EXECUTIVE SUMMARY

Introduction

The City of Tanjay was created in 2001 under Republic Act (R.A.) No. 9026, otherwise known as "An Act Converting the Municipality of Tanjay, Province of Negros Oriental into a Component City to be known as the City of Tanjay." It is classified as a 4th class city. As of December 31, 2024, it had a personnel complement of 3,072, detailed as follows:

Nature of Appointment to Office	*Number*
Elective Officials	14
Permanent Positions	567
Co-terminous Positions	34
Job Orders (Office-Based)	925
Job Orders (Field-Based)	1,532
Total	**3,072**

The City derives its mandates from R.A. No. 7160, known as the Local Government Code of 1991. The Code empowers local government units to exercise efficient and effective governance essential to the promotion of the welfare of, and the provision of basic services and facilities to its constituents. It is committed to discharging its mandated functions and responsibilities with the highest degree of integrity, dedication, and nationalism, and delivering prompt, responsive, and quality service to its constituents.

Improving the standard of living of all the constituents has been the main thrust of the City. To attain this noble goal, the City uses its resources to the maximum level by implementing programs and projects for the benefit of its constituents.

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.

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.

Scope of Audit

The audit covered the operations of the City of Tanjay for the calendar year 2024. The audit consisted of 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.

In compliance with the General Audit Instructions dated 30 October 2024 of the Office of the Assistant Commissioner, Local Government Sector and in the Specific Audit Instructions dated 11 November 2024 of the Office of the Regional Director, Local Government Audit Sector, the following were the significant thrust areas that were looked into:

1. Cash in Bank
2. Cash, Local Treasury
3. PPE
4. Inventories
5. Accounts Payable
6. Taxes withheld from employees and suppliers and remittances to the Bureau of Internal Revenue in accordance with RA No. 8424 and its IRR under BIR RR No. 02798
7. Premium contributions and loan amortization to the Government Service Insurance System and Home Development Mutual Fund in accordance with RA No. 8291 and RA No. 9679, respectively
8. Premium contributions and remittance to PhilHealth in accordance with RA No. 7875, as amended

Financial Highlights

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

Account/Particulars	Amount (₱)		
	2024	2023	Increase/(Decrease)
Assets	3,408,701,365.28	3,056,294,157.65	352,407,207.63
Liabilities	804,258,002.90	516,615,997.85	287,642,005.05
Equity	2,604,443,362.38	2,539,678,159.80	64,765,202.58
Revenue	940,802,925.44	889,821,021.60	50,981,903.84
Personal Services	331,959,944.75	296,166,640.57	35,793,304.18
Maintenance and Other Operating Expenses	414,323,004.15	406,812,832.23	7,510,171.92
Financial Expenses	1,920,795.80	2,039,975.96	(119,180.16)
Non-cash Expenses	105,736,786.69	170,823,097.70	(65,086,311.01)
Net Subsidy	(29,510,707.66)	(3,791,029.63)	(25,719,678.03)
Surplus/(Deficit)	57,351,686.39	10,187,445.51	47,164,240.88

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the financial statements of the City of Tanjay for the year ended December 31, 2024, due to the following exceptions:

1. The validity, existence, and accuracy of the Property, Plant and Equipment (PPE) accounts totaling ₱753,170,785.01 could not be ascertained due to the unreconciled difference of ₱9,530,828.25 between the PPE balances in the Report on the Physical Count of PPE (RPCPPE) and the books of accounts, thus affecting the fair presentation thereof in the Financial Statements. These unreconciled differences could have been properly and adequately addressed had Management implemented the one-time cleansing of PPE.

2. The accuracy and reliability of the Local Road Network (LRN) account balance totaling ₱545,659,882.49 could not be ascertained due to the: (a) non-conduct of inventory of local roads and non-preparation of a separate Report on the Physical Count of LRN; (b) non-maintenance of the LRN Ledger Card and LRN Property Card showing a complete description and cost segregation of LRN components; (c) non-provision of depreciation for LRN items; and (d) lack of full disclosure of the total road networks in the Notes to the Financial Statements, thereby affecting the fair presentation of the account in the financial statements.

3. Various inventory accounts totaling ₱151,601,129.37 were still recorded in the books despite their non-existence because the Summary of Supplies and Materials Issued was not completely prepared or recorded in the books, thereby affecting the fair presentation of the inventory accounts in the financial statements.

4. Fourteen completed projects under the Trust Fund (TF) totaling ₱87,392,781.11 were not transferred to the General Fund (GF) due to insufficient monitoring and improper recording, thus, overstating the Construction in Progress account in the TF while understating the related PPE accounts in the GF by the same amount, as well as the depreciation expense by ₱29,358,125.96, which affected the fair presentation of these accounts in the financial statements.

5. The presence of accounts totaling ₱32,174,051.07 that have remained outstanding for more than two years and which may no longer represent valid claims but were not reverted to the unappropriated surplus casts doubt on the reliability and validity of the Accounts Payable balance of ₱141,031,284.69 in the Financial Statements and precludes any beneficial use of said funds. Moreover, payables totaling ₱798,241.42 were merely estimated obligations which overstated both the liability and related expense accounts and understated the City's actual results of operations.

6. The Fuel, Oil, and Lubricants Inventory balance of ₱25,390,434.14 was overstated while the related expense account was understated because the utilization thereof was not appropriately recognized in the books, thereby affecting the fair presentation of the account in the financial statements.

7. Inventory procedures for the procurement of supplies and materials totaling ₱20,835,818.81 were not in accordance with Sections 114, 120, 121, and 122, Chapter 7 of the Manual on New Government Accounting System for LGUs, Volume I, resulting in an understatement of the inventory and an overstatement of the expense accounts, a breakdown of internal controls in property and supply management, and an increased risk of exposing unissued supplies to loss or misuse.

8. Communication expenses were erroneously charged against the appropriation for Office Supplies Expenses instead of Telephone Expenses, thus, affecting the fair presentation of the aforementioned accounts in the financial statements as at December 31, 2024.

Significant Audit Observations and Recommendations

In addition to the above-noted deficiencies, below are the significant observations and recommendations in the audit and/or evaluation of the operations of the City of Tanjay for the year 2024:

1. **Communication expenses amounting to ₱301,229.28 was incurred in excess of the available appropriations for Telephone Expenses, thus, resulting in illegal expenditures considered as the personal liability of the approving officers per Section 87 of Presidential Decree (P.D.) No. 1445.**

   We recommended that the City Budget Officer, together with the approving officers, refund the overdraft totaling ₱301,229.28 upon issuance of the Notice of Disallowance, and henceforth ensure that funds are available for the planned expenditures in accordance with P.D. No. 1445.

2. **Transportation allowances totaling ₱334,156.25 were paid to four Office Heads (OH) despite being assigned with government vehicle(s), contrary to Department of Budget and Management (DBM) Local Budget Circular (LBC) No. 103 and COA Circular No. 2012-003, thus, rendering the payments illegal. Moreover, several vehicles were assigned to the same employee which is considered excessive and detrimental to the economical use of government funds and property.**

   We recommended that the four OHs refund the illegal disbursements totaling ₱334,156.25 upon issuance of the Notice of Disallowance because they were not entitled to receive the Transportation Allowance.

   We further recommended that the concerned OHs justify why several vehicles were assigned to the same accountable officer.

   Henceforth, we recommended that the City desist from paying Transportation Allowances to city officials or employees with assigned vehicle(s) in compliance with DBM LBC No. 103, dated May 15, 2013 and COA Circular No. 2012-003.

The foregoing and other audit observations and recommendations are fully discussed in Part II of this Report.

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

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

	Beginning Balance (As of 31 December 2023)	This Period January 1 to December 31, 2024		Ending Balance (As of 31 December 2024)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 37,493,914.54			₱ 37,493,914.54
Notice of Disallowance	44,603,865.00			44,603,865.00

Status of Implementation of Prior Years' Audit Recommendations

Of the 123 prior years' audit recommendations, 4 were merged due to similarity of issues raised and 1 was issued with a Notice of Disallowance. Of the remaining 118 audit recommendations, 12 were implemented and 106 were unimplemented.