



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**

**MUNICIPALITY OF BASAY**  
**Province of Negros Oriental**

For the Year Ended December 31, 2024

## EXECUTIVE SUMMARY

### Introduction

Basay is a 4<sup>th</sup> class Municipality in the Province of Negros Oriental. It is located in the southern portion of the province and based on the 2020 census, it had a population of 28,531. It was formerly called Busay, which means Spring because of the abundance of springs in the area. Pursuant to Republic Act No. 7160, otherwise known as the Local Government Code of 1991, 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	69
Casuals	53
Job Orders/Contract of Service	249
<b>Total</b>	<b>385</b>

### 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 Basay 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 Basay as of December 31, 2024, with comparative figures for 2023 are summarized as follows:

<b>Statement of Financial Position</b>			
	<b>2024</b>	<b>2023</b>	<b>Increase/ (Decrease)</b>
Assets	₱ 514,465,869.67	₱ 503,058,794.49	₱ 11,407,075.18
Liabilities	166,056,060.17	194,075,201.53	(28,019,141.36)
Equity	₱ 348,409,809.50	₱ 308,983,592.96	₱ 39,426,216.54

<b>Results of Operations</b>			
	<b>2024</b>	<b>2023</b>	<b>Increase/ (Decrease)</b>
Revenues	₱ 190,770,213.10	₱ 151,854,528.37	₱ 38,915,684.73
Personal Services	72,100,126.49	60,306,365.40	11,793,761.09
MOOE	108,699,009.57	100,255,242.43	8,443,767.14
Financial Expenses	14,115,781.41	11,075,475.33	3,040,306.08
Non-Cash Expenses	8,123,852.22	6,935,359.64	1,188,492.58
Transfers, Assistance and Subsidy from (to)	48,374,361.45	18,494,731.09	29,879,630.36
Net Profit/ (Loss)	₱ 36,105,804.86	₱ (8,223,183.34)	₱ 44,328,988.20

## 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 Property, Plant and Equipment (PPE) accounts valued at ₱439,554,040.51, which include movable properties amounting to ₱66,016,501.17, cannot be verified, because the one-time cleansing procedures were not completed, particularly the conduct of physical count of the Municipality's properties. Moreover, ₱133,995,806.25 of the total PPE were not provided with annual depreciation, thereby overstating the asset and

equity accounts by the amount of depreciation that should have been applied to these properties.

Further, the total receivables were understated by ₱54,931,515.89 because no Real Property Tax and Special Education Tax receivables were reported in the financial statements due to the absence of coordination between the responsible offices. Also, the accuracy of the cash in bank balance cannot be assured due to the substantial discrepancy of ₱8,011,497.85 between the reported balance in the financial reports and bank statements, which is yet to be reconciled.

Lastly, inventories totaling ₱14,179,441.45 were immediately recognized as expenses for the audited year, instead of remaining in inventory, thus, overstating the expenses and understating the inventories by the same amount.

### **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. Expenditures totaling ₱9,806,881.38 incurred for serving meals and snacks, honoraria, equipment and inventories were incorrectly classified as Other Maintenance and Operating Expenses (5-02-99-990), and negatively impacts the effectiveness of financial information available for Management's decision-making.**

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, Extraordinary and Miscellaneous Expenses, etc. We further recommended that the Municipal Accountant, henceforth, strictly follow the Revised Chart of Accounts. Lastly, we recommended that the Municipal Budget Officer, in coordination with the Municipal Treasurer and Municipal Accountant, ensure that annual appropriation and disbursement of funds for discretionary purposes are within the statutory limit provided.

- 2. Procurement of various goods, materials, and supplies totaling ₱3,456,340.65 was not supported by appropriate and complete documentation, thus, the propriety and validity of the related disbursements could not be established.**

We recommended that the Management, henceforth, ensure that all purchases are supported by the appropriate and complete documentation.

- 3. Cash advances totaling ₱3,379,262.99, of which ₱3,258,786.99 has been outstanding for over three years, remain unliquidated as of December 31, 2024, despite management's efforts to compel the concerned officials and employees to effect settlement, thus the related receivable and expense accounts in the financial statements are still not fairly presented. Moreover, the unutilized government funds in the possession of the accountable persons are exposed to the risk of loss or unauthorized use.**

We recommended that the Municipal Accountant issue final demand letters directing the individuals involved to immediately liquidate all outstanding cash advances. If no liquidation is made, we recommend that the Municipal Accountant impose the sanction of withholding the salaries of those who still fail to settle their accounts after receiving notice. We further recommended that Management take aggressive measures to compel all accountable officers to settle their accounts, including the filing of appropriate administrative proceedings.

- 4. Procurement contracts entered into by the Municipal Government, and disbursements related thereto, amounting to at least ₱3,456,340.65, 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.**

We recommended that Management, 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.

- 5. The Municipal Government incurred costs for meals and snacks served during regular and administrative meetings, budget and public hearings, social pension payouts, courtesy calls, and similar events, totaling ₱1,164,842.50, and inappropriately charged these costs to Other Supplies and Materials Expenses, leading to unnecessary expenditures and excessive disbursements beyond the allowable limit for discretionary spending.**

We recommended that Management, henceforth, ensure that annual appropriations and disbursements for discretionary purposes or those relating to Extraordinary and Miscellaneous Expenses do not exceed the statutory threshold. We further recommended that meals and snacks served during regular and administrative meetings of local officials and employees be charged to the appropriations for EME, to the extent of its threshold, and representation allowances of officials concerned.

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 (01/01/2024)	This Period 01/01 to 12/31/2024		Ending Balance (12/31/2024)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱13,983,906.40	0.00	0.00	₱13,983,906.40
Notice of Disallowance	2,312,910.00	0.00	0.00	2,312,910.00
Notice of Charge	0.00	0.00	0.00	0.00

**Status of Implementation of Prior Years’ Audit Recommendations**

Of the 65 prior years’ recommendations, 26 were implemented and 39 were unimplemented.

## TABLE OF CONTENTS

<u>Part</u>	<u>Subject</u>	<u>Page No.</u>
I	Audited Financial Statements	1
II	Audit Observations and Recommendations	22
III	Status of Implementation of Prior Years' Audit Recommendations	56
IV	Appendices	

# **PART I – AUDITED FINANCIAL STATEMENTS**



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

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

## **INDEPENDENT AUDITOR'S REPORT**

### **HONORABLE FATIMA C. CAÑAMAQUE**

Municipal Mayor  
Municipal Government of Basay  
Province of Negros Oriental

### **Qualified Opinion**

We have audited the financial statements of the Municipality of Basay, 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 Basay 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 Property, Plant and Equipment (PPE) accounts valued at ₱439,554,040.51, which include movable properties amounting to ₱66,016,501.17, cannot be verified, because one-time cleansing procedures were not completed, particularly the conduct of physical count of the Municipality's properties. Moreover, ₱133,995,806.25 of the total PPE were not provided with annual depreciation, thereby overstating the asset and equity accounts by the amount of depreciation that should have been applied to these properties.

Further, the total receivables were understated by ₱54,931,515.89, because no Real Property Tax and Special Education Tax receivables were reported in the financial statements due to the absence of coordination between the responsible offices. Also, the accuracy of the cash in bank balance cannot be assured due to the substantial discrepancy of ₱8,011,497.85 between the reported balance in the financial reports and bank statements, which is yet to be reconciled.

Lastly, inventories totaling ₱14,179,441.45 were immediately recognized as expenses for the audited year, instead of remaining in inventory, thus, overstating the expenses and understating the inventories by the same amount.

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

June 10, 2025




Republic of the Philippines  
Province of Negros Oriental  
MUNICIPALITY OF BASAY

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of municipality of Basay is responsible for all 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.

  
ROMULO M. JO, JR., CPA, MBA  
Municipal Accountant

Date Signed: 2/14/2025

  
FATIMA C. CANAMAQUE  
Municipal Mayor

Date signed: 2/14/25

Republic of the Philippines  
Province of Negros Oriental  
**MUNICIPALITY OF BASAY**

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

	<i>Note</i>	<u>2024</u>		<u>2023</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	4	₱ 60,509,818.05	₱	74,067,205.10
Receivables	5	10,467,810.83		11,224,053.72
Inventories	6	2,714,992.87		1,449,743.20
Prepayments and Deferred Charges	7	860,362.41		832,992.50
<b>Total Current Assets</b>		<b>₱ 74,552,984.16</b>	<b>₱</b>	<b>87,573,994.52</b>
<b>Non-Current Assets</b>				
Property, Plant and Equipment	8	₱ 439,554,040.51	₱	415,125,954.97
Biological Assets	9	358,845.00		358,845.00
<b>Total Non-Current Assets</b>		<b>439,912,885.51</b>		<b>415,484,799.97</b>
<b>Total Assets</b>		<b>₱ 514,465,869.67</b>	<b>₱</b>	<b>503,058,794.49</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Financial Liabilities	10.1	₱ 21,595,223.37	₱	30,785,932.29
Inter-Agency Payables	10.2	30,420,393.61		38,917,684.06
Intra-Agency Payables	10.3	1,756,466.05		1,838,161.46
Trust Liabilities	10.4	136,230.71		173,930.71
Deferred Credits/Unearned Income	10.5	1,676,696.53		1,676,696.53
Other Payables	10.6	11,192,842.91		10,950,806.02
<b>Total Current Liabilities</b>		<b>₱ 66,777,853.18</b>	<b>₱</b>	<b>84,343,211.07</b>
<b>Non-Current Liabilities</b>				
Financial Liabilities	11	₱ 98,413,876.54	₱	108,856,913.56
Other Payables	11	864,330.45		875,076.90
<b>Total Non-Current Liabilities</b>		<b>99,278,206.99</b>		<b>109,731,990.46</b>
<b>Total Liabilities</b>		<b>₱ 166,056,060.17</b>	<b>₱</b>	<b>194,075,201.53</b>
<b>NET ASSETS/EQUITY</b>				
Government Equity		₱ 348,409,809.50	₱	308,983,592.96
<b>Total Liabilities and Net Assets/Equity</b>		<b>₱ 514,465,869.67</b>	<b>₱</b>	<b>503,058,794.49</b>

*See accompanying Notes to Financial Statements.*

Republic of the Philippines  
Province of Negros Oriental  
**MUNICIPALITY OF BASAY**

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

	<i>Note</i>	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Revenue</b>			
Tax Revenue	<i>12</i>	₱ 2,844,284.35	1,721,258.95
Share from Internal Revenue Collections	<i>13</i>	155,434,108.00	146,296,000.00
Service and Business Income	<i>14</i>	4,022,317.60	3,837,269.42
Shares, Grants and Donations	<i>15</i>	28,469,503.15	0.00
<b>Total Revenue</b>		<u><b>₱ 190,770,213.10</b></u>	<u><b>₱ 151,854,528.37</b></u>
<b>Less: Current Operating Expenses</b>			
Personnel Services	<i>16</i>	₱ 72,100,126.49	₱ 60,306,365.40
Maintenance and Other Operating Expenses	<i>17</i>	108,699,009.57	100,255,242.43
Non-cash Expenses	<i>18</i>	14,115,781.41	11,075,475.33
Financial Expenses	<i>19</i>	8,123,852.22	6,935,359.64
<b>Current Operating Expenses</b>		<u><b>₱ 203,038,769.69</b></u>	<u><b>₱ 178,572,442.80</b></u>
<b>Surplus (Deficit) from Current Operation</b>		<u><b>₱ (12,268,556.59)</b></u>	<u><b>₱ (26,717,914.43)</b></u>
Add (Deduct):			
Transfers, Assistance and Subsidy From	<i>20</i>	₱ 48,414,361.45	₱ 22,642,154.25
Transfers, Assistance and Subsidy To	<i>21</i>	(40,000.00)	(4,147,423.16)
<b>Surplus (Deficit) for the period</b>		<u><b>₱ 36,105,804.86</b></u>	<u><b>₱ (8,223,183.34)</b></u>

*See accompanying Notes to Financial Statements.*

Republic of the Philippines  
Province of Negros Oriental  
**MUNICIPALITY OF BASAY**

**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>
<b>Balance at January 1</b>	₱ 308,983,592.96	₱ 307,855,027.14
Add (Deduct)		
Change in Accounting Policy	0.00	0.00
Prior Period Adjustments	3,320,411.68	9,351,749.16
<b>Restated Balance</b>	<u>₱ 312,304,004.64</u>	<u>₱ 317,206,776.30</u>
<b>Add (Deduct) Changes in net assets/equity during the year</b>		
Adjustment of net revenue recognized directly in net assets/equity	₱ 0.00	₱ 0.00
Surplus (Deficit) for the period	36,105,804.86	(8,223,183.34)
<b>Total recognized revenue and expenses for the period</b>	<u>₱ 36,105,804.86</u>	<u>₱ (8,223,183.34)</u>
<b>Balance at December 31</b>	<u>₱ 348,409,809.50</u>	<u>₱ 308,983,592.96</u>

Republic of the Philippines  
Province of Negros Oriental  
**MUNICIPALITY OF BASAY**

**Statement of Cash Flows**  
For the Year Ended December 31, 2024  
(With Comparative Figures for CY 2023)

	<i>Note</i>	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Cash Flows from Operating Activities</b>			
<b>Cash Inflows</b>			
Collection from Taxpayers		P 1,654,015.20	P 1,152,170.32
Share from Internal Revenue Allotment		155,434,108.00	146,296,000.00
Receipts from business/service income		3,995,508.72	3,798,289.82
Interest Income		25,724.64	38,129.19
Other Receipts		48,631,958.68	36,807,390.35
<b>Total Cash Inflows</b>		<u><b>P 209,741,315.24</b></u>	<u><b>P 188,091,979.68</b></u>
<b>Cash Outflows</b>			
Payment to Suppliers and Creditors		P 115,379,487.89	P 78,219,883.55
Payment to Employees		75,759,163.88	68,972,019.17
Other Expenses		11,046,202.38	12,890,493.97
<b>Total Cash Outflows</b>		<u><b>P 202,184,854.15</b></u>	<u><b>P 160,082,396.69</b></u>
<b>Net Cash Flow from Operating Activities</b>	22	<u><b>P 7,556,461.09</b></u>	<u><b>P 28,009,582.99</b></u>
<b>Cash Flows from Investing Activities</b>			
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		P 14,919,905.64	P 88,925,629.26
<b>Total Cash Outflows</b>		<u><b>P 14,919,905.64</b></u>	<u><b>P 88,925,629.26</b></u>
<b>Net Cash from Investing Activities</b>		<u><b>P (14,919,905.64)</b></u>	<u><b>P (88,925,629.26)</b></u>
<b>Cash Flows from Financing Activities</b>			
<b>Cash Inflows</b>			
Proceeds from Loans		P 0.00	P 54,722,842.23
<b>Total Cash Inflows</b>		<u><b>P 0.00</b></u>	<u><b>P 54,722,842.23</b></u>
<b>Cash Outflows</b>			
Payment of loan amortization		P 6,193,942.50	P 22,126,340.92
<b>Total Cash Outflows</b>		<u><b>P 6,193,942.50</b></u>	<u><b>P 22,126,340.92</b></u>
<b>Net Cash from Investing Activities</b>		<u><b>P (6,193,942.50)</b></u>	<u><b>P 32,596,501.31</b></u>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>		<u><b>(13,557,387.05)</b></u>	<u><b>(28,319,544.96)</b></u>
<b>Add: Cash at the Beginning of the year</b>		74,067,205.10	102,386,750.06
<b>Cash Balance at the End of the Year</b>		<u><b>P 60,509,818.05</b></u>	<u><b>P 74,067,205.10</b></u>

*See Accompanying Notes to Financial Statements*

Municipality of Basay, Negros Oriental  
**Statement of Comparison of Budget and Actual Amounts**  
For the Year Ended December 31, 2024  
(With Comparative Figures for CY 2023)

Particulars	Budgeted Amounts				Difference Original and Final Budget		Actual amounts		Difference Final Budget and Actual	
	Original		Final		2024	2023	2024	2023	2024	2023
	2024	2023	2024	2023						
<b>Revenue</b>										
A. Local Sources										
1. Tax Revenue										
a. Tax Revenue- Property	2,844,284.35	1,721,259.32	2,844,284.35	1,721,259.32	-	-	2,844,284.35	1,721,259.32	-	-
b. Tax Revenue – Goods and Services	3,995,508.72	3,771,691.63	3,995,508.72	3,771,691.63	-	-	3,995,508.72	3,771,691.63	-	-
c. Other Local Taxes	-	-	-	-	-	-	-	-	-	-
Total Tax Revenue	6,839,793.07	5,492,950.95	6,839,793.07	5,492,950.95	-	-	6,839,793.07	5,492,950.95	-	-
2. Non-Tax Revenue										
a. Service Income	-	-	-	-	-	-	-	-	-	-
b. Business Income	27,578.89	1,526.00	27,578.89	1,526.00	-	-	-	1,526.00	27,578.89	-
c. Other Income and Receipts	28,496,312.03	40,328.28	28,496,312.03	40,328.28	-	-	28,496,312.03	40,328.28	-	-
Total Non-Tax Revenue	28,523,890.92	41,854.28	28,523,890.92	41,854.28	-	-	28,496,312.03	41,854.28	27,578.89	-
B. External Sources										
1. Share from the National Internal Revenue Ta:	155,434,108.00	146,296,000.00	155,434,108.00	146,296,000.00	-	-	155,434,108.00	146,296,000.00	-	-
2. Other Receipts	-	-	-	-	-	-	-	-	-	-
Grants and Donations	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues and Receipts</b>	<b>190,797,791.99</b>	<b>151,830,805.23</b>	<b>190,797,791.99</b>	<b>151,830,805.23</b>	<b>-</b>	<b>-</b>	<b>190,770,213.10</b>	<b>151,830,805.23</b>	<b>27,578.89</b>	<b>-</b>
<b>Expenditures</b>										
<b>General Public Services</b>										
Personnel Services	46,752,168.00	45,218,648.00	47,810,185.00	48,343,648.00	(1,058,017.00)	(3,125,000.00)	39,891,732.74	44,850,295.27	7,918,452.26	3,493,352.73
Maintenance and Other Operating Expenses	30,772,995.25	28,138,590.26	51,783,646.02	59,729,054.41	(21,010,650.77)	(31,590,464.15)	40,549,184.70	43,343,351.79	11,234,461.32	16,385,702.62
Capital Outlay	600,000.00	1,100,000.00	11,002,488.34	8,725,000.00	(10,402,488.34)	(7,625,000.00)	10,317,488.34	7,625,000.00	685,000.00	1,100,000.00
<b>Education</b>										
Personnel Services	-	-	-	-	-	-	-	-	-	-
Maintenance and Other Operating Expenses	484,090.73	317,000.00	484,090.73	317,000.00	-	-	484,090.73	317,000.00	-	-
Capital Outlay	58,000.00	163,000.00	58,000.00	163,000.00	-	-	51,389.00	163,000.00	6,611.00	-
<b>Health, Nutrition and Population Control</b>										
Personnel Services	12,140,542.00	11,014,088.00	12,390,163.00	11,338,390.00	(249,621.00)	(324,302.00)	12,390,163.00	11,338,390.00	-	-
Maintenance and Other Operating Expenses	10,310,200.00	9,577,050.00	11,917,200.00	11,233,050.00	(1,607,000.00)	(1,656,000.00)	11,917,200.00	11,233,050.00	-	-
Capital Outlay	-	-	225,000.00	269,000.00	(225,000.00)	(269,000.00)	225,000.00	269,000.00	-	-
<b>Social Services and Social Welfare</b>										
Personnel Services	983,974.00	903,907.00	999,960.00	903,907.00	(15,986.00)	-	999,960.00	903,907.00	-	-
Maintenance and Other Operating Expenses	463,900.00	220,000.00	463,900.00	220,000.00	-	-	463,900.00	220,000.00	-	-

Particulars	Budgeted Amounts				Difference Original and Final Budget		Actual amounts		Difference Final Budget and Actual	
	Original		Final		2024	2023	2024	2023	2024	2023
	2024	2023	2024	2023						
<b>Economic Services</b>										
Personnel Services	7,361,499.00	6,278,193.00	7,529,268.00	6,778,193.00	(167,769.00)	(500,000.00)	7,529,268.00	6,778,193.00	-	-
Maintenance and Other Operating Expenses	2,050,035.00	1,616,100.00	2,170,035.00	4,315,100.00	(120,000.00)	(2,699,000.00)	2,170,035.00	4,315,100.00	-	-
Capital Outlay	-	-	584,400.00	300,000.00	(584,400.00)	(300,000.00)	584,400.00	300,000.00	-	-
<b>LDRRMF</b>										
Maintenance and Other Operating Expenses	8,094,781.19	2,879,335.02	8,094,781.19	2,879,335.02	-	-	6,421,545.52	968,463.00	1,673,235.67	1,910,872.02
Capital Outlay	-	2,422,496.06	-	2,422,496.06	-	-	-	497,892.00	-	1,924,604.06
<b>20% Development Fund</b>										
Maintenance and Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
Capital Outlay	31,087,420.80	29,277,537.20	31,087,420.80	29,277,537.20	-	-	27,290,128.15	15,647,858.09	3,797,292.65	13,629,679.11
<b>Debt service</b>										
Financial Expense	-	-	-	-	-	-	8,123,852.22	-	(8,123,852.22)	-
<b>Allocation for Senior Citizens and PWD</b>										
Maintenance and Other Operating Expenses	1,618,956.24	1,514,808.88	1,618,956.24	1,514,808.88	-	-	1,181,313.00	1,135,370.00	437,643.24	379,438.88
Capital Outlay	-	-	-	-	-	-	-	-	-	-
<b>Others</b>										
Personnel Services	-	-	-	-	-	-	-	-	-	-
Maintenance and Other Operating Expenses	9,659,152.23	7,584,044.40	9,659,152.23	7,584,044.40	-	-	8,386,381.62	4,913,786.00	1,272,770.61	2,670,258.40
Capital Outlay	-	1,463,876.86	-	1,463,876.86	-	-	-	607,689.11	-	856,187.75
<b>Continuing Appropriations (Capital Outlay)</b>										
General Public Services	21,906,349.17	23,289,911.58	-	-	21,906,349.17	23,289,911.58	-	-	-	-
Education	360,643.73	180,030.00	360,643.73	180,030.00	-	-	-	180,030.00	360,643.73	-
<b>Total</b>	<b>184,704,707.34</b>	<b>173,158,616.26</b>	<b>198,239,290.28</b>	<b>197,957,470.83</b>	<b>(13,534,582.94)</b>	<b>(24,798,854.57)</b>	<b>178,977,032.02</b>	<b>155,607,375.26</b>	<b>19,262,258.26</b>	<b>42,350,095.57</b>
<b>Surplus (Deficit) for the period</b>	<b>6,093,084.65</b>	<b>(21,327,811.03)</b>	<b>(7,441,498.29)</b>	<b>(46,126,665.60)</b>	<b>13,534,582.94</b>	<b>24,798,854.57</b>	<b>11,793,181.08</b>	<b>(3,776,570.03)</b>	<b>(19,234,679.37)</b>	<b>(42,350,095.57)</b>

**PART II**  
**AUDIT OBSERVATIONS AND**  
**RECOMMENDATIONS**

## **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

### **FAVORABLE OBSERVATIONS**

#### *Awards and Recognitions*

The Municipal Government of Basay received 24 awards and recognition in the calendar year 2024, from various levels – provincial, regional, and national.

On a national scale, the Municipality received the Emilio Aguinaldo Award for its support and commitment to the National Voluntary Blood Services Program, achieving the target of 0.88% for non-remunerated, voluntary blood donation for the year 2023.

In the regional sphere, the Department of Social Welfare and Development (DSWD) presented the Financial Accomplishment Achiever Award to LGU- Basay for successfully achieving all Finance KPI Targets- 100% in utilization, liquidation, accounts closed, and assets booked during the KALAHI-CIDDS NCDDP Regional Fiduciary Review and closing requirement workshop. The Municipal Health Office was presented with the certificate of appreciation for its invaluable contribution and exemplary dedication towards the attainment of health goals and the successful implementation of the National Immunization Program and COVID-19 Vaccination. Furthermore, the Central Visayas Center for Health Development awarded the Active in Risk Management, Outstanding in Risk Reduction in Emergencies and Disasters for the LGU's exemplary efforts in achieving full compliance with the Disaster Risk Reduction and Management in Health Institutionalization in Central Visayas.

The Bureaus of Local Government Finance and the Association of Local Treasurers and Assessors in Region 7 also granted the Director's Citation award to the employees of the Municipality of Basay, namely: Ms. Mary Jane P. Ayson – outstanding Municipal QRRPA focal person and Ms. Rhoda T. Banquerigo – outstanding Municipal eSRE focal person for their dedicated and efficient service in the preparation of reports for CY 2023.

At the provincial level, the Municipality received a certificate of recognition for achieving an 89% compliance rate among 4Ps households in health program condition for the year 2023 from the DSWD during the Negros Oriental & Siquijor Local Chief Executives Consultation Dialogue. A certificate of appreciation was also awarded to the Municipality by the Provincial Health Office for its commitment and efforts in conducting various Mobile Donation Activities that contribute to sustaining the National Voluntary Blood Services Program in the Province of Negros Oriental.

## FINANCIAL AUDIT

*No depreciation for some PPE items - ₱133,995,806.25*

1. **Items of Property, Plant, and Equipment (PPE) with a total cost of ₱133,995,806.25 were not provided with depreciation contrary to Paragraph 26 of the International Public Sector Accounting Standard (IPSAS) 45, hence, the asset and equity accounts were overstated by the amount of depreciation that should have been applied to these assets.**

1.1 The subsequent measurement of property, plant, and equipment is provided in IPSAS 45. Paragraph 26 thereof states that after recognition, an item of property, plant, and equipment shall be carried at its historical cost, less any accumulated depreciation and any accumulated impairment losses. Moreover, paragraph 41 of the same IPSAS requires that each part of an item of PPE with a cost or value that is significant in relation to the total cost or value of the item shall be depreciated separately.

1.2 However, contrary to the foregoing provisions, our examination of the PPE Schedule as of December 31, 2024, disclosed that the following PPE items were not provided with depreciation.

<b>PPE</b>	<b>Amount</b>
Road Networks	₱ 57,192,222.97
Flood Control Systems	1,075,686.53
Water Supply Systems	50,333,983.75
Power Supply Systems	5,368,726.36
Seaport Systems	1,619,706.31
Other Infrastructure Assets	18,222,664.68
Marine and Fishery Equipment	17,356.00
Technical and Scientific Equipment	5,517.30
Books	159,942.35
<b>Total</b>	<b>₱ 133,995,806.25</b>

1.3 Our interview with the Accounting Staff disclosed that they were adhering to the table of estimated useful life of PPE as prescribed in COA Circular No. 2003-007 dated December 11, 2003. Since the Circular does not specify the useful life for infrastructure assets, no depreciation was recorded for these PPEs. As for the PPE items that are not under infrastructure assets, the Office of the Accountant neglected to provide for the appropriate depreciation.

1.4 However, it should be noted that it is the responsibility of the Office of the Accountant to ensure that accounts are reported fairly in the financial statements. In order to achieve the fair representation of accounts on the financial statements, the Office of the Accountant shall follow appropriate accounting standards, which include the IPSAS, along with other accounting-related issuances of COA. It is clear that the IPSAS requires all accounts under PPE, except for Land, to be recorded in their historical cost, less any depreciation. Also, Item IV (12) of COA

Circular No. 2015-008, dated November 23, 2015 provides that “After recognition, road networks shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.”

- 1.5 Pursuant to the abovementioned requirements, it is Management’s responsibility to provide for the estimated useful life of its assets. Since the Department of Public Works and Highways (DPWH) is the government agency in-charged of planning, design, construction and maintenance of infrastructure facilities, which include the road network system, it issued DPWH Department Order (DO) No. 176, series of 2015, dated November 23, 2015, otherwise known as the Guidelines and Procedures in the Recognition and Derecognition of Infrastructure Assets, which Management shall use as reference to the estimated useful life. The aforementioned DO provides the following table of Estimated Useful Life of Infrastructure Assets:

<b>Public Infrastructure Assets</b>	<b>Estimated Useful Life</b>
<i>(DPWH is responsible for Construction and Maintenance)</i>	
Road Networks:	
• Concrete	20
• Asphalt	10
• Bridges (Concrete or Steel)	40
• Box Culvert (Highway Drainage)	25
• Pipes Culvert	15
Rehabilitation, Repairs and Maintenance	
• Concrete Re-blocking	10
• Asphalt Overlay (Asset Preservation)	5
• Bridges (Major Repairs):	
1. Concrete	20
2. Steel	10
3. Lined Canals (Concrete or Grouted Riprap)	2
Flood Control Systems	25
<i>(DPWH is responsible for Construction but turned over to appropriate agencies)</i>	
Water Supply Systems	15
Seaport Systems (Port, Lighthouses, etc.)	20
Parks, Plazas and Monuments	20
Other Infrastructure Assets	
• Multi-purpose Pavement	5
• Solar Dryer	5

- 1.6 It is also emphasized in the DO that no residual value shall be recognized when calculating the depreciation of infrastructure assets, since there is no scrap or salvage expected to be recovered from these assets at the end of their useful life or when they are demolished or destroyed.
- 1.7 The neglect of the Office of the Accountant to provide appropriate depreciation of the abovementioned depreciable assets is a clear departure from accounting standards, especially the IPSAS. As a result, the Municipality’s asset and equity

accounts were overstated by the amount of depreciation that should have been applied to each depreciable PPE item.

- 1.8 **We recommended and the Municipal Treasurer, as the Property and Supplies Officer, agreed to verify the existence of these PPE items to determine whether to fully depreciate the PPE or not.**
- 1.9 **We further recommended and the Municipal Accountant agreed to make the necessary adjusting entries to rectify the unrecorded depreciation expense of the subject PPE items.**
- 1.10 **Lastly, we recommended and the Municipal Accountant agreed to recognize annual depreciation for all items of PPE in accordance with the IPSAS and COA issuances.**

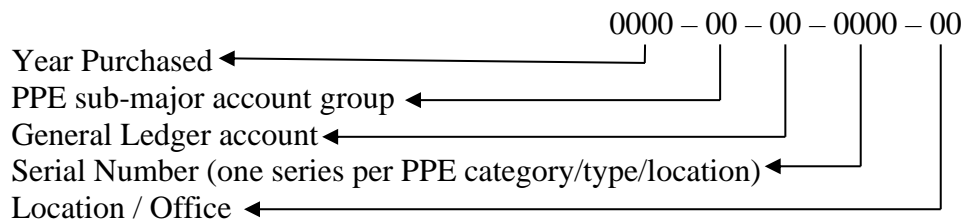
*Non-completion of the one-time PPE cleansing - ₱66,016,501.17*

2. **Due to overlapping workloads and non-compliance with the necessary property numbering system, the Municipal Government is unable to properly execute and complete the one-time PPE cleansing required by COA Circular No. 2020-006, thus, the accuracy of the reported balance of the PPE account at year end, totaling ₱439,554,040.51, which includes movable properties amounting to ₱66,016,501.17, could not be verified.**

- 2.1 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.
- 2.2 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.
- 2.3 As of December 31, 2024, the PPE account reported in the financial statements showed a total of ₱439,554,040.51, net of accumulated depreciation, which includes a substantial amount of movable properties valued at ₱66,016,501.17. However, a review of the Municipal Government's compliance with the said circular revealed that they did not complete the necessary procedures to cleanse their PPE account balances.
- 2.4 Section 6.0 of COA Circular 2020-006, dated January 31, 2020, outlines the procedural guidelines for conducting the one-time cleansing of LGUs, which

include the following: (a) preliminary activities before the conduct of inventory taking, (b) inventory taking, and (c) reconciliation of inventory count per Report on the Physical Count of Property, Plant, and Equipment (RPCPPE) with property and accounting records.

- 2.5 Our inquiry with Management revealed that the Inventory Committee was created in CY 2020. However, the one-time cleansing was not initiated and the Committee was also unable to prepare the Physical Inventory Plan (PIP).
- 2.6 It has come to our attention that the Inventory Committee members had varying schedules and workloads, which hindered them from effectively executing and completing the one-time cleansing procedures. It is crucial that the committee prioritizes conducting the physical inventory until it is completed, as required in Section 5.3 of the said Circular, which emphasizes that the members of the Inventory Committee shall be temporarily relieved of all their regular duties to devote full time to the completion of the said procedures.
- 2.7 We also observed that the uniform numbering system required was not adopted accordingly by the Municipal Government.
- 2.8 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:



- 2.9 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.
- 2.10 Moreover, Section 5.7 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.
- 2.11 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.

- 2.12 In view of the foregoing, the reported balance of the PPE account in the financial statements is unreliable.
- 2.13 **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.**
- 2.14 **We further recommended and Management also agreed that upon completion of the conduct of inventory and preparation of the reports, the Municipal Mayor 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.**
- 2.15 **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 the said COA Circular.**

*Road Networks – No disclosure in Notes to FS - ₱57,192,222.97*

3. **The absence of disclosures in the Notes to Financial Statements on the Road Networks account balance of ₱57,192,222.97 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.**
- 3.1 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.
- 3.2 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.

- 3.3 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:

"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."

- 3.4 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 ₱57,192,222.97. This amount does not appear in the Notes to Financial Statements and is only included in the total Infrastructure Assets balance of ₱133,812,990.60. 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.
- 3.5 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.
- 3.6 **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.**

*No Receivables for RPT and SET reported in FS - ₱54,931,515.89*

**4. Due to the non-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, no receivables for RPT and SET were reported in the financial statements, resulting in the understatement of receivables by ₱54,931,515.89.**

4.1 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.

4.2 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 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.

4.3 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.

4.4 A review of the General Fund and Special Education Fund trial balances as of December 31, 2024, showed that no receivables were recorded for real property taxes (RPT) and special education taxes (SET).

4.5 Our interview with the Municipal Accountant revealed that no receivables pertaining to RPT and SET were recorded because his office had no basis for the figures to be reported in the financial statements. He explained that his office had not received the duly certified list of taxpayers and the corresponding amounts due and collectible for CY 2024 from the Office of the Municipal Treasurer.

4.6 Thus, we requested the Certified List of Real Property Tax Delinquencies as of December 31, 2024, from the Office of the Municipal Treasurer, and found that the total RPT and SET receivables amounted to ₱54,931,515.89, as detailed on the next page:

Name of Barangay		RPT/SET Receivable
1	Actin	₱ 1,433,286.86
2	Bal-os	2,100,575.61
3	Bongalonan	9,421,595.26
4	Cabalayongan	4,706,472.24
5	Cabatuanan	4,439,415.20
6	Linantayan	6,412,643.11
7	Maglinao	17,479,016.06
8	Nagbo-alao	1,558,629.33
9	Olandao	3,652,503.31
10	Poblacion	3,727,378.91
<b>Total</b>		<b>₱ 54,931,515.89</b>

4.7 The Municipal Accountant, however, assured that collection related to the RPT and SET were recorded directly as income for the calendar year. In fact, this was also done the previous year. He also mentioned that his office is willing to make the necessary adjustments to accurately reflect the receivables pertaining to RPT and SET.

4.8 As a result of the foregoing, the RPT/SET Receivables are understated by ₱54,931,515.89 as of December 31, 2024.

4.9 **We recommended and the Municipal Accountant agreed to make the necessary adjusting entries to accurately reflect the correct amounts of RPT and SET receivables.**

4.10 **We further recommended that, henceforth, at the beginning of the year, the Municipal Treasurer agreed to ensure timely submission of the Certified List of Taxpayers, with corresponding amounts due and collectible for the period, so the Municipal Accountant can prepare the Journal Entry Voucher to record the debit to RPT Receivable/SET Receivable and credit the corresponding Deferred RPT Income/SET Income, which would be adjusted during the year, upon collection from taxpayers.**

*Inventories were recognized as expense upon receipt - ₱14,179,441.45*

5. **Purchases of inventories totaling ₱14,179,441.45 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.**

5.1 Section 114 of the NGAS Manual for LGUs, Volume I, provides that,

5.1.1 “Purchases of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, shall be recorded as inventory following the perpetual inventory method. Under the perpetual inventory method, an inventory account is maintained in the General Ledger on a current basis. In addition, detailed inventory records are maintained for each inventory item. Regular purchases shall be coursed thru the inventory account and issuances thereof shall be recorded as they take place, except those purchased out of the petty cash fund which shall be for immediate use and for stock in which case shall be charged immediately to the appropriate expense accounts. x x x.” [Underscoring supplied]

5.2 In CY 2024, Management requested the purchase of office supplies, non-accountable forms, animal/zoological supplies, drugs and medicines, medical, dental, and laboratory supplies, fuel, oil and lubricant, and agricultural supplies. Payments thereof were directly recorded in the books as outright expenses by debiting the related expense account, as summarized below:

<b>Account Title</b>	<b>Amount</b>
Office Supplies Expense	₱ 2,994,381.88
Non-Accountable Forms Expenses	33,928.75
Animal/Zoological Supplies Expenses	1,139,928.00
Drugs and Medicines Expenses	3,003,725.54
Medical, Dental and Laboratory Supplies Expenses	1,158,745.00
Fuel, Oil, and Lubricant Expenses	5,523,107.28
Agricultural and Marine Supplies Expenses	325,625.00
<b>Total</b>	<b>₱ 14,179,441.45</b>

5.3 Our review of the corresponding DVs’ supporting documents showed that they were not supported by lists or records documenting the distribution or consumption of the above supplies.

- 5.4 As a result of the foregoing, the stock balance could not be readily determined, while the inventory account balances could not be established, which could result in the misstatement of inventory and expense accounts at year-end.
- 5.5 **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.**
- 5.6 **We recommended and the Municipal Accountant 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.**

*Meals and snacks incorrectly recorded to Other Maintenance and Operating Expenses - ₱9,806,881.38*

6. **Expenditures totaling ₱9,806,881.38 incurred for serving meals and snacks, honoraria, equipment and inventories were incorrectly classified as Other Maintenance and Operating Expenses (5-02-99-990), which is inconsistent with COA Circular No. 2015-009, dated December 1, 2015, and negatively impacts the effectiveness of financial information available for Management's decision-making.**
- 6.1 Paragraph 15 of the International Public Sector Accounting Standards (IPSAS) 1 clarifies that the objectives of a general-purpose financial statement are to provide information about an entity's financial position, financial performance, and cash flows that is useful to users in making and evaluating decisions about resource allocation. In the public sector, more specifically, the purpose of financial reporting is mainly to provide information useful for decision making and to demonstrate the accountability of 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 Circular defines the following accounts:

<b>Account</b>	<b>Account No.</b>	<b>Description</b>
Welfare Goods for Distribution	1-04-02-020	Used to record the cost of goods for distribution to people affected by calamities/ disasters/ ground conflicts, such as canned goods, blankets, mats, kitchen utensils, flashlights, and other similar items.
Office Supplies Inventory	1-04-04-010	Used to record the cost or value of purchased/ acquired office supplies such as bond paper, ink, and small tangible items like staple wire remover, puncher, stapler, and other similar items for use in the government operations.
Accountable Forms, Plates and Stickers	1-04-04-020	Used to record the cost of accountable forms acquired for government operation. It includes accountable forms with and without face value, such as official receipts, passports, tickets, stickers, permit/license plates, LTO plates, and the like.
Office Equipment	1-07-05-020	Used to record the cost incurred in the purchase or assembly or fair value, if acquired through donation or transfers without cost, of office equipment for use in government operations. It includes duplicating/ photocopying machines, air conditioning units and the like.
Disaster Response and Rescue Equipment	1-07-05-090	Used to record the cost incurred in the purchase or assembly or fair value, if acquired through donation or transfers without cost, of equipment used solely for disaster response and rescue activities.
Salaries and Wages – Casual/ Contractual	5-01-01-020	Used to record the pay proper for services rendered by employees contracted/ hired to perform regular agency functions and specific vital activities or services which cannot be provided by the regular or permanent staff of the agency.
Honoraria	5-01-02-100	Used to record the payment given to professionals for services in recognition of their expertise, broad and superior knowledge in specific fields and special projects. This include payments to lecturers, resource persons, coordinators and facilitators in seminars, training programs and other similar activities in training institutions including those who

Account	Account No.	Description
		render services beyond their regular workload.
Repairs and Maintenance – Transportation Equipment	5-02-13-06	Used to record the cost of repairs and maintenance on motor vehicles; train; aircraft; watercraft; and other transportation equipment.
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, 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.
Subsidy to Other Funds	5-02-14-060	Used to record fund transfers to one fund from another fund maintained by the same LGU, as expressly authorized by law
Subscription Expenses	5-02-99-070	Used to record the cost of subscription to library and other reading materials.

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, celebrations and/or gatherings, honoraria, donations, office equipment, welfare goods for distribution, salaries and wages, etc. These expenses should have been classified as follows:

<b>Account Title</b>	<b>Amount</b>
Extraordinary and Miscellaneous Expense	₱ 6,230,515.21
Training Expenses	2,434,615.34
Honoraria	544,500.00
Subsidy to Other Funds	130,000.00
Donations	101,612.50
Salaries and Wages – Casual/ Contractual	98,274.67
Office Equipment	76,793.28
Semi-Expendable Agricultural and Forestry Equipment	47,952.00
Accountable Forms, Plates and Stickers	44,640.00
Repairs and maintenance – Transportation Equipment	37,083.10
Welfare Goods for Distribution	28,000.00
Subscription Expenses	24,200.00
Disaster Response and Rescue Equipment	5,856.00
Office Supplies Inventory	2,839.28
<b>Total</b>	<b>₱ 9,806,881.38</b>

- 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 (EME) 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 However, it is emphasized that the statutory limitation on the disbursements for EME or discretionary funds shall be observed. We refer Management to Section 325(h) of RA No. 7160, which mandates that the annual appropriations for discretionary purposes of the local chief executive shall not exceed two percent of the actual receipts derived from basic real property taxes in the next preceding calendar year.
- 6.6 Given the above, the misclassification of expenditures amounting to ₱9,806,881.38 under the Other Maintenance and Operating Expenses (OMOE) account compromises the integrity and usefulness of the Municipality's financial reports. While the expenses were valid and incurred for legitimate purposes, their improper classification distorts the presentation of financial statements, which can mislead users and hinder effective decision-making, performance evaluation, and resource allocation. Accurate recording based on the Revised Chart of Accounts is essential to ensuring transparency, accountability, and compliance with COA regulations, as well as to upholding the standards of financial reporting prescribed under IPSAS and national laws.

- 6.7 **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, Extraordinary and Miscellaneous Expenses, etc.**
- 6.8 **We further recommended and the Municipal Accountant agreed to, henceforth, strictly follow the Revised Chart of Accounts, as required in COA Circular No. 2015-009.**
- 6.9 **Lastly, we recommended and the Municipal Budget Officer agreed, in coordination with the Municipal Treasurer and Municipal Accountant, to ensure that annual appropriation and disbursement of funds for discretionary purposes are within the statutory limit provided for in Section 325(h) of RA No. 7160.**

*Unreconciled cash in bank balance - ₱8,011,497.85*

7. **The Cash in Bank – Local Currency Current Account (LCCA) balance reported in the financial statements as of December 31, 2024, totaling ₱60,137,598.45, includes unreconciled items amounting to ₱7,939,976.89 and ₱71,520.96, in the General Fund and Trust Fund, respectively, due to a lack of coordination between the Offices of the Municipal Accountant and Municipal Treasurer in the previous years, which is inconsistent with Section 3.0 of COA Circular No. 96-011, dated October 2, 1996, thus, the accuracy of the aforementioned account cannot be determined.**

7.1 Section 74 of Presidential Decree (PD) No. 1445 provides that “at the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the **agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.**” [Emphasis provided]

7.2 Pursuant to the above PD, Section 3.0, “General Policy/Guidelines,” of COA Circular No. 96-011, dated October 2, 1996, requires the depository or servicing banks to provide the Local Accountant with Bank Statements (BS), along with debit/credit memos (DM/CM), and paid checks, among others, within five days after the end of each month. These documents will serve as the basis for preparing the monthly Bank Reconciliation Statements (BRS). Within 10 days of receiving the BS, the Accountant shall reconcile these with the General Ledgers (GL) and prepare the BRS, which shall be distributed in five copies. The duplicate and quadruplicate copies of the BRS, including paid checks and original copies of DM/CM, shall be submitted to the concerned Auditor for verification.

7.3 In the Municipality, the Treasurer receives the monthly BS from the bank, along with the copies of DM/CM. Thus, it is crucial for the Municipal Treasurer to coordinate with the Municipal Accountant to ensure that the latter receives copies of the documents/reports from the bank. Additionally, it is essential for the Municipal Accountant to request copies of these documents/reports from the Office of the Municipal Treasurer on a monthly basis, as he/she is required to prepare monthly BRS, which will be submitted to the assigned Auditor, to confirm the reconciliation of the Cash-in-Bank balances.

7.4 An examination of the financial statements was conducted, and the audit team noted that the Cash-in-Bank – Local Currency Current Account (CIB-LCCA) balance as of December 31, 2024, amounted to ₱60,137,598.45. Further verification of the monthly BRS revealed that even after the Office of the Municipal Accountant identified the reconciling items, there were still discrepancies between the amounts reported in the financial statements and those presented in the BS, as shown below:

Particulars	Special			Total
	General Fund	Education Fund	Trust Fund	
Per books (financial statements)	43,574,520.74	2,967,043.10	13,596,034.61	60,137,598.45
Reconciling items	-	(31,061.97)	86,237.80	55,175.83
<b>Adjusted book balance, Dec. 31, 2024</b>	<b>43,574,520.74</b>	<b>2,935,981.13</b>	<b>13,682,272.41</b>	<b>60,192,774.28</b>
Per bank statements	52,352,555.82	2,935,980.80	13,808,887.45	69,097,424.07
Reconciling items	(838,058.19)	0.33	(198,136.00)	(1,036,193.86)
<b>Adjusted bank balance, Dec. 31, 2024</b>	<b>51,514,497.63</b>	<b>2,935,981.13</b>	<b>13,610,751.45</b>	<b>68,061,230.21</b>
<b>Discrepancy (overstated/(understated))</b>	<b>(7,939,976.89)</b>	<b>-</b>	<b>71,520.96</b>	<b>(7,868,455.93)</b>

7.5 As can be seen from the table above, the CIB-LCCA balance for the General Fund (GF), as reported in the financial statements, is understated by ₱7,939,976.89, while the CIB-LCCA balance for the Trust Fund (TF) is overstated by ₱71,520.96.

7.6 Further inquiry revealed that the overstatement of the TF is due to the fact that the Office of the Municipal Accountant had not secured the corresponding BS of one TF account, with Account No. 0292-0035-28, of the same amount. As a result, no BRS was prepared for that account. However, regarding the understatement in the GF, the Office of the Municipal Accountant explained that this discrepancy may be due to unreconciled items, which the Office has yet to determine.

7.7 The Municipal Accountant explained that in previous years, his office lacked coordination with the Office of the Municipal Treasurer and did not receive copies of BS, CM/DM, and other relevant documents/reports necessary for preparing monthly BRS promptly. In fact, the Office of the Municipal Accountant was unable to submit the monthly BRS of its CIB accounts in a timely manner during those years.

7.8 The lack of coordination and noncompliance with Section 3.0 of COA Circular No. 96-011 as well as Section 74 of PD No. 1445 resulted in delayed and incomplete bank reconciliations, causing discrepancies of ₱7,939,976.89 in the General Fund and ₱71,520.96 in the Trust Fund. Consequently, the accuracy of the reported

Cash-in-Bank – Local Currency Current Account balance of ₱60,137,598.45 as of December 31, 2024, cannot be reliably determined, thereby affecting the fair presentation of the Municipality’s financial statements.

**7.9 We recommended and the Municipal Accountant agreed, in coordination with the Municipal Treasurer, to trace the discrepancy in the General Fund to previous bank statements and credit/debit memos to identify appropriate reconciling items. Furthermore, we recommended and the Municipal Accountant also agreed, with assistance from the Municipal Treasurer, to secure the bank statement for Account No. 0292-0035-28, to reconcile the discrepancy in the Trust Fund.**

7.10 The Municipal Treasurer and Municipal Accountant informed the Audit Team that the Bank Statement for the Trust Fund associated with Account No. 0292-0035-28 had been secured and the account reconciled.

*Unliquidated cash advances - ₱3,379,262.99*

**8. Cash advances totaling ₱3,379,262.99, of which ₱3,258,786.99 has been outstanding for over three years, remain unliquidated as of December 31, 2024, despite management’s efforts to compel the concerned officials and employees to effect settlement as required under COA Circular No. 97-002, dated February 10, 1997, thus the related receivable and expense accounts in the financial statements are still not fairly presented. Moreover, the unutilized government funds in the possession of the accountable persons are exposed to the risk of loss or unauthorized use.**

8.1 Section 5.1 of COA Circular No. 97-002, dated February 10, 1997, requires the accountable officer (AO) to liquidate his/her cash advances as follows:

8.1.1 Salary, wages, etc. – within 5 days after each 15-day/end of the month pay period.

8.1.2 Petty operating expenses and field operating expenses – within 20 days after the end of each year, subject to replenishment as frequently as necessary during the year.

8.1.3 Official travels – In the case of foreign travel, within 60 days after his/her return to the Philippines. While for local travels, 30 days after his/her return to his permanent official station.

8.2 Furthermore, Section 5.7 thereof stipulates that when the cash advance is no longer needed or has not been used for a period of two months, it must be returned or refunded immediately. It is emphasized that all cash advances shall be fully liquidated at the end of each year, in accordance with Section 5.8 of the same Circular. In the same provision, the accountable officer is mandated to refund any unexpended balance to the cashier/collecting officer, who shall issue the necessary official receipt, except for the case of cash advances for the petty cash fund.

8.3 Moreover, Section 6.2.2 of the Commission on Audit (COA), Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG), Governance Commission for GOCCs (GCG) and Department of National Defense (DND) Joint Circular (JC) No. 2015-01 dated January 8, 2015, requires the liquidation of all cash advances for confidential and intelligence fund within 30 days after every quarter, or from the target date of completion of the project/ activity, or after the cash advance had been fully utilized, whichever comes first. The Liquidation Report (LR) (Annex E), duly signed by the Head of Agency (HoA) of the Special Disbursing Officer approved by the HoA, shall be submitted together with the supporting documents under Sec. 6.2.3 hereof and listed in the covering transmittal letter of the LR. These shall be submitted directly to the Intelligence and Confidential Fund Unit (ICFAU) in a sealed envelope with a visible label reading “CONFIDENTIAL – For ICFAU Only” via registered mail, courier, or an authorized liaison officer.

8.4 Our review of the financial statements and the schedule of unliquidated cash advances submitted by Management as of December 31, 2024, revealed the existence of unliquidated cash advances totaling ₱3,379,262.99 in Advances to Officers and Employees for the following purposes:

<b>Purpose</b>	<b>Amount</b>
Confidential Expense	₱ 2,534,101.77
Traveling Expense	845,161.22
<b>Total</b>	<b>₱ 3,379,262.99</b>

8.5 The unliquidated balance under Advances to Officers and Employees represents cash advances for travel expenses incurred by 41 officials and employees. Additionally, the confidential expenses have remained unliquidated for over three years by the former Municipal Mayor, whose term ended in 2022.

8.6 Our review of the subsidiary accounts and schedules showed that ₱724,685.22 of the cash advances for travel have remained unliquidated for over three years. Meanwhile, ₱2,534,101.77 pertained to cash advances for intelligence purposes, which have been outstanding for more than three years. Thus, ₱3,258,786.99 of the total unliquidated cash advances have been outstanding for over three years.

8.7 It is important to note, however, that the Office of the Municipal Accountant had already sent demand letters to some of the concerned officials and employees, as most of them remained in active service. Of the 42 officials and employees with outstanding cash advances, only 12 have separated/retired. Despite management efforts to demand settlement by sending demand letters, unliquidated balances still exist as of December 31, 2024.

8.8 We would like to refer Management to Section 5.9 of the same COA Circular, which states that when no liquidation of the previous cash advance is received on or before January 20 of the ensuing year, the Accountant shall cause the withholding of the AO’s salary.

- 8.9 As a result of the non-settlement of cash advances, which may have already been used, considering that these have been outstanding for a long time, the related receivable and expense accounts on the financial statements are not accurately presented. Moreover, the delayed liquidation and the holding of any excess cash advances that should have already been refunded by the officials and employees concerned open opportunities for misuse or misapplication of cash, hence increasing the risk of possible loss of government funds in their possession.
- 8.10 Given that the demand letters have already been sent and the accountable officers still refuse to make the settlement, it appears that their inaction is intentional. Thus, Management should exert strong efforts to compel those with long outstanding cash advances to immediately settle the same and strictly enforce the suspension of salaries of the erring accountable officers, including the filing of appropriate administrative proceedings, pursuant to the Civil Service Commission (CSC) Memorandum Circular No. 12, s. 2012.
- 8.11 **We recommended and the Municipal Accountant agreed to issue final demand letters directing the individuals involved to immediately liquidate all outstanding cash advances. If no liquidation is made, we recommend that the Municipal Accountant impose the sanction of withholding the salaries of those who still fail to settle their accounts after receiving notice.**
- 8.12 **We further recommended and Management agreed to take aggressive measures to compel all accountable officers to settle their accounts, including the filing of appropriate administrative proceedings, pursuant to CSC Memorandum Circular No. 12, s. 2012.**

*Inventory accounts remained unchanged since CY 2018 - ₱2,412,710.31*

9. **Supplies and materials issued during the year were not recognized as expenses and still remained in the Other Supplies and Materials Inventory account amounting to ₱2,412,710.31 as of December 31, 2024, as the SSMI was not submitted by the Municipal Treasurer, which is inconsistent with Sec. 121 of the NGAS Manual for LGUs Vol. 1, which may result in the overstatement of the inventory balance and equity account, and understatement of related expense accounts.**

- 9.1 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.
- 9.2 A review of the Other Supplies and Materials Inventory (Account Code: 1-04-04-990) account disclosed that as of December 31, 2024, no deductions or issuances were recorded during the year, despite the Municipality incurring regular

expenditures for supplies and materials. The account had a beginning balance of ₱1,250,408.49, with additional purchases amounting to ₱1,162,301.82 recorded during the year. However, the entire balance of ₱2,412,710.31 remained outstanding at year-end, with no corresponding reductions to reflect the actual usage of supplies, as shown below:

<b>Beginning Balance, January 1</b>	<b>₱ 1,250,408.49</b>
Additions/Debits	1,162,301.82
Deductions/Credits	0.00
<b>Ending Balance, December 31</b>	<b><u>₱ 2,412,710.31</u></b>

- 9.3 Upon inquiry with the Municipal Accountant, it was revealed that the failure to recognize the issuances as expenses was due to the non-receipt of the Summary of Supplies and Materials Issued (SSMI) from the Office of the Municipal Treasurer.
- 9.4 In the absence of the SSMI, the Municipal Accountant had no basis to record the usage of supplies and materials. As a result, the issuances were not recognized as expenses, leading to the overstatement of the Other Supplies and Materials Inventory account and equity account, and the understatement of the related expense accounts. This situation distorts the Municipality's financial position and performance for the year and raises concerns about the reliability and completeness of its financial reports.
- 9.5 Moreover, the delay in recognizing expenditures compromises the accuracy of budget utilization reports, which are essential in planning, decision-making, and ensuring the efficient use of public funds. Without accurate data on inventory consumption, management cannot make informed assessments about supply needs, procurement planning, or resource allocation.
- 9.6 **We recommended and the Municipal Treasurer agreed to strictly comply with Section 121 of the NGAS Manual for LGUs, Volume I, by ensuring the regular consolidation of the Requisition and Issue Slips (RIS) into the Summary of Supplies and Materials Issued (SSMI) and submitting the same to the Municipal Accountant in a timely manner.**
- 9.7 **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 and performance.**

*Semi-expendable properties erroneously recorded to Other Supplies and Materials Expenses - ₱223,127.04*

10. **Purchases of semi-expendable properties totaling at least ₱223,127.04 were recorded under the Other Supplies and Materials Inventory account instead of the appropriate semi-expendable inventory account, contrary to COA Circular 2024-006, thus, eliminating the required accounting for the receipt and utilization established through the use of Inventory Custodian Slips and the Report on Semi-Expendable Property Issued, along with other reports and registries, which could result in the misstatements of semi-expendable inventories and corresponding expense accounts at the end of the year.**

10.1 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.

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

<b>Form/ Registry/ Report</b>	<b>Description</b>	<b>Responsible Person</b>
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
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

<b>Form/ Registry/ Report</b>	<b>Description</b>	<b>Responsible Person</b>
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

10.3 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 thereof emphasizes that an Inventory Custodian Slip (ICS) shall be issued to the end-user of semi-expendable property to establish accountability for such items.

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

10.5 In CY 2024, the Municipality acquired semi-expendable properties totaling at least ₱223,127.04, which were expensed immediately, regardless of whether these items were issued to the end users. Specifically, these were recorded under the Other Supplies and Materials Expenses account:

<b>Check No.</b>	<b>Particulars</b>	<b>Amount</b>
735852	Water Pump, Shallow Type for Water System	₱ 17,259.84
756813	5-Seater Metal Gang / Visitor Chairs	23,976.00
756832	Cellphone 2 Units (DSWD)	38,400.00
756841	SK Federated Cellphone	19,200.00
756863	1 Unit A3 Computer Printer	33,595.20
757185	Office Table	38,376.00
757190	1 Unit Brand New Printer (MPDC)	33,120.00

Check No.	Particulars	Amount
757331	Accountant Cellphone	19,200.00
	<b>Total</b>	<b>₱ 223,127.04</b>

- 10.6 Our review of the supporting documents for these disbursements revealed that no ICSs were issued to the respective end users. Furthermore, 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.
- 10.7 These discrepancies undermine the fairness and reliability of the financial statements, potentially affecting stakeholder decision-making and resulting in the misrepresentation of the financial information presented to users.
- 10.8 **We recommended and the Municipal Accountant agreed to ensure that semi-expendable properties are properly recorded under the appropriate Semi-Expendable Inventory accounts, rather than under Other Supplies and Materials Expenses. Proper accounting treatment must be observed by preparing the required Journal Entry Vouchers (JEVs) and utilizing the prescribed new accounts and illustrative entries found in Annexes B and C of COA Circular No. 2024-006.**
- 10.9 **We further recommended and the Municipal Treasurer and Property/Supply Office agreed to ensure that Inventory Custodian Slips (ICS) are issued to end users upon the receipt of semi-expendable items to establish accountability, as required under Section 3.4 of COA Circular No. 2024-006. The Property Unit must also maintain the complete set of prescribed forms, registries, and reports, such as the:**
- 10.9.1 **Registry of Semi-Expendable Property Issued (RegSPI)**
  - 10.9.2 **Report of Semi-Expendable Property Issued (RSPI)**
  - 10.9.3 **Semi-Expendable Property Card (SPC)**
  - 10.9.4 **Semi-Expendable Property Ledger Card (SPLC)**
  - 10.9.5 **And other related forms outlined in Section 4.7 of COA Circular No. 2022-004**
- 10.10 **Lastly, we recommended and Management agreed to strengthen internal controls by institutionalizing the required inventory monitoring and reporting processes, assigning specific personnel to maintain the necessary records, and conducting regular training and orientation on COA Circular Nos. 2022-004 and 2024-006 to ensure uniform understanding and implementation.**

## COMPLIANCE AUDIT

*No RLRN and RPCRNS prepared*

**11. 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 ₱57,192,222.97 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.**

11.1 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.

11.2 However, the Audit Team was not provided with the required RLRN and RPCRNS. While the RLRN Ledger and Property Cards are accessible to the Audit Team through e-NGAS, no RLRN was submitted by the GSO or concerned personnel and the Inventory Committee also did not prepare the RPCRNS.

11.3 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.

11.4 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 ₱57,192,222.97 at year-end. The Municipality’s propriety and ownership of these infrastructure assets should be validated.

11.5 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.

- 11.6 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 or property custodian submit the Report on LRN as required under COA Circular No. 2015-008.**

*No Certificate of Availability of Funds secured from Accountant - ₱3,456,340.65*

- 12. Procurement contracts entered into by the Municipal Government, and disbursements related thereto, amounting to at least ₱3,456,340.65, 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.**

- 12.1 Section 86 of Presidential Decree No. 1445, otherwise known as the State Audit Code of the Philippines, provides as follows:

12.1.1 “Section 86. Certificate showing appropriation to meet contract. Except in the case of a contract for personal service, for supplies for current consumption or to be carried in stock not exceeding the estimated consumption for three months, or banking transactions of government-owned or controlled banks no contract involving the expenditure of public funds by any government agency shall be entered into or authorized unless the proper accounting official of the agency concerned shall have certified to the officer entering into the obligation that funds have been duly appropriated for the purpose and that the amount necessary to cover the proposed contract for the current fiscal year is available for expenditure on account thereof, subject to verification by the auditor concerned. The certificate signed by the proper accounting official and the auditor who verified it, shall be attached to and become an integral part of the proposed contract, and the sum so certified shall not thereafter be available for expenditure for any other purpose until the obligation of the government agency concerned under the contract is fully extinguished.”

- 12.2 The post-audit of disbursements related to the procurement of construction materials and office supplies, as well as the construction contracts entered into by the Municipal Government totaling ₱3,456,340.65 (Appendix 1), showed that these were not supported by the required CAF from the Municipal Accountant. The Municipal Accountant explained that the Municipality was simply following the reporting formats and forms prescribed in the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs).

- 12.3 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.

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

12.4.1 “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.”

12.5 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.

12.6 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.

**12.7 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.**

*Incomplete supporting documents - ₱3,456,340.65*

**13. Procurement of various goods, materials, and supplies totaling ₱3,456,340.65 was not supported by appropriate and complete documentation contrary to Section 4(6) of the Presidential Decree (PD) No. 1445 and the Revised Implementing Rules and Regulations (IRR) of the Republic Act (R.A.) No. 9184, thus, the propriety and validity of the related disbursements could not be established.**

13.1 Section 4(6) of PD No. 1445 expressly states that “Claims against government funds shall be supported with complete documentation.”

13.2 Further, as a policy of the State, the same PD provides that it is the responsibility of the head of the agency concerned to ensure that government resources are managed, expended, or utilized in accordance with law and regulations and safeguarded against loss or wastage through illegal or improper disposition, to ensure efficiency, economy, and effectiveness in the operations of the government.

13.3 Post-audit of disbursement vouchers (DVs) pertaining to the procurement of various goods, materials, and supplies totaling ₱3,456,340.65 showed that these were purchased through competitive bidding and negotiated procurement - two failed biddings, small value procurement, and shopping. A perusal of the documents attached to support the various purchases, however, showed that these lack the necessary documents, viz:

13.3.1 Purchases totaling ₱3,456,340.65 were not supported by the required documentation for competitive bidding, negotiated procurement - two failed biddings, small value procurement, and shopping, as provided in Sections 23.1 and 25.2, and Item II of Appendix A of Annex H of the Revised IRR of RA No. 9184 (See Annex A for details).

13.3.1.1. Section 23.1 instructs the Bid and Awards Committee (BAC) to require the submission of the following eligibility requirements:

- Registration certificate from Securities and Exchange Commission (SEC), Department of Trade and Industry (DTI) for sole proprietorship, or Cooperative Development Authority (CDA) for cooperatives;
- Mayor’s/ Business permit;
- Tax clearance, as finally reviewed and approved by the Bureau of Internal Revenue (BIR); and
- The prospective bidder’s audited financial statements, stamped “received” by the BIR or its duly accredited and authorized institutions, for the preceding calendar year which should not be earlier than two (2) years from the date of bid submission.

13.3.1.2. Additionally, Section 25.2 provides the documentary requirements for the technical component of the bid. Item a hereof directs the BAC to require the submission of these technical information/documents before issuance of the Notice of Award or prior to payment:

- i) PhilGEPS Certificate of Registration (COR) and membership;

- ii) Statement of all Ongoing Government and Private Contracts;
- iii) Statement of Single Largest Completed Contract (SLCC);
- iv) Net Financial Contracting Capacity (NFCC) Computation or committed Line of Credit;
- v) Joint Venture Agreement (JVA) or the Duly Notarized Statement, if applicable;
- vi) Bid security in the prescribed form, amount, and validity period;
- vii) Technical specifications, which may include production/delivery schedule, manpower requirement, and/or after-sales service/ parts, if applicable;
- viii) Omnibus Sworn Statement; and
- ix) For foreign bidders claiming eligibility by reason of their country's extension of reciprocal rights to Filipinos, a certification from the relevant government office of their country stating that Filipinos are allowed to participate in their government procurement activities for the same item or product.

13.3.1.3. In all instances of procurement, the BAC, through the Secretariat, shall post, for information purposes, the notice of award, contract/purchase order, including notice to proceed if necessary, on the PhilGEPS website, the website of the procuring entity concerned, if available, and at any conspicuous place reserved for the purpose for contracts with Approved Budget for Contract (ABC) of above ₱50,000.00, in accordance with Section 54.3 of the same IRR.

13.3.1.4. In addition, Section 8.5 of the said IRR also requires suppliers to register with the PhilGEPS and provide PhilGEPS Registration Number to determine the eligibility of the bidders.

13.3.1.5. Moreover, Appendix A of Annex H provides the documentary requirements for alternative methods of procurement. Item II hereof directs the Bids and Awards Committee (BAC) to require the submission of these documents before issuance of the Notice of Award or payment:

13.3.1.6. For individuals, the BIR COR can be submitted in lieu of the DTI Registration and Mayor's Permit.

13.3.1.7. Furthermore, specific guidelines for alternative methods of procurement mandate that the BAC shall prepare and send the Requests for Quotation/Requests for Proposal (RFQs/RFPs) to at least three (3) suppliers of known qualifications.

13.3.1.8. However, an examination of the subject disbursements revealed that some of the aforementioned documents were not attached to support the disbursements made for the purchase of various goods, materials, and supplies, nor did any evidence show that these documents were complied with (Appendix 2).

13.3.1.9. It is emphasized that the absence of necessary documents may be taken as non-compliance with the procedures outlined for procurement and may render the transactions irregular unless the required documents are submitted or deficiencies are convincingly justified.

13.3.2 Incomplete information provided in the POs contrary to COA Circular No. 96-010.

13.3.2.1. Item B.1 of COA Circular No. 96-010 dated August 15, 1996, enumerates the basic data that should appear in the PO. Sub-items B.1 (a), (b), (e), (f), (g), and (p) thereof require:

- (a) Purchase Order Number
- (b) Date of Purchase Order
- (c) Complete name of supplier
- (d) Complete address of supplier
- (e) Information whether the supplier is a manufacturer or exclusive distributor; registered with SEC, DTI or both
- (f) Telephone and fax number of supplier, if any
- (g) Date of Delivery

x x x

- (o) Terms, i.e., COD, n/30 days, etc.
- (p) Mode of procurement; x x x

13.3.2.2. A review of POs shown in Table 1 revealed that some of the basic data are not supplied, including the PO Number, Date of PO, and the date when the Conforme signed the PO.

13.3.2.3. Furthermore, it was observed that the POs issued within the same month have identical PO Numbers. Management is reminded to use different PO Numbers to enable the Audit Team to verify the completeness of the said documents.

13.4 Consequently, the propriety and validity of the transactions could not be established. Thus, the efficiency and economy of these purchases could not be assured.

- 13.5 **We recommended and Management agreed to, henceforth, ensure that all purchases are supported by the appropriate and complete documentation, pursuant to PD No. 1445 and the Revised IRR of RA No. 9184, as amended by RA 12009.**

*Meals and snacks during regular and administrative meetings - ₱1,164,842.50*

14. **The Municipal Government incurred costs for meals and snacks served during regular and administrative meetings, budget and public hearings, social pension payouts, courtesy calls, and similar events, totaling ₱1,164,842.50, and inappropriately charged these costs to Other Supplies and Materials Expenses, contrary to COA Circular No. 2012-003, dated October 29, 2012, leading to unnecessary expenditures and excessive disbursements beyond the allowable limit for discretionary spending.**

14.1 In CY 2024, the Municipal Government of Basay incurred expenditures amounting to ₱1,164,842.50 for meals and snacks served during various regular and administrative meetings of officials and employees, as well as budget and public hearings, social pension payouts, courtesy calls of Police officers and the Philippine Army, assessments for Seal of Good Local Governance, Gender and Development, among others. (See Appendix 3 for details)

14.2 However, these expenditures were inappropriately charged to the Other Supplies and Materials Expenses account, instead of being classified under Extraordinary and Miscellaneous Expenses (EME) or charged against the respective officials' Representation Allowances, contrary to COA Circular No. 2012-003 and Section 325(h) of Republic Act (RA) No. 7160

14.3 Section 4.1 of COA Circular No. 2012-003 defines unnecessary expenditures as those that do not meet the test of prudence or diligence expected of a good father of a family. These are expenditures that are not essential to the effective delivery of services and can be dispensed with without causing loss or damage to government property or operations. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether an expenditure is necessary or not.

14.4 Furthermore, Section 325(h) of RA No. 7160 imposes a limit on the annual appropriations for discretionary funds of the Local Chief Executive, capping it at two percent (2%) of the actual collections from basic real property taxes in the preceding year. In CY 2023, the Municipality of Basay collected a total of ₱477,632.00 in real property taxes, making the allowable EME allocation for CY 2024 only ₱9,552.64. However, records reveal that the Municipal Government appropriated ₱50,866.31 and disbursed ₱58,448.00 for EME, exceeding the statutory limit by ₱48,895.36.

14.5 It was also noted that the conduct of meetings, hearings, social pension payouts, courtesy calls, and similar events is part of the regular duties and responsibilities of government officials and employees. Thus, providing meals and snacks during such activities should not be viewed as an essential expense for the agency. Instead, such costs could have been charged to the officials' Representation Allowances or included within the allowable EME, had it not already exceeded the legal ceiling.

14.6 Given the circumstances, the expenses for meals and snacks are deemed unnecessary. Potential cash savings could have been directed toward essential public services and amenities for public welfare. Moreover, the misclassification of these expenditures, compounded by the breach of the statutory limit for EME, distorts the financial reports, reduces transparency and accountability, and undermines the proper exercise of fiscal discipline as mandated by law and audit guidelines.

**14.7 We recommended and Management agreed to, henceforth, ensure that annual appropriations and disbursements for discretionary purposes or those relating to Extraordinary and Miscellaneous Expenses do not exceed the statutory threshold as provided in Section 325(h) of the RA No. 7160.**

**14.8 We further recommended and Management agreed that meals and snacks served during regular and administrative meetings of local officials and employees be charged to the appropriations for EME, to the extent of its threshold, and representation allowances of officials concerned.**

### Summary of Total Suspensions, Disallowances, and Charges

15. There were no outstanding Charges as at year end. However, the Notices of Suspensions and 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	
Suspensions	₱13,983,906.40	0.00	0.00	₱13,983,906.40
Disallowances	2,312,910.00	0.00	0.00	2,312,910.00

15.1 This ending balance pertains to audit suspensions and disallowances issued and received in the following years:

Years Issued	Balance as of 12/31/2024	Transaction Year	Remarks
Notice of Suspension (NS)			
2013	₱ 70,000.00	2013	For issuance of disallowance
2014	1,706,000.00	2013	

Years Issued	Balance as of 12/31/2024	Transaction Year	Remarks
2014	1,244,995.00	2011	
2014	10,872,096.40	2012	
2015	90,815.00	2014	
<b>Total NS</b>	<b>₱13,983,906.40</b>		
Notice of Disallowance (ND)			
2013	2,500.00	2012	For issuance of finality of decision
2014	77,310.00	2012	
2014	645,500.00	2013	
2013	1,587,600.00	2013	
<b>Total ND</b>	<b>₱2,312,910.00</b>		

15.2 We would like to note that the aforesaid balances do not include Notices of Suspension, Disallowance and Charge issued prior to the effectivity of the Rules and Regulations on Settlement of Accounts, which are still subject to reconciliation with the balances of the accounting record.

### Compliance with Tax Laws

16. The Municipality of Basay 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	2,575,121.57	8,988.60	397,712.77	2,981,822.94
Add: Taxes withheld from Jan - Dec. 2024	4,086,443.38	9,156.59	274,499.70	4,370,099.67
Taxes withheld for remittance to BIR	6,661,564.95	18,145.19	672,712.47	7,352,422.61
Less: Taxes remitted from Jan - Dec. 2024	6,533,595.40	18,960.19	402,504.11	6,955,059.70
Balance as of December 31, 2024	127,969.55	(815.00)	270,208.36	397,362.91

16.1 As of December 31, 2024, the ending balances of the withholding taxes amounting to ₱397,362.91 were remitted on January 10, 2025.

### Compliance with Mandatory Contributions

17. 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	1,634,069.76	52,856.27	172,871.02	1,859,797.05
Add: Taxes withheld from Jan - Dec. 2024	10,258,448.85	765,047.82	1,619,542.53	12,643,039.20
Less: Remittances from Jan - Dec. 2024	9,597,612.82	669,488.00	1,620,656.42	11,887,757.24
Adjustments: Add/Deduct	1,187.31	0.00	2,668.90	0.00
<b>Balance as of December 31, 2024</b>	<b>2,296,093.10</b>	<b>148,416.09</b>	<b>174,426.03</b>	<b>2,618,935.22</b>

17.1 The balances of due to GSIS and Pag-Ibig as of year-end, amounting to ₱2,296,093.10 and ₱148,416.09, respectively, were remitted on January 6, 2025; while the PhilHealth balance as of year-end, amounting to ₱174,426.03, was remitted on January 2, 2025.

**Compliance with Property Insurance Law**

18. The Municipal Government has insured its properties with the Government Service Insurance System (GSIS). For CY 2024, the Municipality paid a total amount of ₱27,369.91 for property insurance.

**Gender and Development (GAD)**

19. The Municipal Government of Basay appropriated a total of ₱8,094,781.19 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 35 projects/programs addressing gender related concerns and issues, of which only four were not implemented. Some of the activities under these projects/programs were started but not completed, thus, utilizing only 87 per cent of the total GAD appropriation, or a total of ₱7,064,942.12.

**Payment to Casuals, Job Orders, Contractual, and Consultants**

20. For the CY 2024, the Municipal Government paid a total of ₱19,768,332.55 for casuals and job orders, details as follows:

<b>Nature of Appointment</b>	<b>Total Amount Paid</b>
Casuals	₱ 4,010,394.55
Job Orders	15,757,938.00
<b>Total</b>	<b>₱19,768,332.55</b>

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

21. In CY 2024, the Municipal Government appropriated ₱1,618,956.24 for the programs, projects, and activities intended for Senior Citizens and Differently-abled Persons, which was at least 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, 73 percent was utilized, or a total amount of ₱1,181,313.00.

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

22. The Municipality of Basay 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 ₱1,554,371.04, of which 85 percent was utilized, or a total amount of ₱1,319,439.00.

### **Compliance with Disclosure Policy**

23. The Municipal Government of Basay 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 Basay has been consistent in publishing the required reports in the conspicuous places in the local government.

### **OTHER MATTERS**

24. 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 65 prior years’ recommendations, 26 were implemented and 39 were unimplemented, as shown in the results of validations presented below:

<b>Ref.</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Status of Implementation/Results of Validation</b>
AAR 2023 , AO no. 1, page 22	Due to the different schedules of the Inventory Committee members and their individual workloads, the Municipal Government of Basay 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 ₱415,125,954.07, which includes movable properties amounting to ₱75,512,853.26, still could not be ascertained.	1. The Municipal Accountant and the Inventory Committee complete the reports necessary to establish the correct balances of PPE items that should be reported in the financial statements.	Unimplemented  The reports were still incomplete. Members of the inventory committee had other priority work.  This was restated in the audit of CY 2024 accounts as Audit Observation (AO) No. 2.
AAR 2022 , AO no. 6, page 32		2. Management temporarily relieve the Inventory Committee from their regular duties during the one-time cleansing per Sec. 5.3 of COA Circular 2020-006.	Unimplemented  Members of the Inventory Committee were still not relieved due to other work assignments.  This was restated in the audit of CY 2024 accounts as Audit Observation (AO) No. 2.
AAR 2021 , AO no. 1, page 21  and  AAR 2018		3. The Municipal Mayor file a request for authority to derecognize non-existing/missing PPEs to the audit team, and support its request with the certified lists	Conduct of procedures and reports were still incomplete, thus, no request had been made.  This was restated in the audit of CY 2024 accounts as Audit Observation (AO) No. 2.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		<p>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.</p>	
<p>AAR 2023 , AO no. 2, page 22</p>	<p>Disclosures in the Notes to Financial Statements on the “Loans Payable – Domestic” account balance of ₱127,775,332.28 are incomplete, a departure from the fair presentation requirement under the International Public Sector Accounting Standards (IPSAS), thus affecting the usefulness of the financial information on loans to its users, especially its constituents.</p>	<p>4. The Municipal Accountant revise the Notes to the Financial Statements to include the principal amount, interest rate, maturity date, amount for each purpose, and interest expense of the Loans Payable— Domestic account to properly inform the users of the financial statements about the municipal government's financial performance, particularly in</p>	<p>Implemented</p> <p>The Loans Payable - Domestic account was already disclosed properly in the Notes to Financial Statements, containing the necessary information required by IPSAS.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		financial management.	
AAR 2023, AO no. 3, page 24	Monthly Bank Reconciliation Statements (BRS) of the Municipality's bank accounts were not prepared and submitted to the Auditor contrary to Section 74 of P.D. No. 1445 and Sections 3.2 and 3.4 of COA Circular No. 96-011 dated October 2, 1996, resulting in the untimely detection of the discrepancy	5. The Municipal Accountant prepare and submit to the Audit Team the monthly BRS pursuant to Sections 3.2 and 3.4 of COA Circular No. 96-011 dated October 2, 1996.	Implemented  The Municipal Accountant had already submitted the monthly BRS for the audited year.
AAR 2022, AO no. 2, page 25 and AAR 2021, AO no. 2, page 24	between the Cash in Bank balance presented in the financial statements and the amount reported in the bank statements of at least ₱5,414,266.71	6. The Municipal Accountant and Municipal Treasurer closely coordinate and regularly reconcile their respective records for early detection and correction of adjustments and errors, if any, pursuant to Section 74 of P.D. No. 1445.	Implemented  The Municipal Accountant and Municipal Treasurer are now coordinating, especially in terms of their records and reports.
		7. The Municipal Accountant and Municipal Treasurer trace the discrepancies noted, and reconcile the Cash-in-Bank account, as presented in the financial	Implemented  The Municipal Accountant and Municipal Treasurer had ongoing reconciliations of discrepancies noted.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		statements against the amounts reported in the bank statements.	
AAR 2023, AO no. 4, page 26	The recently designated Accountable Officer (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>8. The 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>9. Instruct the newly appointed or designated AO to use a new cashbook in accordance with COA Circular No. 97-002; and</p> <p>10. 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 of the former AO had already been submitted to the Municipal Treasurer and Municipal Accountant.</p> <p>Implemented</p> <p>A new cash book was issued to the new AO.</p> <p>Implemented</p> <p>The newly appointed AO had been oriented with the proper recording of transactions.</p>
AAR 2023, AO	Procurement of goods, materials, supplies, medicines, and catering	11. The BAC use the Shopping mode for procurement	Implemented

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
<p>no. 5, page 28</p> <p>AAR 2022, AO no. 13, page 47</p> <p>AAR 2021, AO no. 7, page 35</p> <p>and</p> <p>AAR 2020, AO no. 4, page 26</p>	<p>services amounting to ₱2,217,520.00 were carried out through Shopping even though the Bids and Awards Committee (BAC) was unable to justify the presence of unforeseen contingencies requiring 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 raises concerns about whether the prices secured under these contracts are the most reasonable and advantageous to the Municipality.</p>	<p>only when it satisfies the stipulated requirements of Section 52.1 of the Revised IRR of R.A. No. 9184.</p>	<p>Shopping was used as a mode of procurement for purchases within the threshold.</p>
		<p>12. The BAC specify the reason/justification for using an alternative mode of procurement for each purchase, instead of providing a general justification for all purchases that did not undergo</p>	<p>Implemented</p> <p>Justifications were made for each purchase using the alternative mode of procurement.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		competitive bidding when recommending approval for alternative modes of procurement.	
<p>AAR 2023 , AO no. 6, page 30</p> <p>AAR 2022 , AO no. 10, page 42 and</p> <p>AAR 2021 , AO no. 9, page 38</p>	<p>The Municipal Government purchased 32 types of drugs and medicines amounting to ₱806,597.00 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 AO No. 2019-0040 dated October 14, 2019, hence, not securing the best value for money in procuring essential pharmaceutical products.</p>	<p>13. The OIC Municipal Health Officer 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.</p>	<p>Implemented</p> <p>The latest DPRI was used as a reference in procuring drugs and medicines.</p>
<p>AAR 2023 , AO no. 7, page 31</p>	<p>Complete detailed specifications, such as the pharmaceutical form and strength, were not indicated in the Purchase Orders (POs) in the procurement of drugs and medicines totaling ₱283,435.00, inconsistent with Item B of COA Circular No. 96-010 dated August 15, 1996,</p>	<p>14. The Bids and Awards Committee complete detailed specifications be indicated in the PO before proceeding with the delivery of drugs and medicines.</p>	<p>Implemented</p> <p>Detailed specifications were already indicated in the POs issued right after the exit conference in CY 2023.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	thus, potency and safety, as well as the reasonableness of prices of these drugs and medicines, could not be guaranteed.	15. 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.	The personnel concerned were already required to fill up the complete information required in the POs.
AAR 2023 , AO no. 8, page 33 and AAR 2022 , AO no. 12, page 45	Procurement of a mini dump truck and cargo dropside surplus by the Municipality totaling ₱3,894,000.00 was not supported by the appropriate Authority to Purchase Motor Vehicles (APMV) and violated the prohibition on the acquisition of reconditioned vehicles, inconsistent with the Department of Budget and Management (DBM) Budget Circular (BC) No. 2022-1, hence impairing the validity and regularity of the related disbursements.	16. The Bids and Awards Committee, henceforth, first secure the appropriate authority to purchase motor vehicles, in compliance with DBM BC No. 2022-1.	Implemented  The appropriate authority was already secured before any purchase of a vehicle.
		17. Management submit an explanation for the procurement of the surplus vehicle to justify the violation of Section 9 of BC No. 2022-1 prohibiting the purchase of reconditioned motor vehicles.	Implemented  Management explained that their budget for a vehicle was limited. However, they promised to avoid procuring surplus vehicles in the future.

<b>Ref.</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Status of Implementation/Results of Validation</b>
AAR 2023 , AO no. 9, page 34	Management did not establish an Internal Audit Service (IAS) office in contravention of Administrative Order No. 70, s. 2003, thereby, impeding the optimal achievement of efficient and effective fiscal administration and performance of governmental functions.	18. The Municipal Mayor:  Include in its annual budget the appropriation for the establishment of IAS; and	Unimplemented  This was not one of the priority programs or activities during the audited year.
		19. Facilitate the creation of an IAS in the Municipality in accordance with AO No. 70 and RA No. 3456.	Unimplemented  No appropriation was allocated for the creation of an IAS.
		20. The IAS use the 2020 Revised PGIAM in the exercise of their internal audit functions.	Unimplemented  No IAS was created in the Municipality.
AAR 2023 , AO no. 10, page 36	The Municipality did not undertake the GRRPA 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.	21. The Municipal Assessor:  Coordinate with the Provincial Assessor in the preparation of the updated SMV of the Municipality pursuant to Section 212 of RA No. 7160; and	Implemented  The Municipal Assessor had already informed the Province.
		22. Initiate the immediate conduct of a general revision of real property assessments after the enactment of	Unimplemented  The Municipal Assessor was waiting for the action of the Province to update the SMVs.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		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.	
AAR 2023 , AO no. 11, page 38	Had the Municipal Mayor and Municipal Engineer considered all factors affecting the implementation of programs/projects/activities under the 20% Development Fund (DF), including the limited manpower and availability of equipment, among others, the Municipal Government could have completed not just eight of the 22 projects programmed under the 20% 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.	23. 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  Implementation of projects and utilization of the 20 percent DF were still not optimized due to limited manpower and equipment.
		24. Management consider all possible limitations, including the availability of the deed of donation, equipment, and manpower during the planning stage.	Implemented  These factors were already considered during the planning of projects during the audited year. However, there were still pending unimplemented projects from previous years.
AAR 2023	Out of the total budget of ₱13,038,848.13	25. The LDRRM Council optimally	Unimplemented

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
<p>, AO no. 12, page 40 and AAR 2022, AO no. 14, page 49</p>	<p>appropriated for the LDRRMF Mitigation Fund, only 35.06 per cent or ₱4,571,981.75 was utilized in CY 2023, contrary to RA No. 10121 and the DILG MC No. 2012-73 dated April 17, 2012, thereby not optimally utilizing the LDRRM funds and compromising the Municipality's preparedness and resilience to disasters and calamities.</p>	<p>utilize the 70 per cent budget allocation for disaster prevention, mitigation, and preparedness, to better prepare the Municipality for future calamities</p>	<p>The preparedness portion of the LDRRM Fund was still not optimally utilized because other procurement activities and projects were prioritized.</p>
		<p>26. The LDRRM Council ensure that the programs and projects included in its LDRRM Plan and AIP are realistic and attainable.</p>	<p>Realistic and attainable programs and projects had been included in the LDRRM Plan and AIP.</p>
<p>AAR 2023, AO no. 1, page 22</p>	<p>Because of the lack of accounting personnel in handling manual recording and reporting of transactions, the Municipal Accountant was unable to submit the complete set of year-end trial balances (TB) and financial statements (FS) for the calendar year (CY) 2022 on time, contrary to Sections 70, 72, and 76 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I,</p>	<p>27. The Municipal Mayor:  enjoin the Sanggunian to set aside an appropriation for the installation of the electronic New Government Accounting System (e-NGAS), which is made available by the Commission, to hasten the work of the Office of the</p>	<p>Unimplemented  Appropriation for e-NGAS would be made in the following year.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	and COA Circular No. 2016-004 dated September 30, 2016, thus precluding the LGU's local officials and constituents from being informed of the state of the municipality's finances.	Municipal Accountant and minimize errors in accounting;	
		28. require the Municipal Accountant to submit a complete set of FS and TB, with pertinent schedules and reports which must reconcile with the amounts reported on the FS; and	Implemented  The Municipal Accountant was able to submit the complete set of FS and TB within the reglementary period.
		29. require the Municipal Accountant to support the FS submission with the appropriate working files on the adjustments and entries made, which affected the changes in the amounts reported.	Implemented  Appropriate supporting documents were submitted along with the FS.
AAR 2022 , AO no. 3, page 26	Cash advances for salaries and wages and current operating expenses totaling ₱54,063,673.23 were not supported by the appropriate and complete documents contrary to Section 4(6) of Presidential Decree (PD) No. 1445 and Section 1.1 of COA Circular No. 2012-001	30. The Municipal Treasurer, henceforth, ensure that all cash advances are supported by the complete documentary requirements pursuant to PD No. 1445 and	Implemented  Cash advances were supported with relevant documentary requirements.

<b>Ref.</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Status of Implementation/Results of Validation</b>
	dated June 14, 2012, disregarding the controls established in the grant of cash advances, allowing the accountable officer to hold excess funds which may be exposed to loss or defalcation.	COA Circular No. 2012-001, 31. and immediately disapprove cash advances without the necessary supporting documents.	Implemented  Cash advances without the necessary supporting documents were not approved.
AAR 2022 , AO no. 5, page 29,  AAR 2021 , AO no. 3, page 26,  and  AAR 2017 , AO no. 3, page 25	Cash advances totaling ₱5,338,887.21 remained unliquidated as at year-end, even if their purposes had been served contrary to Section 89 of Presidential Decree (PD) 1445 and Section 5 of COA Circular No. 97-002 dated February 10, 1997, thus exposing the funds to possible loss and/or misappropriation, while resulting further in the non-recognition of expenses in the period they were incurred.	32. The Municipal Mayor order the withholding of payment of any money due from officials and employees with unliquidated cash advances, 30 days after the service of the demand letters where no liquidation has been submitted by the accountable officers concerned, pursuant to COA Circular No. 97-002.  33. Management impose sanctions on the concerned erring officials and employees, in accordance with PD 1445 and the revised Penal Code.	Unimplemented  This was restated in the audit of CY 2024 accounts as Audit Observation (AO) No. 8.  Unimplemented  This was restated in the audit of CY 2024 accounts as Audit Observation (AO) No. 8.
AAR 2022 , AO	The Municipality was unable to fill up all the mandatory positions	34. The Municipal Mayor ensure the full	Unimplemented

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
no. 7, page 34	comprising the Local Disaster Risk Reduction and Management Office (LDRRMO) as of December 31, 2022, contrary to Section 12 (b) of Republic Act (RA) No. 10121 and Section 5.0 of the National Disaster Risk Reduction and Management Council (NDRRMC), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM), and Civil Service Commission (CSC) Joint Memorandum Circular (JMC) No. 2014-1 dated April 4, 2014, hence, plans, actions, and measures pertaining to disaster risk reduction and management may not be appropriately implemented.	institutionalization of the LDRRMO by:  making representation with the Sanggunian for the allocation of the necessary budget and staffing, in accordance with the NDRRMC-DILG-DBM-CSC JMC No. 2014-1; and	Management believed that the current LDRRMO can still deliver effectively. Also, this was not a priority expenditure for the audited year.
		35. prioritizing the hiring of qualified personnel to fill in the vacant plantilla positions to assure the implementation of actions and measures related to disaster risk reduction and management.	Unimplemented  Management believed that the current LDRRMO is still capable of delivering effectively. Additionally, this was not a priority expenditure for the audited year.
AAR 2022, AO no. 8, page 36  AAR 2021, AO no. 4,	The quality, as well as the reasonableness of prices of goods and supplies procured in response to the COVID-19 emergency totaling ₱328,259.00 could not be determined because the complete detailed specifications, including brand names of the items, were not indicated in the	36. The BAC should refrain from awarding a contract unless the RFQ contains the required details of the goods procured.	Implemented  RFQs already included the necessary details of the goods or materials procured.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
page 29 and 2020, AO no. 1, page 21	Purchase Orders (POs) contrary to Item B of COA Circular No. 96-010 dated August 15, 1996.		
AAR 2021, AO no. 6, page 33	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 Basay could continuously function and deliver essential services during an emergency or disaster.	37. The Local Chief Executive (LCE) institutionalize the PSCP by creating a working group that will perform the following activities:	Unimplemented  The LCE was not able to create a working group due to different priorities during the audited year.
38. conduct risk assessments considering new variables after the pandemic;		Unimplemented  There was no working group created.	
39. identify critical processes and functions;		Unimplemented  There was no working group created.	
40. determine scenarios that may disrupt normal operations;	Unimplemented  There was no working group created.		
41. conduct risk and impact analyses;	Unimplemented		

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
			There was no working group created.
		42. formulate the PSCP; and	Unimplemented There was no working group created.
		43. 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 There was no working group created.
AAR 2021, AO no. 11, page 42	Registration fees paid to the Philippine Councilor's League (PCL) totaling ₱300,000.00 for the attendance of the Sangguniang Bayan (SB) members of the annual convention and year-end evaluation/assessment were issued with personalized non-VAT Official Receipts (OR) registered with the Bureau of Internal Revenue (BIR), contrary to Section 4(6) of Presidential Decree (PD) No. 1445, which may result to the unaccounted collection and possible loss of government funds.	44. The representative from the Office of the Municipal Treasurer submit the lacking ORs or documents to reconcile with the ₱20,000.00 discrepancy.	Unimplemented Management neglected to submit the documents to reconcile the discrepancy.
AAR 2021, AO no.	The Municipality did not establish a GAD monitoring and evaluation (M&E) system to focus on	45. The Local Chief Executive:	Unimplemented The LCE was not able to establish an M&E

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
13, page 45	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.	establish an M&E System through the issuance of an Executive Order or Administrative Order;	system, because this was not among the priority program/activity during the audited year.
		46. 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  No M&E Team was created.
		47. task them to provide recommendations based on its assessment and evaluation, when necessary; and	Unimplemented  No M&E Team was created.
		48. 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  No M&E Team was created.

<b>Ref.</b>	<b>Observation</b>	<b>Recommendation</b>	<b>Status of Implementation/Results of Validation</b>
		no later than June of the next term.	
AAR 2021 , AO no. 14, page 46	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.	49. 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.	Implemented  The preparation of the GAD Agenda was no longer applicable, as the current Mayor was in her last term.  The past administration could no longer implement this recommendation, since the GAD agenda was for the three-year term of the seating Mayor. This would be required for the incoming Mayor.
AAR 2019 , AO no. 2, page 22	The Municipality did not avail of the remedies provided under Sections 258 and 260 of Republic Act (R.A.) No. 7160 which contributed in the accumulation of delinquent real property taxes amounting to ₱33,242,578.07 as of December 31, 2019, thus, the Municipality stands to lose potential revenues which could have been used to finance development programs and projects.	50. Management direct the Municipal Treasurer to intensify collection of real property taxes and avail of the remedies provided under Sections 258 and 260 of the Local Government Code, especially for those with delinquent accounts of more than two years.	Unimplemented  The Municipal Treasurer will implement the remedies to encourage collection going forward.
AAR 2019 , AO no. 4,	The Municipal Disaster Risk Reduction and Management Officer (MDRRMO) used the	51. Management reimburse from the General Fund the LDRRMF for	Unimplemented  No appropriation was made for the refund, as

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
page 25	Local Disaster Risk Reduction Management Fund (LDRRMF) to pay for expenditures amounting to ₱365,256.00 which are not allowed under Item Nos. 4.0 and 5.0 of NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013, thus, funds to support disaster risk management activities were reduced by the same amount.	<p>the amount of expenses not chargeable thereto.</p> <p>52. MDRRMO use the LDRRMF for disaster-related projects, programs and activities in accordance with NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.</p>	<p>this was not among the priority expenditures during the audited year.</p> <p>Implemented</p> <p>Management made sure that the LDRRMF was only used for disaster-related activities and projects.</p>
AAR 2018 , AO no. 7, page 30	The gender gaps and/or differences within the locality could not be fully identified and analyzed because the Municipality did not maintain a Gender and Development (GAD) Database, contrary to Section 37(D), Rule VI of the Implementing Rules and Regulations (IRR) of Republic Act (R.A.) 9710 and Section 4.1.B(1) of PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-1, thereby depriving the Municipality of a useful tool necessary for the proper formulation of its GAD programs, projects and activities.	53. The Municipal Planning and Development Officer (MPDO) establish the GAD database as 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	<p>Unimplemented</p> <p>Establishment of the GAD database was still on-going.</p>

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		assured of the services, protection, and other assistance that may be provided.	
AAR 2017, AO no. 4, page 26 and AAR 2012, AO no. 4, page 22	Unpaid obligations in the General Fund amounting to ₱623,282.92 had been outstanding for more than two or three years already, contrary to Section 98 of Presidential Decree (P.D.) No. 1445 and Section 4 of Sthe Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I.	54. The Municipal Accountant, in accordance with Section 98 of P.D.1445:  a) conduct a periodic review of all outstanding payables; and.  55. b) validate available documents and revert those which had remained outstanding for more than two years for which no administrative or judicial claim had been filed.	Implemented  Review of the outstanding payables had been made.  Unimplemented  The Municipal Accountant cannot validate and revert these payables due to the absence of supporting documents.
AAR 2017, AO no. 8, page 30	The operation of market, slaughterhouse and waterworks system 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	56. 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	Unimplemented  This was not a priority program or activity during the audited year.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	and facilities to the constituents.	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.	
AAR 2017 , AO no. 2, page 23	The Municipality is still operating an open dumpsite for solid waste at Barangay Cabalayongan, contrary to Sections 17 (h) and 37 of Republic Act (R.A.) No. 9003, hence continually exposing the inhabitants in the surrounding areas to health risks/hazards and the environment to further deterioration.	57. Management adopt measures to mitigate the effects of the current open dumpsite, concretize methods and procedures for the phaseout/eventual closure of the existing open dumpsite within a specific time frame and make robust its compliance with Republic Act 9003.	Unimplemented  This was not one of the priority programs or activities during the audited year.
AAR 2016 , AO no. 2 page 23	The Municipality granted Collective Negotiation Agreement (CNA) incentive to its 99 officials and employees at ₱25,000.00 each even without a valid CNA agreement contrary to DBM Budget Circular No. 2016-7 dated December 1, 2016, resulting in irregular	58. The concerned officials and employees refund the amount paid as CNA incentive.	Unimplemented  The concerned officials and employees had refunded the CNA granted to them. However, they did not return the full amount, and collection was still ongoing.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
	expenditures of ₱2,373,750.00.		
AAR 2016 , AO no. 3, page 25	The Municipality granted ₱20,000.00 each or a total of ₱1,880,000.00 to its officials and employees Performance Based Bonus (PBB) without an appropriation ordinance and the Department of Interior and Local Government (DILG) guidelines on the grant of FY 2016 PBB for LGUs, rendering the payments questionable.	59. The concerned officials and employees refund the PBB paid to them.	Unimplemented  The Accountant had already demanded a refund of the PBB. However, there were still unrefunded balances, and collection was still ongoing.
AAR 2015 , AO no. 1, page 22	The total Personal Services (PS) costs of the Municipality of Basay exceeded the 55% PS limitation provided under Section 325 of Republic Act No. 7160, resulting in illegal expenditures of ₱1,380,159.73.	60. The municipal officials and employees refund the excess PS amounting to ₱1,380,159.73 and,	Unimplemented  Refund of the balance of the excess PS was still ongoing.
AAR 2014 , AO no. 7, page 24	Unserviceable motor vehicles and heavy equipment amounting to ₱2,188,024.00 still remained on the books of accounts, thereby overstating the assets of the Municipality.	61. The Municipal Engineer, in coordination with the Municipal Treasurer, dispose of the unserviceable motor vehicles and transportation equipment in accordance with Section 70 of PD 1445 and Section 125 of the NGAS, Volume I.	Unimplemented  The conduct of a physical count of properties had not been completed, and necessary reports were not prepared to allow the Municipal Engineer and the Municipal Treasurer to dispose of unserviceable properties.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
AAR 2014 , AO no. 11, page 30	The Municipality still used the logbook in keeping the records of attendance of employees.	62. Hasten the acquisition of a biometric system of recording attendance to ensure that the times of arrival and departure of officials and employees are properly recorded and monitored.	Implemented  Management argued that using a biometric system would entail more budget for its acquisition and installation. The Bundy Clock is enough for Management, which gives the same results in terms of keeping a record of attendance.
AAR 2013 , AO no. 6, page 25	The grant by LGU-Basay of Productivity Enhancement Incentive of ₱10,000.00 to each of its employees exceeded the amount allowed under Executive Order No. 80 dated July 20, 2012 as implemented by Budget Circular No. 2013-3 dated November 21, 2013 of ₱5,000.00, resulting to an overpayment of ₱518,500.00 for CY 2013.	63. Management require all employees concerned to refund the overpayment of Productivity Enhancement Incentive for CY 2013 and to henceforth observe strictly the applicable regulations on the grant of any fringe benefits.	Unimplemented  The Municipal Accountant had already demanded a refund of the excess PEI. However, some officials had not fully refunded their balances.
AAR 2012 , AO no. 1, page 38	Waterworks System among the income generating projects of the municipal government, was operating under a net loss of ₱1,593,265.51 during the year thus the objective of earning additional income as economic enterprise was not attained.	64. Management shall:  Design/adopt measures and strategies to remedy the high expenditures in the operations of the Waterworks System; and	Unimplemented  Management had to review and revisit the plans and targets of the Waterworks System.

Ref.	Observation	Recommendation	Status of Implementation/Results of Validation
		65. Review and revisit the Plans and Targets in the operations of these economic enterprises in order to address the areas where the municipal government can generate additional income and minimize costs/expenses.	Unimplemented  This was not a priority program or activity during the audited year.

# PART IV

## APPENDICES

<b>Particulars</b>	<b>Appendix</b>
I. Financial Statements by Fund	
Statement of Financial Position	
- General Fund	A
- Special Education Fund	B
- Trust Fund	C
Statement of Financial Performance for the Year Ended	
- General Fund	D
- Special Education Fund	E
- Trust Fund	F
Statement of Changes in Net Assets / Equity	
- General Fund	G
- Special Education Fund	H
Statement of Cash Flows for the Year Ended	
- General Fund	I
- Special Education Fund	J
- Trust Fund	K
Statement of Comparison of Budget and Actual Amounts	
- General Fund	L
- Special Education Fund	M
II. Summary of Statement of Appropriations, Allotments, Obligations and Balances (General Fund and Special Education Fund, Current and Continuing)	N
III. Others	
Disbursements not supported with CAF	1
Procurement with Incomplete Documentation	2
Meals and Snacks during regular and administrative meetings	3