EXECUTIVE SUMMARY

Introduction

The City of Bayawan is a first-class component City of the Province of Negros Oriental, located in the southern part of the Province. It became a chartered City on December 5, 2000, under Republic Act No. 8983. Most programs of the City Government are geared towards being an agri-industrial center and learning hub for environmental best-practices, as this is the development direction and guiding vision of the City. It is more of a rural setting than urbanized, with only 2.3 percent of its total land area as urban. Most are agricultural, and its economy sits on the agricultural platform. Pursuant to Republic Act No. 7160, the City, 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 total personnel complement of:

Nature of Appointment to Office	*Quantity*
Elective Officials	14
Coterminous	24
Permanent	519
Consultants	5
Casuals	315
Job Orders/Contract of Service	2,187
Total	**3,064**

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. A 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 audits in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in 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 City Government of Bayawan for 2024. The audit consisted of verification, reconciliation, confirmation, inspection, and analysis of accounts reported in the financial statements, review of operating procedures, evaluation of the LGU's programs and projects, interviews with concerned government officials and employees, and other procedures deemed necessary.

Financial Highlights

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

Statement of Financial Position			
	2024	**2023**	**Increase/(Decrease)**
Assets	₱6,579,887,715.12	₱6,204,937,817.09	₱374,949,898.03
Liabilities	1,888,445,447.76	1,849,258,849.48	39,186,598.28
Equity	4,691,442,267.36	4,355,678,967.61	335,763,299.75

Results of Operations			
	2024	**2023**	**Increase/(Decrease)**
Revenues	₱1,624,961,897.10	₱1,530,588,446.97	₱94,373,450.13
Personnel Services	490,486,255.67	469,896,918.91	20,589,336.76
MOOE	779,501,215.72	609,371,896.26	170,129,319.46
Non-cash Expenses	273,365,018.88	235,222,210.69	38,142,808.19
Financial Expenses	37,545,403.24	22,870,094.93	14,675,308.31
Transfers, Assistance and Subsidy from/(to)	(63,356,443.98)	(45,856,928.78)	(17,499,515.20)
Net Surplus/(Deficit)	(19,292,440.39)	147,370,397.40	(166,662,837.79)

In 2023, Bayawan City had savings of ₱118,694,862.14, an excess of its actual income over its actual expenditures. There were expenditures in the current year that were funded by savings, thereby contributing to the deficit, in addition to the significant increase in maintenance and other operating expenses.

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 incorrect treatment in the reclassification of semi-expendable properties led to an overstatement of the Other Supplies and Materials Inventory, Other Supplies Inventory, and Other Property Equipment amounting to ₱25,654,129.33, ₱20,014,411.95, and

₱1,113,365.39, respectively, and thus an overstatement in Equity totaling ₱46,781,906.67. Furthermore, supplies totaling ₱736,835.00 were recognized as expenses for the audited year rather than being retained in inventory. Additionally, prior year expenditures amounting to ₱133,160.00 were erroneously recorded as current year expenses, thereby overstating expenses by an aggregate amount of ₱869,995.00.

In addition to the financial information mentioned above, the accuracy of the cash balance reported for the 20 percent development fund cannot be determined due to a substantial discrepancy of ₱149,539,738.49 between the balance stated in the financial statements and the data reported in the status of appropriations, allotments, and obligations, which has yet to be reconciled.

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 for travel and those incurred during gatherings such as consultative meetings totaling ₱15,751,263.14 were misclassified to other expense accounts, thereby affecting the usefulness of financial information available for users of financial statements, especially in the budgeting and decision-making process of Management.**

   We recommended that the City Accountant establish internal accounting policies in identifying whether a particular expenditure pertains to training, travel, extraordinary and miscellaneous expenses, or other materials and supplies expenses. We also recommended that the City Accountant, henceforth, strictly follow the Revised Chart of Accounts.

2. **The Loans Receivable – Others account includes financial assistance to cooperatives or non-governmental organizations/people's organizations (NGOs/POs), totaling ₱23,682,271.32, thus defeating the purpose of providing financial assistance to the intended NGO/PO and affecting the fair presentation of the Loans Receivable account in the Statement of Financial Position.**

   We recommended that Management strictly implement guidelines and procedures established under COA Circular No. 2007-001 in granting, utilization, accounting, and auditing of all funds released to NGOs/POs. We also recommended for Management to demand liquidation of funds granted. Lastly, we recommended that, henceforth, Management re-evaluate their true intentions in granting financial assistance to organizations and individuals, ensuring compliance with the law so that proper accounting and recording can be made.

3. **Management did not maintain a separate bank account for its 20 percent Development Fund (DF) special account, making it difficult to determine, in a timely manner, the availability of actual cash backup of the unutilized balance of ₱244,914,818.32 as of December 31, 2024, which consists of current and continuing appropriations for the implementation of development projects.**

   We recommended that the City Accountant and the City Budget Officer reconcile their reports and determine the actual funds available for ongoing and/or unimplemented projects under the 20 percent DF. We further recommended that Management, upon the authorization of the Sanggunian, open a separate bank account in the General Fund for the 20 percent DF, to which the City Accountant and City Treasurer transfer the determined or reconciled balance of the said account.

4. **The City Government placed a total of ₱385 million into four time deposit accounts, of which ₱366 million represents the cash back-up of its current and continuing capital outlay appropriations under the General Fund, leaving only ₱19 million as idle funds, thus, tying up funds necessary for the timely implementation of projects and activities.**

   We recommended that Management transfer the funds from the time deposit accounts to the City's regular savings or current account upon maturity to ensure cash availability when required for project implementation. We further recommended that Management review the funds intended for capital outlay projects that are placed in time deposit accounts and assess whether these projects are still subject to implementation or not. If not, such funds shall be reverted to the unappropriated surplus of the General Fund and realigned to appropriate capital expenditures.

5. **Defects in the procurement process for the construction of farm-to-market road (FMR) projects and the purchase of vehicles, equipment, supplies, and materials totaling ₱129,067,459.84, particularly in the observance of proper timelines and compliance with the procurement procedures, compromised the integrity of these transactions, creating potential inefficiencies and additional costs to the government.**

   We recommended that BAC strictly observe the prescribed bid validity period or, if necessary, secure the bidder's written concurrence for extension before bid validity expires. We also recommended for them to ensure that the conduct of bidding, specifically the Negotiated Procurement – Two Failed Biddings, is within the prescribed period, otherwise, request an extension of 30 days upon approval of the Head of Procuring Entity. Lastly, we recommended that BAC evaluate and address bottlenecks that cause delays in the procurement process, including the posting of NOAs and NTPs, to prevent the recurrence of procurement gaps.

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 (As of January 1, 2024)	This Period January 1 to December 31, 2024		Ending Balance (As of December 31, 2024)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	₱51,574,500.00	0.00	0.00	₱51,574,500.00
Notice of Charge	0.00	0.00	0.00	0.00

The outstanding disallowances are currently on appeal with the Commission.

Status of Implementation of Prior Years' Audit Recommendations

Of the 44 prior years' recommendations embodied in CY 2023 and prior years' Annual Audit Report, 20 were implemented, and 24 were unimplemented.