EXECUTIVE SUMMARY

Introduction

The City of Bais is presently classified as a 3rd class city. It became a city in 1968 pursuant to Republic Act (R.A.) No. 5444, otherwise known as *"An Act Converting the Municipality of Bais, Province of Negros Oriental into a Component City to be known as the City of Bais."* As of December 31, 2024, it had a personnel complement of 2,075 as shown below:

Nature of Appointment to Office	*Number*
Elective Officials	14
Permanent Positions	322
Co-terminous	38
Job Orders (Office-Based)	1,004
Job Orders (Project/Field-Based)	697
Total	**2,075**

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

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

Audit Objective

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

Audit Methodology

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

Scope of Audit

The audit covered the operations of the City of Bais for calendar year (CY) 2024. The audit consisted of review of operating procedures, evaluation of the City's programs and projects, interview of concerned government officials and employees, verification, reconciliation, confirmation, inspection and analysis of accounts, and such other procedures considered necessary.

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

- Cash in Bank;
- Cash Local Treasury;
- Property, Plant, and Equipment – Road Networks, Procurement of Vehicles;
- Inventories;
- Accounts Payable;
- Inter-Agency Payables – Due to National Government Agencies (NGAs);
- Advances to Officers and Employees;
- Local Disaster Risk Reduction and Management Fund;
- Taxes withheld from employees and suppliers and remittances to the Bureau of Internal Revenue (BIR) in accordance with R.A. No. 8424 and its Implementing Rules and Regulations under BIR Revenue Regulations No. 02798;
- Premium contributions and loan amortization to the Government Service Insurance System and Home Development Mutual Fund in accordance with R.A. No. 8291 and R.A. No. 9679, respectively;
- Premium contributions and remittance to PhilHealth in accordance with R.A. No. 7875, as amended;
- Audit of Official Development Assistance in accordance with R.A. No. 8182;
- Local Government Support Fund - Support to the Barangay Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC); and
- NTF-ELCAC Funds.

Financial Highlights

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

Account/Particulars	Amount (₱)		
	2024	**2023**	**Increase/(Decrease)**
Assets	5,553,802,226.37	5,106,658,001.67	447,144,224.70
Liabilities	1,345,925,602.31	1,077,343,472.31	268,582,130.00
Equity	4,207,876,624.06	4,029,314,529.36	178,562,094.70
Revenue	1,052,599,978.69	985,270,658.60	67,329,320.09
Personal Services	255,810,036.59	230,463,131.58	25,346,905.01
Maintenance and Other Operating Expenses	362,286,209.39	311,427,483.63	50,858,725.76
Financial Expenses	21,945,215.39	29,550.00	21,915,665.39
Non-cash Expenses	75,284,278.96	64,670,166.57	10,614,112.39
Net Subsidy	37,726,188.80	(12,629,756.72)	50,355,945.52

Account/Particulars	Amount (₱)		
	2024	2023	Increase/(Decrease)
Net Other Non-Operating Income (Losses)	(176,256,296.49)	(561,088.15)	175,695,208.34
Surplus/(Deficit)	198,744,130.67	365,489,481.95	(166,745,351.28)

Independent Auditor's Report on the Financial Statements

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

1. The accuracy and reliability of the Local Road Network (LRN) account balance totaling ₱286,016,299.73 could not be ascertained due to the: (a) non-submission of a complete Report on the Physical Count of LRN and Report on LRN; (b) non-maintenance of the LRN Ledger Card and LRN Property Card showing a complete description and cost segregation of LRN components; and (c) lack of full disclosure of the total road networks in the Notes to the Financial Statements, thereby affecting the fair presentation of the account in the financial statements.

2. The validity, existence, and accuracy of the Property, Plant and Equipment (PPE) accounts totaling ₱488,780,849.81 could not be ascertained due to the unreconciled difference of ₱57,969,559.01 between the PPE balances in the Report on the Physical Count of PPE and the books of accounts, thus affecting the fair presentation thereof in the Financial Statements. These unreconciled differences could have been properly and adequately addressed had Management implemented the one-time cleansing of PPE.

3. Discrepancies were noted between the physical count and the book balances of inventory accounts, totaling ₱41,852,147.26, ₱9,526,853.75, and ₱5,171,298.46 under the General Fund, Special Education Fund, and Trust Fund, respectively, due to delays in recording inventories consumed and issued, along with lack of priority in reconciling the two records and the use of a deficient report format, which substantially overstated the inventory account balances by ₱56,550,299.47 as of December 31, 2024.

4. Fifty-seven projects totaling ₱53,057,138.75, financed through trust receipts from NGAs, remained recorded as a liability under the Due to NGAs account despite their completion and liquidation, thus, overstating the Due to NGAs account and understating the Government Equity account as of December 31, 2024.

Significant Audit Observations and Recommendations

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

1. **Substantial cash advances amounting to ₱41,572,481.30 remained unliquidated and had been outstanding for as long as 13 years. The amount includes the cash advance for confidential and intelligence fund withdrawn by the former and incumbent local**

chief executive (LCEs) totaling ₱37,168,058.40, for which liquidation documents were submitted to the COA Chairperson, but no credit notices were received. The existence of these unliquidated cash advances exposed government funds to risk of misappropriation, overstated the Advances to Officers and Employees account, and understated the related expense accounts.

We recommended that the City Mayor direct all Accountable Officers (AOs) to settle their unliquidated cash advances by undertaking the following:

a) Thru the City Accountant, send demand letters for the immediate liquidation of unliquidated cash advances, particularly for the travel and special undertakings, withhold payment of any money owing to the AO after due notice, and henceforth, strictly observe the requirements/ limitations stipulated under Section 89 of P.D. No. 1445 and COA Circular No. 96-004;

b) Communicate with COA Central Office as to the status of the liquidation reports submitted for the Confidential and Intelligence Funds cash advances granted from CYs 2011-2015 so that settlement could be recognized in the books;

c) Thru the City Accountant, fully disclose the Confidential and Intelligence Funds liquidation status in the Notes to the Financial Statements; and

d) Thru the City Accountant, maintain updated index cards for cash advances and submit the quarterly report with all required information on or before the 5th day following the end of each quarter.

2. **The City, through its Bids and Awards Committee (BAC), did not fully substantiate its observance of the rules and regulations in the purchase of various transportation and heavy equipment totaling ₱53,093,447.66, thereby posing a risk to the propriety of the disbursements made, as well as the integrity of similar transactions that go through the procurement process prescribed under the procurement law.**

   We recommended that the BAC and Technical Working Group be properly supervised and be made accountable for any lapses in the performance of their functions, as warranted.

   We further recommended that Management comply with the requirements/documents contained in the Notice of Suspension to be issued to enable the audit team to make a decision in audit.

3. **Balances of Local Disaster Risk Reduction and Management Funds (LDRRMF) transferred to the Special Trust Fund (STF) totaling ₱58,229,062.23 were not included in the (CY) 2024 LDDRMF Investment Plan (LDRRMFIP), which rendered questionable the disbursements totaling ₱27,177,510.87. Moreover, the funding year for the STF projects totaling ₱29 million included in the CY 2024 LDRRMFIP was not identified, thus, precluding the proper monitoring of the five-year effectivity period. These were also lump-sum allocations, not supported with project cost estimates, hence providing weak controls in the utilization of funds.**

We recommended that the City Mayor direct the City DRRM Officer and the City Accountant to undertake the following:

a) Identify the fund source by year for the projects which were allocated ₱29 million pesos from the STF and included in the CY 2024 LDRRMFIP;

b) Desist allocating funds on a lump-sum basis and instead prepare the necessary Program of Work where the project cost is clearly presented and use this as basis for the LDRRM Council in preparing the LDRRMFIP;

c) Submit the LDRRM Council Resolutions and corresponding Sangguniang Panlungsod Resolutions and the amended Annual Investment Program approving and incorporating the change of expenditure items noted in the CY 2024 LDRRMFIP, otherwise our evaluation of the disbursements therefrom totaling ₱27,177,510.87 shall be accordingly suspended upon the issuance of the Notice of Suspension; and

d) Utilize the unexpended balances of prior years' LDRRMF held in special trust upon due compliance with Section 6 of NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 and include in the current year LDRRMFIP in compliance with Section 5.1.15 of COA Circular No. 2012-002, and ensure that the reprogrammed funds have specific projects and activities properly identified for effective and efficient implementation thereof towards disaster risk reduction.

The above and other audit findings and recommendations are fully discussed in Part II of this report.

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

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

	Beginning Balance (As of December 31, 2023)	This Period January 1 to December 31, 2024		Ending Balance (As of December 31, 2024)
		NS/ND/NC	NSSDC	
Notice of Suspension (NS)	₱ 641,790.87			₱ 641,790.87
Notice of Disallowance (ND)	9,466,139.43			9,466,139.43
Notice of Charge (NC)	455,138.91			455,138.91

Status of Implementation of Prior Years' Audit Recommendations

Of the 84 prior years' audit recommendations, 1 was issued with a Notice of Disallowance. Of the remaining 83 audit recommendations, 28 were implemented and 55 were unimplemented.