EXECUTIVE SUMMARY

Introduction

The Municipality of Zamboanguita, Negros Oriental, was created on May 1, 1908, by virtue of Executive Order No. 37. The Municipality is located on the southeastern coast of the Province of Negros Oriental. It is the third town, 28 kilometers south of Dumaguete City. It has a total land area of 15,139 hectares and consists of ten barangays. It is classified as a fourth-class Municipality.

As of December 31, 2024, it had a personnel complement of 391, as shown below:

Nature of Appointment to Office	*Quantity*
Elective Officials	12
Permanent Employees	75
Casual Employees	59
Job Order Employees	245
Total	**391**

Audit Objective

The objective of the audit is to (a) ascertain the fairness of the 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. The performance audit was likewise conducted with the objective of informing Management where improvement can be instituted in the areas of revenues, expenditures, and management of resources.

Audit Methodology

The Commission has been implementing a 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 the audit was incorporated.

Scope of Audit

An audit was conducted on the accounts and operations of the Municipal Government of Zamboanguita for 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interviews of concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary.

Financial Highlights

A comparative analysis of the Statement of Financial Position, as illustrated below, showed increases in assets, liabilities, and equity:

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	487,325,519.10	439,599,830.23	47,725,688.87
Liabilities	123,194,285.72	76,129,703.09	47,064,582.63
Government Equity	364,131,233.38	363,470,127.14	661,106.24

On the other hand, the Statement of Financial Performance reflects increases in revenue and expenses, and a decrease in the surplus, as shown below:

Results of Operations			
Revenues	163,563,145.79	154,879,628.06	8,683,517.73
Personnel Services	68,814,358.99	66,060,881.80	2,753,477.19
Maintenance and Other Operating Expenses	110,545,507.21	87,747,520.33	22,797,986.88
Non-cash Expenses	27,287,945.38	22,918,702.71	4,369,242.67
Financial Expenses	2,463,003.61	1,259,673.80	1,203,329.81
Net Financial Assistance/ Subsidy	42,438,087.96	29,015,040.52	13,423,047.44
Net Surplus (Deficit)	(3,109,581.44)	5,907,889.94	(9,017,471.38)

The following table illustrates decreases in the final budget or appropriations and an increase in actual amounts or obligations during the year:

Final Budget	255,298,819.78	351,050,838.37	(95,752,018.59)
Actual Amounts	220,992,010.71	171,986,830.72	49,005,179.99

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 ended, taking exceptions to the effects of the following:

1. Semi-expendable properties acquired and issued prior to CY 2024, with a total carrying amount of ₱3,199,594.81, were not reclassified in accordance with the provisions of COA Circular No. 2024-006 dated March 14, 2024, thereby overstating the Property, Plant, and Equipment (PPE) accounts and the Equity account by the same amount, and compromising the accuracy and reliability of the financial statements as of December 31, 2024.

2. The Accounts Payable balance of ₱4,479,781.22 was not fairly presented due to the inclusion of ₱428,893.60 which remained outstanding for more than two years and was not reverted to the unappropriated surplus, thus, may no longer represent valid claims.

3. Property, Plant and Equipment (PPE) acquired in CY 2024 totaling ₱408,532.00 was erroneously recognized in the books of accounts as Other Supplies and Materials Inventory instead of the appropriate PPE accounts, hence, both the asset accounts and the related depreciation expense accounts were overstated and understated, respectively, as of December 31, 2024.

Significant Findings and Recommendations

The following are the significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality for CY 2024. These and other audit observations discussed by the Audit Team with Management in an exit conference on June 19, 2025, are fully presented in Part II of this Report.

1. **Tangible items acquired in CY 2024 with a total cost of ₱627,373.00 were incorrectly classified under "Other Supplies and Materials Inventory" instead of under the appropriate semi-expendable property accounts. Furthermore, these items were neither expensed upon issuance nor supported by the complete set of prescribed forms and records. These lapses may result in misstatements of semi-expendable property and expense accounts, thereby affecting the accuracy and reliability of the financial statements at year-end.**

   We recommended that the Municipal Accountant strictly adhere to the accounting and reporting guidelines prescribed under COA Circular No. 2024-006. Specifically, tangible items costing below ₱50,000.00 and meeting the definition of semi-expendable property should be:

   - Recorded under the appropriate semi-expendable inventory accounts upon acquisition, and
   - Recognized as an expense upon issuance to end-users, with proper accounting entries reflected in the books of accounts.

   We further recommended that the Municipal Treasurer, Municipal Accountant, and all accountable officers ensure the preparation, maintenance, and use of all required forms, registries, and reports for the proper tracking, issuance, transfer, return, and disposal of semi-expendable properties, as enumerated in Section 4.7 of COA Circular No. 2024-006.

2. **The cost of 1,500 sacks of rice, amounting to ₱4,116,000.00, charged to the previous years' unexpended LDRRMF was recognized as credit to Subsidy from Other Funds instead of closing the recorded Welfare Goods Expenses account to the Trust Fund Liabilities-DRRMF account, thus, proper accounting was not assured.**

We recommended that the Municipal Accountant strictly adhere to the illustrative accounting entries prescribed under COA Circular Nos. 2012-002 and 2015-009 in recording the utilization of the unspent LDRRMF to ensure proper accounting and accurate financial reporting of trust fund transactions.

3. **The Notes to Financial Statements (FS) for CY 2024 did not correctly present the current appropriation for the Local Disaster Risk Reduction and Management Fund (LDRRMF), resulting in the incomplete disclosure of vital information in the financial statements.**

   We recommended that, henceforth, the Municipal Accountant take into account the budget revisions made during the year to ensure that the current year appropriations for the LDRRMF are accurately disclosed in the Notes to FS as of December 31.

4. **Delinquent Real Property Taxes (RPT) and Special Education Taxes (SET), including penalties accruing thereon that have accumulated to ₱18,159,182.68, remained uncollected as of December 31, 2024, thus, depriving the Municipality of a substantial amount of income that could have been utilized to finance the implementation of various development projects or other major programs/projects/ activities (PPAs).**

   We recommended that the Municipal Treasurer strengthen efforts to collect delinquent real property taxes by conducting intensive tax campaigns in each barangay and sending Notices of Delinquency to all delinquent taxpayers regardless of the amount due, to ensure fair enforcement and maximize revenue collection.

   We further recommended that the Municipal Treasurer ensure full compliance with the posting and publication requirements prescribed under Section 254 of RA No. 7160.

   Lastly, we recommended that Management consider applying the remedies for the collection of real property taxes, in accordance with the pertinent provisions of RA No. 7160.

5. **The Municipality inappropriately invested a total of ₱16,623,828.41 in time deposits without proper compliance, as the funds under the General Fund (GF) did not qualify as idle and documentary support was lacking, thereby rendering its propriety doubtful.**

   We recommended that Management:

   a. Cease the placement of funds in time deposits unless properly supported by a detailed computation showing excess funds beyond the Municipality’s normal operating and financial requirements, in accordance with Sections 21 and 22 of COA Circular No. 92-382; and

b. Instruct the Municipal Treasurer to retrieve and submit complete supporting documents for the existing time deposit account to validate the legality and appropriateness of such investments.

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

The Notices of Suspension and Disallowance showed the following balances 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)
		NS/ND	NSSDC	
Suspensions	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Disallowances	3,128,327.00	0.00	0.00	3,128,327.00
Charges	0.00	0.00	0.00	0.00

Status of Implementation of Prior Years' Recommendations

Of the 99 prior years' recommendations, 24 were implemented and 75 were unimplemented.