EXECUTIVE SUMMARY

Introduction

The Municipality of Jimalalud is one of the 19 municipalities comprising the Province of Negros Oriental. The history of the province revealed that it was created as a barangay by virtue of a Letter of Declaration signed by Fernando Cuevo, the Hepe Politico de las Islas de Negros, in 1781. It became a Municipality through a Royal Decree in 1800.

It is located some 97.7 kilometers north of Dumaguete City, the provincial capital of Negros Oriental. It is classified as a fourth-class municipality effective November 20, 2001, pursuant to Department of Finance Memorandum Circular No. 01-M (54) dated January 28, 2002. It is composed of 28 barangays, with a population of 30,945, as per the 2015 census of the Philippine Statistics Authority. The total land area is 186.3 square kilometers.

As of December 31, 2024, the Municipality had a personnel complement of 186, composed of the following:

Nature of Appointment to Office	***Quantity***
Elective Officials	13
Permanent/Regular Positions	66
Casual Plantilla	34
Job Orders (Office-based)	73
TOTAL	**186**

Audit Objective

The objectives of the audit are to (a) ascertain the fairness of the presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

Audit Methodology

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

Scope of Audit

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

Financial Highlights

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	610,136,249.10	486,063,848.21	124,072,400.89
Liabilities	142,087,816.64	45,591,098.71	96,496,717.93
Government Equity	468,048,432.46	440,472,749.50	27,575,682.96

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

Results of Operations			
Revenue	166,963,742.81	156,990,884.37	9,972,858.44
Personnel Services	60,122,380.76	58,570,643.72	1,551,737.04
Maintenance and Other Operating Expenses	60,783,739.53	61,572,349.03	(788,609.50)
Non-cash Expenses	7,070,220.38	4,408,796.50	2,661,423.88
Net Financial Assistance/ Subsidy	(5,838,108.49)	(5,390,738.64)	(447,369.85)
Non-operating Income	372,952.00	138,358.96	234,593.04
Net Surplus (Deficit)	33,522,245.65	27,186,715.44	6,335,530.21

Independent Auditor's Report on The Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended, due to the effects of the following exceptions, as discussed in Part II of this Report:

1. The Municipality of Jimalalud did not conduct the physical count of Property, Plant, and Equipment (PPE) as provided under the guidelines and procedures on the one-time cleansing of PPE, thus affecting the fairness of presentation of the PPE accounts amounting to ₱401,762,927.72 in the financial statements (FS) at year-end.

2. The existence, validity, and correctness of the Inventory accounts totalling ₱6,709,224.00 as of December 31, 2024, have not been established due to (a) non-conduct of the year-end physical count, (b) non-compliance with the Perpetual Inventory Method, and (c) non-maintenance of supplies ledger cards and stock cards by the Offices of the Municipal Accountant and Municipal Treasurer, respectively, thereby, affecting the fairness of the presentation of these accounts in the FS.

3. Biological Assets valued at ₱1,715,503.00 that have been in the books for more than five years, were not stated at fair value as of the reporting date due to the non-submission of a complete Inventory Report of Breeding Stocks and the prevailing market price for each item by the Municipal Agriculturist to the Municipal Accountant, thus, rendering the existence and valuation of the account presented in the FS doubtful and unreliable.

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. The valuation and accuracy of PPE with a net book value of ₱295,064,476.35 could not be relied upon due to: (a) discrepancy between the PPE Lapsing Schedule and the Financial Statements; (b) non- application of the required five percent residual value on some items; and (c) non-recognition of depreciation expense on some PPE accounts, thereby misstating the depreciation expense and PPE balances by an undetermined amount in the FS.

   We reiterated our recommendation that the Municipal Accountant verify, review, and analyze its depreciation schedule, taking into consideration the provisions provided under PAG 4 and PAG 6 of IPSAS 17 to arrive at an accurate and reliable carrying balance of the PPE, and thereafter prepare the appropriate adjusting entries.

2. The accuracy and reliability of the Local Road Network (LRN) account totaling ₱83,317,942.62 could not be ascertained due to various deficiencies noted, thereby affecting the fair presentation of the account in the FS.

   We recommended that the Local Chief Executive create an Inventory Committee to focus on the physical count of local roads and direct the Municipal Engineer, Municipal Accountant, and Municipal Treasurer to strictly comply with the accounting and reporting guidelines on the local roads asset management system pursuant to COA Circular No. 2015-008 dated October 23, 2015.

   We further recommended that the Local Chief Executive enjoin:

   a. The Municipal Engineer provide the Municipal Accountant and the Municipal Treasurer with a complete description and segregation of road components for road projects; and
   b. The Municipal Accountant disclose the total road network system in the Notes to FS.

3. Management conducted a planning workshop for the preparation of its CY 2025 GAD Plan and other GAD-related activities in Baguio City, spending a total amount of ₱758,007.52 for travel, airfare, and hotel function expenses, thus incurring significant expenses that could have been reduced had the workshop been conducted within its territorial jurisdiction, indicating extravagant expenditures.

   We recommended that Management desist from conducting training, meetings, seminars, workshops, or similar activities outside the geographical island and henceforth observe the principle of prudent use of scarce financial resources of the government as prescribed in DILG MC No. 2011-59 and COA Circular No. 2012-003.

   We recommended that Management submit the remaining 14 liquidation reports and the Capacity Development Plan for the Audit Team's appropriate audit action.

4. Registration fees paid to the Philippine Councilor's League (PCL) totaling ₱156,000.00 for the attendance of the Sangguniang Bayan (SB) members to the 1st Quarter Provincial Assembly were issued with personalized non-VAT Official Receipts (OR) registered with the Bureau of Internal Revenue (BIR), which may result to unaccounted collection and possible loss of government funds.

   We recommended that Management ensure that future payments to the PCL are properly supported with a government official receipt AF No. 51 because they are considered a government organization subject to compliance with existing rules and regulations.

5. Pakyaw labor contracts amounting to ₱956,839.50 engaged by the Municipality for its infrastructure projects implemented "By Administration" under the 20% Development Fund were not in accordance with the guidelines, casting doubt on the legality of the disbursements.

   We recommended that Management ensure strict compliance with the guidelines and provisions of R.A. No. 9184 and its Revised IRR in implementing infrastructure projects by the administration and submit the following:

   a. The updated APP approved by the Municipal Mayor and the BAC resolution justifying any changes in the original mode of procurement or the omission of the infrastructure projects undertaken by the administration from the APP;

   b. A clearer copy of the laborers' identification cards;

   c. The name of the Project Facilitator per project and the related documents that would prove his/her appointment as such, duly approved by the Municipal Mayor; and

   d. Relevant documents for the formation of the Pakyaw Group showing that the barangay leaders and the community were actively involved.

Summary of Suspensions, Disallowances, and Charges

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

	Ending Balance (As of 12/31/2023)	**NS/ND/NC Issued** from 01/01/2024 to 12/31/2024	**NS/ND/NC Settled** from 01/01/2024 to 12/31/2024	**Ending Balance** (As of 12/31/2024)
Suspensions	₱ 7,560,252.90	₱ 0.00	₱ 0.00	₱ 7,560,252.90
Disallowances	629,000.00	0.00	0.00	629,000.00
Charges	0.00	0.00	0.00	0.00

Further, the table below shows the respective balances of suspensions, disallowances, and charges of ₱7,560,252.90, ₱629,000.00, and ₱0.00, respectively, with breakdown as to timing and age as follows:

Timing	**Age**	**NS**	**ND**	**NC**
07/01/2022 to 12/31/2024 *(Current Administration)*	Less than 1 year to 2.5 years	₱ 0.00	₱ 629,000.00	₱ 0.00
07/01/2019 to 06/30/2022	More than 2.5 to 5.5 years	0.00	0.00	0.00
07/01/2016 to 06/30/2019	More than 5.5 to 8.5 years	7,560,252.90	0.00	0.00
07/01/2013 to 06/30/2016	More than 8.5 to 11.5 years	0.00	16,000.00	0.00
07/01/2010 to 06/30/2013	More than 11.5 to 14.5 years	0.00	0.00	0.00
10/06/2009[1] to 06/30/2010	More than 14.5 to 15.25 years	0.00	0.00	0.00
Total		**₱7,560,252.90**	**₱629,000.00**	**₱ 0.00**

Of the total balance of disallowances of ₱629,000.00, none is pending for appeal at various levels of adjudication pursuant to the COA Rules and Regulations on Settlement of Accounts (RRSA).

Lastly, of the total suspensions of ₱7,560,252.90, 100% is still for settlement by persons determined responsible. Under the RRSA, a suspension should be settled within 90 calendar days from receipt of the NS; otherwise, the transaction covered by it shall be disallowed/charged after the Auditor is fully satisfied that such action is appropriate. Consequently, the Auditor shall issue the corresponding ND/NC.

Status of Implementation of Prior Years' Recommendations

Of the 66 prior years' audit recommendations, two were implemented and 64 were unimplemented.

[1] COA Circular No. 2009-006