



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

MUNICIPAL GOVERNMENT OF SANTA CATALINA

For the Year Ended December 31, 2024

EXECUTIVE SUMMARY

Introduction

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

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

Audit Objective

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

Audit Methodology

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

Scope of Audit

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

Financial Highlights

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

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

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

Independent auditor's report on the Financial Statements

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

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

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

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

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

Significant Audit Observations and Recommendations

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Total Suspensions, Disallowances and Charges

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

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

The outstanding disallowances are currently on appeal with the Commission.

Status of Implementation of Prior Years' Audit Recommendations

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

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PART I – AUDITED FINANCIAL STATEMENTS



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

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

INDEPENDENT AUDITOR'S REPORT

HONORABLE PEVE OBANIANA-LIGAN

Municipal Mayor
Municipal Government of Sta. Catalina
Province of Negros Oriental

Qualified Opinion

We have audited the financial statements of the Municipality of Santa Catalina, 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 matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality of Santa Catalina 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 accuracy of the balance of the Property, Plant and Equipment accounts valued at ₱1,128,712,417.76 is unreliable due to unreconciled discrepancies between the actual count and the figures reported in the financial statements, including movable properties valued at ₱2,666,049.75. The unreconciled balances of the Certified List of Taxpayers and Amounts Due and Collectible for the year and the Real Property and Special Education Tax Receivables led to the overstatement thereof by ₱22,098,576.94.

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

In addition to the above financial information, the accuracy of the cash balance reported for the 20 percent development fund cannot be determined, because there is a substantial

discrepancy amounting to ₱36,807,717.53, between the reported balance in the financial statements and the financial data reported in the status of appropriations, allotments, and obligations, which is yet to be reconciled.

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 Municipal 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:

FREBE G. DUABAN

State Auditor IV
Audit Team Leader

May 5, 2025



Republic of the Philippines
Province of Negros Oriental
MUNICIPALITY OF SANTA CATALINA

Statement of Management's Responsibility for Financial Statements

*The Management of the **MUNICIPALITY OF SANTA CATALINA** is responsible for all the information and representations contained in the accompanying Statement of Financial Positions as of **December 31, 2024** and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards (IPSAS) and Generally Accepted Accounting Principles (GAAP) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to 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 are recognized.


ROSALIN C. LALAMONAN
Municipal Accountant

February 10, 2025
Date Signed


PEVE OBANIANA-LIGAN
Local Chief Executive

February 10, 2025
Date Signed

Republic of the Philippines
Province of Negros Oriental
Municipality of Sta. Catalina

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

| | <i>Note</i> | <u>2024</u> | <u>2023</u> |
|--|-------------|---------------------------|---------------------------|
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and Cash Equivalents | 4 | ₱ 615,385,125.40 | ₱ 559,983,682.59 |
| Investments | 5 | 580.00 | 580.00 |
| Receivables | 6 | 51,627,774.78 | 60,951,750.03 |
| Inventories | 7 | 524,237.55 | 524,237.55 |
| Prepayments and Deferred Charges | 8 | 6,951,438.08 | 7,169,358.99 |
| Total Current Assets | | ₱ 674,489,155.81 | ₱ 628,629,609.16 |
| <i>Non-Current Assets</i> | | | |
| Property, Plant and Equipment | 9 | ₱ 1,123,642,649.65 | ₱ 1,028,848,138.51 |
| Biological Assets | 10 | 14,306,576.11 | 14,306,576.11 |
| Intangible Assets | 11 | 29,960.64 | 29,960.64 |
| Total Non-Current Assets | | ₱ 1,137,979,186.40 | ₱ 1,043,184,675.26 |
| Total Assets | | ₱ 1,812,468,342.21 | ₱ 1,671,814,284.42 |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Financial Liabilities | 12.1 | ₱ 41,571,034.84 | ₱ 32,502,249.21 |
| Inter-Agency Payables | 13 | 57,610,680.33 | 46,179,072.59 |
| Intra-Agency Payables | 14 | 624,148.15 | 846,994.48 |
| Trust Liabilities | 15 | 26,664,528.62 | 34,666,800.63 |
| Deferred Credits/Unearned Income | 16 | 51,734,462.26 | 61,041,999.23 |
| Total Current Liabilities | | ₱ 178,204,854.20 | ₱ 175,237,116.14 |
| <i>Non-Current Liabilities</i> | | | |
| Financial Liabilities | 12.2 | ₱ 93,232,252.50 | ₱ 62,983,922.90 |
| Other Payables | 17 | 11,924,704.79 | 17,307,865.14 |
| Total Non-Current Liabilities | | ₱ 105,156,957.29 | ₱ 80,291,788.04 |
| Total Liabilities | | ₱ 283,361,811.49 | ₱ 255,528,904.18 |
| NET ASSETS/EQUITY | | | |
| Government Equity | | 1,529,106,530.72 | 1,416,285,380.24 |
| Total Liabilities and Net Assets/Equity | | ₱ 1,812,468,342.21 | ₱ 1,671,814,284.42 |

(See accompanying Notes to Financial Statements.)

Republic of the Philippines
Province of Negros Oriental
Municipality of Sta. Catalina

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

| | <i>Note</i> | | <u>2024</u> | | <u>2023</u> |
|--|-------------|---|--------------------------------|---|--------------------------------|
| Revenue | | | | | |
| Tax Revenue | 18 | ₱ | 13,940,117.91 | ₱ | 11,584,016.78 |
| Share From Internal Revenue Collection | 19 | | 357,663,539.70 | | 336,416,751.00 |
| Service and Business Income | 20 | | 8,527,077.37 | | 8,436,630.17 |
| Share, Grants and Donations | 21 | | 3,600,000.00 | | 4,219,000.00 |
| Miscellaneous Income | 22 | | 903,754.39 | | 4,519,456.13 |
| Total Revenue | | | <u>₱ 384,634,489.37</u> | | <u>₱ 365,175,854.08</u> |
| Less : Current Operating Expenses | | | | | |
| Personal Services | 23 | ₱ | 116,886,122.24 | ₱ | 108,987,662.42 |
| Maintenance and Other Operating Expense | 24 | | 168,272,526.14 | | 148,553,496.90 |
| Financial Expenses | 25 | | 317,307.00 | | 18,000.00 |
| Non-Cash Expenses | 26 | | 69,082,435.95 | | 59,678,340.93 |
| Current Operating Expenses | | | <u>₱ 354,558,391.33</u> | | <u>₱ 317,237,500.25</u> |
| Surplus (Deficit) from Current Operations | | | <u>₱ 30,076,098.04</u> | | <u>₱ 47,938,353.83</u> |
| Add (Deduct) : | | | | | |
| Transfers, Assistance and Subsidy from | 27 | ₱ | 1,522,146.74 | ₱ | 2,268,090.78 |
| Transfers, Assistance and Subsidy to | | | 0.00 | | (1,450,000.00) |
| Surplus (Deficit) for the Period | | | <u>₱ 31,598,244.78</u> | | <u>₱ 48,756,444.61</u> |

(See accompanying Notes to Financial Statements.)

Republic of the Philippines
Province of Negros Oriental
Municipality of Sta. Catalina

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> |
|---|---------------------------|---------------------------|
| Balance, January 1 | ₱ 1,416,285,380.24 | ₱ 846,054,527.67 |
| Add (Deduct) : | | |
| Changes in Accounting Policy | 0.00 | 0.00 |
| Prior Period Errors | 70,632,358.30 | 517,104,449.32 |
| Other Adjustments | 0.00 | 5,952,354.79 |
| Restated Balance | ₱ 1,486,917,738.54 | ₱ 1,369,111,331.78 |
| Add (Deduct) Changes in Net Assets/Equity during the year | | |
| Adjustments of net revenue recognized directly in net assets/equity | ₱ 0.00 | ₱ 105,445.22 |
| Surplus (Deficit) for the period | 31,598,244.78 | 48,756,444.61 |
| Others | 10,590,547.40 | (1,687,841.37) |
| Total Recognized revenue and expenses for the period | 42,188,792.18 | 47,174,048.46 |
| Balance, December 31 | ₱ 1,529,106,530.72 | ₱ 1,416,285,380.24 |

Republic of the Philippines
Province of Negros Oriental
Municipality of Sta. Catalina

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> |
|---|-------------|--------------------------|--------------------------|
| Cash Flow from Operating Activities | | | |
| <i>Cash Inflows</i> | | | |
| Collection from Taxpayers | | ₱ 20,987,733.72 | ₱ 18,048,992.77 |
| Share from Internal Revenue Allotment | | 357,663,539.70 | 342,023,696.80 |
| Receipts from Business/Service income | | 9,198,370.00 | 12,790,019.21 |
| Interest Income | | 567,783.47 | 547,818.59 |
| Collection of Receivables | | 15,903.85 | 14,920.27 |
| Other Receipts | | 98,039,797.78 | 106,134,440.96 |
| Adjustments | | (8,929,563.43) | 7,770,755.95 |
| Total Cash Inflows | | ₱ 477,543,565.09 | ₱ 487,330,644.55 |
| <i>Cash Outflows</i> | | | |
| Payment to Suppliers and Creditors | | ₱ 22,343,083.17 | ₱ 114,592,134.56 |
| Payment to Employees | | 145,755,982.50 | 127,697,075.36 |
| Other Expenses | | 212,788,889.46 | 139,115,884.62 |
| Adjustments | | (4,229,305.72) | 2,838,375.43 |
| Total Cash Outflow | | ₱ 376,658,649.41 | ₱ 384,243,469.97 |
| Net Cash Flow from Operating Activities | 29 | ₱ 100,884,915.68 | ₱ 103,087,174.58 |
| Cash Flow from Investing Activities | | | |
| <i>Cash Outflows</i> | | | |
| Purchase/Construction of Property, Plant & Equipment | | ₱ 71,819,400.00 | ₱ 69,241,189.79 |
| Total Cash Outflow | | ₱ 71,819,400.00 | ₱ 69,241,189.79 |
| Net Cash Flow from Investing Activities | | ₱ (71,819,400.00) | ₱ (69,241,189.79) |
| Cash Flow from Financing Activities | | | |
| <i>Cash Inflows</i> | | | |
| Proceeds from Loans | | 38,512,866.46 | - |
| Total Cash Inflows | | ₱ 38,512,866.46 | ₱ - |
| <i>Cash Outflows</i> | | | |
| Payment of loan amortization | | ₱ 12,176,939.33 | ₱ 5,237,784.91 |
| Total Cash Outflow | | ₱ 12,176,939.33 | ₱ 5,237,784.91 |
| Net Cash Flow from Financing Activities | | ₱ 26,335,927.13 | ₱ (5,237,784.91) |
| Total Cash Provided by Operating, Investing and Financing Activities | | 55,401,442.81 | 28,608,199.88 |
| Add: Cash at the Beginning of the year | | 559,983,682.59 | 531,375,482.71 |
| Cash Balance at the End of the Year | | ₱ 615,385,125.40 | ₱ 559,983,682.59 |

(See accompanying Notes to Financial Statements.)

Republic of the Philippines
Province of Negros Oriental
MUNICIPALITY OF STA. CATALINA
Statement of Comparison of Budget and Actual Amounts
For the Year Ended December 31, 2024

| Particulars | Budget Amounts | | | | Difference | | Actual Amounts | | Difference | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|-----------------|-----------------------|-----------------------|-------------------------|-----------------------|
| | Original | | Final | | Original and Final Budget | | | | Final Budget and Actual | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenue | | | | | | | | | | |
| A. Local Sources | | | | | | | | | | |
| 1. Tax Revenue | | | | | | | | | | |
| a. Tax Revenue -Property | 4,900,000.00 | 4,500,000.00 | 4,900,000.00 | 4,500,000.00 | - | - | 5,283,145.78 | 4,407,028.24 | (383,145.78) | 92,971.76 |
| b. Tax Revenue - Goods and Services | 6,600,000.00 | 6,000,000.00 | 6,600,000.00 | 6,000,000.00 | - | - | 7,201,362.82 | 5,446,905.43 | (601,362.82) | 553,094.57 |
| c. Other Local Taxes | 1,488,000.00 | 1,329,634.00 | 1,488,000.00 | 1,329,634.00 | - | - | 1,455,609.31 | 1,412,400.00 | 32,390.69 | (82,766.00) |
| Total Tax Revenue | 12,988,000.00 | 11,829,634.00 | 12,988,000.00 | 11,829,634.00 | - | - | 13,940,117.91 | 11,266,333.67 | (952,117.91) | 563,300.33 |
| 2. Non- Tax Revenue | | | | | | | | | | |
| a. Service Income | 3,578,000.00 | 3,620,000.00 | 3,578,000.00 | 3,620,000.00 | - | - | 2,597,959.86 | 2,582,409.05 | 980,040.14 | 1,037,590.95 |
| b. Business Income | 5,563,000.00 | 4,426,240.00 | 5,563,000.00 | 4,426,240.00 | - | - | 5,981,825.33 | 5,847,885.98 | (418,825.33) | (1,421,645.98) |
| c. Other Income and Receipts | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 | - | - | 851,046.57 | 4,519,456.13 | (751,046.57) | (4,419,456.13) |
| Total Non- Tax Revenue | 9,241,000.00 | 8,146,240.00 | 9,241,000.00 | 8,146,240.00 | - | - | 9,430,831.76 | 12,949,751.16 | (189,831.76) | (4,803,511.16) |
| B. External Sources | | | | | | | | | | |
| 1. Share from the National Internal Revenue Taxes (IRA) | 357,437,290.00 | 336,588,179.00 | 357,437,290.00 | 336,588,179.00 | - | - | 357,663,539.70 | 336,416,751.00 | (226,249.70) | 171,428.00 |
| C. Receipts from Borrowings | - | - | 205,000,000.00 | - | (205,000,000.00) | - | - | - | 205,000,000.00 | - |
| Total Revenues and Receipts | 379,666,290.00 | 356,564,053.00 | 584,666,290.00 | 356,564,053.00 | (205,000,000.00) | - | 381,034,489.37 | 360,632,835.83 | 203,631,800.63 | (4,068,782.83) |
| Expenditures | | | | | | | | | | |
| General Public Services | | | | | | | | | | |
| Personal Services | 68,662,904.64 | 66,102,849.81 | 71,924,965.52 | 65,810,012.83 | 3,262,060.88 | 292,836.98 | 68,859,717.09 | 64,352,268.76 | 3,065,248.43 | 1,457,744.07 |
| Maintenance and Other Operating Expenses | 59,518,557.31 | 46,274,406.26 | 72,280,987.97 | 67,017,630.54 | 12,762,430.66 | (20,743,224.28) | 66,803,764.73 | 60,480,927.83 | 5,477,223.24 | 6,536,702.71 |
| Capital Outlay | 80,000.00 | - | 1,460,032.00 | 3,360,000.00 | 1,380,032.00 | (3,360,000.00) | 79,800.00 | 471,940.00 | 1,380,232.00 | 2,888,060.00 |
| Education | | | | | | | | | | |
| Personal Services | 268,648.78 | 272,648.78 | 327,309.68 | 299,648.78 | 58,660.90 | (27,000.00) | 326,084.77 | 299,648.77 | 1,224.91 | 0.01 |
| Maintenance and Other Operating Expenses | 7,967,140.00 | 5,859,360.00 | 8,137,140.00 | 6,779,360.00 | 170,000.00 | (920,000.00) | 6,461,458.66 | 3,952,122.70 | 1,675,681.34 | 2,827,237.30 |
| Capital Outlay | 342,000.00 | - | 13,624,180.44 | 1,610,000.00 | 13,282,180.44 | (1,610,000.00) | 349,745.00 | 13,274,435.44 | 1,610,000.00 | |
| Health, Nutrition and Population Control | | | | | | | | | | |
| Personal Services | 26,927,457.54 | 26,935,022.99 | 28,693,853.71 | 27,104,583.87 | 1,766,396.17 | (169,560.88) | 27,434,045.64 | 25,942,359.62 | 1,259,808.07 | 1,162,224.25 |
| Maintenance and Other Operating Expenses | 13,981,575.00 | 13,622,550.00 | 12,972,507.00 | 13,060,558.00 | (1,009,068.00) | 561,992.00 | 11,175,715.75 | 10,886,899.46 | 1,796,791.25 | 2,173,658.54 |
| Capital Outlay | - | - | 90,000.00 | - | 90,000.00 | - | - | - | 90,000.00 | - |
| Housing and Community Development | | | | | | | | | | |
| Maintenance and Other Operating Expenses | 104,835.00 | 89,850.00 | 134,835.00 | 89,850.00 | 30,000.00 | - | 92,221.30 | 85,431.00 | 42,613.70 | 4,419.00 |
| Social Services and Social Welfare | | | | | | | | | | |
| Personal Services | 4,374,720.69 | 4,372,720.69 | 3,514,638.51 | 3,157,999.89 | (860,082.18) | 1,214,720.80 | 3,018,736.91 | 2,757,617.50 | 495,901.60 | 400,382.39 |
| Maintenance and Other Operating Expenses | 16,796,580.00 | 14,255,644.00 | 19,762,838.00 | 16,785,164.00 | 2,966,258.00 | (2,529,520.00) | 18,648,065.59 | 15,151,045.50 | 1,114,772.41 | 1,634,118.50 |

Republic of the Philippines
Province of Negros Oriental
MUNICIPALITY OF S.T.A. CATALINA
Statement of Comparison of Budget and Actual Amounts
For the Year Ended December 31, 2024

| Particulars | Budget Amounts | | | | Difference | | Actual Amounts | | Difference | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | Original | | Final | | Original and Final Budget | | | | Final Budget and Actual | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Economic Services | | | | | | | | | | |
| Personal Services | 15,409,108.50 | 15,462,229.25 | 16,722,988.14 | 15,088,214.93 | 1,313,879.64 | 374,014.32 | 16,015,440.43 | 14,517,609.78 | 707,547.71 | 570,605.15 |
| Maintenance and Other Operating Expenses | 44,620,324.00 | 37,015,212.00 | 50,653,655.00 | 43,722,042.68 | 6,033,331.00 | (6,706,830.68) | 40,222,961.83 | 35,834,780.46 | 10,430,693.17 | 7,887,262.22 |
| Capital Outlay | 1,700,000.00 | 580,000.00 | 210,480,000.00 | 7,231,340.00 | 208,780,000.00 | (6,651,340.00) | 1,700,000.00 | 937,775.00 | 208,780,000.00 | 6,293,565.00 |
| Other Purposes | | | | | | | | | | |
| Maintenance and Other Operating Expenses | 16,357,714.50 | 19,284,202.65 | 16,357,714.50 | 20,834,202.65 | - | (1,550,000.00) | 10,426,777.29 | 9,974,350.32 | 5,930,937.21 | 10,859,852.33 |
| Capital Outlay | 145,000.00 | 6,700,000.00 | 145,000.00 | 6,950,000.00 | - | (250,000.00) | 122,845.00 | 481,340.00 | 22,155.00 | 6,468,660.00 |
| Local Disaster Risk Reduction Management Fund | | | | | | | | | | |
| Maintenance and Other Operating Expenses | 17,869,160.08 | 13,620,910.80 | 17,869,160.08 | 13,620,910.80 | - | - | 3,661,309.47 | 1,449,886.29 | 14,207,850.61 | 12,171,024.51 |
| Capital Outlay | 1,014,154.42 | 4,127,291.85 | 1,014,154.42 | 4,127,291.85 | - | - | - | 437,100.00 | 1,014,154.42 | 3,690,191.85 |
| 20% Development Fund | | | | | | | | | | |
| Financial Expenses | 16,987,458.00 | 1,000,000.00 | 16,987,458.00 | 1,000,000.00 | - | - | 12,467,516.33 | - | 4,519,941.67 | 1,000,000.00 |
| Capital Outlay | 54,500,000.00 | 66,317,635.80 | 76,000,000.00 | 72,317,635.80 | 21,500,000.00 | (6,000,000.00) | 2,582,793.11 | 3,423,594.59 | 73,417,206.89 | 68,894,041.21 |
| Allocation for Senior Citizens and PWD | | | | | | | | | | |
| Personal Services | 250,296.00 | 250,296.00 | 267,911.00 | 250,296.00 | 17,615.00 | - | 267,430.66 | 243,659.36 | 480.34 | 6,636.64 |
| Maintenance and Other Operating Expenses | 11,776,425.00 | 8,064,885.00 | 11,808,825.00 | 11,208,085.00 | 32,400.00 | (3,143,200.00) | 10,247,001.52 | 10,812,461.59 | 1,561,823.48 | 395,623.41 |
| Capital Outlay | - | - | 60,000.00 | - | 60,000.00 | - | 50,000.00 | - | 10,000.00 | - |
| Continuing Appropriations (Capital Outlay) | | | | | | | | | | |
| General Public Services | 7,116,054.73 | 6,782,063.86 | 6,980,360.73 | 5,060,559.73 | (135,694.00) | 1,721,504.13 | 3,013,599.00 | 832,665.00 | 3,966,761.73 | 4,227,894.73 |
| Education | 5,074,447.86 | 3,657,295.36 | 5,045,430.96 | 3,657,295.36 | (29,016.90) | - | 115,450.00 | 192,847.00 | 4,929,980.96 | 3,464,448.36 |
| Health, Nutrition, and Population Control | 4,367,156.70 | 2,425,726.70 | 3,367,156.70 | 2,398,706.70 | (1,000,000.00) | 27,020.00 | - | 31,550.00 | 3,367,156.70 | 2,367,156.70 |
| Housing and Community Development | 102,520,953.12 | 106,355,419.77 | 102,171,715.46 | 106,354,619.77 | (349,237.66) | 800.00 | 11,573,072.94 | 31,833,666.65 | 90,598,642.52 | 74,520,953.12 |
| Social Services and Social Welfare | 356,773.24 | 362,253.24 | 263,740.00 | 356,773.24 | (93,033.24) | 5,480.00 | - | - | 263,740.00 | 356,773.24 |
| Economic Services | 176,533,254.85 | 177,951,663.32 | 155,512,948.37 | 170,310,538.30 | (21,020,306.48) | 7,641,125.02 | 40,751,321.06 | 38,664,889.66 | 114,761,627.31 | 131,645,648.64 |
| Other Purposes | 49,323,088.84 | 42,786,592.99 | 49,011,438.84 | 42,786,532.99 | (311,650.00) | 60.00 | 2,124,400.00 | 3,922,296.00 | 46,887,038.84 | 38,864,236.99 |
| Total Expenditures | 724,945,788.80 | 690,528,731.12 | 973,642,945.03 | 732,349,853.71 | 248,697,156.23 | (41,821,122.59) | 358,591,274.08 | 337,970,732.84 | 615,051,670.95 | 394,379,120.87 |
| Surplus (Deficit) for the period | (345,279,498.80) | (333,964,678.12) | (388,976,655.03) | (375,785,800.71) | (453,697,156.23) | 41,821,122.59 | 22,443,215.29 | 22,662,102.99 | (411,419,870.32) | (398,447,903.70) |

PART II
AUDIT OBSERVATIONS AND
RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

FAVORABLE OBSERVATIONS

Awards and Recognitions

The Municipal Government of Santa Catalina received 25 awards and recognitions in CY 2024, from various levels – provincial, regional, and national.

On a national scale, the Local Civil Registry Office (LCRO) of Santa Catalina was awarded 1st Place in the 2023 Outstanding Local Civil Registry Office – Large Category, a prestigious recognition for its exemplary performance. Notably, the LCRO has consistently ranked among the Top 10 Outstanding Local Civil Registry Offices for five consecutive years, underscoring its sustained excellence and active support for the programs and activities of the Civil Registration and Vital Statistics on October 9, 2024.

In the regional sphere, the Local Government Unit (LGU) of Santa Catalina was recognized as one of the Good Financial Housekeeping Passers for Calendar Year 2023 in Region VII, which demonstrates its commitment to fiscal transparency and accountability. The LGU also achieved an Ideal Functionality Level in the 2024 Local Council for the Protection of Children Functionality Assessment, which was awarded during the Bansiwag Awards for LGUs on November 25, 2024. Additionally, the LGU attained 219.98% of its physical target for achieving the Self-Sufficient Level of Well-Being for 4Ps households, a recognition granted on December 10, 2024.

At the provincial level, the Municipality received a Certificate of Recognition for eliminating Open Defecation in Barangay Mabuhay on November 27, 2024, showcasing its commitment to public health and sanitation. The Municipal Health Office was also commended for its invaluable contributions to the Philippine Red Cross Blood Services, having donated a total of 204 blood units in 2023; this recognition was given on August 8, 2024. Additionally, the Municipal Agriculture Office was honored as one of the Most Supportive LGUs for the High Value Crops Development Program in Negros Oriental for Fiscal Year 2024 and for its effective implementation of various interventions related to rice programs, awarded on December 9, 2024.

FINANCIAL AUDIT

Unreconciled amount due per Certified List of Taxpayers and RPT and SET Receivables - ₱22,098,576.94

1. Due to the delayed submission of the Certified List of Taxpayers and Amounts Due and Collectible for the Year by the Municipal Treasurer to the Municipal Accountant, as mandated by Section 20 of the NGAS Manual, Volume I for LGUs, along with the lack of coordination between the two offices regarding the effects of the Real Property Valuation and Assessment Reform Act on the delinquencies of the Certified List, the balances of the RPT and SET receivables are overstated by ₱22,098,576.94 as of December 31, 2024.

1.1 Sec. 111(2) of PD No. 1445, also known as the “Government Auditing Code of the Philippines,” mandates that the highest standards of honesty, objectivity, and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

1.2 Section 20 of the Manual on the New Government Accounting System (NGAS), Volume I for Local Government Units (LGUs) requires the RPT and SET receivables to be established by the Municipal Accountant at the beginning of the year, based on the Real Property Tax Account Register or the Taxpayer’s index card. Thus, the Municipal Treasurer must provide the Municipal Accountant with a duly certified list showing the name of taxpayers and the amount due and collectible for the period. Based on this list, the Municipal Accountant shall prepare a JEV to record the debit to RPT Receivable/SET Receivable and credit the corresponding Deferred RPT Income/SET Income. Upon collection of RPT from taxpayers, the account Deferred RPT Income/SET Income shall be debited, while the RPT Income due to the municipality is recognized/credited. The corresponding share of the province and barangay shall also be credited to Due to LGUs.

1.3 Pursuant to the above regulation, the Municipal Treasurer prepares, at the beginning of each year, a list of taxpayers and the amount due and collectible for the year. This is supposed to have been previously updated to include all new assessments and reassessments as reported by the Municipal Assessor to the treasurer on or before December 31 (Sec. 248, R.A. 7160). The certified list of taxpayers and amounts due is based on the Real Property Tax Account Register/Taxpayer’s Index Card maintained by the treasurer.

1.4 A review of the General Fund and Special Education Fund trial balances as of December 31, 2024, showed that RPT and SET Receivables amounted to ₱50,900,424.87:

| | |
|----------------------------------|-----------------------|
| Real Property Tax Receivable | ₱20,881,378.82 |
| Special Education Tax Receivable | 30,019,046.05 |
| Total | ₱50,900,424.87 |

1.5 We compared the total above with the Certified List of Real Property Tax Delinquencies as of December 31, 2024, submitted by the Office of the Municipal

Treasurer for the 28 barangays, and noted that the total receivables for RPT and SET amount to ₱28,801,847.93, as detailed below:

| Barangay | Amount |
|-------------------|-----------------------|
| 1. Alangilan | 4,327,551.06 |
| 2. Amio | 1,145,783.31 |
| 3. Buenavista | 212,251.23 |
| 4. Caranoche | 5,066,566.19 |
| 5. Cawitan | 1,314,869.19 |
| 6. Fatima | 397,570.14 |
| 7. Kabulacan | 1,501,261.88 |
| 8. Kaigangan | 887,738.25 |
| 9. Mabuhay | 494,142.48 |
| 10. Manlongon | 2,172,978.20 |
| 11. Mansagomayon | 313,552.62 |
| 12. Milagrosa | 305,186.52 |
| 13. Nagbalaye | 989,363.59 |
| 14. Nagbinlod | 426,369.62 |
| 15. Obat | 1,171,332.86 |
| 16. Poblacion | 4,861,170.68 |
| 17. San Francisco | 1,177,008.63 |
| 18. San Jose | 475,160.74 |
| 19. San Miguel | 490,405.14 |
| 20. San Pedro | 596,396.08 |
| 21. Sto. Rosario | 339,069.06 |
| 22. Talalac | 136,120.46 |
| Total | ₱28,801,847.93 |

- 1.6 An interview with the Accounting Office personnel revealed that they did not adjust the balances due to the delayed submission of the certified list of amounts due and demandable for the current year. In fact, no receivable has been set up since CY 2022.
- 1.7 When the Office of the Municipal was clarified regarding the Certified List of Real Property Delinquencies as of December 31, 2024, she explained that the balances had already been adjusted following the enactment of Republic Act (RA) No. 12001, dated June 13, 2024, also known as the Real Property Valuation and Assessment Reform (RPVAR) Act. According to the Municipal Treasurer, the Certified List had already deducted interests and penalties, among others. Section 30 thereof provides for the grant of tax amnesty on real property taxes and special levies on real property. The amnesty covers penalties, surcharges, and interests from all unpaid real property taxes, including the Special Education Fund, idle land tax, and other special levy taxes, prior to the effectivity of the Act.
- 1.8 As a result of the foregoing, the RPT/SET Receivables are overstated by ₱22,098,576.94, computed as follows:

| | |
|--|-----------------------|
| Total RPT/SET Receivables per Certified List of Real Property Delinquencies as of December 31, 2024, after adjustments made in the Treasurer's Office upon effectivity of the RPVA | ₱28,801,847.93 |
| RPT/SET Receivables balance per books, as of December 31, 2024 | 50,900,424.87 |
| Overstatement | ₱22,098,576.94 |

- 1.9 The unreconciled RPT and SET Receivables resulted in misstated receivables, affecting the fairness of the Municipality's financial position.
- 1.10 **We recommended and the Municipal Accountant, in coordination with the Municipal Treasurer and Municipal Assessor, agreed to reconcile the discrepancies and ensure accurate recording of RPT and SET Receivables, taking into account the effects of the implementation of the RPVAR Act.**
- 1.11 **We further recommended and the Municipal Accountant agreed to make the necessary adjusting entries to accurately reflect the correct amounts of RPT and SET receivables as of December 31, 2024.**
- 1.12 **Lastly, we recommended and the Municipal Treasurer agreed to, henceforth, ensure the timely submission of the Certified List of Taxpayers, the corresponding amount due and collectibles during the year, and the list of delinquent taxpayers, so the Municipal Accountant can record this information in the books of the Municipality.**

No disclosure in Notes to FS on the Road Networks - ₱391,996,864.45

2. **The absence of disclosures in the Notes to Financial Statements on the Road Networks account balance of ₱391,996,864.45 contravenes the faithful representation requirement set forth by the International Public Sector Accounting Standards (IPSAS) and the reporting guidelines under COA Circular No. 2015-008, dated November 23, 2015, thereby, depriving users of the financial statements of access to complete financial information that is crucial for informed decision-making and for the benefit of its constituents.**

- 2.1 One of the attributes that makes information useful in financial reporting, as outlined in 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 this framework states that faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.
- 2.2 Furthermore, 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 performance, among others.
- 2.3 Anent thereto, the Commission on Audit issued COA Circular No. 2015-008, dated November 23, 2015, to provide the "Accounting and Reporting Guidelines on the Local Roads Asset Management System." Among the requirements for reporting Road Networks account (1-07-03-010) is the disclosure of the total road network system in the Notes to the Financial Statements, following the format provided below:

2.3.1 “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.”

2.4 Our review of the Trial Balances of the Municipal Government showed that the Road Networks (1-07-03-010) account balance as of December 31, 2024, is ₱391,996,864.45. This amount does not appear in the Notes to Financial Statements and is only included in the total Infrastructure Assets balance of ₱508,020,577.40, with a carrying amount of ₱567,017,894.93. No additional disclosures were made regarding the composition of Infrastructure Assets, which may include Road Networks, Flood Control Systems, Water Supply Systems, Power Supply Systems, Parks, Plazas and Monuments, as well as Other Infrastructure Assets.

2.5 The absence of disclosures in the Notes to Financial Statements, particularly regarding the Road Network account has 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. As a result, the usefulness of the financial information contained in the financial statements for users, insofar as road networks are concerned, is also affected. Therefore, users of the financial statements, particularly the constituents of the municipality, are deprived of essential and appropriate financial information.

2.6 We recommended and the Municipal Accountant agreed to, henceforth, include the required disclosures for the Road Network account as required under COA Circular No. 2015-008.

Unreconciled discrepancies between the physical count and figures in FS of PPE accounts- ₱2,666,049.75

3. The Municipal Government’s inability to properly execute the one-time PPE cleansing required by COA Circular No. 2020-006, due to delays in submitting the Physical Inventory Plan, overlapping workloads, incomplete processes, and non-compliance with the necessary property numbering system, led to unreconciled discrepancies between the actual count and the figures reported in the year-end financial statements, including movable properties valued at ₱2,666,049.75, thereby making the reported ₱1,128,712,417.76 PPE balance in those statements unreliable.

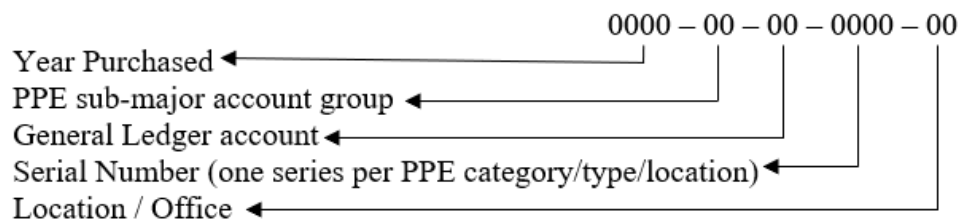
3.1 COA Circular No. 2020-006 dated January 31, 2020, was issued to prescribe guidelines and procedures for inventory taking, recognition of items found at the station, and the disposition of non-existing or missing Property, Plant, and

Equipment (PPE) items for the one-time cleansing of PPE accounts of government agencies to establish verifiable PPE balances regarding their existence, condition, and accountability. The PPE generally comprises a substantial portion of the total assets of the LGU, thus it is important for Management to properly account for all of its PPE, whether acquired through purchase or donation, and also including those constructed by administration or contract.

- 3.2 The one-time cleansing is a one-time privilege granted to LGUs due to discrepancies in the PPE account balances of government agencies, which have become a perennial issue that has caused the non-establishment of the accuracy of the PPE balances presented in the financial statements.
- 3.3 As of December 31, 2024, the PPE account reported in the financial statements showed a total amount of ₱1,128,712,417.76, net of accumulated depreciation, which includes a substantial amount of movable properties totaling ₱82,129,699.85. However, a review of the Municipal Government's compliance with the said circular revealed that it did not complete the necessary procedures to cleanse its PPE account balances.
- 3.4 Section 6.0 of COA Circular 2020-006, dated January 31, 2020, discusses the procedural guidelines for conducting the one-time cleansing of LGUs, which include the following: (a) preliminary activities before conducting inventory taking, (b) inventory taking, and (c) reconciliation of inventory counts per Report on the Physical Count of Property, Plant, and Equipment (RPCPPE) with property and accounting records.
- 3.5 Our inquiry with Management revealed that the one-time cleansing has already started, but not all procedures were performed and completed on schedule. The Inventory Committee initially prepared and submitted their Physical Inventory Plan (PIP) with a cut-off date of October 24, 2024. However, on March 19, 2025, which is seven months after the scheduled start of inventory on August 20, 2024, the Committee submitted the 2024 PIP, inconsistent with Section 5.11 of the aforementioned COA Circular, which required the submission of the approved PIP to COA at least ten days before the scheduled start of the physical count.
- 3.6 It has also come to our attention that the members of the inventory committee had varying schedules and workloads, which hindered them from completing the one-time cleansing procedures. Apparently, temporary relief from their regular functions was not implemented, as other workloads were also given priority. Due to these constraints, they were unable to finish the process. It is crucial that the committee prioritizes conducting the physical inventory until it is completed, as required in Section 5.3 of the Circular mentioned above.
- 3.7 Moreover, we noted that the Inventory Committee has already begun physically conducting an inventory of all of the Municipal Government's movable properties and has prepared the RPCPPE for movable properties only. However, our

verification of the report revealed that discrepancies amounting to ₱1,246,302,307.22, based on acquisition cost, exist between the General Ledger balances and those balances reported in the actual count. Included in this amount were movable properties totaling ₱2,666,049.75. As a result, the balances reported in the financial statements as of December 31, 2024, remain unadjusted.

- 3.8 Further examination also showed that the differences between the reported balances are due to properties that are either already unserviceable or can no longer be located. The gaps between the actual count and those recorded in the books still require further verification to make the necessary adjustments. Furthermore, the authority to derecognize those PPE items that can no longer be located or are missing has still not been requested from this office, as required in Section 8.3 of COA Circular 2020-006.
- 3.9 Management, however, expects to complete all the necessary one-time cleansing procedures as soon as the discrepancies are verified and approved for adjustments in the accounting records. Management also added that the renewal of the Property Acknowledgement Receipts and the preparation of the Inventory and Inspection Report for all its properties are ongoing.
- 3.10 With regard to the numbering system for the properties of government agencies, Section 5.6 of the aforementioned Circular requires that a unique Property Number be assigned to each PPE item, using the following numbering system:



- 3.11 The codes for the PPE sub-major account group and General Ledger account correspond to those provided in the Revised Chart of Accounts prescribed under the Accounting Manuals of the respective Sectors (National, Local, and Corporate). Additional digits may be used for serial numbers and location/office, as necessary.
- 3.12 Moreover, Section 7.0 thereof provides that for easy identification, the Property Number shall be prominently displayed in the property sticker, along with the following vital information on the PPE item: (a) description of the property, (b) mode number, (c) serial number, (d) acquisition date/cost, (e) person accountable, and (f) space for the validation/signature of the Inventory Committee.
- 3.13 Random inspections of properties owned by the Municipal Government revealed, however, that although the properties already had property stickers, the abovementioned numbering system was not adopted. The Property Number was

also not displayed prominently; it was presented just like the other information about the property, such as the description, acquisition date, acquisition cost, accountable officer, etc.

- 3.14 It is emphasized that the Property Number indicated on the property sticker serves as a control mechanism to secure the inventoried PPE for easier identification by the LGU, which will provide a readily available source of information for the Inventory Committee in its subsequent physical inventory count.
- 3.15 In view of the foregoing, the reported balance of the PPE account in the financial statements is unreliable.
- 3.16 **We recommended and Management agreed to prioritize the completion of the one-time PPE cleansing in full compliance with COA Circular No. 2020-006 by assigning dedicated personnel and temporarily relieving the members of the Inventory Committee from their regular duties to ensure the timely execution of all required procedures and to immediately reconcile the results of the physical count with accounting and property records.**
- 3.17 **We further recommended and the Municipal Mayor agreed to 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 and establish accuracy of its PPE balances reported in the financial statements.**
- 3.18 **Lastly, we recommended and the Inventory Committee agreed to 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.**

Inventories were recognized as expense instead of inventory upon receipt - ₱7,173,567.76

4. **Purchases of inventories totaling ₱7,173,567.76 were recognized as expense instead of inventory upon receipt contrary to 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.**

- 4.1 Section 114 of the NGAS Manual for LGUs, Volume I, provides that purchases of supplies and materials for stock, whether consumed within the accounting period or not, shall be recorded as inventory using the perpetual inventory method. This method requires maintaining a current inventory account in the General Ledger,

supported by detailed records for each item. Regular purchases shall be recorded through the inventory account, and issuances recognized as they occur. However, purchases made from the petty cash fund for immediate use or stock shall be directly charged to the appropriate expense accounts.

- 4.2 In CY 2024, Management requested the purchase of accountable forms, agricultural and marine supplies, animal/zoological supplies, drugs and medicines, medical, dental, and laboratory supplies, office supplies, welfare goods, 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:

| Account | Amount |
|---|-----------------------|
| Other Supplies and Materials Expenses | ₱ 2,178,346.00 |
| Drugs and Medicines Expenses | 1,900,559.30 |
| Office Supplies Expenses | 1,366,808.06 |
| Welfare Goods Expenses | 517,700.00 |
| Agricultural and Marine Supplies Expenses | 498,859.00 |
| Medical, Dental, and Laboratory Supplies Expenses | 414,006.40 |
| Animal/ Zoological Supplies Expenses | 259,677.00 |
| Accountable Forms Expenses | 37,612.00 |
| Total | ₱ 7,173,567.76 |

- 4.3 Our review of the DV's supporting documents revealed that it was not supported by lists or records documenting the distribution or consumption of the above supplies.
- 4.4 The Accountant explained that these were directly issued to end-users upon receipt due to the unavailability of a storage room. She added that the medical, dental, and laboratory supplies expenses were expensed outright upon adoption of the accrual system of BIR.
- 4.5 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.
- 4.6 We recommended and Management agreed to install internal control mechanisms by using the RIS to request supplies and materials from stock and to consolidate them in the SSMI, which shall be submitted to the Municipal Accountant for recording in the appropriate expense accounts for the supplies consumed.**
- 4.7 We further recommended and Management agreed to establish a secure and appropriate storage facility for supplies and materials to facilitate proper inventory management and control.**
- 4.8 Lastly, we recommended and the Municipal Accountant agreed to 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.

4.9 The Municipal Accountant explained that the Accounting Office records these expenses in the same period as the budget allocations to ensure timely reconciliation of the accounting and budgetary records.

4.10 Management is reminded, however, that variances between budgeted and actual amounts are reflected in the reconciliation of the Statement of Comparison of Budget and Actual Amounts (SCBAA) and the Statement of Financial Performance, which the Municipal Accountant should duly reconcile.

Prior year expenditures were erroneously recorded as current year expenses - ₱2,305,292.13

5. Prior year expenditures aggregating ₱2,305,292.13 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.

5.1 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.

5.2 Further, the International Public Sector Accounting Standards (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.

5.3 The 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.

5.4 A review of the Municipality's financial records revealed that in CY 2024, expenses incurred during the previous year, CY 2023, totaling ₱2,305,292.13, were erroneously recorded in the books of accounts as expenses for the audited year. The aforementioned expenditures are summarized on the next page:

| Account Name | Amount |
|--|-----------------------|
| Scholarship Grants/Expenses | ₱ 1,843,000.00 |
| Other Personnel Benefits | 212,273.38 |
| Terminal Leave Benefits | 140,323.17 |
| Other Maintenance and Operating Expenses | 72,211.57 |
| Internet Subscription Expenses | 27,036.01 |
| Telephone Expenses | 10,448.00 |
| Total | ₱ 2,305,292.13 |

- 5.5 Our verification of the related disbursements showed that these expenses pertained to those incurred in the previous year. This included payments for internet subscriptions, telephone, and scholarship grants, as well as terminal leave benefits and monetization of leave credits paid to employees 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.
- 5.6 Additionally, we observed that specific expenses were incurred during the middle of the month, e.g., telephone expenses were incurred in the mid-month period. Notably, the monthly telephone subscription begins on the 15th of each month. In such cases, specifically in December of the current year, the standard accounting practice is to recognize the portion of the expense applicable to the current period as an expense while recording the prorated accrued expense as a liability. This ensures that financial records accurately reflect incurred costs and outstanding liabilities in accordance with the accrual accounting principle.
- 5.7 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 ₱2,305,292.13, affecting the fairness of the presentation of the financial statements, particularly the Statement of Financial Performance.
- 5.8 **We recommended and the Municipal Accountant agreed to:**
- 5.8.1 **Make the necessary adjustments to correct the erroneous recording of prior period expenditures to reflect the actual financial performance of the Municipal Government of Sta. Catalina, in conformity with Section 119 of PD 1445 and IPSAS 1; and**
- 5.8.2 **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.**

Incorrect recognition of meals and snacks - ₱594,689.00

6. Expenditures totaling ₱594,689.00 incurred for serving meals and snacks during various gatherings, such as public hearing, capability building, women’s month celebration, and planning, were incorrectly recorded as Other Maintenance and Operating Expenses (5-02-99-990), instead of Training Expenses (5-02-02-010) or Extraordinary and Miscellaneous Expenses (5-02-10-030), which is inconsistent with COA Circular No. 2015-009, dated December 1, 2015, and negatively impacts the effectiveness of financial information available for decision-making by Management.

6.1 Paragraph 15 of the International Public Sector Accounting Standards 1 clarifies that the objectives of a general-purpose financial statement 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 mainly to provide information useful for decision making and to demonstrate accountability of the government agency.

6.2 In this regard, the Commission on Audit is responsible for designing the Chart of Accounts for government agencies, enabling agency heads to review their activities according to selected areas of responsibility and allowing for a clearer definition of obligation accounting, which leads to more precise budgetary controls. Thus, it issued COA Circular No. 2015-009, dated December 1, 2015, to prescribe a uniform chart of accounts for local government units. Annex A of the [said] Circular defines the following accounts:

| Account | Account No. | Description |
|--|-------------|--|
| Other Maintenance and Operating Expenses | 5-02-99-990 | Used to record expenses not falling under any of the specific maintenance and other operating expense accounts. |
| 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, cost of handouts, supplies, materials, snacks and all other expenses related to training. |
| Extraordinary and Miscellaneous Expenses | 5-02-10-030 | Used to recognize the amount paid for expenses incidental to the performance of official functions, |

| Account | Account No. | Description |
|---------|-------------|--|
| | | 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. |

6.3 Our examination of the Other Maintenance and Operating Expenses (5-02-99-990) account revealed that these included expenses for meals and snacks served during training sessions and/or gatherings, amounting to about ₱594,689.00. These expenses involve public hearings, capability building, the celebration of women’s month, nutrition and tourism month, minus-one and dance competitions during the tourism road show, and blood donation activities, among others. These expenses could have been recorded in the Extraordinary and Miscellaneous Expenses (5-02-10-030) or Training Expenses (5-02-02-010) accounts. For example, the meals and snacks served during the following activities should have been classified as Training Expenses and Extraordinary and Miscellaneous Expenses, respectively:

| | |
|--|--------------------|
| Training Expenses | |
| Capability Building for Daycare Workers and Child Development Workers | ₱ 32,760.00 |
| Leadership Skills Training for Senior Citizens | 73,790.00 |
| Sub-total | ₱106,550.00 |
| Extraordinary and Miscellaneous Expenses | |
| Meals and snacks served during public hearing, women’s month, nutrition and tourism month, and blood donation activities, among others | ₱488,139.00 |
| Grand Total | ₱594,689.00 |

6.4 Apart from the Chart of Accounts recommended by the Commission, Section 51 of the General Provisions, General Appropriations Act (GAA) of CY 2024 provides that Extraordinary and Miscellaneous Expenses encompass costs incurred for meetings, seminars and conferences, official entertainment, public relations, educational, athletic and cultural activities, contributions to civic or charitable institutions, membership in government associations, membership in national professional organizations accredited by the Professional Regulation Commission, membership in the Integrated Bar or the Philippines, subscription to professional technical journals and informative magazines, library books and materials, office equipment and supplies, and other similar expenses not supported by the regular budget allocation.

6.5 In light of the above, expenditures totaling ₱594,689.00 have been recorded or classified under Other Maintenance and Operating Expenses, which do not accurately reflect the nature of the incurrence. It is important to note that proper recording of these expenses is crucial in management's decision-making process, especially during budgeting and appropriation of expenditures. This would enable Management to promote accountability among its officials and employees and

allow them to assess the activities of the Municipal Government. Although these are recorded as expenditures, the misclassification of certain expenses can still affect the fairness of the presentation of each account and influence the interpretation of users of financial information.

- 6.6 We recommended and the Municipal Accountant agreed to establish internal accounting policies to identify whether a particular expenditure pertains to Other Maintenance and Operating Expenses, Training Expenses, or Extraordinary and Miscellaneous Expenses. We also recommended and the Municipal Accountant agreed to, henceforth, strictly follow the Revised Chart of Accounts, as required in COA Circular No. 2015-009.**

Inventory accounts remained unchanged since CY 2018 - ₱524,237.55

- 7. Inventory accounts totaling ₱524,237.55 have remained unchanged since CY 2018 as the SSMI was not submitted by the Municipal Treasurer, which is inconsistent with Sec. 121 of the NGAS Manual for LGUs, Vol. 1, resulting in unadjusted inventory balances and causing a misstatement in both inventory and equity accounts.**

7.1 Section 121 of the NGAS Manual for LGUs, Vol. 1 requires the Municipal Treasurer to consolidate the RIS weekly for supplies and materials issued using the SSMI and submit the same to the Municipal Accountant. Based on the SSMI, a journal entry voucher shall be prepared to record the expenditures using appropriate expenditure accounts.

7.2 A comparative analysis of the financial statements for CYs 2023 and 2024 revealed that there has been no movement since CY 2018 for the following inventories totaling ₱524,237.55:

| | | |
|---|----------|-------------------|
| Merchandise Inventory | ₱ | 389,400.00 |
| Medical, Dental and Laboratory Supplies Inventory | | 63,330.00 |
| Textbooks and Instructional Materials Inventory | | 6,635.00 |
| Construction Materials Inventory | | 11,683.25 |
| Other Supplies and Materials Inventory | | 53,189.30 |
| Total | ₱ | 524,237.55 |

7.3 The Accounting Office personnel explained that these amounts were established as beginning balances when the LGU adopted the e-NGAS accounting software in CY 2018. She added that they could not adjust the accounts since the SSMI was not prepared and submitted by the previous officers, thus the amounts remained outstanding.

7.4 The failure to reconcile the RIS and SSMI has resulted in stagnant inventory balances, which may not accurately reflect the actual stock levels. This situation

raises concerns regarding the reliability of financial reports and may lead to misstatements in the inventories and corresponding expenditure accounts. Additionally, the delay in recording transactions affects budget utilization monitoring, which could impact decision-making and resource allocation.

7.5 We recommended and the Municipal Treasurer agreed to ensure the timely consolidation and submission of the SSMI in compliance with Sec. 121 of the NGAS Manual for LGUs, Vol. 1.

7.6 We further recommended and the Municipal Accountant agreed to conduct a thorough reconciliation of inventory balances and record the corresponding journal entries to reflect the correct financial position.

Semi-expendable properties erroneously recorded to Other Supplies and Materials Expenses - ₱124,614.00

8. Purchases of semi-expendable properties totaling at least ₱124,614.00 were recorded under the Other Supplies and Materials Expenses account instead of the appropriate semi-expendable inventory account, contrary to COA Circular 2024-006, thus, eliminating the required accounting of the receipt and utilization established through the use of Inventory Custodian Slips and Report on Semi-Expendable Property Issued, and other reports and registries, which could result in the misstatements of semi-expendable inventories and corresponding expense accounts at the end of the year.

8.1 COA Circular No. 2022-004 dated May 31, 2022, provides guidelines for implementing the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00. Specifically, Section 4 thereof requires that tangible items meeting the definition and recognition criteria of Property, Plant, and Equipment (PPE) but costing below ₱50,000.00 be accounted for in the books of accounts of the agencies as semi-expendable property.

8.2 To strengthen controls over the semi-expendable property, the forms, registry, and reports are enumerated in Section 4.7 of the aforementioned Circular:

| Form/ Registry/ Report | Description | Responsible Person |
|---|---|--------------------------------------|
| Semi-Expendable Property Card (SPC) | To record the acquisition, issue/transfer/disposal and the description/information | Supply and/or Property Division/Unit |
| Semi-Expendable Property Ledger Card (SPLC) | To record the acquisition, description, custody, impairment, issue/transfer/disposal, repair history, and other information | Accounting Division/Unit |

| Form/ Registry/ Report | Description | Responsible Person |
|--|---|--------------------------------------|
| Inventory Custodian Slip (ICS) | To issue tangible items amount to less than ₱50,000.00 to end-user to establish accountability | Property and/or Supply Division/Unit |
| Registry of Semi-Expendable Property Issued (RegSPI) | To record the issue, return, reissue, disposal, and other information; maintained by fund | Property and/or Supply Division/Unit |
| Inventory Transfer Report (ITR) | Used every time there is a transfer of inventory | Accountable Officer/ Employee |
| Receipt of Returned Semi-Expendable Property (RRSP) | For returned sei-expendable property whether serviceable or unserviceable | Accountable Officer |
| Report of Semi-Expendable Property Issued (RSPI) | To report/summarize all issued semi-expendable property at least weekly | Property and/or Supply Division/Unit |
| Report on the Physical Count of Semi-Expendable Property (RPCSP) | To report the physical count of semi-expendable property, which are owned by the agency, by type of property still in the custody of the Property and/or Supply Division/Unit as at a given date. | Accountable Officer/ Employee |
| Report of Lost, Stolen, Damaged or Destroyed Semi-Expendable Property (RLSDDSP) | To report or notify within 30 days the officials concerned of the loss, theft, damage or destruction of the semi-expendable property whether issued or unissued. | Accountable Office/ Employee |
| Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP) | To account for all unserviceable semi-expendable property of an entity which is subject to disposal. | Property and/or Supply Division/Unit |

8.3 Relative thereto, in CY 2024, the Commission issued COA Circular No. 2024-006, dated March 14, 2024, which serves as a supplemental guideline for implementing COA Circular No. 2022-004. Section 3.4 emphasizes that an Inventory Custodian Slip (ICS) shall be issued to the end-user of semi-expendable property to establish accountability over such item.

8.4 We would also like to draw Management’s attention to Annex B of the Circular, which delineates the new accounts that will be utilized. Additionally, Annex C provides illustrative accounting entries for various cases.

8.5 In CY 2024, the Municipality purchased semi-expendable properties totaling at least ₱124,614.00, which were expensed outright, regardless of whether these items were issued to the end users. Specifically, these were recorded under the Other Supplies and Materials Expenses account:

| Reference | Particulars | Amount |
|--------------------------------------|---|---------------------|
| JEV-2024-05-005432 CK#750086 LBP | Printer | ₱ 13,990.00 |
| JEV-2024-06-006035 CK#750223 LBP | Computer Set with Accessories | 25,500.00 |
| JEV-2024-07-007321 CK#0093935111 DBP | Executive Chair & Steel Filing Cabinet | 20,715.00 |
| JEV-2024-12-012586 | Steel Frame Office Table & Swivel Chair | 29,910.00 |
| JEV-2024-12-012653 | Smart TV | 34,499.00 |
| Total | | ₱ 124,614.00 |

8.6 Our review of the supporting documents for these disbursements revealed that no ICS were issued to the respective end users. Moreover, the required reports and registries, as listed above, were neither prepared nor submitted to this Office by the responsible departments/offices, as mandated. This lack of documentation may affect the proper monitoring, accountability, and compliance with established financial and inventory control procedures.

8.7 These discrepancies undermine the fairness and reliability of the financial statements, potentially affecting stakeholder decision-making and resulting in the misrepresentation of financial information presented to users.

8.8 We recommended and Management agreed to install internal control mechanisms by using the ICS to request supplies and materials from stock and to consolidate the same in the RSPI, which shall be submitted to the Municipal Accountant for recording in the appropriate expense accounts for the supplies consumed.

8.9 We further recommended and the Accountable Officer, Office of the Municipal Treasurer, and Office of the Municipal Accountant agreed to prepare the required forms, reports, and registries as prescribed in COA Circular No. 2024-006.

8.10 Lastly, we recommended and the Municipal Accountant agreed to, henceforth, adhere to the guidelines prescribed in COA Circular No. 2024-006 and make the appropriate entries for semi-expendable items.

COMPLIANCE AUDIT

Utilization of the 20 percent DF not optimized

9. Only 20 out of the 62 projects programmed under the 20 percent Development Fund (DF) were implemented because of the unavailability of heavy equipment, non-prioritization of development projects, among others, thus not achieving

optimum efficiency in providing basic facilities and services to the constituents, as mandated under Section 17 of the Republic Act No. 7160.

- 9.1 Section 17 of Republic Act No. 7160 (Local Government Code of 1991) mandates Local Government Units (LGUs) to strive for self-reliance, continue exercising their vested powers and functions, and perform other necessary, appropriate, or incidental duties to ensure the efficient and effective delivery of basic services and facilities.
- 9.2 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.
- 9.3 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.
- 9.4 For CY 2024, the Municipality programmed to implement 62 PPAs totaling ₱262,369,831.66, as summarized below. Details are shown in *Appendix 1*.

| Project Status | Amount |
|-----------------------|-----------------------|
| Completed | 24,134,307.00 |
| Ongoing | 238,235,524.66 |
| Total | 262,369,831.66 |

- 9.5 It is important to note that although the implementation of 62 projects had already begun in 2024, only 20 of the total programmed PPAs, or 32.26 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 2019 to 2023 and were funded under the continuing appropriations of the 20 percent DF. In the current year's appropriation, no projects were implemented.
- 9.6 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 include the unavailability of heavy equipment, lack of manpower, and non-prioritization of development projects, among others.
- 9.7 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 necessity of the project, among others, the Municipality could have been more efficient and effective in providing its constituents with the mandated

basic facilities and services. This would have prevented the need for the realignment of certain projects throughout the year.

- 9.8 We recommended and the Municipal Engineer agreed to evaluate the feasibility and closely monitor the implementation of the various PPAs according to the approved development plan as required under Section 476 (4) of R.A. No. 7160. In addition, we recommended and Management agreed to consider all possible limitations, including the availability of equipment, during the planning stage.**

No separate bank account for 20% DF - ₱36,807,717.53

- 10. Management does not maintain a separate bank account for its 20 percent Development Fund (DF) special account as required under Sections 310 and 313 of Republic Act (RA) No. 7160, making it difficult to determine, in a timely manner, the availability of actual cash backup of the unutilized balance of ₱261,520,856.29 as of December 31, 2024, which consists of current and continuing appropriations for the implementation of development projects.**

- 10.1 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:

10.1.1 Public utilities and other economic enterprises;

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

10.1.3 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.

- 10.2 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.

- 10.3 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.

- 10.4 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 Municipal Government, rather than a separate bank account designated for this specific purpose.

10.5 Thus, 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 ₱77,937,148.56 and continuing appropriations amounting to ₱183,583,707.73, or a total of ₱261,520,856.29, as reported in the Status of Appropriations, Allotments, and Obligations (SAAOB) as of December 31, 2024.

10.6 However, 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 ₱298,328,573.82. Hence, there is a substantial discrepancy of ₱36,807,717.53, computed as follows:

| | |
|---|-------------------------|
| Cash in Bank - LCCA 20% DF (per FS), Dec. 31, 2024 | ₱ 298,328,573.82 |
| Reported in SAAOB, Dec. 31, 2024 | |
| <u>20 percent DF</u> | |
| Current | 77,937,148.56 |
| Continuing | 183,583,707.73 |
| Total balance of DF per SAAOB, Dec. 31, 2024 | 261,520,856.29 |
| Discrepancy | 36,807,717.53 |

10.7 Although the cash reported in the 20 percent DF financial statements is significantly higher than the recorded cost of projects to be implemented, there is a need to examine the huge difference to ensure that actual cash backup for the implementation of developmental projects is properly monitored. Because of this 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.

10.8 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 only funds pertaining to the 20 percent DF are recorded as cash for the special account, and, at the same time, none of the funds under the General Fund Proper are used for PPAs under the 20 percent DF.

10.9 **We recommended and the Municipal Accountant and the Municipal Budget Officer agreed to reconcile their reports and determine the actual funds available for ongoing and/or unimplemented projects under the 20 percent DF. We further recommend that Management, upon the authorization of the**

Sanggunian, open a separate bank account in the General Fund for the 20 percent DF, to which the Municipal Accountant and Municipal Treasurer transfer the determined or reconciled balance of the said account.

Defects in the procurement process - ₱17,975,445.24

11. Defects in the procurement process for the rehabilitation of Barangay roads and the purchase of construction materials and office supplies totaling ₱17,975,445.24, particularly in the observance of proper timelines and compliance with the procurement procedures outlined under the Implementing Rules and Regulations (IRR) of Republic Act (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 in order to promote integrity and transparency in the conduct of procurement.

11.2 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.

11.3 Further, 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.

11.4 Our review of the supporting documents for the disbursements pertaining to the rehabilitation of barangay roads and the purchase of construction materials and office supplies, totaling ₱17,975,445.24, revealed that some NOAs were posted late. It was also observed that some NOAs and NTPs were not posted at all on the PhilGEPS website (see details in Appendix 2).

11.5 Moreover, there were certain contracts that 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. Thus, in turn, it may cost the Municipal Government additional expenses due to an increase in materials and labor prices.

11.6 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.

11.7 We recommended and the BAC agreed to evaluate and address bottlenecks causing delays in the procurement process, including the posting of NOAs and NTPs, to enhance transparency in government procurement, in accordance with the provisions of RA No. 9184, as amended by RA No. 12009.

Low RPT and SET collection efficiency rate – 8.78%

12. The RPT and SET collection efficiency rate averaged only 8.78% of the total estimated target set by the Municipal Government, primarily 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 estimated at ₱106,208,196.25 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 Municipality of potential revenues that could have been used to finance its various programs, projects, and activities.

12.1 Section 247 of Republic Act (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.

12.2 Congruent thereto, Sections 254, 256, 258, and 269 of RA 7160 enumerate the required activities, actions, and reports relative to the collection of Real Property Tax (RPT)/ Special Education Tax (SET).

12.3 When real property tax or other taxes become delinquent, the local treasurer must promptly post a notice of delinquency at the provincial capitol, city or municipal hall, and a conspicuous place in each barangay, and publish it once a week for two consecutive weeks in a newspaper of general circulation. To collect delinquent taxes, the local government may use administrative remedies, such as levy on real property, or pursue judicial action. Upon expiration of the payment period, a warrant of levy may be issued before or alongside the filing of a civil action for collection. The treasurer must certify a list of unpaid real property taxes remaining delinquent for at least one year, with reasons for non-collection, and submit it to the Sanggunian by December 31 of the following year, requesting assistance in enforcing collection remedies.

12.4 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.

12.5 As of December 31, 2024, the Municipality had significant balances in its RPT and SET Receivable accounts, as per financial statements, amounting to ₱20,881,378.82 and ₱30,019,046.0, respectively. To determine the Municipality'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 two-year period from CY 2023 to CY 2024, shown below:

| <i>Real Property Taxes (RPT)</i> | | | | | | |
|----------------------------------|-------------------|----------------------------|---------------|-----------------------------|----------------|------------------|
| Year | Beginning Balance | Amount Due and Demandable* | Total Target | Collections during the Year | Ending Balance | % of Collections |
| | (a) | (b) | (c) = (a+b) | (d) | (e) = (c-d) | (f) = (d)/ (c) |
| 2023 | 32,116,242.53 | 12,509,459.69 | 44,625,702.22 | 5,426,359.58 | 39,199,342.64 | 12.16% |
| 2024 | 39,199,342.64 | 15,144,426.00 | 54,343,768.64 | 5,808,504.13 | 48,535,264.51 | 10.69% |

| <i>Special Education Taxes (SET)</i> | | | | | | |
|--------------------------------------|-------------------|----------------------------|---------------|-----------------------------|----------------|------------------|
| Year | Beginning Balance | Amount Due and Demandable* | Total Target | Collections during the Year | Ending Balance | % of Collections |
| | (a) | (b) | (c) = (a+b) | (d) | (e) = (c-d) | (f) = (d)/ (c) |
| 2023 | 36,738,256.48 | 12,509,459.69 | 49,247,716.17 | 3,219,436.35 | 46,028,279.82 | 6.54% |
| 2024 | 46,028,279.82 | 15,144,426.00 | 61,172,705.82 | 3,499,774.08 | 57,672,931.74 | 5.72% |
| Average | | | | | | 8.78% |

12.6 Since the Municipality did not establish the receivable amounts for both RPT and SET during the year, the Audit Team estimated the ending balance of these receivables based on the delinquent taxes for CY 2023 and the amount due and demandable for CY 2024, as provided by the Municipal Treasurer

12.7 It can be gleaned from the table above that for the past two years, the collection rates averaged only 8.78% of the total estimated target of the Municipal 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.

12.8 The notice of delinquency is also posted at the Municipal Hall's main entrance. Despite the efforts of the Municipal Treasurer, RPT and SET collections for the past two years averaged only 8.78%. Further, the Municipal Government did not enforce remedies in the collection of delinquent taxes by administrative action through levy on real property or by judicial action.

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

12.10 We recommended and the Municipal 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.

13. Procurement contracts entered into by the Municipal Government, and disbursements related thereto, amounting to at least ₱17,975,445.24, 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.

13.1 Section 86 of Presidential Decree No. 1445, otherwise known as the State Audit Code of the Philippines, states that, except for contracts for personal services, supplies for current use or stock not exceeding a three-month estimate, or banking transactions of government-owned or controlled banks, no contract involving public funds may be entered into or authorized without a certification from the agency's accounting officer. This certification must attest that funds have been duly appropriated and are available to cover the contract for the current fiscal year, subject to verification by the auditor. The certification, signed by both the accounting officer and the verifying auditor, shall be attached to and form part of the contract, and the certified amount shall be reserved exclusively for that contract until the obligation is fully settled.

13.2 The post-audit of disbursements pertaining to the procurement of construction materials and office supplies, as well as construction contracts entered into by the Municipal Government totaling ₱17,975,445.24 (Appendix 3), showed that these were not supported by the required CAF from the Municipal Accountant. The Municipal Accountant explained that the Municipality was simply adhering to the reporting formats and forms prescribed in the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs).

13.3 May we remind Management that the NGAS Manual only prescribes the accounting system for LGUs, specifically, the uniform guidelines and procedures in accounting for government funds and property, new coding structure and new chart of accounts, and new accounting books, reports/ forms, financial statements, and accounting entries. Other reportorial requirements may be prescribed by oversight agencies, i.e., Government Procurement Policy Board, Department of the Interior and Local Government, Bureau of Local Government Finances, etc. Additionally, the Commission may issue supplemental guidelines to enforce accounting and auditing rules and regulations pursuant to Article IX-D, Sec. 2(2) of the 1987 Philippine Constitution.

13.4 Transactions without the required CAF are deemed void under Sec. 87 of the same Presidential Decree, quoted hereunder:

13.4.1 "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.”

- 13.5 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.
- 13.6 Despite the Municipal Treasurer’s certification as to availability of funds on the face of the disbursement voucher, and the Municipal 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 Municipal 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.
- 13.7 **We recommended and Management agreed to, henceforth, secure the Certificate of Availability of Funds (CAF) from the Municipal Accountant, prior to entering into any contract and before making any disbursement or obligations charged to any authorized appropriation, in accordance with Section 86 of PD No. 1445.**

Granting of 25% monetary incentives to enforcers of the Anti-Littering Ordinance

14. **The Municipal Government, through its Resolution on the Integrated and Ecological Solid Waste Management of Sta. Catalina, grants a monetary incentive of 25 percent of penalties paid or collected to enforcers for implementing the Anti-Littering Ordinance, which deviates from the Incentive Program provided in Republic Act (RA) Nos. 9003 and 11898, thus prohibiting the attainment of the Act's goal of promoting innovative environmental projects and processes and potentially leading to the improper disposition of public funds.**
- 14.1 Section 45 of RA 9003, as amended by RA 11898, stipulates the proper allocation of funds for enforcing solid waste management policies, including but not limited to the collection of fines for violations of the prohibited acts enumerated in the same Act. An incentive program is established to encourage local government units (LGUs), businesses, and private organizations—including obliged enterprises, Producer Responsibility Organizations (PROs), and non-governmental organizations (NGOs)—to develop or implement effective solid waste management systems. This includes the recovery and reduction of plastic product footprints or active participation in programs that promote these efforts.

14.2 The same section defines incentives as rewards and recognition, monetary or otherwise, that will be provided to individuals, private organizations and entities, obliged enterprises, and PROs, including NGOs, that have undertaken outstanding and innovative projects, technologies, processes, and techniques or activities in the reuse, recycling, and reduction of solid waste.

14.3 Anent thereto, the Act also enumerated five incentives, as follows:

14.3.1 Fiscal Incentives

14.3.1.1. Tax Incentives

14.3.1.2. Extended Producer Responsibility expenses shall be considered as necessary deductible expenses

14.3.1.3. Tax and Duty Exemption of Donations, Legacies and Gift

14.3.2 Non-Fiscal Incentives

14.3.3 Financial Assistance Program

14.3.4 Extension of Grants to LGUs

14.3.5 Incentives to Host LGUs

14.4 Relative thereto, Rule XVI of DAO No. 2001-31 dated December 20, 2001, otherwise known as the Implementing Rules and Regulations of RA 9003, clarified the abovementioned incentives available to local government units (LGUs), enterprises, the private sectors, and civil society, in developing and implementing an effective and efficient solid waste management system. For instance, fiscal incentives can take the form of taxes and interest rates, while non-fiscal incentives can involve simplified bureaucratic procedures and reduced paper requirements.

14.5 For fiscal incentives, a Committee on Fiscal Incentives (CFI) for solid waste management projects and initiatives may be established, which will serve a fixed 3-year term. This can be chaired by the Department of Finance and co-chaired by the Department of Trade and Industry. The committee will be responsible for providing the technical basis for the fiscal incentives, designs, proposals, and reviews and for setting the required standards and processes to avail of the said incentives. The procedures for the availment of the incentives shall follow Executive Order (EO) No. 226, otherwise known as The Omnibus Investments Code of 1987.

14.6 In light of the above, the fiscal incentives mentioned in RA 9003 do not encourage the granting of additional personnel benefits to implementing individuals within the LGU, but rather giving rewards and recognition to constituents of the community, may it be individuals or organizations, including the Municipal Government, who or which has undertaken the initiative to introduce pioneering or groundbreaking programs or techniques contributing to the improvement and efficiency of solid waste management, especially in the area of reuse, recycling, and reduction of solid waste in the locality.

14.7 However, the Municipal Government implemented a monetary incentive scheme, which is inconsistent with the above provisions. Section 26, Article 9 of Resolution No. 2008-057 dated February 19, 2008, enacting the “Integrated and Ecological Solid Waste Management of Sta. Catalina”, provides an incentive program to sustain the implementation of the Solid Waste Management (SWM) Plan, which includes the following:

14.7.1 For enforcers – under the anti-littering ordinance, 25 percent of the penalty paid/collected will be given to the apprehending enforcer/s whether regular, auxiliary, or volunteer;

14.7.2 Awards, citations, recognition, and commendations;

14.7.3 Cash prizes to winners of Clean and Green and related contests; and

14.7.4 Rationalized environmental management fee

14.8 It is emphasized that the incentive program outlined in the Act applies to individuals or entities that have implemented exceptional and innovative projects, technologies, processes, or activities in reuse, recycling, and waste reduction. The allocation of a 25 percent monetary incentive to apprehending officers is not included in the incentive schemes specified in the Act. Apart from that, this is contrary to the ultimate goal of the incentive program provided in RA 9003, as amended, which is to promote and encourage initiatives and innovations to reduce solid waste.

14.9 Upon inquiry with the Accounting Office, it was revealed that the enforcer responsible for issuing tickets for violations such as littering and non-segregation of solid waste was employed under a Job Order (JO) arrangement.

14.10 We also refer Management to Sec. 12 of RA No. 6758, otherwise known as the Compensation and Position Classification Act of 1989, which expressly states that all allowances are deemed included in the standardized salary except for those specifically enumerated in the provision, including those which may be determined by the Department of Budget and Management. It clarified that no additional allowance shall be granted unless these are specifically authorized by law. It shall be noted that the provision of a 25 percent incentive to the enforcer could be deemed an additional benefit to its employees and, therefore, subject to Sec. 12 of RA 6758. Moreover, it is emphasized that under Section 7.5 of COA and DBM Joint Circular No. 2, dated October 20, 2020, the services of the JO workers are not creditable as government services. Therefore, they do not qualify for the benefits that regular employees receive.

14.11 Due to the foregoing, the allocation of incentives may result in the misuse of public funds, diverting resources away from programs aimed at promoting waste reduction, recycling, and reuse. Offering incentives to enforcers instead of supporting projects that align with the Act’s objectives compromises the overall goals of reducing waste and promoting sustainability. Finally, the misdirected incentive scheme may discourage LGUs, enterprises, and private entities from

actively pursuing innovative waste management projects, as they may not perceive adequate recognition or support for their efforts.

14.12 We recommended and Management agreed to desist from granting incentives to enforcers and evaluate the legality and validity of Sec. 26 of Res. No. 2008-057, regarding the grant of 25 percent incentives to enforcers, regardless of employment status, vis-à-vis Sec. 12 of RA 6758 and Sec. 45 of RA 9003, as amended.

14.13 We further recommended and the SWM Board agreed to:

14.13.1 Review and revise the current incentive allocation to ensure alignment with the provisions of RA 9003;

14.13.2 Establish clear guidelines and/ or criteria for providing incentives and awarding of rewards and recognitions; and

14.13.3 Prioritize rewarding LGUs, enterprises, and private entities for implementing outstanding and innovative projects aimed at developing effective SWM systems.

Fines and Penalties for violations of SWM not updated

15. The Municipality's Integrated and Ecological Solid Waste Management Ordinance includes stipulations concerning fines and penalties for violations that conflict with those established in Republic Act (RA) Nos. 9003 and 11898, which not only lead to lost revenue opportunities but also hinder local enforcement efforts for environmental protection and sustainability.

15.1 Sections 48 and 49 of RA 9003, commonly referred to as the “Ecological Solid Waste Management Act of 2000,” clearly outline the specific acts considered violations under the law, as well as the corresponding penalties for each offense. These provisions establish the framework for identifying prohibited activities related to solid waste management. Additionally, these sections prescribe the penalties to be imposed on individuals or entities found guilty of committing such violations, ensuring accountability and promoting proper waste management practices nationwide. The specific fines and penalties are summarized below:

| Prohibited Acts (section 48 of RA 9003) | Fine/ Penalty per Section 49 of RA 9003 |
|--|---|
| (1) Littering, throwing, dumping of waste matters in public places, such as roads, sidewalks, canals, esteros or parks, and establishment, or causing or permitting the same; | 300-1,000 or render community service for 1-15 days or both |
| (2) Undertaking activities or operating, collecting or transporting equipment in violation of sanitation operation and other requirements or permits set forth in or established pursuant to this Act; | 300-1,000 or imprisonment of 1-15 days or both |

| Prohibited Acts (section 48 of RA 9003) | Fine/ Penalty per Section 49 of RA 9003 |
|---|--|
| (3) The open burning of solid waste; | 300-1,000 or imprisonment of 1-15 days or both |
| (4) Causing or permitting the collection of non-segregated or unsorted waste; | 1,000-3,000 or imprisonment of 15 days to 6 months or both |
| (5) Squatting in open dumps and landfills; | 1,000-3,000 or imprisonment of 15 days to 6 months or both |
| (6) Open dumping, burying of biodegradable or non-biodegradable materials in flood-prone areas; | 1,000-3,000 or imprisonment of 15 days to 6 months or both |
| (7) Unauthorized removal of recyclable material intended for collection by authorized persons; | 1,000-3,000 or imprisonment of 15 days to 6 months or both |
| (8) The mixing of source-separated recyclable material with other solid waste in any vehicle, box, container or receptacle used in solid waste collection or disposal; | first offense: 500,000 plus 5-10% of net annual income in the previous year |
| (9) Establishment or operation of open dumps as enjoined in this Act, or closure of said dumps in violation of Sec. 37 | first offense: 500,000 plus 5-10% of net annual income in the previous year second or subsequent violation: additional penalty of imprisonment of 1-3 years |
| (10) The manufacture, distribution or use of non-environmentally acceptable packaging materials; | first offense: 500,000 plus 5-10% of net annual income in the previous year second or subsequent violation: additional penalty of imprisonment of 1-3 years |
| (11) Importation of consumer products packaged in non-environmentally acceptable materials | first offense: 500,000 plus 5-10% of net annual income in the previous year |
| (12) Importation of toxic wastes misrepresented as “recyclable” or “with recyclable content” | 10,000-20,000 or imprisonment of 30 days to 3 years or both |
| (13) Transport and dumping in bulk of collected domestic, industrial, commercial and institutional wastes in areas other than centers or facilities prescribed under this Act; | 10,000-20,000 or imprisonment of 30 days to 3 years or both |
| (14) Site preparation, construction, expansion or operation of waste management facilities without an Environmental Compliance Certificate required pursuant to Presidential Decree No. 1586 and this Act and not conforming with the land use plan of the LGU; | 100,000-1,000,000 or imprisonment of 1-6 years or both |
| (15) The construction of any establishment within two hundred (200) meters from open dumps or controlled dumps, or sanitary landfills; and | 100,000-1,000,000 or imprisonment of 1-6 years or both |
| (16) The construction or operation of landfills or any waste disposal facility on any aquifer, groundwater reservoir or watershed area and or any portions thereof. | 100,000-1,000,000 or imprisonment of 1-6 years or both |
| (17) No registration of EPR programs by an obliged enterprise or PRO with the NSWMC | > first offense: 5,000,000-10,000,000 > second offense: 10,000,000- |

| Prohibited Acts (section 48 of RA 9003) | Fine/ Penalty per Section 49 of RA 9003 |
|---|--|
| | 15,000,000 > third offense: 15,000,000-20,000,000 and automatic suspension of business permit until complied with |
| (18) Failure to meet the targets for recovery/ offset of plastic packaging footprint by obliged enterprises that generate rigid or flexible plastic packaging | > first offense: 5,000,000-10,000,000 or twice the cost of recovery and diversion of footprint, whichever is higher > second offense: 10,000,000-15,000,000 or twice the cost of recovery and diversion of footprint, whichever is higher > third offense: 15,000,000-20,000,000 and automatic suspension of business permit until complied with or twice the cost of recovery and diversion of footprint, whichever is higher |

15.2 To amend certain provisions of RA 9003, RA 11898 was enacted. The law also institutionalized the Extended Producer Responsibility on Plastic Packaging Waste. Section 44-E thereof mandates that obliged enterprises or Producer Responsibility Organizations (PROs) must register their Extended Producer Responsibility (EPR) programs with the National Solid Waste Management Commission (NSWMC). Additionally, Section 44-F of the same RA requires that enterprises producing rigid or flexible plastic packaging must recover or offset their plastic packaging footprint.

15.3 The law outlines specific targets for the recovery of the plastic product footprint generated, as detailed below:

| | |
|---|-----|
| December 31, 2023 | 20% |
| December 31, 2024 | 40% |
| December 31, 2025 | 50% |
| December 31, 2026 | 60% |
| December 31, 2027 | 70% |
| December 31, 2028 and every year thereafter | 80% |

15.4 As stated in RA 11898, failure to register under Section 44-E or non-compliance with Section 44-F will result in the imposition of the following fines:

15.4.1 First offense: ₱5,000,000.00 – ₱10,000,000.00

15.4.2 Second offense: ₱10,000,000.00 – ₱15,000,000.00

15.4.3 Third offense: ₱15,000,000.00 – ₱20,000,000.00 and automatic suspension of business permit until the requirement is complied with

- 15.5 In case of failure to meet the targets set under Sec. 44-F, the obliged enterprise shall pay the same fines set above or a fine twice the cost of recovery and diversion of the footprint or its shortfall, whichever is higher.
- 15.6 In its effort to comply with RA 9003 and its Implementing Rules and Regulations, the Municipality of Sta. Catalina passed Resolution No. 2008-057, enacting the “Integrated and Ecological Solid Waste Management Ordinance of Sta. Catalina.” Sections 41 and 42 of said ordinance outline the prohibited acts and corresponding penalties. However, upon verification thereof, we noted inconsistencies with the fines and penalties stipulated in RA 9003 and 11898. *See Appendix 4 for details.*
- 15.7 Furthermore, it is emphasized that RA 9003 requires that the prescribed fines be increased by at least 10 percent every three years to account for inflation and maintain the deterrent function of such fines. However, the above Resolution was issued on February 19, 2008, more than 10 years ago. The Municipality still uses the same Resolution for its Solid Waste Management.
- 15.8 These inconsistencies between the Municipality's solid waste management ordinance and the fines and penalties specified in RA 9003 and 11898 have significant implications. Primarily, the Municipality may be viewed as non-compliant with national laws, exposing itself to enforcement actions and legal consequences. This misalignment may also weaken the effectiveness of local law enforcement, as lower or inconsistent fines might fail to deter violators, resulting in continued improper waste disposal practices.
- 15.9 Additionally, public confusion may arise from the differing fines and penalties, leading to misunderstandings about the legal obligations of residents and businesses concerning solid waste management. Environmental degradation is another potential consequence, as ineffective penalties might not deter illegal dumping and other harmful waste practices, worsening pollution and ecological damage. Lastly, the Municipality could miss out on potential revenue from fines that could have been collected had the penalties been aligned with national laws.
- 15.10 **We recommended and the Municipality’s Solid Waste Management Board agreed to:**
- 15.10.1 **Conduct a comprehensive review of its existing solid waste management ordinance to ensure alignment with the provisions of RA 9003 and 11898; and**
 - 15.10.2 **Enhance enforcement strategies, to ensure that penalties are consistently applied, discouraging violations and improving overall waste management practices.**
- 15.11 **We further recommended and the MENRO agreed to conduct public consultations and develop awareness campaigns to inform residents and**

businesses about the changes in fines, penalties, and their responsibilities under the updated ordinance.

No RLRN and RPCRNS prepared

16. Management did not prepare the Report on Local Road Network (RLRN) and the Report on the Physical Count of the Road Network System (RPCRNS), as mandated under COA Circular No. 2015-008, dated November 23, 2015, thereby, the reported balance of the Road Networks account in the financial statements amounting to ₱391,996,864.45, with a carrying amount of ₱312,529,650.39, could not be verified. Likewise, the absence of such reports could potentially affect Management decisions, possibly leading to delays in formulating policies for infrastructure development and maintenance.

16.1 COA Circular No. 2015-008, dated November 23, 2015, was issued to provide “Accounting and Reporting Guidelines on the Local Roads Asset Management System.” Item VI thereof requires the General Services Officer (GSO), at the end of each accounting period, to render a Report on LRN for the concerned local government unit. In the absence of a GSO, the report shall be prepared by the property custodian or the designated personnel. Moreover, the Inventory Committee is also tasked with preparing the RPCRNS.

16.2 However, the Audit Team did not receive the required RLRN and RPCRNS. While the RLRN Ledger and Property Cards are available to the Audit Team through e-NGAS, no RLRN prepared by the GSO or concerned personnel was submitted, nor was the RPCRNS prepared by the Inventory Committee.

16.3 It is emphasized that the submission of the RLRN and RPCRNS is crucial for efficiency, accountability, and sustainable infrastructure growth. Furthermore, infrastructure development and maintenance may be affected, as authorities would lack the necessary data to prioritize road repairs and upgrades, potentially resulting in deteriorating road conditions and delays in implementing new projects.

16.4 Moreover, conducting a physical count of the Road Networks by the Inventory Committee is essential for establishing monitoring and reconciliation between the amounts recorded in the books of accounts and the actual existence of these road networks, which are reported at ₱391,996,864.45 at year end, with a carrying amount of ₱312,529,650.39. The Municipality’s propriety and ownership of these infrastructure assets should be validated.

16.5 Therefore, preparing both reports is a vital procedure for ensuring reconciliation, thus, the reports are necessary tools for Management decisions, specifically in formulating policies for transportation and mobility improvements. The non-preparation of such reports may delay infrastructure development and maintenance.

16.6 We recommended and the Inventory Committee agreed to prepare the RPCRNS and reconcile it with the records available in the Office of the Accountant. We also recommend that the GSO submit the Report on LRN as required under COA Circular No. 2015-008.

Summary of Total Suspensions, Disallowances, and Charges

17. There were no outstanding Suspensions and Charges as of year-end. However, the Notices of Disallowances 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 | ₱ 2,136,400.00 | 0.00 | 0.00 | ₱ 2,136,400.00 |

17.1 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) | | | |
| 2014 | ₱ 2,136,400.00 | 2013 | with pending appeal |

Compliance with Tax Laws

18. The Municipality of Santa Catalina 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.

| Particular | General Fund | SEF | Trust Fund | Total |
|--|-----------------------|--------------------|--------------------|-----------------------|
| Beginning Balance | ₱ 112,761.99 | ₱ - | ₱ 235,678.87 | ₱ 348,440.86 |
| Add: Taxes withheld from Jan-Dec 2024 | 10,836,719.57 | 37,861.87 | 1,384,102.98 | 12,258,684.42 |
| Taxes withheld for remittance to BIR | 10,949,481.56 | 37,861.87 | 1,619,781.85 | 12,607,125.28 |
| Less: Taxes remitted from Jan-Dec 2024 | 9,941,187.07 | 1,392.85 | 1,591,742.40 | 11,534,322.32 |
| Balance as of December 31, 2024 | ₱ 1,008,294.49 | ₱ 36,469.02 | ₱ 28,039.45 | ₱ 1,072,802.96 |

18.1 As of December 31, 2024, the ending balances of the withholding taxes amounting to ₱1,072,802.96 were remitted on January 7, 2025.

Compliance with Mandatory Contributions

19. The Municipal 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 | ₱2,266,033.67 | ₱ 73,771.59 | ₱ 324,566.42 | ₱2,664,371.68 |
| Add: Withheld from Jan-Dec 2024 | 25,322,803.11 | 1,260,514.16 | 3,354,612.86 | 29,937,930.13 |
| Less: Remittance from Jan-Dec 2024 | 24,882,180.88 | 1,183,694.83 | 3,262,726.99 | 29,328,602.70 |
| Balance as of December 31, 2024 | ₱ 2,706,655.90 | ₱ 150,590.92 | ₱ 416,452.29 | ₱ 3,273,699.11 |

19.1 The balances of due to GSIS, Pag-Ibig, and Philhealth as of year-end, amounting to ₱2,706,655.90, ₱150,590.92, and ₱416,452.29, respectively, were remitted on January 9, 2025.

Compliance with Property Insurance Law

20. The Municipal Government has insured its properties with the Government Service Insurance System (GSIS). For CY 2024, the Municipality paid a total amount of ₱468,894.65 for property insurance.

Gender and Development (GAD)

21. The Municipal Government of Santa Catalina appropriated a total of ₱20,383,314.50 for Gender and Development (GAD) programs, projects, and activities, which is at least five per cent of the Municipality's annual budget. The Municipality identified 17 projects/programs addressing gender related concerns and issues, of which only three were not implemented. Some of the activities under these projects/programs were started but not completed, thus, utilizing only 82 per cent of the total GAD appropriation, or a total of ₱16,730,442.86.

Payment to Casuals, Job Orders, Contractual, and Consultants

22. For the CY 2024, the Municipal Government paid a total of ₱74,345,992.21 for casuals and job orders, details as follows:

| Nature of Appointment | Total amount paid |
|-----------------------|------------------------|
| Casuals | ₱ 5,336,984.24 |
| Job Orders | 69,009,007.97 |
| Total | ₱ 74,345,992.21 |

Compliance with Regulations on Appropriations for Senior Citizens and Differently-Abled Persons

23. In CY 2024, the Municipal Government appropriated ₱11,336,936.00 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, 88 percent was utilized, or a total amount of ₱9,932,993.50.

Compliance with the One Per Cent IRA Allocation for the Local Council for the Protection of Children (LCPC)

24. The Municipality of Santa Catalina 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 Municipal Government appropriated ₱5,673,740.00, of which 82 percent was utilized, or a total amount of ₱4,628,621.12.

Compliance with Disclosure Policy

25. The Municipal Government of Santa Catalina 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 Municipality of Santa Catalina has been consistent in publishing the required reports in their government website and conspicuous places in the local government.

OTHER MATTERS

26. We have audited the other areas included in the Focus Areas on 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 30 October 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 52 prior years' recommendations 19 were implemented and 33 were unimplemented as shown in the results of validations presented below:

| Ref. | Observation | Recommendation | Status of Implementation/Results of Validation |
|---|---|---|---|
| AAR 2023, AO no. 1, page 23, AAR 2022, AO no. 1, page 24, and AAR 2021 and 2018, AO no. 1, page 23 | Due to the different schedules of the Inventory Committee members and their respective workloads, the Municipal Government of Sta. Catalina was unable to complete the necessary one-time-cleansing procedures under COA Circular No. 2020-006, thus, the reported balance of the PPE account at year-end, totaling ₱1,028,847,988.33, which includes movable properties amounting to ₱64,013,099.13 million, still could not be ascertained. | 1. The Municipal Accountant and the Inventory Committee shall complete the reports necessary | Implemented The reports were prepared by the Municipal Accountant and the Inventory Committee. |
| | | 2. and establish the correct balances of PPE items that should be reported in the financial statements. | Unimplemented There are still balances that Management has yet to reconcile. This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 3. |
| | | 3. The Municipal 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 and establish accuracy of its PPE balances reported in the financial statements. | Unimplemented This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 3. |
| AAR 2023, AO no. 2, page 25 | Loans Payable amounting to ₱7,198,162.60 were classified as a non-current liability in the financial statements even though a portion thereof was due for payment the following | 4. The Municipal Accountant shall cause the annual determination of loan amortization due in the next 12 months from the Statement of | Implemented The financial statements reflected both the current and non-current portions of the Loans Payable account. |

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| | <p>year, contrary to Paragraph (Par.) 80 of the IPSAS No. 1, thus, information about financial position, specifically the timing of cash flows for payment of loans, is withheld from the stakeholders and constituents of the Municipal Government.</p> | <p>Financial Position date and reclassify it under the current portion of the Financial Liabilities, pursuant to Par. 80 of IPSAS No. 1.</p> | |
| <p>AAR 2023, AO no. 3, page 27</p> | <p>Disclosures in the Notes to Financial Statements on the “Loans Payable – Domestic” account balance of ₱70,182,085.50 is incomplete, a departure from the fair presentation requirement under the IPSAS, thus affecting the usefulness of the financial information on loans to its users, especially its constituents.</p> | <p>5. The Municipal Accountant shall revise the Notes to the Financial Statements to include the principal amount, interest rate, maturity date, and interest expense of the Loans Payable – Domestic account, to properly inform the users of the financial statements, the financial performance of the Municipal Government, particularly in financial management.</p> | <p>Implemented</p> <p>The Notes to the Financial Statements had already included the necessary information required under IPSAS.</p> |
| <p>AAR 2023, AO no. 4, page 28</p> | <p>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 doubts about the accuracy of the recorded cashbook balances.</p> | <p>6. The Acting Municipal Treasurer, henceforth:</p> <p>Require the outgoing AO to submit their cashbook to the Municipal Treasurer and Municipal Accountant for verification and recording purposes;</p> <p>7. Instruct the newly appointed or designated AO to use a new cashbook in accordance with COA Circular No. 97-002; and</p> <p>8. Brief the newly appointed or designated AOs on the proper recording of transactions and other matters relating to their role as a disbursing officer.</p> | <p>Implemented</p> <p>The cashbook from the former AO was submitted to the Acting Municipal Treasurer and Municipal Accountant.</p> <p>Implemented</p> <p>A new cashbook was provided to the newly designated AO.</p> <p>Implemented</p> <p>The Acting Municipal Treasurer ensured that the newly designated AO was properly oriented in recording transactions.</p> |

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| AAR 2023, AO no. 5, page 29 | The Cashier concurrently holds the position of cashier in another association within the agency, contravening the stipulations outlined in Section 67 of the GAAM, Volume I, therefore deviating from sound internal control practices and putting government funds at risk of unauthorized transfer. | 9. Management stop the practice of assigning the Cashier to act as a treasurer for other associations or as a collector of funds for purposes other than his role as a cashier in the Municipal Government. | Implemented The Cashier only handles funds related to her role as cashier of the Municipal Government. |
| | | 10. The Cashier refrain from keeping any other collections in the vault, except for the funds intended for the government. | Implemented Only government funds were stored in the vault. |
| AAR 2023, AO no. 6, page 30 | Cash advances made by the Petty Cash Custodian for the Petty Cash Fund were transferred to another disbursing officer (DO), which goes against COA Circular No. 97-002, thus increases the risk of misappropriation and loss, as the accountability of the funds is not properly designated to the actual custodian of the funds. | 11. Management refrain from granting cash advances to an accountable officer on behalf of another, as per COA Circular No. 97-002. | Implemented Management had stopped the practice of granting cash advances to an accountable officer on behalf of another accountable officer. |
| | | 12. Management properly assign the disbursing officer who handles the PCF as the Petty Cash Custodian. | Implemented An Accountable Officer was assigned the role of Petty Cash Custodian. |
| AAR 2023, AO no. 7, page 31 | Goods and supplies worth ₱940,755.14 were procured through Shopping, which exceeded the threshold set for Municipalities as prescribed in Annex H of the Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184, hence, standard procurement procedures that are established to ensure transparency and accountability were not followed accordingly. | 13. The Bids and Awards Committee (BAC) limit the procurement through Shopping only for cases that do not exceed the thresholds prescribed in Annex H of the Revised IRR of RA No. 9184. | Implemented Shopping, as a mode of procurement, had only been used for purchases that met the criteria prescribed under the IRR of RA No. 9184, which included limiting these purchases within the regulatory threshold. |
| AAR 2023, AO no. 8, page 33 | Procurement of goods, supplies, and motorcycles totaling ₱2,301,145.01 was made through Shopping even if the BAC was unable to justify the presence of unforeseen contingencies requiring | 14. The BAC use Shopping as the mode of procurement only when it satisfies the requirements of Section 52.1 of the Revised IRR of R.A. No. 9184. | Implemented Management had used Shopping as a mode of procurement when the requirements under the IRR of RA No. 9184 were met. |

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| | <p>immediate purchase and even if these purchases did not pertain to ordinary or regular office supplies and equipment, contrary to Section 52.1 of the Revised IRR of R.A No. 9184, hence, compromising transparency in the procurement process and the assurance on whether the prices secured under these contracts are the most reasonable and advantageous to the Municipality.</p> | <p>15. The BAC, when recommending approval for alternative modes of procurement, indicate the specific reason/justification for using such mode for each purchase, instead of providing a uniform justification for all purchases made which did not undergo competitive bidding.</p> | <p>Implemented</p> <p>Justifications for each procurement were provided by BAC when they used the alternative mode.</p> |
| <p>AAR 2023, AO no. 9, page 34</p> | <p>The Municipality spent at least ₱1,792,375.00 for the Christmas celebration, which included prizes, honoraria, accommodation, meals, transportation, stage decoration, and sound system rental disregarding economic prudence. This is inconsistent with COA Circular No. 2012-003, indicating excessive expenditures.</p> | <p>16. The Sangguniang Bayan appropriate funds that will enable Management to conduct a modest yet meaningful celebration of its various socio-cultural activities by regulating and limiting Christmas celebration expenditures only to those that are official, relevant, and necessary to the occasion and henceforth observe the principle of prudent use of scarce financial resources of the government as prescribed in COA Circular No. 2012-003 dated October 29, 2012.</p> | <p>Implemented</p> <p>Socio-cultural activities conducted in the Municipality had been regulated, and only those that were necessary to maintain the local culture had been funded.</p> |
| <p>AAR 2023, AO no. 10, page 36 and AAR 2022, AO no. 7, page 33</p> | <p>Procurement of motorcycles by the Municipality totaling ₱237,400.00 was not supported by the appropriate Authority to Purchase Motor Vehicles (APMV) from the Mayor 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>17. The BAC, henceforth, secure the appropriate authority to purchase motor vehicles in compliance with DBM BC No. 2022-1 and DILG MC No. 2022-105.</p> | <p>Implemented</p> <p>The appropriate authority was secured before the procurement of motor vehicles.</p> |

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| AAR 2023, AO no. 11, page 37 | The Municipal Government purchased 15 types of drugs and medicines amounting to ₱223,599.00 even though each of their unit costs exceeded the Drug Price Reference Index (DPRI) provided by the DOH, contrary to RA No. 9502 and DOH Administrative Order No. 2019-0040 dated October 14, 2019, hence, not securing the best value for money in procuring essential pharmaceutical products. | 18. The Municipal Health Officer (MHO) and the BAC Chairman, henceforth, use the latest DPRI as the ceiling price in the procurement of drugs and medicines in compliance with RA 9502 and DOH AO No. 2019-0040 dated October 14, 2019. | Implemented The MHO and BAC Chair ensured that the drugs and medicines procured had not gone beyond or over the latest DPRI. |
| AAR 2023, AO no. 12, page 39 | Complete detailed specifications, such as the pharmaceutical form and strength, were not indicated in the POs in the procurement of drugs and medicines totaling ₱413,468.80, inconsistent with Item B of COA Circular No. 96-010 dated August 15, 1996, thus, potency and safety, as well as the reasonableness of prices of these drugs and medicines, could not be guaranteed. | 19. The BAC ensure the indication of complete detailed specifications in the PO before proceeding with the delivery of drugs and medicines. | Implemented Detailed specifications were indicated in POs throughout the audited year. |
| | | 20. The personnel concerned or the end-user duly authorized by the Municipal Mayor, as Head of the Procuring Entity, fill up the relevant and required information in the PO pursuant to Item B of COA Circular No. 96-010 dated August 15, 1996. | Implemented Concerned personnel or end-users had filled out the details and information required in the PO. |
| AAR 2023, AO no. 13, page 40 | Management has yet to establish an Internal Audit Service (IAS) office due to the unavailability of qualified personnel to fill in the required positions, which is against Administrative Order No. 70, s. 2003, thus, hindering the optimal achievement of efficient and effective fiscal administration and performance of governmental functions. | 21. The Municipal Mayor, in coordination with the Sanggunian: Include in its annual budget the appropriation for the establishment of IAS; and | A letter request from the Municipal Mayor to the Sangguniang Bayan for the creation of the Internal Audit Unit (Creation of Office and Positions) was received by the SB Office on May 29, 2024. However, it remains pending for appropriation and budgeting. |
| | | 22. Create an IAS in the Municipality in accordance with Administrative Order No. 70 and RA No. 3456, as amended. | Unimplemented The creation of an IAS in the Municipality was still pending for appropriation and budgeting. |
| | | 23. The IAS use the 2020 Revised PGIAM in the | Unimplemented |

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| | | exercise of their internal audit functions. | IAS has not been created yet. |
| AAR 2023, AO no. 14, page 42 and AAR 2022, AO no. 3, page 28 | Had the Municipal Mayor and Municipal Engineer considered all factors affecting the implementation of programs/projects/activities under the 20 per cent Development Fund (DF), including the limited manpower and availability of equipment, among others, the Municipal Government could have completed not just thirty of the 73 projects programmed under the 20 per cent DF for CY 2023. This would have resulted in greater efficiency and effectiveness in providing basic facilities and services to its constituents, as mandated under Section 17 of R.A. No. 7160. | 24. The Municipal Engineer, in coordination with the Municipal 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 R.A. No. 7160. | Unimplemented This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 9. |
| | | 25. Management consider all possible limitations, including manpower and equipment availability, during the planning stage. | Unimplemented This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 9. |
| AAR 2023, AO no. 15, page 43 | The Municipality did not undertake the general revision of real property assessments every three years because the Province did not enact an ordinance updating the 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 Municipality from maximizing its revenue-raising power to generate additional funds to finance development projects beneficial to its constituents and to augment the special education fund. | 26. The Municipal Assessor: Coordinate with the Provincial Assessor in the preparation of the updated SMV of the Municipality pursuant to Section 212 of R.A. No. 7160; and | Unimplemented The Municipal Assessor had already informed the Provincial Assessor of the need to update the SMV pursuant to RA No. 7160. |
| | | 27. Initiate the immediate conduct of a general revision of real property assessments after the enactment of the updated SMVs and ensure that this is done every three years as required under Section 219 of RA No. 7160 and DILG-DOF JMC No. 2010-001. | Unimplemented The general revision of real property assessments was pending the enactment of updated SMVs. |
| AAR 2023, AO no. 16, page 45 | The Municipal Government's collection efficiency of its RPT and SET averages only 11.63% of its target because of not strictly implementing the enforcement of remedies in the | 28. The Acting Municipal Treasurer boost tax collection in its campaign program to enhance the collection of RPT/SET Receivables and enforce | Unimplemented The Acting Municipal Treasurer recently sent Statements of Account to delinquent taxpayers. Some |

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| | collection of delinquent taxes, contrary to pertinent provisions of RA No. 7160 and Manual on Real Property Appraisal and Assessment Operations, thus, depriving the Municipality of potential revenues that could have been used to finance its various programs, projects, and activities. | 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. | made their partial payments and signed compromise agreements. This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 12. |
| AAR 2023, AO no. 20, page 49 and AAR 2022, AO no. 11, page 42 | Only 22.79 per cent or ₱3,851,000.00 of the total GAD budget amounting to ₱16,898,203.00 was utilized in CY 2023, contrary to RA No. 9710 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-1, thereby not optimally utilizing the GAD funds and jeopardizing the attainment of GAD goals. | <p>29. The GAD Focal Point System (GFPS):</p> <p>Ensure that budget allocation for GAD is optimally utilized in providing adequate facilities and services, to address gender issues and the GAD mandate of the LGU;</p> <p>30. Prepare a more realistic and attainable GAD Plan and Budget (GPB) to ensure that GAD projects and activities will be carried out in accordance with the approved plan; and</p> <p>31. Establish an effective monitoring and evaluation system to monitor the implementation of the annual GPB.</p> | <p>Unimplemented</p> <p>The appropriation for 2024 had not been optimally utilized. However, in CY 2025, the GAD Plan and Budget included those items that were realistic and attainable to increase the utilization and implementation rate.</p> <p>Unimplemented</p> <p>Realistic and attainable GPB had already been prepared in CY 2025.</p> <p>Unimplemented</p> <p>The Monitoring and Evaluation Committee had already been created. It was yet to be established to promote an effective monitoring and evaluation system in the implementation of the annual GPB.</p> |
| AAR 2022, AO no. 4, page 29 | Procurement of drugs and medicines totaling ₱94,724.00 was not supported by the appropriate certification of the requisitioning officer indicating that the drug products conform with the Philippine National Formulary (PNF) Volume I, contrary to | 32. The MHO, henceforth, ensure that drugs and medicines procured are included in the PNF 10th Edition (2022) or the latest edition applicable thereof, pursuant to DOH AO No. 2016-0034 dated August 9, 2016, | Implemented Most of the medicines procured were included in the PNF, and if not, they had been properly supported with the appropriate approval. |

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| | Executive Order (EO) No. 49 s. 1993, and Section VII of the Department of Health (DOH) Administrative Order (AO) No. 2016-0034 dated August 9, 2016, thus, there is no assurance of the cost-effectiveness and safety of the medicines procured. | otherwise, the appropriate approval of exemption request should support the procurement. | |
| AAR 2022, AO no. 8, page 35 | The Due to NGAs account, with a total balance of ₱30,361,285.80, includes various fund transfers from national government agencies amounting to ₱17,037,699.62 (or 56%), which have remained outstanding for over two years, contrary to the provisions of COA Circular No. 94-013 dated December 13, 1994, thereby depriving the intended beneficiaries of the benefits that could have been derived therefrom and the source agencies of the opportunity to put the resources to better use in other activities or agencies that may need assistance. | 33. The Municipal Mayor ensure that the Bids and Awards Committee and the Municipal Engineer prioritize the implementation of projects funded by grants from various national government agencies, especially those with ongoing and for implementation status, by the specific purposes as stated in the Memorandum of Agreement. | Unimplemented The root cause of having limited heavy equipment and manpower has still not been addressed. However, the Municipal Engineer explained that these issues are being addressed in CY 2025. |
| AAR 2022, AO no. 9, page 37 | The local revenue code of the Municipality has not been updated for over 11 years from its effectivity, contrary to Sections 186, 187, and 191 of Republic Act (RA) No. 7160, thus contributing to the minimal increase in its local revenues being generated. | 34. The Municipal Mayor and Sanggunian facilitate the review and evaluation of its current tax and revenue sources and assess whether the 2011 Revenue Code of the Municipality of Santa Catalina, Negros Oriental is still up-to-date with the current condition and collection capability of the Municipal Government. Otherwise, the Municipal Mayor and Sanggunian shall update and revise the existing Code, incorporating all other sources of revenue. | Unimplemented The Municipal Local Revenue Code was updated last CY 2017 and submitted to the Sangguniang Panlalawigan for approval, but it was returned for corrections and has not yet been complied with. |
| | | 35. The appropriate MOAs be executed for the rest of | Unimplemented |

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| | | the four tourist attraction sites by the Municipality to the corresponding Barangays concerned, community associations, and/or landowners. | No MOA was executed. However, the Local Chief Executive issued Executive Order No. 24, series of 2023, to create a municipal task force committee for updating the local revenue code of the Municipality. |
| AAR 2021, AO no. 14, page 49 | The GFPS did not prepare the GAD Agenda of the Municipality, which shall cover the three-year term of its current administration, contrary to Section 4, Item C.2 (1) of the PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-1, as amended, thereby, compromising the effective and efficient planning of gender-responsive programs, projects and activities. | 36. The GFPS prepare and set up the GAD Agenda of the Municipal Government and identify priority gender issues of the LGU for the next three-year term of leadership, pursuant to Section 4, Item C.2 (1) of the PCW-DILG-DBM-NEDA JMC No. 2013-1, as amended. | Unimplemented The GAD Plan and Budget for CY 2024 was prepared and submitted. However, the GAD Agenda had to be prepared for the next term of three years. |
| AAR 2021, AO no. 8, page 39 | 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 Local Government Unit (LGU) of Santa Catalina could continuously function and deliver essential services during an emergency or disaster. | <p>37. The working group assigned for the PSCP shall:</p> <p>Conduct risk assessments considering new variables after the pandemic;</p> <p>38. Identify critical processes and functions;</p> <p>39. Determine scenarios that may disrupt normal operations;</p> <p>40. Conduct risk and impact analyses;</p> <p>41. Formulate the PSCP; and</p> | <p>Unimplemented</p> <p>The working group had not yet conducted risk assessments.</p> <p>Unimplemented</p> <p>The working group had not yet conducted risk assessments, hence critical processes and functions had not been identified.</p> <p>Unimplemented</p> <p>Scenarios that may disrupt normal operations were determined, but had not been put into formal writing.</p> <p>Unimplemented</p> <p>The working group had not yet conducted risk assessments.</p> <p>Unimplemented</p> |

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| | | | Because risk assessments and identification of critical scenarios that may disrupt normal functions were not conducted, the PSCP had not been prepared. |
| | | 42. Submit the plan to the LDRRMO for review, to the LCE for approval, and to the Sangguniang Bayan for the passage of a resolution to institutionalize the PSCP. | Unimplemented The PSCP had not been prepared. |
| AAR 2021, AO no. 13, page 48 | While the Municipal Government has its GAD Focal Point System to oversee the monitoring and evaluation of the GAD programs, it 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 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. | 43. The Local Chief Executive: Establish an M&E System through the issuance of an Executive Order or Administrative Order; | Unimplemented The establishment of an M&E system was not prioritized during the year. |
| | | 44. Oblige the M&E Team, through its GFPS, to conduct an assessment and evaluation of all the gender-responsive or GAD-focused policies, programs, projects, accomplishments, and actual costs for the past three years during his administration; | Unimplemented An M&E System had not been established yet. |
| | | 45. Task them to provide recommendations based on its assessment and evaluation, when necessary; and | Unimplemented An M&E System had not been established yet. |
| | | 46. 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. | Unimplemented An M&E System had not been established yet. |
| AAR 2017, | Nine general ledger accounts totaling ₱6,007,493.77 | 47. The Municipal Accountant coordinate | Unimplemented |

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| AO no. 1, page 23 | temporarily lodged in “For ID” accounts during the initial roll out of the Electronic New Government Accounting System (eNGAS) in July 2006 remained unidentified as of December 31, 2017, contrary to Sections 111 and 112 of Presidential Decree (P.D.) No 1445, thus, rendering the balances of these accounts doubtful and unreliable. | with the Municipal Treasurer in identifying the “For ID” accounts totaling ₱6,007,493.77 and to prepare the necessary adjusting entries to reclassify these to the proper asset accounts. | The accounts could not be traced since the said balances were merely carried forward from prior years of the Old Government Accounting System, which had insufficient records, to the eNGAS. |
| AAR 2017, AO no. 8, page 32 | 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. | 48. Management prepare a 5-Year Business Plan and request the Sangguniang Bayan to pass an ordinance recognizing the continued operations of the existing LEEs in accordance with the LEE Manual as prescribed in Local Budget Circular No. 111 dated June 10, 2016 to ensure the efficient and effective provision of basic services and facilities to its constituents. | Unimplemented There was pending legislation (second reading) related to the change of rental rates of the cemetery and economic investment code. Management admitted that the preparation of the required Business Plan was tedious and consumed more time. The Business Plan would be submitted as soon as it was finished. |
| AAR 2016, AO no. 2, page 24 | The Municipality did not insure its properties having a book value of ₱115,508,739.63 with the Property Insurance Fund under the Government Service Insurance System (GSIS), contrary to Section 5 of Republic Act No. 656, thus, depriving the municipal government of a means to recover losses or damages to its properties that may be occasioned by fires, storms, earthquakes or other casualties. | 49. Management insure the all its properties, including old buildings, with the Property Insurance Fund under the Government Service Insurance System. | Unimplemented Documents of the old buildings could not be located. |
| AAR 2014, AO no. 5, page 21 | Ten unserviceable properties with a total acquisition cost of ₱10,782,040.91 were not disposed of in accordance with pertinent provisions of COA Circular No. 92-386, and were | 50. The Municipal Mayor instruct the Appraisal and Disposal Committee to expedite the appraisal and disposal of the unserviceable properties | Unimplemented The List of Unserviceable Properties had been prepared by the Inventory Committee. However, the properties |

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| | not reclassified to the Other Assets account as required under Section 4(p) of the New Government Accounting System (NGAS) Manual for LGUs, Volume I. | <p>in accordance with the disposal provisions of COA Circular No. 92-386 so that the municipal government can still realize income therefrom.</p> <p>51. The Municipal Treasurer hasten the preparation of the final list of unserviceable properties so that the cost thereof can finally be determined, and the book value reclassified to the Other Assets account while awaiting disposal.</p> | <p>were still pending appraisal, and the means of disposal had yet to be determined.</p> <p>Unimplemented</p> <p>The Municipal Treasurer was still preparing the final list of unserviceable properties.</p> |
| AAR 2010 | The gender gaps and/or differences within the locality could not be fully identified and analyzed because the Municipality did not develop and maintain a Gender and Development (GAD) Database, thus, defeating the purpose of having GAD-responsive Programs/Projects/Activities (PPAs). | 52. Management establish the GAD database storage of necessary information in aid of effective gender-responsive planning, programming and policy formulation in accordance with PCW-DILG-DBM-NEDA JMC No. 2013-1 to ensure that the PPAs are aligned with GAD-related undertakings so that the intended beneficiaries are assured of the services, protection and other assistance that may be provided. | <p>Unimplemented</p> <p>Management believed that the Community-Based Monitoring System data of the Municipality was already available. Thus, the data needed for developing the GAD Database was no longer a problem. However, the establishment of the said database was not a priority for Management during the calendar year.</p> |

PART IV

APPENDICES

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