EXECUTIVE SUMMARY

Introduction

The Municipality of San Jose was created through the enactment of Republic Act No. 1212 dated May 9, 1955. It became a 4th class Municipality of the Province of Negros Oriental effective January 1, 2025. It is composed of 14 Barangays, six of which are located in the coastal area, and the rest are located in the hinterlands. According to the CY 2020 census, it had a population of 21,956 people.

As of December 31, 2024, it had a personnel complement of 346, as shown below:

Nature of Appointment to Office	*Quantity*
Elective Officials	12
Permanent Positions	71
Casuals	25
Job Orders	238
Total	**346**

Audit Objectives

The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) determine compliance of management with laws, rules, and regulations on the pre-identified audit thrusts/areas and recommend agency improvement opportunities thereon; and (c) 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 San Jose for CY 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interviews of concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary.

Financial Highlights

A comparative analysis of the Statement of Financial Position, as illustrated below, showed increases in assets, liabilities, and equity:

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	380,601,279.15	341,980,222.62	38,621,056.53
Liabilities	150,442,115.58	120,181,780.03	30,260,335.55
Government Equity	230,159,163.57	221,798,442.59	8,360,720.98

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Results of Operations			
Revenue	135,350,959.47	126,505,877.80	8,845,081.67
Personnel Services	(55,981,471.06)	(50,104,035.83)	5,877,435.23
Maintenance and Other Operating Expenses	(78,475,108.06)	(56,523,339.24)	21,951,768.82
Financial Expenses	(1,072,430.05)	(1,135,201.21)	(62,771.16)
Non-cash Expenses	(19,787,111.22)	(19,419,187.03)	367,924.19
Net Financial Assistance/ Subsidy	24,029,534.20	6,315,534.60	17,713,999.60
Net Surplus (Deficit)	4,064,373.28	5,639,649.09	(1,575,275.81)

The following table illustrates the decreases in the final budget or appropriations and the increase in actual amounts or obligations during the year:

Particulars	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Final Budget	231,250,441.48	238,213,825.58	(6,963,384.10)
Actual Amounts	156,720,957.44	154,719,289.80	2,001,667.64

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 exceptions to the effects of the following:

1. The non-reconciliation of a net difference amounting to ₱72,894,810.00 between the General Ledger balance and the Report on the Physical Count of Property, Plant and Equipment (PPE) rendered the PPE account balance, with a gross amount of ₱113,077,252.99 as of December 31, 2024, unreliable and inaccurate.

2. The Real Property Tax (RPT) and Special Education Tax (SET) Receivables were not established at the beginning of the year, thus, understating the RPT and SET Receivables by ₱21,686,500.81.

3. Biological Assets totaling ₱3,311,219.14 as of December 31, 2024, were not reported at fair value less costs to sell, rendering the reported account in the financial statements unreliable.

4. The Municipal Accountant did not prepare Journal Entry Vouchers (JEV) for book reconciling items in the Bank Reconciliation Statements (BRS) totaling ₱1,314,220.44, resulting in an understatement of both the Cash in Bank and Liability accounts by the same amount.

Significant Observations and Recommendations

The following are the significant audit observations and recommendations in the audit and/or evaluation of the operations of the Municipal Government for CY 2024. These, and other audit observations discussed by the Audit Team with Management in an exit conference on May 26, 2025, are fully presented in Part II of this Report.

1. **Stale checks amounting to ₱198,161.51 were still recorded as reconciling items in the Bank Reconciliation Statements (BRS), resulting in an understatement of the Cash in Bank - Local Currency, Current Account balance by the same amount.**

   We recommended that the Municipal Accountant make the necessary adjusting entries to account for the stale checks.

   We also recommended that the Municipal Accountant conduct a thorough review and analysis of the list of outstanding checks, and regularly prepare JEVs for the cancellation of stale checks to reflect the correct monthly balances of the Cash in Bank accounts.

Furthermore, we recommended that the Municipal Treasurer regularly issue written notice to the payees at least one month before a check becomes stales, informing them of the check's existence.

2. **Expenses for garbage collection and disposal totaling ₱170,215.00 were erroneously recorded under the Repairs and Maintenance- Land Improvements account instead of the "Environment/Sanitary Services" account, resulting in an understatement of the "Environment/Sanitary Services" account and an overstatement of the "Repairs and Maintenance – Land Improvement" account by the same amount.**

   We recommended that the Municipal Accountant use the appropriate account for garbage collection and disposal, as prescribed in COA Circular No. 2015-009 dated December 1, 2015.

3. **The Municipality risks losing potential revenue that could be used to finance development projects programs and activities (PPAs) due to a low collection of delinquent real property taxes (RPT) amounting to ₱25,770,471.90 as of December 31, 2024. Consequently, the Municipality.**

   We recommended and the Municipal Treasurer and Municipal Assessor agreed to conduct tax mapping to cleanse their records of real properties and post the Notice of Delinquency in the Payment of RPT pursuant to Section 254 of R.A 7160.

   We further recommended that, after the Notice of Delinquency in the Payment of RPT is posted, Management avail itself of the remedies provided under R.A. No. 7160 to collect delinquent taxes.

Summary of Total Suspensions, Disallowances, and Charges as of Year-End

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

	Beginning Balance (As of 1/1/2024)	This Period January 1 to December 31, 2024		Ending Balance (As of 12/31/24)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	877,232.72	0.00	0.00	877,232.72
Notice of Charge	0.00	0.00	0.00	0.00

Status of Implementation of Prior Years' Recommendations

Of the 24 audit recommendations contained in the CY 2024 and prior year's Annual Audit Reports, eight were fully implemented, while 16 were not implemented.