## EXECUTIVE SUMMARY

### Introduction

The Municipality of Dauin was created on January 13, 1908, by virtue of Executive Order No. 37. It is located 15 kilometers south of Dumaguete City, the capital of the Province of Negros Oriental. It is classified as a fourth-class Municipality and has 23 component barangays.

As of December 31, 2024, it had a personnel complement of 310, as shown below:

| ***Nature of Appointment to Office*** | ***Quantity*** |
|---|---|
| Elective Officials | 10 |
| Permanent Positions | 94 |
| Ex-Officio | 2 |
| Casual | 0 |
| Job Orders | 204 |
| **Total** | **310** |

### Audit Objective

Our audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine management's compliance with laws, rules, and regulations in the pre-identified audit thrusts/areas, and recommend opportunities for agency's improvement; and (c) assess the extent of implementation of the prior years' audit recommendations. The performance audit was likewise conducted with the objective of informing management where improvements can be in the areas of revenue generation, 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, a 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 Dauin for CY 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interviews with concerned government officials and employees, and the 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 | 728,852,345.18 | 629,275,601.53 | 99,576,743.65 |
| Liabilities | 341,675,496.67 | 253,109,855.56 | 88,565,641.11 |
| Government Equity | 387,176,848.51 | 376,165,745.97 | 11,011,102.54 |

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

| | | | |
|---|---|---|---|
| **Results of Operations** | | | |
| Revenues | 196,844,378.49 | 183,553,832.20 | 13,290,546.29 |
| Personnel Services | 62,048,577.50 | 64,220,618.06 | (2,172,040.56) |
| Maintenance and Other Operating Expenses | 112,475,060.40 | 101,867,952.88 | 10,607,107.52 |
| Non-cash Expenses | 17,719,217.60 | 16,311,202.95 | 1,408,014.65 |
| Financial Expenses | 13,341,882.86 | 5,740,916.49 | 7,600,966.37 |
| Net Financial Assistance/ Subsidy | 22,520,381.03 | 14,193,158.81 | 8,327,222.22 |
| Net Surplus (Deficit) | 13,780,021.16 | 9,606,300.63 | 4,173,720.53 |

The following table illustrates decreases in the final budget or appropriations, as well as in the actual amounts or obligations during the year:

| | | | |
|---|---|---|---|
| Final Budget | 243,103,156.54 | 260,125,251.25 | (17,022,094.71) |
| Actual Amounts | 201,421,132.44 | 205,555,787.12 | (4,134,654.68) |

## 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 December 31, 2024, taking exception to the effects of the following:

1. At least six completed projects under the General Fund, totaling ₱15,620,256.97, were incorrectly recorded in the Construction in Progress (CIP) account instead of being transferred to the appropriate asset account, due to insufficient monitoring and improper documentation, resulting in an overstatement of the CIP account and an understatement of the corresponding Property, Plant and Equipment (PPE) and depreciation expense accounts.

2. The Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable, both established at the beginning of CY 2024 at ₱9,822,743.90 each, were based on an erroneous assessment roll due to an outdated tax system, rendering the balances of both receivable accounts as of December 31, 2024, unreliable.

3. Penalties from RPT and SET collections, totaling ₱1,048,459.20 in CY 2024, were not recognized as income but were instead recorded as credits to the RPT Receivable and SET Receivable accounts, resulting in the understatement of both receivable and income Accounts.

**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 during an exit conference on May 8, 2025, are fully presented in Part II of this Report.

1. **The cost of an outdoor LED wall display, amounting to ₱3,997,000.00, was erroneously recorded in the books of accounts as Office Equipment (1-07-05-020) instead of Information and Communication Technology Equipment (1-07-05-030), hence, both asset accounts and the related depreciation expense accounts were overstated and understated, respectively, as of December 31, 2024.**

   We recommended that the Municipal Accountant:

   a. Prepare the necessary accounting entries to rectify the recording of a P4.8 outdoor LED wall display costing ₱3,997,000.00, which was recognized as Office Equipment (1-07-05-020) instead of Information and Communication Technology Equipment (1-07-05-030), and to adjust the corresponding depreciation expense accounts; and

   b. Henceforth, refer to the description of accounts as a guide in recording expenses in the books of accounts in adherence to COA Circular No. 2015-009 dated December 1, 2015, to avoid making erroneous accounting entries in the books of accounts.

2. **Payments for various LDRRM supplies and equipment were incorrectly recorded, resulting in the overstatement of Other Supplies and Materials Inventory (₱168,334.00), Other Property, Plant and Equipment (₱99,500.00), and Other MOOE (₱40,250.00), and the understatement of Semi-Expendable Disaster Response and Rescue Equipment (₱109,595.00) and Disaster Response and Rescue Equipment (₱198,489.00), thereby affecting the accuracy of the financial statements as of December 31, 2024.**

   We recommended that the Municipal Accountant reclassify the costs of various supplies and equipment recorded in the accounts Other Supplies & Materials Inventory, Other MOOE, Other PPE, respectively, to their appropriate accounts by making the following adjusting entries:

| | |
|---|---|
| Semi-Expendable Disaster Response and Rescue Equipment | ₱109,595.00 |
| Disaster Response and Rescue Equipment | ₱198,489.00 |
| Other Supplies & Materials Inventory | ₱168,334.00 |
| Other MOOE | 40,250.00 |
| Other PPE | 99,500.00 |

We further recommended that the corresponding depreciation expense computed for the account Other PPE be rectified while the depreciation expense for the account Disaster Response and Rescue Equipment be properly recognized.

3. **Delinquent RPT and SET, including accrued penalties, which accumulated to ₱21,847,664.76, remained uncollected as of December 31, 2024, thus, depriving the Municipality of substantial amount of income that could have been utilized to finance the implementation of various development projects or other major programs/ projects/ activities (PPAs).**

   We recommended that the Municipal Treasurer enforce the collection of delinquent real property taxes by conducting intensive tax campaigns in every barangay and by issuing Notices of Delinquencies to all delinquent taxpayers.

   We also recommended that Management consider applying the remedies for the collection of real property taxes in accordance with the relevant provisions of Republic Act (RA) No. 7160.

4. **Purchases totaling at least ₱548,234.00 were charged to the LDRRMF through Negotiated Procurement–Small Value Procurement, bypassing competitive bidding, without justifying the need for this alternative procurement method and without meeting the required posting, contrary to the relevant provisions of the Revised IRR of RA No. 9184, thus, failing to ensure economy, efficiency, and the most advantageous prices.**

   We recommended that henceforth, the BAC undertake procurements through competitive bidding in accordance with Section 10, Rule IV of the IRR of RA 9184, except as provided in Rule XVI of the IRR.

   We further recommended that Management use Negotiated Procurement–Small Value Procurement only if they can establish compliance with the requirements specified in Annex “H,” Sections 48 and 53.9 of the 2016 IRR of RA 9184.

   We furthermore recommended that the BAC strictly comply with the posting requirements mandated by RA 9184 and its 2016 IRR.

5. **The completion of the Dauin Public Market and its dormitory furniture, bedding, and accessories, which was reported as 100% complete in CY 2023, was determined to be only 99.62% complete upon inspection by a COA Technical Audit Specialist, resulting in an overpayment of ₱107,227.00.**

   We recommended that the Municipal Mayor and the Municipal Engineer inform the contractor of the deficiencies noted and require them to either complete the remaining work items or refund the amount corresponding to the uninstalled components, totaling ₱107,227.00.

   We further recommended that Management enhance its monitoring and validation procedures by ensuring that all work items are physically verified and accounted for prior to certifying project completion and processing the final payment.

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

The Notices of Suspension and Disallowance showed the following balances as of December 31, 2024:

| Particulars | Beginning Balance (1/1/2024) | Issued this Period (1/1/2024 to 12/31/2024) | | Ending Balance (12/31/2024) |
|---|---|---|---|---|
| | | NS/ND | NSSDC | |
| Suspensions | ₱ 2,370,417.00 | ₱ 0.00 | ₱ 0.00 | ₱ 2,370,417.00 |
| Disallowances | 3,445,935.78 | 0.00 | 0.00 | 3,445,935.78 |
| Charges | 0.00 | 0.00 | 0.00 | 0.00 |

**Status of Implementation of Prior Years' Recommendations**

Of the 99 prior years' recommendations, 25 were implemented and 74 were unimplemented.