayawan, Negros Oriental**  
**Consolidated Statement of Comparison of Budget and Actual Amounts**  
For the Year Ended December 31, 2024  
*(With comparative figures for CY 2023)*

Particulars	Budgeted Amounts					Difference Original and Final Budget		Actual Amounts		Difference Final Budget and Actual	
	Original		Final			2024	2023	2024	2023	2023	2022
	2024	2023	2024	2023							
<b>Education</b>											
Personnel Services	-	-	267,029.00	-	(267,029.00)	-	-	-	-	267,029.00	-
Maintenance and Other Operating Expenses	9,115,912.00	10,053,992.00	39,759,692.00	15,224,494.60	(30,643,780.00)	(5,170,502.60)	13,047,845.39	12,980,712.88	26,711,846.61	2,243,781.72	
Capital Outlay	1,564,400.00	1,080,000.00	3,214,400.00	28,235,702.06	(1,650,000.00)	(27,155,702.06)	924,000.00	-	2,290,400.00	28,235,702.06	
<b>Health, Nutrition and Population Control</b>											
Personnel Services	65,687,291.00	43,593,935.00	64,017,207.21	62,251,769.00	1,670,083.79	(18,657,834.00)	63,250,370.23	51,395,833.02	766,836.98	10,855,935.98	
Maintenance and Other Operating Expenses	34,970,413.00	28,200,478.56	35,061,909.54	32,710,410.16	(91,496.54)	(4,509,931.60)	25,761,001.44	26,398,425.83	9,300,908.10	6,311,984.33	
Capital Outlay	-	-	504,000.00	360,000.00	(504,000.00)	(360,000.00)	-	108,890.00	504,000.00	251,110.00	
<b>Social Services and Social Welfare</b>											
Personnel Services	21,122,321.00	14,782,838.00	15,830,346.00	16,901,760.00	5,291,975.00	(2,118,922.00)	15,616,111.73	23,250,688.64	214,234.27	(6,348,928.64)	
Maintenance and Other Operating Expenses	78,374,283.00	17,993,555.20	74,708,476.54	23,017,355.20	3,665,806.46	(5,023,800.00)	67,599,449.15	16,052,079.65	7,109,027.39	6,965,275.55	
Capital Outlay	-	-	120,000.00	60,000.00	(120,000.00)	(60,000.00)	-	-	120,000.00	60,000.00	
<b>Economic Services</b>											
Personnel Services	72,924,572.00	67,024,111.00	75,797,682.50	72,169,111.00	(2,873,110.50)	(5,145,000.00)	73,040,858.97	71,160,871.31	2,756,823.53	1,008,239.69	
Maintenance and Other Operating Expenses	293,720,662.00	236,499,359.40	283,652,272.45	254,196,583.15	10,068,389.55	(17,697,223.75)	273,630,503.99	224,435,013.01	10,021,768.46	29,761,570.14	
Capital Outlay	1,500,000.00	88,903,000.00	54,595,014.45	449,330,039.65	(53,095,014.45)	(360,427,039.65)	12,686,629.02	75,555,745.50	41,908,385.43	373,774,294.15	
<b>Other Purposes:</b>											
Debt Service											
Financial Expense	1,606,000.00	1,606,000.00	1,606,000.00	1,606,000.00	-	-	40,492,230.44	38,150,411.51	(38,886,230.44)	(36,544,411.51)	
Amortization	83,401,498.40	54,000,000.00	100,401,498.40	54,000,000.00	(17,000,000.00)	-	51,429,169.68	24,906,543.68	48,972,328.72	29,093,456.32	
<b>LDRRMF</b>											
Maintenance and Other Operating Expenses	43,716,524.60	32,410,307.30	47,307,314.60	32,410,307.30	(3,590,790.00)	-	8,268,178.59	133,998,445.30	39,039,136.01	(101,588,138.00)	
Capital Outlay	36,365,000.00	43,010,000.00	38,440,000.00	43,010,000.00	(2,075,000.00)	-	21,135,302.92	25,400,566.02	17,304,697.08	17,609,433.98	
<b>20% Development Fund</b>											
Maintenance and Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	218,200,000.00	230,633,574.00	231,653,982.57	343,968,053.21	(13,453,982.57)	(113,334,479.21)	239,200,271.12	285,407,387.87	(7,546,288.55)	58,560,665.34	
<b>Others</b>											
Personnel Services	-	-	-	-	-	-	-	-	-	-	-
Maintenance and Other Operating Expenses	-	42,000,000.00	-	42,000,000.00	-	-	-	-	-	42,000,000.00	
Capital Outlay	-	-	-	-	-	-	-	-	-	-	
<b>Continuing Appropriations (Capital Outlay)</b>											
General Public Services	1,054,290,585.51	511,270,891.31	939,684,585.53	426,195,831.49	114,605,999.98	85,075,059.82	63,590,354.72	8,902,788.63	876,094,230.81	417,293,042.86	
Education	38,373,052.06	15,272,202.21	20,363,052.06	13,067,472.21	18,010,000.00	2,204,730.00	4,401,634.12	-	15,961,417.94	13,067,472.21	
Health, Nutrition and Population Control	869,068.00	-	228,400.00	-	640,668.00	-	228,400.00	737,042.00	-	(737,042.00)	
Labor and Employment	637,244.53	-	408,940.08	-	228,304.45	-	-	408,940.08	-	-	
Housing and Community Development	-	17,522,404.00	-	24,582,534.00	-	(7,060,130.00)	-	-	-	24,582,534.00	
Social Services and Social Welfare	167,286.02	69,197,570.25	-	-	167,286.02	69,197,570.25	-	214,533.98	-	(214,533.98)	
Economic Services	252,725,938.02	368,930,436.82	230,772,021.42	-	21,953,916.60	368,930,436.82	354,382,276.13	58,727,077.53	(123,610,254.71)	(58,727,077.53)	
Other Purposes:	-	-	-	-	-	-	81,628,709.46	78,404,048.48	(81,628,709.46)	(78,404,048.48)	
<b>Total Appropriations</b>	<b>2,959,243,666.14</b>	<b>2,475,450,168.59</b>	<b>3,054,391,286.24</b>	<b>2,928,034,429.95</b>	<b>(95,147,620.10)</b>	<b>(452,584,261.36)</b>	<b>2,128,284,536.89</b>	<b>1,852,056,282.76</b>	<b>926,106,749.35</b>	<b>1,075,978,147.19</b>	

**PART II**  
**AUDIT OBSERVATIONS AND**  
**RECOMMENDATIONS**

## **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

### **FAVORABLE OBSERVATIONS**

#### *Awards and Recognitions*

The City Government of Bayawan received 31 awards and recognition in the calendar year 2024, from various levels – provincial, regional, and national.

Among the national level awards is the one given to the Local Government Unit (LGU) of Bayawan as the Bayani ng Kaibigan on November 25, 2024 by the Society for the Conservation of Philippine Wetlands. The LGU was also recognized in the National Congress on Adoption and Alternative Care 2024 on June 27, 2024. Its Agricultural Development Centers was also awarded the 2024 Galing Pook National Finalist (Harvest from the Grassroots) by the Department of the Interior and Local Government (DILG) on October 24, 2024. Moreover, the Local Civil Registry Office (LCRO) of Bayawan City was among the Top 10 Outstanding LCRO in the country, awarded by the Philippine Statistics Office. Lastly, its Accounting Office was recognized as an Outstanding Accounting Office for Fiscal Year 2023 by the Association of Government Accountants of the Philippines, Inc. last October 9, 2024.

Some of the regional level awards received by the LGU was a Special Citation for Mental Health Initiatives from the Department of Health (DOH) on October 10, 2024. The Assessor's Office was also awarded as the Top 1 Outstanding Quarter Report on Property Assessments. Further, the Bayawan Tourism Operations also received the following recognitions on November 7, 2024: Complaint 2023 Tourism Statistic Report, Compliant 2023 MICE (Meetings, Incentives, Conferences and Exhibitions) Report, and Most Improved Tourism Officer.

For the provincial level awards, one of them was received by one of their councilors, awarded on December 9, 2024 by the Provincial Councilors League/DILG/Province of Negros Oriental as the CY 2024 Outstanding Local Legislator. The LGU of Bayawan also received from the DOH on November 27, 2024 a Certificate of Recognition for Elimination of Open Defecation.

The City Government of Bayawan has consistently been receiving awards and recognitions, either as an LGU, represented by its offices, or by its officials and employees.

## FINANCIAL AUDIT

*Semi-expendable properties remained as inventories instead of being expensed – ₱46,781,906.67*

**1. Semi-expendable properties valued at ₱138,891,148.82, which were acquired and issued before CY 2024, were recorded as inventories, most of which remained in these accounts instead of having their carrying amounts closed to Prior Period Adjustment (PPA) during the audited year, inconsistent with COA Circular No. 2024-006, dated March 14, 2024, resulting in the overstatement of the Other Supplies and Materials Inventory, Other Supplies Inventory, and Other Property Equipment accounts by ₱25,654,129.33, 20,014,411.95, and ₱1,113,365.39, respectively, and the overstatement of Equity in the total amount of ₱46,781,906.67.**

- 1.1 Prior to CY 2024, this Commission issued COA Circular No. 2022-004 dated May 31, 2022, which provides the guidelines for the implementation of the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00. Specifically, Section 4 thereof requires that tangible items which meet the definition and recognition criteria of Property, Plant, and Equipment (PPE) but costing below ₱50,000.00 shall be accounted in the books of accounts of the agencies as semi-expendable property.
- 1.2 The adjustment of the capitalization threshold from ₱15,000.00 to ₱50,000.00 is classified as a change in accounting policy and shall be applied retrospectively. Consequently, the revised threshold of ₱50,000.00 shall be applied to all tangible assets acquired in CY 2022 and prior years (Sec. 4.2, COA Circular No. 2022-004). Moreover, Section 4.6 thereof emphasizes that the change in accounting policy requires retrospective application and restating the amounts for the prior period/s in the comparative financial statements to reflect the change. The entity shall adjust the opening balance of each affected component of net assets/ equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
- 1.3 Since there were no available guidelines or issued circulars from the Commission regarding the appropriate accounts for semi-expendable properties to be added to the Revised Chart of Accounts, local government units (LGUs) were allowed to record properties valued under ₱50,000.00 that still meet the definition of PPE in the inventory accounts for the time being.
- 1.4 Relative thereto, in CY 2024, the Commission issued COA Circular No. 2024-006, dated March 14, 2024, which serves as a supplemental guideline for the implementation of COA Circular No. 2022-004, wherein accounting for tangible items was provided, as follows:

- 1.4.1 Tangible items below ₱50,000.00 acquired prior to CY 2024 and previously classified as PPE, which are still in custody of the Supply and/or Property Division/Unit, the cost shall be reclassified to the appropriate semi-expendable property account under the major account group Inventories and the corresponding accumulated depreciation and accumulated impairment losses shall be closed in the books of accounts; and
- 1.4.2 Tangible items below ₱50,000.00 acquired and issued prior to CY 2024 and have been classified as PPE, the carrying amount shall be expensed/charged to Prior Period Adjustment and the corresponding accumulated depreciation and accumulated impairment losses shall be closed in the books of accounts.
- 1.5 We directed Management’s attention to Annex B of the Circular, which delineates the new accounts that are to be utilized. Additionally, Annex C provides illustrative accounting entries for various cases.
- 1.6 The recording and reclassification of the below PPEs totaling ₱138,891,148.82 to semi-expendable items started in CY 2022 until 2024:

Machinery	₱ 4,047,193.55
Office Equipment	7,063,664.89
Information and Communication Technology Equipment	40,896,952.21
Marine and Fishery Equipment	260,029.00
Communication Equipment	14,925,734.34
Construction and Heavy Equipment	1,003,945.00
Military, Police and Security Equipment	8,594,038.00
Medical Equipment	5,119,938.91
Printing Equipment	25,000.00
Sports Equipment	1,841,151.43
Technical and Scientific Equipment	4,952,047.90
Other Machinery and Equipment	8,198,346.07
Motor Vehicles	931,841.05
Other Transportation Equipment	212,518.00
Furniture and Fixtures	17,267,247.76
Books	685,580.50
Other Property, Plant and Equipment	18,787,220.01
Disaster Response and Rescue Equipment	3,959,900.20
Agricultural and Forestry Equipment	118,800.00
<b>Total</b>	<b>₱ 138,891,148.82</b>

1.7 However, our verification of transactions related to the recording and reclassification of the above properties revealed that these were recorded and reclassified into inventory accounts, where most of them remained despite the issuance of COA Circular No. 2024-006, which stated that the reclassified items should be reclassified again into the appropriate semi-expendable accounts. Initially, the audit team identified semi-expendable items amounting to ₱51,530,887.31 which were recorded in inventories and remained in their respective accounts, despite issuance to end-users, as shown below:

Account	Semi-expendable items
Other Supplies and Materials Inventory	28,554,866.90
Other Supplies Inventory	21,862,655.02
Other Property Equipment	1,113,365.39
<b>Total</b>	<b>₱51,530,887.31</b>

1.8 For instance, the reclassification of various semi-expendables was recorded as follows, regardless of whether these items were acquired and issued before CY 2024:

Account	Debit	Credit
Inventory	xxxxx	
Accumulated Depreciation	xxxxx	
Property, Plant and Equipment		xxxxx

1.1 The City Accountant explained that although they reclassified these semi-expendable items to inventory accounts, they had closed some of the issued inventories' carrying amounts, totaling ₱4,748,980.64 to Prior Period Adjustment (PPA) in CY 2023, detailed as follows:

Account	Semi-expendable items	Adjusted in 2023	Unadjusted
Other Supplies and Materials Inventory	28,554,866.90	2,900,737.57	25,654,129.33
Other Supplies Inventory	21,862,655.02	1,848,243.07	20,014,411.95
Other Property Equipment	1,113,365.39	0.00	1,113,365.39
<b>Total</b>	<b>₱51,530,887.31</b>	<b>₱4,748,980.64</b>	<b>₱46,781,906.67</b>

1.2 While the audit team acknowledges Management's initiative to record and reclassify semi-expendable items to inventory accounts, in the absence of appropriate accounting guidelines, these items should have been properly reclassified to the accounts listed in the Revised Chart of Accounts issued by the Commission in COA Circular 2024-006 and corresponding prior period adjustments should have been made.

1.3 It is also emphasized that the existing Acknowledgment Receipts for Equipment (ARE) will be replaced by Inventory Custodian Slips (ICS) for tangible items below ₱50,000.00 that were acquired and issued prior to CY 2024 and classified

as PPE (Sec. 3.7, COA Circular No. 2024-006). However, an interview with the Accounting Staff revealed that because these items had already been issued with AREs, they were not subsequently replaced with ICS upon their reclassification. As a result, the carrying amounts of these semi-expendable properties were not charged to the Prior Period Adjustment.

- 1.4 The incorrect treatment in the reclassification of semi-expendable properties led to an overstatement of the Other Supplies and Materials Inventory, Other Supplies Inventory, and Other Property Equipment amounting to ₱25,654,129.33, 20,014,411.95, and ₱1,113,365.39, respectively, and an understatement of the PPA totaling ₱46,781,906.67. The PPA will be closed to Equity at the end of the year, hence, due to the understatement of the PPA, Equity is overstated by the same amount. These discrepancies affect the fairness and reliability of the financial statements, potentially influencing stakeholder decision-making and resulting in a misrepresentation of financial information presented to users.
- 1.5 **We recommended that the City Accountant make the following correcting entry to properly close the carrying amount of properties classified as semi-expendable items to Prior Period Adjustment and remove the recorded inventories:**

Account	Debit	Credit
Prior Period Adjustment	46,781,906.67	
Other Supplies and Materials Inventory		25,654,129.33
Office Supplies Inventory		20,014,411.95
Other Property Equipment		1,113,365.39

- 1.6 **We further recommended that the City Accountant conduct a comprehensive evaluation of its recorded properties and retrospectively adjust them to accurately classify semi-expendable items. This entails restating the amounts for prior periods in the comparative financial statements to reflect the change in accounting policy, in accordance with COA Circular No. 2022-004, as supplemented by COA Circular No. 2024-006.**
- 1.7 **Lastly, we recommended that the City Accountant henceforth adhere to the guidelines prescribed in COA Circular No. 2024-006 and make the appropriate entries for semi-expendable items.**
- 1.8 The City Accountant assured the Audit Team that his office would make the necessary correcting or adjusting entries in CY 2025. His office also confirmed that they would conduct a thorough review and evaluation of its semi-expendable properties, following COA guidelines.

*Outright expense of inventories – ₱736,835.00*

**2. Purchases of inventories totaling ₱736,835.00 were recognized as expense instead of inventory upon receipt contrary to Section IV of COA Circular No. 2014-002 dated April 15, 2014, and Section 114 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I, thus, eliminating the required accounting of the receipt and utilization established through the use of Requisitions and Issue Slips (RIS) and Summary of Supplies and Materials Issued (SSMI), which could result in the misstatement of inventory and expense accounts at the end of the year.**

2.1 Section 114 of the NGAS Manual for LGUs, Volume I, requires that purchases for supplies and materials, regardless of whether or not they are consumed within the accounting period, shall be recorded using the perpetual inventory method, wherein an inventory account is maintained in the general ledger (GL) on a current basis. Detailed inventory is maintained for each item; therefore, every purchase is recorded in the inventory account. Related issuances of inventories shall be recorded as they occur and shall be charged to the appropriate expense accounts, except for those purchased out of the petty cash fund.

2.2 In CY 2024, Management requested to purchase accountable forms, agricultural and marine supplies, animal/zoological supplies, drugs and medicines, food supplies, medical, dental, and laboratory supplies, office supplies, and other supplies and materials. Payments thereof were directly recorded in the books as outright expenses by debiting the related expense account, as summarized below:

<b>Account</b>	<b>Amount</b>
Other Supplies and Materials Expenses	₱16,279,892.85
Medical, Dental, and Laboratory Supplies Expenses	3,396,125.71
Office Supplies Expenses	2,513,894.50
Agricultural and Marine Supplies Expenses	2,249,399.00
Food Supplies Expenses	1,752,071.00
Animal/ Zoological Supplies Expenses	1,267,420.10
Accountable Forms Expenses	297,900.00
Drugs and Medicines Expenses	106,612.60
<b>Total</b>	<b>₱27,863,315.76</b>

2.3 Our review of the disbursement vouchers' (DV) supporting documents revealed that these were not supported by lists or records documenting the distribution or consumption of the above supplies.

2.4 As a result of the foregoing, the stock balance could not be readily determined, while the inventory account balances could not be ascertained, which could result in the misstatement of inventory and expense accounts at the end of the year.

2.5 Upon informing the City Accountant, he explained that inventories totaling ₱14,453,055.70 were duly supported with RIS, however, these were not attached nor included in the supporting documents of the corresponding DVs. The City Accountant also identified those which are still in inventory, which amounted to ₱12,673,425.06 and immediately effected correcting/adjusting entries. The Accounting Office would continue making corrections/adjustments in 2025. Details are shown as follows:

Account	Prior Year's Expenses	Immediately Adjusted as Inventories	With RIS (only not attached)	Unadjusted
Other Supplies and Materials Expenses	₱16,279,892.85	₱4,556,709.35	₱11,618,788.50	₱104,395.00
Medical, Dental, and Laboratory Supplies Expenses	3,396,125.71	3,120,035.71	0.00	276,090.00
Office Supplies Expenses	2,513,894.50	2,315,001.00	105,493.50	93,400.00
Agricultural and Marine Supplies Expenses	2,249,399.00	1,871,949.00	132,000.00	245,450.00
Food Supplies Expenses	1,752,071.00	0.00	1,752,071.00	0.00
Animal/ Zoological Supplies Expenses	1,267,420.10	809,730.00	440,190.10	17,500.00
Accountable Forms Expenses	297,900.00	0.00	297,900.00	0.00
Drugs and Medicines Expenses	106,612.60	0.00	106,612.60	0.00
<b>Total</b>	<b>₱27,863,315.76</b>	<b>₱12,673,425.06</b>	<b>₱14,453,055.70</b>	<b>₱736,835.00</b>

2.6 Due to the foregoing, inventories totaling ₱736,835.00 were still recorded as outright expenses. However, the City Accountant would effect entries in CY 2025 to correct the misstatement of the respective inventory and corresponding expense accounts.

2.7 **We recommended that Management install internal control mechanisms by using the RIS to request for supplies and material from stock and to consolidate the same in the SSMI, which shall be submitted to the City Accountant for recording in the appropriate expense accounts for the supplies consumed.**

2.8 **We also recommended that the City Accountant stop the practice of recording purchases of supplies and materials directly to expense accounts and henceforth, record purchases and utilization of supplies and materials in accordance with Section 114 of the NGAS Manual for LGUs, Volume I and Section IV of COA Circular No. 2014-002 dated April 15, 2014, to fairly present the expense and inventory accounts in the financial statements.**

2.9 The City Accountant explained that this has been the practice of the City Government. He confirmed that some inventories were expensed immediately, especially those recorded in the Other Supplies and Materials expenses as these were immediately issued to end-users, particularly meals and snacks. He assured that appropriate RIS would be issued for these inventories to recognize them as expenses.

*Misclassification of accounts – ₱15,807,069.14*

**3. Expenditures incurred for travel and gatherings such as consultative meetings totaling ₱15,751,263.14 and cash advances relating to travel and intelligence purposes amounting to ₱55,806.00, were misclassified to other expense and receivable accounts, respectively, that do not reflect the true nature of their purpose, inconsistent with COA Circular No. 2015-009, dated December 1, 2015, thereby affecting the usefulness of financial information available for users of financial statements, especially in the budgeting and decision-making process of Management.**

3.1 Paragraph 15 of the International Public Sector Accounting Standards (IPSAS) 1 clarifies that the objectives of a general-purpose financial statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to users in making and evaluating decisions about the allocation of resources. In the public sector, more specifically, the purpose of financial reporting is to mainly provide information useful in decision making, and to demonstrate accountability of the government agency.

3.2 Relative thereto, the Commission on Audit issued COA Circular No. 2015-009 dated December 1, 2015, to prescribe a uniform chart of accounts for LGUs. Annex A of the said Circular defines the following accounts:

Account	Account No.	Description
<b><i>Expenses</i></b>		
Traveling Expenses – Local	5-02-01-010	Used to record the costs incurred in the movement/transport of government officers and employees within the country. This includes transportation, travel per diems, ferriage, and all other related expenses.
Training Expenses	5-02-02-010	Used to record the costs incurred for the participation/attendance in and conduct of trainings, conventions and seminars/workshops. It includes training fees, honoraria of lecturers,

<b>Account</b>	<b>Account No.</b>	<b>Description</b>
		cost of handouts, supplies, materials, snacks and all other expenses related to training.
Other Supplies and Materials Expenses	5-02-03-990	Used to record the cost of inventories issued to end-users not otherwise classified under the specific inventory expense accounts.
Extraordinary and Miscellaneous Expenses	5-02-10-030	Used to recognize the amount paid for expenses incidental to the performance of official functions, such as: meetings and conferences, public relations, educational, cultural and athletic activities, membership fees in government organizations, etc. This account shall be closed to the Revenue and Expense Summary account.
<b><i>Receivables and Cash Advances</i></b>		
Other Receivables	1-03-06-990	This account is used to record amount due from debtors and other agencies not falling under any of the specific receivable account. This is credited for payment/liquidation of receivable.
Advances to Officers and Employees	1-03-05-040	This account is used to record amount advanced to officers and employees for official travel. This is credited for liquidation.
Advances to Special Disbursing Officer	1-03-05-030	This account is used to record the amount granted to agency's accountable officers and employees for special purpose/time-bound undertakings to be liquidated within a specified period. This includes labor payroll for projects undertaken by administration. This is credited upon liquidation.
Other Receivables	1-03-06-990	This account is used to record amount due from debtors and other agencies not falling under any of the specific receivable account. This is credited for payment/liquidation of receivable.
Advances to Officers and Employees	1-03-05-040	This account is used to record amount advanced to officers and employees for official travel. This is credited for liquidation.

- 3.3 In the audit of the Training Expenses (5-02-02-010) account totaling ₱23,324,920.33, it was found that about ₱7,123,563.14 pertain to expenses for travel, such as travel per diems and incidental expenses. These expenditures should have been recorded in the Travel Expenses – Local (5-02-01-010) account.
- 3.4 Similarly, the examination of the Other Supplies and Materials Expenses (5-02-03-990) account totaling ₱61,091,535.26 disclosed that there were expenses for meals and snacks served during training sessions and/or gatherings amounting to about ₱8,627,700.00, such as consultative workshops, council meetings, awarding of outstanding farmers and fisherfolks, conduct of renewal/granting of License to Own and Possess Firearms, and blood donation activities, among others. These expenses should have been recorded either in the Extraordinary and Miscellaneous Expenses (5-02-10-030) or to Training Expenses (5-02-02-010) accounts.
- 3.5 In view of the foregoing, expenditures totaling ₱15,751,263.14 (₱7,123,563.14 in Training Expenses and ₱8,627,700.00 in Other Supplies and Materials Expenses) have been recorded or classified in accounts which did not best describe their nature of incurrence.
- 3.6 It must be noted that proper recording of these expenses is critical in management's decision-making process, especially during budgeting and appropriation of expenditures. This would allow Management to encourage accountability of its officials and employees and enable them to evaluate the activities within the City Government.
- 3.7 Moreover, during the audit of cash advances and other receivables, we also noted that there were cash advances made by officers and employees pertaining to travel and intelligence purposes, which were recorded in the Other Receivables (1-03-06-990) account, summarized as follows:

Cash advances made for traveling expenses	₱ 45,806.00
Cash advances for intelligence purposes	10,000.00
<b>Total</b>	<b><u>₱ 55,806.00</u></b>

- 3.8 It is emphasized that proper recording of these cash advances is also critical in management's decision-making process, because it would enable them to evaluate the activities within their government unit.
- 3.9 Even if the accounts misclassified pertained to the same class of transactions, i.e. all expenses and all cash advances or receivables, they can still affect the fairness of the presentation of each account, and influence the interpretation of the users of financial information. Further, as previously mentioned, the account classification can influence the decision-making process of Management.

3.10 We recommended that the City Accountant establish internal accounting policies in identifying whether a particular expenditure pertains to training, travel, extraordinary and miscellaneous expenses, or other materials and supplies expenses.

3.11 We also recommended that the Office of the Accountant prepare the necessary journal entry vouchers to reclassify the affected cash advance accounts, and henceforth, record all cash advances pertaining to travel in the Advances to Officers and Employees account and all cash advances pertaining to intelligence or confidential purposes to the Advances to Special Disbursing Officer account.

3.12 Lastly, we recommended that the City Accountant, henceforth, strictly follow the Revised Chart of Accounts, as required in COA Circular No. 2015-009.

3.13 Management explained that they already have a fiscal policy in connection with their 2025 budget. Hence, they will draft policies and guidelines aligned with the Revised Chart of Accounts recommended by COA and implement them in CY 2026.

3.14 The City Accountant also clarified that certain cash advances for intelligence purposes were from individuals who are neither officers nor employees of the City Government, which explains their classification.

*Prior Year Expenditures erroneously recorded as Current Year Expenses – ₱133,160.00*

**4. Prior year expenditures aggregating ₱133,160.00 were erroneously recorded as current year expenses, contrary to Section 119 of PD No. 1445 and IPSAS 1, therefore resulting in the overstatement of the related expense accounts and understatement of the surplus for the current period, affecting the fairness of the presentation of the financial statements.**

4.1 Section 119 of Presidential Decree (PD) No. 1445 states that all lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year.

4.2 Further, the IPSAS 1 – Presentation of Financial Statements, provides that each entity shall recognize and present its financial transactions and operations conformably to the accrual basis of accounting.

4.3 Accrual basis is a means of recording transactions and other events when they occur, and not only when cash is received or paid. Revenues are recognized when they are earned, regardless of when payment is received; and expenses are recognized when they are incurred, regardless of when they are paid. On this basis

of accounting, transactions and events are recorded in the accounting records and recognized in the financial statements in the period to which they relate.

- 4.4 In CY 2024, there were expenses incurred during the previous year, CY 2023, totaling ₱1,677,395.76, that were erroneously recorded in the books of accounts as expenses for the audited year. The aforementioned expenditures are summarized below:

Account Name	Amount
Other Maintenance and Operating Services	₱981,349.95
Electricity Expenses	477,056.50
Insurance Expenses	133,160.00
Traveling Expenses – Local	52,634.81
Training Expenses	23,820.00
Donations	9,374.50
<b>Total</b>	<b>₱1,677,395.76</b>

- 4.5 Our verification of the related disbursements showed that these expenses pertained to those incurred in the previous year. This included payments for electricity to NORECO II, donations, insurance expenses, and other costs associated with training conducted in CY 2023, as well as per diems paid to employees who traveled in CY 2023, among other items. We noted that these expenditures should have been accrued in the year they were incurred, and the related disbursements should have been adjusted to the equity account in CY 2024.

- 4.6 Upon informing the City Accountant, his office immediately effected correcting/adjusting entries amounting to ₱826,609.46. The expenses totaling ₱717,926.30 were only erroneously labeled as 2023 charges, when in fact, they were current year's expenditures. Details are shown below:

Account Name	Prior Year's Expenses	Immediately Adjusted	Current Year	Unadjusted
Other Maintenance and Operating Services	₱981,349.95	₱301,033.65	₱680,316.30	₱ 0.00
Electricity Expenses	477,056.50	477,056.50	0.00	0.00
Insurance Expenses	133,160.00	0.00	0.00	133,160.00
Traveling Expenses – Local	52,634.81	28,004.81	24,630.00	0.00
Training Expenses	23,820.00	11,140.00	12,680.00	0.00
Donations	9,374.50	9,374.50	0.00	0.00
<b>Total</b>	<b>₱1,677,395.76</b>	<b>₱826,609.46</b>	<b>₱717,626.30</b>	<b>₱133,160.00</b>

- 4.7 In view of the foregoing, only ₱133,160.00, pertaining to Insurance Expenses, remained misstated.

- 4.8 The neglect to record expenses in the year they were incurred and instead charging them to the current year when they were paid resulted in the overstatement of the related expense accounts and an understatement of the surplus account by

₱133,160.00, affecting the fairness of the presentation of the financial statements, particularly the Statement of Financial Performance.

**4.9 We recommended and the City Accountant agreed to:**

**4.9.1 Make the necessary adjustments to correct the erroneous recording of prior period expenditures to reflect the actual financial performance of the City Government of Bayawan, in conformity with Section 119 of PD 1445 and IPSAS 1; and.**

**4.9.2 Direct the Accounting Clerk assigned to record the expenditures to, henceforth, review those that pertain to the prior period and journalize these items as adjustments to equity and corresponding real or accrued accounts rather than to current period expenditures or nominal accounts.**

*Funds transferred to NGOs/POs recorded as Loans Receivables – ₱23,682,271.32*

**5. The Loans Receivable – Others account includes financial assistance to cooperatives or non-governmental organizations/people’s organizations (NGOs/POs), totaling ₱23,682,271.32, which is inconsistent with COA Circular Nos. 2007-001 and 2015-009, dated October 25, 2007, and December 1, 2015, respectively, thus defeating the purpose of providing financial assistance to the intended NGO/PO and affecting the fair presentation of the Loans Receivable account in the Statement of Financial Position.**

5.1 Sections 34 and 36 of Republic Act (RA) No. 7160 recognize the role of people's and non-governmental organizations in the pursuit of local autonomy. Therefore, LGUs shall promote their establishment and operation. With this premise, the LGU, through its local chief executive and with the concurrence of the Sanggunian concerned, may provide assistance, financial or otherwise, to such NGOs/POs, for economic, socially-oriented, environmental, or cultural projects to be implemented within its territorial jurisdiction.

5.2 In accordance therewith, the Commission on Audit issued COA Circular No. 2007-001 dated October 25, 2007, to provide clear guidelines for the grant, utilization, accounting, and auditing of the funds released to these organizations. This issuance intends to ensure conformity to the prescribed financial accounting procedures in the New Government Accounting System for related transactions, put in place the necessary controls, promote transparency and accountability, and monitor the implementation of projects funded out of the funds granted.

5.3 Section 3.0 of the said Circular also emphasizes that the guidelines established therein shall apply to all funds granted to NGOs/POs, because all government

funds granted to them shall retain their character as public funds, in accordance with Section 4.1 of the said Circular.

- 5.4 Examination of the Loans Receivable – Others account (01-03-01-990) amounting to ₱25,283,319.72 showed, however, that it includes receivables from Cooperatives, NGOs/POs, beneficiaries of Self-Employment Assistance sa Kaunlaran (SEA-K), and others, summarized as follows:

<b>Beneficiaries/Grantees</b>	<b>Amount</b>
Cooperatives	₱ 4,201,565.13
NGOs/Pos	19,480,706.19
<b><i>Sub-total</i></b>	<b>23,682,271.32</b>
SEA-K	152,736.00
Others	1,448,312.40
<b><i>Sub-total</i></b>	<b>1,601,048.40</b>
<b>Total</b>	<b>₱ 25,283,319.72</b>

- 5.5 Upon perusal of the receivables, on a sampling basis, we also observed that the payors of those under “Others” were individual persons. We noted that these were balances carried forward from previous years, before the establishment of the e-NGAS. Since the adoption of the e-NGAS by the City Government, there have been no changes in the balances of this account.

- 5.6 Verification of sample transactions in the account revealed that collections were made from loans granted in previous years, as well as from the beneficiaries of the SEA-K program. It also showed that in CY 2024, the City Government granted Kalamtukan Agrarian Reform Beneficiaries Cooperative (KARBECO) a loan amounting to ₱800,000.00, pursuant to Resolution No. 719, issued on November 13, 2023, by the Sangguniang Panlungsod. This Resolution authorized the Honorable Mayor to enter into a Memorandum of Agreement (MOA) by the City Cooperative and Manpower Development Office (CCMDO), on behalf of the City Government of Bayawan, with KARBECO, represented by its Chairman, relative to the cooperative’s application for livelihood assistance through the program “Financial Assistance to Cooperatives, PO’s and Farmers Association” in the amount of ₱800,000.00.

- 5.7 In KARBECO’s application, the cooperative, through its Chairman, requested financial assistance from the City Government through the aforementioned program. Attached to the application is the cooperative’s Resolution No. 09, Series of 2023 dated May 2, 2023, which states that the purpose of seeking financial assistance is for its project, “Fertilizer, Herbicide, Pesticides and other Agrivet Supplies”. In the MOA executed by the Honorable Mayor with KARBECO, it was stated that KARBECO is “found to be qualified to avail of the Livelihood fund Assistance” in the amount of ₱800,000.00, payable in four years, with quarterly

payments of ₱50,000.00, for which the beneficiaries of the cooperative shall be jointly and severally liable. Further examination of the account also showed that the corresponding amounts due from individual persons under the label “Others” have had no movements for at least the past three years.

- 5.8 It is emphasized that COA Circular No. 2007-001 dated October 25, 2007, was issued to provide for the rules and procedures in the grant and utilization of funds to NGOs/POs and to establish necessary controls, including promoting transparency and accountability, and in monitoring projects funded out of funds granted to these organizations. Hence, it is imperative that the guidelines and established controls are followed in the release of funds to NGOs/POs, following the provisions of the aforementioned Circular, as these funds will maintain their status as public funds.
- 5.9 In the current set-up of the City Government, organizations can request financial assistance, by identifying their projects. Upon approval, they receive financial assistance through loans. The loan beneficiaries must meet their obligations according to the terms and conditions outlined in the MOA. However, COA has established requirements for NGOs/POs to access government funds, which include submission of various documents and reports listed in Section 4.4 of the same Circular.
- 5.10 Moreover, Section 4.5.1 of the said COA Circular strictly mandates that it is the government organization which will identify the priority projects under its Work and Financial Plan, which may be implemented by the NGO/PO, their purpose/s, specifications and intended beneficiaries as well as the time frame within the projects are to be undertaken. To ensure transparency, the foregoing information shall be published in newspapers, agency websites, bulletin boards, and the like, at least three months prior to the target date of commencement of the identified projects.
- 5.11 In the accounting and reporting aspect, the NGO/PO must provide all records and documents, including disbursement vouchers related to the utilization of the funds. The granting government agency, namely, the City Government, is obligated to maintain financial and accounting records of the funds granted in accordance with accounting standards. The utilization of the funds granted shall then be recorded in the City Government’s books of accounts, supported by appropriate documents for liquidation purposes.
- 5.12 Under COA Circular No. 2015-009 dated December 1, 2015, which prescribes the Revised Chart of Accounts for LGUs. Annex B thereof describes the following accounts as:

❑ Loans Receivable – Others (1-03-01-990)

- This account is used to record amounts of credit extended to debtors not otherwise specifically classified. Credit this account for receipt of loan repayments.

❑ Due from Non-Government Organizations/People's Organizations (1-03-06-030)

- This account is used to record amount of advances granted to Non-Government Organizations (NGOs)/People's Organizations (POs) for implementation of specific projects. Credit this account for liquidation of advances.

5.13 Following the provisions of COA Circular Nos. 2007-001 and 2015-009, it is appropriate to reclassify those funds granted to Cooperatives and NGOs/POs as Due from NGOs/POs. This is also in line with the LGU's mandate to provide assistance to these organizations for projects that would be implemented within its jurisdiction. As a non-profit government unit with the role of promoting the establishment and operation of these NGOs/POs, the true intention of Management shall be evaluated whether to grant this financial assistance, subject to liquidation or payment.

**5.14 We recommended that Management strictly implement the guidelines and procedures established under COA Circular No. 2007-001 in the granting, utilization, accounting, and auditing of all funds released to non-governmental organizations and/or people's organizations.**

**5.15 We further recommended that Management demand liquidation of these funds in accordance with the aforementioned issuance.**

**5.16 Lastly, we recommended that, henceforth, Management re-evaluate their true intentions in granting financial assistance to organizations and individuals, ensuring compliance with the law so that proper accounting and recording can be made.**

5.17 The City Planning and Development Officer (CPDO) explained that the primary goal of the fund transfer was to provide financial assistance. However, Management included a cost-recovery scheme to regain the capital. The City Mayor mentioned that the funds were loaned to farmers for their financial support, while also requiring repayment to enable Management to recover the capital.

5.18 Management should assess the true intention of its program. However, it is emphasized that all transfers to NGOs/POs should be guided by COA Circular 2007-001, wherein it is the City Government that identifies priority programs and chooses the appropriate NGO/PO to implement them.

5.19 The CPDO affirmed the intention of the program, which is to provide financial assistance to NGOs/POs. The City Mayor commented that they only practiced the scheme to give the farmers or cooperatives a sense of responsibility. However, Management agreed to implement the audit team's recommendations.

*Actual cash backup for current and continuing appropriations of the 20 percent DF cannot be assured due to the non-maintenance of a separate bank account for the fund – ₱244,914,818.32*

**6. Management did not maintain a separate bank account for its 20 percent Development Fund (DF) special account as required under Sections 310 and 313 of RA No. 7160, making it difficult to determine, in a timely manner, the availability of actual cash backup of the unutilized balance of ₱244,914,818.32 as of December 31, 2024, which consists of current and continuing appropriations for the implementation of development projects.**

6.1 Section 2 of PD 1445 emphasizes that all government resources shall be managed, expended, or utilized in accordance with laws and regulations, and shall be safeguarded against loss or illegal or improper disposition. This responsibility rests directly with the head of the government agency concerned.

6.2 To ensure proper management and administration of funds, Section 310 of RA No. 7160 mandates the “Separation of Books and Depository Accounts”, wherein local accountants and treasurers are required to maintain separate books and depository accounts, respectively, for each fund in their custody. In relation thereto, Section 313 of the same RA enumerates the “Special Accounts to be Maintained in the General Fund,” which includes the following:

6.2.1 Public utilities and other economic enterprises;

6.2.2 Loans, interests, bond issues, and other contributions for specific purposes; and

6.2.3 Development projects funded from the share of the local government unit concerned in the internal revenue allotment and such other special accounts which may be created by law or ordinance.

6.3 Effectively managing government funds involves ensuring that a particular fund is used only for its intended purpose and monitoring the actual status of cash availability. Further, it also involves making sure that each project programmed under the fund is backed up with actual cash.

6.4 Establishing and maintaining a separate bank account ensures the safeguarding of funds. The receipts, transfers, and expenditures associated with these special accounts will be appropriately addressed and recorded therein.

- 6.5 However, during our examination of the utilization of the 20 percent DF, which included verifying the projects funded through the account and the corresponding journal entries for each charge, we observed that the funds for the 20 percent DF were deposited into the General Fund bank account of the City Government, rather than a separate bank account designated for this specific purpose.
- 6.6 For example, in the recording of Construction in Progress (CIP) – Infrastructure Assets amounting to ₱3,671,706.67 charged to the 20 percent DF, the following entries were made:

<b>No.</b>	<b>Account</b>	<b>Debit</b>	<b>Credit</b>
1)	CIP – Infrastructure Assets	3,671,706.67	
	Due to Special Accounts (Proper)		3,671,706.67
2)	Due from Special Accounts (EDF)	3,671,706.67	
	Cash in Bank LCCA		3,671,706.67

- 6.7 When the accumulated costs of a particular asset, which is still in the process of construction, are added, the particular CIP account is debited, and a liability to the special account for the General Fund Proper is credited. Then, a receivable to the special account for the Development Fund is debited, and the bank account for the General Fund is credited to recognize the payment made. The two (2) entries were also made to recognize that the funds taken from GF Proper bank account have a receivable from the 20 percent DF. At the end of the year, the payable and receivable accounts are then reversed.
- 6.8 Debiting and crediting the Due to and Due from Special Accounts in the entries made, as shown above, can be gleaned as having receipts and transfers of funds within the agency, up until liquidation. However, the special accounts were used, because the 20 percent DF was lumped into the GF Proper bank account. Instead of directly debiting the appropriate CIP account and crediting the bank account for DF, in recording payments and accumulating costs of assets under construction, Management had to go through the special accounts in order to identify charges to the 20 percent DF, for which the special accounts are closed at the end of the year, by debiting the payable and debiting the receivable accounts.
- 6.9 In view of the foregoing, the total cash balance in the bank account includes not only those for GF Proper but also funds under the 20 percent DF, which is composed of its current appropriations amounting to ₱92,855,209.85 and continuing appropriations amounting to ₱152,059,608.47, or a total of ₱244,914,818.32, as reported in the Status of Appropriations, Allotments, and Obligations (SAAOB) as of December 31, 2024.
- 6.10 Moreover, our examination of the financial statements of the 20 percent DF showed that the balance of the Cash in Bank – LCCA as of December 31, 2024,

was only ₱95,375,079.83. Hence, there is a substantial discrepancy of ₱149,539,738.49, computed as follows:

<b>Cash in Bank - LCCA 20% DF (per FS), Dec. 31, 2024</b>	<b>₱ 95,375,079.83</b>
<b>Reported in SAAOB, Dec. 31, 2024</b>	
<b><u>20 per cent DF</u></b>	
Current	92,855,209.85
Continuing	152,059,608.47
<b>Total balance of DF per SAAOB, Dec. 31, 2024</b>	<b>244,914,818.32</b>
<b>Discrepancy</b>	<b>(149,539,738.49)</b>

- 6.11 Because of the substantial discrepancy, the accuracy of the actual cash available for the unimplemented developmental projects cannot be verified. Considering that there is no separate bank account for the 20 percent DF, the cash requirements of the aforementioned appropriated projects could not be completely ascertained, knowing that the General Fund bank account also includes other funds with chargeable claims.
- 6.12 In order to properly manage and monitor on a timely basis the status of utilization of the 20 percent DF, and ensure actual cash backup of its current and continuing projects, programs, and activities (PPAs), it is advantageous to maintain a separate bank account. Thus, this can also ensure that none of the funds under the General Fund Proper are used for PPAs under the 20 percent DF.
- 6.13 **We recommended that the City Accountant and the City Budget Officer reconcile their reports and determine the actual funds available for ongoing and/or unimplemented projects under the 20 percent DF.**
- 6.14 **We further recommended that Management, upon the authorization of the Sanggunian, open a separate bank account in the General Fund for the 20 percent DF, to which the City Accountant and City Treasurer transfer the determined or reconciled balance of the said account.**
- 6.15 The City Treasurer commented that once the final amount of actual funds available for on-going and/or unimplemented projects is determined by the City Accountant and City Budget Officer, based on their reconciliation, her office, through the City Mayor, shall request authorization from the Sanggunian to open a separate bank account in the General Fund for the 20 percent Development Fund.

*Inadequate disclosure for Road Networks – ₱2,021,608,101.86*

**7. Disclosures in the Notes to Financial Statements on the Road Networks account balance of ₱2,021,608,101.86 is incomplete, departing from the faithful representation requirement of the IPSAS and the reporting guidelines under COA Circular No. 2015-008, dated November 23, 2015, thereby, providing inadequate financial information to users of the financial statements and affecting the usefulness of said information to its constituents.**

7.1 One of the attributes for information to be useful in financial reporting, as provided for under the “Conceptual Framework for General-Purpose Financial Reporting by Public Sector Entities” of the IPSAS, is a faithful representation of the economic and other phenomena that it purports to represent. Paragraph 3.10 of such framework states that faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.

7.2 Further, paragraph 29 of IPSAS 1, in substance, states that fair presentation also requires an entity to provide additional disclosures when compliance with the specific requirements in IPSASs is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity’s financial position and financial performance, among others.

7.3 Anent thereto, the Commission on Audit issued COA Circular No. 2015-008, dated November 23, 2015, to provide for the “Accounting and Reporting Guidelines on the Local Roads Asset Management System.” Among the requirements in reporting of the Road Networks account (1-07-03-010) is the disclosure of the total road network system in the Notes to the Financial Statements, in the format provided 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 regular maintenance. Reductions in the amount of Php\_\_\_\_\_ were recorded due to derecognition, Php\_\_\_\_\_ for impairment and Php\_\_\_\_\_ impairment were reversed.”

7.4 Our review of the Notes to Financial Statements of the City Government showed that the Road Networks account balance as of December 31, 2024, is aggregated to the Infrastructure Assets with a total carrying amount of ₱2,837,945,216.40. Disclosure on the Road Networks account (1-07-03-010) only includes the properties turned over by the Department of Public Works and Highways (DPWH) to the City Government for CY 2024, stated as follows:

89 Property, Plant and Equipment also includes various properties turned-over by DPWH to the LGU of Bayawan in 2024 with the total amount of ₱313,681,331.83. Furthermore, these transferred properties were included in the Government Equity – Others. Details as follows:

Road Networks	305,969,402.21
Building	6,923,262.95
Dams/Reservoirs	788,666.67
<b>Total</b>	<b>313,681,331.83</b>

7.5 The incompleteness of the disclosures in the Notes to Financial Statements with respect to the Road Network account resulted in incomplete financial information, which departs from the fair presentation attribute required in the cited provisions of IPSAS and COA Circular No. 2015-008. In turn, the usefulness of financial information contained in the financial statements to its users, insofar as road networks are concerned, is also affected. Therefore, the users of the financial statements, particularly the constituents of the City Government, are provided with inadequate financial information.

**7.6 We recommended that the City Accountant, henceforth, include the required disclosures on the Road Network account as required under COA Circular No. 2015-008.**

7.7 The City Accountant already updated their Notes to Financial Statements, adding the necessary disclosures for the Road Networks.

## **OTHER FINANCIAL RELATED ISSUES**

### *Utilization of the 20 percent DF not optimized*

**8. Only 43 out of the 178 projects programmed under the 20 percent Development Fund (DF) were implemented because of factors such as accessibility of project location and availability of heavy equipment and materials, among others, thus not achieving optimum efficiency in providing basic facilities and services to the constituents, as mandated under Section 17 of the RA No. 7160.**

8.1 Section 17 of Republic Act 7160, or the Local Government Code of 1991, provides that LGUs should endeavor to be self-reliant and continue exercising their powers and discharging their vested duties and functions. Aside from these, the LGUs should discharge such other functions and responsibilities that are necessary, appropriate, or incidental to the efficient and effective provision of the basic services and facilities.

8.2 Consistent therewith, Section 287 of the same Code requires each LGU to appropriate no less than 20 percent of its internal revenue allotment for development projects. This is to ensure that funds are earmarked for projects intended to uplift the standard of living of its constituents. Thus, aside from appropriation, the Code wants to ensure that the allocated percentage is maximized in terms of the implementation of developmental projects in each LGU.

- 8.3 In addition, Section 322 of the Code provides that the balances of the continuing appropriations shall be reviewed as part of the annual budget preparation and, if warranted, shall be reverted upon the recommendation of the local chief executive.
- 8.4 For CY 2024, the City programmed to implement 178 PPAs totaling ₱993,789,825.75, as summarized below. Details are shown in *Appendix 1*.

Project Status	Appropriation	Obligations
Completed	₱ 335,789,890.36	₱ 323,788,236.15
For implementation	78,650,000.01	5,638,253.04
For termination	12,085,714.29	9,474,033.05
Ongoing	567,264,221.09	413,373,603.22
<b>Total</b>	<b>₱ 993,789,825.75</b>	<b>₱ 752,274,125.46</b>

- 8.5 It is important to note that although implementation of 147 projects had already begun in 2024, only 43 of the total 178 programmed PPAs, or 24.16 percent were completed as of December 31, 2024. Moreover, most of the ongoing projects, including those that have been completed, were part of the programmed projects during the years 2018 to 2023 and were funded under the continuing appropriations of the 20 percent DF. In the current year's appropriation, only four projects worth ₱95,053,982.57 were implemented, and 11 projects from the CY 2024 appropriation amounting to ₱178,101,498.40 were started in April 2024 and are still ongoing.
- 8.6 After verifying the status of all projects and corresponding supporting documents, it became clear that most projects were still in the process of being implemented. Specifically, out of 178 projects, 22 projects (12.36 percent) were still being implemented or still in the bidding process. Additionally, nine projects are recommended for termination by the City Engineer.
- 8.7 Further examination of the Report on the Utilization of the 20 percent DF as of December 31, 2024, revealed that the reasons for the delay are the inaccessibility of the project location, unavailability of heavy equipment, and incomplete delivery of materials, among others. Also, the projects that were recommended for termination pertain to projects programmed in CYs 2020-2022.
- 8.8 Had the feasibility of implementing all the projects programmed under the 20 percent DF been evaluated during the planning stage, taking into account factors such as the accessibility of the project location, ROW considerations, and the necessity of the project, among others, the City could have been more efficient and effective in providing its constituents with the mandated basic facilities and services. This would have resulted in the avoidance of the need for realignment of certain projects during the year.
- 8.9 **We recommended that the City Engineer, in coordination with the City Planning and Development Coordinator, evaluate the feasibility and closely monitor the implementation of the various PPAs in accordance with the approved development plan as required under Section 476 (4) of RA No. 7160. In addition, we recommended that Management consider all possible**

**limitations, including the accessibility of the project location and availability of equipment and materials, during the planning stage.**

8.10 Management explained that the City Engineer, in coordination with the City Planning Coordinator, has already evaluated and considered the feasibility of each project. In fact, they have recommended projects for closure and reversion. They have also addressed issues related to the implementation of the 20 percent DF and other projects during the CY 2025 budget planning.

*Funds that are not considered idle were placed into time deposit accounts – ₱366 million*

**9. The City Government placed a total of ₱385 million into four time deposit accounts, of which ₱366 million represents the cash back-up of its current and continuing capital outlay appropriations under the General Fund, leaving only ₱19 million as idle funds, contrary to Section 22 of COA Circular 92-382, thus tying up funds necessary for the timely implementation of projects and activities.**

9.1 Accounting and Auditing Rules and Regulations designed to implement the provisions of the Local Government Code of 1991 under COA Circular No. 92-382 dated July 3, 1992, provides specific guidelines regarding bank depository accounts such as time deposit of funds. Section 22 thereof, defines “idle funds” as those which are in excess of normal operating requirements, which means the level of funds which an entity can freely invest in government securities and/or fixed term deposits after considering provisions for coverage of regular and recurring expenses. Unremitted national collections and funds set aside for payment of obligations to government corporations/cooperatives shall not form part of idle funds.

9.2 Moreover, the Department of Finance (DOF) clarified the definition of idle funds in DOF Department Order No. 071-2018 dated December 13, 2018, stating that “idle funds in excess of normal operating requirements” shall generally mean the level of funds which the can be freely invested after considering provisions for coverage of the following: regular and recurring expenses and local counterpart commitments for capital expenditures with the current fiscal year. In the case of LGUs, it also includes those excess funds, after considering unremitted national collections and funds set aside for payments of obligations.

9.3 A perusal of the cash deposit accounts of the City Government showed that it placed ₱385,128,697.95 into four time deposit accounts during CY 2024, shown as follows:

<b>Bank</b>	<b>Account Number</b>	<b>Term</b>	<b>Amount</b>
Development Bank of the Philippines	0740-026xxx-xxx	Semi-annually	₱ 163,516,759.51

Development Bank of the Philippines	0740-026xxx-xxx	Quarterly	7,049,392.48
Land Bank of the Philippines	1181-06xx-xx	Monthly	49,815,483.34
Land Bank of the Philippines	1181-07xx-xx	Semi-annually	164,747,062.62
<b>Total</b>			<b>₱ 385,128,697.95</b>

9.4 As can be gleaned from the table above, the time deposit accounts were placed into two banks, namely, the Development Bank of the Philippines (Dumaguete City Branch) and the Land Bank of the Philippines (Bayawan City Branch).

9.5 However, part of these funds amounting to ₱366,170,906.39, represents the cash back-up of current and continuing capital outlay appropriations under the General Fund Proper, Disaster Risk Reduction and Management Fund (DRRMF), Economic Enterprises, and the 20% Economic and Development Fund (EDF), detailed as follows:

<b>Current</b>	
General Fund Proper	₱22,646,000.00
20% Development Fund	43,400,000.00
LDRRM Fund	9,010,000.00
Economic Enterprises	1,450,000.00
<b>Total Current Capital Outlay Appropriations</b>	<b>₱76,506,000.00</b>
<b>Continuing</b>	
General Fund Proper	139,308,827.88
20% Development Fund	149,652,323.90
Economic Enterprises	703,754.61
<b>Total Continuing Capital Outlay Appropriations</b>	<b>₱289,664,906.39</b>
<b>Total Capital Outlay Appropriations</b>	<b>₱366,170,906.39</b>

9.6 It is emphasized that not all of these funds qualify as “idle funds” within the context of the definition given in COA Circular No. 92-382 and DOF Department Order No. 071-2018, as these funds have already been programmed for different projects for implementation during the year under current and continuing appropriations.

9.7 It must be noted that idle funds shall not only cover those funds after considering provisions for regular and recurring operating expenses but also after considering those funds already committed to various projects, programs, and activities (PPAs) for implementation during the current fiscal year, including those funds covering PPAs with on-going implementation.

9.8 Thus, placing the cash back-up for current and continuing capital outlay appropriations under the General Fund Proper, DRRMF, Economic Enterprises, and the 20% EDF, the projects of which are to be implemented in the current year, is contrary to the specific guidelines regarding bank depository accounts under the Local Government Code.

9.9 Management explained that these funds were placed into time deposit accounts while they are not yet implemented to earn higher interest compared to ordinary savings accounts. As of December 31, 2024, however, these time deposit accounts earned just a total of ₱3,481,504.17, averaging only 0.90% of the total amount deposited, as shown below:

Bank	Account Number	Term	Amount	Total Interest
Development Bank of the Philippines	0740-026xxx-xxx	Semi-annually	₱ 163,516,759.51	₱ 1,966,093.68
Development Bank of the Philippines	0740-026xxx-xxx	Quarterly	7,049,392.48	5,723.67
Land Bank of the Philippines	1181-06xx-xx	Monthly	49,815,483.34	211,834.11
Land Bank of the Philippines	1181-07xx-xx	Semi-annually	164,747,062.62	1,297,852.71
<b>Total</b>			<b>₱ 385,128,697.95</b>	<b>₱ 3,481,504.17</b>

9.10 The Audit Team recognizes the initiative and resourcefulness of the City Government in investing its unutilized capital appropriations in time deposit accounts to generate higher interest income and therefore, higher revenue. However, the specific guidelines for bank depository accounts under the Local Government Code of 1991, as clarified in COA Circular No. 92-382, require that only those considered as *idle funds* can be freely invested in government securities or higher yield time deposits.

9.11 In view of the foregoing, timely implementation of programmed projects and activities of which funds were placed into different time deposit accounts may be hindered or delayed due to time restrictions, as indicated in the terms of these time deposits. If funds are not promptly accessible, service delivery and infrastructure development may be disrupted.

9.12 **We recommended that Management transfer the funds from the time deposit accounts to the City’s regular savings or current account upon maturity to ensure cash availability when required for project implementation in compliance with COA Circular No. 92-382.**

9.13 **We further recommended that Management review the funds intended for capital outlay projects that are placed in time deposit accounts and assess whether these projects are still subject to implementation or not. If not, such funds shall be reverted to the unappropriated surplus of the General Fund and realigned to appropriate capital expenditures.**

9.14 Management commented that they would still evaluate the funds. The City Mayor added that, given their current income, they plan to save on financial expenses by paying off loans earlier.

*Unnecessary expenses incurred for meals, snacks, and venue rentals – ₱1,438,080.00*

**10. The City Government incurred costs for meals and snacks served during the conduct of regular and administrative meetings, as well as venue rentals in relation thereto amounting to ₱1,438,080.00, and inappropriately charged the same to Other Supplies and Materials Expenses, Food Supplies Expenses, and Rent Expenses contrary to COA Circular No. 2012-003, dated October 29, 2012, resulting in unnecessary expenditures.**

10.1 As defined under Section 4.1 of COA Circular No. 2012-003 dated October 29, 2012, Unnecessary expenditures pertain to expenditures that could not pass the test of prudence or the diligence of a good father of a family. An expenditure that is not essential or that can be dispensed without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary.

10.2 Moreover, Section 325(h) of RA No. 7160 provides for the limitations for discretionary funds (now Extraordinary and Miscellaneous Expenses) where the annual appropriations for discretionary purposes of the local chief executive shall not exceed two percent of the actual receipts derived from the basic real property tax in the next preceding calendar year.

10.3 In CY 2024, the City Government of Bayawan incurred ₱1,438,080.00 for venue rental, meals, and snacks during regular and administrative meetings of officials and employees, as well as budget hearings, summarized as follows:

<b>Particulars</b>	<b>Amount</b>
Meals and Snacks	₱ 1,001,480.00
Venue Rental	436,600.00
<b>Total</b>	<b>₱ 1,438,080.00</b>

10.4 It was observed that meals and snacks were charged to Other Supplies and Materials Expenses and Food Supplies Expenses, and the rentals of the venue for these meetings were charged to Rent Expenses.

10.5 It is emphasized that meetings are part of the regular functions of the officials and employees concerned. Therefore, the costs of meals and snacks served during said meetings could have been shouldered by the concerned officials, utilizing the extent of their respective representation allowances, or the City Mayor's appropriations for Extraordinary and Miscellaneous Expenses (EME).

10.6 Records show that in CY 2023, the City collected a total of ₱11,998,495.83 from real property tax, two percent of which amounted to ₱239,969.92. The City

appropriated ₱200,840.82 for EME in CY 2024. However, it was noted that no charges were made to the EME account during the year.

10.7 In view of the foregoing, the costs incurred for the meals and venue rentals are considered unnecessary. Additionally, the expenses could have been minimized had the aforementioned meetings been conducted within the City Hall premises. Potential cash savings could have been allocated towards delivering essential public services and providing amenities for public welfare.

**10.8 We recommended that meals and snacks served during regular and administrative meetings of local officials and employees be charged to the appropriations for EME and representation allowances of officials concerned.**

**10.9 We further recommended that Management refrain from conducting regular and administrative meetings outside the City Hall to avoid additional and unnecessary expenses.**

10.10 Management explained that most meals and snacks served during administrative meetings were provided due to the presence of important visitors and guests. However, they agreed to charge some of the meals and snacks to the EME, up to the limit of its budget. Management assured that they would be prudent in conducting regular and administrative meetings outside City Hall.

*Defects in the procurement process – ₱129,067,459.84*

**11. Defects in the procurement process for the construction of farm-to-market road (FMR) projects and the purchase of vehicles, equipment, supplies, and materials totaling ₱129,067,459.84, particularly in the observance of proper timelines and compliance with the procurement procedures outlined under the Implementing Rules and Regulations (IRR) of RA No. 9184 compromised the integrity of these transactions, creating potential inefficiencies and additional costs to the government.**

11.1 The IRR of RA No. 9184, otherwise known as the “Government Procurement Reform Act,” was promulgated to prescribe the necessary rules and regulations for the modernization, standardization, and regulation of the procurement activities of the Government of the Philippines. The IRR provides specific procedural timelines and requires certain processes to be performed to promote integrity and transparency in the conduct of procurement.

11.2 Post audit of various disbursements for the construction of FMR projects and the procurement of vehicles, equipment, supplies, and materials totaling ₱129,067,459.84 (See *Appendix 2* for details) showed the following deficiencies, viz:

### 11.2.1 *Awarding of contracts beyond the bid validity period*

11.2.1.1 Section 28.1. of the IRR of RA No. 9184 requires that Bids and bid securities shall be valid for a reasonable period as determined by the Head of the Procuring Entity concerned, which shall be indicated in the Bidding Documents, but in no case shall the period exceed one hundred twenty (120) calendar days from the date of the opening of bids.

11.2.1.2 The post-audit of the disbursements for the construction of five FMR projects and the procurement of a dropside truck totaling ₱61,333,314.12 revealed, however, that the contracts were awarded despite the lapse of the 120-day maximum bid validity period. The number of days delayed ranged from 28 to 343 days, as shown below:

<b>Date</b>	<b>Particulars</b>	<b>Amount</b>	<b>Bid Opening</b>	<b>Contract</b>	<b>No. of Days from Bid Opening</b>	<b>No. of Days Delayed</b>
03/27/2024	Concreting of Gamao-Ohot-Duyan-Duyan FMR	₱14,954,858.36	03/21/2023	10/16/2023	209	89
03/27/2024	Concreting of Cayaocao-Busay FMR	15,021,483.00	03/21/2023	10/16/2023	209	89
03/27/2024	Concreting of Minaba-Tayawan FMR	16,972,605.22	03/21/2023	10/16/2023	209	89
05/21/2024	Construction of Multi-purpose Center for Senior Citizen	2,317,113.11	08/23/2022	11/29/2023	463	343
06/25/2024	Concreting of Lapay-Bugay FMR	8,629,254.43	08/29/2023	01/24/2024	148	28
09/30/2024	1 unit brand new dropside truck, 20 footer, Hino FC9HL7A	3,438,000.00	08/08/2023	03/14/2024	219	99
<b>Total</b>		<b>₱61,333,314.12</b>				

11.2.1.3 The average number of days delayed was 123 days or approximately four months. Moreover, the Procuring Entity did not secure a formal request for an extension from the respective bidders before the bid validity period expires. This extended period of delay may have resulted in procurement inefficiencies, potential cost escalations, and disruptions in project implementation. Prolonged delays could also affect the timely delivery of goods and services, impacting the intended beneficiaries and overall project objectives.

11.2.1.4 The awarding of contracts beyond the bid validity period exposes the government to financial risks, i.e., price fluctuations and contract renegotiations, potentially resulting in increased costs and inefficiencies in project execution.

**11.2.2 Delayed conduct of Negotiated Procurement after two failed biddings amounting to ₱2,919,512.17**

11.2.2.1 Section 4.1 of the IRR of RA No. 7160 mandates that the BAC shall endeavor to conduct the re-bidding of a procurement project immediately, but it should not exceed 15 days after the declaration of the first failure of bidding, given that the period *may be extended up to 30 days upon approval of the HoPE*. The same periods shall be observed for the conduct of Negotiated Procurement under Two Failed Biddings modality reckoned from the declaration of the second failure of bidding.

11.2.2.2 Consistent with the declared policy of adherence to the principles of efficiency in the procurement process, the Government Procurement Policy Board (GPPB) issued GPPB Circular No. 2016-05 dated December 20, 2016, prescribing the period for the conduct of re-bidding and negotiated procurement under two failed biddings modality.

11.2.2.3 In the audit of disbursements on a sampling basis, we observed that disbursements pertaining to the procurement of supplies and materials and improvement of a multi-purpose building totaling ₱2,919,512.17 were undertaken through public bidding. However, BAC declared two failed biddings due to the absence of bid submissions in both instances. Consequently, the BAC resorted to Negotiated Procurement – Two Failed Biddings. Post-audit of supporting documents relating thereto revealed that the conduct thereof was delayed by 63 to 224 days, with an average delay of 112 days.

<b>Date</b>	<b>Particulars</b>	<b>Amount</b>	<b>No. of Days after 1st to 2nd Bidding to Negotiated Procurement</b>	
06/05/2024	Supplies and materials needed for various projects of City Engineering Office	₱ 481,925.63	23	63
09/26/2024	10 units solar powered water pumping system	1,089,320.00	42	77
11/25/2024	Improvement of Brgy. Multi-Purpose Building, Brgy. San Isidro	1,212,006.54	28	82
12/13/2024	Mixing sand & gravel and aggregate base course for Major Repair of Multi-purpose Pavement and Stage at Sitio Lower Datong, Tabuan, 1st Revision, Bayawan City	136,260.00	49	224
<b>Total</b>		<b>₱2,919,512.17</b>		

(See complete details in *Appendix 3*)

11.2.2.4 There was also no documentary evidence indicating that the BAC formally requested an extension following the failure of the bidding process. In the absence of such a request, the delay in resorting to an alternative mode of procurement may be deemed a

procedural lapse, resulting in non-compliance with procurement regulations.

11.2.2.5 The delayed conduct of Negotiated Procurement – Two Failed Biddings may indicate procurement inefficiencies and may have resulted in the untimely delivery of goods and services, potentially affecting government operations and project implementation.

**11.2.3 *Late posting of NOA and failure to post NTP and contracts in the PhilGEPS website***

11.2.3.1 Section 37.1.6 of the IRR of RA No. 9184 requires that the Bids and Awards Committee (BAC), through the Secretariat, shall post, within three (3) calendar days from its issuance, the Notice of Award (NOA) in the PhilGEPS, the website of the Procuring Entity, if any, and any conspicuous place in the premises of the Procuring Entity.

11.2.3.2 Section 37.4.2. of the aforementioned IRR also requires that the procuring entity, through the BAC Secretariat, shall post a copy of the Notice to Proceed (NTP) and the approved contract in the PhilGEPS and the website of the Procuring Entity, if any, within 15 calendar days from the issuance of the NTP.

11.2.3.3 Furthermore, the contract award shall be made within the bid validity<sup>1</sup>, wherein bids and bid securities shall be valid for a reasonable period, as determined by the Head of Procuring Entity concerned, but in no case shall the period exceed 120 calendar days from the date of opening of bids<sup>2</sup>. Should it become necessary to extend the bid validity, the procuring entity shall request in writing all those who submitted bids before the expiration date. Bidders, however, shall have the right to refuse to grant such an extension without forfeiting their bid security<sup>3</sup>.

11.2.3.4 Our review of the supporting documents for the payments for the construction of several FMR projects and procurement of equipment, vehicles, supplies, and materials totaling ₱127,237,267.67 revealed that the NOAs were posted late, and NTPs were not posted at all on the PhilGEPS website (*Appendix 4*).

---

<sup>1</sup> Section 37.1.5, IRR of RA 9184.

<sup>2</sup> Sec. 28.1, Ibid.

<sup>3</sup> Sec. 28.2, Ibid.

11.2.3.5 Further, certain contracts were not issued with an NTP, nor was there any supporting documentation to confirm their issuance. The absence of an NTP raises concerns about the proper execution and commencement of the awarded contracts, potentially affecting project timelines and deliverables. Additionally, one contract valued at ₱1,910,000.00 was initially awarded to an incorrect supplier due to an error in the procurement process. However, upon review of the NOA posting in PhilGEPS, we found that the erroneous contract was subsequently canceled, and the NOA was properly issued and received by the rightful supplier. This incident highlights lapses in procurement controls, emphasizing the need for stricter verification measures to prevent similar occurrences.

11.3 In view of the foregoing deficiencies, the integrity of the procurement process was compromised. Incurring delays and committing various lapses in the procurement procedures may have created potential inefficiencies and additional costs to the government.

**11.4 We recommended and the BAC agreed to strictly observe the prescribed bid validity period or, if necessary, secure the bidder's written concurrence for an extension before the bid validity expires, in accordance with the New Government Procurement Act.**

**11.5 We also recommended and BAC also agreed to henceforth ensure that the conduct of bidding, specifically the Negotiated Procurement – Two Failed Biddings, is within the prescribed period under Sec. 4.1.1 of the GPPB Circular No. 2016-05, otherwise, request an extension of 30 days upon approval of the HoPE.**

**11.6 Lastly, we recommended and BAC agreed to evaluate and address bottlenecks that cause delays in the procurement process, including the posting of NOAs and NTPs, to prevent the recurrence of expired bid validity issues and enhance transparency in government procurement, in accordance with the provisions of RA No. 9184, as amended by RA No. 12009.**

11.7 The BAC Chairperson guaranteed the audit team that the identified gaps in the procurement process have already been addressed by the BAC. While these conditions existed, the City Mayor, along with the BAC Chairperson, assured that the Committee was diligent in mitigating any financial risks associated with these gaps. Furthermore, regarding the late posting of the NOA and the failure to post the NTP within the reglementary period, the City Mayor and the BAC Chairperson confirmed that these issues have been resolved.

11.8 Management assured the audit team that they are committed in improving its procurement process and ensuring compliance with the Government Procurement Reform Act.

*Granting of cash advances despite non-liquidation of previous cash advances*

**12. Cash advances for salaries, wages, allowances, honoraria, and other current operating expenses were granted to disbursing officers despite not fully liquidating previous cash advances for the same purpose, inconsistent with Section 4.1.2 of COA Circular No. 97-002, resulting in overlapping cash advances and exposing government funds to the risk of loss through misapplication.**

12.1 Commission on Audit (COA) Circular No. 97-002 dated February 10, 1997, provides the rules and regulations on the granting, utilization, and liquidation of cash advances. Section 4.1.2 thereof explicitly states that no additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

12.2 In CY 2024, the City Government granted cash advances totaling ₱120,574,466.02 for salaries, wages, allowances, honoraria, and other current operating expenses, as shown below:

Account	Grant of Cash Advance	Liquidation	Refund
<b><u>Advances for Payroll</u></b>			
Salaries, Wages, Allowances, Honoraria, and Other Similar Payments	₱102,937,049.88	107,603,931.28	2,856,422.10
Current Operating Expenses	6,191,466.00		
<b><u>Advances to Special Disbursing Officer</u></b>			
Current Operating Expenses	11,445,950.14	10,683,355.35	806,460.69
<b>Total</b>	<b>₱120,574,466.02</b>	<b>₱118,287,286.63</b>	<b>₱3,662,882.79</b>

12.3 Our post-audit of disbursement vouchers and liquidations thereof revealed non-compliance with proper liquidation procedures. We observed that the City Government continued to grant new cash advances for the same purpose, even though previous cash advances had not yet been fully liquidated. This practice raises concerns about accountability and adherence to financial regulations. It also increases the risk that management may not be able to properly monitor the cash flows, because overlapping has already occurred in the drawing and liquidation of cash advances.

12.4 Further, it was also noted that excess cash advances amounting to ₱3,662,882.79 were not properly segregated, as to their intended purposes, upon refund. Instead, these funds were merged and deposited back in bulk on a monthly basis. This was verified during the cash examination conducted on November 27-28, 2024, which revealed that the excess funds allocated for various purposes were still under the

accountability of the designated officer. Thus, financial transparency and accountability could not be fully achieved as the practice obscures proper tracking of refunds.

12.5 The improper handling of refunds increases the risk of lapping, in which incoming funds are used to cover previously unrecorded or misappropriated amounts. By mixing different refunds into a single deposit, there is a possibility that older, unliquidated advances could be concealed using newly refunded amounts, delaying the detection of discrepancies or mismanagement. Consequently, government funds are exposed to the risk of loss through misapplication.

**12.6 We recommended that the City Accountant ensure that no additional cash advances are granted unless previous ones have been fully liquidated in accordance with COA Circular No. 97-002.**

**12.7 We further recommended that Management, in coordination with the City Accountant and City Treasurer, implement stricter monitoring and approval for cash advances and liquidations, including regular reconciliation of accounts.**

12.8 Management noted that the City Accountant and the City Treasurer have already met and agreed on the steps to ensure strict implementation of the guidelines regarding the grant and liquidation of cash advances. The City Treasurer, in coordination with the City Accountant, also discussed with the audit team that they would rigorously enforce the regulatory period for liquidating cash advances.

12.9 They also added that they would simplify the granting of cash advances by ensuring they are classified by nature, facilitating easier liquidation and accounting of these advances and preventing their lapping.

*Advertising expenses included irregular expenditures – ₱1,155,000.00*

**13. The City Government incurred advertising expenses for activities not related to the issuance of its guidelines, rules, and regulations, conduct of public biddings, dissemination of important public announcements, and the promotion of the City Government's economic enterprise, inconsistent with COA Circular No. 2024-005, dated March 14, 2024, thus, resulting in irregular expenditures amounting to ₱1,155,000.00.**

13.1 The Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 provides for the procurement of media documentation, advertisement, or announcement through television, radio, newspaper, internet, and other communication media. Considering the rapid progression into the digital era and other technological advancements, the Commission found it necessary to update

its guidelines on the proper utilization of funds of agencies, especially those that include the use of social media and other digital processes, records, and databases. Thus, the issuance of COA Circular No. 2024-005, dated March 14, 2024.

13.2 Section 3.0 thereof defines “Advertisement” as pertaining to contents that are required in the issuance of agency guidelines, the conduct of public bidding, the dissemination of important public announcements, and the promotion of an agency’s trade and business. Section 4.2 of the same Circular reiterated and updated the general guidelines and additional documentary requirements of Advertising Expenses, which includes emphasizing the austerity measures adopted under Administrative Order (AO) No. 103, dated August 31, 2004. Among these austerity measures is the suspension of paid media advertisements, except those related to the activities mentioned above.

13.3 Relative thereto, COA Circular No. 2012-003, dated October 29, 2012, also mentioned that expenses for advertisements of anniversaries, etc., in newspapers, TV, or radio merely for publicity or propaganda purposes are considered irregular expenditures, except when the nature of the agency’s mission would require such expenses as in the case of promotion of trade and business.

13.4 However, our verification of the Advertisement Expenses (5-02-99-010) account showed that charges thereto amounted to ₱1,155,000.00 and pertained to obligations and payments relating to video coverage and documentation, radio broadcasting and TV broadcasting. Further examination and post-audit of disbursement vouchers relating to these transactions revealed the breakdown of the expenses as follows:

<b>Activity</b>	<b>Amount</b>
Video Coverage Documentation	₱ 730,000.00
Radio Broadcasting	245,000.00
TV Broadcasting	180,000.00
<b>Total</b>	<b>₱ 1,155,000.00</b>

13.5 The video documentation covers the different activities for the Tawo-Tawo Festival Season, Charter Day Celebration, and Christmas Celebration, among others. For instance, the documentation, video, and photo coverage for the 2024 Tawo-Tawo Festival Season includes production video, same-day edit videos, drone shots, beauty shots of the participants, and promotional videos, including interviews of the participants.

13.6 In addition, the radio broadcasting allows weekly one-hour block time to two (2) different radio stations, and the TV broadcasting airs weekly programs, for publicity purposes. These activities do not fall under AO No. 103 and COA

Circular No. 2012-003 exceptions, as mentioned above, wherein media advertisement may be paid.

- 13.7 Furthermore, the television broadcasting program, “Ibayaw Bayawan,” serves as a platform to showcase the implementation of various projects and programs of the City, along with discussions on proposed plans and initiatives. While the program aims to inform the public about the LGU’s undertakings, a review of the broadcast content revealed that City Councilors were frequently invited as guests to participate in these discussions.
- 13.8 The consistent inclusion of elected officials in the program creates an impression that it is being utilized not solely for public information but also as a means to establish political presence and personality. This raises concerns about the potential use of government resources for propaganda purposes, which may affect the program’s objectivity and adherence to the principles of neutrality and responsible governance in public communication.
- 13.9 While the City’s mission aims to improve the quality of life of Bayawanons by ensuring the provision of excellent public services and programs to constituents, investors, and visitors, thereby making Bayawan a competitive and livable city, it is important to note that covering festivals, charter day and Christmas celebrations, as well as the television broadcasting program featuring the implementation of city projects and programs, primarily serves an informational and promotional function.
- 13.10 Although these activities may help raise awareness of the City’s initiatives, they do not directly translate into economic growth or increased investment. Instead, they may be perceived as efforts to enhance public image rather than as strategic measures aimed at promoting trade and business.
- 13.11 Had Management been prudent enough in the exercise of its fiscal responsibility, funds could have been used to finance more meaningful projects and activities that would redound to the benefit of its constituents.
- 13.12 Thus, the use of public funds for publicity i.e., video coverage and broadcasting for festival documentation, does not directly contribute to the core functions of the City Government in delivering public services, as they do not align with government austerity measures and principles of financial prudence, resulting in irregular expenditures.
- 13.13 “Advertisements” was clearly defined in COA Circular No. 2024-005, dated March 14, 2024, and therefore, Management should observe prudence in all other expenditures outside its scope. In the same Circular, it also emphasized that austerity measures shall be observed in the use of government funds, which

should be aligned with the issued guidelines of COA in the prevention and disallowance of irregular, unnecessary, excessive, extravagant, and unconscionable expenditures.

**13.14 We recommended that Management exercise prudence when charging expenses to Advertising Expenses by limiting activities relating only to the issuance of the agency's guidelines, rules, and regulations, conducting public bidding, and disseminating important public announcements in accordance with COA Circular No. 2024-005 dated March 14, 2024.**

**13.15 Furthermore, we recommended that Management evaluate whether all these expenditures outside the definition of Advertising Expenses are indeed necessary and meet the documentary requirements mandated in the same Circular.**

13.16 The City Administrator commented that they would remind Councilors to focus solely on the programs of the City Government when invited to participate in radio programs partnered with Bayawan City. The City Mayor also explained that the segment where the Councilors were given airtime was connected to their Character First Program. However, the City Accountant and the City Mayor agreed to remind them to focus on the city's programs and important activities.

*Unliquidated cash advances – ₱276,549.96*

**14. Cash advances totaling ₱276,549.96, of which ₱49,052.32 has been outstanding for over 10 years, remained unliquidated as of December 31, 2024, despite management's efforts to compel the concerned officials and employees to effect settlement as required under COA Circular No. 97-002, dated February 10, 1997, 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.**

14.1 Section 5.1 of COA Circular No. 97-002, dated February 10, 1997, requires the accountable officer (AO) to liquidate his/her cash advances as follows:

14.1.1 Salary, wages, etc. – within 5 days after each 15 day/end of the month pay period.

14.1.2 Petty operating expenses and field operating expenses – within 20 days after the end of each year, subject to replenishment as frequently as necessary during the year.

14.1.3 Official travels – In the case of foreign travel, within 60 days after his/her return to the Philippines. While for local travels, 30 days after his/her return to his permanent official station.

14.2 Further, Section 5.7 thereof stipulates that when the cash advance is no longer needed or has not been used for a period of two months, it must be returned or refunded immediately. It is emphasized that all cash advances shall be fully liquidated at the end of each year, in accordance with Section 5.8 of the same Circular. In the same provision, the accountable officer is mandated to refund any unexpended balance to the cashier/collecting officer, who shall issue the necessary official receipt, except for the case of cash advances for the petty cash fund.

14.3 Our review of the financial statements and the schedule of unliquidated cash advances submitted by management as of December 31, 2024, disclosed the existence of unliquidated cash advances amounting to ₱276,549.96 in the following accounts:

<b>Account</b>	<b>Account Number</b>	<b>Amount</b>
Advances to Special Disbursing Officers	1-03-05-030	₱ 3,220.65
Advances to Officers and Employees	1-03-05-040	217,523.31
Other Receivables	1-03-06-990	55,806.00
<b>Total</b>		<b>₱ 276,549.96</b>

14.4 Advances to Special Disbursing Officers (SDOs) consist of balances that remain to be liquidated by two SDOs, while the unliquidated amount for Advances to Officers and Employees pertains to cash advances for the travel expenses of 25 officials and employees. The Other Receivables account is included in the above table because this amount also represents cash advances for the travel of seven employees and one official for intelligence purposes.

14.5 Our review of the subsidiary accounts and schedules showed that ₱39,052.32 of the cash advances for travel have remained unliquidated for over 10 years. Meanwhile, ₱10,000.00 pertained to cash advances for intelligence purposes, which have been outstanding for over 13 years. Thus, ₱49,052.32 of the total unliquidated cash advances have been already outstanding for over 10 years.

14.6 It should be noted, however, that the Office of the City Accountant had already sent demand letters to the concerned officials and employees, as most of them are still in active service. Of the 35 officials and employees with outstanding unsettled cash advances, only two are deceased, two have separated/retired, and two personnel cannot be traced. Despite management efforts to demand settlement by sending demand letters, unliquidated balances still exist as of December 31, 2024.

- 14.7 We would like to refer management to Section 5.9 of the same COA Circular, which states that when no liquidation of the previous cash advance is received on or before January 20 of the ensuing year, the Accountant shall cause the withholding of the AO's salary.
- 14.8 As a result of the non-settlement of cash advances which may have already been expended, considering that these have been outstanding for quite a long period already, the related receivable and expense accounts on the financial statements are not fairly presented. Moreover, the delayed liquidation and the holding of any excess cash advances that should have already been refunded by the officials and employees concerned opens opportunities for misuse or misapplication of cash, hence increasing the risk of possible loss of government funds in their possession.
- 14.9 Considering that demand letters have already been sent and yet the accountable officers still refused to make the settlement, it appears that their inaction is already intentional. Thus, management should exert strong efforts to compel those with long outstanding cash advances to immediately settle the same and strictly enforce the suspension of salaries of the erring accountable officers, including the filing of appropriate administrative proceedings, pursuant to the Civil Service Commission (CSC) Memorandum Circular No. 12, s. 2012.
- 14.10 **We recommended that the City Accountant issue final demand letters directing the persons concerned to immediately liquidate all outstanding cash advances.**
- 14.11 **And if no liquidation is effected, we recommended that the City Accountant impose the sanction of withholding the salaries of those who still fail to settle their accounts after issuing notice.**
- 14.12 **We further recommended that Management pursue aggressive measures to compel all accountable officers to settle their accounts, including the filing of appropriate administrative proceedings, pursuant to CSC Memorandum Circular No. 12, s. 2012.**
- 14.13 The City Accountant informed the audit team that, as of this March, they had deducted a total of ₱138,000.00 from the salaries of concerned officials and employees, regarding the unsettled cash advances. Some of the remaining unliquidated cash advances, which Management has evaluated as impossible to collect, have already been requested for write-off.

**15. The City Government was not able to submit the cash advance vouchers pertaining to confidential funds in CY 2024, within seven days from the release of the check, in contravention of Section 6.1.8.4 of COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01, dated January 8, 2015, thus propriety and validation of the purpose and details of the disbursement of the cash advance could not be verified in a timely manner.**

15.1 The Commission on Audit (COA), Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG), Governance Commission for GOCCs (GCG), and the Department of National Defense (DND), issued Joint Circular (JC) No. 2015-01, dated January 8, 2015 to provide for the “Guidelines on the Entitlement, Release, Use, Reporting and Audit of Confidential and/or Intelligence Funds.”

15.2 Because utilization of these funds is generally confidential and classified by nature, the more agencies require not only strong internal controls in the release and utilization thereof, but also strict accounting and auditing rules to prevent mishandling or improper application of funds. Therefore, even if auditing of the liquidation of the cash advances for confidential funds (CF) is within the jurisdiction of the Intelligence and Confidential Fund Audit Unit (ICFAU), under the Office of the Chairperson of the Commission, the cash advance drawn in relation thereto shall be examined by the concerned COA Audit Team Leader for post audit.

15.3 Section 6.1.8.4 of the abovementioned JC requires that the Agency Accountant or authorized representative, to submit, within seven days after the release of check, the cash advance voucher with covering transmittal letter enumerating the supporting documents, in a sealed envelope to the COA Audit Team Leader for post audit. The audit revealed, however, that only the supporting documents were submitted.

15.4 The cash advance voucher, pursuant to Section 6.1.5 of the said JC, shall expressly state the duration of implementation of projects under the CF, and on the said voucher, shall bear the certification of the Agency Accountant, either stamped or printed on its face, that the previous cash advance for the same purpose, project or activity, granted to the Special Disbursing Officer (SDO) requesting the cash advance has already been liquidated and that proper accounting thereof was made.

15.5 Perusal of the documents relating to the cash advance of confidential funds submitted to this office on January 19, 2024, and July 30, 2024, showed that only the supporting documents were submitted. The cash advance voucher was not among the documents submitted. While the Certification of the City Accountant

was also submitted, it was as a separate document, stating that the SDO had no existing unliquidated cash advances as of particular dates (January 2, 2024 and July 17, 2024 – dates before the transmittal of the supporting documents).

15.6 Thus, the date of the release of the corresponding check for the cash advance cannot be determined, and verification of the appropriateness of the specific purpose and duration of the implementation of specific projects or activities under the CF, cannot be done on a timely manner.

**15.7 We recommended that, henceforth, Management ensure that the cash advance voucher for the release of funds for Confidential Expenses is submitted to the concerned Audit Team Leader within seven days from the release of the check.**

**15.8 Further, we recommended that the specific duration of implementation for the said cash advance and purpose thereof, shall be indicated on the face of the voucher.**

**15.9 Lastly, we recommended that the Certification of the Accountant shall be on the face of the cash advance voucher, in accordance with Section 6.1.5 of COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01, dated January 8, 2015.**

15.10 The personnel in charge of preparing and submitting the cash advance explained that they assumed the cash advance voucher was not required to be submitted, as it was not listed in the transmittal letter. Upon understanding the audit observations, she promised to follow the guidelines accordingly. She agreed to henceforth include the cash advance voucher when transmitting the supporting documents for the cash advance.

**16. Cash advances totaling ₱4 million were made for the implementation of projects and activities under the Confidential Fund for a period exceeding the three months limit, inconsistent with Section 6.1.5 of COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01, dated January 8, 2015, thus disregarding the controls installed in the grant, utilization, and liquidation thereof.**

16.1 Confidential Funds, by its name, is generally confidential in nature. Thus, it is necessary to install strong internal controls in the release and utilization thereof. Relative thereto Section 6.1.5 of COA-DBM-DILG-GCG-DND Joint Circular (JC) No. 2015-01, dated January 8, 2015, expressly requires that cash advances for confidential expenses shall be limited to the requirements for three months. Moreover, the disbursement voucher (DV) of the said cash advance shall clearly state the duration of the implementation of the projects or activities. In cases where implementation would take more than three months, an additional amount may be granted only after the liquidation of the previous cash advance.

16.2A perusal of the supporting documents of the cash advances under the Confidential Funds (CF), however, showed that the Special Disbursing Officer (SDO) drew the said cash advances, covering the requirements for implementation of projects and activities within six months beyond the limit set by the above provision, as indicated in the corresponding Transmittal Letters, detailed as follows:

<b>Date</b>	<b>Period</b>	<b>Amount of Cash Advance</b>
January 8, 2024	January to June 2024	₱2,000,000.00
July 23, 2024	July to December 2024	2,000,000.00
<b>Total for CY 2024</b>		<b>₱4,000,000.00</b>

16.3It was also noted that the physical targets and matching budgetary amounts of the respective Physical and Financial Plan supporting each of the cash advances were exactly the same. Only the semesters indicated and dates changed. The attached Obligation Requests also showed that the cash advance's purpose is confidential.

16.4In view of the foregoing, the controls installed in the grant, utilization, and liquidation of cash advances for Confidential Expenses were disregarded.

**16.5We recommended that, henceforth, Management shall only draw cash advances for Confidential Expenses to cover projects to be implemented within a three-month period. If the implementation is more than three months, an additional cash advance shall be drawn, after the liquidation of the prior cash advance.**

**16.6We further recommended that Management prepare a Physical and Financial Plan, indicating physical targets and corresponding budgets quarterly, in accordance with COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01, dated January 8, 2015.**

16.7The City Mayor explained that they drew cash advances for confidential expenses covering six months, to avoid frequent travels to Quezon City for liquidation. Instead of traveling four times a year, they would only travel twice. However, they would implement the recommendation in accordance with the Circular cited.

*Certificate of Availability of Funds not secured from the Accountant – ₱109,328,343.75*

**17. Procurement contracts entered into by the City Government, and disbursements related thereto, amounting to at least ₱109,328,343.75, 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.**

17.1 Section 86 of PD No. 1445, otherwise known as the State Audit Code of the Philippines, provides as follows:

“Section 86. Certificate showing appropriation to meet contract. Except in the case of a contract for personal service, for supplies for current consumption or to be carried in stock not exceeding the estimated consumption for three months, or banking transactions of government-owned or controlled banks no contract involving the expenditure of public funds by any government agency shall be entered into or authorized unless the proper accounting official of the agency concerned shall have certified to the officer entering into the obligation that funds have been duly appropriated for the purpose and that the amount necessary to cover the proposed contract for the current fiscal year is available for expenditure on account thereof, subject to verification by the auditor concerned. The certificate signed by the proper accounting official and the auditor who verified it, shall be attached to and become an integral part of the proposed contract, and the sum so certified shall not thereafter be available for expenditure for any other purpose until the obligation of the government agency concerned under the contract is fully extinguished.”

17.2 The post-audit of disbursements pertaining to the procurement of construction materials and supplies, as well as construction contracts entered into by the City Government totaling ₱109,328,343.75, showed that these were not supported with the required CAF from the City Accountant. Inquiry with Management revealed that the issuance of CAF was omitted in the documentary requirements for these disbursements for the reason that the City Treasurer already certified the availability of funds on the face of the disbursement vouchers. Moreover, the existence of available appropriations is also certified by the City Budget Officer on the obligation request form.

17.3 Transactions without the required CAF are considered void pursuant to Section 87 of the same Presidential Decree, quoted hereunder:

“Section 87. Void contract and liability of officer. Any contract entered into contrary to the requirements of the two immediately preceding sections shall be void, and the officer or officers entering into the contract shall be liable to the government or other contracting party for any consequent damage to the same extent as if the transaction had been wholly between private parties.”

17.4 It must be noted that COA Circular No. 2012-003, dated October 29, 2012 entitled “Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant, and Unconscionable Expenses,” cited the abovementioned practice – entering into contracts without covering certificates of availability of funds issued by the Chief Accountant – as an illegal expenditure. In fact, GR Nos. 151373-74, dated November 17, 2005, in the case of Department of

Health vs. CVCAA, et al., emphasized that any contract entered into in the absence of the aforementioned CAF shall be deemed void.

17.5 Despite the City Treasurer's certification as to availability of funds on the face of the disbursement voucher, and the City Budget Officer's certification as to existence of available appropriations on the face of the obligation request form, it is still an essential condition for the City Accountant to issue the CAF, as he/she is required by law, to ascertain the existence of appropriations therefor and the availability of funds to cover the proposed expenditure.

**17.6 We recommended and Management agreed to, henceforth, secure the Certificate of Availability of Funds (CAF) from the City Accountant, prior to entering into any contract and before making any disbursement or obligations charged to any authorized appropriation, in accordance with Section 86 of PD No. 1445.**

*Low collection efficiency rate at 17 per cent*

**18. The RPT and SET collection efficiency rate averaged only 17 per cent of the target set by the City Government due to the lack of an effective tax campaign and enforcement of the remedies for the collection of RPT and SET, resulting in delinquent taxes totaling ₱69,156,788.90 as of December 31, 2024, contrary to pertinent provisions of RA No. 7160 and the Manual on Real Property Appraisal and Assessment Operations, thus depriving the City of potential revenues that could have been used to finance its various programs, projects, and activities.**

18.1 Section 247 of RA No. 7160 provides that the City or Municipal Treasurer's responsibility is to collect the real property tax with interest thereon and related expenses, and the enforcement of the statutory remedies.

18.2 Congruent thereto, Sections 254, 256, 258, and 269 of the same RA enumerate the required activities, actions, and reports relative to the collection of Real Property Tax (RPT)/Special Education Tax (SET). Under these provisions, when an RPT becomes delinquent, the City Treasurer is required to cause a notice of delinquency which shall be posted at a conspicuous place of the LGU, then the said notice shall be published once a week for two consecutive weeks in a newspaper of general circulation in the city.

18.3 The LGU may avail of remedies by administrative action through the levy on real property or by judicial action. When the time required to pay the basic RPT or any other tax levied under a title expires, the real property subject to such tax may be levied through the issuance of a warrant on or before, or simultaneously with, the institution of civil action.

18.4 The City Treasurer or his/her deputy shall then prepare the certified list of all RPT delinquencies which remained uncollected for at least one year, with the corresponding justifications for non-collection or non-payment. This list, along with the justification, shall then be submitted to the Sanggunian concerned on or before December 31 of the year immediately succeeding the year in which the delinquencies were incurred, with a request for assistance in the enforcement of remedies.

18.5 On the other hand, Chapter 1, Section 1 part C.1 (d) of the Manual on Real Property Appraisal and Assessment Operations emphasizes one of the major functions of the Local Assessors, which is to make frequent physical surveys to check and determine whether all real properties within the locality are properly listed in the assessment rolls.

18.6 As of December 31, 2024, the City had a significant balance of RPT and SET Receivable accounts amounting to ₱34,578,394.45 each, or a total of ₱69,156,788.90. To determine the City’s efficiency rate in the collection of Real Property Taxes and Special Education Taxes, the Audit Team made an analysis of its collection for the three-year period from CY 2022 to CY 2024, shown below:

<i>Real Property Taxes (RPT)</i>						
Year	Beginning Balance	Amount Set up for the Year	Total Target	Collections during the Year	Ending Balance	% of Collections
	(a)	(b)	(c) = (a+b)	(d)	(e) = (c-d)	(f) = (d)/ (c)
2022	24,982,242.14	7,226,757.57	32,208,999.71	4,845,317.38	27,363,682.33	15.04%
2023	27,363,682.33	11,932,379.37	39,296,061.70	7,230,002.33	32,066,059.37	18.40%
2024	32,066,059.37	10,063,464.24	42,129,523.61	7,551,129.16	34,578,394.45	17.92%
<i>Special Education Taxes (SET)</i>						
Year	Beginning Balance	Amount Set up for the Year	Total Target	Collections during the Year	Ending Balance	% of Collections
	(a)	(b)	(c) = (a+b)	(d)	(e) = (c-d)	(f) = (d)/ (c)
2022	24,893,186.17	6,912,502.24	31,805,688.41	4,742,206.26	27,063,482.15	14.91%
2023	27,063,482.15	12,666,069.01	39,729,551.16	7,663,491.79	32,066,059.37	19.29%
2024	32,066,059.37	9,350,499.79	41,416,559.16	6,838,164.71	34,578,394.45	16.51%
<b>Average</b>						<b>17%</b>

18.7 It can be gleaned from the table above that for the past three years, the collection rates averaged only 17 per cent of the target set by the City Government. Remarkably, the actual collections did not even cover the amount of receivables at the beginning of the year. As a result, delinquent RPT/SET Receivables continued to rise each year.

18.8 Inquiry with the City Assessor revealed that the City regularly conducts tax mapping of real properties. The notice of delinquency is also posted at the City Hall’s main entrance. Despite the efforts of both the City Assessor and the City Treasurer, RPT and SET collections for the past three years averaged only 17 per cent. Further, the City Government did not enforce remedies in the collection of

delinquent taxes by administrative action through levy on real property or by judicial action.

18.9 The low collection efficiency resulting in the accumulation of delinquent taxes deprived the City of revenues that could have been used to finance its various programs, projects, and activities.

18.10 **We recommended and the City Treasurer agreed to develop an effective tax collection campaign to enhance the collection of RPT/SET Receivables and enforce remedies in the collection of real property such as the issuance of a warrant on or before, or simultaneously with, the institution of civil action for the collection of the delinquent tax.**

18.11 The City Treasurer confirmed to the audit team that the City Government would take the following actions: adoption of the Real Property Valuation and Assessment Reform Act tax amnesty, collection of RPT payments online, an extensive house-to-house campaign, requiring RPT tax payments as part of subsidy availment, issuance of warrants of levy to delinquent taxpayers, and tax campaigns and collection activities during barangay assemblies and farmers' meetings, among others.

18.12 The City Treasurer also explained that while ensuring efficiency in collection is a goal of her office, it is equally the mandate of the City Assessor's Office to continually work on thoroughly cleansing tax declaration data and to remove or minimize duplication. Her office recognizes that people are more willing to pay as long as the taxpayers are the declared owners and the properties are confirmed to be existing and non-duplicated.

*Redundant functions of consultancy services availed*

**19. The City Government of Bayawan sought consultancy services in Disaster Risk Reduction and Transportation and Traffic Management, which overlapped with the existing duties and responsibilities of City Officials, making some functions redundant as contemplated in COA Circular No. 2012-003, leading to unnecessary expenditures.**

19.1 COA Circular No. 2012-003, dated October 29, 2012, was issued to provide all government agencies with the Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures (IUEEU), in pursuant to adhering to the policy that government funds and property shall be fully protected and conserved, thus, IUEEU expenditures shall be prevented.

19.2 Section 4.0 hereof defined unnecessary expenditure as those that could not pass the test of prudence or diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. Among these transactions is the hiring of consultants whose functions are redundant to the respective functions of concerned officials, for example, the hiring of a procurement consultant, financial consultant, or media consultant, as enumerated in Annex C of the same Circular.

19.3 In CY 2024, the City Government of Bayawan engaged the services of consultants specializing in Disaster Risk Reduction and Transportation and Traffic Management. The City hired one consultant in each area, incurring a total of ₱320,000.00. Our review and evaluation of their respective Terms of Reference (TOR) revealed that the scope of work and responsibilities assigned to these consultants significantly overlapped with the existing duties and functions of designated city officials, specifically the Local Disaster Risk Reduction and Management Officer (LDRRMO) and the City Transportation and Traffic Management Officer (CTTMO).

19.4 For instance, the responsibilities assigned to the LDRRM consultant include:

19.4.1 Facilitate in generating projects and programs towards disaster risk reduction and climate change adaptation;

19.4.2 Integrate the disaster risk reduction and climate change adaptation into local land-use plan;

19.4.3 Present and lecture on natural and geological hazards;

19.4.4 Prepare information materials pertaining to natural and geohazards for dissemination to the public and schools; and

19.4.5 Train personnel in Geographic Information System, damage and loss assessments, digital database build-up, and technical report writing.

19.5 A review of the progress reports of the LDRRM consultant revealed that the consultant discussed the Minglanilla Reclamation Project, a large-scale techno-business park hub located in Minglanilla, Cebu, designed to integrate commercial, industrial, civic, and recreational developments. Additionally, the report included information regarding the project's ownership/developer, which is entirely unrelated to the jurisdiction and concerns of Bayawan City. The inclusion of such discussions in the consultant's report indicates a misalignment of focus and raises concerns regarding the relevance and appropriateness of the consultancy services

in addressing the specific disaster risk reduction and management needs of Bayawan City.

19.6 Furthermore, the tasks designated to the CTTM consultant include:

19.6.1 Implementation of the tricycle ban on National Highways;

19.6.2 Implementation of the 2022 Traffic and Transportation Code of Bayawan City;

19.6.3 Drafting of the Local Public Transport Route Plan;

19.6.4 Education Campaigns, seminars and workshops on national traffic laws and local ordinances; and

19.6.5 Implementation of the Helmet law and other related laws at the identified Traffic Discipline Zone.

19.7 The hiring of consultants for Disaster Risk Reduction and Transportation and Traffic Management, despite the presence of designated city officials responsible for these functions, raises concerns about the efficient use of public funds. This practice may deplete public funds, which could be better used for essential government programs and services. It also raises questions about the justification for outsourcing tasks that in-house personnel could have effectively handled.

19.8 The engagement of such consultants, despite the presence of capable personnel within the City Government, resulted in unnecessary expenditure of public funds, contrary to the principles of efficiency, economy, and prudent fiscal management.

**19.9 We recommended and Management agreed to assess the necessity of hiring consultants, especially when their functions are available in the LGU, and review the terms and contracts of each consultant to ensure that these are in accordance with existing rules and regulations.**

**19.10 We further recommended and Management also agreed to cease entering into consultancy services that overlap with the functions of its personnel to prevent unnecessary expenditures.**

19.11 Management assured the audit team that the DRRM Consultant possesses advanced technical qualifications in geological hazard assessment and Geographic Information System (GIS) mapping, which complement the LDRRMO's capabilities. Moreover, they explained that the consultancy service is time-bound rather than a permanent function redundancy.

- 19.12 Regarding the engagement of a Transportation and Traffic Management Consultant, Management explained that it was necessary to address the urgent and specialized needs of the City, particularly concerning the recently concluded Central Visayas Regional Athletic Association (CVIRAA) sporting event hosted by the City Government. Management added that while the CTTMO handles daily traffic operations, it currently lacks the technical expertise for comprehensive traffic planning and management system design. The Consultant provided critical input for the Local Public Transport Route Plan, which required specialized knowledge in transport planning that has not yet fully developed within Management's current staff.
- 19.13 Management assured the audit team that the amount spent for the consultancy services was a prudent investment and, based on Management's assessment, prevented more costly future expenditures because rather than permanently expanding the City's workforce, these time-limited consultancies allowed Management to access specialized expertise when needed.
- 19.14 However, Management informed the audit team that the consultant for Transportation and Traffic Management had already verbally expressed his desire to cease his services in December 2024. He is already confident that the office is now well-equipped to discharge its functions and take the office to greater heights. Thus, in CY 2025, he is no longer connected with the City Government of Bayawan.
- 19.15 While the audit team acknowledges Management's initiative to address the gaps identified in its LDRRM and CTTM offices and its evaluation of the necessity to hire consultancy services, emphasizing that these are time-bound and will therefore prevent additional costs in the future, the audit team would like to highlight that the hiring of these consultants was already raised during the audit of the CY 2022 transactions and operations.
- 19.16 The audit team recognizes the need to address the knowledge and skill gaps in the mentioned offices. However, since the hiring of these consultants was previously discussed during last year's audit, it is time for Management to re-evaluate the appropriate actions to address the root cause of engaging such services. For example, it could train its existing personnel to provide permanent solutions rather than temporary ones.

## Summary of Total Suspensions, Disallowances, and Charges

20. There were no outstanding Suspensions and Charges as at year end. However, the Notices of Disallowance showed the following balance as of December 31, 2024:

Particulars	Beginning Balance (1/1/2024)	Issued this Period (1/1/2024 to 12/31/2024)		Ending Balance (12/31/2024)
		ND	NSSDC	
Disallowance	₱51,574,500.00	0.00	0.00	₱51,574,500.00

20.1 This ending balance pertains to audit disallowances issued and received in the following years:

Years Issued	Balance as of 12/31/2024	Transaction Year	Remarks
Notice of Disallowance (ND)			
2021	₱30,690,000.00	2020	with pending appeal
2015	13,500.00	2013	
2014	20,871,000.00	2013	
<b>Total ND</b>	<b>₱51,574,500.00</b>		

20.2 We would like to note that the aforesaid balances do not include Notices of Suspension, Disallowance and Charge issued prior to the effectivity of the Rules and Regulations on Settlement of Accounts, which are still subject for reconciliation with the balances of the accounting record.

## Compliance with Tax Laws

21. The City of Bayawan 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, every 10th day of the following month.

### *Withholding taxes from officials and employees*

Particular	General Fund	SEF	Trust Fund	Total
Beginning Balance	₱ 3,087.95	₱ 0.00	₱ 0.00	₱ 3,087.95
Add: Taxes withheld from Jan-Dec 2024	20,509,514.95	0.00	414,921.72	20,924,436.67
Taxes withheld for remittance to BIR	₱20,512,602.90	0.00	414,921.72	20,927,524.62
Less: Taxes remitted from Jan-Dec 2024	(20,512,602.90)	0.00	(414,921.72)	(20,927,524.62)
<b>Balance as of December 31, 2024</b>	<b>₱ 0.00</b>	<b>₱ 0.00</b>	<b>₱ 0.00</b>	<b>₱ 0.00</b>

### *Expanded, percentage, value-added taxes and documentary stamps*

Particular	Expanded	Percentage	VAT	DST	Total
Beginning Balance	₱ 864,220.06	₱ 83,089.42	₱ 3,168,091.85	₱ 5,790.00	₱ 4,121,191.33

Add: Taxes withheld from Jan-Dec 2024	14,885,142.69	1,191,614.99	44,351,754.56	304,350.00	60,732,862.24
Taxes withheld for remittance to BIR	15,749,362.75	1,274,704.41	47,519,846.41	310,140.00	64,854,053.57
Less: Taxes remitted from Jan-Dec 2024	(15,102,729.34)	(1,253,939.55)	(44,229,534.50)	(299,370.00)	(60,885,573.39)
<b>Balance as of December 31, 2024</b>	<b>₱ 646,633.41</b>	<b>₱ 20,764.86</b>	<b>₱ 3,290,311.91</b>	<b>₱ 10,770.00</b>	<b>₱ 3,968,480.18</b>

21.1 As of December 31, 2024, the ending balances of the withholding taxes pertaining to expanded, percentage and VAT amounting to ₱646,633.41, ₱20,764.86, and ₱3,290,311.91, respectively, were remitted on January 12, 2025, while the balance for DST amounting to ₱10,770.00, was remitted on January 2, 2025.

### Compliance with Mandatory Contributions

22. The City Government remits its GSIS, Pag-IBIG, and PhilHealth premiums and contributions within the reglementary period.

Particular	Due to GSIS	Due to Pag-ibig	Due to Philhealth	Total
Beginning Balance	₱ 286,470.99	₱ 13,300.00	₱ 9,295.92	₱ 309,066.91
Add: Withheld from Jan-Dec 2024	59,602,419.37	8,420,800.00	14,245,853.98	82,269,073.35
Less: Remittance from Jan-Dec 2024	59,759,745.01	8,366,100.00	14,240,605.05	82,366,450.06
Less/Add: Adjustment/s	(14,898.36)	(1,700.00)	(5.43)	(16,603.79)
<b>Balance as of December 31, 2024</b>	<b>₱ 114,246.99</b>	<b>₱ 66,300.00</b>	<b>₱ 14,539.42</b>	<b>₱ 195,086.41</b>
<b>Date Remitted</b>	<b>Jan. 31, 2025</b>	<b>Feb. 5, 2025</b>	<b>Jan. 31, 2025</b>	

22.1 The balances of due to GSIS and Philhealth as of year-end, amounting to ₱114,246.99 and ₱14,539.42, respectively, were remitted on January 31, 2025, while the balance due to Pag-ibig was remitted on February 5, 2025.

### Compliance with Property Insurance Law

23. The City Government has insured its properties with the Government Service Insurance System (GSIS). For CY 2024, the City paid a total amount of ₱3,025,264.53 for property insurance.

### Gender and Development (GAD)

24. The City Government of Bayawan appropriated a total of ₱116,169,143.00 for Gender and Development (GAD) programs, projects, and activities, which is more than five per cent of the City's annual budget. The City identified 28 projects and programs addressing gender-related concerns and issues. These projects/programs were

implemented by the local government unit, specifically by the City Social Welfare and Development Office, utilizing 81 percent of the total GAD appropriation, or a total of ₱94,260,866.63. The variance between the appropriation and utilization was due to differences in budgeted amounts and actual implementation costs.

### **Payment to Casuals, Job Orders, Contractual, and Consultants**

25. For the CY 2024, the City Government paid a total of ₱301,512,734.40 for casuals, job orders, contractuels, and consultants, details as follows:

<b>Nature of Appointment</b>	<b>Total Amount Paid</b>
Casuals	₱106,183,313.64
Job Orders	194,914,420.76
Consultants	415,000.00
<b>Total</b>	<b>₱301,512,734.40</b>

### **Compliance with Regulations on Appropriations for Senior Citizens and Differently-abled Persons**

26. In CY 2024, the City Government appropriated ₱71,185,090.54 for the programs, projects, and activities intended for Senior Citizens and Differently-abled Persons, which was more than one per cent of its Share from Internal Revenue Collections, in accordance with the Department of Social Welfare and Development Joint Memorandum Circular No. 1, Series of 2003. Of the total amount, 83 percent was utilized, amounting to ₱58,872,748.57.

### **Compliance with the One Percent IRA Allocation for the Local Council for the Protection of Children (LCPC)**

27. The City of Bayawan 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 ₱58,623,138.72, of which 65 percent was utilized, or a total amount of ₱37,913,600.33.

### **Compliance with Disclosure Policy**

28. The City Government of Bayawan is compliant with the Full Disclosure Policy of the Department of the Interior and Local Government (DILG), as required in its Memorandum Circular No. 2010-083 dated August 31, 2010, as amended. The City of Bayawan has been consistent in publishing the required reports on their government website and in conspicuous places in the local government.

## **OTHER MATTERS**

29. We have audited the other areas included in the Focus Areas for the Audit of the CY 2024-2025 accounts and operations of the Local Government Units covered under the COA Local Government Sector Unnumbered Memorandum dated October 30, 2024. However, we have not yet obtained sufficient and competent evidence on other 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 44 prior years' recommendations 20 were implemented and 24 were unimplemented as shown in the results of validations presented below:

<b>Ref.</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Status of Implementation/Results of Validation</b>
AAR 2023, AO no. 1, page 36 and AAR 2022, AO no. 2, page 39	The City Government of Bayawan was unable to complete the necessary one-time cleansing procedures under COA Circular No. 2020-006, thus, discrepancies between the actual count and the balances reported in the financial statements at year-end, totaling ₱22,642,108.02, which includes movable properties amounting to ₱20,643,906.29, still could not be ascertained.	<ol style="list-style-type: none"> <li>The City Accountant and the Inventory Committee shall complete the reports necessary to establish the correct balances of PPE items that should be reported in the financial statements.</li> </ol>	<p>Unimplemented</p> <p>The City Accountant and the Inventory Committee had already prepared the necessary reports. However, adjustments have not been made to correct the PPE balances as the request to derecognize is still ongoing verification by the audit team. Thus, authority for derecognition has not yet been granted. This would be acted upon in 2025.</p>
		<ol style="list-style-type: none"> <li>The City Mayor shall file a request for authority to derecognize non-existing/missing PPEs to the audit team and support its request with the certified lists required in Section 8.3 of COA Circular No. 2020-006, to take full advantage of the one-time cleansing privilege afforded by the Commission</li> </ol>	<p>Implemented</p> <p>The City Mayor already filed a request for authority to derecognize non-existing/missing PPEs. It is pending review with the audit team.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		and establish accuracy of its PPE balances reported in the financial statements.	
		3. Lastly, the Inventory Committee shall adopt the uniform numbering system for property numbers of PPE and require the Property Unit to update the property stickers based on the prescribed format and to include the required information under Sections 5.6 and 5.7 of the said COA Circular.	Unimplemented  Management cannot immediately implement the numbering system required by COA since Bayawan City is using a different numbering system, which is currently integrated into their eNGAS.
AAR 2023, AO no. 2, page 40	Prior year expenditures aggregating ₱5,016,193.60 were erroneously recorded as current year expenses, contrary to Section 119 of PD No. 1445 and IPSAS 1, therefore resulting in the overstatement of the related expense accounts and understatement of the surplus for the current period, affecting the fairness of the	4. The City Accountant shall direct the Accounting Clerk assigned in recording the expenditures to, henceforth, review those which pertain to the prior period, and journalize these items as adjustments to equity and corresponding real or accrued accounts, rather	Unimplemented  The Office of the City Accountant had already accrued necessary expenses before year-end. However, there were still prior year expenditures totaling ₱1,677,395.76 which were erroneously recorded in CY 2024.  This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 5.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	presentation of the financial statements.	than to current period expenditures or nominal accounts, to reflect the actual financial performance of the City Government of Bayawan, in conformity with Section 119 of PD 1445 and IPSAS 1.	
AAR 2023, AO no. 3, page 41	The City has been recording one idle and dormant bank account in the Trust Fund amounting to ₱19,500.00, even if the account does not belong to the City	5. The City Accountant shall make the adjustments to remove the said account from the books of the City Government.	Implemented  The City Accountant, with the coordination and confirmation with the City Treasurer, already made adjustments to remove the said account.
	Government, inconsistent with the IPSAS 1, thereby overstating its Cash-in-Bank account by the same amount.	6. The City Treasurer shall also establish a monitoring system of all its bank accounts to prevent the same issue going forward.	Implemented  The City Treasurer is now more proactive in monitoring its bank accounts, creating a monitoring system which includes confirmation and verification of the LGU accounts.
AAR 2023, AO no. 4, page 43	Disclosures in the Notes to Financial Statements on the “Loans Payable – Domestic” account balance of ₱647,885,515.05 are incomplete, a departure from the fair presentation requirement under the	7. The City Accountant shall revise the Notes to the Financial Statements to include the principal amount, interest rate, maturity date, purpose of the loan, and interest expense	Implemented  The Loans Payable account in the Notes to the Financial Statements now included the necessary information required for the fair presentation of the financial statements.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	International Public Sector Accounting Standards (IPSAS), thus affecting the usefulness of the financial information on loans to its users, especially its constituents.	of the Loans Payable – Domestic account, to properly inform the users of the financial statements the financial performance of the City Government, particularly in financial management.	
AAR 2023, AO no. 5, page 44	Money from the grant of cash advances which were in the custody of the disbursing officer exceeded the maximum accountability covered by his bond, contrary to Section 305 (f) of Republic Act (RA) No. 7160 and Treasury Circular No. 02-2019, thus increasing the risk that the government may not be able to recover its funds in case of loss or defalcation.	8. The City Treasurer shall ensure that the cash accountabilities of AOs are in accordance with their existing bonds, pursuant to Treasury Circular No. 02-2019.	Implemented  The bonds of AOs were already enough to cover their respective accountabilities.
		9. Management review and evaluate the maximum accountabilities of AOs and apply for an increase in the amount of bond, when necessary, in accordance with RA No. 7160 and Treasury Circular No. 02-2019.	Implemented  Upon issuance of the observation, the City Treasurer evaluated the maximum accountabilities of each AOs. The results of this evaluation were used in the application of bonds for the next financial year (CY 2024).
AAR 2023, AO no. 6, page 45	The Cashier collects and safekeeps funds other than those for the City Government, contravening the stipulations outlined in	10. Management stop the practice of assigning the Cashier to act as a treasurer for other associations or as a	Implemented  The Cashier no longer acts as a treasurer for other associations or collector of other funds

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	Section 67 of the Government Accounting and Auditing Manual (GAAM), Volume I, therefore deviating from sound internal control practices and putting government funds at risk of unauthorized transfer.	collector of funds for purposes other than his role as a cashier in the City Government.	which are not related to his role as a cashier in Bayawan City.
		11. The Cashier refrain from keeping any other collections in the vault, except for the funds intended for the government.	Implemented  The vault only contains government funds and collections.
AAR 2023, AO no. 7, page 47	The recently designated Accountable Officers (AO) did not follow the requirement stated in Section 6.1 of COA Circular No. 97-002, which mandates the use of a new cashbook upon assumption. As a result, the current AO's accountability was not properly segregated and validated from the previous AO, leading to difficulty in the determination of accuracy of the recorded cashbook balances.	12. The City Treasurer, henceforth:  Require the outgoing AO to submit their cashbook to the City Treasurer and City Accountant for verification and recording purposes.	Implemented  The concerned AO already submitted their cash book to the City Treasurer and City Accountant.
		13. Instruct the newly appointed or designated AO to use a new cashbook in accordance with COA Circular No. 97-002.	Implemented  Newly appointed or designated AOs now use a new cashbook.
		14. Brief the newly appointed or designated AOs on the proper recording of transactions and other matters relating to their role as a disbursing officer.	Implemented  The City Treasurer made sure that newly appointed or designated AOs are trained and oriented, not only in the proper handling of cash and accountabilities, but also in the recording of transactions and other

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
			matters relating to their respective roles.
AAR 2023, AO no. 8, page 48	The City Government has appropriated ₱0.500 million as financial assistance to its employees, including casual, contractual, part/full-time employees, and job order (JO) workers, without legal basis, contrary to Section 12 of RA No. 6758, and were not supported with complete documentation, which is not consistent with Section 4(6) of Presidential Decree (PD) No. 1445, thereby, funds for the delivery of basic services were depleted and the propriety of disbursements out of the appropriation cannot be ascertained.	<p>15. The City Mayor, together with the Sanggunian, evaluate the legality and validity of Ordinance No. 20, series of 2002, regarding the appropriation and grant of financial assistance to its employees, regardless of their employment status, vis-à-vis Section 12 of RA No. 6758.</p> <p>16. Management desist from granting financial assistance using the Ordinance as a basis and appropriately assign the eligibility evaluation and case study report preparation of the grant of financial assistance to the City Social Welfare and Development (CSWD), pursuant to its policies and guidelines on the grant of financial assistance in conformity with DSWD MC No. 11,</p>	<p>Implemented</p> <p>Management already evaluated the legality and validity of its old issued Ordinance and decided to desist implementing it.</p> <p>Implemented</p> <p>Management no longer granted financial assistance using Ordinance No. 20, series of 2002.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		s. 2019, as amended.	
		17. The City Treasurer ensure that all financial assistance disbursements are supported by the appropriate and complete requirements, pursuant to Section 4(6) of PD 1445.	Implemented  The City Treasurer instructed its accountable officers that appropriate documentary requirements support financial assistance disbursements.
AAR 2023, AO no. 9, page 52	Management conducted a planning workshop for the preparation of its Executive-Legislative Agenda (ELA) in Tagaytay City, spending a total amount of ₱1,302,869.50 for travel, plane tickets, meals, and hotel accommodation expenses, in contravention of DILG MC No. 2011-59 and COA Circular No. 2012-003, thus incurring significant expenses that could have been reduced had the workshop been conducted within its territorial jurisdiction.	18. Management desist from conducting training, meetings, seminars, workshops, or similar activities outside the geographical island and henceforth observe the principle of prudent use of scarce financial resources of the government as prescribed in DILG MC No. 2011-59 and COA Circular No. 2012-003.	Unimplemented  There were study tours that required attendance outside the geographical island and conventions that were held outside Visayas.
AAR 2023, AO no.	Procurement of multi-purpose vehicles and a pick-up by the City totaling	19. The Bids and Awards Committee first secure the appropriate	Implemented

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
10, page 54	<p>₱137,951,735.00 was not supported by the appropriate Authority to Purchase Motor Vehicles (APMV) and other documents required under Department of Budget and Management (DBM) Budget Circular (BC) No. 2022-1, hence impairing the validity and regularity of the related disbursements.</p>	<p>authority to purchase motor vehicles, in compliance with DBM BC No. 2022-1, and DILG MC No. 2022-105.</p>	<p>Purchase of vehicles were now supported with the appropriate authority.</p>
AAR 2023, AO no. 11, page 56	<p>The City Government did not secure the required purchaser's and dealer's permits from the National Telecommunications Commission (NTC) for the procurement of 38 Radio Communications Equipment amounting to ₱190,000.00 contrary to RA No. 3846, otherwise known as the "Radio Control Law," as amended by RA No. 584. Hence, the validity of the disbursements was questionable, resulting in an illegal expenditure.</p>	<p>20. Management secure the applicable NTC permits to purchase, possess, and operate the radio communication equipment, in compliance with RA No. 584 and NTC MC No. 2-05-88.</p>	<p>Implemented  Management already secured appropriate permits.</p>
AAR 2023, AO no.	<p>The City Government of Bayawan has been using the names and</p>	<p>21. Management shall be guided by the pertinent provisions</p>	<p>Unimplemented</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
12, page 57	images of public officials in calendars, standees, and patient transport vehicles, which contravenes DILG MC No. 2010-101. Thus, the related expenses amounting to at least ₱96,620.00 were deemed an irregular expenditure of government funds.	of DILG Memorandum Circular No. 2010-101 dated September 23, 2010, and COA Circular No. 2013-004 dated January 30, 2013, and desist from using standees of the City Mayor and henceforth ban the use of names or initials and/or images or pictures of government officials of government programs, projects, and properties of the City Government to prevent any perception of impropriety.	The standees were still in use by the City Government.
		22. Management limit affixing government vehicles to the official seal or name of the LGU and the words “FOR OFFICIAL USE ONLY” pursuant to DILG MC No. 2010-101.	Implemented  Government vehicles of the City were no longer affixed with any names related to public officials,
AAR 2023, AO no.	The Internal Auditing Standards (IAS) and Internal Control Standards (ICS) for the	23. The IAS Head direct his teams to continue and complete its	Unimplemented  The Baseline Assessment of Internal Control

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
13, page 59	Philippine Public Sector (PPS) have not been fully adopted and implemented by the City Government's Internal Audit Services (IAS), which is inconsistent with COA Circular No. 2018-003 dated November 21, 2018. Hence, this prevents the IAS from assessing and establishing a sound internal control system within the City Government.	conduct of the Baseline Assessment of Internal Control System, in accordance with the 2020 Revised PGIAM.  24. The IAS Head fully adopt the IASPPS and ICSPPS in the performance of their functions, in accordance with COA Circular No. 2018-003 dated November 21, 2018.	System was still on-going within the City Government.  Unimplemented  Adoption of the IASPPS and ICSPPS is on-going, with the IAS studying the standards in order to fully adopt and implement them to the City Government.
AAR 2023, AO no. 14, page 62	The Head of the Internal Audit Services (IAS) of the City Government of Bayawan has been handling operational responsibilities that are not in line with the Philippine Application Guidelines (PAG), Standard 1100 of the Internal Auditing Standards for the Philippine Public Sector (IASPPS), thus impairing, to a certain degree, his independence and objectivity in the performance of his duties.	25. The Local Chief Executive avoid assigning the Head of the IAS responsibilities for non-audit operational activities which may impair the independence and objectivity of his internal audit functions.	Unimplemented  The IAS Head still had some responsibilities that were non-audit operational activities.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		26. The Head of the IAS, before accepting any roles and responsibilities outside of internal auditing, assess first its impact on his independence or objectivity.	Implemented  The Head of the IAS is very clear in refusing roles and responsibilities that might affect his independence and objectivity.
		27. The Head of the IAS promulgate an Internal Audit Charter, in accordance with IASPPS, to establish rules and restrictions regarding internal auditors assuming non-audit operational activities.	Unimplemented  The preparation of the Internal Audit Charter was still on-going.
AAR 2023, AO no. 15, page 63	The City did not undertake the general revision of real property assessments every three years and therefore, not using an updated Schedule of Market Values, contrary to 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	28. The City Assessor:  Fast-track the preparation of the updated SMVs of the City, seeking technical assistance from the Provincial Assessor and/or the DOF-Bureau of Local Government Finance, pursuant to Section 212 of RA No. 7160; and	Unimplemented  The City was still awaiting the province's action in preparing the updated SMVs.
		29. Initiate the immediate conduct of a general revision of real	Unimplemented  General revision of real property assessments can

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	development projects beneficial to its constituents and to augment the special education fund.	property assessments and thereafter, ensure that this is done every three years as required under Section 219 of RA No. 7160 and DILG-DOF JMC No. 2010-001.	only be done once updated SMVs are prepared.
		30. Sanggunian enact an Ordinance, incorporating the Assessor's proposed SMVs, assessment, level, and tax rate, as a result of the GRRPA.	Unimplemented  General revision of real property assessments can only be done once updated SMVs are prepared.
AAR 2023, AO no. 16, page 67	The City Government's collection efficiency of its RPT and SET averages only 19 per cent of its target because of not strictly implementing the enforcement of remedies in the collection of delinquent taxes, contrary to pertinent provisions of RA No. 7160 and Manual on Real Property Appraisal and Assessment Operations, thus, depriving the City of potential revenues that	31. The City Treasurer boost tax collection by proactively including barangays in its campaign program to enhance the collection of RPT/SET Receivables and enforce remedies through the issuance of a warrant on or before, or simultaneously with, the institution of the civil action for the collection of delinquent taxes.	Unimplemented  The City Treasurer organized campaigns to enhance the collection of RPT/SET. However, the strict issuance of warrants and pursuing civil action for the delinquent taxpayers is still not imposed.  This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 19.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	could have been used to finance its various programs, projects, and activities.		
AAR 2022, AO no. 9, page 51	The Due to NGAs account includes various fund transfers from national government agencies totaling ₱33,785,896.87, which have remained outstanding for over two years and above, contrary to COA Circular No. 94-013, thereby, depriving intended beneficiaries of the benefits that could have been derived therefrom, and source agencies of the opportunity to put the resources to better use in other activities or agencies that may be in need of assistance.	32. Management ensure that the Bids and Awards Committee and the City Engineer prioritize the implementation of projects funded by grants from various national government agencies, especially those granted by the DA	Unimplemented  The Bids and Awards Committee and the City Engineer had already prioritized the implementation of projects funded by grants. However, one project funded by the LGSF was not implemented due to weather conditions. Management already wrote to DBM, DILG, and COA about the project. They are currently awaiting the legal opinion of COA, before they continue implementation.
AAR 2022, AO no. 12, page 59	Unutilized LDRRMF in the Special Trust Fund account of the City totaling ₱2,100,085.74 were not reverted back to the unappropriated surplus of the General Fund contrary to COA Circular No. 2021-002, hence, depriving the constituents of the benefits that could	33. Management ensure that the City Accountant revert to the unappropriated portion of the General Fund, the LDRRMF in the Special Trust Fund account, which remained unutilized for five years from the date of transfer,	Unimplemented  Some of the balances in CY 2018 down to 2016 were still not reverted because Management might need these funds to address disasters and risks.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	<p>have been derived from the different programs and activities intended for social services which could be funded from the reverted funds.</p>	<p>to provide available funds for programs and activities intended for other social services.</p>	
<p>AAR 2022, AO no. 13, page 61</p>	<p>The City Government procured office supplies and printing services worth ₱259,910.00 using the LDRRMF contrary to the DILG MC No. 2012-73 dated April 17, 2012, thus, reducing the funds available for the acquisition of disaster response and rescue equipment.</p>	<p>34. The City Government immediately reimburse the amount charged to the LDRRMF and properly record the disbursements as expenses under the General Fund Proper.</p>	<p>Unimplemented</p> <p>The LDRRM Officer believes that the supplies and printing services were appropriately charged to the LDRRMF.</p>
<p>AAR 2022, AO no. 14, page 63</p>	<p>Procurement of various goods, materials, and supplies totaling ₱13,468,921.25 was not supported by appropriate and complete documentation contrary to Section 4(6) of the PD No. 1445 and the Revised IRR of the RA No. 9184, thus, the propriety and validity of the related disbursements could not be established.</p>	<p>35. Management, henceforth, ensure that all purchases be supported by the appropriate and complete documentation, pursuant to PD No. 1445 and the Revised IRR of RA No. 9184.</p>	<p>Unimplemented</p> <p>Management ensured that all purchases of goods and materials be supported with appropriate and complete documentation.</p>
<p>AAR 2022, AO no. 15, page 66</p>	<p>Disbursements for the acquisition of motor vehicles by the City totaling ₱9,026,111.00 were not supported by</p>	<p>36. Management, henceforth, ensure that purchases pertaining to the acquisition of motor</p>	<p>Implemented</p> <p>Procurement of motor vehicles were not</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	<p>Authority to Purchase Motor Vehicles and other documents as required under Section 4(6) of the Presidential Decree (P.D.) No. 1445, Department of Budget and Management (DBM) Budget Circular (BC) No. 2022-1 dated February 11, 2022, and Department of the Interior and Local Government (DILG) Memorandum Circular (MC) No. 2022-105 dated August 23, 2022, hence, the validity and legality of the disbursements are questionable.</p>	<p>vehicles be supported with the appropriate and complete documentation, pursuant to PD No. 1445, DBM BC No. 2022-1, and DILG MC No. 2022-105.</p>	<p>supported with complete documentation.</p>
<p>AAR 2021, AO no. 9, page 56</p>	<p>Management was not able to develop a Public Service Continuity Plan (PSCP) as required under the National Disaster Risk Reduction and Management Council (NDRRMC) Memorandum Nos. 33, s. 2018 and 57, s. 2020, thereby, preventing proper evaluation and documentation of whether the internal capacities, recovery requirements, and strategies of the City could continuously function and deliver essential services during an emergency or disaster.</p>	<p>37. The Local Chief Executive (LCE) institutionalize the PSCP by creating a working group that will perform the following activities: (a) conduct risk assessments considering new variables after the pandemic; (b) identify critical processes and functions; (c) determine scenarios that may disrupt normal operations; (d) conduct risk and impact analyses; (e) formulate the</p>	<p>Unimplemented</p> <p>Working group had already been established. However, the preparation of the PSCP is still on-going.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		PSCP; and (f) submit the plan to the CDRMO for review, to the LCE for approval, and to the Sangguniang Panglungsod for the passage of a resolution to institutionalize the PSCP.	
AAR 2021, AO no. 14, page 74	The City Government spent a total of ₱448,800.00 in the payment of media companies for radio and television broadcasting advertisements outside its jurisdiction, contrary to COA Circular No. 85-55-A dated September 8, 1985, as updated by COA Circular No. 2012-003 dated October 29, 2012, thereby incurring unnecessary expenditures.	38. Management stop spending on advertisements of its community development information outside of Bayawan City to avoid the incurrence of unnecessary expenditures, pursuant to COA Circular No. 85-55-A dated September 8, 1985, as updated by COA Circular No. 2012-003 dated October 29, 2012.	Unimplemented  Management added that through media broadcasting, the plans, programs, and recovery agenda of Bayawan City were amplified and communicated to a non-Bayawanon audience as well.  This was reiterated in the audit of CY 2024 accounts as AO No. 14.
AAR 2021, AO no. 16, page 77	The City Government did not establish a GAD monitoring and evaluation (M&E) system to focus on tracking outcomes of gender-responsive policies, programs and projects, contrary to Sections 3.4 and 5.1 of	39. The Local Chief Executive:  Establish an M&E System through the issuance of an Executive Order or Administrative Order; and	Unimplemented  The City Mayor issued EO No. 2022-051, amending EO No. 2016-008 (Organizing the Composition of the LGU Gender and Development Focal Point Council).

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-1, as amended, hence, jeopardizing the effective and efficient implementation of GAD plans and programs.	40. Ensure that the M&E Team consolidate the results of the assessment and evaluation in a “GAD Evaluation Report,” which shall be submitted to the DILG Regional Office no later than June of the next term.	Unimplemented  Instead of establishing an M&E team, the GAD Focal Point Council was added responsibilities that include the assessment and evaluation of all the GAD focused policies, programs, accomplishments, and actual costs.
AAR 2019, AO no. 9, page 52	The City utilized the Local Disaster Risk Reduction Management Fund (LDRRMF) to construct the Bayawan City Disaster Risk Reduction and Management Center (BCDRMC) Building and procure furniture and fixtures costing ₱13,361,834.17 and ₱909,862.00, respectively, as the City Disaster Risk Reduction and Management Council (CDRRMC) believed they could use it for the said projects. Such is contrary to NDRRMC, DILG, DBM and CSC Joint Memorandum Circular No. 2014-1 dated April 4, 2014, thus, substantially reducing the funds available for disaster mitigation, prevention	41. Management reimburse the LDRRMF for the cost of the BCDRRMC Building and furniture and fixtures from the General Fund, and for the CDRRMC to approve only disaster-related projects, programs and activities properly chargeable to the LDRRMF in accordance with NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.	Unimplemented  Management was currently requesting a supplemental appropriation to reimburse the CDRRM Fund.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	and preparedness activities and projects.		
AAR 2018, AO no. 2, page 36	The parcels of land acquired in the total amount of ₱16,194,204.00 did not have the requisite Certificates of Title in the name of the City in violation of Section 148 of COA Circular No. 92-386 dated October 20, 1992, rendering the validity and propriety of the recorded assets questionable and exposing the City to risk of possible adverse claims from third parties.	42. Management submit the required documents enumerated under COA Circular No. 2012-001 dated June 14, 2012, particularly the TCTs as an indispensable requirement on the procurement of land in accordance with Section 148 of COA Circular No. 92-386 dated October 20, 1992.	<p>Unimplemented</p> <p>Management explained that the Acknowledgement receipt, as proof of sale from Mr. Daniel Teves, is still to be secured. The aforementioned document is required for the transfer of the land title from Daniel J. Teves to the City. Once secured, documents will be re-submitted to the Registry of Deeds.</p> <p>The transfer of the Certificate of Title from Mr. Pelicito Trupa to the City of Bayawan was already secured with TCT No 103-2020000809 dated October 19, 2019.</p>
AAR 2018, AO no. 7, page 44	The City spent ₱100,000.00 for training expenses of three job order (JO) workers due to inadequate qualified regular personnel at the CDRRMO, contrary to Section 1 of Civil Service Commission (CSC) Resolution No. 020790 dated June 5, 2002 and Section 3.1 of the National Budget Circular (NBC) No. 563 dated April 22,	43. In subsequent trainings, Management ensure that personnel nominated to attend trainings are regular employees of the City.	<p>Implemented</p> <p>The City stopped the practice of sending JO workers to trainings and, instead, prioritized the nomination of their regular employees.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	2016, which could possibly result in the wastage of government funds because a JO only covers piece of work or intermittent job of short duration.		
AAR 2017, AO no. 6, page 44	The operation of market, slaughterhouse, and cemetery as local economic enterprises (LEEs) is not consistent with the Manual on the Setting Up and Operation of LEE (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.	44. Management prepare a 5-Year Business Plan and request the Sangguniang Panlungsod to pass an ordinance recognizing the continued operation of the existing LEEs in accordance with the LEE Manual as prescribed in Local Budget Circular No. 111 dated June 10.	Unimplemented  The formulation of a five-year Business Plan was not a priority of Management.

# PART IV

## APPENDICES

<b>Particulars</b>	<b>Appendix</b>
I. Financial Statements by Fund	
Statement of Financial Position	
- General Fund	A
- Special Education Fund	B
- Trust Fund	C
Statement of Financial Performance for the Year Ended	
- General Fund	D
- Special Education Fund	E
- Trust Fund	F
Statement of Changes in Net Assets / Equity	
- General Fund	G
- Special Education Fund	H
Statement of Cash Flows for the Year Ended	
- General Fund	I
- Special Education Fund	J
- Trust Fund	K
Statement of Comparison of Budget and Actual Amounts	
- General Fund	L
- Special Education Fund	M
II. Summary of Statement of Appropriations, Allotments, Obligations and Balances (General Fund and Special Education Fund, Current and Continuing)	N (N-1, N-2, N-3, N-4)
III. Others	
Report on the 20 percent DF Utilization	1
Timeline of Various Procurement	2
Late Conduct of Negotiated Procurement - Two Failed Biddings	3
Posting of NOAs and NTPs	4