



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VII
Cebu City

ANNUAL AUDIT REPORT

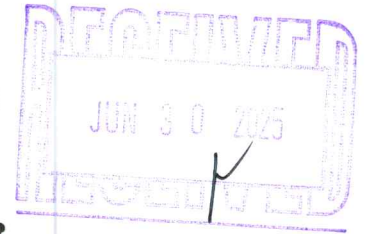
ON THE

MUNICIPALITY OF BACONG PROVINCE OF NEGROS ORIENTAL

For the Year Ended December 31, 2024



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
PROVINCIAL SATELLITE AUDIT OFFICE
NEGROS ORIENTAL
E.J. Blanco Drive, Piapi, Dumaguete City 6200



LOCAL GOVERNMENT AUDIT SECTOR
AUDIT GROUP LGAS F, NEGROS ORIENTAL 1
OFFICE OF THE SUPERVISING AUDITOR

June 27, 2025

HONORABLE LENIN P. ALVIOLA
Municipal Mayor
Municipality of Bacong
Province of Negros Oriental

Dear Mayor Alviola:

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

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

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

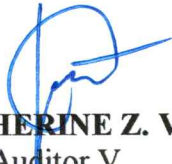
We rendered a qualified opinion on the fairness of the presentation of the financial statements (FS) for the year then ended.

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 June 19, 2025, are discussed in detail in Part II of the report. Likewise, 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 would appreciate being informed of the action(s) taken thereon by submitting the attached duly accomplished Agency Action Plan and Status of Implementation (AAPSI) 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 Municipality of Bacong.

Very truly yours,



KATHERINE Z. VELEZ
State Auditor V
Supervising Auditor

Copy Furnished:

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

MUNICIPALITY OF BACONG
Province of Negros Oriental

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

Audit Observations and Recommendations

For the Calendar Year 2024

As of _____

Ref.	Audit Observation	Audit Recommendation	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

Prepared by:

Municipal Treasurer

Municipal Accountant

Noted by:

Local Chief Executive

Note: Status of Implementation may either be (a) Fully Implemented (b) Ongoing (c) Not Implemented (d) Partially Implemented (e) Delayed



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
PROVINCIAL SATELLITE AUDITING OFFICE
NEGROS ORIENTAL

E.J. Blanco Drive, Piapi, 6200 Dumaguete City

OFFICE OF THE AUDITOR
Audit Team R7-05, LGAS F, Province of Negros Oriental 1

June 23, 2025

KATHERINE Z. VELEZ

Supervising Auditor

LGAS F, Province of Negros Oriental 1

Dumaguete City

Madam:

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted Financial and Compliance Audit on the accounts and operations of the Municipality of Bacong, Province of Negros Oriental, for the year ended December 31, 2024.

The audit was conducted to: (a) ascertain the fairness of presentation of the financial statements (FS); (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.

Our attached Report consists of four (4) parts, Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations, Part III - Status of Implementation of Prior Years' Audit Recommendations, and Part IV - Appendices.

Our comments and observations were communicated to Management through Audit Observation Memoranda and were discussed with agency personnel in an exit conference conducted on June 19, 2025. Their comments were incorporated in this Report, where appropriate.

We have looked into the audit areas which resulted from our risk assessments during the year as well as those contained in the General Audit Instructions (GAIs) dated 30 October 2024 of the Office of the Assistant Commissioner, Corporate Government Sector and in the Specific Audit Instructions (SAIs) of the Office of the Regional Director, Local Government Sector. Attached is

the Status of Implementation of the GAIs and SAIs as of November 11, 2024, for reference on the areas audited.

GAI/SAI Focus Area	Remarks
A. Financial Audit	
1. Cash in Bank	No sufficient and competent evidence to warrant inclusion of audit observation
2. Cash Local Treasury	No sufficient and competent evidence to warrant inclusion of audit observation
3. Investment Property, Buildings	N/A
4. Inventories (Inventory Held for Distribution: i) Welfare Goods for Distribution; Inventory Held for Consumption: i) Drugs and Medicines Inventory, ii) Medical, Dental and Laboratory Supplies Inventory, iii) Office Supplies Inventory, iv) Accountable Forms, Plates and Stickers, v) Other Supplies and Materials Inventory)	With audit finding – AO No. 5
5. PPE: (Land; Other Land Improvements; Infrastructure Assets: i) Road Networks, ii) Water Supply Systems, iii) Power Supply Systems, iv) Flood Control Systems, v) Parks, Plazas, and Monuments, vi) Other Infrastructure Assets; CIP – Buildings and Other Structures, CIP – Infrastructure Assets, Buildings and Other Structures; Buildings and Other Structures: i) Buildings, ii) School Buildings, iii) Hospitals and Health Centers, iv) Markets, v) Slaughterhouses, vi) Other Structures; Machinery and Equipment: Machinery and Equipment: i) Machinery, ii) Office Equipment, iii) Construction and Heavy Equipment, iv) ICT Equipment, v) DRRM Equipment, vi) Medical Equipment, vii) Communication Equipt., viii) Agri and Forestry Equipment, ix) Sports Equipment, x) Military, Police, and Security Equipment, xi) Technical and Scientific Equipment, xii) Other Machinery and Equipment; Transportation Equipment: i) Motor Vehicles, ii) Watercraft, iii) Other Transportation Equipment; Furniture and Fixtures; Other PPE	With audit finding – AO No. 1
6. Books	No sufficient and competent evidence to warrant inclusion of audit observation


GAI/SAI Focus Area	Remarks
7. Receivables (Loans and Receivable Accounts: i) Real Property Tax Receivable, ii) Special Education Tax Receivable)	With audit finding – AO No. 2
8. Advances (i) Advances to Officers and Employees, ii) Advances to Special Disbursing Officer, iii) Advances for Payroll)	No sufficient and competent evidence to warrant inclusion of audit observation
9. Other Receivables (i) Due from Officers and Employees, ii) Due from NGOs / Pos)	No sufficient and competent evidence to warrant inclusion of audit observation
10. Breeding Stocks	No sufficient and competent evidence to warrant inclusion of audit observation
11. Financial Liabilities (Accounts Payable: Bills / Bonds / Loans Payable, i) Loans Payable – Domestic; Inter-Agency Payables, i) Due to NGAs, ii) Due to LGUs)	With audit finding – AO No. 3
12. Trust Liabilities	With audit finding – AO No. 4
13. Drugs and Medicines Expenses	No sufficient and competent evidence to warrant inclusion of audit observation
14. Other MOOE	No sufficient and competent evidence to warrant inclusion of audit observation
E. Non-Financial Audit Issues for Mandatory Reporting in the AAR	
15. Remittance to the Bureau of Internal Revenue (BIR) on taxes withheld from employees and suppliers in accordance with RA No. 8424 and its IRR under BIR RR No. 02-98	No sufficient and competent evidence to warrant inclusion of audit observation
16. Premium contributions and loan amortization to the Government Service Insurance System (GSIS) and Home Development Mutual Fund in accordance with RA No. 8291 and RA No. 9679, respectively	No sufficient and competent evidence to warrant inclusion of audit observation
17. Premium contributions and remittance to PhilHealth in accordance with RA No. 7875, as amended	No sufficient and competent evidence to warrant inclusion of audit observation
18. Audit of Official Development Assistance (ODA)	No ODA Funds received by the Municipality in CY 2024
19. LGSF – Support to the Barangay Development Program of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC)	No sufficient and competent evidence to warrant inclusion of audit observation
20. Twenty percent Development Fund •Projects completed but not yet recorded •Expenses not related to 20% Development	No sufficient and competent evidence to warrant inclusion of audit observation

GAI/SAI Focus Area	Remarks
Fund	
21. Payments to Casuals, Job Order, Contractuals and Consultants vis-à-vis the requirements of COA Memorandum No. 2012-010 dated December 28, 2021	No sufficient and competent evidence to warrant inclusion of audit observation
22. DRRM Funds/QRF – Projects completed but not yet recorded and expenses not related to DRRM Funds	With audit finding – AO No. 9
23. Gender and Development (GAD) Funds – Expenses not related to GAD programs, projects and activities per approved GAD Plan and Budget	With audit finding – AO No. 10, 11, 12
24. National Task Force to End Local Communist Armed Conflict (NTF-ELCAC) Funds	No sufficient and competent evidence to warrant inclusion of audit observation
F. Other Accounts/Thrusts area not included in the GAI/SAI	
1. Erroneous recording of RPT Penalties	With audit finding – AO No. 6
2. Lacking information in the Notes to FS	With audit finding – AO No. 7
3. Collection of delinquent real property taxes	With audit finding – AO No. 8

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

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

Very truly yours,


JANICE VERIÑA SARITA
 State Auditor III
 OIC-Audit Team Leader

EXECUTIVE SUMMARY

Introduction

The Municipality of Bacong, Negros Oriental was officially recorded and published in the Spanish Journal of 1801 as El Barangay de Bacong Pueblo de Dumaguete. It is a fourth-class Municipality located on the southeastern coast of Negros Oriental and the first town located eight kilometers south of Dumaguete City. It has a total land area of 4,126.67 hectares, consisting of 22 barangays.

As of December 31, 2024, it had a personnel complement of 371, as shown below:

<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	10
Permanent Positions	50
Casuals	24
Job Orders/Contractual	287
Total	371

Audit Objective

The objective of the audit is to (a) ascertain the fairness of the presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations. The performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures, and management of resources.

Audit Methodology

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

Scope of Audit

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

Financial Highlights

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	2,324,583,763.47	1,581,037,683.33	743,546,080.14
Liabilities	1,750,210,348.77	1,072,989,633.98	677,220,714.79
Government Equity	574,373,414.70	508,048,049.35	66,325,365.35

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

Results of Operations			
Revenues	208,435,582.79	194,142,948.19	14,292,634.60
Personnel Services	52,342,407.38	50,334,247.08	2,008,160.30
Maintenance and Other Operating Expenses	70,786,969.03	57,442,290.31	13,344,678.72
Non-cash Expenses	9,941,093.19	9,338,973.93	602,119.26
Financial Expenses	525,894.68	650,513.07	(124,618.39)
Net Financial Assistance/ Subsidy	(3,107,000.00)	(7,333,561.00)	4,226,561.00
Net Surplus (Deficit)	71,732,218.51	69,043,362.80	2,688,855.71

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

Final Budget	403,670,248.55	429,441,263.70	(25,771,015.15)
Actual Amounts	192,105,059.42	221,423,563.18	(29,318,503.76)

Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended taking exceptions to the effects of the following:

1. At least 186 completed infrastructure projects, comprising 33 projects under the Trust Fund (₱207,195,565.98) and 153 under the General Fund (₱42,292,425.04), were not properly reclassified from Construction in Progress (CIP) to the appropriate Property, Plant, and Equipment (PPE) accounts upon completion, resulting in significant overstatements in CIP balances and understatements in PPE and depreciation expense accounts in the financial statements.
2. Entries for the Special Education Tax (SET) totaling ₱9,589,520.80 were recorded in the General Fund's books instead of the Special Education Fund's books, thus affecting the fair presentation of the SET Receivable and Deferred SET Income accounts in the financial statements at year-end.

Significant Findings and Recommendations

The following are the significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality for CY 2024. These and other audit observations discussed by the Audit Team with Management in an exit conference on May 8, 2025, are fully presented in Part II of this Report.

- 1. The Accounts Payable balance of ₱14,059,061.35 was not fairly presented due to the inclusion of unpaid obligations amounting to ₱2,465,908.11, of which ₱2,232,423.11 remained outstanding for more than two years and were neither reverted to the unappropriated surplus, thus, may no longer represent valid claims.**

We recommended that the Municipal Accountant coordinate with the Municipal Budget Officer and the Municipal Treasurer to determine whether the Accounts Payable totaling ₱2,465,908.11, aged from over one year to more than 10 years, were recorded based on obligation requests duly supported by supplier bills/invoices and accomplished Inspection and Acceptance Reports, to ensure the validity and accuracy of the liability account presented in the financial statements.

We further recommended that, henceforth, the Municipal Accountant recognize liabilities only at the time goods and services are accepted or rendered and supplier or creditor bills are received, based on valid claims that are adequately supported by sufficient and appropriate evidence.

- 2. The cost of 12,644 bags of 10-kilogram rice, amounting to ₱7,143,860.00, procured using the prior years' unexpended LDRRMF, was incorrectly recorded as a direct debit to the Trust Liabilities – DRRMF account instead of the Welfare Goods Expenses account, thus affecting the reliability of financial reporting and the accurate presentation of expenses related to disaster response.**

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

- 3. The Municipality's recording of various medicines and medical supplies worth ₱2,235,426.25 used for GAD programs and projects, was without the proper documentation of actual issuance, specifically the Requisition and Issue Slip (RIS) and Summary of Supplies and Materials Issued (SSMI), thereby compromising the accuracy of expense recognition and rendering the balances of the Drugs and Medicines Inventory and Medical, Dental and Laboratory Supplies Inventory accounts unreliable as of December 31, 2024.**

We recommended that Management observe the requisition procedures for materials and the reporting of their issuance, as prescribed in the NGAS Manual for LGUs, Volume I. This will help ensure proper monitoring and accounting, as well as establish reliable inventory account balances in the financial statements at year-end.

- 4. Penalties from Real Property Tax (RPT) and Special Education Tax (SET) collections totaling ₱1,934,234.14 in CY 2024 were erroneously recorded in the books of accounts as Real Property Tax - Basic (4-01-02-040) instead of Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020), hence, both income accounts were overstated and understated, respectively, as of December 31, 2024.**

We recommended that the Municipal Accountant:

- a. Prepare the necessary adjusting entries to effect the corrections in the financial statements and ensure accurate financial reporting; and
- b. Henceforth, ensure that all penalties collected from RPT and SET are properly recognized as Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020) at the time of collection, in compliance with COA Circular No. 2015-009.

- 5. The Notes to Financial Statements (FS) of the Municipality for the year ended December 31, 2024, did not provide sufficient disclosures on several key accounts, including advances, other receivables, accounts payable, due to officers and employees, trust liabilities, other deferred credits, and other payables, contrary to Sections 127 and 129 of IPSAS No. 1, thereby diminishing the transparency and usefulness of the FS for users and stakeholders.**

We recommended that the Municipal Accountant ensure full compliance with the disclosure requirements of Sections 127 and 129 of PPSAS No. 1 by providing comprehensive and relevant explanatory notes for all significant account balances in the financial statements.

- 6. Delinquent RPT and SET including penalties accruing thereon which accumulated to ₱23,751,277.85 remained uncollected as of December 31, 2024, depriving the Municipality of substantial amount of income which could have been utilized to finance the implementation of various development projects or other major programs/projects/activities (PPAs).**

We recommended that the Municipal Treasurer strengthen efforts to collect delinquent real property taxes by conducting intensive tax campaigns in each barangay and issuing updated Notices of Delinquency to all delinquent taxpayers, ensuring that these notices include the information mandated under Section 254(b) of RA No. 7160.

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

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

As of December 31, 2024, the Municipality had no audit suspensions, disallowances, and charges.

Status of Implementation of Prior Years' Recommendations

Of the 117 prior years' recommendations, 34 were implemented and 83 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, 6000 Cebu City

INDEPENDENT AUDITOR'S REPORT

HONORABLE LENIN P. ALVIOLA

Municipal Mayor
Municipality of Bacong
Province of Negros Oriental

Qualified Opinion

We have audited the financial statements of the Municipality of Bacong, Province of Negros Oriental, which comprise the statement of financial position as of December 31, 2024, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly in all material respects, the financial position of the Municipality of Bacong as of December 31, 2024, and its financial performance, its cash flows, and its statement of comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Bases for Qualified Opinion

As discussed in Part II of this Report:

1. At least 186 completed infrastructure projects, comprising 33 projects under the Trust Fund (₱207,195,565.98) and 153 under the General Fund (₱42,292,425.04), were not properly reclassified from Construction in Progress (CIP) to the appropriate Property, Plant, and Equipment (PPE) accounts upon completion, resulting in significant overstatements in CIP balances and understatements in PPE and depreciation expense accounts in the financial statements.
2. Entries for the Special Education Tax (SET) totaling ₱9,589,520.80 were recorded in the General Fund's books instead of the Special Education Fund's books, thus affecting the fair presentation of the SET Receivable and Deferred SET Income accounts in the financial statements at year-end.

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 bases for our qualified opinion.

Key Audit Matters

Except for the matter described in the *Bases for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as Management determines 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 Municipality of Bacong'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 a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:


JANICE VERIÑA SARITA
State Auditor III
OIC-Audit Team Leader

June 23, 2025



Republic of the Philippines
PROVINCE OF NEGROS ORIENTAL
MUNICIPALITY OF BACONG

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the *Municipality of Bacong* is responsible for all information and representation contained in the Consolidated Financial Position as of December 31, 2024 and the related Consolidated Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, and Statement of Comparative Budget and Actual Amounts for the year then ended. The financial statements have been prepared in conformity with International Public Sector Accounting Standards 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.

MA. IRENE FE T. TUSE
Municipal Accountant

6-19-2025

Date Signed

LENIN P. ALVIOLA
Municipal Mayor

6-19-2025

Date Signed



Republic of the Philippines
PROVINCE OF NEGROS ORIENTAL
MUNICIPALITY OF BACONG

NOTES TO FINANCIAL STATEMENTS

Note 1 – Profile

The Municipality of Bacong was officially recorded and published in the Spanish Journal of 1801 as El Barangay de Bacong Pueblo de Dumaguete, Provincia de Negros Oriental. It is believed that the barangay was made into a pueblo or town sometime during the period 1849 – 1852 or in the years thereafter.

Bacong is a fourth-class Municipality. It is located on the southeastern coast of Negros Oriental and is the first town located eight kilometers south of Dumaguete City. The town has a total area of 4,126.67 hectares and consists of 22 barangays.

The Municipal government exercises powers that are necessary and appropriate for its efficient and effective governance. It enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the government's thrust for a sustainable social and economic growth through the preservation and enrichment of culture, promotion of health and safety, maintenance of peace and order and the comfort and convenience of the populace.

Note 2 – Statement of Compliance and Basis of Preparation of Financial Statements

The consolidated financial statements of the LGU have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). They are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied since 2015.

The financial statements have been prepared on the basis of historical cost, unless otherwise stated. The Statement of Comparison of Budget and Actual Amounts and the Notes to Financial Statements are attached components of the FS of the Municipality. The Statement of Cash Flows is prepared using the direct method.

Note 3 – Summary of significant accounting policies

3.1 Basis of accounting

The combined financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS).

3.2 Combination/Consolidation

The consolidated financial statements reflect all the assets, liabilities, revenues, and expenses of the Municipality covering all funds. These funds include the General Fund, Special Education Fund and Trust Fund. The General Fund is composed of the following Special Accounts:

- General Fund Proper
- Market Operation
- Waterworks System
- Talisay Beach Operation
- Agricultural Training Institute (ATI) Operation
- 20% Development Fund
- Local Government Service Equalization Fund (LGSEF)

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to cash and they present insignificant risk of changes in value because of changes in interest rates.

Petty Cash Fund (PCF) is maintained under an imprest system wherein replenishment is charged to the expense account. The PCF is not used to purchase regular inventory items for stock.

3.4 Investments

The LGU limits its exposure to risk by investing in authorized depository banks.

3.5 Receivables

Receivables represent amounts collectible from various constituents, taxpayers, other local government units, national government agencies, municipal officials and employees arising from claims for money lent, real property taxes due to the local government unit and cash advances granted for

travel and for payment of salaries, wages, allowances, honoraria and petty operating expenses.

3.6 Inventories

Inventories are recognized and measured at cost upon initial recognition. Inventories are recognized as an expense when issued for utilization or consumption in the ordinary course of operations.

3.7 Prepayments and Deferred Charges

Prepayments are recorded under the asset method. Adjusting entries are prepared at the end of the year to record the portion of the prepayment representing the expense incurred during the current accounting period.

3.8 Investment Property

Investment Property is land, a building, or part of a building or both, held by the owner or a lessee under a finance lease to earn rentals or for capital appreciation, or both.

3.9 Property, Plant and Equipment

Property, Plant and Equipment (PPE) are recognized at cost. Cost includes the purchase price and expenditures directly attributable to the acquisition of the asset.

After recognition, PPE are stated at cost less accumulated depreciation.

The straight-line method is adopted in the computation of depreciation over the useful life of the asset, assigning a residual value of at least 10%. The estimated useful life of the asset is based on the estimated useful life of PPE by classification issued by COA. Depreciation starts on the month following the date of the purchase. Assets acquired prior to CY 2002 were not subjected to depreciation.

The LGU derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

Public infrastructure was not previously recognized in the books. The LGU availed of the five-year transitional provision for the recognition of the public infrastructure. In the first year of implementation of the PPSAS, the LGU did not recognize the public infrastructure in the books of accounts.

3.10 Financial liabilities

The LGU's financial liabilities include payables and borrowings which the Municipality is committed to pay for goods or services received. It also includes amounts entrusted/withheld from outside sources/offices and personnel for which the Municipality is acting as a trustee or administrator.

Payables are recognized and recorded in the books of accounts only upon acceptance of goods and rendition of services to the Municipality.

Loans contracted by the Municipality are recognized upon receipt of the proceeds from creditors.

3.11 Equity

Equity represents the difference between assets and liabilities. The amount available for operations is computed by deducting the following from the ending balance of Government Equity:

- a. equity set aside to finance capital projects with appropriations provided in the previous years (continuing appropriations)
- b. portion pertaining to receivables, inventories, prepayments and other current assets
- c. portion pertaining to property, plant and equipment including public infrastructures in process
- d. amount reserved for Local Disaster Risk Reduction and Management Fund

Note 4 – Cash and Cash Equivalents

This account consists of the following:

	2024	2023
Cash – Local Treasury	₱ 1,167,922.53	₱ 1,104,415.04
Petty Cash	40,000.00	40,000.00
Cash in Bank – Local Currency, Current Account	1,706,386,574.56	319,021,384.28
Cash in Bank – Local Currency, Time Deposits	0.00	290,347.94
Total Cash and Cash Equivalents	₱ 1,707,594,497.09	₱ 320,456,147.26

The balance of the Cash – Local Treasury account is composed of cash with the Provincial Treasury in the amount of ₱72,542.63 and undeposited collections as of December 31, 2024, amounting to ₱939,478.27, which were deposited on January 2, 3, and 7, 2025. The Cash - Local Treasury has an unreconciled balance in the amount of ₱155,901.63 from previous years subject to verification.

Note 5 – Receivables

This account consists of the following:

<i>Current:</i>	2024	2023
Loans and Receivable Accounts		
Accounts Receivable	₱ 0.10	₱ 8.10
Real Property Tax Receivable	16,457,191.00	13,998,199.92
Special Education Tax Receivable	15,005,981.75	13,776,486.21
	₱ 31,463,172.85	₱ 27,774,694.23
Inter-Agency Receivables		
Due from National Government Agencies	₱ 0.00	₱ 1,197.54
Intra-Agency Receivables		
Due from Other Funds	₱ 57,587,066.14	₱ 41,821,446.59
Advances		
Advances for Operating Expenses	₱ 68,910.11	₱ 251,340.11
Advances for Payroll	0.00	25,000.00
Advances for Officers and Employees	2,000.00	3,648.61
Advances for Special Disbursing Officer	525,000.00	48,966.66
	₱ 595,910.11	₱ 328,955.38
Other Receivables		
Due from Officers & Employees	₱ 1,457,103.58	₱ 1,457,016.02
Other Receivables	1,583,218.77	0.00
	₱ 3,040,322.35	₱ 1,457,016.02
Total Current Receivables	₱ 92,686,471.45	₱ 71,383,309.76
<i>Non-Current:</i>		
Loans and Receivable Accounts		
Accounts Receivable	₱ 161,606.62	₱ 159,434.04
Loans Receivable – Others	1,950,000.00	1,950,000.00
Inter-Agency Receivables		
Due from National Government Agencies	₱ 32,385.90	₱ 6,398.40
Due from Government-Owned and Controlled Corporations	16,584.58	16,584.58
Due from Local Government Units	4,667.43	4,667.43
Total Inter-Agency Receivables		
Other Receivables		
Other Receivables	₱ 53,342.30	₱ 336,561.07
Total Non-Current Receivables	₱ 2,218,586.83	₱ 2,473,645.52
Total Receivables	₱ 94,905,058.28	₱ 73,856,955.28

The account Due from Officers and Employees includes the amount of ₱1,449,957.87 which represents the amount due from Ms. Guadalupe M. Sumagka, former Designated Liquidating Officer of the Office of the Municipal Treasurer. She was convicted last October 7, 2015, by the Office of the Ombudsman, and was meted the penalty of dismissal from the service.

Loans Receivables – Others in the amount of ₱1,950,000.00 represent the amount extended to farmer-beneficiaries to augment their income through livelihood projects.

Other Receivables include KKK collectibles amounting to ₱ 53,342.30, ₱ 280,000 representing the amount extended to farmer-beneficiaries to augment their income through livelihood projects, and ₱3,218.77 from various creditors aged two to ten years..

Accounts receivable include collectibles from sellers of lots procured for the development of the New Dumaguete International Airport. These are taxes and fees paid by the municipality on behalf of the lot owners which are deductible from their final payment. Final payment shall be given only after the certificate of title has already been transferred under the name of the Department of Transportation

Due from Other Funds include funds transferred/disbursed by the General Fund to pay off the loans booked in the Trust Fund. This account is still subject to verification and reconciliation.

Note 6 – Inventories

This account consists of the following:

	2024	2023
<i>Inventory Held for Distribution</i>		
Agricultural Produce for Distribution	₱ 819,832.50	₱ 819,832.50
Other Supplies and Materials for Distribution	9,300.00	0.00
<i>Inventory Held for Consumption</i>		
Office Supplies Inventory	226,929.79	127,217.28
Accountable Forms, Plates and Stickers	167,079.10	132,072.00
Animal/Zoological Supplies Inventory	0.00	23,600.00
Drugs and Medicines Inventory	1,244,290.94	328,471.75
Medical, Dental and Laboratory Supplies Inventory	97,872.50	137,849.00
Chemical and Filtering Supplies Inventory	56,000.00	55,850.00
Other Supplies and Materials Inventory	615,438.15	192,020.30
Total Inventories	₱ 3,236,742.98	₱ 1,816,912.83

Inventories are measured at the lower of cost and net realizable value. The total amount of inventories recognized as an expense for CY 2024 is ₱7,908,615.29.

Note 7 – Prepayments and Deferred Charges

This account consists of the following:

	2024	2023
Advances to Contractors	₱ 10,098,947.53	₱ 8,575,729.85
Prepaid Insurance	77,341.95	80,373.36
Discount on Advance Payments	1,882,515.26	1,571,771.80
Total Prepayments and Deferred Charges	₱ 12,058,804.74	₱ 10,227,875.01

Prepaid Insurance represents the unexpired portion of the insurance premiums for government vehicles while Deferred Charges represent discounts on advance payments of Real Property Tax from various taxpayers. Advances to Contractors represent advance payment to contractors not exceeding 15% to cover the cost of mobilization. The advance payment shall be repaid by the contractor by deducting fifteen percent (15%) from their progress payments.

Note 8 – Property, Plant and Equipment (net of depreciation)

This account consists of the following (see attached sheet)

The LGU measures the residual value of all items of property, plant and equipment, but does not expect a residual value for these assets, because these will be utilized for their entire economic lives and do not have a significant scrap value. During the current financial year, the LGU reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate.

The following Public Infrastructures totaling ₱6,401,858.18 were transferred to the Registry of Public Infrastructures:

Road Networks	₱ 3,469,129.05
Water Supply Systems	2,932,729.13
Total	₱ 6,401,858.18

Increase of land and buildings is mostly attributed to the procurement of right-of-way for the development of the New Dumaguete International Airport.

The LGU has a total of approximately 3.961 kms of roads, more or less, with a total cost of ₱33,069,606.77. For the year ended, the agency spent a total of ₱7,521,366.90 for concreting and opening of road. The length of the road networks recorded in the books at a value of ₱1,257,974.44 is still subject to verification.

The decrease in the PPE is attributed to the reversal of the booking for the properties acquired due to the development of the New Dumaguete International Airport.

The breakdown of the properties booked as part of the PPE and biological assets from September 2021 to November 2024, which were subsequently reversed, are as follows:

Land – ₱678,021,943.68
 Building – ₱41,728,666.55
 Crops and Trees – ₱17,187,133.80

Note 9 – Biological Assets

This account consists of the following:

	2024	2023
Breeding Stocks	₱ 153,760.00	₱ 153,760.00
Plants and Trees	22,000.00	16,315,705.50
Total Biological Assets	₱ 175,760.00	₱ 16,469,465.50

Breeding stocks in the amount of ₱153,760.00 were distributed to selected farmer beneficiaries but are still subject to verification with the records of the Office of the Municipal Agriculturist. Plants and trees in the amount of ₱22,000 represent seedlings used for Tree Planting program.

Note 10 – Financial Liabilities

This account consists of the following:

<i>Current:</i>		
Accounts Payable	₱ 14,059,061.35	₱ 9,298,726.62
Due to Officers and Employees	341,840.11	350,708.80
Loans Payable – Domestic	13,934,971.24	10,078,791.86
Total Current Financial Liabilities	₱ 28,335,872.70	₱ 19,728,227.28
<i>Non-Current:</i>		
Loans Payable – Domestic	127,139,764.29	127,854,865.61
Total Non-Current Financial Liabilities	₱ 127,139,764.29	₱ 127,854,865.61
Total Financial Liabilities	₱ 155,475,636.99	₱ 147,583,092.89

Loans payable for CY 2025 were classified as as follows:

CLASSIFICATION OF LOANS		
Name of Loan	Current	Non-Current
Construction of 2-storey public market (wet section)	₱ 0.00	₱ 3,900,000.00
Expansion of waterworks system	1,951,657.60	3,152,586.39
Construction of public market	2,234,147.00	12,846,345.25
Construction of Bacong Commercial Complex	9,749,166.64	107,240,832.65
Total Loans Payable	₱ 13,934,971.24	₱ 127,139,764.29

Note 11 – Inter-Agency Payables

This account consists of the following:

	2024	2023
<i>Current:</i>		
Due to BIR	₱ 926,363.43	₱ 2,007,794.24
Due to GSIS	(3,261.62)	(1,659.56)
Due to Pag-IBIG	9,264.84	9,064.84
Due to PhilHealth	2,294.62	1,057.67
Due to NGAs	1,403,435,885.14	753,253,048.35
Due to GOCCs	3,010.00	3,010.00
Due to LGUs	30,059,201.65	17,529,002.53
Total Inter-Agency Payables	₱ 1,434,432,758.06	₱ 772,801,318.07

The account Due to BIR represents the amount withheld from suppliers and employees. Accounts Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth represent the amounts deducted from the salaries of officials and employees which were correspondingly remitted to the respective government agencies on or before the 10th day of the following month. The remaining accounts represent balances of funds received by the LGU for specific purposes. The Due to NGAs account includes the amount transferred by the Department of Transportation to acquire right-of-way for to the development of the New Dumaguete Airport.

Note 12 – Intra-Agency Payables

Due to Other Funds amounting to ₱40,497,936.31 and ₱30,075,393.73 for CYs 2024 and 2023, respectively, represents receipts of funds for the Special Education Fund, Expansion of Waterworks System Level II, Debt Service, Transfer from General Fund-Potable Water, and Transfer Assistance to Municipalities. This account is still subject to verification and reconciliation.

Note 13 – Trust Liabilities

This account consists of the following:

Trust Liabilities	₱ 47,636,625.79	₱ 49,290,171.95
Trust Liabilities – Disaster Risk Reduction and Management Fund	16,337,694.87	17,389,827.77
Bail Bonds Payable	21,430.39	21,430.39
Guaranty/Security Deposits Payable	14,375,607.25	19,686,707.36
Customers' Deposit Payable	776,834.14	720,724.14
Total Trust Liabilities	₱ 79,148,192.44	₱ 87,108,861.61

The Guaranty/Security Deposits Payable account consists of bidder's bond, performance bond, retention, and warranty security.

The Trust Liabilities – Disaster Risk Reduction and Management Fund account, with a balance of ₱16,337,694.87 represents the amounts transferred from the General Fund to the Trust Fund 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.”

Customers' Deposit Payable represents the security deposit paid by the lessees of the Bacong Commercial Complex, which shall be returned by the lessor, the Municipality of Bacong, only after the lessees vacate and redeliver physical possession of the premises.

Note 14 – Deferred Credits/Unearned Income

This account consists of the following:

<i>Current:</i>	2024	2023
Deferred Real Property Tax	₱ 17,950,170.16	₱ 14,733,278.02
Deferred Special Education Tax	17,281,711.49	15,285,747.52
Other Deferred Credits	5,114,353.44	5,114,353.44
Total Deferred Credits/Unearned Income	₱ 40,346,235.09	₱ 35,133,378.98

Note 15 – Other Payables

This account consists of the following:

Current	₱ 85,899.79	₱ 179,792.00
Non current	223,690.09	107,796.70
Total Other Payables	₱ 309,589.88	₱ 287,588.70

Note 16 – Tax Revenue

This account consists of the following:

<i>Tax Revenue – Individual and Corporation</i>		
Community Tax	₱ 807,155.91	₱ 804,127.58
<i>Tax Revenue – Property</i>		
Real Property Tax – Basic	₱ 7,397,036.19	₱ 6,826,136.79
<i>Discount on Real Property Tax – Basic</i>	<i>1,032,034.86</i>	<i>813,017.87</i>
Sub-total	6,365,001.33	6,013,118.92
Special Education Tax	9,459,194.45	8,758,937.51
<i>Discount on Special Education Tax</i>	<i>1,502,889.66</i>	<i>1,273,625.18</i>
Sub-total	7,956,304.79	7,485,312.33

	2024	2023
<i>Tax Revenue – Goods and Services</i>		
Business Tax	14,458,474.86	14,882,010.82
Franchise Tax	25,680.00	21,120.00
Sub-total	14,484,154.86	14,903,130.82
<i>Tax Revenue – Fines and Penalties</i>		
Tax Revenue – Fines and Penalties – Property Taxes	64,156.94	62,645.76
Total Tax Revenue	₱ 29,676,773.83	₱ 29,268,335.41

Note 17 – Share from National Taxes

This account consists of the following:

Share from Internal Revenue Collections (IRA)	₱ 154,575,370.00	₱ 145,445,242.00
Share from EVAT	-	30,117.06
Total Share from National Taxes	₱ 154,575,370.00	₱ 145,475,359.06

Note 18 – Service and Business Income

This consists of the following:

<i>Service Income</i>		
Permit Fees	₱ 2,763,619.22	₱ 2,582,001.99
Registration Fees	682,054.00	1,031,878.00
Clearance and Certification Fees	736,846.21	667,484.29
Supervision and Regulation Enforcement Fees	49,050.00	115,700.00
Fees for Sealing and Licensing of Weights and Measures	260,252.20	190,870.00
Fines and Penalties – Service Income	362,830.27	327,740.95
Sub-total	₱ 4,854,651.90	₱ 4,915,675.23
<i>Business Income</i>		
Rent Income	684,420.00	758,000.00
Waterworks System Fees	8,673,955.60	9,849,290.39
Receipts from Market Operations	5,553,212.71	2,510,936.95
Garbage Fees	224,340.00	180,180.00
Interest Income	292,530.03	285,694.05
Fines and Penalties – Service Income	8,239.75	0.00
Sub-total	₱ 15,436,698.09	₱ 13,584,101.39
Total Service and Business Income	₱ 20,291,349.99	₱ 18,499,776.62

Note 19 – Transfers, Assistance and Subsidy From

This consists of the following:

	2024	2023
Subsidy from General Fund Proper/Special Accounts	₱ 6,258,436.99	₱ 5,879,726.19
Total Transfers, Assistance and Subsidy From	₱ 6,258,436.99	₱ 5,879,726.19

The amount of ₱6,258,436.99 represents the amount transferred from the General Fund Proper to the LGU's economic enterprise, Waterworks, to augment its operations.

Note 20 – Shares, Grants and Donations

Share from PCSO	₱ 231,369.77	₱ 202,055.50
Total Shares, Grants and Donations	₱ 231,369.77	₱ 202,055.50

Note 21 – Other Income

Gains		
Gain on Sale of Property Plant and Equipment	₱ 506,650.00	₱ -
Miscellaneous Income		
Miscellaneous Income	3,154,069.20	₱ 697,421.60
Total Other Income	₱ 3,660,719.20	₱ 697,421.60

Gain on Sale of Property, Plant and Equipment pertains to the proceeds from the sale of Lot 5991-E located in Doldol, Bacong.

Miscellaneous Income comprises various sources such as Dropping Fees, Retirement of Business, Sultada, Diving Fees, Electricity Fees from lessees, Cemetery Income, Rental Fees, Zoning Income, Annual Inspection Fees, Subscription Fees, Cockpit Fees, and Other Miscellaneous Income.

Note 22 – Employee Costs

This consists of the following:

	2024	2023
<i>Personnel Services</i>		
Salaries and Wages – Regular	₱ 27,854,175.42	₱ 26,543,052.27
Salaries and Wages – Casual/Contractual	1,896,624.01	1,814,908.63
Sub-total	₱ 29,750,799.43	₱ 28,357,960.90
<i>Other Compensation</i>		
Personal Economic Relief allowance (PERA)	1,918,290.32	2,005,159.10
Representation Allowance	1,705,500.00	1,520,156.25
Transportation Allowance	1,705,500.00	1,520,156.25
Clothing/Uniform Allowance	595,000.00	552,000.00
Subsistence Allowance	162,975.00	165,100.00
Laundry Allowance	19,000.00	20,400.00
Productivity Incentive Allowance	430,000.00	435,000.00
Honoraria	921,000.00	890,000.00
Hazard Pay	485,941.15	491,172.05
Overtime and Night Pay	264,337.18	306,787.38
Year-End Bonus	4,988,058.00	4,656,681.50
Cash Gift	430,000.00	448,500.00
Other Bonuses and Allowances	0.00	0.00
Sub-total	₱ 13,625,601.65	₱ 13,011,112.53
<i>Personnel Benefit Contribution</i>		
Retirement and Life Insurance Premiums	3,057,131.18	2,922,344.67
Pag-IBIG Contribution	131,900.00	71,500.00
PhilHealth Contribution	647,878.26	562,975.08
Employees Compensation Insurance Premiums	84,185.04	86,283.14
Sub-total	₱ 3,921,094.48	₱ 3,643,102.89
<i>Other Personnel Benefit</i>		
Terminal Leave Benefits	3,324,911.82	3,582,070.76
Other Personnel Benefits	1,720,000.00	1,740,000.00
Sub-total	₱ 5,044,911.82	₱ 5,322,070.76
Total Employee Costs	₱ 52,342,407.38	₱ 50,334,247.08

Note 23 – Maintenance and Other Operating Expenses

Summary of Maintenance and Other Operating Expenses:

	2024	2023
Traveling Expenses	₱ 560,077.28	₱ 623,812.64
Training and Scholarship Expenses	893,510.00	468,802.39
Supplies and Materials Expenses	11,375,699.78	9,484,933.98
Utilities Expenses	17,930,139.07	14,930,199.16
Communication Expenses	1,018,472.16	770,301.49
Awards/Rewards and Prizes	184,000.00	148,000.00
Confidential, Intelligence and Extraordinary Expenses	1,739,638.37	947,370.25
Professional Services	1,680,101.50	1,380,653.11
General Services	14,714,400.05	13,880,037.79
Repairs and Maintenance	7,706,244.36	5,418,601.90
Taxes, Insurance Premiums and Other Fees	420,145.80	400,591.42
Other Maintenance and Operating Expense	12,564,540.66	8,988,986.18
Total	₱ 70,786,969.03	₱ 57,442,290.31

This account consists of the following:

<i>Traveling Expenses</i>		
Traveling Expenses – Local	₱ 560,077.28	₱ 623,812.64
<i>Training and Scholarship Expenses</i>		
Training Expenses	₱ 893,510.00	₱ 468,802.39
<i>Supplies and Material Expenses</i>		
Office Supplies Expense	1,155,274.44	910,936.88
Accountable Forms Expense	395,662.90	356,748.00
Non-Accountable Forms Expense	0.00	16,175.00
Animal/Zoological Supplies Expenses	144,550.00	232,150.00
Welfare Goods Expenses	1,699,830.00	1,117,920.00
Drugs and Medicines Expenses	2,503,499.05	1,523,259.05
Medical, Dental & Laboratory Supplies Expenses	395,544.75	402,979.23
Fuel, Oil and Lubricants Expenses	3,467,084.49	3,540,350.87
Agricultural & Marine Supplies Expenses	241,440.00	182,990.00
Chemical and Filtering Supplies Expenses	191,850.00	197,150.00
Other Supplies and Material Expenses	1,180,964.15	1,004,274.95
Sub-total	₱ 11,375,699.78	₱ 9,484,933.98
<i>Utility Expenses</i>		
Water Expenses	24,000.00	10,000.00
Electricity Expenses	17,906,139.07	14,920,199.16
Sub-total	₱ 17,930,139.07	₱ 14,930,199.16

	2024	2023
<i>Communication Expenses</i>		
Postage and Courier Services	11,971.91	6,142.75
Telephone Expenses	581,073.68	554,169.23
Internet Subscription Expenses	425,426.57	209,989.51
Sub-total	₱ 1,018,472.16	₱ 770,301.49
<i>Awards/Rewards and Prizes</i>		
Prizes	₱ 184,000.00	148,000.00
<i>Confidential, Intelligence and Extraordinary Expenses</i>		
Intelligence Expenses	330,000.00	200,000.00
Extraordinary and Miscellaneous Expenses	1,409,638.37	747,370.25
Sub-total	₱ 1,739,638.37	₱ 947,370.25
Total	₱ 33,701,536.66	₱ 27,373,419.91

Note 23.1 – Contracted Services

This account consists of the following:

<i>Professional Services</i>		
Legal Services	₱ 92,912.00	₱ 12,750.00
Auditing Services	54,689.50	91,022.16
Other Professional Services	1,532,500.00	1,276,880.95
Sub-total	₱ 1,680,101.50	₱ 1,380,653.11
<i>General Services</i>		
Environment/Sanitary Services	3,449,210.00	3,508,808.00
Security Services	686,712.32	0.00
Other General Services	10,578,477.73	10,371,229.79
Sub-total	₱ 14,714,400.05	₱ 13,880,037.79
Total	₱ 16,394,501.55	₱ 15,260,690.90

Note 23.2 – Repairs and Maintenance (RM)

This account consists of the following:

RM – Infrastructure Assets	₱ 3,544,004.82	₱ 2,039,651.00
RM – Buildings & Other Structures	1,383,055.11	1,547,175.35
RM – Machinery and Equipment	631,980.02	459,673.60
RM – Transportation Equipment	2,147,204.41	1,372,101.95
Total	₱ 7,706,244.36	₱ 5,418,601.90

Note 23.3 – Taxes, Insurance Premiums and Other Fees

This account consists of the following:

	2024	2023
Taxes, Duties and Licenses	₱ 58,506.02	₱ 58,868.80
Fidelity Bond Premiums	121,500.00	103,500.00
Insurance Expenses	240,139.78	238,222.62
Total	₱ 420,145.80	₱ 400,591.42

Note 23.4 – Other Maintenance and Operating Expenses

This account consists of the following:

Representation Expenses	₱ 62,292.95	₱ 138,781.70
Advertising Expenses	15,000.00	0.00
Membership Dues and Contributions to Organizations	54,000.00	0.00
Subscription Expenses	344,548.00	100,568.00
Donations	10,187,660.99	6,897,595.64
Other Maintenance and Operating Expenses	1,901,038.72	1,852,040.84
Total	₱ 12,564,540.66	₱ 8,988,986.18
Total MOOE	₱ 70,786,969.03	₱ 57,442,290.31

Note 24 – Transfers, Assistance and Subsidy To

This account consists of the following

<i>Financial Assistance/Subsidy</i>		
Subsidy to NGAs	₱ 10,000.00	₱ 20,000.00
Subsidy to Other Local Government Units	22,000.00	22,000.00
Subsidy to Local Economic Enterprises	6,258,436.99	5,879,726.19
<i>Transfers</i>		
Transfers of Unspent Current Year DRRM Funds to the Trust Fund	3,075,000.00	7,291,561.00
Total Transfers, Assistance and Subsidy To	₱ 9,365,436.99	₱ 13,213,287.19

Note 25 – Financial Expenses

	2024	2023
Interest Expense	₱ 513,544.68	₱ 608,383.07
Bank Charges	12,350.00	42,130.00
Total Financial Expenses	₱ 525,894.68	₱ 650,513.07

Financial Expenses include interest expenses represent interests paid on loan availed from Land Bank of the Philippines-Dumaguete for the purchase of three heavy equipment last CY 2019 and the construction of 2-storey public market (wet section) availed for CY 2023. It also includes bank charges representing checkbooks acquired.

Note 26 – Non-Cash Expenses

This consists of the following:

Depreciation and Amortization		
Depreciation – Infrastructure Assets	₱ 1,758,711.46	₱ 1,722,254.47
Depreciation – Buildings and Other Structure	1,917,720.22	1,237,261.06
Depreciation – Machinery and Equipment	5,261,159.53	5,223,218.94
Depreciation – Transportation Equipment	892,390.19	1,008,715.17
Depreciation –Furniture, Fixtures and Book	105,425.59	141,838.09
Depreciation – Other Property, Plant and Equipment	5,686.20	5,686.20
Total Non-Cash Expenses	₱ 9,941,093.19	₱ 9,338,973.93

Note 27 – Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

Surplus/(Deficit)	₱ 71,732,218.51	₱ 69,043,362.80
Non-cash transactions		
Depreciation	9,941,093.19	9,338,973.93
Gain from sale of disposal of Property, Plant and Equipment	(506,650.00)	0.00
Increase (Decrease) in payables	1,370,257,376.43	24,577,374.19
(Increase) Decrease in other current assets	(3,250,759.88)	11,366,305.71
(Increase) Decrease in receivables	(21,048,103.00)	(1,723,244.98)
Prior Year's Adjustments	387,725.19	1,132,552.87
Net Cash from Operating Activities	₱ 1,427,512,900.44	113,735,324.52

Note 28 – Local Disaster Risk Reduction 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 ₱54,053,434.04 and ₱7,143,860.00, respectively, broken down as follows:

Particular	Amount Available	Amount Utilized	Balance
Current Appropriation:			
Quick Response Fund (QRF)	₱ 3,075,000.00	₱ 0.00	₱ 3,075,000.00
Mitigation Fund (MF)			
MOOE	0.00	0.00	0.00
Capital Outlay	7,175,000.00	0.00	7,175,000.00
Total	₱ 10,250,000.00	₱ 0.00	₱ 10,250,000.00
Continuing Appropriation:	₱ 23,396,879.17	₱ 0.00	₱ 23,396,879.17
Special Trust Fund			
CY 2023	₱ 3,016,727.10	₱ 0.00	₱ 3,016,727.10
CY 2022	7,291,561.00	0.00	7,291,561.00
CY 2021	6,790,521.04	3,836,114.27	2,954,406.77
CY 2020	1,103,935.00	1,103,935.00	0.00
CY 2019	2,203,810.73	2,203,810.73	0.00
Total	₱ 20,406,554.87	₱ 7,143,860.00	₱ 13,262,694.87
	₱ 54,053,434.04	₱ 7,143,860.00	₱ 46,909,574.04

The Municipality’s total Current Year Appropriation for the 5% Local Disaster Risk Reduction and Management Fund is ₱10,250,000.00. Of this amount, ₱7,175,000.00 was programmed for various projects and activities by the Local Disaster Risk Reduction and Management Council.

In compliance with COA Circular No. 2012-002, a total amount of ₱3,075,000.00 represents the unexpended/unobligated balance of the Quick Respond Fund will be transferred to the Trust Fund books.

CY 2024 5% Local Disaster Risk Reduction and Management Fund

Annual Budget	₱ 10,250,000.00
Supplemental Budget	0.00
Total	<u>10,250,000.00</u>
A. 30% Quick Response Fund	3,075,000.00
B. 70% Pre-Disaster Preparedness Program	7,175,000.00
Less: Amount Utilized	<u>0.00</u>
Balance of the CY 2024 DRRMF	10,250,000.00
Less: Balance of the Capital Outlay	<u>(7,175,000.00)</u>
Amount Transferred to the Special Trust Fund	<u>₱ 3,075,000.00</u>

**Note 29 – Reconciliation between actual amounts on the comparable basis as presented
in the SCBAA and in the Statement of Financial Performance**

	Income	Personal Services	MOOE	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	₱278,733,702.29	₱52,342,407.38	₱84,123,603.90	₱525,894.68	₱55,113,153.46
Entity Differences					
Basis Differences					
Income not considered budgetary items					
Non-cash income					
Gain on Sale of Assets					
Receipts not considered as income					
Sale of capital assets					
Borrowings					
Prior year's surplus/ reserve	(64,039,682.51)				
Debt Service (Loan Amortization, Retirement of debt Instruments)					(6,005,020.37)
Debt Service (TF paid by GF)			(219,534.50)		(12,459,046.88)
Assistance extended considered as receivables			(1,000,000.00)		(320,000.00)
Transfer, Assistance and Subsidy From	(6,258,436.99)				
Replenishment of fund for LDRRMF			(1,390,000.00)		
Interest Expenses capitalized					
Capital Expenditures					(36,329,086.21)
Timing Differences					
Prepayments charged to current appropriations					
Unconsumed Inventories charged to current appropriations			(132,491.95)		
Consumed inventories and deferred charges charged to prior period			(1,229,171.43)		
Transfers, Assistance and Subsidy to			(9,365,436.99)		
Per Statement of Financial Performance	₱208,435,582.79	₱52,342,407.38	₱70,786,969.03	₱525,894.68	₱ 0.00

PART II
AUDIT OBSERVATIONS AND
RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

Construction in Progress

1. **At least 186 completed infrastructure projects, comprising 33 projects under the Trust Fund (₱207,195,565.98) and 153 under the General Fund (₱42,292,425.04), were not properly reclassified from Construction in Progress (CIP) to the appropriate Property, Plant, and Equipment (PPE) accounts upon completion, contrary to Sections 50 and 104(1.i) of the NGAS Manual for LGUs and IPSAS No. 17, resulting in significant overstatements in CIP balances and understatements in PPE and depreciation expense accounts in the financial statements.**
 - 1.1. Section 50 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I, requires that during the construction period, Property, Plant, and Equipment (PPE) shall be classified as “Construction in Progress” (CIP) with the appropriate asset classification. Upon completion, the CIP accounts shall then be transferred to their appropriate asset accounts. The CIP account is used to record the value of work performed in accordance with the terms of applicable construction contracts.
 - 1.2. Section 104(1.i) of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I, requires that completed projects under the Trust Fund (TF) be transferred to the General Fund (GF) upon their completion.
 - 1.3. Furthermore, with the adoption of the International Public Sector Accounting Standards (IPSAS), infrastructure assets shall be taken up as PPE. The annual consumption of their service potential, along with any loss of value due to depreciation and impairment, shall also be recognized.
 - 1.4. Under IPSAS 17, depreciation is defined as the systematic allocation of the depreciable amount of an asset over its useful life. Paragraph 71 of IPSAS No. 17 provides that “*depreciation of an asset begins when it is available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.*”
 - 1.5. In addition, Item 4.1 of the Philippine Application Guideline (PAG) for IPSAS 17 states that “*xxx For simplicity and to avoid proportionate computation, depreciation shall be for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation shall be for the succeeding month.*”

- 1.6. Our verification of the CIP accounts under the TF as of December 31, 2024, showed that at least 33 completed projects, with a total cost of ₱207,195,565.98, remained erroneously recorded under the CIP–Infrastructure Assets and CIP–Buildings and Other Structures accounts, as summarized in the table below. The detailed list of these projects is presented in *Appendix 1*.

Name of Account	No. of Projects	Trust Fund
CIP–Infrastructure Assets	27	₱ 80,972,987.11
CIP–Buildings and Other Structures	6	₱126,222,578.93
Total	33	₱207,195,565.98

- 1.7. These projects were completed within the year but not transferred to the GF’s PPE accounts as required. This resulted in an overstatement of CIP–Infrastructure Assets by ₱80,972,987.11 and CIP–Buildings and Other Structures by ₱126,222,578.93 under the Trust Fund, with a corresponding understatement of the GF’s PPE accounts and related depreciation expenses.
- 1.8. Similarly, at least 153 completed projects under the GF, totaling ₱42,292,425.04, were not transferred to the appropriate PPE accounts and remained incorrectly recorded in the CIP accounts. This included ₱39,360,553.23 under CIP–Infrastructure Assets and ₱2,931,871.81 under CIP–Buildings and Other Structures, as shown in the summary below. The details are presented in *Appendix 2*.

Name of Account	No. of Projects	Trust Fund
CIP–Infrastructure Assets	113	₱ 39,360,553.23
CIP–Buildings and Other Structures	40	₱ 2,931,871.81
Total	153	₱ 42,292,425.04

- 1.9. During our inquiry, the Municipal Accountant explained that several of the CIP entries were carried over from prior years and were already present when she assumed office in CY 2022. She acknowledged the need to correct these balances and stated that the transfer to the appropriate PPE accounts, along with the computation of depreciation, would be done following a planned one-time data cleansing.
- 1.10. As a result of these deficiencies, the CIP-Infrastructure Assets and CIP-Buildings and Other Structures accounts under the General Fund were overstated by at least ₱39,360,553.23 and ₱2,931,871.81, respectively. Consequently, depreciation expenses were understated, leading to understated Accumulated Depreciation accounts and an overstated surplus account.
- 1.11. Management is reminded that timely capitalization of CIP is an essential accounting procedure, as capitalizing completed projects ensures the recognition of corresponding depreciation expenses in accordance with the matching principle of accounting.

1.12. We recommended that the Municipal Accountant:

1.12.1. Coordinate with the Municipal Engineer in identifying the projects that have been completed but remained recorded under the CIP accounts;

1.12.2. Record the transfer of the costs of the completed projects from the CIP accounts to the respective PPE accounts once these are identified;

1.12.3. Record the transfer of the PPE accounts from the Trust Fund to the General Fund and subsequently record the receipt thereof;

1.12.4. Record the corresponding depreciation expenses for the current and prior years;

1.13. We further recommended that the Municipal Accountant and the Municipal Engineer establish a regular monitoring process of the Municipality's CIP accounts to ensure the timely transfer of completed projects to the appropriate PPE accounts.

1.14. The Municipal Accountant commented that when she assumed office, several projects from prior years were still recorded under the CIP accounts. From CY 2022 to CY 2024, a total of 124 completed projects costing ₱90,053,319.10 under the General Fund were transferred from the CIP accounts to the appropriate PPE accounts. She added that for the remaining projects still recorded under the CIP accounts, she will coordinate with the Municipal Engineer to identify which of these are already completed and ready for transfer to the appropriate PPE accounts. She further stated that completed projects under the Trust Fund will be transferred to the General Fund, and the corresponding depreciation expenses for the current and prior years will also be recorded. She also mentioned that since CY 2022, the timely transfer of completed projects from the CIP accounts to the appropriate PPE accounts has been carried out.

1.15. The Auditor wishes to emphasize that, while the Municipal Accountant claimed that the timely transfer of completed projects from the CIP accounts to the appropriate PPE accounts has been implemented since CY 2022, this appears inconsistent with the statements made by the Municipal Mayor during the exit conference. The Mayor acknowledged that several completed projects remain recorded under the CIP accounts, indicating that not all completed infrastructure has been properly reclassified. This discrepancy suggests that further validation and coordination with the concerned offices are necessary to ensure the accuracy and completeness of the transfers and related depreciation entries.

Recording of SET in General Fund Books

2. Entries for the Special Education Tax (SET) totaling ₱9,589,520.80 were recorded in the General Fund’s books instead of the Special Education Fund’s books, which is inconsistent with Section 235 of RA No. 7160 and Section 88 of the NGAS Manual for LGUs, Volume I, thus affecting the fair presentation of the SET Receivable and Deferred SET Income accounts in the financial statements at year-end.

- 2.1. Section 235 of Republic Act (RA) No. 7160 provides that the proceeds from the additional levy of one percent (1%) on the assessed value of real property, which shall be in addition to the basic real property tax, shall exclusively accrue to the Special Education Fund (SEF).
- 2.2. Section 88 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I, also specifies that in accounting for the SEF, the Chief Accountant must maintain separate registries for appropriation, allotment, and obligations as well as books of accounts for the SEF.
- 2.3. In CY 2024, the Municipal Accountant recorded the following SET-related entries in the books of the General Fund (GF):

JEV No.	Date	Entry	SET Receivable	Entry	Deferred SET
100-24-01-0376A	1/31/2024	Debit to	9,273,379.65	Credit to	(9,273,379.65)
100-24-06-2241A	6/28/2024	Credit to	(5,346.25)	Debit to	5,346.25
100-24-10-3400A	10/7/2024	Debit to	97,968.95	Credit to	(97,968.95)
100-24-12-4495	12/27/2024	Debit to	223,518.45	Credit to	(223,518.45)
Total			9,589,520.80		(9,589,520.80)

- 2.4. Inquiry with the Municipal Accountant revealed that, in order to segregate the portion of the SET to be remitted to the Provincial Government, she recorded the amount in the General Fund’s books under the SET Receivable and Deferred SET accounts, while the portion intended for the Local School Board remained recorded in the SEF books.
- 2.5. This practice is inconsistent with the legal and accounting requirements that mandate all SET proceeds be exclusively recorded in the SEF and that separate books of accounts be maintained for the fund. As a result, this misclassification may have led to the inaccurate and unfair presentation of the SET Receivable and Deferred SET accounts in the Municipality’s financial statements as of December 31, 2024.
- 2.6. We recommended and the Municipal Accountant agreed to reclassify the SET Receivable and Deferred SET accounts recorded in the books of the General Fund to the books of the Special Education Fund (SEF).**

- 2.7. We also recommended and the Municipal Accountant agreed, to henceforth accrue and record the SET exclusively in the books of the SEF, in accordance with Section 235 of RA No. 7160 and Section 88 of the NGAS Manual for LGUs, Volume I.**

Long Outstanding Accounts Payable

- 3. The Accounts Payable balance of ₱14,059,061.35 was not fairly presented due to the inclusion of unpaid obligations amounting to ₱2,465,908.11, of which ₱2,232,423.11 remained outstanding for more than two years and were neither reverted to the unappropriated surplus, contrary to Section 98 of Presidential Decree No. 1445 and Section 9, Volume I, of the New Government Accounting System (NGAS) Manual, thus, may no longer represent valid claims.**

3.1 COA Circular No. 2015-009 dated December 1, 2015, defines Accounts Payable as an account used to record the receipt of goods or services on account in the normal course of trade and business operations. Accordingly, Accounts Payable are considered current liabilities, as they meet the criteria set forth under paragraph 83 of the International Public Sector Accounting Standard (IPSAS) 1, which states that a liability should be classified as current when it is expected to be settled in the normal course of the entity's operating cycle or is due to be settled months after the reporting date.

3.2 Relative thereto, Section 98 of the P.D. No. 1445 provides that any unliquidated balance of accounts payable in the books may be reverted to the unappropriated surplus of the general fund, provided that these have been outstanding for two years or more and against which no actual claims, administrative or judicial, have been filed or which are not covered by perfected contracts on record.

3.3 While we are aware that the above provisions pertain specifically to the unliquidated balances of accounts payable in the books of the national government, Honorable Celso D. Gangan, former Chairman of the Commission on Audit, as stated in his 5th Indorsement dated September 2, 1998, reads in part:

“ Every statute be construed in connection with those already existing in relation to the same subject matter and should be made to harmonize and stand tighter if they can be done by fair and reasonable interpretation. (City of Naga vs Agna SCRA 176) x x x. ”

3.4 As of December 31, 2024, the Municipality’s Accounts Payable balance amounted to ₱14,059,061.35, as shown in the table below:

Fund	Total	Current	Over 1 - 2 yrs.	Over 2 - 10 yrs.	Over 10 yrs.
General Fund					
CY 2024	₱11,018,653.64	₱11,018,653.64	₱ -	₱ -	₱ -
CY 2023	67,114.00	-	67,114.00	-	-
CY 2021 & prior	2,193,711.60	-	-	2,118,095.00	75,616.60
Sub-total	13,279,479.24	11,018,653.64	67,114.00	2,118,095.00	75,616.60
Special Education Fund					
CY 2024	574,499.60	574,499.60	-	-	-
CY 2023	140,011.00	-	140,011.00	-	-
CY 2022	26,360.00	-	26,360.00	-	-
CY 2019	38,711.51	-	-	38,711.51	-
Sub-total	779,582.11	574,499.60	166,371.00	38,711.51	-
Total	₱14,059,061.35	₱11,593,153.24	₱ 233,485.00	₱ 2,156,806.51	₱ 75,616.60

3.5 Analysis of the account showed that ₱2,465,908.11 of this amount remained outstanding for over one year to more than 10 years, as summarized in the table below:

Age of Accounts Payable		Amount
Current		₱ 11,593,153.24
Over 1 - 2 years	₱ 233,485.00	
Over 2 years – 10 years	₱ 2,156,806.51	
Over 10 years	₱ 75,616.60	₱ 2,465,908.11
Total		₱ 14,059,061.35

3.6 An inquiry with an employee from the Municipal Treasurer’s Office revealed that there are still vouchers related to obligations for CYs 2024 and 2023 that remain unpaid, as they still lack the necessary signatures from the Municipality’s authorizing parties.

3.7 Additionally, a review of the Accounts Payable supporting schedule for prior years indicated that obligations were recorded based on obligation requests. An inquiry with the Municipal Accountant revealed that, during her tenure, obligation requests were already supported by billings and invoices. However, she is uncertain whether the recordings in prior years were based solely on obligation requests or also supported by Inspection and Acceptance Reports (IARs) and/or suppliers’ invoices, which serve as evidence of actual delivery and acceptance of goods or services by Management. The need to verify prior years’ accounts raises doubt about the validity of the claims at the time they were recorded.

3.8 This practice is inconsistent with Section 9, Volume 1 of the NGAS Manual, which requires that obligations be recorded in the books only upon submission of complete supporting documents to the Budget Officer for certification. Moreover, Section 4(s), Volume 1 of the same Manual, states that “Liability shall be recognized at the time goods and services are accepted or rendered and supplier/creditor bills are received.”

Therefore, the recording of obligations must be supported by perfected contracts, billing statements, delivery receipts, inspection and acceptance reports, and other pertinent documents to ensure the validity of the claims.

3.9 Due to the lack of availability of supporting documents to substantiate the AP amounting to ₱2,465,908.11, of which ₱2,232,423.11 has been outstanding for more than two years, we could not ascertain the validity of the accounts. These accounts were also doubtful because it is unlikely that the suppliers or claimants would wait for a long time to be paid or claim what was supposedly due to them. Consequently, the financial statements might not have been fairly presented because a substantial amount may no longer represent valid claims.

3.10 We recommended that the Municipal Accountant coordinate with the Municipal Budget Officer and the Municipal Treasurer to determine whether the Accounts Payable totaling ₱2,465,908.11, aged from over one year to more than 10 years, were recorded based on obligation requests duly supported by supplier bills/invoices and accomplished Inspection and Acceptance Reports, to ensure the validity and accuracy of the liability account presented in the financial statements.

3.11 We further recommended that, henceforth, the Municipal Accountant recognize liabilities only at the time goods and services are accepted or rendered and supplier or creditor bills are received, based on valid claims that are adequately supported by sufficient and appropriate evidence.

3.12 The Municipal Accountant commented that the details of transactions recorded as accounts payable, totaling ₱2,465,908.11, will be reviewed to verify the validity of the claims. Subsequently, a reversion to the unappropriated surplus will be made for those without actual claims or not covered by perfected contracts on record.

Erroneous Recording of LDRRM Expenses

4. The cost of 12,644 bags of 10-kilogram rice, amounting to ₱7,143,860.00, procured using the prior years' unexpended LDRRMF, was incorrectly recorded as a direct debit to the Trust Liabilities – DRRMF account instead of the Welfare Goods Expenses account, contrary to the accounting treatment prescribed under COA Circular Nos. 2012-002 and 2015-009, thus affecting the reliability of financial reporting and the accurate presentation of expenses related to disaster response.

4.1. COA Circular No. 2012-002 dated September 12, 2012, prescribes the accounting and reporting guidelines for the Local Disaster Risk Reduction and Management Fund (LDRRMF) of Local Government Units (LGUs), the National DRRMF provided to LGUs, and Receipts from other sources.

- 4.2. Annex C of the aforementioned Circular provides illustrative accounting entries for the accounting of LDRRMF and DRRM funds transferred from national government agencies, other LGUs, and other sources, within the LGUs' General Fund and Trust Fund books. Items A.3 and A.5 therein provides the following:

Particulars	LGU Books	
	General Fund	Trust Fund
A. 3. Incurrence of expenses charged to the previous year's unexpended Quick Response and Mitigation Funds	-	Dr. Expenses Cr. Accounts Payable or Cash
A. 5. Year-end accounting entries	-	Dr. Trust Liabilities–DRRMF Cr. Expenses

Dr. – Debit; Cr. – Credit

- 4.3. However, when COA Circular No. 2015-009 dated December 1, 2015, which prescribes the Revised Chart of Accounts for recording and reporting the financial transactions of LGUs, took effect, changes were made to the relevant accounts to be used. Annex B of the Circular includes the account descriptions and instructions, which partly provides:

<i>Account Title</i>	<i>Welfare Goods Expenses</i>
<i>Account Number</i>	<i>5-02-03-060</i>
<i>Normal Balance</i>	<i>Debit</i>
<i>Description</i>	<i>This account is used to record the cost of goods issued/distributed to people affected by calamities/disasters/ground conflicts such as canned goods, blankets, mats, kitchen utensils, flashlights and other similar items. This also includes the cost of food served to people affected by calamities/disasters/ground conflicts.</i>
<i>Account Title</i>	<i>Transfers of Unspent Current Year DRRM Funds to the Trust Funds</i>
<i>Account Number</i>	<i>5-02-15-010</i>
<i>Normal Balance</i>	<i>Debit</i>
<i>Description</i>	<i>This account is used to record the current year unspent disaster risk reduction and management funds to the Trust Fund.</i>

<i>Account Title</i>	<i>Trust Liabilities – Disaster Risk Reduction and Management Fund</i>
<i>Account Number</i>	<i>2-04-01-020</i>
<i>Normal Balance</i>	<i>Credit</i>
<i>Description</i>	<p><i>This account is used to record the receipt of amount held in trust for disaster risk reduction and management fund. Debit this account for settlement or compliance of the condition.</i></p> <p><i>Subsidiary ledgers shall be maintained based on source. Unspent DRRM funds of LGUs from current year appropriations shall likewise maintain subsidiary ledger by year.</i></p>

4.4. In light of the above, the accounting entries illustrating the use of the unspent LDRRMF are as follows:

Particulars	LGU Books	
	General Fund	Trust Fund
Use of the unspent LDRRMF	-	Dr. Expenses Cr. Cash
At the end of the year, reporting date	-	Dr. Trust Liabilities–DRRMF Cr. Transfers from Unspent Current Year DRRM Funds to the Trust Funds
Closing	-	Dr. Transfers from Unspent Current Year DRRM Funds to the Trust Funds Cr. Expenses

4.5. On May 13, 2024, the Sangguniang Bayan of the Municipality passed Resolution No. 156, S. 2024, adopting Resolution No. 537, S. 2024, of the Sangguniang Panlalawigan of Negros Oriental, which declared the province under a state of calamity due to the adverse effects of the El Niño Phenomenon. The said resolution authorized the utilization/release of the LDRRMF from prior years, held under the Trust Fund, for the purchase of rice to mitigate food supply shortages affecting the local constituents.

4.6. Pursuant to this authority, the Municipality procured 12,644 bags of 10-kilogram rice totaling ₱7,143,860.00. The payment was processed through Disbursement Voucher No. 300-24-09-821 and Check No. 1675190 dated September 26, 2024. However, a review of the related Journal Entry Voucher revealed that the transaction was recorded as an outright debit to the Trust Liabilities – DRRMF account, instead of recognizing the transaction under the Welfare Goods Expenses account.

- 4.7. Failing to follow the prescribed accounting treatment resulted in the misclassification of expenses, which affected the reliability of financial reporting and the accurate presentation of costs related to disaster response.
- 4.8. **We recommended and the Municipal Accountant agreed to strictly adhere to the illustrative accounting entries prescribed under COA Circular Nos. 2012-002 and 2015-009 in recording the utilization of the unspent LDRRMF to ensure proper accounting and accurate financial reporting of trust fund transactions.**

RIS and SSMI for Medical Supplies and Medicines

5. **The Municipality's recording of various medicines and medical supplies worth ₱2,235,426.25 used for GAD programs and projects, without the proper documentation of actual issuance, specifically the Requisition and Issue Slip (RIS) and Summary of Supplies and Materials Issued (SSMI), was not in accordance with the NGAS Manual for LGUs, Volume I, thereby compromising the accuracy of expense recognition and rendering the balances of the Drugs and Medicines Inventory and Medical, Dental and Laboratory Supplies Inventory accounts unreliable as of December 31, 2024.**

- 5.1. The Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs) was prescribed to ensure proper accounting of all financial transactions of the LGUs. Section 116 thereof provides the requisition procedures for supplies, while Section 121 provides the reporting on the issuance of supplies/materials, viz:

“Sec. 116. Requisition Procedures. – (a) Requirement of Requisition - Any order for supplies shall be filled by the provincial general services officer, the city general services officer, or the municipal treasurer, as the case maybe, for any office or department of the LGU concerned only upon written requisition.

(b) Forms to be used - Requisitions shall be accomplished using the following forms:

- (1) Requisition Issue Slip (RIS) - for supplies carried in stock; and
- (2) Purchase Request (PR) - for supplies not carried in stock.

(c) Preparation of Requisition - At the beginning of the year, the Office of the General Services Officer (GSO) or the Municipal Treasurer, as the case maybe, shall prepare a PR for supplies and materials needed for the quarter based on the approved Annual Procurement Program. Subsequent requisition from stock shall be

made by the head of office or department needing the supplies. A Supplies Availability Inquiry (SAI) shall be used to inquire as to the availability of supplies needed from the Office of the Chief Accountant. **If supplies are available, the RIS shall be prepared and submitted to the GSO/Local Treasurer for the issuance of supplies.** If the supplies needed are not available from stock, a PR shall be prepared.

The head of office or department needing the supplies shall certify as to their necessity for official use and shall specify the project or activity where the supplies or property are to be used. (Emphasis ours)

Sec. 121. Reporting on Issuance of Supplies/materials. – The General Services Officer or the Local Treasurer, as the case maybe, 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 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.**” (Emphasis supplied)

- 5.2. Audit of CY 2024 transactions revealed that the Municipality procured medicines and medical supplies worth ₱2,235,426.25 under the GAD Fund, which were utilized for various Rural Health Unit (RHU) activities and outreach programs. The Journal Entry Vouchers (JEVs) showed that upon payment, these items were correctly recorded as inventory under the Drugs and Medicines Inventory and Medical, Dental and Laboratory Supplies Inventory accounts. However, supporting documentation required to substantiate the use of these items, specifically the RIS and SSMI, were not attached to the JEVs.
- 5.3. In a telephone inquiry, the Municipal Accountant confirmed that while the RIS and SSMI are maintained and filed in their office, they are not prepared in accordance with the prescribed procedures. She explained that their current practice is to prepare the corresponding RIS for the entire batch of medicines and medical supplies covered by the disbursement voucher (DV) at the same time the DV is prepared for payment, rather than upon request by the end user. She further stated that she prepared the RIS, not the head of the office or department requesting the supplies. The RIS is then updated for the supplies issued after the Accounting Office personnel conduct an inventory of the remaining supplies, which is done once every quarter. Thereafter, the Municipal Accountant prepares the SSMI and records the cost of the medicines and medical supplies consumed during the quarter.

- 5.4. This practice deviates from the proper process outlined in the NGAS Manual. While it is correct to record the procurement as inventory upon payment, the corresponding expenses should only be recognized upon actual issuance of supplies, supported by RIS and SSMI documents duly prepared and submitted. The absence of these key forms compromises the reliability of data used to update inventory records and recognize expenses, thereby affecting the accuracy of the Municipality's financial statements.
- 5.5. Moreover, the Municipal Accountant disclosed that the same informal procedure is being applied to other inventory items beyond medicines and medical supplies. This raises broader concerns about the completeness and accuracy of all inventory account balances reported in the Municipality's books as of December 31, 2024.
- 5.6. In summary, the Municipality's inability to follow the standard procedures in recognizing the issuance of ₱2,235,426.25 worth of medicines and medical supplies, specifically the improper preparation and timing of the RIS and SSMI, resulted in non-compliance with the NGAS Manual for LGUs. This deviation not only compromised the proper accounting and monitoring of inventory usage but also raised concerns about the reliability of the reported balances of inventory accounts as of year-end.
- 5.7. We recommended that Management observe the requisition procedures for materials and the reporting of their issuance, as prescribed in the NGAS Manual for LGUs, Volume I. This will help ensure proper monitoring and accounting, as well as establish reliable inventory account balances in the financial statements at year-end.**
- 5.8. The Municipal Accountant stated that the requisition of supplies and materials, as well as the reporting of issuances, were done by the end-users through logbooks. Thus, the inventory balances can still be ascertained.
- 5.9. The Auditor would like to remind Management that while logbooks can help with the requisition and issuance of supplies and materials, they are not a replacement for the use of the prescribed RIS and SSMI forms. It is important to note that using these forms is essential and should be followed.
- 5.10. Furthermore, the Auditor would like to note that, since the Municipal Accountant only assumed office in CY 2022, there remains a concern regarding the accuracy of inventory balances, especially those pertaining to prior periods, as proper monitoring and the use of RIS and SSMI could not be ensured.

Erroneous Recording of RPT Penalties

6. Inconsistent with COA Circular No. 2015-009, penalties from Real Property Tax (RPT) and Special Education Tax (SET) collections totaling ₱1,934,234.14 in CY 2024 were erroneously recorded in the books of accounts as Real Property Tax - Basic (4-01-02-040) instead of Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020), hence, both income accounts were overstated and understated, respectively, as of December 31, 2024.

6.1. COA Circular No. 2015-009 dated December 1, 2015, prescribes the Revised Chart of Accounts for Local Government Units to record and report the financial transactions of LGUs. Annex B thereof contains the description of accounts and the instructions, which partly provides:

<p><i>Account Title</i> <i>Account Number</i> <i>Normal Balance</i></p> <p><i>Description</i></p>	<p><i>Real Property Tax- Basic</i> <i>4-01-02-040</i> <i>Credit</i></p> <p><i>This account is used to record the basic tax imposed on real property such as land, buildings, machinery and improvements affixed or attached to the real property.</i></p> <p><i>Subsidiary ledger:</i></p> <p><i>Subsidiary:</i></p> <p><i>01 - Real Property Tax Land</i> <i>02 - Real Property Tax Building</i> <i>03 - Real Property Tax Machinery</i></p>
<p><i>Account Title</i> <i>Account Number</i> <i>Normal Balance</i></p> <p><i>Description</i></p>	<p><i>Tax Revenue - Fines and Penalties - Property Taxes</i> <i>4-01-05-020</i> <i>Credit</i></p> <p><i>This account is used to record all fines and penalties charged in relation to the collection of property taxes.</i></p> <p><i>01 - Real Property Tax Basic Land – Penalty</i> <i>02 - Real Property Tax Basic Building – Penalty</i> <i>03 - Real Property Tax Basic Machinery – Penalty</i> <i>04 - Special Education Tax – Penalty</i></p>

6.2. In CY 2024, the Municipality collected penalties from the Property Tax (RPT) Receivable and Special Education Tax (SET). As of December 31, 2024, the penalties collected amounted to ₱967,117.07 each, totaling ₱1,934,234.14, broken down on the next page.

Month	Amount of Penalties Collected	
	RPT	SET
January	₱ 129,019.03	₱ 129,019.03
February	95,215.68	95,215.68
March	72,644.53	72,644.53
April	36,072.16	36,072.16
May	30,769.14	30,769.14
June	52,924.64	52,924.64
July	45,750.23	45,750.23
August	38,797.93	38,797.93
September	37,961.16	37,961.16
October	33,642.79	33,642.79
November	40,891.48	40,891.48
December	353,428.30	353,428.30
Sub-total	₱ 967,117.07	₱ 967,117.07
Total	₱1,934,234.14	

- 6.3. However, the related Journal Entry Voucher covering the recording of the penalties in the books of accounts of the Municipality showed that these were improperly recognized under Real Property Tax - Basic (4-01-02-040). This was also confirmed by the Municipal Accountant.
- 6.4. Based on the definition of accounts cited above, the penalties collected from RPT and SET should have been recorded under Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020).
- 6.5. Recognizing the above transactions as Real Property Tax - Basic (4-01-02-040) instead of Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020) is inconsistent with the aforementioned Circular.
- 6.6. Consequently, both income accounts were overstated and understated, respectively, as of December 31, 2024.
- 6.7. We recommended and the Municipal Accountant agreed to:**
- 6.7.1. Prepare the necessary adjusting entries to effect the corrections in the financial statements and ensure accurate financial reporting; and**
- 6.7.2. Henceforth, ensure that all penalties collected from RPT and SET are properly recognized as Tax Revenue - Fines and Penalties - Property Taxes (4-01-05-020) at the time of collection, in compliance with COA Circular No. 2015-009.**

Lacking Information in the Notes to Financial Statements

7. The Notes to Financial Statements (FS) of the Municipality for the year ended December 31, 2024, did not provide sufficient disclosures on several key accounts, including advances, other receivables, accounts payable, due to officers and employees, trust liabilities, other deferred credits, and other payables, contrary to Sections 127 and 129 of IPSAS No. 1, thereby diminishing the transparency and usefulness of the FS for users and stakeholders.

7.1. Paragraph 127 of the International Public Sector Accounting Standards (IPSAS) No. 1- Presentation of Financial Statements states that the notes shall:

- “(a) Present information about the basis of preparation of the financial statements and the specific accounting policies used.
- (b) Disclose the information required by IPSASs (International Public Sector Accounting Standards) that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, or cash flow statement; and
- (c) Provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement, but that is relevant to an understanding of any of them.”

7.2. Moreover, Section 129 states that notes are normally presented in an order that helps users understand the financial statements and compare them with those of other entities. It shall include supporting information for items presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity, or cash flow statement, in the order in which each statement and each line item is presented.

7.3. The financial statements of the Municipality as of December 31, 2024, showed the following balances:

Name of Account		Account Balance
Advances		
Advances for Operating Expenses	₱ 68,910.11	
Advances for Officers and Employees	2,000.00	
Advances for Special Disbursing Officer	525,000.00	₱ 595,910.00
Other receivables – Current		1,583,218.77
Accounts Payable		14,059,061.35
Due to Officers and Employees		341,840.11
Trust Liabilities		47,636,625.79
Other Deferred Credits		5,114,353.44
Other Payables		309,589.88

- 7.4. Of the above accounts, only Other Receivables had a partial disclosure totaling ₱283,218.77, which included ₱280,000.00 representing amounts extended to farmer-beneficiaries to augment their income through livelihood projects, and ₱3,218.77 from various creditors aged two to ten years, leaving ₱1,300,000.00 with no additional information. The remaining accounts had no explanatory notes or supplementary details to help clarify the balances.
- 7.5. It must be emphasized that the Notes to FS are explanatory notes regarding the accounts and/or accounting policies that add value to the financial statements. Furthermore, this disclosure also ensures that the Municipality is transparent in its operations and provides financial users with adequate information necessary for decision-making purposes. Since the preparation of the FS, including the Notes, is the responsibility of Management, it must be carried out with due diligence and accuracy, both in form and substance.
- 7.6. Given the above, the failure to disclose relevant and sufficient information in the Notes to the Financial Statements, as required by PPSAS No. 1, indicates a significant lapse in financial reporting practices. This impairs the usefulness of the FS and raises concerns over the integrity of financial data reported by the Municipality.
- 7.7. We recommended that the Municipal Accountant ensure full compliance with the disclosure requirements of Sections 127 and 129 of PPSAS No. 1 by providing comprehensive and relevant explanatory notes for all significant account balances in the financial statements.**
- 7.8. The Municipal Accountant commented that the details and breakdowns of the above accounts were presented through schedules and subsidiary ledgers. However, she committed to providing relevant and comprehensive information in the Notes to the Financial Statements in the next submission, to ensure full compliance with disclosure requirements.
- 7.9. The Auditor would like to remind the Municipal Accountant that, unlike the Notes to the Financial Statements, which are included in the audited financial statements, schedules and subsidiary ledgers, which contain detailed records supporting specific general ledger accounts, are maintained internally and do not form part of the audited financial statements incorporated in the Annual Audit Report. It is emphasized that it is important to provide narrative explanations and sufficient details in the Notes to the Financial Statements to ensure transparency, proper disclosure, and compliance with applicable standards.

Delinquent RPT and SET

8. Delinquent Real Property Taxes (RPT) and Special Education Taxes (SET) including penalties accruing thereon which accumulated to ₱23,751,277.85 remained uncollected as of December 31, 2024, depriving the Municipality of substantial amount of income which could have been utilized to finance the implementation of various development projects or other major programs/projects/activities (PPAs).

8.1. Section 254 of Republic Act (RA) 7160 provides that:

“(a) When the real property tax or any other tax imposed under this Title becomes delinquent, the xxx municipal treasurer shall immediately cause a notice of the delinquency to be posted at the main entrance of the xxx municipal hall and in a publicly accessible and conspicuous place in each barangay of the local government unit concerned. The notice of delinquency shall also be published once a week for two (2) consecutive weeks, in a newspaper of general circulation in the xxx municipality.

(b) Such notice shall specify the date upon which the tax became delinquent and shall state that personal property may be distrained to effect payment. It shall likewise state that at any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made xxx, and unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due except when the notice of assessment or special levy is contested administratively or judicially pursuant to the provisions of Chapter 3, Title II, Book II of this Code, the delinquent real property will be sold at public auction, and the title to the property will be vested in the purchaser, subject, however, to the right of the delinquent owner of the property or any person having legal interest therein to redeem the property within one (1) year from the date of sale.”

8.2. Furthermore, Section 270 of the same Act provides that the collection of basic RPT and any other tax levied should be made within five (5) years from the date they become due and that no action for the collection of the tax, whether administrative or judicial, shall be instituted after the expiration of such period.

8.3. The balances of delinquent Real Property Tax (RPT) and Special Education Tax (SET), as shown in the summary of delinquencies by barangay as of December 31, 2024, are summarized on the next page (see details in **Appendix 3**):

	Tax	Penalty	Total
Real Property Tax	₱ 9,018,867.96	₱ 2,856,801.73	₱ 11,875,669.69
Special Education Tax	9,018,848.06	2,856,760.10	11,875,608.16
Total	₱ 18,037,716.02	₱ 5,713,561.83	₱ 23,751,277.85

- 8.4. An inquiry with the Municipal Treasurer (MT) revealed that in CY 2024, Notices of Realty Tax Delinquency were sent to delinquent taxpayers. However, not all delinquent taxpayers were notified, as they chose to send notices only to the top 20 delinquent taxpayers per barangay. The MT mentioned that there is no specified schedule for sending the notices. They send them whenever time allows between regular operations.
- 8.5. The MT also mentioned that they offered compromise agreements for the settlement of tax dues. However, many delinquent taxpayers, especially those who no longer reside in the Municipality, still failed to settle their obligations.
- 8.6. The MT further revealed that the notice of delinquency was neither posted at the main entrance of the municipal hall nor in publicly accessible and conspicuous places within each barangay of the Municipality. Additionally, the notice was not published weekly for two consecutive weeks in a newspaper of general circulation within the Municipality. These actions are inconsistent with the aforementioned provisions of RA 7160.
- 8.7. We also observed that the notices of tax delinquency issued by the Office of the Municipal Treasurer lacked certain information required under Section 254(b) of RA No. 7160. Including the mandated details would help inform delinquent taxpayers of the potential consequences of non-payment and lend greater authority and enforceability to the notices.
- 8.8. The continued non-collection of the delinquent RPT and SET deprived the Municipality of substantial revenues that could have been utilized to finance the implementation of various development projects or other major PPAs.
- 8.9. We recommended that the Municipal Treasurer strengthen efforts to collect delinquent real property taxes by conducting intensive tax campaigns in each barangay and issuing updated Notices of Delinquency to all delinquent taxpayers, ensuring that these notices include the information mandated under Section 254(b) of RA No. 7160.**
- 8.10. We also recommended that Management consider applying the remedies for the collection of real property taxes, in accordance with the pertinent provisions of RA No. 7160.**
- 8.11. According to the Municipal Treasurer, they exerted all efforts to collect the delinquent taxes. However, they depend on the willingness of the delinquent taxpayers to settle their tax dues. She added that they regularly submit a list of delinquent taxpayers to the Provincial Government for appropriate action.

LDRRMF Utilization

9. Out of the total available LDRRMF for the 70% Mitigation Fund, Continuing Appropriations, and unexpended funds from previous years amounting to ₱50,978,434.04 for CY 2024, only ₱7,143,860.00 or 14.01% was utilized for rice purchase while the province was under a state of calamity due to the adverse effects of the El Niño Phenomenon. Thus, the use of the fund was not maximized to strengthen the capacity of the Municipality to reduce and manage the adverse effects during disasters or calamities.

- 9.1. Pursuant to Republic Act (R.A.) No. 10121, otherwise known as the Philippine Disaster Risk Reduction and Management Act of 2010, not less than five percent (5%) of the estimated revenue from regular sources shall be set aside as the Local Disaster Risk Reduction and Management Fund (LDRRMF) to support disaster risk management activities. These include, but are not limited to, pre-disaster preparedness programs such as training, procurement of life-saving rescue equipment, supplies, and medicines, post-disaster activities, and payment of premiums on calamity insurance.
- 9.2. Anent thereto, the National Disaster Risk Reduction and Management Council (NDRRMC), Department of Budget and Management (DBM), and Department of the Interior and Local Government (DILG) issued Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013, which provides guidelines for LDRRMF allocation and utilization. It explicitly provides the necessary measures to avoid, lessen, or limit potential adverse impacts of hazards and related disasters. It also capacitates governments, communities, and individuals to effectively anticipate and manage all types of emergencies and achieve orderly transitions from response to sustained recovery.
- 9.3. Sections 5.1 to 5.4 of the JMC define disaster prevention and mitigation, disaster preparedness, disaster response, and disaster rehabilitation and recovery. The same sections enumerate the PPAs under the four thematic areas of disaster risk reduction and management for which the LDRRMF may be utilized.
- 9.4. In addition, DILG Memorandum Circular No. 2012-73 dated April 17, 2012, provides a detailed list of allowable PPAs for which the LDRRMF may also be utilized.
- 9.5. In CY 2024, the Municipality's total available appropriations for LDRRMF amounted to ₱54,053,434.04, which includes ₱3,075,000.00 appropriated for the 30% Quick Response Fund. This left a balance of ₱50,978,434.04 available for the implementation of LDRRM PPAs, which consists of the 70% Mitigation Fund, Continuing Appropriations, and unexpended LDRRMF from previous years. However, of this amount, only ₱7,143,860.00 or 14.01% was utilized during the year for the purchase of rice when the Municipality passed Resolution No. 156, S. 2024, adopting Resolution No. 537, S. 2024, of the Sangguniang Panlalawigan of

Negros Oriental declaring the province under a state of calamity due to the adverse effects of the El Niño Phenomenon. The details of the appropriations and utilization are presented in the table below:

Year	Appropriations	Utilization
CY 2024 Appropriations		
30% Quick Response Fund (QRF) ₱ 3,075,000.00		
70% Mitigation Fund (MF) 7,175,000.00	₱ 10,250,000.00	-
Continuing Appropriations	23,396,879.17	-
Special Trust Fund		
CY 2023 ₱ 3,016,727.10		
CY 2022 7,291,561.00		
CY 2021 6,790,521.04		
CY 2020 1,103,935.00		
CY 2019 2,203,810.73	20,406,554.87	₱ 7,143,860.00
Totals	₱ 54,053,434.04	₱ 7,143,860.00
Total Available Appropriations excluding 30% QRF	₱ 50,978,434.04	
Percentage of Utilization	14.01%	

- 9.6. This shows that a substantial amount of the LDRRMF remained unutilized at the end of the year. Delays in the implementation of the planned LDRRM PPAs may hinder timely disaster response efforts and extend the recovery period for affected communities during calamities.
- 9.7. It is important to note that Section 3 of RA No. 10121 allows the LDRRMF utilization for disaster preparedness and prevention activities, including, among others, the construction of dams or embankments that mitigate flood risks, as well as the conduct of training aimed at building the capacities needed to respond to disasters.
- 9.8. In this context, NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 emphasizes the importance of proactive measures to fully prevent potential adverse impacts through actions taken in advance, including structural interventions like flood control projects.
- 9.9. Given the above, the low utilization rate of only 14.01% of the available LDRRMF in CY 2024 indicates that the Municipality did not maximize the fund’s intended purpose of strengthening disaster preparedness, prevention, and mitigation efforts. This underutilization, despite the province’s declaration of a state of calamity due to the El Niño Phenomenon, suggests missed opportunities to implement timely and proactive measures that could have reduced risks, enhanced community resilience, and supported faster recovery.
- 9.10. We recommended that Management maximize the utilization of the LDRRMF by promptly implementing the planned programs, projects, and activities aimed at eliminating flood risks, reducing the adverse impacts of hazards and calamities, and enhancing the capacity of the LGU, communities, and**

individuals to effectively anticipate and manage all types of emergencies, thereby ensuring an orderly transitions from response to sustained recovery.

- 9.11. According to the LDRRMO, the utilization of the LDRRMF was not fully maximized, as most of the national government projects allocated to the Municipality focused on mitigating the risks of hazards and calamities.
- 9.12. The Auditor wishes to clarify that the LDRRMO did not provide any documents to support his statement. Records provided by Management to the Auditor did not show any projects funded by the national government that were specifically aimed at mitigating the risks of hazards and calamities.

GAD Fund Utilization

10. Because programs, projects, and activities in the CY 2024 GAD Plan and Budget were either not implemented or only partially implemented by year-end, the amount appropriated was not fully utilized, leaving an unexpended balance of ₱4,880,659.51, representing 47.62 percent of the total annual GAD appropriations of ₱10,250,000.00, defeating the intent of the program to advance women’s empowerment and gender equality.

10.1. Section C.1.1 of PCW, DILG, DBM, and NEDA Joint Memorandum Circular No. 2013-01 requires LGUs to formulate and implement a GAD plan by allocating at least five percent (5%) of their total budget appropriations for this purpose. It further mandates that the LGU’s annual GAD plan be developed within the framework of their mandates to ensure gender mainstreaming across their policies, programs, and projects. In addition, Section C.1.3 states that GAD planning and budgeting should align with the desired outcomes and goals embodied in the Magna Carta of Women (MCW), the Philippine Plan for Gender-Responsive Development (PPGD), other GAD-related laws, policies and term plans, as well as the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (UN CEDAW) and other relevant international commitments.

10.2. In CY 2024, the Municipality appropriated ₱10,250,000.00 for the implementation of various GAD programs, projects, and activities detailed as follows:

Item No.	Name of Programs, Projects, and Activities	Amount of Appropriation	Amount Utilized	Balance
1	Financial Assistance for VAW/CICL	₱ 180,000.00	₱ 43,400.00	₱ 136,600.00
2	Training Workshop for Not Attending School Pantawid	100,000.00	-	100,000.00
3	Enrollment to PhilHealth	720,000.00	720,000.00	-
4	Formulation of GAD Database System	870,000.00	-	870,000.00
5	Family Planning Commodities	₱ 1,000,000.00	-	₱ 1,000,000.00

Item No.	Name of Programs, Projects, and Activities	Amount of Appropriation	Amount Utilized	Balance
6	Medicines/Medical Supplies for RHU	2,700,000.00	₱ 2,591,409.77	108,590.23
7	Medical Outreach Program	1,500,000.00	1,204,660.72	295,339.28
8	Blood Letting Program	300,000.00	100,500.00	199,500.00
9	Provision for Solo Parent	1,000,000.00	-	1,000,000.00
10	Conduct of Advocacy on Reproductive Health-Trainings/ Seminars/Orientation on Family Planning	400,000.00	-	400,000.00
11	Comprehensive Training for Mothers	330,000.00	30,000.00	300,000.00
12	Seed Dispersal/Farm Input (RIC members)	400,000.00	148,820.00	251,180.00
13	Capability Building for Women Farmers	300,000.00	279,800.00	20,200.00
14	Women's Month Celebration	200,000.00	151,000.00	49,000.00
15	Orientation/Seminars/ Training on GAD Laws	250,000.00	99,750.00	150,250.00
Total		₱ 10,250,000.00	₱ 5,369,340.49	₱ 4,880,659.51
Percentage		100	52.38	47.62

- 10.3. However, the related Registry of Allotment and Obligations indicated that out of the total GAD appropriations amounting to ₱10,250,000.00, only ₱5,369,340.49 was utilized, reflecting a utilization rate of 52.38 percent. Consequently, the amount of ₱4,880,659.51, which represents 47.62 percent, remained unexpended at the end of the year.
- 10.4. As a result, some of the GAD programs, projects, and activities were either not implemented or only partially implemented, which led to the corresponding objectives not being substantially achieved, thereby depriving the intended beneficiaries of the benefits that should have been appropriately afforded to them.
- 10.5. We recommended that the GAD Focal Point ensure the effective implementation of GAD programs, projects, and activities as planned, in order to achieve the GAD objectives.**
- 10.6. We further recommended that Management maximize the utilization of GAD funds to ensure that the intended outcomes are fully realized and that beneficiaries receive the appropriate support and services**
- 10.7. The Municipal GAD Focal Person commented that they implemented the programs, projects, and activities planned for CY 2024 using funding from the national government.

- 10.8. The Auditor observed that Management did not implement the following programs in CY 2024: Training Workshop for Not Attending School Pantawid, Formulation of GAD Database System, Family Planning, Provision for Solo Parent, and Conduct of Advocacy on Reproductive Health-Trainings/Seminars/Orientation on Family Planning. These programs should have been carried out using the Municipality's local funds.

GAD Splitting of Contracts

11. Procurement of various medicines and medical supplies totaling ₱2,235,426.25 charged against the GAD Fund were split into several requisitions and procured through either Shopping or Small Value Procurement (SVP), contrary to Sections 10 and 54.1 of the 2016 Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184, thereby bypassing the requirement for competitive bidding and casting doubt on whether the prices obtained were the most reasonable and advantageous to the Municipal Government.

- 11.1. Section 10 of Rule IV of the Revised IRR of R.A. No. 9184 states, "All procurement shall be done through competitive bidding except as provided in Rule XVI of this IRR."
- 11.2. Further, Section 48.1 of the same IRR provides, "Subject to the prior approval of the HoPE, and whenever justified by the conditions provided in this Act, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in this Rule. In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained."
- 11.3. Furthermore, Section 48.2 of the IRR provides that "In accordance with Section 10 of this IRR, as a general rule, the Procuring Entities shall adopt competitive bidding as the general method of procurement and shall see to it that the procurement program allows sufficient lead time for such competitive bidding. **Alternative methods of procurement shall be resorted to only in highly exceptional cases** provided for in this Rule."
- 11.4. On the other hand, Section 54.1 of the IRR says that, "**Splitting of Government Contracts is not allowed.** Splitting of Government Contracts means the division or breaking up of GoP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR, particularly the necessity of competitive bidding and the requirements for the alternative methods of procurement. xxx"
- 11.5. In CY 2024, the Municipality procured various medicines and medical supplies totaling ₱2,235,426.25, charged against the GAD Fund (details in **Appendix 4**). Upon reviewing the Purchase Requests (PRs), Purchase Orders (POs), and other

documents supporting the Disbursement Vouchers (DVs), we found that the mode of procurement used was either Shopping or Small Value Procurement (SVP). However, we noted the absence of a Bids and Awards Committee (BAC) resolution providing valid justification and recommending the use of either Shopping or SVP for procuring these goods.

- 11.6. Further review of the PRs revealed that they were prepared at closely spaced intervals. Some PRs were even created on the same date and shared the same PR number, such as the following (see details in *Appendix 4*):

PR Date	PR No.	Purpose
2-19-24	100-24-02-0040C	For deworming activity – RHU
2-19-24	100-24-02-0041	For Medical Outreach Program
2-19-24	100-24-02-0042	Medicines for RHU
4-1-24	100-24-04-0067B	Medicines and medical equipment for RHU
4-1-24	100-24-04-0067B	Medicines for Medical Outreach

- 11.7. Our post-audit also disclosed that all purchase amounts ranged from ₱10,904.00 to ₱97,500.00. Notably, each individual purchase was within the threshold for procurement through Shopping or SVP, as specified in Annex H of the 2016 Revised IRR of R.A. No. 9184, which sets the limit at ₱100,000.00 for fourth-class municipalities. However, had these purchases been consolidated into a single request and contract, the total cost of procuring various medicines and medical supplies would have amounted to ₱2,235,426.25, exceeding the threshold for Shopping and SVP, thus requiring competitive public bidding.
- 11.8. It is important to note that splitting a contract into smaller quantities and using Shopping or SVP as the alternative method of procurement contravenes Section 54.1 of the 2016 Revised IRR of R.A. No. 9184. Had the medicines and medical supplies been procured through competitive bidding, the BAC could have widely disseminated bid opportunities by posting the Invitation to Bid (ITB), thereby allowing qualified suppliers equal opportunities to participate in the bidding process. Furthermore, the Municipality could have obtained the most advantageous prices, including possible discounts, as more suppliers might have participated in the procurement. Thus, there is no assurance that the prices obtained under the foregoing contracts were the most reasonable and advantageous to the Municipality.
- 11.9. We recommended that the BAC conduct proper procurement planning by consolidating similar or related requirements from various departments to avoid splitting of contracts, and to ensure compliance with Sections 10 and 54.1 of the 2016 Revised IRR of R.A. No. 9184, which mandates competitive bidding as the default method of procurement.**
- 11.10. We further recommended that the BAC issue a resolution justifying the use of any alternative mode of procurement, ensuring that such justification is well-documented, legally valid, and supported by the conditions set forth under**

Rule XVI of the IRR to promote transparency, efficiency, and economy in government spending.

- 11.11. The BAC Chairperson stated that they opted to undertake the procurement of medicines and medical supplies through SVP and Shopping in the early part of the year due to urgent needs and the implementation of various health-related programs. He added that later on, they consolidated all medicine and medical supply requirements and carried out the procurement through public bidding.
- 11.12. The Auditor would like to note that the post-audit revealed that the procurement of medicines and medical supplies through SVP and Shopping was not limited to the early part of the year. In fact, records showed that procurements using the same modality were also made in June, July, August, and September.

GAD Plan and Budget and Accomplishment Report

12. The GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) were not submitted to the PPDO, DILG Provincial Office, and the concerned Audit Team within the prescribed period, for the alignment the Municipality's GAD PPAs with the Province's priorities and for review and endorsement, respectively, contrary to Section 4.0 of the PCW, DILG, DBM and NEDA JMC No. 2016-01 dated January 12, 2016 and COA Circular No. 2014-001 dated March 18, 2014, thus, gender responsiveness of the programs and activities was not assured.

12.1. The Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016 was issued to amend parts of PCW-DILG-DBM-NEDA JMC No. 2013-01 to clarify the process of costing, allocation and attribution of the GAD budget, as well as the duties and functions of the DILG as the lead agency in the review, endorsement and monitoring of submission of GPB and GAD AR of Local Government Units (LGUs).

12.2. Section 4.0 of the JMC partly states, thus:

“Section 4.1.C.5 (Schedule to be observed in GAD Planning and Budgeting) are hereby amended to read as follows:

C.5 Schedule to be Observed in GAD Planning and Budgeting

- 1) January (a year before budget year) - The Local chief Executive (LCE) shall issue directive (i.e., memo or executive order) to all LGU department/offices for the preparation of their annual GPB and annual GAD AR (e.g., LGU FY 2017 GPB and FY 2015 GAD AR).

- 2) January-February - All LGU departments/offices including barangays shall formulate their GAD AR of the preceding year. Based on its accomplishments in the preceding year and the results of the conduct of gender analysis to determine the existing gender issues of the locality, the LGU departments/offices shall prepare its GPB proposal for the succeeding year for submission to the LGU GAD Focal Point System (GFPS). The LGU GFPS Technical working Group (TWG) shall review and consolidate the inputs submitted by the LGU departments/offices for the preparation of the LGU GPB and GAD AR.
- 3) March - The consolidated GPBs, together with the GAD ARs, shall be submitted to the City/Municipal Planning Development office (C/MPDO) in the case of barangays; and to the Provincial Planning Development office (PPDO) in the case of component cities and municipalities to ensure the alignment of the GAD PPAs of the concerned LGU to the priorities of the LGU exercising jurisdiction over it. Afterwards, the GPBs shall be submitted not later than March 31 to the DILG City/Municipal Local Government Operations Officer (C/MLGOOI) in the case of barangays, and the DILG Provincial Office in the case of component cities and municipalities for review and endorsement.”

12.3. During our audit of the Municipality’s GAD Programs, we noted that the Municipality submitted its FY 2024 GPB to the Provincial Planning and Development Office (PPDO) only on September 13, 2024. This submission contravenes the aforementioned regulations, which requires the GFPS TWG to submit the consolidated GPBs and the GAD ARs to the PPDO by March 2023 and not later than March 31, 2023, to the DILG Provincial Office.

12.4. Since the Municipality did not submit the GPB to the PPDO within the designated timeframe, the PPDO was unable to conduct a timely review of its FY 2024 GPB to ensure that its GAD PPAs align with the priorities of the Provincial Government. Additionally, the Municipality’s failure to submit the GPB to the DILG Provincial Office also prevented a timely review and endorsement, making it impossible to guarantee the gender-responsiveness of the PPAs in the GPB.

12.5. On the other hand, Section C.8 (5) of the PCW-DILG-DBM-NEDA JMC No. 2013-01 states that the annual GAD AR must be accompanied by the following: (1) a brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests; and (4) actions taken by the LGU on the COA audit findings and recommendations.

- 12.6. It is worth mentioning that Item V of COA Circular No. 2014-001 dated March 18, 2014, requires the audited agency to submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five working days from the receipt of the approved plan from the PCW or their mother or central offices, as applicable. The agency must also provide a copy of the corresponding Accomplishment Report to the Audit Team within five working days from the end of January of the preceding year.
- 12.7. Contrary to the above requirements, Management was unable to submit a copy of their Annual GPB and the corresponding AR to the Audit Team within the specified timeframe. These documents were submitted only upon request during the audit of the Municipality's CY 2024 transactions. However, the copy of the GAD AR provided did not bear a "Received" stamp from the PPDO and the DILG Provincial Office, raising doubts as to whether the report was formally submitted to the concerned agencies. Furthermore, the AR was not accompanied by the required supporting reports, further indicating non-compliance with prescribed reporting standards.
- 12.8. We recommended that Management ensure the timely submission of the Municipality's GPB and AR to the PPDO and the DILG Provincial Office, as required under Section 4.0 of PCW-DBM-DILG-NEDA Joint Memorandum Circular No. 2016-01, and obtain official "Received" stamps from the receiving agencies as proof of compliance with submission requirements.**
- 12.9. We further recommended that Management promptly submit copies of the approved GPB within five working days of receipt, and the GAD AR within five working days after the end of January of the following year, to the COA Audit Team in compliance with Item V of COA Circular No. 2014-001.**
- 12.10. Lastly, we recommended that Management ensure that the GAD AR is accompanied by the required reports listed under Section C.8 (5) of the PCW-DILG-DBM-NEDA JMC No. 2013-01.**
- 12.11. Management noted that they did their best to ensure the timely submission of the GPB and GAD AR. However, because the due dates are at the start of the year or during the first quarter, it is hard to determine the total LGU budget, which is used to calculate the 5% GAD fund.
- 12.12. The Auditor would like to remind Management that the GPB should be prepared and submitted a year before the budget year. If there are any changes in the LGU budget amounts, a revised GPB can be submitted.

B. OTHER MANDATORY AREAS

Compliance with Mandatory Deductions and Tax Laws

- 13.1 Taxes withheld during the year from salaries, wages, and other services, including Value-Added Taxes withheld from suppliers and contractors, were remitted to the Bureau of Internal Revenue pursuant to existing Revenue Regulations. The Due to BIR account had a balance of ₱2,007,794.24 as of December 31, 2023. The total taxes withheld for the year amounted to ₱7,306,586.91, of which ₱8,388,017.72 was remitted, inclusive of unremitted taxes withheld from previous years. The Due to BIR account had a balance of ₱926,363.43 as of December 31, 2024.
- 13.2 The Due to PhilHealth account had a balance of ₱1,057.67 as of December 31, 2023. In CY 2024, the Municipality recorded total deductions from government and personal shares amounting to ₱1,298,901.33, and total remittances of ₱1,297,664.38. The remaining balance in the Due to PhilHealth account amounted to ₱2,294.62 as of December 31, 2024.
- 13.3 On the other hand, the Due to Pag-IBIG account balance is ₱9,264.84 as of December 31, 2024, which is still subject to verification.
- 13.4 Lastly, Due to GSIS Account had a negative balance of ₱3,532.22 as of December 31, 2024, which is still subject to verification.

C. SETTLEMENT OF ACCOUNTS

14. As of December 31, 2024, the Municipality had no audit suspensions, disallowances, and charges.

D. OTHER MATTERS

15. We have audited the other audit areas specified under the COA Local Government Audit Sector (LGAS) Unnumbered Memorandum dated October 30, 2024. However, we have not yet 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 RECOMMENDATION

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 117 prior years' recommendations, 34 were implemented and 83 were unimplemented, as shown in the results of validations presented below:

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2023 p.33	1. The Municipality did not take advantage of the one-time cleansing of Property, Plant, and Equipment (PPE) due to non-compliance with the guidelines and procedures of COA Circular No. 2020-006 dated January 31, 2020, thus adversely affecting the fairness of the presentation of the PPE accounts with a net book value of ₱1,158,210,327.45 as of December 31, 2023, and may deprive Management of reliable and useful information in decision-making and accountability for these assets.	1. We recommended that Management prioritize the implementation of the one-time cleansing of PPE accounts by strictly following the guidelines and procedures provided in COA Circular No. 2020-006 dated January 31, 2020, to have reliable PPE balances that are verifiable as to existence, condition, and accountability.	Unimplemented The Municipality had yet to draft the Physical Inventory Plan, which will serve as the basis for conducting the one-time PPE cleansing.
AAR 2023 p.34	2. The Municipality did not close its checking account with the Landbank of the Philippines (LBP), which had a balance of ₱603,546.14 as of December 31, 2023, even though it had already become dormant and had served its purpose, thus affecting the efficiency of utilizing such funds for its operations.	2. We recommended that Management close their checking account with LBP and return the remaining balance of the Trust Fund to the DILG to avoid incurring future dormancy fees on the dormant bank account.	Implemented
AAR 2023 p.35	3. The Municipality continued to grant hazard pay to its 10 Public Health Workers (PHWs) amounting to ₱487,144.10 from	3. We recommended that Management strictly observe the provisions of R.A. No. 7305 and its revised IRR for the grant of hazard pay to	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	December 2022 to November 2023 without adhering to the conditions set forth under R.A. No. 7305, and likewise, without fulfilling the documentary requirements listed in COA Circular No. 2012-001 dated June 14, 2012, thus rendering the propriety and validity of the payments questionable.	its PHWs. 4. We further recommended that Management secure the documentary requirements for the payment of hazard pay to the PHWs as listed under COA Circular No. 2012-001 dated June 14, 2012.	Implemented
AAR 2023 p.37 AAR 2019 p.44	4.The Disbursing Officer (DO) was allowed to draw multiple cash advances in one day for the payment of social pension, financial assistance, lot registration, allowances, gratuity pay, honoraria, and other similar payments, going against Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997, resulting in the overlapping of cash advances, unnecessarily exposing government funds to risk of loss through misapplication.	5. We reiterated our recommendation that the Municipal Mayor appoint or designate an additional DO to avoid granting multiple cash advances to the incumbent DO. 6. We also recommended that no additional cash advances be granted to the DO unless the previous cash advance is settled or properly accounted for.	Implemented Unimplemented Records showed that the DO still had been allowed to draw multiple cash advances in one day.
AAR 2023 p.39	5.Inconsistent with Section 5.1 of Treasury Circular No. 02-2019 dated April 25, 2019, the fidelity bond of an Accountable Officer (AO) was insufficient to cover his accountabilities, thus, there is the risk that unrelieved losses of cash through defalcations, robbery, and fire may not be recovered.	7. We reiterated our recommendation that Management ensure that cash advances granted to the DO Designate do not exceed the maximum cash accountabilities covered by his fidelity bond, otherwise, effect the increase of his fidelity bond commensurate with his accountabilities, in accordance with the Bureau of Treasury Circular No. 02-2019 dated April 25, 2019, to protect the interests of the Municipal government.	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2023 p.41	6.The Civil Service Commission (CSC) has disapproved the temporary appointment of a certain employee from the Municipality for the position of Electrician I because it was renewed four times and the required eligibility for the position was not met, which is inconsistent with the provisions of the 2017 ORAOHRA, revised 2018. Thus, there is a risk that the appointing authority may have to refund the payment of the appointee’s salary if the appointment is finally disapproved.	8. We recommended that the HRMO-Designate ensure that the accuracy, authenticity, and completeness of all the requirements and supporting papers in connection with all cases of appointments are thoroughly reviewed and checked before submitting the same to the CSC to avoid disapproval/invalidation of appointments.	Implemented
AAR 2023 p. 42	7.Management has not yet taken tangible and substantial steps toward compliance with the pertinent provisions of CSC-COA-DBM JC No. 1, s. of 2017 as amended by CSC-COA-DBM JC No. 1, s. of 2018, COA-DBM JC No. 2, s. of 2020, and COA-DBM JC No. 2, s. of 2022 on: (a) review of the agency functions, systems and procedures, organizational structure, and staffing pattern to identify any needs and gaps and determine the appropriate human resource complement for the Municipality’s PPAs; and (b) prioritization of qualified COS/JOs in hiring to existing vacant plantilla positions. Moreover, payment of wages to COS/JOs equivalent to salary of comparable government positions and up to 20% premium had not	9. We recommended that Management review the Municipality’s functions, systems and procedures, organizational structure, and staffing pattern to address any needs and gaps in the human resource complement. 10. We also recommended that Management comply with all the provisions of the JC and consider existing qualified COS/JO workers when filling all its vacant plantilla positions, and provide for wages of COs/JOs at a rate equivalent to a comparable position in the government plus premium if funds are available.	Unimplemented Unimplemented Management had yet to update its plantilla positions, taking into consideration the functions, systems and procedures, organizational structure, and staffing pattern, in alignment with the Municipality’s PPAs.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Capital Outlay and Mitigation Fund totaling ₱23,396,879.17 were left unutilized, posing the risk that the Municipality may not have the capacity to effectively manage various types of emergencies in case of calamities and disasters.</p> <p><i>Reiterated under Finding No. 9, Part II of this report.</i></p>	<p>eliminate flood risks, lessen the adverse impacts of hazards and calamities, or prepare and train residents on how to appropriately respond to any disasters that may happen.</p>	<p>allocated to the Municipality had been focused on mitigating the risks of hazards and calamities.</p>
<p>AAR 2023 p. 54</p>	<p>10. The unexpended balance of the Quick Response Fund (QRF) in CY 2023 amounting to ₱3,016,727.10 was not obligated for transfer to the Special Trust Fund (STF) at year-end, inconsistent with Section 4.4 of COA Circular 2012-002 dated September 12, 2012, thereby understating the Trust Liability-DRRM account by the same amount.</p>	<p>14. We recommended that the Municipal Accountant take up an accounting entry in the General Fund (GF) and the Trust Fund (TF) books to record the obligation of the unexpended QRF and the authorized receipt of funds from the GF, respectively, for the transfer of the unexpended balance of the QRF at the end of the year using the accounts discussed in the foregoing paragraphs in compliance with the accounting requirements under Annex C of COA Circular No. 2012-002 dated September 12, 2012 and COA Circular No. 2015-009 dated December 1, 2015, to fairly present the accounts in the financial statements.</p>	<p>Implemented</p>
<p>AAR 2022 p. 38</p>	<p>11. The accuracy and reliability of the Road Networks account totaling ₱5,540,462.63, net of Accumulated</p>	<p>15. We recommended that Management strictly comply with the accounting and reporting guidelines on the local roads asset</p>	<p>Unimplemented The LRNLC had already been maintained by the Accounting</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Depreciation, could not be ascertained due to (a) non-conduct of inventory of local roads and non-preparation of the Report of the Local Road Network (RLRN) and Report on the Physical Count of Local Road Network (RPCLRN); (b) non-segregation of the cost of each road component of the local road projects in the books of accounts; (c) non-maintenance of the Local Road Network Ledger Card (LRNLC) by the Municipal Accountant and Local Road Inventory and Road Map and Local Road Network Property Card (LRNPC) by the Property Officer; and (d) non-disclosure of the total road networks in the Notes to the Financial Statements (FS), contrary to COA Circular No. 2015-008 dated November 23, 2015, thereby, affecting the fair presentation of the account in the financial statements.</p>	<p>management system and earnestly perform their respective duties and responsibilities set forth under COA Circular No. 2015-008 dated October 23, 2015.</p> <p>16. We further recommended that, henceforth, the Inventory Committee conduct an annual physical count of all its Local Road Networks and the results thereof reported in the RPCLRN to be submitted to the Auditor and Accounting Unit 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.</p>	<p>Office and total road networks booked had already been disclosed in the Notes to FS. However, some accounting and reporting guidelines still needed to be implemented.</p> <p style="text-align: center;">Unimplemented</p> <p>No physical count of the total road networks had been conducted in CY 2024. The LGU had not ascertained the total road network within the Municipality due to the lack of turnover of projects undertaken by the DPWH and the Province. Management also had yet to request a proper turnover for the said projects. The only basis available for the physical count is the record of municipality-funded projects.</p>
AAR 2022 p. 42	<p>12. The year-end balance of the Loans Payable account amounting to ₱108,205,893.05 did not reconcile with the balance per the confirmation letter from Land Bank of the Philippines (LBP) due to a loan repricing effective CY 2023 but was adjusted by the Municipal Accountant in CY 2022 books of accounts, resulting to a</p>	<p>17. We recommended that the Municipal Accountant (MA) ensure that loan adjustments such as repricing be effected in the proper accounting period to reflect the correct balance of the loans payable.</p>	<p style="text-align: center;">Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>difference of ₱1,501,255.09, thereby, affecting the fair presentation of the payable accounts in the financial statements. Moreover, the Notes to Financial Statements (FS) did not adequately disclose sufficient and relevant financial information on the details pertaining to the long-term liabilities contrary to Section 127 of the Philippine Public Sector Accounting Standards (PPSAS) No. 1, thus, users of the report may be misled by the lack of information that may affect decision-making.</p>	<p>18. We also recommended that the MA conduct periodic analysis of the Loans Payable-Domestic account and coordinate with LBP and MDFO to reconcile and update records maintained by the parties. Discrepancies noted should be reconciled, and the necessary adjustments be effected to ensure a fair presentation of the account in the financial statements.</p>	<p>Implemented</p>
<p>AAR 2022 p. 47</p>	<p>13. The ambulance purchased by the Municipality in CY 2022 for ₱1,390,000.00 was not covered by a Department of Health (DOH)-License to Operate as required under DOH Administrative Order (AO) No. 2018-0001 dated January 26, 2018. Thus, the assurance that the ambulance operates with competent personnel and appropriate equipment to respond to medical emergencies, provide quality care, and ensure patient safety may not be attained.</p>	<p>19. We recommended that Management take immediate action to comply with the requirements stated in DOH AO No. 2018-001 dated January 28, 2018 in order to obtain the required license for the ambulance. This will enable the Municipality to rectify the existing non-compliance and ensure that the ambulance operates in accordance with the necessary standards and regulations established by DOH.</p>	<p>Implemented</p>
<p>AAR 2022 p. 49</p>	<p>14. The procurement of supplies for the programs implemented under the Municipal Agriculture Office amounting to ₱396,301.00 in CY 2022 was done through</p>	<p>20. We further recommended that, henceforth, Management undertake their procurements through Competitive Bidding in accordance with Section 10, Rule IV of the Revised</p>	<p>Unimplemented The Municipality had still procured items through Shopping in CY 2024.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	shopping despite the absence of the conditions specified under Section 52.1 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184. Moreover, the subject procurement is not included in the line of business of the supplier. Hence, validation of the legal capability of the supplier as required under Section 34 of the Revised IRR of RA No. 9184 was not complied with, rendering the legality of the transactions questionable.	IRR of RA No. 9184, except as provided in Rule XVI of the Revised IRR.	
AAR 2022 p. 53	15. The payment of ₱19,498,333.22, representing 15% mobilization for the construction of the 2-storey Bacong Commercial Complex procured through public bidding, was not fully substantiated by the basic and additional documentary requirements prescribed under Sections 9.1 to 9.1.1.1 of COA Circular No. 2012-001 dated June 14, 2012, thus, the propriety and validity of the transaction could not be ascertained.	21. We further recommended that, henceforth, the Municipal Accountant ensure the completeness of the supporting documents for every transaction of the Municipality before payment is made in compliance with Section 4(6) of PD No. 1445.	Implemented
AAR 2022 p. 56	16. The Municipality spent ₱1,390,000.00 out of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for the purchase of an ambulance, contrary to Section 5.0 of National Disaster Risk Reduction and	22. We further recommended that Management adhere strictly to the provisions of DILG Memorandum Circular No. 2012-73 dated April 17, 2012, NDRRMC-DBM-DILG JMC No. 2013-1 dated March 25, 2013, and DBM LBC No. 124 dated March 26,	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Management (NDRRMC), Department of Budget and Management (DBM), and Department of the Interior and Local Government (DILG) Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013 and DILG Memorandum Circular (MC) No. 2012-73 dated April 17, 2012, thus, reducing the funds available for disaster risk management, relief, rehabilitation, and recovery programs.</p>	<p>2020, on the utilization of the LDRRMF.</p>	
<p>AAR 2022 p. 58</p>	<p>17. Local Disaster Risk Reduction and Management (LDRRM) motor vehicles were used for purposes other than disaster/calamity response and rescue/relief operations, contrary to Section 5.2.1.1.1 of the Department of the Interior and Local Government (DILG) Memorandum Circular (MC) No. 2021-004 dated January 18, 2021, subjecting the motor vehicles to wear and tear which could result in their unavailability during an actual calamity or disaster, thereby negating the purpose for which the vehicles and heavy equipment were purchased.</p>	<p>23. We recommended that Management ensure that the LDRRM motor vehicles be exclusively used for disaster/calamity response and rescue/relief operations in conformity with DILG MC No. 2021-004 dated January 18, 2021. Otherwise, refund or replenish the LDRRMF for the cost of the subject motor vehicles and heavy equipment, the appropriations for which shall be taken from the General Fund.</p>	<p>Implemented</p>
<p>AAR 2022 p. 59</p>	<p>18. The Drivers' Trip Tickets supporting the usage of the LDRRM motor vehicles were not properly accomplished contrary to the pertinent provisions of COA</p>	<p>24. We recommended that the MDRRMO and the Property Officer require the drivers of the LDRRM vehicles to accomplish properly the prescribed form for the</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation																		
	Circular No. 77-61 dated September 26, 1977, thus, the reasonableness of fuel consumption and the necessity of the trips undertaken could not be determined.	Driver's Trip Tickets to ensure that all the data needed to determine the reasonableness of fuel consumed for the period and the necessity of the trips undertaken are provided.																			
AAR 2021 p.35	19. Payments of seed capital assistance granted as a loan to the beneficiaries of the backyard cattle fattening project amounting to ₱9,550,000.00 were recorded to either a liability account or an expense account instead of the asset account "Other Receivables" (1-03-06-990), thus total liabilities and total assets were understated by at least ₱9,550,000.00 as of December 31, 2021.	<p>25. We recommended that the Municipal Accountant reclassify the amount granted as seed capital fund to the farmer's associations recorded to expense or liability accounts to the proper asset account "Other Receivables" (1-03-06-990) by making the following adjusting entry:</p> <table border="1" data-bbox="905 854 1400 1260"> <thead> <tr> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>Other Receivables</td> <td>9,550,000.00</td> <td></td> </tr> <tr> <td>Prior Period Adjustment</td> <td></td> <td>100,000.00</td> </tr> <tr> <td>Trust Liabilities</td> <td></td> <td>4,300,000.00</td> </tr> <tr> <td>Trust Liabilities – DRRMF</td> <td></td> <td>2,100,000.00</td> </tr> <tr> <td>Due to NGAs</td> <td></td> <td>3,050,000.00</td> </tr> </tbody> </table> <p>26. We further recommended that Management make the necessary adjustments in the books of accounts for the seed capital assistance granted as a loan to the</p>		Debit	Credit	Other Receivables	9,550,000.00		Prior Period Adjustment		100,000.00	Trust Liabilities		4,300,000.00	Trust Liabilities – DRRMF		2,100,000.00	Due to NGAs		3,050,000.00	<p>Unimplemented</p> <p>The Municipal Accountant had commented that the recommended adjusting entry is not possible since the affected accounts do not have the same normal balances and effecting the entry would result in an unbalanced financial report. Accounting personnel are still locating the source documents for the erroneous entries so it can be corrected.</p> <p>Unimplemented</p> <p>Management had yet to the make adjustments.</p>
	Debit	Credit																			
Other Receivables	9,550,000.00																				
Prior Period Adjustment		100,000.00																			
Trust Liabilities		4,300,000.00																			
Trust Liabilities – DRRMF		2,100,000.00																			
Due to NGAs		3,050,000.00																			

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>beneficiaries of the backyard cattle fattening project in CY 2020 and prior years when the Municipality started to appropriate funds for the said project from its own Internal Revenue Allotment.</p> <p>27. We furthermore recommended that, henceforth, payments of seed capital assistance to the members of the Cattle Fattener's Associations should be taken up in the books as a receivable through account "Other Receivables" (1-03-06-990) pursuant to COA Circular No. 2015-009 dated December 1, 2015.</p>	Implemented
AAR 2021 p.38	<p>20. Purchases of various welfare goods, drugs and medicines, and other supplies and materials amounting to ₱6,461,055.80 out of the General Fund (GF) Proper and Local Disaster and Risk Reduction and Management Fund (LDRRMF) were directly recorded to the related expense accounts upon payment contrary to Section IV of COA Circular No. 2014-002 dated April 15, 2014 and Section 114 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I, thus, eliminating the required accounting of the receipt and utilization established through the use of Requisitions and Issue Slips (RIS) and</p>	<p>28. We recommended that Management install internal control mechanisms by using the RIS to request and issue supplies and materials carried in stock and to consolidate the same in the SSMI, which shall be submitted to the Municipal Accountant for recording to the appropriate expense accounts for the supplies consumed.</p>	<p>Unimplemented</p> <p>The procedures related to the reporting of requisitions and the issuance of supplies and materials were found to be incorrect.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Summary of Supplies and Materials Issued (SSMI), which could result in the misstatement of inventory and expense accounts at the end of the year.		
AAR 2021 p.42	21. Various procurements of rice for distribution to affected families during the Modified Enhanced Community Quarantine (MECQ) totaling ₱5,234,000.00 were made through Shopping despite the absence of the conditions specified under Section 52.1 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184 and the related Government Procurement Policy Board (GPPB) issuances, thus defeating the State's declared policy of economical procurement while possibly depriving the Municipality of obtaining the most advantageous prices.	29. We recommended that Management undertake their procurements through Competitive Bidding in accordance with Section 10, Rule IV of the IRR of R.A. No. 9184, except as provided in Rule XVI of the IRR. 30. We also recommended that Management observe the judicious application of Shopping as the alternative mode of procurement when the conditions provided under Section 52.1 of the Revised IRR of R.A. No. 9184 are established.	Unimplemented Unimplemented The Municipality had still procured items through Shopping in CY 2024.
AAR 2021 p.47	22. Disbursements amounting to at least ₱1,234,367.37 for repairs and maintenance of motor vehicles and heavy equipment were not supported with pre-repair and post-repair inspection reports, reports of waste materials, copy of documents indicating the history of repair, and other documentary requirements enumerated under Section 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012. Thus, it	31. We recommended that before any repairs and maintenance of motor vehicles and heavy equipment are undertaken, Management require the personnel in charge to prepare the following reports, approved detailed plans showing in sufficient detail the scope of work/extent of repair to be done, b) report of waste materials, c) document indicating the	Unimplemented Management had already started supporting the disbursement vouchers covering payments for repairs and maintenance of motor vehicles with the Pre-inspection Report, Waste Materials Report; and Post-inspection Report but still lacked the History of Repair.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>could not be ascertained whether the extent of the damage and necessity of repair were determined, the scope of work specified in the Job Order was accomplished, and the required replacement parts were installed, thereby impeding the effective and efficient monitoring of the periodic repairs and preventive maintenance of all motor vehicles and heavy equipment owned by the Municipality.</p>	<p>history of repair, and d) post-inspection report.</p> <p>32. We further recommended that the Municipal Accountant ensure that disbursements for the repairs and maintenance of motor vehicles and heavy equipment are supported with the required documents enumerated under Section 9.1.3.4 of COA Circular No. 2012-001.</p>	<p>Unimplemented</p> <p>There was still a lack of requirements for these disbursements.</p>
<p>AAR 2021 p.49</p>	<p>23. The Municipality paid additional honoraria to the Barangay Health Workers (BHWs) and Barangay Nutrition Scholars (BNS) of its 22 component barangays contrary to Section 4.2 of DBM Local Budget Circular (LBC) No. 63 dated October 22, 1996, Section 95 of R.A. No. 7160 and Section 8, Article IX-B of the 1987 Philippine Constitution, prohibiting double compensation, thus, resulting in illegal expenditures of ₱542,500.00.</p>	<p>33. We recommended that Management stop the payment of additional honoraria to the Barangay Health Workers (BHWs) and Barangay Nutrition Scholars (BNS) pursuant to DBM Local Budget Circular No. 63, Section 95 of R.A. No. 7160 and Article IX-B of the 1987 Philippine Constitution to avoid incurring illegal expenditures.</p>	<p>Unimplemented</p> <p>The Municipality, through the Mayor, had entered into a Memorandum of Agreement with the BHWs and BNSs to pay a monthly honorarium for the services rendered. The component barangays of the Municipality had transferred their budget allocation for the payment of honoraria of the BHWs and BNSs to the Municipality.</p> <p>The Auditor would like to emphasize that the BHWs and BNSs are appointed personnel of the Punong Barangays. Hence, payment of their honoraria should be done by the Barangay. If the Municipality wishes to</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			continue the granting of additional honoraria to the BHWs and BNSs, the funds therefor shall be given to the component barangays as aid, pursuant to Section 324(c) of RA No. 7160.
AAR 2021 p.51	24. Payments of ₱1,847,150.00 for the purchase of three parcels of land out of the 20% Development Fund (DF) were not sufficiently supported with complete documentary requirements contrary to Sections 4(6) and 39(2) of Presidential Decree (PD) No. 1445 and Section 13.1 of COA Circular No. 2012-001 dated June 14, 2012, hence, the propriety and regularity of such payments could not be ascertained while the interest of the government was not fully protected because the certificates of title were not yet in the name of the Municipality.	34. We recommended that Management submit the aforementioned lacking documents as required under Section 13.1 of COA Circular 2012-001 to enable us to properly evaluate the propriety of the disbursements. 35. We further recommended that the Municipal Treasurer submit a certification that there are no arrearages in Real Property Taxes on the acquired properties as of the date of purchase. 36. We furthermore recommended that, henceforth, the Municipal Accountant ensure the completeness of the supporting documents for every transaction of the Municipality before payment is made in compliance with Section 4.6 of PD No. 1445.	Unimplemented Time constraints and the tedious process had caused delays in the titling since the Municipality had to depend on other Agencies in order to proceed. Unimplemented Management had submitted a certification from the municipal treasurer in CY 2021 that two of the three lots mentioned have no real property tax arrearages as of the date of purchase, but not for the third lot. Unimplemented Some transactions still had some lacking documentary requirements.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
<p>AAR 2020 p.34</p> <p>AAR 2016</p>	<p>25. As of December 31, 2020, the Municipality maintained a deposit of ₱617,142.89 with the Rural Bank of Bacong, Inc. (RBBI), a private bank, contrary to Section 311 of Republic Act (RA) No. 7160 and Department of Finance (DOF) Department Circular No. 01-2017 dated May 11, 2017, which amount exceeded the maximum insurable amount of ₱500,000.00 with the Philippine Deposit Insurance Corporation (PDIC), thus, exposing public funds to high risk of loss in case of bank closure or bankruptcy.</p>	<p>37. We recommended that the Municipal Treasurer transfer the depository account maintained with the RBBI to either Land Bank of the Philippines, Dumaguete Branch, or Development Bank of the Philippines, Dumaguete Branch, in compliance with Section 311 of RA No. 7160 or DOF Department Circular No. 01-2017 dated May 11, 2017.</p>	<p>Unimplemented</p> <p>Management had submitted the following documents:</p> <p>a) Sangguniang Bayan Resolution No. 45, dated February 27, 1998, requesting the monetary Board of the Central Bank of the Philippines an authority for the LGU to deposit with the RBBI;</p> <p>b) Certificate of Authority of RBBI from the Bangko Sentral ng Pilipinas to accept or create demand deposits; and</p> <p>c) Certification from the PNP Provincial Office.</p> <p>Aside from invoking the “security and safety risks”, Management believed that it was more advantageous to the government to deposit daily and transact to an accessible and hassle-free bank within the locality with shorter queues, unlike other banks in the city. Time and distance matter due to lesser personnel.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			The Auditor would like to emphasize that Management could not invoke the issue on security and safety risks because the Certification from the PNP Provincial Office did not state the existence of a security risk.
AAR 2020 p.37	26. The propriety and validity of disbursements amounting to ₱45,870,000.00 under the Social Amelioration Program (SAP) of the Department of Social Welfare and Development (DSWD) were rendered doubtful due to the inclusion of personnel under casual, job order (JO) or contract of service and incomplete documentary requirements prescribed under DSWD Memorandum Circular No. 09 series of 2020.	38. We recommended that Management ensure systematic procedures while strictly adhering to existing guidelines set forth under DSWD Memorandum Circular No. 09 series of 2020 in the implementation of SAP.	<p>Unimplemented</p> <p>Management had commented that the evaluation of the qualifications of the beneficiaries for the SAP was undertaken by the personnel from Region VII DSWD; thus, the LGU has no control over who will be granted the financial assistance. The Disbursements were also made by the DSWD personnel and only assisted by some personnel of the LGU.</p> <p>The Auditor would like to emphasize that the funds for the SAP were downloaded to the Municipality; hence, disbursements of the funds were made through them. It is only proper that the conditions and documentary requirements outlined in DSWD Memorandum</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			Circular No. 09 series of 2020 be observed.
AAR 2020 p.41	27. The Municipality paid at least ₱20,554,755.63 for purchases of goods and services from various suppliers in response to the COVID-19 pandemic despite the lack of required supporting documents contrary to GPPB Circular No. 01-2020 dated April 6, 2020, GPPB Resolution No. 18-2020 dated September 16, 2020 and Section 4(6) of Presidential Decree (PD) No. 1445, thus, it could not be established whether the suppliers were legally, technically and financially capable and whether the subject goods and services were procured at the most advantageous price.	39. We recommended that Management submit to the Auditor copy of the Mayor's/Business Permit, original OSS of the suppliers, duly notarized, using the form prescribed under RA No. 11469 and RA No. 11494, and PE certification stating that it exerted all efforts to secure the most advantageous price to the government. 40. We further recommended that the Municipal Accountant ensure that the documentary requirements are satisfactorily complied with in accordance with GPPB Resolution No. 18-2020 dated September 16, 2020 and GPPB Circular No. 01-2020 dated April 6, 2020 and that the DVs are duly supported with complete documents pursuant to Section 4(6) of PD No. 1445.	Unimplemented Management had already submitted the OSS and valid Mayor's Permits of the suppliers. Management had not submitted the Procuring Entity Certification stating that they exerted all efforts to secure the most advantageous price for the government. Implemented
AAR 2020 p.45 AAR 2016	28. The reasonableness of the prices of medical supplies, welfare goods and other items purchased by the Municipality in response to the declaration of State of Public Health Emergency throughout the country due to the Coronavirus Disease 2019 (COVID-19) amounting to	41. We recommended that Management require the personnel concerned or the end-user duly authorized by the Head of the Procuring Entity to completely and properly fill up the relevant and required information in the PO pursuant to Item B of COA Circular No. 96-010 dated August 15,	Unimplemented Per checking with the CY 2024 transactions, some purchase orders had lacked required information, such as the mode of procurement.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>₱7,894,318.75 and ₱9,249,714.00 charged against the Bayanihan Grant to Cities and Municipalities (BGCM) and Local Disaster Risk Reduction and Management Fund (LDRRMF), respectively, could not be ascertained because the detailed specifications including brand names of the items were not indicated in the Purchase Orders (POs), contrary to Item B of COA Circular No. 96-010 dated August 15, 1996, making it difficult to compare the prices of these supplies and goods with the prevailing market price and in establishing its compliance with Section 5 of the Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020.</p>	<p>1996.</p>	
<p>AAR 2020 p.46</p>	<p>29. Procurements of various relief goods totaling ₱16,214,736.00 under the Bayanihan Act were neither supported with Omnibus Sworn Statement (OSS) nor a warranty clause included in the purchase orders (POs) contrary to Sections 3.5 and 4.3 of the Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020 and Section 1 of GPPB Resolution No. 18-2020 dated September 16, 2020, hence, putting the Municipality at a disadvantage in case of uncorrected defects and nonconformity with quality</p>	<p>42. We recommended that the BAC require the suppliers to submit the original notarized OSS before or after award of contract but before payment is made and include a warranty clause in the contract or POs for procurements through emergency purchase in accordance with GPPB Circular No. 01-2020 dated April 6, 2020.</p> <p>43. We further recommended that the Municipal Accountant ensure the completeness of the documentary</p>	<p>Unimplemented Management had submitted the OSS of New Bian Yek Commercial, ACME Traders, and Payalin Trading, Inc. only. Management had not yet submitted the OSS of Royal Star Trading and New Merry Mart Corporation.</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	standards and specifications of delivered goods.	requirements for emergency procurement before payment is made.	
AAR 2020 p.48	30. Competitiveness and transparency were not assured in the Municipality's procurement of 28 catering services totaling ₱2,059,700.00 for the meals provided to frontliners and persons under monitoring (PUMs) because the caterers who participated in the canvass were able to come up with their bids despite the lack of a menu, thus, there is doubt whether the procedures provided under Republic Act (RA) No. 9184 were satisfactorily adhered to.	<p>44. We recommended that Management submit the following:</p> <ul style="list-style-type: none"> i. An explanation for proceeding with the canvass on the basis of a purchase request which lacked details and specifications and with bids which were unusually too similar, and despite the lack of details; ii. An explanation as to why the caterers who participated in the canvass were able to come up with their bids despite the lack of a menu; iii. A breakdown of each caterer's menu offering; and iv. A corrected Acceptance and Inspection Report specifying the items inspected. <p>45. Ensure that the procedures for Shopping under Section 52.1(a) of the 2016 RIRR of RA No. 9184 are satisfactorily adhered to.</p>	<p>Unimplemented</p> <p>Management had already submitted the list of menu served to the PUMs. Management did not submit the breakdown of each caterer's menu offering, and the rectified Inspection and Acceptance Report.</p> <p>Unimplemented</p> <p>The Municipality still had transactions involving Shopping in CY 2024.</p>
AAR 2020 p.50	31. The prices of procured medical supplies charged against the Bayanihan Grant to Cities and Municipalities (BGCM) and Local Disaster Risk Reduction and Management Fund (LDRRMF) were above the highest	46. We further recommended that Management procure medical supplies based on the SRP set by appropriate government agencies to ensure that the Municipality get the most advantageous prices.	<p>Unimplemented</p> <p>Per checking with the CY 2024 acquisitions of medical supplies, some items had been procured at prices higher than the DOH suggested retail price.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>suggested retail price (SRP) of the Department of Health (DOH) under Circular No. 2020-0133 dated March 12, 2020 and Memoranda Nos. 2020-0250 and 2020-0250-A dated May 24, 2020 and June 2, 2020, respectively, contrary to GPPB Circular No. 01-2020 dated April 6, 2020, resulting to a price variance of ₱51,979.00 which could have been made available for other COVID-19 related expenses.</p>		
<p>AAR 2020 p.52</p>	<p>32. The Municipality granted COVID-19 Hazard Pay to its 170 personnel who physically reported for work at their respective offices or work stations during the implementation of the Enhanced Community Quarantine (ECQ) in the total amount of ₱1,561,250.00 without the supporting documents necessary to determine compliance with the pertinent provisions of DBM Budget Circular No. 2020-1 dated March 24, 2020. Thus, the propriety and regularity of the grant could not be ascertained.</p>	<p>47. Likewise, we recommended that Management submit copy of the approved contracts of personnel under COS and JO scheme.</p>	<p>Unimplemented The approved contracts of personnel under the COS and JO schemes had not yet been submitted.</p>
<p>AAR 2020 p.53</p>	<p>33. The Municipality granted hazard pay amounting to ₱39,411.90 to its nine Public Health Workers (PHWs) assigned at its Rural Health Unit and in 22 barangays without considering actual exposure to</p>	<p>48. We recommended that the Municipal Accountant require all the PHWs to support their claims for hazard pay with proof of actual exposure to specific health hazards and occupational risks with certification</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>hazards and hardships pursuant to the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 7305 and DBM-DOH Joint Circular No. 1, series of 2012 dated November 29, 2012, as amended by DBM-DOH Joint Circular No. 1, series of 2016 dated July 15, 2016, and without the documentary requirements prescribed under Section 5.8 of COA Circular No. 2012-001 dated June 14, 2012, hence, the validity and propriety of the payment could not be determined.</p>	<p>from appropriate agencies and other documents required under Section 5.8 of COA Circular No. 2012-001 dated June 14, 2012.</p>	
<p>AAR 2020 p.56</p>	<p>34. Nine Public Health Workers (PHWs) were granted hazard duty pay only for the period October to December 2020 and at a rate less than what is allowed under Section 3.3 of DBM and DOH Joint Circular No. 1, series of 2016 dated July 15, 2016, depriving them of the actual amount of hazard pay due them to help improve their economic well-being.</p>	<p>49. We recommended that Management adhere strictly with the rates of hazard pay per month applied to the monthly basic salary in accordance with Section 3.3 of DBM-DOH Joint Circular No. 1 series of 2016 dated July 15, 2016 subject to the Personal Services limitation in LGU budget, to ensure that health workers are justly compensated.</p>	<p>Implemented</p>
<p>AAR 2020 p.57</p>	<p>35. The failure of Management to comply with the reporting guidelines for in-kind donations as required under pertinent provisions of COA Circular No. 2020-009 dated April 21, 2020, resulted in the delayed transmittal of data/information to the Office of the Civil Defense (OCD), thus, affecting the accuracy of the</p>	<p>50. We recommended that Management prepare a one-time report to the National Disaster Risk Reduction and Management Council (NDRRMC), through the Office of the Civil Defense (OCD) on all donations received by the Municipality and furnish the Auditor a copy of the (a) Acknowledgement Receipts of the</p>	<p>Unimplemented Management had submitted the following documents to the NDRRMC: a. Acceptance of Donation Form on the donations received by the Municipality</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>consolidated report prepared by that Office which could have an adverse impact on the National Disaster Risk Reduction and Management Council's (NDRRMC's) ability to respond to disaster scenarios. Moreover, we could not validate actual distribution and the balances of the various donations in-kind and relief goods which the Municipality received from private institutions.</p>	<p>Donations In-Kind; (b) Proof of receipt by and distribution to the beneficiaries; and (c) Inventory of remaining undistributed items, if any, in accordance with the provisions of COA Circular No. 2020-009 dated April 21, 2020.</p>	<p>from the NGCP; and b. Certification from the RHU on the distribution of relief goods and food packs to LSIs with the attached list of beneficiaries.</p> <p>The Certification submitted only included a list of LSIs but lacked details on the goods received duly acknowledged by the recipients. Also, there was no inventory for the undistributed goods, if any.</p>
<p>AAR 2020 p.60</p>	<p>36. Disbursements for the purchase of various relief and welfare goods, catering services and payments to public utility vehicle drivers were not duly substantiated with official receipts and other supporting documents contrary to Section 4(6) of Presidential Decree (PD) No. 1445, thus, the propriety and regularity of the payments could not be ascertained.</p>	<p>51. We recommended that Management secure valid official receipts from New Bian Yek Commercial, Inc. to properly substantiate payments of 1,700 bags of 50 kilograms rice worth ₱3,332,500.00.</p> <p>52. We also recommended that Management submit the following documents or a written explanation why the same could not be submitted:</p> <p>i. Relief distribution sheets for the relief and welfare goods showing the names of the beneficiaries with their signatures, kind and quantity of items received by each beneficiary, and the</p>	<p>Implemented</p> <p>Unimplemented Management had not submitted the other recommended documents.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>date of receipt;</p> <p>ii. List of frontliners and persons under monitoring who were catered with meals during ECQ and GCQ, duly signed by them; and</p> <p>iii. List of passengers who availed of the free transport service during the implementation of ECQ, duly signed by them.</p> <p>53. Lastly, we recommended that Management ensure that disbursements are duly substantiated with the required documents pursuant to Section 4(6) of PD No. 1445.</p>	<p>Implemented</p>
<p>AAR 2020 p.62</p>	<p>37. The Municipality spent at least ₱943,300.00 out of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for the payment of printing of Enhanced Community Quarantine (ECQ) passes, cremation of PUI and catering services for meals provided to frontliners on duty in response to COVID-19 emergency, contrary to Section 5.0 of NDRRMC-DBM-DILG Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013, DILG Memorandum Circular No. 2012-73 dated April 17, 2012 and pertinent provisions of</p>	<p>54. We recommended that Management appropriate/realign ₱876,500.00 in the 20% Development Fund and ₱66,800.00 in the General Fund Proper and reimburse the LDRRMF for the cost of the catering services, printing of home quarantine/ECQ passes and cremation of one PUI.</p>	<p>Unimplemented</p> <p>Management believed that the expenses listed were responses to COVID-19 to answer the quarantine requirements and other health protocols at the time of the declaration of a State of Public Health Emergency. These were also covered by the documents as required in Section 2.5.6 of the LBC No. 124 dated March 26, 2020.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation									
	DBM Local Budget Circular (LBC) No. 124 dated March 26, 2020, thus, reducing the funds available for disaster risk management, relief, rehabilitation and recovery programs.	55. We further recommended that Management adhere strictly to the provisions of DILG Memorandum Circular No. 2012-73 dated April 17, 2012, NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013 and DBM LBC No. 124 dated March 26, 2020 on the use of the LDRRMF.	Implemented									
AAR 2019 p.29	38. The Municipality made some adjustments to the Property, Plant, and Equipment (PPE) - Land account for a net credit amount of ₱11,634,391.19, contrary to the pertinent provisions of Philippine Public Sector Accounting Standard (PPSAS) No. 17, affecting the accuracy and reliability of the account balance amounting to ₱3,842,754.46 as of December 31, 2019, thus, the financial statements were not fairly presented.	<p>56. We recommended that Management prepare the following reversal entry:</p> <table border="1" data-bbox="888 787 1457 959"> <thead> <tr> <th data-bbox="888 787 1062 857">Account Title</th> <th data-bbox="1062 787 1260 857">Debit</th> <th data-bbox="1260 787 1457 857">Credit</th> </tr> </thead> <tbody> <tr> <td data-bbox="888 857 1062 889">Land</td> <td data-bbox="1062 857 1260 889">11,677,081.19</td> <td data-bbox="1260 857 1457 889"></td> </tr> <tr> <td data-bbox="888 889 1062 959">Government Equity</td> <td data-bbox="1062 889 1260 959"></td> <td data-bbox="1260 889 1457 959">11,677,081.19</td> </tr> </tbody> </table> <p>57. We also recommended that Management exhaust all means to determine the acquisition costs of Lot Nos. 1840, 1841, 1851-B, 1852, 1855, 1856, 1894, and 3181 so that appropriate adjustment in the recorded costs may be made accordingly.</p> <p>58. Lastly, we recommended that, henceforth, Management adhere to the provisions set forth under PPSAS No. 17 for the accounting treatment for property, plant, and equipment to present fairly the financial statements.</p>	Account Title	Debit	Credit	Land	11,677,081.19		Government Equity		11,677,081.19	<p>Unimplemented Management maintained that the appraisal should be taken up as part of the Notes to Financial Statements (FS) only to conform to the basic accounting principles of materiality and conservatism.</p> <p>Unimplemented The determination of the acquisition costs of the lots is still ongoing, as they were acquired many years ago.</p> <p>Unimplemented This recommendation had not been adhered to due to some adjustments still to be made to the costs.</p>
Account Title	Debit	Credit										
Land	11,677,081.19											
Government Equity		11,677,081.19										

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2019 p.32	<p>39. The Municipal government availed of a loan from Land Bank of the Philippines (LBP) amounting to ₱27,022,591.63 to finance expansion of motor pool through acquisition of three units brand new heavy equipment, with longer payment terms beyond the term of incumbent officials, agreed to terms disadvantageous to the Municipality, which was not fully supported with the requisite certifications and documents to justify the necessity of contracting the said amount, and lastly, the loan proceeds as well as the related expenditures were not reported in the Statement of Comparison of Budget and Actual Amounts, affecting the validity and propriety of the undertaking.</p>	<p>We recommended that Management:</p> <p>59. Submit the loan agreement together with the certified true copy of the SB Resolution bearing the signatures of all concurring SB members, BSP Opinion of the Monetary Board together with the requisite documents, BLGF-DOF certifications, certification by the Municipal Budget Officer, Municipal Accountant and Municipal Treasurer noted by the LCE, the pertinent Promissory Note and other collateral documents, and the supplemental AIP; and</p>	<p>Unimplemented</p> <p>Records showed that Management had submitted photocopies of the Resolution No. 52, series of 2018, Monetary Board Opinion, and DOF-BLGF certification, as supporting documents only to JEV No. 100-1912-2698 dated December 31, 2019, which recorded the acquisition of three units heavy equipment in the books of accounts of the Municipality. In addition, a copy of the 2019 AIP Addendum No. 09 and Appropriation Ordinance No. 10 were submitted through electronic mail on July 30, 2020. However, all the documents submitted were not certified true copies. Also, the certification of the MBO, Accountant and Treasurer duly noted by the LCE, and pertinent Promissory Note and other collateral documents, had not been submitted to the Audit Team.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		60. Renegotiate on a fixed interest rate, with primordial consideration of the Municipality's capability to repay the loan within the incumbency of the officials' 3-year term in office.	Unimplemented Renegotiation on the imposition of quarterly repricing of interest rates is currently underway. Management had also requested LBP to reconstruct the loans availed of by the LGU. Payments made by the LGU to the LBP in 2023 were marked "Under Protest" pending resolution of the matters.
AAR 2019 p.37	40. Copies of perfected contracts together with the supporting documents of at least 13 infrastructure projects started in CY 2019 with a total contract cost of ₱66,516,602.89 were not submitted to the Auditor for review, as required under Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009, hence, the reasonableness of contract prices and whether or not the contractual covenants were advantageous to the Municipality could not be determined.	61. We recommended that, henceforth, Management furnish the Auditor with a copy of contracts together with the supporting documents within the reglementary period of five working days from perfection, in accordance with Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009.	Unimplemented Management had submitted copies of contracts, but not within the reglementary period.
AAR 2019 p.39	41. The Municipality paid a total of ₱956,800.00 for the purchase of seven parcels of land to be used as sites for the construction of water tanks, barangay health stations, and Early Childhood, Care and Development (ECCD) center, despite	62. We recommended that Management submit the aforementioned lacking documents as required under Section 13.1 of COA Circular 2012-001 to enable us to properly evaluate the propriety of the claim.	Unimplemented The Capital Gains Tax and Estate Tax for lots 5126 and 1515 had already been paid. The required documents had yet to be submitted to this office.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>within the prescribed period, for alignment of the Municipality's GAD PPAs with the priorities of the Province and for review and endorsement, respectively, contrary to Section 4.0 of the Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016, thus, gender responsiveness of the programs and activities was not assured.</p> <p><i>Reiterated under Finding No. 12, Part II of this report.</i></p>	<p>Section 4.0 of PCW-DBM-DILG-NEDA JMC No. 2016-01 dated February 12, 2016.</p>	<p>Municipality submitted its FY 2024 GPB to the PPDO only on September 13, 2024, instead of March 2023.</p>
<p>AAR 2018 p.31</p>	<p>44. Delinquent Real Property Taxes (RPT) and Special Education Taxes (SET) including penalties accruing thereon which accumulated to ₱27,350,192.38 as of December 31, 2018 remained uncollected, thus, depriving the Municipality of substantial revenues which could have been utilized to finance the implementation of various development projects or other major programs/projects/ activities (PPAs).</p> <p><i>Reiterated under Finding No. 8, Part II of this report.</i></p>	<p>68. We recommended that the Municipal Treasurer enforce collection of delinquent real property taxes by conducting intensive tax campaign in every barangay and by sending Notices of Delinquencies to all delinquent taxpayers.</p> <p>69. We further recommended that the Municipality avail of the remedies in collecting delinquent real property taxes provided in Sections 256 to 260 of RA No. 7160.</p>	<p>Unimplemented Management had not notified all delinquent taxpayers due to lack of time and manpower. Some notices did not reach the rightful owners of the properties due to incorrect or outdated addresses.</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2018 p.33	<p>45. The balance of accounts Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable as of December 31, 2018 per records of the Municipal Accounting Office (MAO) and Municipal Treasurer's Office (MTO) showed a difference of ₱18,359,226.24 because the accounts were not established based on Real Property Tax Account Register/Taxpayer's index card and no subsidiary ledgers were maintained by the MAO contrary to Section 20 of the Manual on the New Government Accounting System (NGAS), Volume I, and Section 10, Volume II of the same Manual, thus, RPT Receivable/SET Receivable and Deferred RPT/SET Income accounts might not have been fairly presented in the financial statements.</p> <p><i>As of December 31, 2024, the RPT and SET Receivable accounts per MTO had a balance of ₱18,037,716.02, while per MAO had a balance of ₱31,463,172.75, respectively, showing a difference of ₱13,425,456.73.</i></p>	<p>We recommended that:</p> <p>70. The Municipal Accountant and Municipal Treasurer reconcile the difference between the RPT and SET Receivables account balances totaling ₱18,359,226.24 and henceforth, conduct periodic reconciliation, together with the Municipal Assessor, of the total collectibles from the Basic and Special Education Tax with the balances of the RPT Receivables and SET Receivables accounts to avoid accumulation of unreconciled differences;</p> <p>71. The Municipal Assessor prepare and submit to the Municipal Treasurer an assessment roll containing a list of all persons whose real properties have been newly assessed or reassessed and the values of such properties on or before the thirty-first (31st) day of December each year;</p> <p>72. The Municipal Treasurer maintain Real Property Tax Account Register/Taxpayer's index card and furnish the Municipal Accountant a duly certified list of taxpayers with the amount due and collectible for the current year as basis for recording the RPT Receivable and SET Receivable accounts in compliance with Section 20 of the NGAS Manual for LGUs, Volume I; and</p>	<p>Unimplemented Reconciliation had been stalled due to the voluminous work in the offices concerned and unavailability of some documents.</p> <p>Unimplemented The Municipal Assessor had prepared the assessment roll, but this was not submitted within the prescribed period.</p> <p>Unimplemented The Municipal Treasurer's Office had maintained the Taxpayer's Index Card but was not able to furnish the Office of the Municipal Accountant a duly certified list of taxpayers with the amount due and collectible for the year.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>projects charged against the LDRRMF and 20% DF, respectively, in CY 2018.</p> <p>76. We further recommended that Management immediately submit to the Auditor all common and additional documentary requirements for the purchase of lots enumerated under Section 13.1 of COA Circular No. 2012-001 dated June 14, 2012.</p>	<p>Unimplemented Documents had yet to be submitted.</p>
AAR 2018 p.42	<p>47. Out of the total appropriations for the Local Disaster Risk Reduction and Management Fund (LDRRMF) amounting to ₱5,850,000.00, only ₱80,940.00 or 1.38% was utilized, of which, ₱74,640.00 was used as payment of services for post-planting maintenance under the Tree Planting Program which was not properly chargeable to the Fund, while the rest of the annual appropriation was left unutilized at year end, leaving the other programs, projects, activities for disaster preparedness, prevention and mitigation unimplemented.</p>	<p>77. We recommended that Management immediately stop using the LDRRMF for maintenance and operating expenses and, henceforth, maximize the use of the 70% LDRRMF by implementing projects that will eliminate flood risks and lessen adverse impacts of hazards and calamities.</p> <p>78. We further recommended that Management train and equip volunteers as well as residents to be able to respond to any disaster or calamity.</p>	<p>Implemented</p> <p>Unimplemented In CY 2024, the Municipality had utilized its LDRRMF to buy rice for constituents affected by the El Niño phenomenon, rather than for training volunteers.</p>
AAR 2018 p.45	<p>48. The amount of ₱2,284,104.00 representing 39.04% of the total appropriations for Gender and Development (GAD) in CY 2018 was utilized for programs/projects/ activities (PPAs) which were not properly</p>	<p>79. We recommended that, henceforth, the Municipality properly identify the GAD issues and concerns and use the GAD fund to implement programs, projects and activities that are aligned with PCW, DILG, DBM, and NEDA Joint Memorandum</p>	<p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>chargeable to the Fund contrary to the provisions of Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01 dated July 18, 2013, thus, the funds intended for the attainment of GAD goals was significantly reduced while the effectiveness of the program might have been adversely affected.</p>	<p>Circular No. 2013-01 dated July 18, 2013.</p>	
<p>AAR 2018 p. 47</p>	<p>49. The Municipality did not develop and maintain a Gender and Development (GAD) Database, contrary to Section 37(D), Rule VI of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9710 and Section 4.1.B(1) of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-1, thus, gender gaps and/or differences within the locality could not be fully identified and analyzed, defeating the purpose of having GAD-responsive Programs/Projects/Activities (PPAs).</p>	<p>80. We recommended that Management direct the Municipal Planning and Development Officer to establish the GAD database storage of necessary information in aid of effective gender-responsive planning, programming and policy formulation in accordance with PCW-DILG-DBM-NEDA JMC No. 2013-1 to ensure that the PPAs are aligned with GAD-related undertakings so that the intended beneficiaries are assured of the services, protection, and other assistance that may be provided.</p>	<p>Unimplemented Funds had been appropriated for the Community-Based Monitoring System, but utilization had not yet started. The turnover of gathered data will begin in June 2025</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2017 p.25	50. Twenty-six development projects having a total appropriation of ₱7,110,000.00 which represent 34.75% of the total appropriations under the 20% Development Fund (DF) for CY 2017 were not implemented during the year, contrary to Item No. 5 of DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017, resulting in the inefficient use of funds and non-realization/delayed enjoyment by the constituents of the benefits that could have been derived from the projects.	81. We recommended that Management undertake a concerted effort to fast track the implementation of projects outlined under the 20% DF so that the constituents can enjoy the benefits that can be derived from the projects.	Implemented
AAR 2017 p.26	51. Out of the total budget appropriations of ₱848,090.17 allocated for the Local Council for the Protection of Children (LCPC) for CY 2017, none was expended for child protection services, while 45.45% or ₱385,449.00 was spent for the honoraria of Day Care Workers (DCWs), disregarding the primary purpose of the fund as contemplated under RA No. 9344.	82. We recommended that the LCPC prepare the Annual Work and Financial Plan and allocate more funds for PPAs that would promote children's right and welfare and protect them against abuse, neglect, exploitation and violence as envisioned under RA No. 9344. 83. We further recommended that the Council prepare the Local Development and Investment Plans for Children, and Local State of Children's Report as required under DILG Memorandum Circular No. 2012-120 dated July 4, 2012.	Implemented Unimplemented The required reports under DILG MC No. 2012-120 had yet to be prepared and submitted.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2017 p.32	52. The Municipality continued to practice disposal of solid waste in an open dumpsite and allowed dumpsite scavenging in violation of Republic Act 9003, thereby posing major public health threat and environmental risks.	84. We recommended that Management prioritize the establishment and operation of a sanitary landfill in accordance with Sections 40 and 41 of RA No. 9003 and meantime, take action to convert the existing open dump site into a controlled dump and hasten its closure within a specific time frame.	Unimplemented The Municipality had not yet established or operated a sanitary landfill. However, it has entered into an agreement with Bayawan City for the disposal of its residual waste.
AAR 2017 p.40	53. The Municipality did not include in its Local Disaster Risk Reduction Management Financial Investment Plan (LDRRMFIP) for CY 2017 the list of projects and activities charged to the unexpended LDRRMF of previous years and failed to submit the Monthly Report on Sources and Utilization of the fund, contrary to the pertinent provisions of COA Circular No. 2012-002 dated September 12, 2012, thus, preventing timely validation and monitoring of programs, projects and activities (PPAs) under the LDRRMF.	85. We further recommended that the LDRRM Officer submit the Monthly Report on the Sources and Utilization of DRRM on or before the 15th day after the end of each month to the Office of the Auditor pursuant to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012.	Unimplemented Reports had been prepared by the Municipality but not submitted to the Auditor.
AAR 2016, p. 27	54. The balance of the Land account of the Municipality amounting to ₱14.23 million is unreliable because ₱13.98 million or 98.25% of which were not covered by Transfer Certificate of Title/Original Certificate of Title (TCT/OCT) contrary to Section 39(2) of	86. We recommended that Management prioritize the filing of application for titling of the recorded properties to hasten the issuance of certificates of title in favor of the Municipality.	Unimplemented The title for Lot No. 1581 had already been awarded to the Municipality. However, the titling of other lots was not completed due to time constraints. Also, the tedious

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Presidential Decree (PD) No. 1445. Moreover, property cards were not maintained by the Municipal Treasurers Office, while property ledger cards, although maintained by the Municipal Accountants' Office were not regularly reconciled with the records of the Municipal Assessor's Office, contrary to Sections 119 and 120 of New Government Accounting System (NGAS) Manual, Volume 1.</p>	<p>87. We further recommended the Municipal Treasurer maintain property cards and the Municipal Accountant to update their records and reconcile with the Office of the Municipal Assessor.</p>	<p>process caused delays, as the Municipality has to rely on other government agencies to proceed.</p> <p>Unimplemented The updating and reconciliation of records had not yet been completed.</p>
<p>AAR 2016, p. 28</p>	<p>55. The Municipality did not record in the books of accounts 17 parcels of land amounting to ₱19.78 million and did not conduct a physical count of its land account as required in Sections 111 and 112 of PD 1445, and Section 124 of the NGAS Manual, Volume I, thus understating the land and government equity account balances in the financial statements as of December 31, 2016 by the same amount.</p>	<p>88. We recommended that the OIC-Municipal Accountant draw a journal entry voucher to record all lots owned by the Municipality.</p> <p>89. We also recommended that the Municipal Mayor require the Inventory Committee to conduct a physical count thereof and reconcile the same with related records maintained by the Offices of the Municipal Treasurer, Municipal Accountant and Municipal Assessor in accordance with existing regulations.</p>	<p>Unimplemented Management had still been in the process of drafting the Physical Inventory Plan, which shall serve as the basis for the one-time cleansing of PPE. The Municipal Accountant will record the necessary accounting entries once the one-time cleansing is completed.</p> <p>Unimplemented The Municipal Mayor had already created an Inventory Committee. However, the reconciliation shall be done once the one-time PPE cleansing is completed.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2016, p. 32	56. The Bids and Awards Committee (BAC) awarded the procurement of One Unit KIA single cab costing ₱1.20 million to an unauthorized dealer, contrary to Section 34, Rule X of the 2016 Revised Implementing Rules and Regulations of RA No. 9184 which could possibly result in overpricing.	90. We recommended that, henceforth, the members of the BAC/TWG allow only eligible prospective bidders to participate in the public bidding for the procurement of goods and services. 91. We further recommended that the BAC/TWG should conduct post-qualification in accordance with Section 34, Rule X of the 2016 Revised Implementing Rules and Regulations of RA No. 9184.	Unimplemented Future procurements still had to be continuously validated. Unimplemented Future procurements still had to be continuously validated.
AAR 2016, p. 34	57. Had the Municipality procured cattle under the Cattle Fattening Project thru competitive public bidding, instead of uniformly extending ₱20,000.00 to each of the farmer beneficiaries, in accordance with Item C.6 of the Memorandum of Agreement (MOA) entered into by and between the Municipality and the Department of Agriculture Regional Field Office 7, more farmers could have benefited from the project.	92. We recommended that, henceforth, the Municipality conduct competitive bidding in the procurement of cattle in accordance with Section 10 of the Revised IRR of RA No. 9184 to ensure that the most advantageous price is obtained and more farmer beneficiaries are benefited.	Unimplemented According to Management, it had not been possible to procure the cattle through public bidding because the Municipality had a previous experience where the cattle acquired and given to the farmers were of inferior quality. They mentioned that the Department of Agriculture is aware that there is no qualified supplier in the province, thus, the method of releases was converted to giving cash to farmer beneficiaries for them to personally buy cattle on their own.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		93. We also recommended that the farmer beneficiaries be required to return the excess grant of capital assistance.	<p>Unimplemented</p> <p>The amount loaned included the purchase price of each cattle, with the remaining balance used for feeds and other needs related to cattle fattening. Management mentioned that the beneficiaries fulfilled their payment obligations, allowing the next batch of beneficiaries to avail of the loan. Due to the good repayment turnover, the livelihood program was made available to many farmers from different barangays in the Municipality.</p>
AAR 2016, p. 41	58. The Local Government Unit maintained two non-interest earning deposits with private banks contrary to Section 311 of RA No. 7160 and Section 5.2 of Department of Finance (DOF) Circular No. 001-2015 dated June 1, 2015, thus, funds might not be totally safeguarded against loss while depriving the Municipality from earning additional interest on bank deposits to fund projects and programs.	94. We recommended that the Municipality close its deposit accounts with the PVB and RBB and deposit the same to a government financial institution granting high interest rates.	<p>Unimplemented</p> <p>The Municipality had already closed the account it maintained with PVB. However, its RBBI account is still being maintained.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2016, p. 49	59. The Municipality did not procure common-use supplies from the Procurement Service-Department of Budget and Management (PS-DBM) nor submit their Annual Procurement Plan for Common-Use Supplies and Equipment (APP-CSE) to DBM as required under Administrative Order No. 17 dated July 28, 2011 and DBM Circular Letter No. 2011-6 dated August 25, 2011, thus, failing to ensure transparency and enhance streamlined procurement process.	95. We recommended that the Municipality procure common-use supplies from PS-DBM and, henceforth, comply with the provisions of Administrative Order No. 17 dated July 28, 2011 and DBM Circular Letter No. 2011-6 dated August 25, 2011.	Unimplemented Management had resorted to Shopping as a mode of procurement for common-use supplies and may consider procuring from the depot if it becomes practical in terms of distance, cost, and time. The LGU noted that the supplies at the PS-DBM depot were of inferior quality or had been in stock for a long time, as evidenced by their physical appearance.
2015 AAR	60. Procurements of submersible pumps totaling ₱610,114.00 were done through Shopping contrary to Section 52.1 of the Revised Implementing Rules and Regulations of RA No. 9184, thereby, making the transactions irregular.	96. We recommended that the Bids and Awards Committee strictly observed Section 52.1 of the Revised Implementing Rules and Regulations of RA No. 9184 in the procurement of goods.	Unimplemented Verification of records had showed that several procurements were still done through shopping during CY 2024.
2015 AAR	61. The Municipality failed to deduct 10% warranty security from the total contract price of medicines procured contrary to Section 62.1 of the Revised Implementing Rules and Regulations of RA No. 9184, thus, there is a risk that defective drugs and medicines may not be replaced or the LGU may not be able to recover the cost thereof.	97. We recommended that the OIC-Municipal Accountant see to it that 10% warranty security is deducted from the amount claimed to protect the interest of the LGU pursuant to 62.1 of the Revised Implementing Rules and Regulations of RA No. 9184.	Unimplemented The Municipality had still failed to deduct 10% warranty security from the total contract price of medicines procured in CY 2024.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2015 AAR	62. The OIC-Municipal Treasurer did not examine the books of accounts of business taxpayers nor conduct confirmation of the declared gross receipts in their application for renewal of business licenses with other government agencies contrary to Section 171 of RA No. 7160, thus depriving the LGU from collecting additional income.	98. We recommended that the OIC-Municipal Treasurer require the taxpayers to submit an Income Statement/Statement of Receipts and Expenditures when applying for renewal of business taxes to ascertain the accuracy of the declared gross receipts subject to tax. If the examination of the books could not be conducted immediately, the taxpayers may be required to submit their preceding year's financial statements as temporary bases in computing the business taxes.	Unimplemented Taxpayers had been required to submit proof of income or gross receipts when applying for renewal of business permits to compute the tax due, but due to a lack of manpower, not all business taxpayers were examined. Only bigger business establishments were examined. The smaller business establishments, on the other hand, were only interviewed and required to fill out forms to show their Income /Receipts and Expenditures.
2015 AAR	63. The Municipality of Bacong has not approved 10-year Solid Waste Management Plan for CYs 2015-2024 contrary to Section 16 of RA No. 9003, thus providing no concrete guidelines for the effective implementation of programs and activities on solid waste management.	99. We recommended that the Solid Waste Material Board immediately revise the Solid Waste Management Plan following the Annotated Outlined prescribed by the National Solid Waste Management Commission and submit the same to the National Solid Waste Commission for approval pursuant to Section 16 of RA No. 9003 for an effective solid waste collection and disposal.	Unimplemented The amended SWM had already been submitted to the NSWMC for approval.
AAR 2014	64. The Municipality did not conduct a physical count of its movable property plant and equipment account as required in	100. The Mayor to strictly require the Inventory Committee to conduct the physical count of properties and reconcile the same with	Unimplemented Management had still been in the process of drafting the Physical

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
<p>AAR 2013</p> <p>AAR 2012</p> <p>AAR 2010</p>	<p>Section 124 of the NGAS Manual, Volume I, thus the existence as well as the reliability of the account balances in the financial statements as of December 31, 2014 which amounted to ₱25,672,580.96 or 31.77% of the total asset accounts could not be ascertained.</p> <p>(As of December 31, 2024, movable property, plant and equipment amounted to ₱61,338,650.87 or 12.10% of the total PPE and 2.64% of the total assets.)</p>	<p>related property and accounting records and for the municipal treasurer's office to maintain property cards in accordance with existing regulations.</p> <p>101. The Accountant to reclassify the fully depreciated and unserviceable assets from the Property Plant and Equipment to Other Asset account and to look into the disbursement vouchers and other documents pertaining to the unbooked assets and record the same in the book of accounts.</p> <p>102. The Municipal Treasurer to locate the missing hand held radio issued to the former barangay captain of Barangay Calangag and the Iwata Time Recorder amounting to ₱24,642.50 and ₱14,950.00, respectively. Also, locate the engine previously installed in the LGU owned patrol boat and get back the 70CC, Econo, power Honda kept in a private residence and henceforth, refrain from storing government properties in a private residence/place.</p>	<p>Inventory Plan, which shall serve as the basis for the one-time cleansing of PPE. The reconciliation shall be done once the one-time PPE cleansing is completed.</p> <p>Unimplemented The Municipal Accountant had yet to record the necessary accounting entries since the one-time cleansing had not yet been completed.</p> <p>Unimplemented The items still needed to be located.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
<p>AAR 2013</p> <p>AAR 2012</p>	<p>65. Failure to comply with the rules and regulations on the grant, utilization and liquidation of cash advances prescribed in COA Circular No. 97-002 resulted to unliquidated cash advances amounting to ₱970,903.35 as of June 30, 2013, of which 22.34% is unsettled ranging for more than one year to ten years and above. The related receivable and expense accounts in the financial statements are therefore not fairly presented while government funds left in the possession of the accountable persons is exposed to the risk of loss or unauthorized use.</p>	<p>We recommended that Management:</p> <p>103. Immediately send demand letters to the concerned accountable officer/other agency officials/employees.</p> <p>104. If the employees concerned still fail to settle their cash advances after due notice, instruct the municipal treasurer to withhold the payment of their salaries.</p> <p>105. Henceforth, require in particular the Municipal Accountant and other concerned officials/employees to strictly observe the provisions of COA Circular No. 97-002 in the grant, utilization and liquidation of cash advances.</p>	<p>Implemented</p> <p>Unimplemented The Municipal Treasurer had not been able to impose the withholding of salaries because the accountable officer with an unliquidated cash advance was no longer in service and was transferred for more than 10 years already.</p> <p>Implemented</p>
<p>AAR 2012</p>	<p>66. Various properties amounting to ₱25,686,423.74 funded out of trust funds remained recorded in said funds despite completion of the various projects contrary to Section 104, Volume I of the NGAS, hence, misstating the financial position of the Agency.</p>	<p>We recommended that Management:</p> <p>106. Conduct a Physical Inventory of all involved properties to determine the existence and physical condition of these assets.</p>	<p>Unimplemented Management had still been in the process of drafting the Physical Inventory Plan, which shall serve as the basis for the one-time cleansing of PPE.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>107. Settle the Due to NGAS account by submitting Liquidation Reports to the grantors so that the latter's books are also adjusted accordingly, before effecting the transfer to the General Fund.</p> <p>108. Based on the physical inventory, require that properties, plant and equipment under the trust fund be immediately transferred to the specific account of general fund for proper presentation of the financial statements pursuant to Section 104 of NGAS.</p> <p>109. Require the LGU to maintain and regularly update a properly accomplished Property, Plant and Equipment Ledger Cards (PPELC) for easy verification and reference both by the auditee and auditor.</p>	<p>Unimplemented The transfer of the booking from the Trust Fund to the General Fund had yet to be effected due to the non-completion of the one-time cleansing of PPE.</p> <p>Unimplemented The transfer of the booking from the Trust Fund to the General Fund had yet to be effected due to the non-completion of the one-time cleansing of PPE.</p> <p>Unimplemented The Municipality had already maintained the PPE Ledger Cards but due to the lack of physical inventory count, there may be some PPEs with no ledger cards.</p>
AAR 2012	67. An ineligible bidder was qualified and awarded the contract by the Bids and Awards Committee (BAC) to participate in the public bidding for the procurement of construction materials amounting to ₱499,796.00 contrary to Sections 23 and 34.3 of the Implementing Rules and Regulations of RA No. 9184 and payment	<p>We recommended that:</p> <p>110. Members of the Bids and Awards Committee/ Technical Working Group should conduct thorough evaluation and review eligibility requirements for the Procurement of Goods and Infrastructure Project.</p>	<p>Unimplemented Future procurements still have to be continuously validated.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>was effected despite incomplete documentation contrary to Section 138 (f) of the Government Accounting and Aiding Manual, Volume I. Thus, casting doubt on the regularity of the transaction.</p>	<p>111. The BAC allow only eligible prospective bidders to participate in the public bidding for the procurement of goods and services.</p> <p>112. In the post qualification, the BAC/TWG should verify, validate, and ascertain the genuineness, validity and accuracy of the legal, technical and financial documents submitted by the bidder with the LCB before awarding the same.</p> <p>113. Personnel preparing the purchase orders should strictly indicate the basic data on the PO pursuant to Section B.1 of COA Circular 96-010 dated August 15, 1996.</p> <p>114. The agency should submit the lacking documents pursuant to Section 138 (f) of the Government Accounting and Auditing Manual, Volume 1.</p>	<p>Unimplemented Future procurements still have to be continuously validated.</p> <p>Unimplemented Future procurements still have to be continuously validated.</p> <p>Unimplemented Some POs still lacked basic information in CY 2024.</p> <p>Unimplemented Lacking documents had yet to be submitted</p>
AAR 2010	<p>68. The Municipality has been very delayed in the submission of the monthly trial balances and financial statements with the related supporting schedules in violation of Section 70 of the Manual on NGAS for LGUs, thus, precluding users of these reports from making informed judgments and from validating the fairness of presentation of the financial statements.</p>	<p>115. We recommended submission of the monthly trial balances and financial statements within the reglementary period in accordance with Section 70 of the Manual on NGAS for LGUs, otherwise, we shall be constrained to withhold the salary of concerned officials and implement other sanctions and penalties as provided for under our laws.</p>	<p>Unimplemented Reports had not been submitted within the reglementary period because the source documents, such as Disbursement Vouchers and Reports of Collections and Deposits, were forwarded to the Municipal Accounting Office later than the prescribed period. The Municipality is moving</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			towards digitalization and aims to generate financial reports within the reglementary period thereafter.
AAR 2009	69. Bank Reconciliation Statements for the General, Special Education and Trust funds were not prepared and submitted by the accountant as required under COA Circular No. 96-011 dated October 12, 1996, thus the reliability and accuracy of the cash balance per books of the three funds could not be ascertained.	116. Required the Municipal Accountant to assign specific personnel to prepare and submit the monthly bank reconciliation statements to COA and the depository bank so that timely verification and review can be made and discrepancies immediately identified and corrected.	Unimplemented The Municipal Accountant had already prepared the monthly bank reconciliation statements; however, these had not been submitted to the Auditor.
AAR 2008	70. Low rental rates and high operating cost resulted to unprofitable operations of the municipality's economic enterprises namely, the Agricultural Training Institute, the Public Market, and the Waterworks Systems, thereby resulting to a deficit totaling ₱2,565,009.03 for 2008.	117. Consider increasing rental rates or implement measures to reduce operating costs of the municipality's economic enterprises, and require the municipal treasurer to accelerate the collection of unpaid rentals by sending bills of collection to delinquent stall or space lessees, invoking the sanctions provided under the Contract of Lease to make the collection more effective. In addition, look for additional revenue sources, such as charging minimal fees for the use of the market's comfort rooms.	Unimplemented The Municipality had already drafted its revised revenue code, subject to review and approval.

PART IV
APPENDICES

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APPENDICES

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