EXECUTIVE SUMMARY

Introduction

The City of Dumaguete is the capital of the Province of Negros Oriental and was created on June 15, 1948, by virtue of Republic Act (RA) No. 327. On June 21, 1969, RA No. 5797, otherwise known as the "Revised Charter of the City of Dumaguete," was enacted. It is classified as a 3rd class City pursuant to the Bureau of Local Government Finance Memorandum Circular No. 01-C(a)-05 dated December 16, 2005.

The City derives its mandate from RA 7160, known as the Local Government Code of 1991. The code empowers Local Government Units (LGUs) to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. It is committed to discharge its mandated functions and responsibilities with the highest degree of integrity, dedication and nationalism, and to deliver prompt, responsive and quality services to its constituents.

To improve the standard of living of all the constituents had been the main thrust of the City. To attain this goal, the City uses its resources to the maximum level by implementing programs, projects, and activities that benefit its constituents.

Audit Objectives

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.

Audit Methodology

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

Scope of Audit

An audit was conducted on the accounts and operations of the City of Dumaguete for CY 2024. The audit consisted of a review of operating procedures, evaluation of the City'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 LGU as at December 31, 2024 with comparative figures for 2023 are summarized as follows:

	2024	2023	Increase/(Decrease)	%
Assets	5,447,489,049.61	4,979,606,091.89	467,882,957.72	9.40%
Liabilities	1,222,438,143.11	1,123,209,006.31	99,229,136.80	8.83%
Equity	4,225,050,906.50	3,856,397,085.58	368,653,820.92	9.56%

Moreover, the Statement of Financial Performance presented both increase in revenue and expenses, as shown below:

	2024	2023	Increase/ (Decrease)	%
Revenue	1,243,787,223.05	1,169,988,050.30	73,799,172.75	6.31%
Expenses	950,861,597.17	871,473,488.47	79,388,108.70	9.11%
Surplus (Deficit) from current operations	292,925,625.88	298,514,561.83	(5,588,935.95)	(1.87%)
Transfers, Assistance and Subsidy From/(To)	76,834,135.43	46,561,963.30	30,272,172.13	65.01%
Surplus (Deficit) for the period	369,759,761.31	345,076,525.13	24,683,236.18	7.15%

Independent Auditor's Report on the Financial Statements (FS)

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

a. The existence and accuracy of the inventory accounts totaling ₱109,420,217.02 as of December 31, 2024 could not be fully ascertained because of the non-conduct of a physical count of inventories, incomplete report of issuances, incomplete Supplies Ledger Cards (SLCs) and Stock Cards (SCs), and inclusion of dormant items amounting ₱19,815,169.11, thus, overstating the asset and equity accounts;

b. The accuracy and reliability of the Road Networks account totaling ₱97,548,062.80 could not be ascertained due to incomplete inventory reports, ledger and property cards, absence of depreciation and non-disclosure of the total road networks in the Notes to the Financial Statements, contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby affecting the fair presentation of the account in the financial statements;

c. Various maintenance and operating expenses, amounting ₱55,893,386.84, were lumped under the Other Maintenance and Operating Expenses account, instead of being classified under the appropriate expense accounts, inconsistent with Paragraph 27 of IPSAS 1 and COA Circular No. 2015-009 dated December 1, 2015, thus, affecting the fair presentation of the affected accounts in the financial statements as of year-end;

d. The inadequate monitoring of fund transfers to various Non-Government Organizations (NGOs) or People's Organizations (POs) since 1994 has led to an accumulated balance of ₱46,497,781.78, which contradicts COA Circular 2007-001 dated October 25, 2007, and adversely affects the reliability of the year-end financial statement account balances;

e. Completed projects funded by the 20 percent Economic Development Fund (EDF) amounting to ₱45,718,667.86, still remained in the Construction in Progress (CIP) Accounts, inconsistent with Paragraph 27 of IPSAS 1 and Section 50 of the NGAS Manual for LGUs, Volume I, thereby overstating the CIP account and understating the appropriate Property, Plant and Equipment (PPE) and Depreciation Expense accounts;

f. Tangible items below ₱50,000.00, accounted as semi-expendable property, totalling ₱45,600,127.26, are included in the PPE account due to the non-implementation of the change in accounting policy retroactively, thus, affecting the fair presentation of the PPE account in the financial statements;

g. The Buildings, Hospitals and Health Centers, and Motor Vehicles accounts of the City include items, totaling ₱4,655,979.35, that do not meet the asset recognition criteria, contrary to IPSAS 1 and 17, and Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, thus affecting the fair presentation of these accounts in the financial statements; and

h. The reported balance of the Biological Assets account, totaling ₱1,123,860.00, is uncertain due to: (a) incomplete and unreconciled inventory count; (b) dormant accounts exceeding ten years; (c) non-maintenance of required ledger and property cards; and (d) the lack of recognition and measurement of stocks in accordance with IPSAS 27, thus affecting the accurate presentation of the accounts in the financial statements.

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:

a. One hundred twenty-one (121) parcels of land of undetermined value, acquired through donation, were not recorded in the books due to delays of concerned offices in providing the City Accountant with the Deeds of Donation, valuation reports, titles, and other supporting documents, contrary to Section 63 of PD No. 1445, thereby understating both the asset and equity accounts as at year-end.

We recommended that Management enhance the coordination and communication between the City Legal Office (CLO), City Assessor's Office, City General Services Office (CGSO) and CAO to expedite property valuation and documentation process by establishing a tracking system or timeline for property documentation. A focal person from each office could be designated to oversee the timely submission and follow-up on any missing documents.

b. The Local Disaster Risk Reduction and Management Fund (LDRRMF) has ₱12,052,699.82 in continuing appropriations for capital outlay that remained unutilized as of year-end due to inadequate monitoring of the implementation of 26 projects, which deviated from Items 5.1.5 and 5.1.11 of COA Circular No. 2012-002 dated September 12, 2012, thereby posing risks that the City may not be adequately prepared for the adverse impacts of disasters and calamities.

   We recommended that the City Disaster Risk Reduction and Management Officer (CDRRM Officer), City Engineer, and City Accountant designate personnel to oversee the verification of completion of the 26 projects under the LDRRMF Continuing Appropriation-Capital Outlay of CYs 2016-2019, through comprehensive review and retrieval of relevant documents to facilitate a timely liquidation process. Furthermore, we recommended that, upon project completion and proper liquidation, the City Accountant make the necessary accounting entries to transfer the assets to the General Fund.

Summary of total suspensions, disallowances, and charges as of year-end

The reported audit suspensions, disallowances, and charges of the City of Dumaguete as of 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	₱ 303,822,104.49	0.00	0.00	₱ 303,822,104.49
Disallowances	51,707,298.00	0.00	0.00	51,707,298.00
Charges	0.00	0.00	0.00	0.00

Status of prior years' audit recommendations

Of the 75 prior years' audit recommendations, nine (9) were implemented, and 66 were not implemented.