



Republic of the Philippines  
COMMISSION ON AUDIT  
**REGIONAL OFFICE NO. VII**  
M.J. Cuenco Ave., cor. V. Sotto Street, Barangay Tinago, 6000 Cebu City

**ANNUAL AUDIT REPORT**

**ON THE**

**CITY OF BAIS**

**PROVINCE OF NEGROS ORIENTAL**

**For the Year Ended December 31, 2024**



M.J. Cuenco Ave., cor. V. Sotto Street, Barangay Tinago, 6000 Cebu City



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



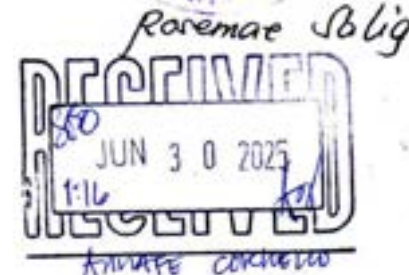
June 24, 2025

**HONORABLE LUIGI MARCEL T. GOÑI**

City Mayor

City of Bais

Province of Negros Oriental



Dear Mayor Goñi:

We are pleased to transmit the Annual Audit Report of the City Government of Bais for the calendar year 2024 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted 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.

We conducted our audit in accordance with applicable International Standards of Supreme Audit Institutions, and we believe that it provides a reasonable basis for our opinion.

We rendered a qualified opinion on the fairness of presentation of the financial statements for the year then ended.

The audit observations, together with the recommended courses of action, which were discussed by the Audit Team with you and your staff in an exit conference on April 28, 2025, are discussed in detail in Part II of the Report. Management's comments are also incorporated in Part II, where appropriate. The Status of Implementation of Prior Years' Audit Recommendations is discussed in Part III of this Report.

We request that the recommendations be immediately implemented, and we will appreciate being informed of the action(s) taken thereon by submitting the attached duly accomplished Agency Action Plan and Status of Implementation within 60 days from receipt of this Report.

We express our appreciation for the valuable support and cooperation extended by the officials and staff of the City Government of Bais.

Very truly yours,

  
VISITACION Q. MENDOZA  
Director IV

Copy furnished:

1. The Honorable Sangguniang Panlungsod Members  
Thru: The Secretary, Sangguniang Panlungsod  
Bais City
2. The Secretary  
Department of the Interior and Local Government  
Quezon City
3. The Regional Director  
Bureau of Local Government Finance  
Cebu City
4. National Library (Soft Copy)
5. University of the Philippines (UP) Law Center (Soft Copy)
6. COA Commission Central Library (Soft Copy)

**BAIS CITY**  
Province of Negros Oriental

**AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION**  
**Audit Observations and Recommendations For the Calendar Year 2024 and Prior Years**  
As of \_\_\_\_\_

Ref	Audit Observations	Audit Recommendation/s	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/ Action to be taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency Sign-Off:

\_\_\_\_\_  
Name and Position of Agency Officer

\_\_\_\_\_  
Date

Note: Status of Implementation may either be (a) Implemented, or (b) Not Implemented.



## EXECUTIVE SUMMARY

### Introduction

The City of Bais is presently classified as a 3<sup>rd</sup> 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:

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

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 5<sup>th</sup> 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 LDRRMF 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.

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**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 LUIGI MARCEL T. GOÑI**

City Mayor  
City of Bais  
Province of Negros Oriental

### ***Qualified Opinion***

We have audited the financial statements of the City of Bais, 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 matters 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 City of Bais as at December 31, 2024, and its financial performance, its cash flows, and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

### ***Bases for Qualified Opinion***

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.
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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 National Government Agencies (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.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

***Responsibility 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 LGU'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 misstatement, 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 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**

  
**ENRIQUITO A. BULOS**  
Director III

April 30, 2025



Republic of the Philippines  
CITY OF BAIS  
-6206-

### ***Statement of Management Responsibility for Financial Statements***

The Management of the Local Government Unit of Bais City is responsible for all information and representations contained in the accompanying Statement of Financial Position 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 Asset/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 and generally accepted state accounting principles, and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of 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 recognized.

**LORELEI C. BALANSAG**  
City Accountant

2/28/2025  
Date Signed

**LUIGI MARCEL T. GOÑI**  
City Mayor

2/28/2025  
Date Signed

Republic of the Philippines  
Province of Negros Oriental  
**CITY OF BAIS**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**As of December 31, 2024**

**Note 1 - Profile**

The City of Bais was created under 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. It is classified as a 3<sup>rd</sup> class city in the Province of Negros Oriental. According to the May 2020 Census, it had a population of 84,317 people . It is one of the six cities in the Province occupying the eastern portion of Negros Island. It is bounded on the northwest by the Municipality of Manjuyod; on the south by the City of Tanjay; on the east by Tañon Strait; and on the southwest by the City of Bayawan. The entire City including its hinterland barangay covers a land area of 31,690 hectares, or 5.86% of the total land area of Oriental Negros.

Republic Act No. 7160, otherwise known as the Local Government Code of 1991, has provided the city, like any other local government unit, the opportunity to become self-reliant by spending its revenue based on the sources of income and be independent and autonomous in planning, deciding and managing its own fiscal, administrative and developmental affairs in conformity with the thrust of the national government towards sustainable social economic growth.

The City is composed of 35 barangays, 13 of which are coastal, 10 are lowland and 12 are hinterland barangays. Its territorial jurisdiction includes 2 islets, which separate North and South Bais Bays, the jump – off points of the now famous Bais Dolphin Watching Tour.

The city has its economic enterprises in the General Fund: The Market Operation, Slaughterhouse Operation, Tourism Operation and Solid Waste Management Operation. The operation of Pump Boat Rental on Dolphin/Whale Watching Activities is the primary source of income under the Tourism Operation. Bais City is known as good destination for Dolphin and Whale Watching. As such, the Tourism Operation Division under the Office of the Mayor has continued its commitment in making Bais City an exciting unique destination that can provide tourists with unforgettable travel experience. The revenue for the Solid Waste Management comes from the sale of organic fertilizer, friendly soil and garbage fees.

**Note 2 - Financial Statement Presentation**

The consolidated financial statements of the LGU have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS). The consolidated financial statements are presented in pesos, which is the functional

and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

### **Note 3 - Summary of significant accounting policies**

#### **3.1 Basis of accounting**

The consolidated financial statements are prepared on an accrual basis in accordance with the IPSAS.

#### **3.2 Consolidation**

The controlled entities (funds) are all those over which the controlling entity has the power to govern the financial and operating policies. Inter-group transaction, balances and unrealized gains and losses on transactions between entities and funds are eliminated in full. The LGU maintains special accounts under the General Fund for the following economic enterprises it operates:

- General Fund Proper
- General Fund Market
- General Fund Slaughterhouse
- General Fund Waterworks
- General Fund 20% Development
- General Fund Tourism
- General Fund Solid Waste Management

#### **3.3 Revenue recognition**

##### **Revenue from non-exchange transactions**

###### *Taxes, fees and fines*

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

###### *Transfers from other government entities*

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is

probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

The LGU availed of the 5 – year transitional provision for the recognition of Tax Revenue-Real Property and Special Education Tax. For the first year, there will be no change in policy for the recognition of the aforementioned tax revenue.

### **Revenue from exchange transactions**

#### *Rendering of services*

The LGU recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred.

#### *Sale of goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the LGU.

#### *Interest income*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

### **3.4 Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costs recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an

asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life:

Public Infrastructures were not previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure and recognized 98.56% of the Public Infrastructure in the books of account as of December 31, 2022. The remaining 1.44% cannot be traced due to the loss of documents due to Typhoon Odette.

### **3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### **3.6 Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- a) Raw materials: purchase cost using the weighted average cost method;
- b) Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs

necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the LGU.

### **3.7 Changes in accounting policies and estimates**

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

### **3.8 Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further, borrowing costs are charged to the statement of financial performance.

### **3.9 Budget information**

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **3.10 Significant judgments and sources of estimation uncertainty**

#### *Judgments*

In the process of applying the LGU's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the consolidated financial statements

were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

*Useful lives and residual values*

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset.

**Note 4 – Cash and Cash Equivalents**

	<u>2024</u>	<u>2023</u>
Petty Cash Fund	₱12,883.19	₱15,797.00
Cash in Bank Local Currency, Current Account	2,100,261,934.24	2,032,650,185.36
Cash in Bank Local Currency, Time Deposit	257,000,000.00	257,000,000.00
<b>Total</b>	<b><u>₱2,357,274,817.43</u></b>	<b><u>₱2,289,665,982.36</u></b>

Cash in banks earns interest based at the respective bank deposit rates.

The General Fund maintains its current accounts with Land Bank of the Philippines (LBP)-Bais Branch and Development Bank of the Philippines (DBP)-Dumaguete City Branch.

Both the Special Education Fund and the Trust Fund maintain their current accounts with LBP-Bais City Branch.

The Cash in Bank-Local Currency, Time Deposit account in the General Fund comprises 11.94% of the total cash as of December 31, 2024. This is classified as High Yield Deposits at LBP-Bais City Branch in the amount of ₱244,000,00000 and as Special Savings Deposit at the Philippine Veteran’s Bank-Dumaguete City in the amount of ₱13,000,00000.

## Note 5 – Investments

	<u>2024</u>	<u>2023</u>
Guaranty Deposits	₱43,800.00	₱43,800.00
Other Investments	355,000.00	355,000.00
<b>Total</b>	<b><u>₱ 398,800.00</u></b>	<b><u>₱398,800.00</u></b>

Other Investment in the amount of ₱355,000.00 consists of investment to the KADIWA CENTER for ₱25,000.00 and ₱330,000.00 as investment to the Bais City Negros Oriental Special Economic Zone (BACONSEZ) with the objectives of attracting investors to the City through the competitive advantage in agro-industrial development and providing a one-stop-shop for business information and establishment of factory in Bais City.

## Note 6 – Receivables

### Loans and Receivable Accounts

Accounts Receivables	₱ 23.59	₱22.59
Real Property Tax Receivable	177,031,875.61	161,155,361.20
Special Education Tax Receivable	148,477,239.99	130,121,832.91
<b>Total</b>	<b><u>₱ 325,509,139.19</u></b>	<b><u>₱291,277,216.70</u></b>

The amount set up in the General Fund as Real Property Tax Receivable at the start of the year is ₱68,703,511.51 of which 41.03% was collected during the year.

Of the total amount of ₱45,802,3410.07 set up as Special Education Tax Receivable at the start of the year, 43.09% was collected.

### Inter-Agency Receivables

Due from National Government Agencies	₱2,131,043.88	₱2,515,543.38
Due from GOCC's	10,244.12	10,244.12
Due from Local Government Agencies	4,036.76	4,036.76
<b>Total</b>	<b><u>₱2,145,324.76</u></b>	<b><u>₱2,529,824.26</u></b>

Transfers from other government agencies represent those funds received for specific projects undertaken by the LGU for specific purpose. These funds were received on the basis of the project budgets submitted.

Accordingly, the LGU is contractually bound to spend these funds only in connection with the projects. Furthermore, the contracts stipulate that the funds received for the project may only be applied to the costs incurred for the project, as and when the phases of the project are certified as complete. The conditions remaining therefore represent phases of the projects that are yet to be certified as complete. Return of the unspent portion of the fund is subject to the conditions stated in the respective Memorandums of Agreement executed between the LGU and the proponent government agencies.

Intra-Agency Receivables and Payables between the three funds in the amount of FIFTY-SEVEN MILLION FOUR HUNDRED FORTY-THREE THOUSAND FIVE HUNDRED THIRTY-TWO PESOS & 17/00 (₱57,443,532.17) have been eliminated and are shown in tabular form below:

	<u>General Fund</u>	<u>SEF</u>	<u>Trust Fund</u>	<u>Total</u>
Due from Other Funds	8,088,858.82	4,687,860.46	30,197,962.89	<b>42,974,682.17</b>
Due to Other Funds	34,885,823.35	136,091.97	7,952,766.85	<b>42,974,682.17</b>
Due from Special Accounts	14,468,850.00			<b>14,468,850.00</b>
Due to Special Accounts	14,468,850.00			<b>14,468,850.00</b>

	<u>2024</u>	<u>2023</u>
<b>Advances</b>		
Advances for Operating Expenses	₱153,908.51	₱93,054.93
Advances for Special Disbursing Officers	0.00	284.33
Advances for Officers and Employees	41,572,481.30	38,055,955.36
<b>Total</b>	<b>₱41,726,389.81</b>	<b>₱38,149,294.62</b>

Advances for Officers and Employees consist of amounts granted as cash advances for official travel, other special time-bound undertakings and Confidential and Intelligence recorded in the General Fund, Special Education Fund and Trust Fund for special purposes, which are subject to liquidation. Advances for Operating Expense, Payroll and Special Disbursing consist of amounts granted to accountable officers for operating expenses, salaries, wages, honoraria, allowances and other personnel benefits and payroll for projects undertaken by administration. Part of Advances for Officers and Employees in the amount of ₱2,364914.00 were liquidated in January 2025.

<b>Other Receivables</b>		
Receivables-Disallowance and Charges	₱676,643.28	₱676,643.28
Due from Officers and Employees	40,580.28	55,824.63
Other Receivables	157,035.52	155,932.57
<b>Total</b>	<b>₱874,259.08</b>	<b>₱888,400.48</b>

Part of the account Receivables-Disallowances/Charges include the following:

Shortages of Absconded Disbursing Officers	₱630,826.69
Shortages of Deceased Disbursing Officers	42,245.62
Disallowances of Deceased City Officials	377.25
Others	3,193.72
<b>Total</b>	<b>₱ 676,643.28</b>

Summary of the overall Receivables for CY 2024 were classified as follows:

	<u>Current</u>	<u>Non-Current</u>
Real Property Tax Receivable	₱97,696,277.20	₱79,335,598.41
Special Education Tax Receivable	18,355,407.08	130,121,832.91
Due from Local Government Units	0.00	4,036.76
Advances for Operating Expenses	153,908.51	0.00
Advances for Officers and Employees	41,572,481.30	0.00
Receivables-Disallowances/Charges	676,643.28	0.00
Due from Officers and Employees	40,580.28	0.00
Accounts Receivable	1.50	22.09
Due from NGAs	0.00	2,131,043.38
Due from GOCCs	0.00	10,244.12
Other Receivables	1,103.25	155,932.27
<b>Total</b>	<b><u>₱158,496,402.40</u></b>	<b><u>₱211,758,709.94</u></b>

#### Note 7 – Inventories

	<u>2024</u>	<u>2023</u>
Food Supplies for Distribution	₱2,768,456.00	₱1,620,313.00
Welfare Goods for Distribution	9,515,982.00	9,515,982.00
Drugs and Medicines for Distribution	12,645,156.79	12,645,156.79
Agricultural Products for Distribution	1,124,310.00	1,124,310.00
Office Supplies Inventory	58,502,729.08	60,744,686.66
Accountable Forms, Plates and Stickers	1,171,323.60	609,244.00
Animal/Zoological Supplies Inventory	1,982,723.10	1,646,789.60
Food Supplies Inventory	4,873,426.30	6,166,486.30
Drugs and Medicines Inventory	19,534,895.36	10,501,515.81
Medical, Dental and Laboratory Supplies Inventory	14,542,927.73	15,692,830.24
Fuel, Oil and Lubricants Inventory	21,996,732.07	19,346,933.11
Agricultural and Marine Supplies Inventory	7,990,840.81	8,054,161.22
Textbooks and Instructional Materials Inventory	5,545,166.21	1,035,166.21
Military, Police and Traffic Supplies Inventory	658,114.00	658,114.00
Construction Materials Inventory	87,890,673.92	121,368,946.87
Other Supplies and Materials Inventory	79,088,522.36	84,566,622.10
Other Supplies and Materials for Distribution	8,229,197.74	2,039,483.10
<b>Total</b>	<b><u>₱338,061,177.07</u></b>	<b><u>₱357,336,741.01</u></b>

LGU Bais City for the year 2022 adapted the Guidelines on the Implementation of Section 23 of General Provision of RA No. 11639, also known as the General Appropriation Act (GAA) for Fiscal Year (FY) 2022 relative to the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00.

Accountable Forms Inventory consists of accountable forms with value and official receipts are at the custody of the city treasurer, while Construction Materials are under the supervision of the City Engineer. Physical inventory count is conducted by the LGU Inventory Committee annually.

No inventory items were pledged as security during the current or prior financial year.

**Note 8 - Prepayments and Deferred Charges**

	<u>2024</u>	<u>2023</u>
This account is composed of:		
Advances to Contractors	₱121,587,327.54	₱18,042,481.43
Prepaid Insurance	1,863,549.92	2,047,393.85
Other Prepayments	1,154,832.51	1,580,264.76
<b>Total</b>	<b><u>₱124,605,709.97</u></b>	<b><u>₱21,670,140.04</u></b>

The CY 2024 account is further broken down into its current and non-current component as follows:

	<u>Current</u>	<u>Non-Current</u>
Advances to Contractors	₱121,587,327.54	0.00
Prepaid Insurance	1,863,549.92	0.00
Other Prepayments	1,154,832.51	0.00
<b>Total</b>	<b><u>₱124,605,709.97</u></b>	<b><u>0.00</u></b>

**Note 9 - Property, Plant and Equipment**

	<b>Balance December 31, 2023</b>	<b>Net Addition/ Reduction</b>	<b>Balance December 31, 2024</b>
Land	₱476,427,009.52	₱32,584,500.00	₱509,011,509.52
Land Improvements	32,284,063.56	(25,684,605.76)	6,599,457.80
Infrastructure Assets	470,787,602.30	(107,939,458.33)	362,848,143.97
Buildings and Other Structures	727,842,248.63	6,302,052.01	734,144,300.64
Machinery and Equipment	316,288,871.51	24,787,622.02	341,076,493.53
Transportation Equipment	107,073,356.13	34,782,733.35	141,856,089.48
Furniture, Fixtures and Books	2,486,019.51	139,925.00	2,625,944.51
Construction in Progress	375,965,020.96	290,083,345.79	666,048,478.86
Other Property, Plant and Equipment	2,910,322.29	312,000.00	3,222,322.29
<b>Total</b>	<b><u>2,512,064,514.41</u></b>		<b><u>2,767,432,740.60</u></b>
Less: Accumulated Depreciation	(422,085,049.33)		(419,548,755.24)
<b>Net Amount</b>	<b><u>₱2,809,979,465.08</u></b>		<b><u>₱2,347,883,985.36</u></b>

For the computation of depreciation, a residual value is computed at 10% prior to 2022. The new residual value of 5% of the cost of the asset was applied to assets not yet fully depreciated (change of estimate) and new acquisition for the year.

Property, Plant and Equipment are carried at cost less accumulated depreciation. No provision for depreciation for property, plant and equipment purchased before CY 2002.

Physical Inventory count is conducted by the LGU Inventory committee annually.

Various projects were undertaken during CY 2023 which explains the increase in Infrastructure Assets as well as purchase of several machinery and transportation equipment.

**Note 10 – Biological Assets**

	<u>2024</u>	<u>2023</u>
Breeding Stocks	₱1,473,839.49	₱913,352.41
Plants and Trees	8,216,122.39	8,216,122.39
Aquaculture	2,637,662.32	2,637,662.32
<b>Total</b>	<b><u>₱12,327,624.20</u></b>	<b><u>₱11,767,137.12</u></b>

Biological Assets includes Breeding stocks, rehabilitation of open areas, upland reforestation and mangrove protection.

**Note 11 – Intangible Assets**

This account represents Business Permit and Licensing System.

**Note 12 – Financial Liabilities**

	<u>2024</u>		<u>2023</u>	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Accounts Payable	₱70,076,367.21	0.00	₱81,030,513.11	0.00
Due to Officers and Employees	8,581,582.24	0.00	8,635,911.44	0.00
Loans Payable - Domestic	0.00	505,608,000.00	0.00	225,000,000.00
<b>Total</b>	<b><u>₱78,657,949.45</u></b>	<b><u>₱505,608,000.00</u></b>	<b><u>₱89,666,424.55</u></b>	<b><u>₱225,000,000.00</u></b>

Accounts Payable represents claims by various suppliers for goods delivered and services rendered as of December 31, 2024. Due to Officers and Employees Account represents reimbursement claims by city officials and employees for supplies and materials and travel expenses, payment of overtime services, other personnel benefits and other reimbursable expenses. Loans Payable – Domestic represents loan granted by LBP for Lot Acquisition and Construction of Sports Complex, payable for 15 years at an interest rate of 6.25%.

**Note 13 – Inter-Agency Payables**

	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Due to BIR	₱5,404,348.93	0.00	₱4,528,175.28	0.00
Due to GSIS	2,465,430.67	0.00	2,203,666.63	0.00
Due to Pag-IBIG	1,029,032.31	0.00	545,052.73	0.00
Due to PhilHealth	464,054.70	0.00	335,662.34	0.00
Due to NGAs	101,865,746.82	0.00	118,797,638.17	0.00
Due to GOCCs	97,190.75	0.00	97,190.75	0.00
Due to LGUs	14,862,752.75	0.00	17,065,666.86	0.00
<b>Total</b>	<b>₱126,188,556.93</b>	<b>0.00</b>	<b>₱143,573,052.76</b>	<b>0.00</b>

The first four accounts represent the amount deducted from the salaries of officials and employees and is remitted to the respective government agencies immediately on the month following the month for which these were deducted. The remaining accounts represent balances of funds received by the LGU for specific purposes.

Schedule of Funds Received from NGOs, POs, NGAs, GOCCs, and LGUs for CY 2024.

<b>Trust or/Source</b>	<b>Amount Received</b>	<b>Purpose</b>
<b>A. Due to NGAs</b>		
1. Department of Health	₱10,730,250.00	Health Emergency Allowance
2. PhilHealth	32,850.00	PHIC-HCI Charges
	6,900.00	Professional Fees
3. Department of Agriculture	8,043,919.39	Farm to Market Road and Inspire
4. Bureau of the Treasury	503,960.87	Fire Code 2014,2015& 2022 and Energy Resources
5. DSWD	34,883,676.68	Social Pension and PHIC-HCI Charges
<b>Total</b>	<b>₱ 54,201,556.94</b>	
<b>B. Due to LGUs</b>		
1. Provincial Government of Negros Oriental	₱774,000.00	Financial Assistance and Buglasan Festival Subsidy
2. BATASS Alliance	300,000.00	Tanjay
	200,000.00	Amlan
	200,000.00	San Jose
	200,000.00	Sibulan
<b>Total</b>	<b>₱1,674,000.00</b>	
<b>C. Due to GOCCs</b>		
1. LBP	₱75,000.00	Sponsorship for the 56 <sup>th</sup> Charter Anniversary and Fiesta Celebration
<b>Total</b>	<b>₱75,000.00</b>	

**Note 14 – Intra-Agency Payables**

Intra-Agency Payables and Receivables consisting of the account Due to/Due from Other and Due to Special Funds amounting to ₱57,443,532.17 have been eliminated (Please see Note 6).

**Note 15 – Trust Liabilities**

	<u>2024</u>		<u>2023</u>	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Trust Liabilities - Disaster Risk Reduction and Management Fund (LDRRMF)	₱92,076,005.28	0.00	₱118,458,203.73	0.00
Bail Bonds Payable	277,237.36	0.00	277,237.36	0.00
Guarantee/Security/Deposits Payable	27,752,826.64	0.00	11,513,873.74	0.00
<b>Total</b>	<b>₱120,106,069.28</b>	<b>0.00</b>	<b>₱130,249,314.83</b>	<b>0.00</b>

The LDRRMF for CY 2024 had an unexpended balance of ₱21,738,421.71 which was transferred to the Trust Fund on the month of February of the ensuing year.

**Note 16 – Deferred Credits/Unearned Income**

	<u>2024</u>		<u>2023</u>	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Deferred Real Property Tax	₱97,696,277.20	₱79,335,598.41	₱80,419,647.39	₱80,735,713.81
Deferred Special Education Tax	18,355,407.08	130,122,096.51	28,989,777.76	101,132,312.75
Other Deferred Credits	3,091,157.02	42,167,193.72	16,984,466.01	41,972,170.27
<b>Total</b>	<b>₱119,142,841.30</b>	<b>₱251,624,888.64</b>	<b>₱126,393,891.16</b>	<b>₱223,840,196.83</b>

A part of the Other Deferred Credits is the collection of ₱40,000,000.00 from Metro Retailer Group, Inc. as partial advance rental of Mercado de Bais under a contract of lease signed on July 21, 2016 for the period of 25 years commencing on March 18, 2017 (the Turn-over Date) and will expire on March 17, 2043.

**Note 17 – Other Payables**

	<u>2024</u>		<u>2023</u>	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Other Payables	₱48,031,224.45	₱96,566,072.26	₱57,707,643.65	₱80,912,948.53
<b>Total</b>	<b>₱48,031,224.45</b>	<b>₱96,566,072.26</b>	<b>₱57,707,643.65</b>	<b>₱80,912,948.53</b>

Other Payables includes accrued salaries and wages of job order employees as of December 31, 2024. This account also includes loan payment from regular employees to various financial institutions and cooperatives.

**Note 18 – Tax Revenue**

	<u>2024</u>	<u>2023</u>
<b>Tax Revenue- Individual and Corporation</b>		
Professional Tax	₱15,000.00	₱8,700.00
Community Tax	1,592,655.93	1,582,828.05
<b>Tax Revenue- Property</b>		
Real Property Tax-Basic	37,000,167.36	33,837,952.98
Discount on Real Property Tax-Basic	(6,766,860.20)	(5,937,813.17)
Special Education Tax	27,473,145.35	24,626,752.23
Discount on Special Education Tax	(4,877,535.05)	(4,145,774.34)
Real Property Transfer Tax	1,154,054.44	2,602,724.18
<b>Tax Revenue- Goods and Services</b>		
Business Tax	33,863,381.05	23,694,409.58
Tax on Delivery trucks and Vans	5,320.88	4,920.00
<b>Tax Revenue- Fines and Penalties</b>		
Tax Revenue-Fines and Penalties-Tax on Individual	928,519.85	348,163.56
Tax Revenue- Fines and Penalties-Property Taxes	1,727,572.79	1,986,481.39
<b>Total</b>	<u><b>₱92,115,422.40</b></u>	<u><b>₱78,609,344.46</b></u>

#### Note 19 – Service and Business Income

<b>Service Income</b>		
Permit Fees	₱4,076,087.77	₱4,276,390.83
Registration Fees	219,472.00	324,633.00
Clearance and Certification Fees	590,843.00	511,274.06
Inspection Fees	1,974.00	1,332.00
Occupation Fees	152,070.00	159,942.00
Fishery Rentals, Fees and Charges	4,800.00	2,000.00
Fees for Sealing and Licensing of Weights and Measures	20,610.00	15,205.00
Fines and Penalties-Service Income	175,123.14	260,209.95
Other Service Income	2,250.00	0.00
<b>Business Income</b>		
Rent/Lease Income	329,741.50	258,703.00
Receipt from Market Operations	12,908,898.41	12,363,932.60
Receipt from Slaughterhouse Operation	1,828,783.45	2,102,409.20
Sales Revenue	35,980.00	82,689.00
Garbage Fees	858,040.50	723,909.50
Hospital Fees	162,012.00	1,180.00
Interest Income	3,067,184.33	2,996,415.40
<b>Total</b>	<u><b>₱24,433,870.10</b></u>	<u><b>₱24,080,225.54</b></u>

#### Note 20 – Shares, Grants and Donations

Share from PCSO	₱645,879.19	₱110,431.60
<b>Total</b>	<b>₱645,879.19</b>	<b>₱110,431.60</b>

**Note 21 – Transfers, Assistance and Subsidy From**

	<u>2024</u>	<u>2023</u>
<b>Assistance and Subsidy</b>		
Subsidy from Local Government Units	0.00	₱1,343,000.00
<b>Transfers</b>		
Transfers from General Fund of LGU	₱1,703,283.00	810,044.00
Counterpart/Equity Share		
Transfers from General Fund of Unspent DRRMF	10,945,944.87	0.00
Transfers from National Governments	45,665,243.00	3,986,578.16
Transfers from Other Local Governments	1,150,139.64	0.00
<b>Total</b>	<b>₱59,464,610.51</b>	<b>₱6,139,662.16</b>

**Note 22 - Employee Costs**

<b>Personnel Services</b>		
Salaries and Wages-Regular	₱145,959,701.06	₱133,287,575.45
Salaries and Wages-Casual/Contractual	1,565,434.32	1,428,270.77
<b>Other Compensation</b>		
Personnel Economic Relief Allowance	8,985,480.25	8,717,194.23
Representation allowance	2,616,175.00	2,462,100.00
Transportation Allowance	2,155,050.00	2,262,312.20
Clothing/Uniform Allowance	2,592,800.00	2,202,000.00
Subsistence Allowance	541,031.82	548,175.86
Productivity Incentive Allowance	1,903,000.00	1,779,320.00
Laundry Allowance	74,357.90	67,810.11
Other Bonuses and Allowances	18,288,292.00	8,115,000.00
Honoraria	3,969,719.50	3,121,166.04
Hazard Pay	4,842,342.43	4,585,966.36
Overtime and Night Pay	6,859,899.60	5,776,515.96
Year-End Bonus	22,967,286.31	21,535,929.60
Cash Gift	1,874,750.00	4,686,888.87
<b>Personnel Benefit Contribution</b>		
Retirement and Life Insurance Premiums	15,774,299.51	15,473,300.93
Pag-IBIG Contribution	843,946.29	431,522.64
Philhealth Contribution	3,500,743.32	2,565,197.09
Employees Compensation Insurance Premiums	433,764.23	430,001.10
<b>Other Personnel Benefits</b>		
Terminal Leave Benefits	4,360,734.26	5,878,976.28
Other Personnel Benefits	5,701,228.79	5,107,908.09
<b>Total</b>	<b>₱255,810,036.59</b>	<b>₱230,463,131.58</b>

**Note 23 – Maintenance and Other Operating Expenses**

	<u>2024</u>	<u>2023</u>
<b>Traveling Expenses</b>		
Traveling Expenses-Local	₱15,330,327.11	₱12,202,733.45
<b>Training and Scholarship Expenses</b>		
Training Expenses	13,774,264.34	18,273,305.88
Scholarship Grants / Expenses	705,000.00	544,500.00
<b>Supplies and Materials Expenses</b>		
Office Supplies Expense	3,914.00	50,599.70
Accountable Form Expense	757,426.70	559,176.05
Welfare Goods Expenses	80,713.98	151,472.72
Drugs and Medicines Expenses	0.00	14,448.00
Fuel, Oil and Lubricants Expenses	9,720,123.23	14,469,860.48
Other Supplies and Materials Expenses	26,691.95	217,923.19
<b>Utility Expenses</b>		
Water Expenses	291,864.80	245,983.22
Electricity Expenses	21,073,472.73	15,853,775.97
<b>Communication Expenses</b>		
Postage and Courier Services	63,924.17	10,173.45
Telephone Expenses	2,539,921.46	2,445,323.70
Internet Subscription Expenses	74,762.26	99,337.04
Cable, Satellite, Telegraph and Radio Expenses	4,509.98	2,460.00
<b>Survey, Research, Explanation and Development Expenses</b>		
Survey Expense	192,260.97	246,416.78
<b>Confidential, Intelligence and Extraordinary Expenses</b>		
Confidential Expenses	5,425,000.00	5,160,372.57
Extraordinary and Miscellaneous Expenses	563,669.69	466,652.96
<b>Professional Services</b>		
Auditing Services	111,583.68	103,568.38
Consultancy Services	322,500.00	0.00
<b>General Services</b>		
Security Services	3,168,388.80	3,499,695.36
<b>Repairs and Maintenance</b>		
Repairs and Maintenance-Land Improvements		
Repairs and Maintenance-Infrastructure Assets	13,067,688.13	17,091,252.16
Repairs and Maintenance-Building and Other Structures	753,052.68	866,416.76
Repairs and Maintenance-Machinery and Equipment	1,025,682.60	1,892,671.86

	<u>2024</u>	<u>2023</u>
Repairs and Maintenance-Transportation Equipment	3,839,511.37	1,433,973.09
Repairs and Maintenance-Furniture and Fixtures	379,755.96	153,317.70
Repairs and Maintenance-Other Property, Plant and Equipment	3,833.00	22,308.00
<b>Taxes, Insurance Premiums and Other Fees</b>		
Taxes, Duties and Licenses	2,176,978.20	1,967,209.32
Fidelity Bond Premiums	228,840.08	167,851.25
Insurance Expenses	6,934,195.52	6,676,267.30
<b>Other Maintenance and Operating Expenses</b>		
Printing and Publication Expenses	22,965.00	264,500.00
Membership dues and Contributions to Organizations	240,000.00	240,000.00
Subscription Expenses	3,096.00	5,308.00
Donations	34,200,723.28	14,140,905.39
Other Maintenance and Operating Expenses	225,179,567.72	191,887,723.90
<b>Total</b>	<b><u>₱362,286,209.39</u></b>	<b><u>₱311,427,483.63</u></b>

#### **Note 24 – Non-Cash Expenses**

##### **Depreciation and Amortization**

Depreciation-Land Improvements	₱131,485.92	₱124,565.62
Depreciation-Infrastructure Assets	10,646,997.39	13,930,886.24
Depreciation-Buildings and Other Structures	22,509,764.98	19,544,763.93
Depreciation-Machinery and Equipment	29,189,592.87	22,919,257.63
Depreciation-Transportation Equipment	12,598,253.97	8,039,716.45
Depreciation-Furniture, Fixtures and Books	56,734.09	49,156.72
Depreciation-Other Property, Plant and Equipment	151,449.74	61,819.98
<b>Total</b>	<b><u>₱75,284,278.96</u></b>	<b><u>₱64,670,166.57</u></b>

#### **Note 25 - Financial Expenses**

Interest Expenses	₱21,934,265.39	-
Bank Charges	10,950.00	₱29,550.00
<b>Total</b>	<b><u>₱21,945,215.39</u></b>	<b><u>₱29,550.00</u></b>

#### **Note 26 - Transfers, Assistance and Subsidy to**

	<u>2024</u>	<u>2023</u>
<b>Financial Assistance/Subsidy to</b>		
Subsidy to NGAs	₱0.00	₱120,000.00
<b>Transfers to</b>		
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	21,738,421.71	18,519,378.88
Transfers for Project Equity Share/LGU Counterpart	0.00	130,000.00
<b>Total</b>	<u>₱21,738,421.71</u>	<u>₱ 18,769,378.88</u>

**Note 27 – Non-Operating Income/(Losses)**

<b>Miscellaneous Income</b>		
Miscellaneous Income	₱2,931,923.73	₱ 234,328.42
<b>Losses</b>		
Loss of Assets	(179,188,220.22)	(795,416.57)
<b>Total</b>	<u>₱(176,256,296.49)</u>	<u>₱ (561,088.15)</u>

This account includes losses on disposition of various unserviceable items.

**Note 28 - Changes in Net Assets/Equity**

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Trust Fund</u>	<u>Total</u>
Government Equity, Beginning	₱3,797,390,933.56	₱201,047,047.43	₱30,876,548.37	₱4,029,314,529.36
Adjustment of net revenue recognized directly in net assets/ equity				
Adjustment on PY				
Operation and Obligations	539,510.16	(4,472.66)	(24,868,030.23)	(24,332,992.73)
Issuance of PY Inventories	(87,473,155.41)	(1,133,414.70)		(88,606,570.11)
Adjustment for erroneous entry		537,291.00		537,291.00
Liquidation of PY Cash Advances	(1,946,798.71)			(1,946,798.71)
PY-PPE Depreciation		(214,129.94)		(214,129.94)
Reclassification of Tangible items w/cost below ₱50,000.00 from PPE to Appropriate inventory account		(53,729.10)		(53,729.10)
Transfer from Trust Fund to General Fund various PPE	75,105,294.37			75,105,294.37
Dormant Liabilities	7,639,021.00	72,185.51		
Unexpended balance LDRRM Funds 2013, 2017 & 2018	11,618,392.74			

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Trust Fund</u>	<u>Total</u>
Total direct adjustments to equity	₱5,482,264.15	₱(796,269.89)	₱(24,868,030.23)	₱(20,182,035.97)
Surplus (Deficit) for the period	₱187,231,365.74	₱11,512,764.93		₱198,744,130.67
<b>Total</b>	<b>₱3,990,104,563.45</b>	<b>₱211,763,542.47</b>	<b>₱6,008,518.14</b>	<b>₱4,207,876,624.06</b>

**Note 29 -Reconciliation between actual amounts on a comparable basis as presented in the SCBAA and in the Statement of Financial Performance for the Year Ended December 31, 2024**

	Income	Personal Services	Maintenance and Other Operating Expenses	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	940,802,925.41	331,947,944.75	448,643,460.23	30,481,848.57	586,310,572.55
Entity Differences					
Basis Differences:	0.00	0.00	(34,910,143.28)	(28,561,052.77)	0.00
Income not considered budgetary items	0.00	0.00	0.00	0.00	0.00
Non-cash income					
Interest Income on Deposits					
Gain on Sale of Assets					
Discount on Real Property Tax					
Discount on Taxes					
Losses					
Income/Expense from TF (not covered by appropriations)					
Receipts not considered as income	0.00	0.00	0.00	0.00	0.00
Sale of capital assets					
Borrowings					
Expenses not considered budgetary items	0.00	0.00	0.00	(2,260,750.50)	0.00
Bank Charges				(2,260,750.50)	
Budgetary items not considered as expenses	0.00	0.00	(32,800,779.36)	(26,300,302.27)	0.00
Debt Service (Loan Amortization, Retirement of Debt Instruments)				(15,124,745.66)	
Interest Expenses capitalized				(11,175,556.61)	
Capital Expenditures					
Tax on Interest Income					
Refund from overpayment of travel, salary & etc. adjustment not reflected in SAAO					
Transfers, Assistance and Subsidy to Unspent DRRM transferred to Trust Fund			(24,127,828.90)		
Budgetary adjustments (cancelled checks, erroneous OBR and etc.)			(8,672,950.46)		
Timing Differences:	0.00	0.00	(2,109,363.92)	0.00	0.00
Prepayments charged to current appropriations					
Unconsumed Inventories charged to current appropriations					
Consumed Inventories and deferred charges charged to prior period appropriations					

	Income	Personal Services	Maintenance and Other Operating Expenses	Financial Expenses	Capital Outlay
Prior Period Adjustment			(243,795.00)		
Capital Outlay debited to MOOE					
Unliquidated Advances and Prepayments charged to current appropriations			(1,865,568.92)		
Other Adjustments (Final Interest on Income Tax Received)					
Unreconciled amount					
Discount on Real Property Tax					
Final Tax on Interest Income Received					
Commitments (Obligated but not delivered/billed)					
<b>Per Statement of Financial Performance</b>	<b>940,802,925.41</b>	<b>331,947,944.75</b>	<b>413,733,316.95</b>	<b>1,920,795.80</b>	<b>586,310,572.55</b>

### Note 30 – Local Disaster Risk Reduction and Management Fund (LDRRMF)

The LDRRMF represents the amount set aside by the LGU to support its disaster risk management activities pursuant to RA No. 10121 otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010.” The amount available and utilized during the year totaled ₱209,786,852.93 and ₱104,351,423.11, respectively, broken down as follows:

Particulars	Available	Utilized	Balance
Current Year Appropriation:			
Quick Response Fund (QRF)	16,500,000.00	0.00	16,500,000.00
Mitigation Fund (MF)			
MOOE	17,600,000.00	12,361,578.29	5,238,421.71
Capital Outlay	20,900,000.00	1,190,409.40	19,709,590.60
<b>Total</b>	<b>55,000,000.00</b>	<b>13,551,987.69</b>	<b>41,448,012.31</b>
Continuing Appropriation			
CY 2019	78,550.93	0.00	78,550.93
CY 2020	405,000.00	0.00	405,000.00
CY 2021	1,332,556.83	0.00	1,332,556.83
CY 2022	12,266,418.85	3,392,584.00	8,873,834.85
CY 2023	22,246,122.59	20,283,452.00	1,962,670.59
<b>Total</b>	<b>36,328,649.20</b>	<b>23,676,036.00</b>	<b>12,652,613.20</b>
Special Trust Fund:			
CY 2012	355,311.55	355,311.55	0.00
CY 2013	3,062,083.92	3,062,083.92	0.00
CY 2014	869,906.99	869,906.99	0.00
CY 2016	1,575,775.73	1,575,775.73	0.00
CY 2017	5,615,696.86	5,615,696.86	0.00
CY 2018	11,853,130.15	11,853,130.15	0.00
CY 2019	11,335,040.04	8,097,765.44	3,237,274.60
CY 2020	10,255,687.30	937,030.00	9,318,657.30

<b>Particulars</b>	<b>Available</b>	<b>Utilized</b>	<b>Balance</b>
CY 2021	20,535,485.39	19,972,753.79	562,731.60
CY 2022	34,480,706.92	10,643,802.09	23,836,904.83
CY 2023	18,519,378.88	4,140,142.90	14,379,235.98
<b>Total</b>	<b>118,458,203.73</b>	<b>67,123,399.42</b>	<b>51,334,804.31</b>
<b>Grand Total</b>	<b>209,786,852.93</b>	<b>104,351,423.11</b>	<b>105,435,429.82</b>

**Note 31 – Others**

The figures below are the summary of Infrastructure Projects under the supervision of the different departments/ offices of the City which were reported partially or totally damaged by Super Typhoon Odette last December 16, 2021 in the total amount of ₱499,529,539.10.

Office of the City Agriculture	₱9,390,000.00
Office of the City Veterinary	489,671,000.00
Office of the City Environment	
Natural Resources	<u>468,539.10</u>
<b>Total</b>	<b><u>₱499,529,539.10</u></b>

These are still subject for validation by the Local Government Unit and the Commission on Audit (COA) as a procedure in the request for relief of accountability of property.

## **PART II**

# **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A) FINANCIAL AND COMPLIANCE AUDIT

*Unreliable Local Road Network (LRN) balance - ₱286,016,299.73*

**1. The accuracy and reliability of the 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 (RPCLRN) and Report on LRN (RLRN); (b) non-maintenance of the LRN Ledger Card (LRNLC) and LRN Property Card (LRNPC) 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, contrary to COA Circular No. 2015-008, thereby affecting the fair presentation of the account in the financial statements.**

1.1. The contribution of infrastructure development to the economic advancement of any entity cannot be denied. As the number of constructed roads and developed road networks increases, there arises a need for efficient management systems given the growing complexities of infrastructure development and the challenges that characterize a growing economy. These challenges include aging infrastructure, limited budgets for capital outlays, reduced staff resources amid increasing public expectations, and demand for good governance. Thus, COA Circular No. 2015-008 dated November 23, 2015 was issued prescribing the “Accounting and Reporting Guidelines on the Local Roads Asset Management System” for the fair presentation of the Infrastructure Assets account in the financial statements.

1.2. The Circular covers the accounting guidelines for local roads and road network systems on initial recognition, subsequent measurement and de-recognition to ensure that all roads are properly valued and recorded. It also includes the transitory provisions for the transfer of the local roads account from the Registry of Public Infrastructure to the books of accounts of the Local Government Unit (LGU) responsible for the management of these roads.

1.3. In our review of the financial statements as of December 31, 2024, we noted that the Road Networks account (1-07-03-010), all recorded under the General Fund (GF), costing ₱286,016,299.73 and comprising 78.83 per cent of the total Infrastructure Assets, showed the following deficiencies contrary to the aforementioned Circular, to wit:

- **Non-submission of the complete RPCLRN and RLRN**

1.4. Item V(1) of the above-mentioned Circular requires the conduct of an inventory of local roads under the LGU’s jurisdiction while Item VI(3) thereof requires the Inventory Committee to prepare the RPCLRN to be submitted to the Auditor concerned and Accounting Division/Unit not later than January 31 of each year. As of February 18, 2025, none has been submitted.

- 1.5. The City Engineering Office (CEO) had, in the previous year, submitted a partial RPCLRNC but explained that they had difficulty in providing the complete details because some of the road networks were no longer in their original condition due to the passage of time. Additionally, others had overlapping works done by other government agencies, such as the Provincial Government and the DPWH, at the same project site.
- 1.6. Consequently, the RPCLRNC was not completed which should have shown the Road Network ID No., road name, components which include road lots, pavements, drainage and slope protection structures and other miscellaneous structures, the date it was constructed, its cost and its physical condition. The City General Services Officer likewise did not render the annual RLRC as required under Item VI.1 of the same Circular.
- **Non-maintenance of the LRNL and LRNPC showing complete description and cost segregation of LRN components**
- 1.7. Item V of the Circular partly provides that Management shall segregate and recognize the cost of each component of the local roads with identified cost, determine the components of local roads identified in the inventory without corresponding cost, and recognize the cost of each component at its fair value.
- 1.8. Item VII enumerates the duties and responsibilities of the Local Accountant and the City General Services Officer (CGSO) which include, among others, the following:
  - a. Local Accountant - Prepare the Journal Voucher to record the beginning balance of the LRN and its component in the general ledger and the LRNL (Annex D of the Circular), respectively;
  - b. CGSO - Keep a complete LRNPC for all roads and its components (Annex E of the Circular).
- 1.9. Further, Item VII.c.1 of the same Circular requires the City Engineer to provide the local accountant and general services officer with a complete description and cost segregation of the road components for road projects.
- 1.10. As defined under Item III.4 of the Circular, road asset components are *“the sub-components of a road which, having different useful life spans, need to be booked and depreciated separately. They include: road lot, road pavement, drainage and slope protection structures and other miscellaneous structures.”*
- 1.11. The City Accounting Office (CAO) maintains a schedule of its infrastructure accounts as reported in the Property, Plant and Equipment (PPE) Schedule, which includes, among others, a listing of constructed Road Networks. However, it was not able to maintain the LRNL for each road project and its road asset components because the CEO did not provide complete descriptions and cost segregation,

including its repair history. Likewise, the CGSO did not maintain the LRNPC due to the same lack of detailed information.

1.12. In the absence of the LRNLCs and LRNPCs, reconciliation of both records with the RPCLRNs could not be done, rendering the balance of the Road Networks account unreliable. Moreover, the non-segregation of costs for each road component affects the computation of depreciation considering that the depreciable components have different useful life spans, and should therefore be depreciated separately using the straight-line method. Per verification, the Accounting Office started providing depreciation on the LRNs in calendar year (CY) 2022.

- **Lack of full disclosure of the total road network system in the Notes to the Financial Statements (NFS)**

1.13. Item IV.2 of the Circular states that the total road network system shall be disclosed in the Agency's NFS. The standard format is provided in Annex B thereof, presented as follows:

“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 major repairs and Php \_\_\_\_\_ for the regular maintenance. Reductions in the amount of Php \_\_\_\_\_ were recorded due to derecognition, Php \_\_\_\_\_ for impairment and Php \_\_\_\_\_ impairment were reversed.”

1.14. Contrary to the aforementioned requirement, we found that the City Accountant did not disclose the Road Networks account separately in the NFS. Instead, it was included as part of Infrastructure Assets under PPE, thereby, not informing the users of the financial statements about the nature of the account.

1.15. The aforementioned deficiencies made the Road Networks account questionable and unreliable, thereby affecting the fairness of presentation of the Infrastructure Assets account in the City's financial statements.

1.16. **We recommended that the City Accounting, Engineering, and General Services Offices strictly comply with the accounting and reporting guidelines on the local roads asset management system, and properly coordinate with one another in fulfilling their respective duties and responsibilities as outlined in COA Circular No. 2015-008 dated November 23, 2015.**

1.17. **We also recommended that henceforth, the Inventory Committee conduct the annual physical count of all its LRN in accordance with regulations, ensuring that all necessary details are reported separately in the RPCLRNs for submission to the Auditor and Accounting Office not later than January 31 of each year. The RPCLRNs shall be reconciled with the accounting records, and the necessary adjusting entries shall be prepared *before* the statement date.**

- 1.18. The City Mayor had already directed the concerned personnel to comply with all the recommendations.

*Unreconciled balance of PPE per books and per count - ₱57,969,559.01*

- 2. The validity, existence, and accuracy of the 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 (RPCPPE) and the books of accounts, thus, affecting the fair presentation thereof in the Financial Statements. These unreconciled differences could have been properly and adequately addressed had Management implemented the one-time cleansing of PPE as prescribed in COA Circular No. 2020-006.**

- 2.1. The persistent discrepancies in the PPE accounts of government agencies have become a long-standing issue, preventing the accurate determination of PPE balances reflected in the financial statements. If not addressed effectively, this condition will continue to undermine the fair presentation of the financial position of government agencies, depriving the government of reliable and essential information for decision-making and accountability regarding these assets.

- 2.2. To address this, COA Circular No. 2020-006, dated January 31, 2020, was issued to provide guidelines and procedures for inventory taking, the recognition of PPE items found at stations, and the disposition of non-existing or missing PPE items. The Circular aims to ensure a one-time cleansing of PPE accounts within government agencies, establishing verifiable PPE balances concerning their existence, condition, and accountability. Section 5 of the Circular outlines the following key guidelines:

- a. Each agency must conduct a physical count of all PPE, including purchased, donated, and constructed items.
- b. The Head of the Agency must form an Inventory Committee, with members from the Accounting and Property Divisions, to complete the inventory in three months or less.
- c. Committee members must be temporarily relieved of their regular duties to focus on the inventory.
- d. The entire inventory must be witnessed by a COA Auditor or designated audit team members.
- e. The Head of the Agency may also require an Internal Audit Service/Unit representative to observe.
- f. The Inventory Committee is responsible for confirming the existence, completeness, and condition of all PPE.

- g. The committee, in coordination with the Property Division, must prepare a Physical Inventory Plan (PIP) outlining member duties, timelines, and locations for the inventory.
  - h. The PIP must be approved by the Head of the Agency and submitted to COA at least ten days before starting.
  - i. Property records should be updated and reconciled with accounting records based on the inventory results.
  - j. The Circular also details specific procedures for the cleansing process, including preliminary activities, the inventory process, and reconciliation of counts with property and accounting records.
- 2.3. It was observed that the City did not take advantage of the opportunity to conduct a one-time cleansing of its PPE accounts, as prescribed in COA Circular No. 2020-006. Although the CGSO successfully prepared the RPCPPE of movable properties as of December 31, 2024, the agency did not adhere to the general guidelines and specific procedures outlined in the Circular. It simply conducted the physical count as usual, without incorporating the key guidelines for one-time cleansing. The members of the Inventory Committee also did not include a representative from the Accounting Office.
- 2.4. The inability to resort to the one-time cleansing of the property accounts resulted in the unresolved variance of ₱57,969,559.01 between the movable PPE balances in the RPCPPE and those recorded in the agency's books of accounts, as shown below:

Movable PPE		Per Financial Statements	Per RPCPPE	Variance
<b>MACHINERY AND EQUIPMENT</b>				
1	Machinery	₱52,000.00	₱52,000.00	-
2	Office Equipment	21,037,269.53	20,071,984.21	₱965,285.32
3	Information and Communication Technology Equipment	38,151,493.18	35,610,988.65	2,540,504.53
4	Agricultural and Forestry Equipment	3,587,619.00	6,322,900.00	(2,735,281.00)
5	Marine and Fishery Equipment	589,652.34	54,000.00	535,652.34
6	Communication Equipment	3,707,321.80	3,588,726.75	118,595.05
7	Construction and Heavy Equipment	145,898,749.89	104,953,128.00	40,945,621.89
8	Disaster Response and Rescue Equipment	61,239,176.00	36,388,649.00	24,850,527.00
9	Military, Police and Security Equipment	28,692,308.00	33,929,000.00	(5,236,692.00)
10	Medical Equipment	2,040,571.20	6,231,912.52	(4,191,341.32)
11	Sports Equipment	82,000.00	79,103.00	2,897.00
12	Technical and Scientific Equipment	1,425,711.55	1,220,109.58	205,601.97
13	Other Machinery and Equipment	34,572,621.04	48,698,743.59	(14,126,122.55)
<b>TRANSPORTATION EQUIPMENT</b>				
14	Motor Vehicles	117,588,659.23	222,540,804.29	(104,952,145.06)
15	Watercrafts	4,334,430.25	6,778,634.12	(2,444,203.87)
16	Other Transportation Equipment	19,933,000.00	14,451,000.00	5,482,000.00
<b>FURNITURE, FIXTURES &amp; BOOKS</b>				
17	Furniture and Fixtures	2,567,494.51	2,547,131.59	20,362.92
18	Books	58,450.00	677,270.78	(618,820.78)

Movable PPE		Per Financial Statements	Per RPCPPE	Variance
<b>OTHER PPE</b>				
19	Work/Zoo Animals	366,800.00	540,000.00	(173,200.00)
20	Other PPE	2,855,522.29	2,014,322.74	841,199.55
<b>TOTAL PPE</b>		<b>₱488,780,849.81</b>	<b>₱546,750,408.82</b>	<b>(₱57,969,559.01)</b>

- 2.5. More than five years have passed since the Circular came into effect. This extended period should have been sufficient for CGSO to initiate and complete the preliminary activities and to begin verifying the PPE inventory prior to the commencement of the physical inventory by the Inventory Committee. Had the City exerted effort to take full advantage of the one-time cleansing opportunity, it is likely that the PPE balances could have been reconciled properly. This would have allowed for the resolution of the noted variance and the elimination of unidentifiable items. Ultimately, it would have led to the establishment of correct PPE balances that are verifiable in terms of their existence, condition, and accountability.
- 2.6. It may be favorably noted that the City had earlier expressed its interest in availing of the one-time cleansing of PPE. It had likewise written the Commission on Audit for the possibility of attending a seminar on the matter. However, the latter has yet to give a schedule since the training arm of the Commission is swamped with equally important trainings, both in-house trainings for auditors and requests from other government agencies. Moreover, the City Accountant and the City Internal Auditor provided information that a webinar was conducted last December 2024 by the Association of Government Internal Auditors, Inc., where some of the City's department heads were also invited to attend. However, they are currently still in the planning stage.
- 2.7. Due to the unresolved discrepancy of ₱57,969,559.01, the validity, existence, and accuracy of the movable PPE accounts totaling ₱488,780,849.81, as reported in the CY 2024 financial statements, cannot be confirmed. As a result, these financial statements cannot be relied upon, and the fair presentation of the PPE accounts may be compromised.
- 2.8. **We recommended that the City Mayor:**
- 2.8.1. **Reorganize the Inventory Committee to comply with the minimum requirement in terms of membership;**
  - 2.8.2. **Direct the revamped Inventory Committee to carry out the one-time cleansing of PPE, in accordance with the provisions of COA Circular No. 2020-006;**
  - 2.8.3. **Instruct the Inventory Committee to submit the RPCPPE and other required reports to the Audit Team, ensuring full compliance with COA Circular No. 2020-006; and**

**2.8.4. Require the City Accountant and the Property and Supply Officer to regularly reconcile the records, investigate any discrepancies, and make the necessary adjustments to ensure the accurate presentation of the PPE account balances.**

2.9. The City Mayor had already directed the City Accountant and the City General Services Officer to regularly reconcile their records, investigate any discrepancies, and make the necessary adjustments to ensure the accurate and fair presentation of the PPE account balances. The City also appreciated the Audit Team's favorable appreciation of its efforts to comply with COA Circular No. 2020-006 based on its correspondence with the COA Professional Development Office (PDO). Due to time constraints, however, the city personnel were not able to pursue the face-to-face seminar offered by the PDO-PIDS, but instead the city personnel were able to attend a webinar in December 2024 with the Association of Government Internal Auditors. Attendees during the webinar were able to prepare a workshop output on the PIP. The PIP will be further refined by the CGSO and the inventory committee once the City's manpower complement is sufficient to undertake the tasks. The City assured the Audit Team of its compliance with the recommendations.

*Overstated inventory account balances - ₱56,550,299.47*

**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 GF, Special Education Fund (SEF), and Trust Fund (TF), respectively, departing from the requirements under Sections 114, 121, and 124 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I, 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.**

3.1. Section 124, Chapter 7 of the NGAS Manual for LGUs, Volume I provides the guidelines on the inventory of supplies, viz:

“The local chief executive shall require periodic physical inventory of supplies or property. Physical count of inventory items by type shall be conducted semestraly and reported in the Report of the Physical Count of Inventories (RPCI). This shall be submitted to the Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.”

3.2. The purpose of the physical count is to determine the existence of government properties, especially the movable assets which are prone to loss or misuse, and to verify the accuracy of supply records. Furthermore, the conduct of the physical count will not prove beneficial if the RPCI is not duly reconciled with accounting records since the main purpose of the physical inventory is to ensure that all the assets of the LGU are intact and accounted for. Section 114 of the NGAS, Volume I, states in part

that “xxx The balance per stock card/property cards should always reconcile with the ledger cards of the accounting unit. xxx” Under this Section, the Accountant is mandated to maintain the ledger cards while the CGSO is to maintain the stock cards for inventories.

- 3.3. We favorably noted that the CGSO submitted the RPCI as of December 31, 2024. We compared the inventory balances therein against those recorded in the books and noted that there was a material unreconciled balance in the inventory accounts totaling ₱56,550,299.47. Presented below is the comparison of book balances with the physical count of inventories by fund and in consolidation.

Account Title	Books (Accounting)	Physical Count (GSO)	Variance
	<b>GF</b>		
Food Supplies for Distribution	₱1,730,593.00	₱824,343.00	₱906,250.00
Drugs and Medicines for Distribution	12,645,156.79	12,645,156.79	0.00
Agricultural and Marine Supplies for Distribution	1,094,650.00	1,094,650.00	0.00
Other Supplies and Materials for Distribution	5,284,633.30	231,858.00	5,052,775.30
Office Supplies Inventory	52,088,868.90	51,579,571.73	509,297.17
Accountable Forms, Plates and Stickers	1,171,323.60	178,904.51	992,419.09
Animal/Zoological Supplies Inventory	1,982,723.10	1,787,739.60	194,983.50
Food Supplies Inventory	2,038,081.09	2,038,081.40	(0.31)
Drugs and Medicines Inventory	14,647,054.61	9,514,166.81	5,132,887.80
Medical, Dental and Laboratory Supplies Inventory	11,956,773.46	11,681,450.67	275,322.79
Fuel, Oil and Lubricants Inventory	19,875,544.07	2,843,384.04	17,032,160.03
Agricultural and Marine Supplies Inventory	7,824,388.81	5,826,785.77	1,997,603.04
Military, Police and Traffic Supplies Inventory	658,114.00	658,114.00	0.00
Construction Materials Inventory	72,984,177.37	73,693,102.52	(708,925.15)
Other Supplies and Materials Inventory	65,748,535.87	55,281,161.87	10,467,374.00
<b>Sub-total - GF</b>	<b>271,730,617.97</b>	<b>229,878,470.71</b>	<b>41,852,147.26</b>
	<b>SEF</b>		
Food Supplies for Distribution	1,037,863.00	860,430.00	177,433.00
Other Supplies and Materials for Distribution	2,944,564.44	2,888,564.44	56,000.00
Office Supplies Inventory	4,754,295.30	3,880,304.30	873,991.00
Food Supplies Inventory	2,105,535.08	2,105,535.08	0.00
Drugs and Medicines Inventory	118,835.00	74,250.00	44,585.00
Medical, Dental and Laboratory Supplies Inventory	4,000.00	4,000.00	0.00
Textbooks and Instructional Materials Inventory	5,545,166.21	1,035,166.21	4,510,000.00
Construction Materials Inventory	5,242,384.00	5,242,281.25	102.75
Other Supplies and Materials Inventory	10,239,334.50	6,374,592.50	3,864,742.00
<b>Sub-total - SEF</b>	<b>31,991,977.53</b>	<b>22,465,123.78</b>	<b>9,526,853.75</b>
	<b>TF</b>		
Welfare Good for Distribution	9,515,982.00	9,515,982.00	0.00
Agricultural Produce for Distribution	29,660.00	29,660.00	0.00
Office Supplies Inventory	1,659,564.88	1,529,606.88	129,958.00
Food Supplies Inventory	729,810.13	656,205.13	73,605.00
Drugs and Medicines Inventory	4,769,005.75	921,622.20	3,847,383.55
Medical, Dental and Laboratory Supplies Inventory	2,582,154.27	1,939,110.27	643,044.00
Fuel, Oil and Lubricants Inventory	2,121,188.00	2,121,188.00	0.00
Agricultural and Marine Supplies Inventory	166,452.00	166,452.00	0.00
Construction Materials Inventory	9,664,112.55	9,761,564.68	(97,452.13)
Other Supplies and Materials Inventory	3,100,651.99	2,525,891.95	574,760.04

Account Title	Books (Accounting)	Physical Count (GSO)	Variance
<b>Sub-total - TF</b>	<b>34,338,581.57</b>	<b>29,167,283.11</b>	<b>5,171,298.46</b>
<b>CONSOLIDATED ALL FUNDS</b>			
Food Supplies for Distribution	2,768,456.00	1,684,773.00	1,083,683.00
Welfare Good for Distribution	9,515,982.00	9,515,982.00	0.00
Drugs and Medicines for Distribution	12,645,156.79	12,645,156.79	0.00
Agricultural and Marine Supplies for Distribution	1,094,650.00	1,094,650.00	0.00
Agricultural Produce for Distribution	29,660.00	29,660.00	0.00
Other Supplies and Materials for Distribution	8,229,197.74	3,120,422.44	5,108,775.30
Office Supplies Inventory	58,502,729.08	56,989,482.91	1,513,246.17
Accountable Forms, Plates and Stickers	1,171,323.60	178,904.51	992,419.09
Animal/Zoological Supplies Inventory	1,982,723.10	1,787,739.60	194,983.50
Food Supplies Inventory	4,873,426.30	4,799,821.61	73,604.69
Drugs and Medicines Inventory	19,534,895.36	10,510,039.01	9,024,856.35
Medical, Dental and Laboratory Supplies Inventory	14,542,927.73	13,624,560.94	918,366.79
Fuel, Oil and Lubricants Inventory	21,996,732.07	4,964,572.04	17,032,160.03
Agricultural and Marine Supplies Inventory	7,990,840.81	5,993,237.77	1,997,603.04
Textbooks and Instructional Materials Inventory	5,545,166.21	1,035,166.21	4,510,000.00
Military, Police and Traffic Supplies Inventory	658,114.00	658,114.00	0.00
Construction Materials Inventory	87,890,673.92	88,696,948.45	(806,274.53)
Other Supplies and Materials Inventory	79,088,522.36	64,181,646.32	14,906,876.04
<b>GRAND TOTAL</b>	<b>₱338,061,177.07</b>	<b>₱281,510,877.60</b>	<b>₱56,550,299.47</b>

3.4. It was evident that the inventory report was not reconciled with the accounting records. Based on our inquiries, one of the causes for the variance resulted from the timing difference in recording the inventories reported as consumed or utilized by the CGSO using the Summaries of Supplies and Materials Issued (SSMI). This is because the report was not prepared and submitted weekly, but rather on a monthly basis to the Accounting Office for recording in the books.

3.5. The CGSO explained that this was due to the high volume of transactions and documentary requirements being processed by their office. However, the weekly requirement is clearly stipulated under Section 121 of NGAS, Volume I, which states that:

**“Reporting on Issuance of Supplies/materials.** – The General Services Officer or the Local Treasurer, as the case may be, shall consolidate weekly the RIS for which supplies and materials were issued using the Summary of Supplies and Materials Issued (SSMI).The SSMI together with the original copy of the RIS shall be submitted to the Chief Accountant, who shall compute the cost of supplies issued and ending inventory using the moving average method. Based on the SSMI, a JEV shall be prepared to record the expenditures using appropriate expenditure accounts.”

3.6. More specifically, personnel from the CAO revealed that for the Fuel, Oil, and Lubricants Inventory account, the latest SSMI submitted by the CGSO was for September 2024; hence, issuances of the inventory for October to December 2024 were still not recognized in the books. As shown in the table on the previous page, the account showed a significant variance of ₱17,032,160.03. The delay in submitting

the SSMI contributed to the overstatement of the inventory accounts, which has been noted to increase over the years. Other factors included inadequate records to fully account for the inventory items and insufficient internal controls to accurately track the releases of items held in stock.

- 3.7. More importantly, we noted that the City's RPCI submitted by the CGSO was not fully compliant with the template required under NGAS. We appreciate the additional details provided in the actual report; however, the column labeled "QUANTITY" merely duplicated another column labeled "ON HAND PER COUNT", which explains the zero shortage/overage reported. Instead, it should have included the "BALANCE PER CARD" column against which the results of the quantity actually counted should be compared. The RPCI form, Annex 48 of NGAS, Volume II, refers to this column as the "*quantity of items or articles appearing in the Supplies Ledger Card*" maintained by the Accounting Office as required under Section 114 of NGAS, Volume I.
- 3.8. We emphasize the importance of this issue, which has been repeatedly brought to the attention of City officials over the years and on which no comprehensive action has been taken nor given any priority until now. While we greatly appreciate the City's effort, through the CGSO, to conduct an annual physical inventory, it is crucial to note that its impact will always depend on the ultimate reconciliation of the count results with the book balances. The audit recommendations are meant to improve the City's operations and rectify the discrepancies for the protection of the government; nothing less than an effort to address this ongoing deficiency is expected.
- 3.9. In the same vein, we cannot tolerate this inaction that has rendered doubtful, even up to this time, the existence and propriety of these assets. We would like to emphasize Section 105(1) of Presidential Decree (P.D.) No. 1445, which states the liability of accountable officers (AOs) regarding government property as follows:

"Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or any person for whose acts he may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property whether or not it be at the time in his actual custody."

**3.10. We reiterated our recommendations that the City Mayor require:**

- 3.10.1. **The Inventory Committee and the CGSO to prioritize the reconciliation of the RPCI with the accounting records and identify those responsible for the missing inventories who should be held accountable for their value as shown in the accounting records;**

- 3.10.2. **The CGSO to rectify the erroneous RPCI form to include the “BALANCE PER CARD” column which refers to the balances shown in the supplies ledger cards maintained by the Accounting Office;**
- 3.10.3. **The CGSO to consolidate the weekly RIS for the supplies and materials issued using the SSMI, assigning specific personnel for this purpose, and submit the report to the City Accountant; and**
- 3.10.4. **The City Accountant to promptly prepare the journal entries to take up the SSMI submitted by the CGSO for the dropping of the issued inventories from the books.**

3.11. The City Mayor had issued Office Order No. 2025-195-A dated February 26, 2025 directing the concerned personnel to comply with all the recommendations.

*Overstated Due to National Government Agencies (NGAs) - ₱53,057,138.75*

**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, deviating from COA Circular No. 2015-009 and the International Public Sector Accounting Standards (IPSAS) 1 and 23, thus, overstating the Due to NGAs account and understating the Government Equity account as of December 31, 2024.**

4.1. COA Circular No. 2015-009 dated December 01, 2025 prescribes the use of the Revised Chart of Accounts for LGUs in recording and reporting of financial transactions of LGUs. Annex C of the said Circular provides the following description of the Due to NGAs account:

<i>Account Title</i>	<i>Account Code</i>	<i>Description</i>
Due to NGAs	2-02-01-050	This account is used to record the receipt of funds for delivery of goods/services as authorized by law, fund transfers from NGAs for implementation of specific programs or projects and other inter-agency transactions. <b>Debit this account for delivery of goods/services, liquidation of funds received and settlement of liabilities.</b>

4.2. Further, Paragraph 9 of IPSAS 1 states that fair presentation of financial statements requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the IPSASs.

4.3. Moreover, Paragraph 96 of IPSAS 23 states provides that, “*Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement*”

*to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.*"(Underscoring ours)

- 4.4. The City's accounting records showed that it had a substantial balance of ₱101,865,746.82 in the Due to NGAs account as of December 31, 2024. A detailed review and verification of the account schedule, however, revealed that 52.08 per cent or ₱53,057,138.75 of the total balance pertains to 57 projects that have already been completed, as early as CY 2007 (17 years ago) (see **Appendix G**).
- 4.5. Based on the foregoing, a liquidation report (LR) for each of the completed projects was already prepared by the CAO, hence, it should also have prepared the corresponding JEVs reducing the Due to NGAs account and recognizing the corresponding revenue account as provided under COA Circular No. 2015-009, which states that the Due to NGAs account is debited for the delivery of goods /services, **liquidation of funds received, and settlement of liabilities** and IPSAS 23 which requires the recognition of the corresponding revenue.
- 4.6. The CAO personnel in-charge explained that they did not prepare the JEVs closing the Due to NGAs account since they assumed that the same should be made as a corollary entry to the recognition of the related PPE account upon its transfer from the Construction in Progress (CIP) account. They were not able to undertake the latter since they are still waiting for the SSMI for the related construction materials from the CGSO.
- 4.7. The Audit Team had previously noted the concern regarding unrecorded issuances of construction materials inventory for the City's various completed projects, which delayed the transfer of the cost of these projects from the CIP accounts to the appropriate PPE accounts. A separate audit observation has been issued for this particular matter. However, the closing of a trust liability account is a separate accounting entry, the recording of which is made upon the liquidation of the funds held in trust by the implementing agency. This non-closure can lead to the misrepresentation of financial statements, as the outstanding trust liability can inflate the reported liability on the Statement of Financial Position.
- 4.8. We further noted that, as presented in Annex G, a total of ₱1,824,096.95 represents the balances that the City still needs to return to the Source Agencies (SAs). If left unreturned after such an extended period, the funds are exposed to the risk of being used for purposes other than the original project, potentially violating existing rules and regulations.
- 4.9. Moreover, six projects were noted to have discrepancies in the recording of transactions since the amounts for return to the SA exceeded the balances in the subsidiary ledgers, as shown on the next page:

No.	SAs	Date Received	Purpose	Balance per Subsidiary Ledger	For Return to SA	Variance
1	DILG	12/31/11	Concreting of Bais-Cabanlutan Road, Bais City	₱113,427.90	₱190,870.27	₱77,442.37
2	DILG	12/31/11	Improvement of Tagpo-Maigsing-Amalao Farm-to-Market Road, Bais City	5,488.47	67,849.65	62,361.18
3	DILG	12/31/11	Improvement of Productivity Skills and Capability Building Center at Barangay Capiñahan, Bais City, Phase II	22,791.38	77,391.79	54,600.41
4	DILG	12/31/11	Construction of Productivity Enhancement Center at Barangay Canlargo, Bais City	49,761.90	68,768.31	19,006.41
5	DILG	12/31/11	Electrification of Sitio Kang-Oyagit, Barangay Katacaghan, Bais City	6,653.78	42,864.03	36,210.25
6	DILG	12/31/11	Electrification of Strategic Sites, Barangay Panam-angan, Bais City	36,392.95	122,978.60	86,585.65
<b>TOTAL</b>				<b>₱234,516.38</b>	<b>₱570,722.65</b>	<b>₱336,206.27</b>

- 4.10. The CAO personnel in-charge acknowledged the variance noted by the Audit Team and assured that they would review the recorded transactions and make the necessary adjusting entries to reconcile the balances before returning the same to the SA.
- 4.11. As a result of the foregoing deficiencies, the Due to NGAs account is overstated while the Government Equity account is understated by ₱53,057,138.75 as of December 31, 2024.
- 4.12. **We recommended that for each of the 57 completed and liquidated projects, the CAO make the following journal entry to close the Due to NGAs account:**

Account Name	Account Code	Debit	Credit
<b>Due to NGAs</b>	<b>2-02-01-050</b>	<b>₱53,057,138.75</b>	
<b>Prior Period Adjustment</b>	<b>3-01-01-020</b>		<b>₱53,057,138.75</b>

- 4.13. **We likewise recommended that the City Treasurer return the unutilized balances totaling ₱1,824,096.95 to the SA and for the CAO to prepare the following journal entry:**

Account Name	Account Code	Debit	Credit
<b>Due to NGAs</b>	<b>2-02-01-050</b>	<b>₱1,824,096.95</b>	
<b>Cash in Bank - Local Currency, Current Account</b>	<b>1-01-02-010</b>		<b>₱1,824,096.95</b>

- 4.14. **Henceforth, we recommended that for every completed project of the City financed through trust receipt from NGAs, the CAO immediately prepare the LR, inform the City Treasurer to facilitate the transfer of any unutilized**

balance, and make the following journal entry reducing the Due to NGAs account and recognizing the corresponding revenue account:

Account Name	Account Code	Debit	Credit
Due to NGAs	2-02-01-050	xxx	
Subsidy from National Government	4-03-01-010		xxx

4.15. The City Mayor had already directed the City Accountant and the City Treasurer to swiftly address the recommendations. The City also assured the Audit Team of its compliance with the recommendations.

*Unliquidated cash advances - ₱41,572,481.30*

**5. Substantial cash advances amounting to ₱41,572,481.30 remained unliquidated and had been outstanding for as long as 13 years, contrary to Section 89 of P.D. No. 1445 and COA Circular Nos. 96-004 and 2012-001. 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 in accordance with COA Circular No. 2003-003 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.**

5.1. Section 89 of P.D. No. 1445 or the Government Auditing Code of the Philippines partly provides that “A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served.No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”

5.2. Likewise, COA Circular No. 2012-001 dated June 14, 2012 provides that within 30 days after return to his permanent official station, in case of local travel, every official and employee shall render an account of the cash advance received by him in accordance with existing applicable COA rules and regulations, otherwise payment of the salary of erring officials and employees shall be suspended until this provision is complied with. Likewise, for special purpose cash advances, the same shall be liquidated as soon as the purpose has been served.

5.3. Our audit of the Advances to Officers and Employees (1-03-05-040) account disclosed a substantial amount of ₱41,572,481.30 as at 31 December 2024, all recorded under the General Fund (**Appendix H**).

5.4. We found that the rules and regulations on the grant and liquidation of cash advances, were disregarded, as discussed in the succeeding paragraphs:

5.4.1. Cash advances were not liquidated as soon as the purpose for which it was given had been served, outstanding for as long as 13 years overdue. It showed an increase of ₱3,516,525.94 from the CY 2023 year-end balance, although a disclosure was made on the Notes to the Financial Statements that the amount of ₱2,364,914.00 was liquidated in January 2025.

5.4.1.1. Only three per cent of the said amount was within the 30-day period for liquidation while the remaining 97 per cent were more than 30 days old since these were granted but remained unliquidated as at year-end, beyond the periods stipulated by the regulations cited earlier. The aging of said advances is summarized as follows:

<b>Age</b>	<b>Amount</b>	<b>%</b>
1 – 30 days	₱1,422,920.00	3%
31 days – 1 year	4,087,917.15	10%
Over 1 year – 5 years	458,361.72	1%
Over 5 years	35,603,282.43	86%
<b>Total</b>	<b>₱41,572,481.30</b>	<b>100%</b>

5.4.1.2. An analysis of the composition of the total amount showed the following purposes for which the cash advances were granted:

<b>Purpose</b>	<b>Amount</b>
Confidential and Intelligence Fund	₱37,168,058.40
Buglasan and LGU-Sponsored Activities	4,237,200.62
Travel / Seminars	167,222.28
<b>Total</b>	<b>₱ 41,572,481.30</b>

5.4.1.3. Those granted to special disbursing officers for the Buglasan Festival, specifically in CYs 2013, 2014, 2019, 2022, and 2024, as well as the LGU-sponsored training seminars were supposed to be liquidated as soon as the activity was completed, while those for travel, all domestic, were to be liquidated within 30 days from return to official station.

5.4.1.4. With the length of time elapsed since these were supposed to be liquidated, the possibility of the advances being spent for personal or other purposes cannot be discounted.

5.4.1.5. The report submitted by the CAO likewise indicated that there were some documents pertaining to these cash advances that were damaged by Typhoon Odette. It may be recalled that the said typhoon occurred in December 2021. Had the AOs duly submitted their liquidation papers, they would not have been exposed to the said calamity; hence, there can be no merit given under the circumstances.

5.4.2.Despite the non-liquidation of their respective cash advances considering the length of time that has elapsed, no sanctions had been imposed on these AOs.

5.4.2.1.The Quarterly Monitoring Report for Cash Advances is required to be submitted by CAO five days after the end of each quarter. However, this is often submitted late. Moreover, measures undertaken by agency officials to monitor liquidation and to demand settlement of any unliquidated cash advances were not indicated therein, among others. Of the 18 AOs named in the Report, only 1 expired, leaving the 17 in active service. Except for those granted for Confidential and Intelligence Funds, the CAO should have facilitated the deletion of the employees' names from the payroll until settlement of their cash advances, as stipulated under Section 3.3 of COA Circular No. 96-004 dated April 19, 1996.

5.4.3.Cash advances for intelligence fund totaling ₱34,843,058.40 withdrawn by the former LCEs were submitted to the COA Chairperson in the Central Office, with a copy of the transmittal letter of the liquidation documents duly received by the said office furnished to the City Accountant, in accordance with COA Circular No. 2003-003 dated July 30, 2003, but no credit notice has yet been received. Only the amount of ₱2,325,000.00 made by the incumbent LCE in the last quarter of CY 2024 has yet to be liquidated.

5.4.3.1.Forming part of the outstanding cash advances are those for the Confidential and Intelligence Funds made by the City’s incumbent and former LCEs, with the following breakdown:

<b>Accountable Officer</b>	<b>Period</b>	<b>No. of Cash Advances</b>	<b>Amount</b>
Incumbent LCE	2024	1	₱2,325,000.00
Former LCEs	2011-2015	5	34,843,058.40
<b>Total Cash Advance-Confidential &amp; Intelligence Funds</b>			<b>₱37,168,058.40</b>
<b>Percentage over Total Unliquidated Cash Advances</b>			<b>89%</b>

5.4.3.2.This amount was not fully disclosed in the Notes to the Financial Statements. The substantial percentage of 89 per cent of the total amount of cash advances should have warranted a proper disclosure in the Notes to prevent misleading users of the financial statements on the propriety of the said balance. Moreover, as the 2011-2015 cash advances were already liquidated, the delay in the receipt of the credit notice results in a bloated balance of receivables and the non-recognition of expenses in the books, considering that these are not covered by the current COA-DBM-DILG-GGGOCC-DND Joint Circular No. 2015-01 dated January 8, 2015 which already allows the dropping of the cash advance from the books upon the receipt of the transmittal letter of the liquidation submitted to and duly received by the COA Central Office. The

Management should have exerted efforts in following up the credit notices.

- 5.5. Overall, it is emphasized that failure to settle the accounts is a “*prima facie*” presumption under Article 217 of the Revised Penal Code that these funds have been malversed for personal use and benefits (*Martinez vs. Sandiganbayan, GR No. 126413 dated August 20, 1999*), and shall likewise constitute violation of Article 218 of the Revised Penal Code and Section 89 of P.D. No. 1445 for failure to render accounts which is punishable under Section 128 thereof, viz:

**“Section 128. Penal provision.** Any violation of the provisions of Section 67, 68, 89, 106 and 108 of this Code or any regulation issued by the Commission implementing these sections, shall be punished by a fine not exceeding one thousand pesos or by imprisonment not exceeding six months, or both such fine and imprisonment in the discretion of the court.” (Underscoring ours)

- 5.6. Nevertheless, may we remind Management of the provision under Section 104 of P.D. No. 1445 which stipulates that:

**“Records and reports required by primarily responsible officers.** The head of any agency or instrumentality of the national government xxx shall exercise the diligence of a good father of a family in supervising accountable officers under his control to prevent the incurrence of loss of government funds or property, otherwise he shall be jointly and solidarily liable with the person primarily accountable therefor. xxx.” (Underscoring supplied)

- 5.7. The inability to fully settle the cash advances exposed government funds to personal use and/or misappropriation and likewise misstated the receivable and related expense accounts in the financial statements. Moreover, the propriety and validity of the expenses incurred from payments out of the advances cannot be ascertained.
- 5.8. **We recommended that the City Mayor direct all AOs to settle their unliquidated cash advances by undertaking the following:**

- 5.8.1. **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;**
- 5.8.2. **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;**

**5.8.3. Thru the City Accountant, fully disclose the Confidential and Intelligence Funds liquidation status in the Notes to the Financial Statements; and**

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

5.9. The City Mayor issued an Office Order directing the City Accountant to swiftly address the foregoing recommendations. The City also assured its compliance thereto, including the on-going follow up and sending of demand letters for unliquidated cash advances. The updated report will be furnished to the Team once available.

*Incomplete documentation to support the purchase of various vehicles - ₱53,093,447.66*

**6. 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, deviating from the pertinent requirements of Republic Act (R.A.) No. 9184 and P.D. No. 1445, 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.**

6.1. Section 4 of P.D. No. 1445 sets the fundamental principles governing financial transactions and operations of any government agency and states, among others, that *“Claims against government funds shall be supported with complete documentation.”*

6.2. Republic Act No. 9184<sup>1</sup> clearly stipulates that, as a general rule, the Procuring Entities shall adopt public bidding as the general mode of procurement and shall see to it that the procurement program is consistent with the commitment of the government to the principles of transparency, competitiveness, accountability, equity, efficiency, and economy in its procurement process. Aside from R.A. No. 9184, the documentary requirements in the procurement of motor vehicles are likewise stipulated in COA Circular No. 2012-001 dated June 14, 2012.

6.3. In the bidding stage, we emphasize the importance of the Bid Evaluation Report and the Post-Qualification Evaluation Summary Report that shows the checklist on the details of the evaluation made using the non-discretionary “pass/fail” criterion. The integrity of the report is solely dependent on the available documents which support the information contained therein, in keeping with the governing principles of transparency, accountability, equity and competitiveness on government

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<sup>1</sup> R.A. No. 12009 or the New Government Procurement Act was passed into law on 20 July 2024. The transactions covered herein occurred prior to the effectivity of the said law, hence the reference to R.A. No. 9184.

procurement [Section 3 of the Revised Implementing Rules and Regulation (IRR) of R.A. No. 9184].

6.4. We audited the procurement of various motor vehicles and heavy equipment totaling ₱53,093,447.66, focusing mainly on the compliance with the procedural and documentary requirements as required under regulations. The details are as follows:

<b>Disbursement Voucher No.</b>	<b>Date</b>	<b>Vehicle</b>	<b>Cost</b>
100-2024-01-0014	1/16/24	Vehicle Brand New	₱1,895,000.00
100-2024-02-0020	1/23/24	1 Unit Pick-up Brand New	2,100,000.00
100-2024-02-0038	2/6/24	1 Unit Brand New 4x4 Pick-up Truck	1,999,000.00
100-2023-12-1321	4/16/24	1 Unit Pick-up Truck, Strada GSL 4WD M/T	1,775,000.00
100-2024-01-0015	5/28/24	1 Unit Transport Vehicle Brand New	1,960,000.00
100-2024-60-0024	5/28/24	1 Unit 10-Wheeler B New Self -Loading Truck	7,470,000.00
100-2024-02-0080	5/29/24	1 Unit Utility Vehicle 2.4D 4WD at - 2023	2,299,000.00
100-2024-07-0449	6/20/24	1 Unit Motor Vehicle Van	1,950,000.00
100-2024-10-0775	6/27/24	2 units Vehicle Brand New Van	3,970,000.00
100-2024-06-0296	6/28/24	3 Units Toyota Hi-Lux 2-8 Conquest 4x4	9,078,447.66
100-2024-07-0484	7/1/24	1 Unit Transport Vehicle 4x4 Brand New, KIA K2500	1,798,000.00
100-2024-06-0285	7/22/24	3 Units Toyota Hi-Lux 2-8 Conquest 4x4	8,800,000.00
100-2024-10-0775	9/11/24	1 Unit Brand New Payloader, XCMG ZL50GN Wheel Loader	7,999,000.00
<b>Total</b>			<b>₱53,093,447.66</b>

6.5. Our verification of the documents supporting the said procurements showed multiple lacking requisites to support the BAC's performance of the required procedures mandated under R.A. No. 9184. These lacking documents are detailed in **Appendix I**, and summarized as follows:

- 1) Minutes of the pre-procurement conference in accordance with Section 20.2 of the Revised IRR (for those above ₱2 million)
- 2) Bid evaluation report

- 3) All eligibility documents – legal, technical, financial
- 4) Accomplished Checklists for the First and Second Envelope
- 5) Bid security
- 6) Omnibus Sworn Statement
- 7) BAC Resolution(s) on the preliminary examination of bids
- 8) Technical Working Group (TWG) report on the bid evaluation for determination of the bidder with the Lowest Calculated Bid (LCB), as reviewed by the BAC
- 9) Minutes of the BAC meeting on bid evaluation;
- 10) Resolution of the BAC declaring the LCB
- 11) Notice to bidder with LCB
- 12) Post-Qualification Evaluation Summary Report supported by the:
  - a) Latest income and business tax returns of the winning bidder
  - b) TWG report on the post-qualification conducted as reviewed by the BAC
  - c) Minutes of the post-qualification activities
  - d) BAC Resolution declaring the Lowest Calculated and Responsive Bid and recommending Award, approved by the Head of the Procuring Entity
- 13) Notification of bidding results to losing bidder duly received
- 14) Posting of Notice of Award within three days from its issuance on PhilGEPS, the LGU website, if any, and any conspicuous place in the city premises
- 15) Warranty

6.6. The foregoing deficiencies, aside from rendering the authenticity of the procurement procedures conducted questionable, violate many of the provisions of the 2016 Revised IRR. Section 30.1 thereof is emphasized in particular as it clearly states:

“The BAC shall open the first bid envelopes in public to determine each bidder’s compliance with the documents required to be submitted for eligibility and for the technical requirements, as prescribed in this IRR. For this purpose, the BAC shall check the submitted documents of each bidder against a checklist of required documents to ascertain if they are all present, using a non-discretionary ‘pass/fail’ criterion, as stated in the Instructions to Bidders. If a bidder submits the required document, it shall be rated ‘passed’ for that particular requirement. In this regard, bids that fail to include any requirement or are incomplete or patently insufficient shall be considered as ‘failed.’ x x x” (Underlining ours.)

6.7. Due to the absence of these important documents, the propriety of the foregoing procurements cannot be properly evaluated. Furthermore, any deviation by the BAC from the procedures required under R.A. No. 9184 might pose a risk on the validity of these disbursements.

6.8. **We recommended that the BAC and TWG be properly supervised and be made accountable for any lapses in the performance of their functions, as warranted.**

6.9. **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.**

6.10. The City promised to submit the needed attachments to the above Disbursement Vouchers to avoid the issuance of the Notice of Suspension.

*Local Disaster Risk Reduction and Management Funds (LDRRMF) in the Special TF (STF) not included in the CY 2024 LDRRMF Investment Plan (LDRRMFIP) - ₱58,229,062.23*

**7. Balances of LDRRMF transferred to the STF totaling ₱58,229,062.23 were not included in the CY 2024 LDRRMFIP, deviating from Section 5.1.15 of COA Circular No. 2012-002, which rendered questionable the disbursements totaling ₱27,177,510.87 as it is not in accordance with Section 6 of NDRRMC-DBM-DILG Joint Memorandum Circular (JMC) No. 2013-1. 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 lumpsum allocations, not supported with project cost estimates, hence providing weak controls in the utilization of funds.**

7.1. Section 5.1.15 of COA Circular No. 2012-002 dated September 12, 2012, states that *“The LDRRMFIP shall be reviewed and updated annually to include the activities to be funded from the unexpended QRF and DRRMF-MOOE of the previous years which were transferred to the Special Trust Fund.”*

7.2. Further, Section 6.5 of the NDRRMC-DBM-DILG JMC No. 2013-1 dated March 25, 2013 provides the policies and procedures in the utilization thereof, and states that the unexpended balances of the LDRRMF may be released and utilized for new expenditure items upon submission of a revised Annual Investment Plan (AIP) as approved by the local sanggunian and LCE upon recommendation of the LDRRM Council (LDRRMC) in accordance with the approved LDRRM Plan.

7.3. A review of the STF showed the following balances transferred from the unutilized Quick Response Fund (QRF) and Mitigation Fund of the LDRRMF as of December 31, 2023 (beginning balances for CY 2024):

<b>Year</b>	<b>Available</b>
<b>Beyond five (5) years:</b>	
CY 2013	₱2,670,692.37
CY 2017	2,707,598.43
CY 2018	6,569,686.70
<b>Sub-Total</b>	<b>₱11,947,977.50</b>
<b>Within the five-year period:</b>	
CY 2019	₱3,437,803.74
CY 2020	10,255,687.30
CY 2021	20,535,485.39
CY 2022	34,480,706.92

<b>Year</b>	<b>Available</b>
CY 2023	18,519,378.88
<b>Sub-Total</b>	<b>₱87,229,062.23</b>
<b>Grand Total</b>	<b>₱99,177,039.73</b>

- 7.4. We favorably noted that during CY 2024, the CY 2013-2018 balances totaling ₱11,947,977.50 were reverted to the GF in accordance with Section 5.1.13 of COA Circular No. 2012-002 which requires that *“Any unutilized amount after five years shall be reverted back to the unappropriated surplus of the General Fund and shall be made for other social services after subsequent enactment by the local sanggunian.”*
- 7.5. This leaves a balance of ₱87,229,062.23 in the DRRM STF. Optimal use of funds would have necessitated the inclusion of all functions, projects, programs, and activities to be funded therefrom in the annual LDRRMFIP for a more effective and efficient utilization of the funds to mitigate the effects of disasters and calamities. However, we noted that only ₱29 million was incorporated in the CY 2024 LDRRMFIP sourced from the STF, for the following projects:

<b>Project</b>	<b>Amount</b>
<b>STF Balance, CY 2023 (within the five-year period)</b>	<b>₱87,229,062.23</b>
Amount included in the CY 2024 LDRRMFIP:	
Slope/Shoreline Protection and Erosion Control Projects	₱10,000,000.00
Construction and Improvement of Waterways	10,000,000.00
Revetment of Rivers	9,000,000.00
	<u>₱29,000,000.00</u>
<b>STF Balance not included in the CY 2024 LDRRMFIP</b>	<b>₱58,229,062.23</b>

- 7.6. The inclusion of the ₱29 million STF in the CY 2024 LDRRMFIP was due to Resolution No. 9, series of 2023, which was passed by the LDRRM Council and approved by the Sangguniang Panlungsod (SP) for incorporation in the AIP under Appropriation Ordinance No. 45 dated October 18, 2023.
- 7.7. We noted, however, that the year from which the funds were sourced were not indicated in the LDRRMFIP, LDRRMC resolution or subsidiary records maintained by CAO. In the detailed presentation of all functions, projects, programs, and activities (FPPAs) recorded under the TF, these three projects cannot be identified. As a result, there is no effective monitoring of whether the funds have reached the prescriptive 5-year period and due for reversion to the GF.
- 7.8. Furthermore, the CAO explained that these were lump-sum allocations determined by the City DRRM Officer and that the CAO will only present the actual project once a Program of Work is submitted. The CAO merely deducts the project cost from the lump-sum allocation and presents the specific project.

- 7.9. Moreover, the STF balance of ₱58,229,062.23 as computed above, which was not included in the CY 2024 LDRRMFIP, was actually allocated for specific DRRM FPPAs. Per CAO records, the original allocations for these projects totaled ₱100,412,155.20. Deducting all prior year obligations resulted in the CY 2023 ending balance of ₱87,229,062.23, the total amount of which should have been included in the CY 2024 LDRRMFIP.
- 7.10. In addition, our verification of the FPPAs reported in CY 2023 and in CY 2024 indicated changes in expenditure items, which were not reported in the LDRRMFIP. As presented in **Appendix J**, these changes are highlighted in red. We took note of Ordinance No. 36 passed under SP Resolution No. 485 dated June 13, 2024, reverting the CYs 2019 and 2020 appropriations for Typhoon Odette Operations. There was no indication, however, that the same was recommended by the LDRRM Council. The lack thereof, compounded by the absence of a duly amended AIP, renders the corresponding obligations amounting to ₱27,177,510.87 (**Appendix K**) questionable as it is not in accordance with Section 6 of NDRRMC-DBM-DILG JMC No. 2013-1.
- 7.11. We also emphasize the necessity of incorporating all FPPAs in the STF in the CY LDRRMFIP considering that there are some allocations which are maintenance and operating expenditures in nature and cannot be carried over to the next fiscal year unless included in the AIP.
- 7.12. **We recommended that the City Mayor direct the City DRRM Officer and the City Accountant to undertake the following:**
- 7.12.1. **Identify the fund source by year for the projects which were allocated ₱29 million from the STF and included in the CY 2024 LDRRMFIP;**
- 7.12.2. **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 LDRRMC in preparing the LDRRMFIP;**
- 7.12.3. **Submit the LDRRMC Resolutions and corresponding SP Resolutions and the amended AIP 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;**
- 7.12.4. **Utilize the unexpended balances of prior years' LDRRMF held in special trust upon due compliance with Section 6 of NDRRMC-DBM-DILG JMC No. 2013-1 and included in the CY 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.**

7.13. The City Mayor issued an Office Order directing the CAO and City DRRM Office heads to swiftly address the foregoing recommendations. The City also assured the Team of its compliance thereto.

*Under-utilization of LDRRMF*

**8. The City utilized only 48.72 per cent or ₱85,070,259.11 out of the total available funds of ₱174,605,488.93 of its LDRRMF as of December 31, 2024, thereby compromising the City’s preparedness to respond to disasters/calamities and exposing it to a higher risk of loss of lives and properties in such an eventuality.**

8.1. The foremost goal of R.A. No. 10121, otherwise known as *The Philippine Disaster Risk Reduction and Management Act of 2010*, is to strengthen the country’s National DRRM System towards sustainable economic development by mainstreaming the same in all national and local development processes. This principally requires institutionalizing and organizing its structures, in all levels of government nationwide, where local DRRM plans and policies will be developed, and where implementation of actions and measures pertaining to all aspects of DRRM will be initiated.

8.2. Likewise, it mandates that the country shift from purely disaster recovery and response to disaster reduction, preparedness and mitigation. Section 21 thereof specifies that 70 per cent of the DRRMF shall be allocated to the Mitigation Fund (MF) for disaster prevention, mitigation, and preparedness.

8.3. A review of the appropriations for the LDRRMF showed the following available funds and the corresponding utilization, viz:

<b>Particulars</b>	<b>Available</b>	<b>Utilized</b>	<b>Balance</b>
<b>Current Year Appropriation:</b>			
QRF	₱16,500,000.00	0.00	₱16,500,000.00
MF			
MOOE	17,600,000.00	₱12,361,578.29	5,238,421.71
Capital Outlay	20,900,000.00	1,190,409.40	19,709,590.60
<b>Total</b>	<b>55,000,000.00</b>	<b>13,551,987.69</b>	<b>41,448,012.31</b>
<b>Continuing Appropriation:</b>			
CY 2019	78,550.93		78,550.93
CY 2020	405,000.00		405,000.00
CY 2021	1,332,356.83		1,332,356.83
CY 2022	12,866,418.85	3,392,584.00	9,473,834.85
CY 2023	22,246,122.59	20,283,452.00	1,962,670.59
<b>Total</b>	<b>36,928,449.20</b>	<b>23,676,036.00</b>	<b>13,252,413.20</b>
<b>STF:</b>			
CY 2013	2,670,692.37	2,670,692.37	0.00
CY 2017	2,707,598.43	2,707,598.43	0.00
CY 2018	6,569,686.70	6,569,686.70	0.00
CY 2019	3,437,803.74	200,529.14	3,237,274.60

<b>Particulars</b>	<b>Available</b>	<b>Utilized</b>	<b>Balance</b>
CY 2020	10,255,687.30	937,030.00	9,318,657.30
CY 2021	20,535,485.39	19,972,753.79	562,731.60
CY 2022	34,480,706.92	10,643,802.09	23,836,904.83
CY 2023	18,519,378.88	4,140,142.90	14,379,235.98
<b>Total</b>	<b>99,177,039.73</b>	<b>47,842,235.42</b>	<b>51,334,804.31</b>
<b>Grand Total</b>	<b>₱191,105,488.93</b>	<b>₱85,070,259.11</b>	<b>₱106,035,229.82</b>

8.4. Excluding the QRF, total available funds for disaster preparedness and mitigation can be summarized as follows:

<b>Particulars</b>	<b>Available</b>	<b>Utilized</b>	<b>Balance</b>
Current Year Appropriation:			
MF			
MOOE	₱17,600,000.00	₱12,361,578.29	₱5,238,421.71
Capital Outlay	20,900,000.00	1,190,409.40	19,709,590.60
<b>Total</b>	<b>38,500,000.00</b>	<b>13,551,987.69</b>	<b>24,948,012.31</b>
Continuing Appropriations	36,928,449.20	23,676,036.00	13,252,413.20
STF	99,177,039.73	47,842,235.42	51,334,804.31
<b>Total</b>	<b>₱174,605,488.93</b>	<b>₱85,070,259.11</b>	<b>₱89,535,229.82</b>
	<u>100.00%</u>	<u>48.72%</u>	<u>51.28%</u>

8.5. The table above shows that only 48.72 per cent or ₱85,070,259.11 was utilized, leaving 51.28 per cent idle.

8.6. We further noted that the City had only utilized 5.70 per cent or ₱1,190,409.40 out of the ₱20,900,000.00 current year appropriation for capital outlay under the 70 per cent Mitigation Fund. Moreover, four out of the eight projects outlined in its CY 2024 Capital Outlay programs, projects, and activities were unimplemented, with appropriations totaling ₱19 million. The details are as follows:

<b>Function / Program / Project / Activity</b>	<b>Appropriations</b>	<b>Obligations</b>	<b>Balances</b>
Purchase of Alert System and Early Warning Devices	₱5,000,000.00	-	₱5,000,000.00
Purchase of Disaster Response and Rescue Vehicle	5,000,000.00	-	5,000,000.00
Improvement of Evacuation Center (Ventilation System)	800,000.00	₱330,000.00	470,000.00
Construction of City Drainage System	8,000,000.00	-	8,000,000.00
Rehabilitation and Improvement of Drainage Canal (Juan Luna Street)	1,000,000.00	-	1,000,000.00
Purchase of Rescue Equipment, Protective Gears and Supplies	500,000.00	411,300.00	88,700.00
Establishment of Information System and Generation of Database	500,000.00	396,323.00	103,677.00
Production of IEC Materials	100,000.00	52,786.40	47,213.60
<b>Total</b>	<b>₱20,900,000.00</b>	<b>₱ 1,190,409.40</b>	<b>₱19,709,590.60</b>
	<u>100.00%</u>	<u>5.70%</u>	<u>94.30%</u>

- 8.7. The City DRRM Officer explained that they have already started the procurement of the alert systems but the supplier still has to complete the required documents, hence no payment was made. The purchase of the disaster response and rescue vehicle is for re-bid since the first bidding was declared a failure and the DILG clearance took some time to secure. For the infrastructure projects, these were delegated to the CEO for implementation but the latter has not promptly acted on it. The same goes for the other Capital Outlay projects funded out of the STF. The CEO is attending to other projects financed by other fund sources, which likewise includes backlogs from prior years.
- 8.8. The City's inability to fully utilize the existing LDRRMF appropriations hinders the effective implementation of a proactive approach to disaster management, which is aimed at reducing people's vulnerability during such events.
- 8.9. **We reiterated our recommendations that the City exhaust all means to implement without further delay the projects outlined under the 70 per cent Mitigation Fund of the LDRRMF in order to increase their constituents' resilience and decrease their vulnerabilities to disasters and calamities. We further recommended that the City DRRM Officer closely coordinate with the CEO and actively monitor the implementation of priority DRRM functions, programs, projects, and activities.**
- 8.10. The City Mayor issued an Office Order directing the CAO and the City DRRM Office heads to swiftly address the foregoing recommendations. The City also assured its compliance thereto, acknowledging the need to provide the needed infrastructure and initiatives to make Bais residents resilient and less vulnerable to disasters and calamities.

*Unimplemented prior years' audit recommendations*

9. **Of the 35 audit recommendations from last year's audit report for CY 2023, only 6 have been fully implemented, representing 17 per cent of the total, while the remaining 29 recommendations have yet to be implemented as of August 31, 2024. Similarly, out of the 49 audit recommendations from prior years, only 1 has been fully implemented, leaving 48 recommendations still outstanding.**
  - 9.1. In accordance with the audit responsibilities vested upon this Office, we would like to provide an update on the status of implementation of the audit recommendations contained in the CY 2023 Annual Audit Report as of August 31, 2024, based on the validation we conducted.
  - 9.2. As previously reported, 35 current and 49 prior years' audit recommendations were provided in the last audit report.

- 9.3. Please be informed that only 6 out of 35 current recommendations have been fully implemented, while only 1 out of the 49 prior years' recommendations has also been fully implemented satisfactorily by the relevant offices concerned.
- 9.4. It is noted with concern that 29 current and 48 prior years' recommendations remain outstanding and have not yet been fully implemented. These unimplemented recommendations are crucial for strengthening internal controls, improving financial transparency, enhancing accountability, and optimizing operational efficiency within the city government.
- 9.5. Our analysis showed that over 60 per cent of the unimplemented recommendations have been outstanding for more than one to five years, as follows (see **Appendix L**) for details):

Period Unimplemented	No. of Recommendations	Percentage
1 year and below	29	37.66%
>1 to 3 years	27	35.06%
>3 to 5 years	12	15.58%
more than 5 years	9	11.69%
<b>Total</b>	<b>77</b>	<b>100.00%</b>

- 9.6. This situation indicates a clear lack of dedication and diligence of some local government officials in addressing urgent audit issues promptly.
- 9.7. It is essential that the city government remain committed to upholding the highest standards of governance and accountability. Completing outstanding audit recommendations in a timely manner will significantly contribute to achieving these objectives.
- 9.8. **We recommended that the LCE direct the department heads and other officials concerned to prioritize the implementation of the remaining outstanding recommendations and expedite their execution to ensure full compliance with regulatory requirements and established best practices in upholding the highest standards of governance and accountability.**

## **B) OTHER FINANCIAL RELATED ISSUES**

*Compliance with GSIS Act of 1997 (R.A. No. 8291), HDMF Law of 2009 (R.A. No. 9769), and National Health Insurance Act of CY 2013 (R.A. No. 7875 as amended by R.A. Nos. 9241 and 10606)*

10. The City made remittances to the GSIS, PAG-IBIG, and PhilHealth; however, a tabular presentation of the amounts withheld in December 2024 and the corresponding remittances the following month, January 2025, showed differences, as presented on the next page:

Account	Balance, December 31, 2024	Remittance		Unremitted Balance
		Date	Amount	
Due to BIR	₱5,404,348.93	1/3,6,6&23/2025	6,834,124.44	(1,429,775.51)
Due to GSIS	2,465,430.67	1/10/2025	4,386,204.41	(1,920,773.74)
Due to Pag-IBIG	1,029,032.31	1/7,8,27/2025	447,199.37	581,832.94
Due to PhilHealth	464,054.70	1/7/2025	635,397.85	(171,343.15)

11. The City Accountant was not able to fully explain the discrepancies noted, but gave assurance to investigate the reliability of their computerized carding system to which all the deductions are recorded and subsequently extracted as basis for the remittance. Further, the office was not able to prepare individual subsidiary ledgers for payroll deductions per employee.

*Compliance with Property Insurance Law (R.A. No. 656)*

12. The City has not insured its properties with the GSIS.

*Gender and Development (GAD)*

13. The City has regularly appropriated five per cent of its annual budget for GAD programs, projects, and activities. For CY 2024, it had an annual budget of ₱54 million.

*Differently-abled Persons and Senior Citizens*

14. The City provided ₱10 million in CY 2024 to address the needs of senior citizens and differently-abled persons.

*Local Council for Protection of Children (LCPC)*

15. The City allocated ₱10 million from its annual budget which was made available for children and youth welfare and educational programs and interventions.

*Summary of Loans Payable*

16. In CY 2023, the City secured a loan from Land Bank of the Philippines for a lot acquisition with a principal amount of ₱225 million payable for 15 years at an interest rate of 6.25 per cent per annum. The lot is described as Lot No. 244-B, PSD-07-043824, TCT No. 105-2023000137, located at Barangay La Paz, Bais City, Negros Oriental, with an area of 171,723 sq. m. bought from its previous registered owner, Don Gaspar Vicente, Inc. This lot is intended for the construction of the Bais City Government Center and Sports Complex.

17. Moreover, in CY 2024, the City secured two loans totaling ₱280,608,000.00 from the Land Bank of the Philippines with the following details:

Purpose of Loan	Date Granted	Amount	Payment Terms	Interest Rate
Construction of New Bais City Sports Complex	6/25/2024	₱ 131,535,000.00	15 years	6.75%
Construction of New Bais City Sports Complex	10/30/2024	149,073,000.00	15 years	6.35%
<b>Total</b>		<b>₱ 280,608,000.00</b>		

18. As of December 31, 2024, the City has an outstanding loans payable of ₱505,608,000.00.

*Summary of Suspensions, Disallowances and Charges*

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

	Ending Balance (As of 12/31/2023)	NS/ND/NC Issued from 01/01/2024 to 12/31/2024	NS/ND/NC Settled from 01/01/2024 to 12/31/2024	Ending Balance (As of 12/31/2024)
<b>Suspensions</b>	₱641,790.87	0.00	0.00	₱641,790.87
<b>Disallowances</b>	9,466,139.43	0.00	0.00	9,466,139.43
<b>Charges</b>	455,138.91	0.00	0.00	455,138.91

20. Further, the table below shows the respective balances of suspensions, disallowances, and charges of ₱641,790.87, ₱9,466,139.43, and ₱455,138.91 with breakdown as to timing and age as follows:

Timing	Age	NS	ND	NC
07/01/2022 to 12/31/2024 (Current Administration)	Less than 1 year to 2.5 years			
07/01/2019 to 06/30/2022	More than 2.5 to 5.5 years			
07/01/2016 to 06/30/2019	More than 5.5 to 8.5 years	₱159,868.02	₱910,546.62	₱455,138.91
07/01/2013 to 06/30/2016	More than 8.5 to 11.5 years		7,833,429.81	
07/01/2010 to 06/30/2013	More than 11.5 to 14.5 years	481,922.85	722,163.00	
10/06/2009 <sup>2</sup> to 06/30/2010	More than 14.5 to 15.25 years			
<b>Total</b>		<b>₱641,790.87</b>	<b>₱9,466,139.43</b>	<b>₱455,138.91</b>

21. Of the total balance of disallowances of ₱9,466,139.43, 92 per cent is pending appeal at various levels of adjudication pursuant to the COA Rules and Regulations on Settlement of Accounts (RRSA), while 8 per cent has already attained finality and will be issued with Notice of Finality of Decision (NFD). Of the disallowances that had become final, all have yet to be issued with COA Order of Execution (COE).

<sup>2</sup> COA Circular No. 2009-006

22. With respect to the total balance of charges of ₱455,138.91, 100 per cent is pending appeal.
23. Lastly, of the total suspensions of ₱641,790.87, 25 per cent is pending evaluation by the Audit Team while 75 per cent will be issued with Notice of Disallowance (ND) since no documents were submitted for further evaluation. Under the RRSA, a suspension should be settled within 90 calendar days from receipt of the NS; otherwise, the transaction covered by it shall be disallowed/charged after the Auditor is fully satisfied that such action is appropriate. Consequently, the Auditor shall issue the corresponding ND/NC.

### **C) OTHER MATTERS**

24. Our audit was limited to the areas specified in the Scope of Audit paragraph. Aside from those, we have not audited the other areas specified under COA LGS Unnumbered Memoranda dated October 30, 2024 and November 11, 2024 nor have we obtained sufficient and competent evidence on these 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 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, as shown in the results of validations presented below:

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
2023 AAR, AO No. 1, page 33	1) Fourteen completed projects under the GF totaling ₱38,830,481.08 remained recorded in the CIP accounts contrary to Section 50 of the Manual on the NGAS and IPSAS 17, hence, overstating the CIP accounts while understating the corresponding PPE accounts and depreciation expense by ₱794,439.60.	<p>The City Accountant record the necessary entries in the GF books as follows:</p> <ol style="list-style-type: none"> <li>1) Transfer the cost of the 14 completed projects from the CIP accounts to the corresponding PPE accounts.</li> <li>2) Recognize depreciation expenses totaling ₱794,439.</li> <li>3) The City Accountant, henceforth, regularly monitor the City's CIP accounts to ensure the timely transfer of the completed projects to the corresponding PPE accounts.</li> </ol>	<p>Implemented <i>JEV was prepared by the Accountant.</i></p> <p>Implemented <i>Depreciation expense for these CIPs were reported in the FS.</i></p> <p>Unimplemented <i>As of December 31, 2024, the CIP accounts still include projects that were physically completed but were not yet transferred to the appropriate PPE accounts. According to the personnel of the CAO, construction materials used for these completed projects were still not recorded in the books due to the non-submission of the SSMI by the CGSO.</i></p>
2023 AAR, AO No. 2, page 37	2) A difference of ₱21,036,793.98 in the balance of the CIP account exists between the records maintained by the CAO and the City Planning and Development Office (CPDO), which is not compliant with IPSAS 1, thereby adversely affecting the reliability and fairness of presentation of the	<ol style="list-style-type: none"> <li>4) The CGSO fast-track the submission of the RSI and SSMI to the CAO for the proper recognition of project expenses.</li> <li>5) The City Accountant closely coordinate with CGSO and CPDO to expedite the</li> </ol>	<p>Unimplemented <i>Timely preparation and submission of the SSMI by the CGSO to the CAO was not implemented.</i></p> <p>Unimplemented</p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
	CIP accounts in the financial statements.	<p>reconciliation and preparation of the required entries to arrive at the correct balances and status of the 64 completed projects under the CIP accounts.</p> <p>6) Also, these completed projects be transferred to the corresponding PPE accounts and consequently recognize their depreciation expenses reckoned from the project's date of completion.</p>	<p><i>CIP accounts are still subject to reconciliation.</i></p> <p>Unimplemented <i>The completed projects were not yet transferred to the corresponding PPE accounts.</i></p>
2023 AAR, AO No. 3, page 39	3) Three completed projects under the TF totaling ₱14,813,858.60 remained recorded in the CIP account which resulted in the non-transfer of the corresponding PPE account to the GF contrary to Section 104, 1(i) of the Manual on NGAS for LGUs and IPSAS 17, hence, understating the PPE-Road Networks account by ₱14,813,858.60 and depreciation expenses in the GF by ₱41,149.61.	<p>The City Accountant record the necessary entries in the TF and GF books as follows:</p> <p><b>TF Books:</b></p> <p>7) Record the transfer of the cost of the three completed projects from the CIP – Infrastructure Assets account to the Road Networks account;</p> <p>8) Record the transfer of the Road Networks account to the GF;</p> <p><b>GF Books:</b></p> <p>9) Record the receipt of the three completed projects from TF;</p> <p>10) Record the corresponding depreciation expenses; and</p> <p>11) Henceforth, the City Accountant regularly monitor the City's CIP accounts to ensure the timely transfer of completed projects to the corresponding PPE accounts.</p>	<p>Implemented <i>The City Accountant prepared JEV No. 300-24-03-23 dated March 31, 2024.</i></p> <p>Implemented <i>The City Accountant prepared JEV No. 300-24-03-24 dated March 31, 2024.</i></p> <p>Implemented <i>The City Accountant prepared JEV No. 100-24-03-0132 dated March 31, 2024.</i></p> <p>Implemented <i>The City Accountant prepared JEV No. 100-24-03-133 dated March 31, 2024.</i></p> <p>Unimplemented <i>As of December 31, 2024, the CIP accounts still include projects that were physically completed but were not yet transferred to the</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
			<p><i>appropriate PPE accounts. According to the personnel of the CAO, construction materials used for these completed projects were still not recorded in the books due to the non-submission of the SSMI by the CGSO.</i></p>
<p>2023 AAR, AO No. 4, page 41</p>	<p>4) The Real Property Tax (RPT)/Special Education Tax (SET) collection efficiency averages only 29.31 per cent of the target set by the City Government due to the non-implementation of an effective tax campaign and non-enforcement of tax remedies, resulting in delinquent taxes totaling ₱291,277,194.11 as of December 31, 2023, running counter to pertinent provisions of R.A. No. 7160 and the Manual on Real Property Appraisal and Assessment Operations, thus, depriving the City of potential revenues that could have been used to finance its various programs, projects, and activities.</p>	<p>The City Treasurer, supported by the SP and the City Legal Officer:</p> <p>12) Develop an effective tax collection campaign program to enhance the collection of RPT/SET Receivables;</p> <p>13) Post the list of all RPT delinquencies at the City Hall and in a publicly accessible and conspicuous place in each barangay and publish the notice of delinquency in a newspaper of general circulation once a week for two consecutive weeks; and</p> <p>14) Enforce remedies in the collection of real property through the issuance of a warrant on the real property subject to tax on or before, or simultaneously with, the institution of the civil action for the collection of the delinquent tax.</p>	<p>Unimplemented <i>The City's collection from taxpayers dropped from ₱55,575,336.43 in CY 2023 to ₱54,961,089.36 in CY 2024.</i></p> <p>Implemented <i>List of RPT Delinquencies were posted in conspicuous places.</i></p> <p>Unimplemented <i>No action taken by management.</i></p>
<p>2023 AAR, AO No. 5, page 44</p>	<p>5) Deviations from policies and procedures related to the receipt and issuance of some accountable forms (AFs), including (a) unaccounted 11,310 receipts, (b) lacking cash tickets of ₱94,854.00, (c) unrecorded receipt of cash tickets totaling ₱395,595.00, and (d) other errors in the monitoring of AFs, were observed. Thus, the internal control objective of safeguarding the</p>	<p>15) Management conduct an investigation on the occurrence of loss of AFs and institute sanctions, as warranted;</p> <p>16) The City Treasurer account for the 11,310 receipts, ₱94,854.00 worth of ₱2.00-denominated cash tickets, and ₱395,595.00 worth of ₱5.00-denominated</p>	<p>Unimplemented <i>The Audit Team had not received the results of investigation conducted.</i></p> <p>Unimplemented <i>The Audit Team had not received any report from the City Treasurer's Office</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
	assets or resources of the LGU was not achieved.	<p>cash tickets; otherwise, restate the corresponding money values immediately;</p> <p>17) The City Treasurer evaluate and strengthen/formulate internal control procedures specifically on the receipt, recording, and issuance of AFs, guided by the handbook on Internal Control Standards for the Philippine Public Sector (ICSPPS) to minimize the risk on inaccurate and unreliable financial data;</p> <p>18) The City Treasurer observe the proper recording of all AFs received and issued, duly supported with the Invoice and Receipt of Accountable Forms, and revise/adjust the monthly Consolidated Report of Accountability for Accountable Forms (CRAAF) to reflect the accurate balances of all AFs in its custody; and</p> <p>19) The City Accountant verify and monitor the completeness of all AFs issued as reported in the Report of Collections and Deposits.</p>	<p><i>(CTO) for the accounting of the 11,310 receipts.</i></p> <p><i>Implemented Procedures and reporting formats were revised and erroneous practices were corrected.</i></p> <p><i>Unimplemented The CTO had not submitted the revised/adjusted monthly CRAAF reflecting the accurate balance of all AFs in its custody.</i></p> <p><i>Unimplemented Ongoing implementation of the recommendation</i></p>
2023 AAR, AO No. 6, page 47	6) The City has not undertaken the general revision of real property assessments for the last six years, which is not compliant with the 3-year requirement under Sections 212 and 219 of R.A. No. 7160 and DILG-DOF JMC No. 2010-01, leading to outdated tax collections. As a result, the City's RPT collections was only 34 per cent of its locally-generated income, affecting its ability to finance development projects and augment the SEF for the benefit of its constituents.	<p>20) The City Assessor prepare an updated schedule of market values (SMVs) reflective of the current market pursuant to Section 212 of R.A. No. 7160 and cause the drafting of an Ordinance for consideration of the Sanggunian, incorporating therein the proposed SMV, assessment level, and tax rate.</p> <p>21) The Sanggunian give priority and due course to this undertaking.</p> <p>22) Henceforth, the City strictly adhere to the provisions of Section 219 of R.A. No. 7160 and DILG-DOF JMC No. 2010-01 in preparing and completing the</p>	<p><i>Unimplemented General revision is ongoing. Field investigation is conducted to be reflective of the current market value.</i></p> <p><i>Unimplemented Ongoing implementation of the recommendation</i></p> <p><i>Unimplemented Ongoing implementation of the recommendation</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
		general revision of real property assessments within the reglementary period of three years.	
2023 AAR, AO No. 7, page 50	7) The City utilized only 39.21 per cent or ₱78,763,871.09 out of the total available funds of ₱200,892,860.02 of its LDRRMF as of December 31, 2023, thereby compromising the City's preparedness to respond to disasters/calamities and exposing it to a higher risk of loss of lives and properties in such an eventuality.	23) Management exhaust all means to implement without further delay the projects outlined under the 70 per cent Mitigation Fund of the LDRRMF.  24) The unexpended balances of prior years' LDRRMF held in special trust be utilized upon due compliance with Section 6.5 of NDRRMC-DBM-DILG JMC No. 2013-1 in order to increase their constituents' resilience and decrease their vulnerabilities to disasters and calamities.	Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as Audit Observation (AO) No. 9.</i>  Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 9.</i>
2023 AAR, AO No. 8, page 52	8) The balance of the Due to BIR account of the City as of December 31, 2023, includes an accumulated amount of ₱1,144,421.10 representing taxes withheld that were not remitted to the BIR within its reglementary period as provided in R.A. No. 8424 or the National Internal Revenue Code, as amended by R.A. No. 10963 or the TRAIN Law, thus, risking the imposition of penalties for non-remittance and depriving the national government of additional funds for the attainment of national development programs and projects.	25) The City Mayor require the City Accountant and City Treasurer to remit immediately the taxes withheld totaling ₱1,144,421.10.  26) Henceforth, strictly comply with the required monthly remittance of all taxes withheld on or before the due dates set under BIR regulations to avoid personal liability for penalties that may be imposed for delayed remittance.	Unimplemented <i>Balance is still subject to reconciliation by the City Accountant.</i>  Implemented <i>Remittances to the BIR for taxes due to the BIR as of December 31, 2023 were made on various dates in January 2024.</i>
2023 AAR, AO No. 9, page 54	9) Negative slippages occurred due to a lack of proper monitoring in the implementation of 24 projects undertaken by contract costing ₱160,793,017.99. The City did not fully implement the available courses of action, including the imposition of liquidated damages, provided under Section 8.4 of Annex "E" of the 2016 Revised IRR of R.A. No. 9184 against erring contractors.	27) The City Engineer improve the execution of projects, both by the contractor and the assigned CEO personnel, to exact compliance with project timelines by adopting stricter policies to eliminate any negative slippage noted and requiring detailed action to commit contractors to accomplish specific physical targets over a defined time period;  28) The CEO and CPDO submit an outline of the immediate steps to be undertaken to address the	Unimplemented <i>Per verification, the CEO were not able to implement various projects in CY 2024.</i>  Unimplemented <i>COA had not received the outline of the steps</i>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
		<p>deficiencies noted for each project; and</p> <p>29) Management exercise the remedies provided under Section 8.4, Annex “E” of the Revised IRR in addressing the contracts under default, without prejudice to other courses of action and remedies available under the circumstances.</p>	<p><i>undertaken to address the deficiencies noted.</i></p> <p>Unimplemented <i>Ongoing implementation of the recommendation</i></p>
<p>2023 AAR, AO No. 10, page 58</p>	<p>10) The City has completed only one project costing ₱275,089.24 funded from the CY 2023 appropriations for the 20 per cent Development Fund (DF) totaling ₱185,231,800.62 and did not specify the project with an allocation of ₱27,500,000.00. Furthermore, projects with negative slippage beyond 15 percent were not addressed in a timely manner, contrary to GPPB Resolution No. 05-2019. These deficiencies resulted in delays in delivering the benefits that constituents could have derived from the proposed projects.</p>	<p>30) The City Engineer improve the preparation of project plans by ensuring that all the necessary procedures, especially site inspections and surveys, are undertaken to ensure the project’s viability and to eliminate unnecessary costs of plan revisions;</p> <p>31) The City Engineer implement measures and undertake catch-up programs to accelerate work accomplishments on projects undertaken by the administration that are behind schedule; and</p> <p>32) The City Development Council determine the specific project to be funded out of the 20 per cent Development Fund unprogrammed amount of ₱27,500,000.00.</p>	<p>Unimplemented <i>Per verification, the CEO were not able to implement various projects under the 20 per cent DF in CY 2024.</i></p> <p>Unimplemented <i>No action taken by management.</i></p> <p>Implemented <i>The City specified that the amount of ₱27,500,000.00 is part of the ₱42,000,000.00 budget intended for the River Control Projects in Barangay Panala-an, Bais City.</i></p>
<p>2023 AAR, AO No. 11, page 63</p>	<p>11) Two projects funded by the 20 per cent Development Fund costing ₱41,815,343.62, for which advance payments totaling ₱6,253,500.00 were made, remained unimplemented even after the contract period expired due to the issuance of variation orders caused by inadequate detailed engineering and the lack of proper monitoring of project implementation, to the detriment of the government’s interest.</p>	<p>33) The CEO ensure faithful compliance in undertaking the required detailed engineering activities as required under the Revised IRR of R.A. No. 9184 in order to avoid unnecessary delays in project plans that would impede the timely execution of projects;</p>	<p>Implemented <i>The CEO signified its commitment to continually and efficiently ensure faithful compliance in undertaking the required detailed engineering activities as required under the Revised IRR of R.A. No. 9184.</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
		<p>34) The City Planning and Development Coordinator implement measures and establish coordination mechanisms to ensure that projects are closely monitored so that any delays may be promptly corrected and other courses of action/remedies may be availed of; and</p> <p>35) Management explain why no performance security was required to be put up by the contractor, why liquidated damages were not imposed, and why a variation order was prepared even before the commencement of actual construction.</p>	<p>Implemented <i>The CPDC directed the Project Monitoring Committee to closely monitor all projects and assigned one of its Engineer solely for the purpose of monitoring all projects. It is also submitting geotagged reports of status of project implementation.</i></p> <p>Implemented <i>Management submitted documents as to the performance security. Moving forward, the City Accountant was directed that all documents must be attached to all claims.</i></p>
2022 AAR, AO No. 1, page 37	12) Discrepancies totaling ₱73,070,062.71 and ₱101,641,443.44 were noted between the book balances and the physical count of movable PPE and Inventories, respectively, as of December 31, 2022, due to the inability to account for movable properties in the hands of AOs, delay in the recording of asset disposals and inventories consumed based on the SSMI, and lack of priority to reconcile the two records, thus, substantially casting doubt on the existence and accuracy of the balances of movable PPE and Inventories presented in the financial statements.	<p>Management require:</p> <p>36) The Inventory Committee and the CGSO to prioritize the reconciliation of the RPCPPE with the accounting records after conducting the physical count, and pinpoint persons responsible for the missing properties who should be made to pay the value thereof as shown in the accounting records;</p> <p>37) The CGSO to coordinate with CAO to fully account for the CY 2018-2022 PPE purchases, complete with data on the property tag, Acknowledgment Receipt of Equipment (ARE), AO, and office/location of the equipment, otherwise, those that cannot be accounted for shall be a personal liability of the person accountable for the said property; and</p>	<p>Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 2.</i></p> <p>Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 2.</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
		38) The CAO to prepare promptly the journal entries to take up the SSMI, Inspection and Inventory Report on Unserviceable Properties, and other asset disposals submitted by the CGSO with complete documentation that would warrant the dropping of the same from the books.	Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 2.</i>
2022 AAR, AO No. 2, page 41	13) The City's Biological Assets amounting to ₱10,250,836.79 were not measured at their fair value, less costs to sell at the end of the reporting period, contrary to the provisions of IPSAS 27, thereby affecting the fairness of the presentation of the account in the financial statements and making the balance unreliable.	39) The City Mayor direct the City Agriculturist and the City Veterinarian to prepare the Updated Schedule of Biological Assets of the City at the end of each reporting period and submit the same to the CAO for the immediate recognition of adjustments in the City's books of accounts. The schedule will reflect the fair value less costs to sell for each biological asset (especially for breeding stocks), any additions resulting from birth, and reductions due to deaths and distributions.	Unimplemented <i>Ongoing implementation of the recommendation</i>
2022 AAR, AO No.3, page 44	14) The City did not conduct an annual physical count of all its biological assets amounting to ₱10,250,836.79, resulting in its failure to prepare and submit the RPCPPE for Biological Assets as of December 31, 2022. Neither did it maintain the Stock Cards/Property Cards nor disclose in the Notes to the Financial Statements the nature, description, and existence of the biological assets, contrary to the NGAS Manual for LGUs, Volume I and IPSAS 27, thereby casting doubt on the existence, validity, and correctness of the Biological Assets account in the financial statements.	The City Mayor direct the:  40) City Inventory Committee to conduct a physical count of all the biological assets recorded in the books of accounts of the City;  41) CGSO to prepare the required stock cards/ property cards upon determination of the biological assets' existence;  42) City Accountant to coordinate with the CGSO to reconcile any discrepancies between the recorded biological assets in the books of accounts against the results of the actual physical inventory count; and  43) City Accountant to coordinate with the City Veterinarian and City Agriculturist to disclose in the Notes to the Financial Statements all important information for each type of biological asset for proper	Unimplemented  <i>Ongoing implementation of the recommendation</i>  Unimplemented <i>Ongoing implementation of the recommendation</i>  Unimplemented <i>Ongoing implementation of the recommendation</i>  Unimplemented <i>Ongoing implementation of the recommendation</i>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
		<p>valuation and accounting thereof in accordance with IPSAS 27.</p> <p>44) Henceforth, the City Mayor ensure the conduct of the annual physical count of all biological assets owned by the City.</p>	<p>Unimplemented <i>Ongoing implementation of the recommendation</i></p>
<p>2022 AAR, AO No.4, page 47</p>	<p>15) The liability accounts under the GF and TF include items with abnormal/negative balances totaling ₱4,171,604.59, which were left uncorrected, contrary to Paragraph 27 of IPSAS 1, thus, making the balances unreliable and unrealistic and adversely affecting the fairness of the presentation of the liability accounts in the financial statements.</p>	<p>Management require the City Accountant to:</p> <p>45) Retrieve the relevant documents pertaining to the liability accounts to identify the accounting entries that have contributed to the abnormal balances and prepare the necessary JEV to rectify any errors that may be discovered; and</p> <p>46) Conduct regular monitoring of the subsidiary ledgers of each account in the trial balance to ensure the accuracy and reliability of the balances presented in the financial statements and help prevent the occurrence of abnormal balances within individual accounts.</p>	<p>Unimplemented <i>As of December 31, 2024, there were still liability accounts with negative balances.</i></p> <p>Unimplemented <i>As of December 31, 2024, there were still liability accounts with negative balances.</i></p>
<p>2022 AAR, AO No.5, page 52</p>	<p>16) The Advances to Officers and Employees account as of December 31, 2022, includes unliquidated cash advances granted to city employees for traveling expenses and expenses incurred for the Buglasan Festival in the total amount of ₱1,618,880.99, the purposes for which have already been served, contrary to Section 89 of P.D. No. 1445 and COA Circular No. 97-002, resulting in the overstatement of the receivable account and understatement of the related expense accounts of the City.</p>	<p>47) The City Mayor thru the City Accountant send demand letters to the concerned city employees to immediately submit the liquidation documents to the CAO and cause the refund of any unexpended balance of their cash advances.</p> <p>48) Henceforth, the City strictly adhere to the laws, rules, and regulations on the grant, utilization, and liquidation of cash advances. It is emphasized that continued failure of the accountable officials and employees to liquidate their cash advance within the prescribed period shall constitute a ground for the withholding of their honoraria as provided for under COA Circular No. 97-002 and is a “prima facie” presumption of malversation under Article 217</p>	<p>Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 5.</i></p> <p>Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 5.</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
		of the Revised Penal Code, that the public funds were disbursed for their personal use or benefit.	
2022 AAR, AO No.9, page 66	17) The City did not fully comply with the reporting, monitoring, and posting requirements for the sources and uses of the LDRRMF amounting to ₱230,468,305.09 and ₱75,956,392.72, respectively, as stipulated in COA Circular Nos. 2012-002 and 2014-002, including cash donations amounting to ₱3.7 million and donations in kind totaling ₱546,968.00, hence providing lesser transparency in monitoring the utilization of the funds intended to strengthen the capacity of the City and its residents in reducing the risks of calamities.	49) Management direct the LDRRM Officer, in coordination with the City Accountant, to prepare the required reports on the sources and uses of the LDRRMF, to submit these monthly within the prescribed time frames, and furnish these to the regulatory offices prescribed in COA Circular Nos. 2012-002 and 2014-002.	Unimplemented <i>In CY 2024, the City Accounting Office had only submitted the monthly report of the LDRRMF held in the STF.</i>
2022 AAR, AO No. 11, page 71	18) The CYs 2012 to 2017 unutilized balances of the QRF and Mitigation Fund under the LDRRMF totaling ₱19,630,656.22 as of the end of CY 2022 under the STF were not reverted to the unappropriated surplus of the GF despite the lapse of the 5-year validity period due to lack of proper monitoring, contrary to Section 5.1.13 of COA Circular No. 2012-002, thereby precluding the utilization of the same for the promotion and delivery of social services.	50) The LDRRMC pass a resolution reverting the CYs 2012 to 2017 LDRRMF unspent balances to the unappropriated surplus of the GF for adoption by the SP thru the City Development Council;	Implemented <i>The LDRRMC reverted the remaining balance of all unspent balances for CYs 2013 and 2017, thru Resolution No. 486, series of 2024, Ordinance No. 37 and Resolution No. 818, series of 2024, Ordinance No. 68 for the funds to be transferred to the GF and made available for Social Services.</i>
2021 AAR, AO No.1, page 31	19) Various PPE and inventories damaged/destroyed by the onslaught of Typhoon Odette in December 2021, disclosed as summing up to ₱499,529,539.10, still remained recorded in the books without any losses recognized in accordance with paragraph 44 of IPSAS 12 and paragraphs 52 and 54 of IPSAS 21 since the request for relief from accountability for such properties could not be approved due to incomplete and/or deficient documentation as required under COA Memorandum No. 92-751 dated February 24, 1992, hence, overstating the related asset accounts, understating the losses,	51) Management gather complete documentation, especially the Property Acknowledgment Receipts/ Memorandum Receipts indicating the value of the properties requested for relief and the Head of Agency's comments and recommendations on the individual requests filed, and resubmit the Request for Relief from Accountability on the damaged/washed out items with justification on the delay in the submission of both the Notice of Loss and the Request for Relief, pursuant to COA Memorandum No. 92-751.	Unimplemented <i>Ongoing implementation of the recommendation.</i>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
	and adversely affecting the fairness of presentation of their balances in the financial statements.		
2021 AAR, AO No.4, page 40	20) The accuracy and reliability of the balance of the LRN account totaling ₱215,925,853.92 could not be ascertained due to the: (a) non-conduct of inventory of local roads and non-preparation of a separate RPCLRN; (b) non-maintenance of the LRNLC and LRNPC showing complete description and cost segregation of LRN components; (c) non-provision of depreciation for LRN items; and (d) lack of full disclosure of the total road networks in the Notes to the Financial Statements, contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby, affecting the fair presentation of the account in the financial statements.	52) Management direct the CAO, CEO and CGSO to strictly comply with the accounting and reporting guidelines on local roads asset management system, and to earnestly perform their respective duties and responsibilities set forth under COA Circular No. 2015-008 dated November 23, 2015.  53) Henceforth, the Inventory Committee conduct the annual physical count of all its LRN in accordance with regulations, making sure to produce the details necessary to be reported separately in the RPCLRN for submission to the Auditor and Accounting Office not later than January 31 of each year. The RPCLRN shall be reconciled with the accounting records and the necessary adjusting entries be prepared before the statement date.	Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 1.</i>  Unimplemented <i>This is reiterated in the audit of CY 2024 accounts as AO No. 1.</i>
2021 AAR, AO No.5, page 44	21) Property, Plant and Equipment under the TF totaling ₱40,924,530.37, inclusive of ₱2,765,803.85 under Other Structures which were recorded as a lump-sum amount, were not transferred to the GF nor provided with depreciation allowances contrary to Sections 97 and 104 (i) on the Manuals on the NGAS for LGUs Volume I, Paragraph 71 of IPSAS 17 and COA Circular No. 2015-008 dated November 23, 2015, thus, resulting in the understatement of the PPE accounts and depreciation expenses in the GF.	54) The City Mayor require the City Accountant to record the transfer of the various PPE accounts under the TF to the GF. Corresponding depreciation expenses shall then be provided in the books.  55) The details of the beginning balances of Other Structures totaling ₱2,765,803.85 be provided before these are transferred to the GF.	Unimplemented <i>PPE had been partially transferred to the GF.</i>  Unimplemented <i>Reconciliation of Other Structures Account was ongoing.</i>
2021 AAR, AO No.7, page 49	22) The lack of proper planning, accumulation of work backlogs and failure to act decisively on erring contractors resulted in the low rate of implementation of projects funded out of the 20 per cent Development Fund, where out of 125 current and prior-year projects for	The City Mayor direct the City Engineer to:  56) Conduct an in-depth assessment of the work status of existing projects and to impose the penalties and sanctions provided under Annexes "E" and "I" of the	Unimplemented <i>Ongoing implementation of the recommendation</i>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
	<p>implementation in CY 2021 funded by appropriations totaling ₱371,666,195.62, only 28 or 22 per cent were completed, thereby depriving constituents of the benefits that could have been derived from the proposed projects and impeding the government's goal of building self-reliant communities.</p>	<p>2016 Revised IRR of R.A. No. 9184 for those undertaken by contracts or to prioritize the completion of unfinished projects undertaken by administration;</p> <p>57) Improve the execution and monitoring of projects to exact compliance to project timelines by adopting stricter policies to eliminate any negative slippage noted and a detailed action to commit contractors to accomplish specific physical targets over a defined time period;</p> <p>58) Assign a project engineer who shall be responsible for the close supervision and reporting of the project to which he is assigned, so that proper accountability could be easily determined, as warranted;</p> <p>The Project Monitoring Committee to –</p> <p>59) Determine accountability for the losses sustained by the government due to projects undertaken by administration which could not anymore be put to viable use with the passage of time; and</p> <p>60) Attach to the quarterly report a certification of extensions/suspensions granted, if any, supported by a certified copy thereof.</p>	<p>Unimplemented <i>Ongoing implementation of the recommendation</i></p> <p>Implemented <i>The project engineers have been apprised to effectively supervise projects. An engineer was hired and assigned at the CPDO for the purpose of close supervision and reporting of the project.</i></p> <p>Unimplemented <i>Ongoing implementation of the recommendation</i></p> <p>Implemented <i>Certification on suspensions/ extensions were attached to the quarterly report.</i></p>
2021 AAR, AO No.8, page 53	23) The City did not properly monitor the implementation of eight projects costing ₱4,950,000.00 which were found upon ocular inspection to be either with negative slippage or have sustained physical	The City Mayor: 61) Implement measures and undertake catch-up programs to accelerate work accomplishments so that any	Implemented <i>The CEO has implemented measures and</i>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
	<p>damages that affected its serviceability nor did it undertake catch-up programs to accelerate work accomplishments or reconstruct/repair the damaged projects, thereby hampering the delivery of the desired benefits by the targeted end-users of the said projects and affecting their valuation recorded in the books since these were not revalued nor was impairment recognized in accordance with IPSAS 17 and 21.</p>	<p>delays may be promptly corrected and other courses of action/remedies may be implemented in order to recover/restore the serviceability of the damaged projects; and</p> <p>62) Prepare an evaluation report and inventory of damaged properties/projects, subject to due validation, so that the CAO can properly record the impairment thereof in the books.</p>	<p><i>undertaken catch-up programs to accelerate work accomplishments to recover/restore the serviceability of the damaged projects. Furthermore, the eight projects identified were already completed.</i></p> <p>Unimplemented <i>The Audit Team did not receive any document of the evaluation report and inventory of damaged properties/project, subject to due validation, as basis for the Accounting Office to record the impairment.</i></p>
<p>2020 AAR, AO No. 11, page 58</p>	<p>24) Distribution of the Emergency Subsidy Program (ESP) through Social Amelioration Program (SAP) to the 35 barangays of Bais City included 188 ineligible beneficiaries as contained in the Validation Report for Ineligible Families for the SAP dated June 2, 2020, issued by the DSWD Field Office VII addressed to the City Social Welfare Development Officer (CSWDO) of Bais City. Out of the 188 ineligible beneficiaries, only 47 returned the cash assistance, leaving 141 who failed to reconstitute the total amount of ₱846,000.00, hence, resulting in irregular expenditures contemplated under COA Circular No. 2012-003. Moreover, the inclusion of ineligible beneficiaries in the SAP distribution violates the pertinent provisions of DSWD Memorandum Circular (MC) No. 09, series of 2020 or the Omnibus Guidelines in the Implementation of the ESP, thus, depriving the eligible and deserving indigent family of the most needed benefit.</p>	<p>63) The City Mayor, the City Accountant, and the CSWDO send demand letters to the remaining 141 ineligible beneficiaries for the immediate refund of the illegally received subsidy totaling ₱846,000.00 as a matter of personal recourse. It is emphasized that this is without prejudice to the disallowance of the same amount and for refund by the authorizing City Officials as being the ones primarily responsible for the refund of the improperly provided subsidy prescribed under Section VIII-B.6.1 of DSWD MC No. 09, series of 2020.</p>	<p>Unimplemented <i>Ongoing implementation of the recommendation</i></p>

<b>Ref.</b>	<b>Observation</b>	<b>Recommendations</b>	<b>Status of Implementation / Results of Validation</b>
2020 AAR, AO No. 12, page 60	25) One hundred thirteen Job Order workers of the City Government of Bais were included in the distribution of the Emergency Subsidy Program (ESP) through Social Amelioration Program (SAP) totaling ₱678,000.00, in violation of the pertinent provisions of DSWD MC No. 09, series of 2020, resulting in the imprudent disbursement of scarce government funds that could have been used to finance other priority measures to address the pandemic. Also, such disbursement is considered as an “irregular expenditure” as defined in COA Circular No. 2012-003.	64) The CSWDO further validate the ineligibility of the 113 Job Order workers and that the Human Resource and Management Officer (HRMO) review the remaining 897 names of other Job Order workers who may have been paid but were not included in the validated list.  65) The 113 Job Order workers be required to refund the ESP given totaling ₱678,000.00, otherwise, the responsible City Officials should refund the said amount, subject to any adjustments as a result of the CSWDO and HRMO validation of ineligible paid beneficiaries.	Unimplemented <i>Ongoing implementation of the recommendation</i>  Unimplemented <i>Ongoing implementation of the recommendation</i>
2020 AAR, AO No.5, page 43	26) The propriety and validity of disbursements amounting to ₱87,534,000.00 for 14,589 target beneficiaries under the ESP through DSWD’s SAP were rendered doubtful due to incomplete documentary requirements prescribed under DSWD MC No. 09, series of 2020.	66) Henceforth, Management ensure that efficient and systematic procedures are in place while strictly adhering to existing guidelines set forth under DSWD MC No. 09 series of 2020 in the implementation of SAP and similar future undertakings of the government. As for the subject transaction, we recommended that Management comply with the documentary requirements pursuant to the audit suspensions that may be issued.	Unimplemented <i>Submitted documents are subject to validation.</i>
2020 AAR, AO No.9, page 54	27) The distribution of food supplies and other relief goods totaling ₱51,811,964.00 charged against the Bayanihan Grant to Cities and Municipalities was not adequately documented through properly accomplished Relief Distribution Sheets (RDS), contrary to Section 2 of P.D. No. 1445 and COA Circular No. 2020-004 and other existing regulations, thus, casting doubt on the propriety of the Food Supplies Expenses presented in the financial statements.	67) Management submit without further delay the RDS which should contain the name and signature of recipients as well as the date of receipt, and such other necessary information, including the kind and quantity of items received to establish accountability for the food items and relief assistance distributed.	Unimplemented <i>Submitted documents are subject to validation.</i>
2019 AAR, AO No.9, page 51	28) The City did not properly monitor the implementation of 11 projects costing ₱12,600,000.00 which were found upon ocular inspection to be either defective or with negative slippage nor did it take	The City Mayor:  68) Direct the City Engineer, City Planning and Development Coordinator and/or other officials involved to submit a written	Implemented <i>All the 11 projects were completely rectified and</i>

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	<p>any of the courses of action provided under Section 8.4 of Annex “E” of the 2016 Revised IRR of R.A. No. 9184 against erring contractors or undertake catch-up programs to accelerate work accomplishments for projects undertaken by administration, thereby causing unnecessary delay in the delivery of the desired benefits by the targeted end-users of the said projects.</p> <p><i>(Part III, AAR 2022: 6 out of 11 projects were completely rectified and accordingly declared completed)</i></p>	<p>explanation for the deficiencies noted, why projects undertaken by administration were not immediately corrected, with proof that no funds were released for the unfinished scope of work, or why contractors were allowed to claim progress and final payments despite the negative slippage and non-delivery of the project specifications;</p> <p>69) Exercise the remedies provided under Section 8.4, Annex “E” of the Revised IRR in addressing the contracts under default, impose and collect liquidated damages in accordance with Section 8.5 thereof and avail of the remedies under Annex “I” of the Revised IRR for projects that have not delivered the project requirements within the contract period;</p> <p>70) Justify the additional indirect cost incurred for projects undertaken by contract and why the same should not be regarded as unnecessary expenses which are not allowed under COA Circular No. 2012-003; and</p> <p>71) Implement measures and undertake catch-up programs to accelerate work accomplishments so that any delays may be promptly corrected and other courses of action/remedies may be availed of.</p>	<p><i>accordingly declared completed.</i></p> <p><i>Furthermore, written explanation for the deficiencies noted were submitted.</i></p> <p>Implemented</p> <p><i>The contracts of erring contractors have been terminated. The Office of the City Engineer together with the CPDC and other officials have made sure that contracts under projects be implemented on time.</i></p> <p>Unimplemented</p> <p><i>No justification received from management.</i></p> <p>Implemented</p> <p><i>The concerned offices implemented measures and undertaken catch-up programs to accelerate work accomplishments.</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
2019 AAR, AO No.2, page 31	<p>29) Cash advances for Confidential and Intelligence Funds of the former and incumbent City Mayors from CYs 2011 to 2019 totaling ₱25,269,141.00 and ₱9,573,917.40, respectively, remained unliquidated and had been outstanding for almost five years to nine years contrary to Section 6.2.2 of COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01 and COA Circular No. 2003-003, thereby adversely affecting the reliability of the recorded receivables as well as creating the impression that the funds may have been put to unauthorized use which may eventually lead to loss of government funds.</p> <p><i>(Note: Cash advances for Confidential and Intelligence Funds as of December 31, 2021, increased to ₱11,898,817.40 for Ms. Goñi while that of Ms. Villanueva remained the same at ₱25,269,141.00.)</i></p>	<p>72) The City make a written follow up with COA-ICFAU for the credit advice on the liquidation reports (LRs) already submitted and to validate submission of the LRs for the cash advances granted from CYs 2011-2013.</p> <p>73) Should there be confirmation of the non-submission of the LRs for the latter, we recommended that the City demand from the former City Mayor the immediate settlement/liquidation thereof.</p> <p>74) Henceforth, comply strictly with the documentary and other requirements for Confidential and Intelligence Funds expenses prescribed in the Joint Circular and likewise with the Omnibus Election Code for similar occurrences in the future in order to avert any offense punishable under the Code.</p>	<p>Implemented <i>Written request was made, attaching copies of submitted LRs stamped received by the COA-ICFAU with a follow up for the credit notice for the LRs already submitted.</i></p> <p>Unimplemented <i>Requested validation of the LRs submitted but no actual confirmation was submitted.</i></p> <p>Implemented <i>Cash advances for Confidential and Intelligence Funds are duly supported with the requisite documents.</i></p>
2019 AAR, AO No.3, page 33	<p>30) Dormant liabilities under the Accounts Payable, Due to Officers and Employees, Guaranty/Security Deposits Payable, and Other Payables accounts totaling ₱17,312,855.02 as of December 31, 2019, were not reverted to the unappropriated surplus despite having been outstanding for more than two years and which may no longer represent valid claims, contrary to Section 98 of P.D. No. 1445, thus, adversely affecting the fairness of the liabilities in the financial statements and precluding any beneficial use of said funds.</p>	<p>75) The important details which are lacking be adequately presented to aid users of financial statements in decision-making and to exhaust all means to determine the cause for the existing negative balances so that any errors could be corrected and overpayments recovered.</p>	<p>Implemented <i>JEV No. 100-24-10-0557 was prepared by the Accountant for the reversion of the amount of ₱7,639,021.00, representing dormant liabilities which have been outstanding for 2 years and over 10 years without valid claims under GF and SEF as of 6/30/2024, upon the SP's approval of her letter dated 10/28/2024 thru SP Ordinance No. 94, s. 2024.</i></p>
2018 AAR, AO No.3,	<p>31) Expenses for the routinary declogging of canals totaling ₱7,013,863.23 were capitalized as these were charged to the 20 per cent Development Fund, hence</p>	<p>76) The City Accountant prepare a journal entry to adjust the asset and expense accounts for the actual declogging expenses incurred.</p>	<p>Implemented <i>The City Accountant prepared a journal entry adjusting the asset and expense</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
page 31	<p>overstating the assets and understating expenses. In addition, the supporting documents were not sufficient to justify the propriety of charging these expenditures to the fund intended for tangible development projects in accordance with Section 287 of R.A. No. 7160. Moreover, the labor requirement was not established due to the absence of Programs of Work while actual work performed was not properly measured, thus the reasonableness of the man-days incurred and the corresponding payments could not be validated.</p>		<p><i>account as recommended (JEV No. 100-24-12-3416).</i></p>
2017 AAR, AO No.3, page 30	<p>32) Sixteen (16) out of the 20 projects under the Bottom-Up Budgeting (BUB) Program with unutilized balances totaling ₱21.5 million have yet to be fully implemented despite the availability of cash for their immediate implementation due to the lack of systematic technical support, project monitoring and inherent capacity constraints, thereby defeating the purpose of accelerated service delivery of programs that seek to reduce poverty.</p> <p><i>(Part III, AAR 2021: Completed the CY 2015 BUB project for road construction worth ₱1.5 million.)</i></p>	77) The City Accountant review prior year transactions and make the necessary adjusting entries in order to reconcile the subsidiary ledgers with the actual fund utilization.	<p>Implemented</p> <p><i>The City Accountant issued a Certification as of December 31, 2024 that "All Bottom-up (BUB) funds received by the City Government of Bais have been fully utilized, and any remaining unutilized balances have been duly remitted to the Bureau of the Treasury."</i></p>
2017 AAR, AO No. 12, page 51	<p>33) The City DRRM Council did not include the list of projects and activities charged to the unexpended LDRRMF of previous years summing up to approximately ₱50.98 million in the annual LDRRMFIP in accordance with the requirement of COA Circular No. 2012-002 and NDRRM-DBM-DILG JMC No. 2013-1, hence the same was not incorporated in the Local Development Plan and the Annual Work and Financial Plan duly approved by the SP, preventing its utilization for DRRM activities.</p>	78) Management submit the corresponding LDRRM and SP Resolutions and revised LDRRMFIP and AIPs authorizing the utilization of ₱4.28 million from the CYs 2012 and 2013 balances transferred to the TF.	<p>Unimplemented</p> <p><i>In CY 2024, SP Resolution No. 281, s. of 2016 and CDRRM Resolution No 1, s. of 2016 were submitted. However, Management still lacked the revised LDRRMFIP and AIP.</i></p>
2016 AAR, AO No. 5,	<p>34) The City government stands to lose ₱930,000.00 should it fail to recover an investment in the Bais City Oriental Negros Special</p>	79) Management immediately surrender its stock certificates to the manager of BACONSEPZ, who is currently an employee of	<p>Implemented</p> <p><i>The remaining balance of ₱330,000.00 was</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
page 38	<p>Economic Processing Zone, Inc. (BACONSEPZ), which is not included in the list of special economic zones recognized by the Philippine Economic Zone Authority (PEZA) as of October 31, 2016, thus its existence is deemed questionable.</p> <p><i>[Part III, AAR 2021: On 4/4/2017, stock certificates of BACONSEPZ owned by the Local Government of Bais were properly returned for recovery of investments.</i></p> <p><i>On 7/13/2018, Atty. Ignacio L Vicente/BACONSEPZ paid to the City Treasurer the amount of ₱600,000.00 with Official Receipt (OR) No. 0969639.]</i></p> <p><i>The heirs of Atty. Ignacio Vicente/BACONSEPZ have already returned the remaining balance of ₱330,000.00 as per OR No. 1557720 last January 14, 2025.</i></p>	<p>the city government, or to its President, in order that it can recover its investment of ₱930,000.00.</p>	<p><i>collected by the City under OR No. 1557720 last January 14, 2025.</i></p>
2016 AAR, AO No. 9, page 48	<p>35) Payment of annual membership dues to the League of Cities of the Philippines (LCP) for CY 2016 amounting to ₱150,000.00 was acknowledged by a printed receipt of the organization instead of an O.R. of the Republic of the Philippines as required under Sections 42 and 44, Chapter 7, Title I(B), Book V of the Administrative Code of 1987 thus eliminating accounting thereof as government funds and audit by the Commission on Audit.</p> <p><i>(Part III, AAR 2021: Received an electronic copy of AF No. 51 sent through email last March 10, 2021. Hardcopy still not received by the LGU.)</i></p>	<p>80) The City Mayor, as representative of the City of Bais, request the treasurer of the LCP to acknowledge its payments (as well as collections from other member-cities) with government AF No. 51 in order that the funds may be subjected to government accounting and auditing rules and regulations.</p>	<p>Implemented</p> <p><i>The City Mayor has already put across his sentiments to the LCP that AF No. 51 must be used and adopted by the League.</i></p> <p><i>A printed copy of the issued receipt was submitted with an explanation why they cannot issue AF No. 51. Also submitted was the LCP's authority to print.</i></p>
2014 AAR, AO No. 2, page 24	<p>36) As a result of erroneous prior years' practice of remitting amounts due to the GSIS, HDMF and PhilHealth from the TF even if the amounts withheld in the GF and SEF have not yet been transferred thereto, negative balances totaling</p>	<p>81) Management require the TF Bookkeeper to trace the transactions and effect corrections in the trust liability accounts Due to GSIS, HDMF and PhilHealth.</p>	<p>Unimplemented</p> <p><i>No action taken by management.</i></p>

Ref.	Observation	Recommendations	Status of Implementation / Results of Validation
	<p>₱2,614,903.74 have occurred in these accounts which remained uncorrected up to this time.</p>		
<p>2013 AAR, AO No. 10, page 34</p>	<p>37) The city's livestock dispersal program lacks a proper system of implementation and accountability, such as systematic records of births, deaths or disposals, or transfer of ownership nor is required to report to any office such events, allowing losses to go undetected while offspring of animals dispersed are not reported by the GSO to CAO, resulting in the understatement of the accounts in the financial statements by at least ₱450,699.99 as of December 31, 2013.</p>	<p>82) The City Agriculturist supervise closely the Dispersal Program and see to it that proper records are kept and that all movement (birth of offspring, death, transfers) are completely recorded in their records and reported to the GSO and CAO. In case of death or disposal, the program manager be required to facilitate the request for relief of accountability, or to require payment of the value of the animal if warranted under the circumstances.</p>	<p>Implemented <i>Moving forward, the City Agriculture Office asserted that it has been closely supervising the Dispersal Program, making sure that the procedures and reporting of all movement (birth of offspring, death, transfers) are completely recorded in their records and reported to the GSO and Accounting Offices. In case of death or disposal, the program manager has been instructed to facilitate the request for relief of accountability, or to require payment for the cost of the livestock dispersed if warranted under the circumstances.</i></p>
<p>2005 AAR</p>	<p>38) Three parcels of land purchased on different dates in the total amount of ₱4,344,201.35 and already recorded in the books of accounts have not been issued new Certificates of Title in favor of the city government.</p>	<p>83) The City Mayor direct the Treasury, Accounting and Legal Offices to secure the Land Titles to all real properties as an indispensable requirement.</p>	<p>Unimplemented <i>Ongoing implementation of the recommendation</i></p>

**PART IV**  
**APPENDICES**

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