



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

**ANNUAL AUDIT REPORT**

**ON THE**

**PROVINCE OF NEGROS  
ORIENTAL**

For the Year Ended December 31, 2024



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

M.J. Cuenco Avenue, Corner V. Sotto Street, Barangay Tinago, 6000 Cebu City

June 18, 2025

**HONORABLE MANUEL L. SAGARBARRIA**

Governor  
Provincial Government of Negros Oriental  
Dumaguete City



**Dear Governor Sagarbarria:**

We are pleased to transmit the Annual Audit Report (AAR) on the accounts and operations of the Provincial Government of Negros Oriental for the calendar year (CY) 2024 pursuant to Section 2, Article IX-D of the Philippine Constitution, and Section 43 of 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 March 18, 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 are discussed in Part III of this report.

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

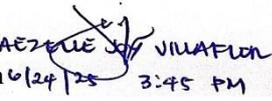
We express our appreciation for the valuable support and cooperation extended by the officials and staff of the Province of Negros Oriental.

Very truly yours,



**VISITACION Q. MENDOZA**  
Director IV

Copy Furnished:

1. The Honorable Sangguniang Panlalawigan -  MAECELIE J. VILLAFLO  
Thru: The Secretary, Sangguniang Panlalawigan 6/24/25 3:45 PM  
Province of Negros Oriental
2. The Secretary  
Department of the Interior and Local Government  
Quezon City
3. The Regional Director  
Bureau of Local Government Finance  
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Republic of the Philippines  
**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			

Agency sign-off:

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

\_\_\_\_\_  
 Date

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

## EXECUTIVE SUMMARY

### Introduction

The Province of Negros Oriental was created under Republic Act No. 120 dated April 20, 1901. It is classified as a first-class Province. As of December 31, 2024, it had personnel complement of:

<b>Nature of Appointment to Office</b>	<b>No. of Personnel</b>
Elected	12
Appointed	3
Permanent	1,271
Casuals/Contractual/Job Order	2,301
Coterminous	23
Temporary	6
<b>Total</b>	<b>3,616</b>

The island of Negros is the second-largest in the Visayas, after Panay, and the third-largest in the Philippines. It was formally divided into two provinces in 1890 by a royal decree: Negros Oriental and Negros Occidental. Negros Oriental, on the south-eastern coast, is 5,402.30 square kilometres. It has six component cities, 19 municipalities, and 557 barangays. Dumaguete City serves as the provincial capital and the seat of government.

### 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 year's audit recommendations.

### Audit Methodology

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

### Scope of the Audit

An audit was conducted on the accounts and operations of the Provincial Government of Negros Oriental (PGNO) for the calendar year 2024. The audit consisted of review of operating procedures, evaluation of the Local Government Unit's (LGU) programs and projects, interview of concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary.

## Financial Highlights

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Assets	17,057,399,015.75	15,307,035,752.91	1,750,363,262.84
Liabilities	3,265,195,915.73	2,153,819,722.68	1,111,376,193.05
Equity	13,792,203,100.02	13,153,216,030.23	638,987,069.79

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Revenue	3,758,171,667.39	3,357,115,220.79	401,056,446.60
Personal Services	836,070,888.13	870,998,832.20	(34,927,944.07)
Maintenance and Other Operating Expenses	1,930,339,573.13	1,270,012,029.53	660,327,543.60
Financial Expenses	19,852,060.56	8,240,347.87	11,611,712.69
Non-cash Expenses	479,798,831.28	416,363,425.39	63,435,405.89
Net Financial Assistance and Subsidy	277,707,905.57	(16,469,562.33)	294,177,467.90
Net Surplus (Deficit)	769,818,219.86	775,031,023.47	(5,212,803.61)

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

Particulars	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Final Budget	13,109,622,518.60	7,022,995,609.74	6,086,626,908.86
Actual Amounts	5,268,665,858.26	3,302,876,796.55	1,965,789,061.71

## Operational Highlights

In CY 2024, the PGNO received the following awards, appreciations, and recognitions:

- 1. Most Responsive Health Facility for Central Visayas Electronic Health Referral System** by the Department of Health (DOH), Central Visayas Center for Health Development.
- 2. Full Compliance on the Disaster Risk Reduction and Management in Health (DRRMH) Institutionalization in Central Visayas** by DOH, Central Visayas Center for Health Development.
- 3. Significant Achievements in Advancing the Philippine Population Development Program** by the Commission on Population and Development Region VII.

## **Independent Auditor's Report on the Financial Statements**

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

1. The Local Road Networks account shows a balance of ₱373,712,461.98, which remains unidentified due to the absence of the required inventory of local roads, hindering reconciliation with the Registry of Public Infrastructure.
2. The depreciation expense of the Road Network, with an accumulated depreciation balance of ₱471,365,166.38, was calculated using a uniform estimated useful life of ten years and a ten per cent salvage value for the total cost rather than for each road component, thus raising concerns about the reliability of the balance and resulting in an undetermined amount of discrepancy.
3. The reliability of inventory, with a balance of ₱557,966,849.17 could not be ascertained due to the absence of Supplies Ledger Cards, the inclusion of negative balances amounting to ₱623,726.29, and the presence of dormant accounts totalling ₱22,200,675.08.
4. The breeding stocks, valued at ₱23,076,711.37, could not be relied upon due to (a) incomplete inventory count, (b) non-maintenance of the Work, Other Animals and Breeding Stocks Ledger Card, (c) dormant accounts exceeding ten years totalling ₱6,717,359.87, and (d) the non-recognition and measurement of stocks in accordance with International Public Sector Accounting Standards (IPSAS) 27, thereby causing misstatements in the breeding stocks and related accounts for an undetermined amount.
5. Service drop wires procured by the Provincial Government for distribution to various barangays were erroneously recorded as Construction in Progress (CIP)- Buildings and Other Structures instead of Construction Materials for Distribution, resulting in an overstatement of CIP accounts by ₱11,495,167.80 and an understatement of the Inventory and Expense accounts by an undetermined amount, pending submission of the Inventory Transfer Report (ITR).
6. Interest of ₱5,035,754.82 incurred during the year on loans obtained to finance the construction of qualifying assets were treated as outright expense contrary to paragraph 18 of IPSAS 5, which requires the capitalization of borrowing costs of qualifying assets, thereby overstating expense and understating assets.
7. Unserviceable properties with an acquisition cost of ₱2,872,383.09, were not derecognized from the Property, Plant and Equipment (PPE) account upon disposal, as their net book value could not be determined due to incomplete subsidiary records. Furthermore, certain other items could not be traced to the ledger card maintained by the Provincial Accountant because of limited data and record deficiencies, potentially resulting in an overstatement of the PPE accounts by an undetermined amount.

8. The accuracy of the Gain on Sale of PPE amounting to ₱1,445,031.25 from the derecognition of disposed PPE items could not be ascertained, as various unserviceable properties included in the disposal were not properly derecognized in the books of accounts.

### **Significant Audit Observations and Recommendations**

The following are the significant observations and recommendations in the audit and/or evaluation of the operations of the Province for Calendar Year 2024. These, and other audit observations discussed by the Audit Team with Management in an exit conference on March 18, 2025, are fully presented in Part II of this Report.

- 1. Feasibility studies for seven infrastructure projects amounting to ₱5.850 billion, which were funded through loans, were neither prepared nor submitted to the Audit Team, thereby raising concerns about whether the projects' viability and the optimal utilization of resources were assessed prior to their implementation.**

We recommended that Management conduct in-depth analyses and a comprehensive feasibility study, including assessments of financial viability, socio-economic feasibility and management feasibility, to evaluate compliance with the purpose and intent of Section 296(b) of RA No. 7160 and Section 2 of PD No. 1445. Additionally, the study must address the viability and necessity of the project, the financial sustainability of the loan repayment, and the overall impact on the Provincial Government's finances.

- 2. The ₱49,870,000.00 Socio-Civic Projects Fund (SCPF) from the Office of the President for farmers, fisherfolk, and other marginalized families severely affected by the El Niño may not have reached its intended beneficiaries, as the supporting documents do not show that the Department of Agriculture (DA) and Department of Social Welfare and Development (DSWD) was involved in identifying the beneficiaries, while the supporting papers submitted pertained to the "Ayuda sa Kapos ang Kita Program" (AKAP), a separate DSWD initiative to low-income families and individuals facing economic hardships due to inflation, which may render the disbursements illegal.**

We recommended that Management submit the supporting documents to prove that the SCPF provided by the Office of the President was distributed to its intended beneficiaries, the farmers, fisherfolk, and other marginalized families severely affected by the El Niño phenomenon, in order to ensure that the objectives of the grant were achieved.

- 3. The necessity and propriety of hiring Force Multipliers for Task Force SAGAR, amounting to ₱16,595,000.00 is questionable due to the lack of clearly specified duties, functions, and expected outputs in the contract, as well as proof of technical skills and justification for the need to hire these personnel, thus may result in the possible wastage of government funds.**

We recommended that Management submit a justification for the employment of Force Multipliers and the creation and maintenance of these Task Forces, as well as detailed description of their specific duties, functions and expected outputs.

We also recommended that henceforth, the specific duties, functions, and expected outputs be incorporated in the individual contracts of services and that these personnel be required to submit monthly accomplishment reports aligned with the respective duties, functions and expected outputs to establish the necessity of their services.

Furthermore, we reiterated our recommendation that Management discontinue the use of any government official's name in government programs and desist from charging to government funds any expenses related to programs that include the initials or surname of any government personality.

**4. Appropriations in the 20% Development Fund (DF) amounting to ₱11,500,000.00 for the Electrification Program in various barangays were utilized to procure service wires for distribution to barangays at a cost of ₱11,495,167.80, without securing the required separate Sanggunian authorization, as mandated for lump sum appropriations under Section 22(c) of Republic Act (RA) No. 7160.**

We recommended that the Provincial Development Council, when endorsing programs, projects and activities to the Sangguniang Panlalawigan for approval, specify the particular projects to be funded as required under Article 454(d) of the Implementing Rules and Regulations (IRR) of RA No. 7160. For appropriations that have been presented in lump sum or generic terms, a separate SP appropriation ordinance/resolution must be secured by the Local Chief Executive before utilizing the funds, as required under Section 22(c) of RA No. 7160.

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

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

Particulars	Beginning Balance (As of 01/01/24)	Issued and Settled		Ending Balance (As of 12/31/24)
		During the Year 2024		
		NS/ND/NC	NSSDC	
Suspensions	₱ 29,021,895.75	₱ 0.00	₱ 772,476.43	₱ 28,249,419.32
Disallowances	536,052,230.48	(16,625.00)	0.00	536,035,605.48
Charges	0.00	0.00	0.00	0.00

Out of the total disallowances, ₱482,674,416.41 are on appeal with the Commission on Audit.

**Status of Prior Years' Audit Recommendations**

Of the 130 prior years' audit recommendations, six (6) were revised and incorporated into paragraphs 1, 2, 4, and 18 of Part II of this report due to the similarity of the issues involved. Additionally, two (2) audit recommendations were reiterated in the 2023 AAR, AO No. 7, and included as audit recommendation numbers 11, 12, 13, and 14 in Part III of this report. Of the remaining 122 audit recommendations, 36 were implemented and 86 were not implemented.

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**PART I**  
**AUDITED FINANCIAL STATEMENTS**



## **INDEPENDENT AUDITOR'S REPORT**

### **HONORABLE MANUEL L. SAGARBARRIA**

Provincial Governor  
Province of Negros Oriental

### **Qualified Opinion**

We have audited the financial statements of the Province of Negros Oriental, which comprise the statement of financial position as of December 31, 2024, the statement of financial performance, the statement of changes in net assets/equity, the statement of cash flows, the 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 Province of Negros Oriental as of December 31, 2024, and its financial performance, its cash flows, and its comparison of budget and actual amounts for the year ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Bases for Qualified Opinion**

1. The Local Road Networks account shows a balance of ₱373,712,461.98, which remains unidentified due to the absence of the required inventory of local roads, hindering reconciliation with the Registry of Public Infrastructure.
2. The depreciation expense of the Road Network, with an accumulated depreciation balance of ₱471,365,166.38, was calculated using a uniform estimated useful life of ten years and a ten per cent salvage value for the total cost rather than for each road component, thus raising concerns about the reliability of the balance and resulting in an undetermined amount of discrepancy.
3. The reliability of inventory, with a balance of ₱557,966,849.17 could not be ascertained due to the absence of Supplies Ledger Cards, the inclusion of negative balances amounting to ₱623,726.29, and the presence of dormant accounts totalling ₱22,200,675.08.
4. The breeding stocks, valued at ₱23,076,711.37, could not be relied upon due to (a) incomplete inventory count, (b) non-maintenance of the Work, Other Animals and Breeding Stocks Ledger Card, (c) dormant accounts exceeding ten years totalling ₱6,717,359.87, and (d) the non-recognition and measurement of stocks in accordance with IPSAS 27, thereby causing misstatements in the breeding stocks and related accounts for an undetermined amount.

5. Service drop wires procured by the Provincial Government for distribution to various barangays were erroneously recorded as Construction in Progress (CIP)- Buildings and Other Structures instead of Construction Materials for Distribution, resulting in an overstatement of CIP accounts by ₱11,495,167.80 and an understatement of the Inventory and Expense accounts by an undetermined amount, pending submission of the Inventory Transfer Report (ITR).
6. Interest of ₱5,035,754.82 incurred during the year on loans obtained to finance the construction of qualifying assets were treated as outright expense contrary to paragraph 18 of IPSAS 5, which requires the capitalization of borrowing costs of qualifying assets, thereby overstating expense and understating assets.
7. Unserviceable properties with an acquisition cost of ₱2,872,383.09, were not derecognized from the Property, Plant and Equipment (PPE) account upon disposal, as their net book value could not be determined due to incomplete subsidiary records. Furthermore, certain other items could not be traced to the ledger card maintained by the Provincial Accountant because of limited data and record deficiencies, potentially resulting in an overstatement of the PPE accounts by an undetermined amount.
8. The accuracy of the Gain on Sale of PPE amounting to ₱1,445,031.25 from the derecognition of disposed PPE items could not be ascertained, as various unserviceable properties included in the disposal were not properly derecognized in the books of accounts.

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **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 IPSASs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the LGU's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 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:



**KATHERINE Z. VELEZ**  
State Auditor V  
Supervising Auditor

June 18, 2025



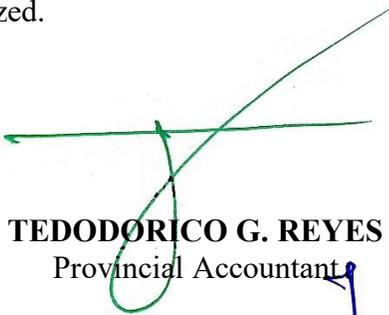
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**Province of Negros Oriental**  
Dumaguete City, 6200  
www.negor.gov.ph



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **Province of Negros Oriental** is responsible for all the information and representation contained in the accompanying Statement of Financial Position as of December 31, 2024, and the related Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, and the Notes to the Financial Statements for the year then ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards and generally accepted state accounting principles and reflect amounts that are based on the 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 are recognized.



**TEDODORICO G. REYES**  
Provincial Accountant

March 17, 2025



**HON. MANUEL L. SAGARBARRIA**  
Governor

March 17, 2025

**Republic of the Philippines**  
**PROVINCE OF NEGROS ORIENTAL**  
Notes to Condensed Financial Statements  
(All amounts in Philippine Peso)

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**Note 1 - Profile**

The Province of Negros Oriental was created by virtue of Republic Act No. 120 dated April 20, 1901. It is located 857 kilometers south of Manila and comprises approximately 5,385 square kilometers of land, mostly devoted to agriculture and housing communities. Its present population was reported at 1,432,990.

The Provincial Government of Negros Oriental, as a dynamic and credible LGU, provides efficient and effective service to its customers through a team of dedicated, committed, and customer-oriented officials and employees working together for excellence in public service.

**Note 2 -** The consolidated financial statements of the Province have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS). The consolidated financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied since 2015.

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

**3.1 Basis of accounting**

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

**3.2 Consolidation**

The Provincial Government has maintained three funds, namely: General Fund, Trust Fund, and Special Education Fund. Under the General Fund, there are eight (8) special accounts, namely:

- General Fund - Proper
- 20% Economic Development Fund
- General Fund - Hospitals
- Loans
- Sports Center
- Convention Center
- Local Government Service Equalization Fund
- Bayanihan Grant to Provinces

**3.3 Revenue recognition**

**Revenue from non-exchange transactions**

*Taxes, fees and fines*

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

### *Transfers from other government entities*

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Province and can be measured reliably.

### **Revenue from exchange transactions**

#### *Sale of goods*

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

#### *Interest income*

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

#### *Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### **3.4 Property, Plant and Equipment**

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

Completed projects for the year were recognized based on the report submitted by the Provincial Engineer's Office for the year then ended.

The LGU has a total of 474.475 kilometers of roads with a total cost of ₱2,733,484,395.70, of which ₱90,742,705.30 are provincial roads. For the year ended, the agency spent a total of ₱48,682,078.39 on repairs and maintenance of infrastructure projects (provincial roads and bridges).

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

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

Account Name	Estimated Useful Life (in Years)
Buildings	30
Office Equipment	5
Furniture and Fixtures	10
IT Equipment – Hardware	5
Library Books	5
Machineries	10
Agricultural, Fishery and Forestry	10
Communication Equipment	10
Construction and Heavy Equipment	10
Fire Fighting Equipment and Accessories	7
Hospital Equipment	10
Medical, Dental and Laboratory Equipment	10
Military and Police Equipment	10
Sports Equipment	10
Technical and Scientific Equipment	10
Other Machineries and Equipment	10
Motor Vehicles	7
Watercrafts	10
Other Transportation Equipment	10
Other Property, Plant and Equipment	5

The depreciation of road networks started in CY 2021, recognizing a 10-year spread in their estimated useful lives.

### 3.5 Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized, and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives. Software is amortized for 10-20 years.

Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization

expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

### **3.6 Financial instruments**

#### **Financial assets**

##### *Initial recognition and measurement*

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The LGU determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the LGU commits to purchase or sell the asset.

The financial assets of the Province of Negros Oriental include: cash and short-term deposits; trade and other receivables; loans and other receivables and quoted and unquoted financial instruments.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification.

##### *Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value, through surplus or deficit, are carried in the statement of financial position at fair value, with changes in fair value recognized in surplus or deficit.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

### *Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the LGU has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

## **Financial liabilities**

### *Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Province determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognized at fair value, in the case of loans and borrowings.

The Province's financial liabilities include trade and other payables, loans, and borrowings.

### *Subsequent measurement*

The measurement of financial liabilities depends on their classification.

### *Financial liabilities at fair value through surplus or deficit*

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Currently, the Province has an outstanding loan with the Development Bank of the Philippines and Land Bank of the Philippines with the following details:

Name of Loan: Term Loan
Type of Loan: Note
Kind of Indebtedness: Domestic
Purpose of Loan: Completion of the construction of the Four-Storey Central Block Building including mechanical equipment at the Negros Oriental Provincial Hospital.
Authority for Loan: SP Res # 21 dated 01/27/2014 Special Ordinance #46
Bank/Lending Institution: Development Bank of the Philippines

Amount: ₱346,598,230.95	Date Loan Granted: July 22, 2014
Maturity Date: July 22, 2029	
Payment Terms: 15 yrs. on principal amortization-payable monthly inclusive of 2 years grace period	
Interest Rate: 4.82% p.a.	Amount of Interest: ₱110,049,952.41
Other Charges:	
Projects Funded or to be funded out of the loan and amount/s involved: Completion of the construction of the Four-Storey Central Block bldg. including equipment	
Source of Funding to be used in paying the loan:	General Fund – Hospitals
Guarantee/Collateral provided, if any	Hold-Out Time Deposit
Current Outstanding Loan Balance	₱ 122,744,038.08
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

Name of Loan: Term Loan	
Type of Loan: Note	
Kind of Indebtedness: Domestic	
Purpose of Loan: Construction of New Negros Oriental Government Center	
Authority for Loan: SP Res #103dtd 02/05/2024	
Bank/Lending Institution: Development Bank of the Philippines	
Amount: P1,460,000,000.00	Date Loan was Granted: July 30, 2024
Maturity Date: July 30, 2039	
Payment Terms: 15 yrs. on principal amortization-payable monthly inclusive of 2 years grace period	
Interest Rate: 4.50% p.a.	Amount of Interest: P 4,186,908.58
Other Charges: Documentary stamp	P 1,641,925.50
Projects Funded or to be funded out of the loan and amount/s involved: Construction of New Negros Oriental Government Center	
Source of Funding to be used in paying the loan:	General Fund
Guarantee/Collateral provided, if any	Assignment of 20% of National Tax Allotment
Current Outstanding Loan Balance	P 218,923,324.27
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

### Land Bank of the Philippines

Name of Loan: Term Loan	
Type of Loan: Note	
Kind of Indebtedness: Domestic	
Purpose of Loan: Installation of Solar Streetlights to 25 LGUs in Negros Oriental	
Authority for Loan: SP Res #103dtd 02/05/2024	
Bank/Lending Institution: Land Bank of the Philippines	
Amount: P750,000,000.00	Date Loan was Granted: July 30, 2024
Maturity Date: July 29, 2033	
Payment Terms: 9 yrs. on principal amortization- payable quarterly with grace period of 9 quarters from initial release on principal	
Interest Rate: 4.50% p.a.	Amount of Interest: P 755,316.79
Other Charges: Documentary stamp	P 499,440.00
Projects Funded or to be funded out of the loan and amount/s involved: Construction of New Negros Oriental Government Center – First Release	
Source of Funding to be used in paying the loan:	General Fund

Guarantee/Collateral provided, if any	Assignment of 20% of National Tax Allotment
Current Outstanding Loan Balance	P 66,591,938.90
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

Name of Loan: Term Loan	
Type of Loan: Note	
Kind of Indebtedness: Domestic	
Purpose of Loan: Installation of Solar Streetlights to 25 LGUs in Negros Oriental	
Authority for Loan: SP Res #103dtd 02/05/2024	
Bank/Lending Institution: Land Bank of the Philippines	
Amount: P750,000,000.00	Date Loan was Granted: October 17, 2024
Maturity Date: July 29, 2033	
Payment Terms: 9 yrs. on principal amortization- payable quarterly with grace period of 9 quarters from initial release on principal	
Interest Rate: 4.50% p.a.	Amount of Interest: P 71,150.41
Other Charges: Documentary stamp	P 332,947.50
Projects Funded or to be funded out of the loan and amount/s involved: Construction of New Negros Oriental Government Center – Second Release	
Source of Funding to be used in paying the loan:	General Fund
Guarantee/Collateral provided, if any	Assignment of 20% of National Tax Allotment
Current Outstanding Loan Balance	P 44,392,991.37
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

Name of Loan: Term Loan	
Type of Loan: Note	
Kind of Indebtedness: Domestic	
Purpose of Loan: Installation of Solar Streetlights to 25 LGUs in Negros Oriental	
Authority for Loan: SP Res #103dtd 02/05/2024	
Bank/Lending Institution: Land Bank of the Philippines	
Amount: P750,000,000.00	Date Loan was Granted: November 28, 2024
Maturity Date: July 29, 2033	
Payment Terms: 9 yrs. on principal amortization- payable quarterly with grace period of 9 quarters from initial release on principal	
Interest Rate: 4.50% p.a.	Amount of Interest: P 0
Other Charges: Documentary stamp	P 1,563,663.00
Projects Funded or to be funded out of the loan and amount/s involved: Construction of New Negros Oriental Government Center – Third Release	
Source of Funding to be used in paying the loan:	General Fund
Guarantee/Collateral provided, if any	Assignment of 20% of National Tax Allotment
Current Outstanding Loan Balance	P 208,488,262.03
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

Name of Loan: Term Loan	
Type of Loan: Note	
Kind of Indebtedness: Domestic	
Purpose of Loan: Construction of the Negros Oriental Medical City	
Authority for Loan: SP Res #103dtd 02/05/2024	
Bank/Lending Institution: Land Bank of the Philippines	
Amount: P3,300,000,000.00	Date Loan was Granted: December 18, 2024
Maturity Date: December 16, 2039	
Payment Terms: 15 yrs. on principal amortization-payable quarterly with 2 years grace period on principal	
Interest Rate: 4.50% p.a.	Amount of Interest: P 0
Other Charges: Documentary stamp	P 3,712,387.50
Projects Funded or to be funded out of the loan and amount/s involved: Construction of the Negros Oriental Medical City – First Tranche	
Source of Funding to be used in paying the loan:	General Fund
Guarantee/Collateral provided, if any	Assignment of 20% of National Tax Allotment
Current Outstanding Loan Balance	P 494,984,999.99
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

Name of Loan: Term Loan	
Type of Loan: Note	
Kind of Indebtedness: Domestic	
Purpose of Loan: Improvement of Perdices Coliseum	
Authority for Loan: SP Res #103dtd 02/05/2024	
Bank/Lending Institution: Development Bank of the Philippines	
Amount: P40,000,000.00	Date Loan was Granted: November 20, 2024
Maturity Date: November 20, 2039	
Payment Terms: 15 yrs. on principal amortization-payable monthly inclusive of 2 years grace period on principal	
Interest Rate: 4.50% p.a.	Amount of Interest: P 22,379.04
Other Charges: Documentary stamp	P 44,758.50
Projects Funded or to be funded out of the loan and amount/s involved: Improvement of Perdices Coliseum – First Release	
Source of Funding to be used in paying the loan:	General Fund
Guarantee/Collateral provided, if any	Assignment of 20% of National Tax Allotment
Current Outstanding Loan Balance	P 5,967,743.41
Arrears, if any: Principal	None
Interest	None
Deposit to Bond Sinking Fund for the year:	None

### *Derecognition*

A financial liability is derecognized when the obligation under it is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially

modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

#### *Reversion*

Section 98 of P.D. No. 1445 provides that any unliquidated balances 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.

Further, DBM-COA Joint Circular No. 99-06 dated November 13, 1999 requires the reversion of all documented accounts payables that remained outstanding for two years, except for on-going capital outlay projects, as well as all undocumented and unliquidated payables, irrespective of the year they were incurred.

### **3.7 Inventories**

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

Costs incurred in bringing each product to its present location and conditions are accounted for. Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventory is recognized as an expense when it is deployed for utilization or consumption in the ordinary course of operations of the Province.

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

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

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

### **3.9 Borrowing costs**

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

### 3.10 Budget information

The annual budget is prepared on a modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Province. As a result of the adoption of the modified cash basis for budgeting purposes, there are basis, timing, or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

### 3.11 Significant judgments and sources of estimation uncertainty

#### *Judgments*

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

#### *Useful lives and residual values*

The useful lives and residual values of assets are assessed using the table provided by the COA.

### 3.12 Financial instruments - financial risk management

Exposure to currency, commodity, interest rate, liquidity, and credit risks arises in the normal course of the LGUs operations. This note presents information about its exposure to each of the mentioned risks, its policies and processes for measuring and managing risk, and the LGU's management of capital. Further quantitative disclosures are included throughout these financial statements. The fair values set out below are a comparison by class of the carrying amounts and fair value of the LGU's financial instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

As of December 31, 2024, the Province of Negros Oriental held the following financial instruments measured at fair value:

	2024	Level 1	Level2	Level3
Investments	₱98,281,227.15	₱98,281,227.15	0.00	0.00
	<b>₱98,281,227.15</b>	<b>₱98,281,227.15</b>	<b>0.00</b>	<b>0.00</b>

During the reporting period ending December 31, 2024, there were no transfers between levels 1 and 2 of fair value measurements.

#### *Credit risk*

Credit risk is the risk of financial loss to the Province if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from its investments, loans, receivables, and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2024, the maximum exposure to credit risk was as follows:

<b>Particulars</b>	<b>2024</b>	<b>2023</b>
Trade receivables & other receivables	₱ 296,953,844.87	₱ 248,012,465.02
Cash and cash equivalent	5,758,980,866.60	6,067,225,532.28
Maximum exposure to credit risk	<b>₱ 6,055,934,711.47</b>	<b>₱ 6,315,237,997.30</b>

#### *Credit quality*

Credit quality is the assessed risk of default attached to counterparties to which the Province of Negros Oriental extends credit and also to those parties with whom the LGU invests. As such, the credit quality assessed extends to the customers, investments, and banks servicing the LGU.

For financial statement purposes, the investments and balances with banks are limited to the investments, loans receivable, and cash and cash equivalents line items in the statement of financial position. The LGU follows Department Order No. 27-05 of the Department of Finance (DOF) in the maintenance of depository accounts. However, the Province was not able to secure the credit quality of the investments, loans receivables, and cash and cash equivalent.

For the purpose of determining the credit quality of customers, the LGU applies its past experience with customers in determining the risk of default posed by customers. In line with the methodology applied, customers are classified into the following credit quality groups:

- a) High - Those customers who have no history of defaulting on payments to the LGU and only include customers who settle their accounts in full and within the prescribed minimum period;
- b) Medium - Those customers with a history of late payments only. These customers usually arrange ahead of time with the LGU to settle balances in arrears, and when payments are made, the outstanding amounts (including interest) are settled in full; and
- c) Low - Those customers with a significant history of defaults. The balances of these customers are rarely settled in full. The recovery of outstanding balances from these customers is problematic.

The credit quality of the balance of receivables and other receivables is made up as follows:

	<b>2024</b>	<b>2023</b>
High	₱ 136,441,001.36	₱ 99,041,846.34
Medium	153,257,082.66	142,462,307.83
Low	7,258,310.85	6,508,310.85
<b>Total instrument at amortized cost exposed to credit risk</b>	<b>₱ 296,956,394.87</b>	<b>₱ 248,012,465.02</b>

#### *Investments*

The LGU limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating (rated BB and above), which are within the specific guidelines set in accordance with the Finance Committee and the Sanggunian approved investment policy. The Province is currently

investing in the Development Bank of the Philippines. DBP, Dumaguete Branch, obtains a CAMELS rating of “3” as assessed by the Bangko Sentral ng Pilipinas.

#### *Receivables*

Receivables are amounts owed by employees and other agencies and are presented net of impairment losses. The LGU has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. Negros Oriental is compelled, by its constitutional mandate, to provide all of its residents with the basic minimum services without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.

The Province’s maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The LGU has no significant concentration of credit risk, with exposure spread over a large number of consumers and not concentrated in any particular sector or geographic area.

The Province establishes an allowance for impairment that represents its estimate of anticipated losses with respect to receivables.

The outstanding amounts of the 10 largest debtors represent 35.13% (2024) of the total outstanding balance. The LGU has started to recognize allowances for impairment and has been continually sending demand letters for the immediate settlement of these advances.

#### *Cash and cash equivalents*

The LGU limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating and within specific guidelines set in accordance with the Sanggunian’s approved investment policy. Consequently, the Province does not consider there to be any significant exposure to credit risk.

#### *Liquidity risk*

Liquidity risk is the risk of the LGU not being able to meet its obligations as they fall due. The Province’s approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the LGU’s reputation.

The Province ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts. On average, 83.67% (2024) of receivables are settled within 30 days after the due date, and 21.04% (2024) of payables are settled within 30 days of the invoice date.

The following are the comparative contractual liabilities as of December 31, 2024:

2024	Current up to 30d	31 days to 1Year	<1 yr up to 2yrs	<2yrs up to 5 yrs	< 5 years	Total
Liabilities						
Borrowings	₱ 2,231,709.79	₱ 24,548,807.69	₱ 89,940,032.40	₱372,225,332.04	₱ 673,516,084.65	₱ 1,162,461,966.57
Payables	1,262,585,435.35	134,745,697.87	170,419,408.51	190,883,060.27	344,100,347.16	2,102,733,949.16
Total Liabilities	₱1,264,817,145.14	₱159,294,505.56	₱260,359,440.91	₱563,108,392.31	₱1,017,616,431.81	₱ 3,265,195,915.73

2023	Current up to 30d	31 days to 1Year	<1 yr up to 2yrs	<2yrs up to 5 yrs	< 5 years	Total
Liabilities						
Borrowings	₱ 2,231,709.79	₱ 24,548,807.69	₱ 26,780,517.48	₱ 80,341,552.44	₱ 15,990,636.68	₱ 149,893,224.08
Payables	1,050,864,529.05	143,774,888.72	261,447,060.91	149,974,340.83	397,865,679.09	2,003,926,496.60
Total Liabilities	₱1,053,096,238.84	₱168,323,696.41	₱288,227,578.39	₱230,315,893.27	₱413,856,315.77	₱2,153,819,722.68

### Capital management

The primary objective of managing the Province's capital is to ensure that there is sufficient cash available to support the Province's funding requirements, including capital expenditures, to ensure that the Province remains financially sound. The LGU monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. In a capital-intensive industry, a gearing ratio of 54.5% or less can be considered reasonable. Included in net debt are interest-bearing loans and borrowings, payables, less investments.

### Note 4 - Cash and Cash Equivalents

Account Name	2024	2023
Cash- Local Treasury	₱ 63,928,888.12	₱ 1,131,331.95
Cash in Bank-Local Currency-Current Account	5,695,051,978.48	6,066,094,200.33
<b>Total Cash and Cash Equivalent</b>	<b>₱ 5,758,980,866.60</b>	<b>₱ 6,067,225,532.28</b>

Cash in banks earns interest based on the prevailing bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the LGU and earn interest at the respective short-term deposit rate.

### Note 5 - Investment

Account Name	2024	2023
Investments in Time Deposits (91 days to 1 year)		
Cash in Bank – Local Currency, Time Deposits	₱ 98,281,227.15	₱ 98,281,227.15
<b>Total</b>	<b>₱ 98,281,227.15</b>	<b>₱ 98,281,227.15</b>

The investment's maturity dates are as follows:

DEPOSITORY BANK	ACCOUNT NO.	AMOUNT	INTEREST RATE	TRANSACTION		MATURITY DATE
				RENEWAL DATE	TERM (days)	
Development Bank of the Philippines Dumaguete City	126XXXX117	₱10,000,000.00	1.25 %	11/22/2024	273	8/19/2025
	126XXXX001	2,000,000.00	1.25 %	11/11/2024	183	5/12/2025
	740XXXX100	12,000,000.00	1.3 %	11/11/2024	91	2/10/2025
		<b>24,000,000.00</b>				
Philippine Veterans Dumaguete City	880XXXX092	2,281,227.15	0.75 %	10/14/2024	94	1/14/2025
	880XXXX101	6,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX069	3,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX084	5,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX091	5,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX080	10,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX085	3,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX081	5,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX077	5,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX064	5,000,000.00	0.75 %	10/14/2024	94	1/14/2025
	880XXXX072	5,000,000.00	0.75 %	10/10/2024	91	1/09/2025
	880XXXX088	5,000,000.00	0.75 %	10/10/2024	91	1/09/2025
	880XXXX100	10,000,000.00	0.75 %	10/21/2024	91	1/20/2025
	880XXXX074	5,000,000.00	0.75 %	10/21/2024	91	1/20/2025
		<b>74,281,227.15</b>				
<b>GRAND TOTAL</b>		<b>₱98,281,227.15</b>				

## Note 6 – Receivables

Loans and Receivable Accounts	2024		2023	
Loans Receivable-LGU	₱270,666.67		₱270,666.67	
<i>Allowance for Impairment</i>	0.00	270,666.67	0.00	270,666.67
Interest Receivable	169,165.44		158,037.07	
<i>Allowance for Impairment</i>	0.00	169,165.44	0.00	158,037.07
Loans Receivable-Others	1,391,260.85		1,391,260.85	
<i>Allowance for Impairment</i>	0.00	1,391,260.85	0.00	1,391,260.85
<b>Total</b>	<b>₱1,831,092.96</b>		<b>₱1,819,964.59</b>	

Inter-Agency Receivable	2024		2023	
Due from NGAs	₱8,903,354.35		₱8,703,354.35	
<i>Allowance for Impairment</i>	971,817.21	7,931,537.14	971,817.21	7,731,537.14
Due from GOCCs	125,000.00		1,625,000.00	
<i>Allowance for Impairment</i>	0.00	125,000.00	0.00	1,625,000.00
Due from LGUs	84,256,397.42		79,965,092.46	
<i>Allowance for Impairment</i>	677,856.20	83,578,541.22	677,856.20	79,287,236.26
<b>Total</b>	<b>₱91,635,078.36</b>		<b>₱88,643,773.40</b>	

Transfers to other government agencies represent those funds appropriated for specific projects with a Memorandum of Agreement duly approved by the Chief Executive. These funds were received on the basis of the project budgets submitted. Accordingly, the Province is contractually bound to spend these funds only in connection with the projects. Furthermore, the contracts stipulate that the funds received for the project may only be applied to the costs incurred for the project as and when the phases of the project are certified as complete. The conditions remaining, therefore, represent phases of the projects that are yet to be certified as complete. The return of the unspent portion of the fund is subject to the conditions stated in the respective Memorandum of Agreement executed between the Province and the proponent government agencies.

Intra Agency Receivables	2024	2023
Due from other Funds	₱ 49,934,080.32	₱ 9,435,272.73
<b>Total</b>	<b>₱ 49,934,080.32</b>	<b>₱ 9,435,272.73</b>

Advances	2024	2023
Advances for Operating Expenses	₱ 4,344,895.06	₱ 4,342,517.26
Advances for Payroll	3,402,109.99	2,757,532.21
Advances to Special Disbursing Officers	50,336,153.77	49,217,837.58
Advances for Officers and Employees	2,408,237.89	2,217,815.73
<b>Total</b>	<b>₱ 60,491,396.71</b>	<b>₱ 58,535,702.78</b>

Other Receivables	2024		2023	
Receivables-Disallowances/Charges	₱25,096,321.86		₱29,984,258.03	
<i>Allowance for Impairment</i>	0.00	25,096,321.86	0.00	29,984,258.03
Due from Officers and Employees	804,105.29		985,193.99	
<i>Allowance for Impairment</i>	56,618.26	747,487.03	56,618.26	928,575.73
Due from NGOs/Pos	5,867,050.00		5,117,050.00	
<i>Allowance for Impairment</i>	0.00	5,867,050.00	0.00	5,117,050.00
Other Receivables	62,406,069.04		54,602,599.17	
<i>Allowance for Impairment</i>	1,054,731.41	61,351,337.63	1,054,731.41	53,547,867.76
<b>Total</b>	<b>₱93,062,196.52</b>		<b>₱89,577,751.52</b>	

<b>SUMMARY OF RECEIVABLES:</b>	<b>2024</b>	<b>2023</b>
Loans and Receivable Accounts	₱ 1,831,092.96	₱ 1,819,964.59
Inter-Agency Receivables	91,635,078.36	88,643,773.40
Intra-Agency Receivables	49,934,080.32	9,435,272.73
Advances	60,491,396.71	58,535,702.78
Other Receivables	93,062,196.52	89,577,751.52
<b>Total</b>	<b>₱ 296,953,844.87</b>	<b>₱ 248,012,465.02</b>

As of December 31, 2024, the ageing analysis of receivables is as follows:

Code	Account	Current up to 30d	31 days to 1 year	>1 yr up to 2 yrs	>2yrs up to 5 yrs	>5 Years	Total
10301020	RPT Receivable	0.00	0.00	0.00	0.00	0.00	0.00
10301060	Loans Receivable-LGU	0.00	0.00	0.00	0.00	270,666.67	270,666.67
10301070	Interests Receivable	169,165.44	0.00	0.00	0.00	0.00	169,165.44
10301990	Loans Receivables-O	0.00	0.00	0.00	0.00	1,391,260.85	1,391,260.85
10303010	Due from NGAs	0.00	200,000.00	3,622,284.25	2,852,000.00	2,229,070.10	8,903,354.35
10303020	Due from GOCCs	0.00	0.00	0.00	0.00	125,000.00	125,000.00
10303030	Due from LGUs	21,590,289.33	27,954,483.33	22,582,145.43	5,254,745.22	6,874,734.11	84,256,397.42
10304050	Due from Other Funds	40,583,656.14	213,657.22	2,153.00	188,691.91	8,945,922.05	49,934,080.32
10305010	Advances for Operating Expenses	1,844,543.00	1,623,600.00	496,500.00	0.00	380,252.06	4,344,895.06
10305020	Advances for Payroll	658,282.25	327,927.91	(0.01)	(3.88)	2,415,903.72	3,402,109.99
10305030	Adv. Disbursing Officer	0.00	16,898,550.00	26,452,626.00	3,500,000.00	3,484,977.77	50,336,153.77
10305040	Advances for Officers and Employees	0.00	465,734.29	199,591.68	825,984.00	916,927.92	2,408,237.89
10306010	Receivables-Disallowances/Charges	0.00	319,428.00	6,945,000.00	17,374,860.82	457,033.04	25,096,321.86
10306020	Due from Officers and Employees	0.00	103,797.72	109,896.98	242,793.85	347,616.74	804,105.29
10306030	Due from NGOs/POs	0.00	1,000,000.00	0.00	400,000.00	4,467,050.00	5,867,050.00
10306990	Other Receivables	7,000,000.00	14,806,161.00	32,769,623.86	1,142,641.22	6,687,642.96	62,406,069.04
<b>Total Receivables</b>		<b>₱71,845,936.16</b>	<b>₱63,913,339.47</b>	<b>₱93,179,821.19</b>	<b>₱31,781,713.14</b>	<b>₱38,994,057.99</b>	<b>₱299,714,867.95</b>
<b>Total Allowance for Impairment</b>							<b>2,761,023.08</b>
<b>Total Receivables, Net of Allowance for Impairment</b>							<b>₱296,953,844.87</b>

As of December 31, 2023, the ageing analysis of receivables is as follows:

Code	Account	Current up to 30d	31 days to 1 year	>1 yr up to 2 yrs	>2yrs up to 5 yrs	>5 Years	Total
10301020	RPT Receivable	0.00	0.00	0.00	0.00	0.00	0.00
10301060	Loans Receivable-LGU	0.00	0.00	0.00	0.00	270,666.67	270,666.67
10301070	Interests Receivable	158,037.07	0.00	0.00	0.00	0.00	158,037.07
10301990	Loans Receivables-O	0.00	0.00	0.00	0.00	1,391,260.85	1,391,260.85
10303010	Due from NGAs	622,284.25	3,000,000.00	0.00	2,852,000.00	2,229,070.10	8,703,354.35
10303020	Due from GOCCs	0.00	0.00	0.00	125,000.00	1,500,000.00	1,625,000.00
10303030	Due from LGUs	22,083,556.03	23,446,196.55	18,091,048.78	9,239,277.21	7,105,013.89	79,965,092.46
10304050	Due from Other Funds	130,537.01	168,131.53	4,703.00	185,979.14	8,945,922.05	9,435,272.73
10305010	Advances for Operating Expenses	3,919,446.50	42,818.70	0.00	0.00	380,252.06	4,342,517.26
10305020	Advances for Payroll	341,632.38	(0.01)	(2.57)	(1.31)	2,415,903.72	2,757,532.21
10305030	Adv. Disbursing Officer	870,000.00	41,269,089.00	3,500,000.00	318,835.13	3,259,913.45	49,217,837.58
10305040	Advances for Officers and Employees	0.00	450,863.81	25,984.00	821,240.00	919,727.92	2,217,815.73
10306010	Receivables-Disallowances/Charges	6,945,000.00	0.00	21,969,725.59	588,499.40	481,033.04	29,984,258.03
10306020	Due from Officers and Employees	0.00	388,709.39	167,777.61	76,018.05	352,688.94	985,193.99
10306030	Due from NGOs/POs	0.00	250,000.00	200,000.00	200,000.00	4,467,050.00	5,117,050.00
10306990	Other Receivables	2,850,000.00	42,311,094.60	609,170.39	2,142,641.22	6,689,692.96	54,602,599.17
<b>Total Receivables</b>		<b>₱37,920,493.24</b>	<b>₱111,326,903.57</b>	<b>₱44,568,406.80</b>	<b>₱16,549,488.84</b>	<b>₱40,408,195.65</b>	<b>₱250,773,488.10</b>
<b>Total Allowance for Impairment</b>							<b>2,761,023.08</b>
<b>Total Receivables, Net of Allowance for Impairment</b>							<b>₱248,012,465.02</b>

**Note 7 – Inventories**

<b>Account Name</b>	<b>2024</b>	<b>2023</b>
Welfare Goods for Distribution	₱ 47,326,072.78	₱ 27,341,097.08
Drugs and Medicines Inventory for Distribution	9,807,608.82	0.00
Textbooks and Instructional Materials for Distribution	14,951,008.60	36,905,028.60
Other Supplies and Materials for Distribution	631,530.00	199,800.00
Office Supplies Inventory	20,283,137.61	25,988,690.32
Accountable Forms, Plates and Stickers	9,164,280.64	8,540,210.18
Drugs and Medicines Inventory	132,552,543.25	136,860,502.57
Medical, Dental and Laboratory Supplies Inventory	182,923,046.88	178,200,766.26
Fuel, Oil and Lubricants Inventory	85,183,843.79	86,717,668.81
Agricultural and Marine Supplies Inventory	31,377,617.09	31,377,617.09
Construction Materials Inventory	3,085,034.01	7,825,894.43
Other Supplies and Materials Inventory	20,681,125.70	19,846,324.50
Semi-Expendable Machinery	129,980.00	0.00
<b>Total</b>	<b>₱ 558,096,829.17</b>	<b>₱ 559,803,599.84</b>

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

The consumed portion of the supply accounts was recorded on the basis of the Summary of Supplies and Materials Issued by the Provincial General Services Office.

**Note 8 – Prepayments**

<b>Account Name</b>	<b>2024</b>	<b>2023</b>
Advances to contractors	₱ 984,894,478.96	₱ 172,203,328.20
Prepaid Insurance	4,850,743.78	4,188,028.94
<b>Total</b>	<b>₱ 989,745,222.74</b>	<b>₱ 176,391,357.14</b>

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

As of December 31, 2024, the adjusted amounts for Property, Plant and Equipment are as follows:

Account Code	Description	January 1, 2024	Additions	Disposals	Transfers/ Adjustments	December 31, 2024	Accumulated Depreciation	Net Book Value
10701010	Land	₱ 11,918,110.29	₱ 1,150,226.35	₱ 0.00	₱ 0.00	₱ 13,068,336.64	₱ 0.00	₱13,068,336.64
10702010	Land Improvements, Aquaculture Structures	521,293.99	3,976,084.52	0.00	0.00	4,497,378.51	469,164.59	4,028,213.92
10702990	Other Land Improvements	40,068,218.37	0.00	0.00	0.00	40,068,218.37	16,911,903.66	23,156,314.71
10703010	Road Networks	2,439,296,451.09	294,187,944.61	0.00	0.00	2,733,484,395.70	471,365,166.38	2,262,119,229.32
10703020	Flood Control Systems	287,039,611.75	9,832,122.41	0.00	0.00	296,871,734.16	64,539,712.37	232,332,021.79
10703030	Sewer Systems	55,364,552.75	3,116,757.61	0.00	0.00	58,481,310.36	14,327,228.76	44,154,081.60
10703040	Water Supply Systems	163,627,845.19	8,446,541.28	0.00	0.00	172,074,386.47	38,573,890.22	133,500,496.25
10703050	Power Supply Systems	36,135,338.81	0.00	0.00	0.00	36,135,338.81	13,656,927.42	22,478,411.39
10703070	Seaport Systems	3,305,064.54	0.00	0.00	0.00	3,305,064.54	888,085.53	2,416,979.01
10703090	Parks, Plazas and Monuments	73,989,811.20	0.00	0.00	0.00	73,989,811.20	3,088,865.56	70,900,945.64
10703990	Other Infrastructure Assets	45,872,107.69	459,199.09	0.00	0.00	46,331,306.78	2,734,664.43	43,596,642.35
10704010	Buildings	792,687,247.98	39,721,516.79	25,060,990.92	0.00	807,347,773.85	141,212,008.59	666,135,765.26
10704020	School Buildings	159,093,352.75	0.00	0.00	0.00	159,093,352.75	44,907,740.31	114,185,612.44
10704030	Hospitals and Health Centers	317,686,181.56	27,949,415.61	8,673,000.00	0.00	336,962,597.17	38,873,384.73	298,125,212.44
10704040	Markets	36,330,488.72	2,945,662.02	0.00	0.00	39,276,150.74	4,742,624.16	34,533,526.58
10704050	Slaughterhouses	1,372,210.61	0.00	0.00	0.00	1,372,210.61	82,332.64	1,289,877.97
10704990	Other Structures	98,349,723.53	1,144,703.58	1,878,136.17	0.00	97,616,290.94	27,322,584.24	70,293,706.70
10705010	Machinery	24,823,757.88	10,189.00	0.00	0.00	24,833,946.88	9,017,203.49	15,816,743.39
10705020	Office Equipment	42,477,719.53	819,350.00	271,625.00	0.00	43,025,444.53	39,506,335.05	3,519,109.48
10705030	Info. And Comm. Tech. Equipment	150,602,457.93	40,477,621.00	367,517.00	0.00	190,712,561.93	117,501,872.35	73,210,689.58
10705040	Agricultural and Forestry Equipment	67,980,259.95	112,746,300.00	0.00	0.00	180,726,559.95	40,020,729.36	140,705,830.59
10705070	Communication Equipment	13,021,274.12	0.00	1,680.00	0.00	13,019,594.12	11,846,045.01	1,173,549.11
10705080	Construction and Heavy Equipment	866,832,403.54	9,278,000.00	0.00	0.00	876,110,403.54	491,827,564.80	384,282,838.74
10705090	Disaster Response and Rescue Equipment	160,672,383.44	182,988,831.99	0.00	0.00	343,661,215.43	90,731,644.45	252,929,570.98
10705100	Military, Police and Security Equipment	1,365,074.53	2,498,999.00	0.00	0.00	3,864,073.53	801,855.20	3,062,218.33
10705110	Medical Equipment	489,764,676.37	22,975,417.80	301,944.00	0.00	512,438,150.17	281,155,455.38	231,282,694.79
10705130	Sports Equipment	4,678,303.15	0.00	0.00	0.00	4,678,303.15	2,826,886.26	1,851,416.89
10705140	Technical and Scientific Equipment	3,966,662.75	0.00	0.00	0.00	3,966,662.75	3,131,243.55	835,419.20
10705990	Other Machinery and Equipment	246,317,035.20	23,486,295.26	804,994.95	0.00	268,998,335.51	99,055,796.13	169,942,539.38
10706010	Motor Vehicles	337,128,870.07	62,004,612.90	3,618,500.00	0.00	395,514,982.97	196,257,467.06	199,257,515.91
10706040	Watercrafts	3,294,211.14	0.00	0.00	0.00	3,294,211.14	3,007,720.04	286,491.10
10706990	Other Transportation Equipment	2,156,824.00	0.00	0.00	0.00	2,156,824.00	1,941,141.60	215,682.40
10707010	Furniture and Fixtures	34,975,511.86	338,988.00	0.00	0.00	35,314,499.86	11,795,551.15	23,518,948.71
10707020	Books	13,964,771.80	0.00	0.00	1,145.00	13,963,626.80	6,942,655.29	7,020,971.51
10710010	CIP – Land Improvements	10,640,902.94	0.00	0.00	0.00	10,640,902.94	0.00	10,640,902.94

Account Code	Description	January 1, 2024	Additions	Disposals	Transfers/ Adjustments	December 31, 2024	Accumulated Depreciation	Net Book Value
10710020	CIP – Infrastructure Assets	1,538,905,947.04	336,105,697.36	0.00	0.00	1,875,011,644.40	0.00	1,875,011,644.40
10710030	CIP – Buildings and Other Structures	1,319,894,976.71	521,122,299.20	0.00	0.00	1,841,017,275.91	0.00	1,841,017,275.91
10799010	Work/Zoo Animals	844,000.00	300,000.00	0.00	0.00	1,144,000.00	0.00	1,144,000.00
10799990	Other Property, Plant and Equipment	90,222,917.76	0.00	1,088,780.00	0.00	89,134,137.76	51,391,162.03	37,742,975.73
<b>Total</b>		<b>₱9,987,188,552.53</b>	<b>₱1,708,082,775.38</b>	<b>₱42,067,168.04</b>	<b>₱ 1,145.00</b>	<b>₱11,653,203,014.87</b>	<b>₱2,342,418,611.79</b>	<b>₱9,310,784,403.08</b>

While as of December 31, 2023, the adjusted amounts for Property, Plant and Equipment are as follows:

Account Code	Description	January 1, 2023	Additions	Disposals	Transfers/ Adjustments	December 31, 2023
10701010	Land	₱ 11,918,110.29	₱ 0.00	₱ 0.00	₱ 0.00	₱11,918,110.29
10702010	Land Improvements, Aquaculture Structures	521,293.99	0.00	0.00	0.00	521,293.99
10702990	Other Land Improvements	40,068,218.37	0.00	0.00	0.00	40,068,218.37
10703010	Road Networks	2,439,296,451.09	0.00	0.00	0.00	2,439,296,451.09
10703020	Flood Control Systems	259,844,003.97	27,279,596.14	0.00	83,988.36	287,039,611.75
10703030	Sewer Systems	49,859,238.96	5,505,313.79	0.00	0.00	55,364,552.75
10703040	Water Supply Systems	152,754,389.77	10,873,455.42	0.00	0.00	163,627,845.19
10703050	Power Supply Systems	29,050,688.39	7,084,650.42	0.00	0.00	36,135,338.81
10703070	Seaport Systems	3,305,064.54	0.00	0.00	0.00	3,305,064.54
10703090	Parks, Plazas and Monuments	49,995,460.20	23,994,351.00	0.00	0.00	73,989,811.20
10703990	Other Infrastructure Assets	42,343,920.33	3,528,187.36	0.00	0.00	45,872,107.69
10704010	Buildings	761,700,337.97	30,986,910.01	0.00	0.00	792,687,247.98
10704020	School Buildings	159,093,352.75	0.00	0.00	0.00	159,093,352.75
10704030	Hospitals and Health Centers	310,846,387.76	6,839,793.80	0.00	0.00	317,686,181.56
10704040	Markets	36,330,488.72	0.00	0.00	0.00	36,330,488.72
10704050	Slaughterhouses	1,372,210.61	0.00	0.00	0.00	1,372,210.61
10704990	Other Structures	93,268,610.89	5,081,112.64	0.00	0.00	98,349,723.53
10705010	Machinery	24,823,757.88	0.00	0.00	0.00	24,823,757.88
10705020	Office Equipment	41,343,785.53	1,269,179.00	0.00	135,245.00	42,477,719.53
10705030	Info. And Comm. Tech. Equipment	130,286,179.43	20,635,782.50	0.00	319,504.00	150,602,457.93
10705040	Agricultural and Forestry Equipment	24,577,259.95	43,403,000.00	0.00	0.00	67,980,259.95
10705070	Communication Equipment	13,196,363.12	0.00	0.00	175,089.00	13,021,274.12
10705080	Construction and Heavy	698,196,403.54	168,636,000.00	0.00	0.00	866,832,403.54
10705090	Disaster Response and Rescue Equipment	157,776,624.14	2,895,759.30	0.00	0.00	160,672,383.44

Account Code	Description	January 1, 2023	Additions	Disposals	Transfers/ Adjustments	December 31, 2023
10705100	Military, Police and Security Equipment	1,365,074.53	0.00	0.00	0.00	1,365,074.53
10705110	Medical Equipment	473,008,356.37	17,910,891.00	0.00	1,154,571.00	489,764,676.37
10705130	Sports Equipment	4,678,303.15	0.00	0.00	0.00	4,678,303.15
10705140	Technical and Scientific Equipment	3,966,662.75	0.00	0.00	0.00	3,966,662.75
10705990	Other Machinery and Equipment	203,083,240.55	43,236,672.65	0.00	2,878.00	246,317,035.20
10706010	Motor Vehicles	303,223,604.07	33,905,266.00	0.00	0.00	337,128,870.07
10706040	Watercrafts	3,294,211.14	0.00	0.00	0.00	3,294,211.14
10706990	Other Transportation Equipment	2,156,824.00	0.00	0.00	0.00	2,156,824.00
10707010	Furniture and Fixtures	33,082,102.11	1,893,409.75	0.00	0.00	34,975,511.86
10707020	Books	50,869,800.40	0.00	0.00	36,905,028.60	13,964,771.80
10710010	CIP – Land Improvements	10,484,235.67	251,253.72	0.00	94,586.45	10,640,902.94
10710020	CIP – Infrastructure Assets	1,440,201,565.54	209,728,782.78	0.00	111,024,401.28	1,538,905,947.04
10710030	CIP – Buildings and Other Structures	1,283,444,629.11	117,772,151.18	0.00	81,321,803.58	1,319,894,976.71
10799010	Work/Zoo Animals	844,000.00	0.00	0.00	0.00	844,000.00
10799990	Other Property, Plant and Equipment	90,222,917.76	0.00	0.00	0.00	90,222,917.76
<b>Total</b>		<b>₱ 9,435,694,129.34</b>	<b>₱ 782,711,518.46</b>	<b>₱ 0.00</b>	<b>₱ 231,217,095.27</b>	<b>₱9,987,188,552.53</b>

The schedule of Depreciation and Impairment is presented below:

Property, Plant and Equipment	January 1, 2023		Depreciation	Impairment	Disposal	December 31, 2023		
	Accumulated Depreciation	Impairment				Accumulated Depreciation	Impairment	Net Book Value
Land	₱0.00	₱0.00	₱0.00	₱0.00	₱0.00	₱0.00	₱0.00	₱11,918,110.29
Land Improvements, Aquaculture Structures	253,218.35	0.00	0.00	0.00	0.00	253,218.35	0.00	268,075.64
Other Land Improvements	598,244.00	0.00	0.00	0.00	0.00	598,244.00	0.00	39,469,974.37
Road Networks	139,084,598.28	0.00	185,008,292.19	0.00	0.00	324,092,890.47	0.00	2,115,203,560.62
Flood Control Systems	26,672,319.90	0.00	15,743,832.60	0.00	0.00	42,416,152.50	0.00	244,623,459.25
Sewer Systems	5,243,280.72	0.00	4,345,460.55	0.00	0.00	9,588,741.27	0.00	45,775,811.48
Water Supply Systems	12,790,545.84	0.00	11,798,000.49	0.00	0.00	24,588,546.33	0.00	139,039,298.86
Power Supply Systems	2,253,567.36	0.00	1,893,213.51	0.00	0.00	4,146,780.87	0.00	31,988,557.94
Seaport Systems	297,455.81	0.00	293,173.91	0.00	0.00	590,629.72	0.00	2,714,434.82
Parks, Plazas and Monuments	544,991.18	0.00	1,407,356.91	0.00	0.00	1,952,348.09	0.00	72,037,463.11
Other Infrastructure Assets	790,041.64	0.00	932,443.16	0.00	0.00	1,722,484.80	0.00	44,149,622.89
Buildings	99,377,480.75	0.00	22,033,384.22	0.00	0.00	121,410,864.97	0.00	671,276,383.01

Property, Plant and Equipment	January 1, 2023		Depreciation	Impairment	Disposal	December 31, 2023		
	Accumulated Depreciation	Impairment				Accumulated Depreciation	Impairment	Net Book Value
School Buildings	36,711,151.47	0.00	3,966,204.15	0.00	0.00	40,677,355.62	0.00	118,415,997.13
Hospitals and Health Centers	27,296,460.96	0.00	4,300,262.49	0.00	0.00	31,596,723.45	0.00	286,089,458.11
Markets	2,992,621.21	0.00	860,714.37	0.00	0.00	3,853,335.58	0.00	32,477,153.14
Slaughterhouses	41,166.32	0.00	0.00	0.00	0.00	41,166.32	0.00	1,331,044.29
Other Structures	20,641,033.84	0.00	3,608,572.26	0.00	0.00	24,249,606.10	0.00	74,100,117.43
Machinery	6,218,955.42	0.00	2,234,138.21	0.00	0.00	8,453,093.63	0.00	16,370,664.25
Office Equipment	30,522,694.93	0.00	5,411,107.61	0.00	0.00	35,933,802.54	0.00	6,543,916.99
Information and Communication Technology	84,882,979.47	0.00	20,503,097.89	0.00	0.00	105,386,077.36	0.00	45,216,380.57
Agricultural and Forestry Equipment	18,186,034.89	0.00	6,400,348.74	0.00	0.00	24,586,383.63	0.00	43,393,876.32
Communication Equipment	8,107,586.88	0.00	997,518.39	0.00	0.00	9,105,105.27	0.00	3,916,168.85
Construction and Heavy Equipment	355,820,162.29	0.00	64,924,841.61	0.00	0.00	420,745,003.90	0.00	446,087,399.64
Disaster Response and Rescue Equipment	71,630,246.90	0.00	3,309,607.03	0.00	0.00	74,939,853.93	0.00	85,732,529.51
Military, Police and Security Equipment	643,132.23	0.00	36,862.65	0.00	0.00	679,994.88	0.00	685,079.65
Medical Equipment	211,166,950.11	0.00	28,921,449.10	0.00	0.00	240,088,399.21	0.00	249,676,277.16
Sports Equipment	2,476,223.28	0.00	63,130.50	0.00	0.00	2,539,353.78	0.00	2,138,949.37
Technical and Scientific Equipment	2,350,395.91	0.00	100,799.61	0.00	0.00	2,451,195.52	0.00	1,515,467.23
Other Machinery and Equipment	74,163,393.66	0.00	11,259,574.14	0.00	0.00	85,422,967.80	0.00	160,894,067.40
Motor Vehicles	134,171,062.92	0.00	15,867,081.54	0.00	0.00	150,038,144.46	0.00	187,090,725.61
Watercrafts	2,752,187.60	0.00	122,310.00	0.00	0.00	2,874,497.60	0.00	419,713.54
Other Transportation Equipment	1,941,141.60	0.00	0.00	0.00	0.00	1,941,141.60	0.00	215,682.40
Furniture and Fixtures	11,585,258.95	0.00	35,564.57	0.00	0.00	11,620,823.52	0.00	23,354,688.34
Books	15,378,154.37	0.00	2,348,674.21	0.00	13,160,899.99	4,565,928.59	0.00	9,398,843.21
CIP – Land Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,640,902.94
CIP – Infrastructure Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,538,905,947.04
CIP – Buildings and Other Structures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,319,894,976.71
Work/Zoo Animals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	844,000.00
Other Property, Plant and Equipment	52,371,064.03	0.00	0.00	0.00	0.00	52,371,064.03	0.00	37,851,853.73
<b>Total</b>	<b>₱1,459,955,803.07</b>	<b>₱0.00</b>	<b>₱418,727,016.61</b>	<b>₱0.00</b>	<b>₱13,160,899.99</b>	<b>₱1,865,521,919.69</b>	<b>₱0.00</b>	<b>₱8,121,666,632.84</b>

A total of ₱358,341,424.74 Public Infrastructure was reported as completed projects for CY 2024 per report submitted by the Provincial Engineer's Office while a total of ₱185,860,586.55 Buildings and Other Structures were transferred from Other Trust fund to General Fund Proper as of December 31, 2024.

Other Structures (10704990) under Other Trust Fund posted an adjustment from Government Equity reflecting credit totals in the amount of ₱28,784,158.67 for CY 2017 awaiting further verification as to its propriety.

The Province measured the residual value of all items of property, plant and equipment but does not expect a residual value of these assets because these will be utilized for their entire economic lives and do not have a significant scrap value.

Disposal of unserviceable PPE per report submitted by PGSO, CY 2024 under the General Fund was recorded. Recording of the cost of the demolished buildings were recognized in the books using the estimated value/cost given by the Provincial General Services Office. Subsequent entries were made to reflect the dropping of these items from the list of Property Plant and Equipment.

**Note 10 – Biological Assets**

Account Name	2024	2023
Breeding Stocks	₱ 23,076,711.37	₱ 16,575,027.87
Plants and Trees	10,030,370.89	10,030,370.89
Aquaculture	95,752.00	95,752.00
<b>Total</b>	<b>₱ 33,202,834.26</b>	<b>₱ 26,701,150.76</b>

The above balances are stated in net recoverable value. Write-downs were treated as expenses in the current year.

**Note 11- Intangible Assets**

Account Name	2024	2023
Computer Software	₱ 19,321,867.76	₱ 16,921,867.76
Accumulated Amortization	(7,968,079.88)	(7,968,079.88)
<b>Total</b>	<b>₱ 11,353,787.88</b>	<b>₱ 8,953,787.88</b>

**Note 12 - Liabilities**

Financial Liabilities	2024	2023
Accounts Payable	₱ 1,089,298,545.27	₱ 850,564,034.73
Due to Officers and Employees	69,614,985.57	86,723,616.90
Interest Payable	820,962.47	0.00
Awards and Rewards Payable	20,000.00	20,000.00
Leave Benefits Payable	0.00	0.00
Loans Payable – Domestic	1,162,461,966.57	149,893,224.08
<b>Total</b>	<b>₱ 2,322,216,459.88</b>	<b>₱ 1,087,200,875.71</b>

Trade payables are non-interest-bearing and are normally settled on 60-day terms. Other payables are non-interest-bearing and have an average term of six months. Interest payable on a domestic loan is normally settled monthly throughout the financial year.

As of December 31, 2024, the total Loans Payable - Domestic amounted to ₱1,162,461,966.57, of which the current portion, payable within one (1) year, was ₱27,149,186.00. The remaining balance of ₱1,135,312,780.57 is classified under non-current financial liabilities.

<b>Inter-Agency Payables</b>	<b>2024</b>	<b>2023</b>
Due to BIR	₱ 33,161,213.94	₱ 29,318,064.52
Due to GSIS	14,242,563.01	19,046,128.64
Due to PAG-IBIG	3,047,872.51	2,380,891.92
Due to PhilHealth	2,406,257.93	1,826,119.59
Due to NGAs	128,376,430.81	272,398,761.14
Due to GOCCs	3,776,744.22	544,769.30
Due to LGUs	46,115,025.83	46,705,409.89
<b>Total</b>	<b>₱ 231,126,108.25</b>	<b>₱ 372,220,145.00</b>

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

<b>Intra-Agency Payable</b>	<b>2024</b>	<b>2023</b>
Due to Other Funds	₱ 43,270,068.37	₱ 68,486,700.56

<b>Trust Liabilities</b>	<b>2024</b>	<b>2023</b>
Trust Liabilities	₱ 260,345,741.12	₱ 252,116,803.15
Trust Liabilities- DRRMF	144,584,630.05	129,944,529.19
Bail Bonds Payable	24,000.00	24,000.00
Guarantee/Security Deposits Payable	54,884,037.91	42,568,252.42
Customers' Deposits Payable	478,500.00	447,500.00
<b>Total</b>	<b>₱ 460,316,909.08</b>	<b>₱ 425,101,084.76</b>

<b>Deferred Credits/Unearned Income</b>	<b>2024</b>	<b>2023</b>
Other Deferred Credits	₱ (307,586.00)	₱ (307,586.00)

### Note 13 - Other Payables

<b>Other Payables</b>	<b>2024</b>	<b>2023</b>
Other Payables	₱ 208,573,956.15	₱ 201,118,502.65

Presented below is the ageing schedule of liabilities as of December 31, 2024.

<b>Account</b>	<b>Current up to 30d</b>	<b>31 days to 1 year</b>	<b>&lt;1 yr up to 2 yrs</b>	<b>&lt;2 yrs up to 5 yrs</b>	<b>&lt; 5 years</b>	<b>Total</b>
Accounts Payable	891,862,008.53	5,129,393.49	90,199,751.92	50,860,724.15	51,246,667.18	1,089,298,545.27
Due to Officers and Employees	37,106,646.67	92,909.05	8,295,020.50	8,063,876.56	16,056,532.79	69,614,985.57
Interest Payable	820,962.47	0.00	0.00	0.00	0.00	820,962.47
Awards and Rewards Payable	0.00	0.00	0.00	0.00	20,000.00	20,000.00
Leave Benefits Payable	0.00	0.00	0.00	0.00	0.00	0.00
Loans Payable – Domestic	2,231,709.79	24,548,807.69	89,940,032.40	372,225,332.04	673,516,084.65	1,162,461,966.57
Due to BIR	33,161,213.94	0.00	0.00	0.00	0.00	33,161,213.94
Due to GSIS	14,242,563.01	0.00	0.00	0.00	0.00	14,242,563.01
Due to Pag-IBIG	3,047,872.51	0.00	0.00	0.00	0.00	3,047,872.51
Due to PhilHealth	2,406,257.93	0.00	0.00	0.00	0.00	2,406,257.93
Due to NGAs	30,121,674.53	6,661,487.92	968,653.71	25,629,441.23	64,995,173.42	128,376,430.81
Due to GOCCs	1,347,608.10	0.00	288,440.33	499,520.41	1,641,175.38	3,776,744.22
Due to LGUs	7,056,593.76	2,345,341.69	4,371,800.12	8,111,974.68	24,229,315.58	46,115,025.83
Due to Other Funds	40,587,140.13	205,205.21	162.77	104,753.45	2,372,806.81	43,270,068.37
Trust Liabilities	3,582,227.10	27,061,315.07	49,766,034.42	44,312,813.26	135,623,351.27	260,345,741.12
Trust Liabilities – Disaster Risk Reduction and Management Fund	40,522,479.15	72,344,445.27	0.00	22,820,660.26	8,897,045.37	144,584,630.05
Bail Bonds Payable	0.00	0.00	0.00	0.00	24,000.00	24,000.00
Guaranty/Security Deposits Payable	8,029,492.87	15,769,189.87	3,155,137.23	16,001,906.40	11,928,311.54	54,884,037.91
Customers' Deposits Payable	52,000.00	18,000.00	10,000.00	10,000.00	388,500.00	478,500.00
Other Deferred Credits	0.00	0.00	7,961.05	0.00	(315,547.05)	(307,586.00)
Other Payables	148,638,694.65	5,118,410.30	13,356,446.46	14,467,389.87	26,993,014.87	208,573,956.15
<b>TOTAL</b>	<b>₱1,264,817,145.14</b>	<b>₱159,294,505.56</b>	<b>₱260,359,440.91</b>	<b>₱563,108,392.31</b>	<b>₱1,017,616,431.81</b>	<b>₱3,265,195,915.73</b>

**Note 14 - Tax Revenue**

<b>Tax Revenue</b>	<b>2024</b>	<b>2023</b>
Professional Tax	₱ 196,009.00	₱ 159,050.00
Real Property Tax – Basic	34,646,284.97	33,144,237.71
Special Education Tax	49,518,165.61	47,402,637.67
Real Property Transfer Tax	8,003,901.16	9,269,962.99
Tax on Sand, Gravel and Other Quarry Products	2,996,588.40	2,378,944.40
Tax on Delivery trucks and Vans	411,850.00	296,400.00
Amusement Tax	615,405.50	544,359.50
Franchise Tax	210,034.42	181,756.73
Tax Revenue – Fines and Penalties-Taxes on Individual and Corporation	2,829,223.23	2,551,099.97
Tax Revenue – Fines and Penalties-Property Taxes	7,403,806.14	6,561,774.89
<b>Total</b>	<b>₱ 106,831,268.43</b>	<b>₱ 102,490,223.86</b>

<b>Share from National Taxes</b>	<b>2024</b>	<b>2023</b>
Share from Internal Revenue Collections (IRA)	₱ 3,126,152,775.00	₱ 2,942,803,500.00
Share from National Wealth	8,974,995.51	7,817,228.26
<b>Total</b>	<b>₱ 3,135,127,770.51</b>	<b>₱ 2,950,620,728.26</b>

**Note 15 - Share, Grants and Donations**

<b>Share</b>	<b>2024</b>	<b>2023</b>
Share from PCSO	₱ 1,032,616.85	₱ 699,145.76

**Note 16 - Service, Business and Miscellaneous Income**

<b>Service and Business Income</b>	<b>2024</b>	<b>2023</b>
Permit Fees	₱ 5,224,728.00	₱ 2,659,460.00
Clearance and Certification Fees	431,150.00	411,460.00
Occupation Fees	35,850.00	33,750.00
Other Service Income	22,119,337.81	11,304,292.16
Rent Income	1,944,207.45	1,385,424.86
Receipts from Operation of Hostels/Dormitories	1,829,874.00	1,366,307.00
Sales Revenue	10,007,060.70	9,569,969.70
Hospital Fees	448,358,614.99	257,830,024.11
Interest Income	5,021,150.91	5,279,589.53
Other Business Income	14,319,094.79	4,377,879.91
<b>Total</b>	<b>₱ 509,291,068.65</b>	<b>₱ 294,218,157.27</b>

<b>Other Income</b>	<b>2024</b>	<b>2023</b>
Gain on Sale of Property, Plant and Equipment	₱ 1,445,031.25	₱ 0.00
Miscellaneous Income	12,002,458.58	9,086,965.64
Other Losses	7,558,546.88	0.00
<b>Total</b>	<b>₱ 5,888,942.95</b>	<b>₱ 9,086,965.64</b>

The Miscellaneous Income account includes a total of ₱5,355,853.35 and ₱4,640,382.64 for CY 2024 and 2023, respectively, of the Trust Fund representing Non-Operating Income as transfers from Trust Liability to cover MOOE.

Other Losses with account code 50504990 is a result of the demolition of buildings and other structures. It represents the net book value of the asset at the time of demolition.

**Note 17 - Employee Costs**

<b>Personal Services</b>	<b>2024</b>	<b>2023</b>
Salaries and Wages – Regular	₱ 472,568,110.53	₱ 475,075,010.06
Salaries and Wages- Casual/Contractual	17,592,581.24	17,215,391.98
Personal Economic Relief Allowance (PERA)	33,032,203.13	34,200,206.62
Representation Allowance (RA)	4,584,976.37	3,645,561.22
Transportation Allowance (TA)	3,010,659.08	2,476,388.46
Clothing/Uniform Allowance	9,678,324.80	8,490,000.00
Subsistence Allowance	10,443,118.32	10,736,778.99
Laundry Allowance	1,018,327.01	1,077,951.68
Hazard Pay	46,903,203.65	47,089,545.73
Overtime and Night Pay	13,653,319.73	14,038,194.96
Year-End Bonus	41,650,063.70	40,792,927.34
Cash Gift	6,979,750.00	7,161,000.00
Other Bonuses and Allowances	67,398,459.20	69,427,363.60
Retirement and Life Insurance Premiums	57,538,499.33	57,648,219.57
PAG-IBIG Contributions	3,169,616.42	1,708,895.22
PhilHealth Contributions	11,762,696.22	9,301,144.04
Employees Compensation Insurance Premiums	1,654,098.68	1,706,827.93
Terminal Leave Benefits	24,199,572.24	37,086,377.86
Other Personnel Benefits	9,233,308.48	32,121,046.94
<b>Total</b>	<b>₱ 836,070,888.13</b>	<b>₱ 870,998,832.20</b>

**Note 18 - Summary of Maintenance and Other Operating Expenses (MOOE)**

<b>Summary of MOOE</b>	<b>2024</b>	<b>2023</b>
Maintenance and Other Operating Expenses	₱ 736,108,776.86	₱ 493,392,698.65
Contracted Services	236,341,620.50	165,711,027.11
Repairs and Maintenance	90,699,980.99	86,577,854.10
Taxes, Insurance Premiums and Other Fees	10,470,096.19	10,821,164.83
Other Maintenance and Operating Expenses	856,719,098.59	513,509,284.84
<b>Total</b>	<b>₱ 1,930,339,573.13</b>	<b>₱ 1,270,012,029.53</b>

**Note 18.1 – Maintenance and Other Operating Expenses**

<b>Account Name</b>	<b>2024</b>	<b>2023</b>
Traveling Expenses – Local	₱ 14,457,790.55	₱ 9,695,297.05
Traveling Expenses – Foreign	2,205,479.18	0.00
Training Expenses	54,077,958.92	59,446,367.83
Scholarship Grants/Expenses	28,090,368.55	16,246,079.47
Office Supplies Expenses	16,068,132.71	7,583,133.80
Accountable Forms Expenses	3,468,531.57	1,162,206.00
Non-Accountable Forms Expenses	325,035.00	162,385.00
Animal/Zoological Supplies Expenses	7,938,483.84	3,599,705.50
Food Supplies Expenses	46,727,194.22	43,730,060.60
Welfare Goods Expenses	0.00	87,750.00
Drugs and Medicines Expenses	120,773,667.41	64,976,423.12
Medical, Dental & Laboratory Supplies Expenses	84,712,778.81	36,220,027.98
Fuel, Oil and Lubricants Expenses	6,704,057.00	3,667,220.99

Account Name	2024	2023
Agriculture and Marine Supplies Expenses	10,989,610.74	19,948,909.15
Textbooks and Instructional Materials Expenses	19,981,920.00	0.00
Military, Police and Traffic Supplies Expenses	156,724.00	0.00
Chemical and Filtering Supplies Expenses	654,926.55	585,570.00
Semi-Expendable Machinery and Equipment	418,900.03	0.00
Other Supplies and Materials Expenses	181,879,118.03	138,959,219.98
Water Expenses	6,404,843.41	5,294,538.60
Electricity Expenses	68,445,958.33	62,236,598.33
Postage and Courier Services	166,881.57	107,140.88
Telephone Expenses	1,604,476.94	1,918,500.76
Internet Subscription Expenses	2,589,355.00	2,268,084.62
Cable, Satellite, Telegraph and Radio Expenses	60,597.40	64,198.70
Prizes	7,589,855.00	4,910,000.00
Confidential Expenses	49,000,000.00	10,075,063.00
Extraordinary and Miscellaneous Expenses	616,132.10	448,217.29
<b>Total</b>	<b>₱ 736,108,776.86</b>	<b>₱ 493,392,698.65</b>

#### Note 18.2 – Contracted Services

Account Name	2024	2023
Auditing Services	₱ 167,840.78	₱ 189,753.47
Other Professional Services	150,168,841.50	116,819,658.24
Environment/Sanitary Services	12,709,005.00	61,199.50
Janitorial Services	27,874,117.52	14,467,885.90
Security Services	45,421,815.70	34,172,530.00
<b>Total</b>	<b>₱ 236,341,620.50</b>	<b>₱ 165,711,027.11</b>

#### Note 18.3 - Repairs and Maintenance (RM)

Account Name	2024	2023
RM -Land Improvements	₱ 574,150.34	₱ 149,760.00
RM -Infrastructure Assets	31,949,796.57	28,456,247.03
RM -Bldgs. & Other Structures	16,154,496.50	12,439,686.44
RM-Machinery and Equipment	23,190,023.68	28,736,278.01
RM -Transportation Equipment	18,751,892.15	16,780,982.62
RM – Other Property, Plant and Equipment	79,621.75	14,900.00
<b>Total</b>	<b>₱ 90,699,980.99</b>	<b>₱ 86,577,854.10</b>

#### Note 18.4 - Taxes, Insurance Premiums and Other Fees

Account Name	2024	2023
Taxes, Duties and Licenses	₱ 1,205,919.08	₱ 1,179,277.32
Fidelity Bond Premiums	1,295,823.03	1,367,110.54
Insurance Expenses	7,968,354.08	8,274,776.97
<b>Total</b>	<b>₱ 10,470,096.19</b>	<b>₱ 10,821,164.83</b>

#### Note 18.5 - Other Maintenance and Operating Expenses

Account Name	2024	2023
Advertising Expenses	₱ 4,764,061.00	₱ 2,962,758.00
Printing and Publication Expenses	1,211,837.00	1,066,944.50
Representation Expenses	56,750.00	119,000.00

Account Name	2024	2023
Transportation and Delivery Expenses	36,000.00	0.00
Rent Expenses	7,693,735.00	415,496.00
Membership Dues and Contributions to Org.	520,000.00	417,840.00
Subscription Expenses	6,720.00	7,170.00
Donations	294,105,762.63	217,101,899.65
Other Maintenance and Operating Expenses	548,324,232.96	291,418,176.69
<b>Total</b>	<b>₱ 856,719,098.59</b>	<b>₱ 513,509,284.84</b>

**Note 19 – Transfers, Assistance and Subsidy From**

Account Name	2024	20223
Subsidy from National Government	₱ 336,545,360.72	₱ 57,035,560.95
<b>Transfers</b>		
Transfers from GF of Unspent DRRMF	0.00	0.00
<b>Total</b>	<b>₱ 336,545,360.72</b>	<b>₱ 57,035,560.95</b>

**Note 20 - Transfers, Assistance and Subsidy To**

Account Name	2024	2023
Subsidy to Other Local Government Units	₱ 11,228,119.00	₱ 6,945,810.00
Subsidies – Others	7,086,857.00	0.00
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	40,522,479.15	66,559,313.28
<b>Total</b>	<b>₱ 58,837,455.15</b>	<b>₱ 73,505,123.28</b>

**Note 21 - Financial Expenses**

Account Name	2024	2023
Interest Expenses	₱ 11,761,768.56	₱ 8,015,340.67
Bank Charges	295,170.00	225,007.20
Other Financial Charges	7,795,122.00	0.00
<b>Total</b>	<b>₱ 19,852,060.56</b>	<b>₱ 8,240,347.87</b>

**Note 22 - Non-Cash Expenses**

Account Name	2024	2023
Depreciation-Infrastructure Assets	₱ 200,075,966.62	₱ 220,975,638.42
Depreciation-Buildings and Other Structures	39,614,202.84	34,769,137.49
Depreciation-Machinery and Equipment	187,553,313.49	142,245,019.16
Depreciation-Transportation Equipment	49,999,308.50	15,989,391.54
Depreciation-Furniture, Fixtures and Book	2,556,039.83	2,384,238.78
<b>Total</b>	<b>₱ 479,798,831.28</b>	<b>₱ 416,363,425.39</b>

**Note 23 -Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)**

Particulars	2024	2023
Surplus/Deficit	₱ 769,818,219.86	₱ 775,031,023.47
Income from Trust	388,889,503.75	145,058,230.11
Transfers, Assistance and Subsidy To	0.00	0.00
Proceeds from Sale/ Disposal of PPE	(1,445,031.25)	0.00
Non-Cash Transactions		
Depreciation	479,798,831.28	416,363,425.39

Particulars	2024	2023
Increase/(Decrease) in Payables	90,658,380.43	185,448,432.11
Prior Years Adjustment	(352,503,989.07)	(342,254,287.40)
Fixed Assets from Trust	185,860,586.55	48,951,647.14
Fixed Assets Donated	36,279,224.78	0.00
(Increase)/Decrease in Receivables	(243,830,376.92)	(74,811,331.55)
(Increase)/Decrease in Prepayments	(813,353,865.60)	(28,714,203.95)
(Increase)/Decrease in Inventory	1,715,920.67	(25,946,137.81)
<b>Net Cash Flow from Operating Activities</b>	<b>₱ 541,887,404.48</b>	<b>₱ 1,099,126,797.51</b>

**Note 24 – Reconciliation between actual amounts in a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and in the Statement of Financial Performance**

Particulars	Income	Personal Services	Maintenance and Other Operating Expenses	Financial Expenses	Capital Outlay
Comparison Statement of Budget and Actual	4,799,723,620.88	836,293,371.59	2,006,141,658.71	46,632,578.04	2,379,598,249.92
<b>Entity Differences</b>					
<b>Basis Differences</b>	<b>(1,041,551,953.49)</b>	<b>(222,483.46)</b>	<b>(75,802,085.58)</b>	<b>(26,780,517.48)</b>	<b>(515,452,406.02)</b>
Income/Expenses not considered budgetary items	(2,202,693.53)	0.00	341,901,214.07	0.00	93,967,026.99
Non-cash income					
Losses	(7,558,546.88)				
Income/Expenses from TF (not covered by appropriations)	5,355,853.35		341,901,214.07		93,967,026.99
<b>Budgetary items not considered as expenses</b>			<b>(108,956,312.15)</b>	<b>(26,780,517.48)</b>	<b>(1,678,285,257.35)</b>
Debt Service (Loan Amortization, retirement of Debt Instruments)				(26,780,517.48)	
Capital Expenditures					(1,864,145,843.90)
Transfers, Assistance and Subsidy to			(68,433,833.00)		185,860,586.55
Unspent DRRM transferred to Trust Fund			(40,522,479.15)		
<b>Receipts not considered as income</b>	<b>(1,039,349,259.96)</b>				
Borrowings	(1,039,349,259.96)				
<b>Timing Differences:</b>		<b>(222,483.46)</b>	<b>(308,746,987.50)</b>		<b>(795,280,019.56)</b>
Prepayments charged to current appropriations			(662,714.84)		
Unconsumed Inventories charged to current appropriations			(445,060,272.05)		6,128,966.27
Consumed Inventories and deferred charges charged to prior period appropriations			203,511,628.88		
Unliquidated Advances and Prepayments charged to current appropriations					(793,091,249.80)
Other Adjustments (Erroneous entry and etc.)		(222,483.46)	10,462,576.00		(5,417,736.03)
Commitments (Obligated but not delivered/billed)			(76,998,205.49)		(2,900,000.00)
<b>Per Statement of Fin. Performance</b>	<b>3,758,171,667.39</b>	<b>836,070,888.13</b>	<b>1,930,339,573.13</b>	<b>19,852,060.56</b>	<b>0.00</b>

**Note 25 – Provincial Disaster Risk Reduction Management Fund (PDRRMF)**

The PDRRMF 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 ₱641,526,990.05 and ₱304,467,897.37, respectively broken down as follows:

Particulars	Amount		
	Available	Utilized	Balance
<b>Current Year Appropriations:</b>			
Quick Response Fund (QRF)	₱ 53,721,940.18	₱ 25,209,005.00	₱ 28,512,935.18
Mitigation Fund (MF)			
MOOE	23,751,193.76	11,741,649.79	12,009,543.97
Capital Outlay	178,941,672.45	85,849,736.52	93,091,935.93
<b>Total</b>	<b>256,414,806.39</b>	<b>122,800,391.31</b>	<b>133,614,415.08</b>

Particulars	Amount		
	Available	Utilized	Balance
<b>Continuing Appropriation</b>	<b>194,592,592.08</b>	<b>89,688,518.07</b>	<b>104,904,074.01</b>
<b>Transfer to Other Trust Fund</b>	<b>(40,522,479.15)</b>	<b>0.00</b>	<b>(40,522,479.15)</b>
<b>Total</b>	<b>P 410,484,919.32</b>	<b>P212,488,909.38</b>	<b>P 197,996,009.94</b>
<b>Special Trust Fund</b>			
CY2017	P 3,375,498.06	P 0.00	P 3,375,498.06
SP Res. 748A dated 09/19/22	96,805,660.25	73,984,999.99	22,820,660.26
CY 2021-2023 -SP Res. 589A	70,647,339.43	17,993,988.00	52,653,351.43
CY 2023- SP Res. 1028A	19,691,093.84	0.00	19,691,093.84
CY 2024	40,522,479.15	0.00	40,522,479.15
<b>Total</b>	<b>231,042,070.73</b>	<b>91,978,987.99</b>	<b>139,063,082.74</b>
<b>Grand total</b>	<b>P 641,526,990.05</b>	<b>P304,467,897.37</b>	<b>P 337,059,092.68</b>

**PART II**  
**AUDIT OBSERVATIONS AND**  
**RECOMMENDATIONS**

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

*Unidentified Local Road Networks Balance of ₱373,712,461.98*

**1. The Local Road Networks account totaling ₱373,712,461.98 remains unidentified due to the absence of the required inventory of local road networks, inconsistent with paragraph 27 of IPSAS 1 and COA Circular No. 2015-008, thus affecting the accurate presentation of the account in the Financial Statements.**

1.1 Paragraph 27 of IPSAS 1 provides that financial statements shall fairly present an entity's financial position, performance, and cash flows of an entity. To achieve fair presentation, there must be a faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses as outlined in the IPSASs.

1.2 COA Circular No. 2015-008 dated November 23, 2015 prescribes the accounting and reporting guidelines for local road asset management. It requires, among others, the conduct of an inventory of local roads within the jurisdiction of the LGU, as well as the reconciliation of the inventory list, as reflected in the local road inventory report and road map, with those recorded in the Registry of Public Infrastructure to ensure their accuracy and existence.

1.3 An examination of the Abstract of Subsidiary Ledger Balances for Local Road Networks (10703010) revealed that a lump sum amount, described as "Road Networks-Registry of Public Infrastructure," was included, totalling ₱373,712,461.98, as presented in the table below:

Account Code	Fund	Amount
10703010-RPI-2015	General Fund (GF) – Proper	₱ 112,543,366.53
10703010-RPI-2015	GF – 20% Development Fund	261,169,095.45
<b>Total</b>		<b>₱373,712,461.98</b>

1.5 The Office of the Provincial Accountant has stated that these accounts pertain to items in the registry that are still awaiting identification. Once the specific road networks are determined, the amounts will be adjusted to the appropriate subsidiary account to accurately reflect the provincial roads.

1.6 On November 7, 2024, the Audit Team inquired with the Provincial General Services Officer (PGSO) regarding the submission of the Report on the Physical Count of Local Road Network (RPCLRN) as part of the reconciliation requirements. We noted that the Inventory Committee was unable to conduct the required inventory, as mandated by Item VI (3) of the Circular, which specifies that the Inventory Committee must prepare the report using the form prescribed in Annex C of the same Circular.

- 1.7 On November 19, 2024, the PGSO informed that the Inventory Committee was only constituted on July 31, 2023, and is currently in the process of digitizing and verifying the data on equipment carried over for several years in the Report on the Physical Count of Property, Plants, and Equipment. Despite receiving assistance from an inventory team, the committee has faced challenges due to the volume of data related to the equipment alone, as well as the number and location of the 43 offices and hospitals that need to be verified and inventoried. Additionally, the Committee is under time constraints, preventing them from focusing on the Provincial Road Network Inventory. The change in administration and the reshuffling of personnel have also affected several members of the Provincial Local Road Management Team (LRMT), making it difficult to convene and gather updated data on the Provincial Road Networks.
- 1.8 Although the Provincial Engineer has submitted the Provincial Roads Inventory as of June 30, 2024, the report does not meet the requirements outlined in Annex C of the Circular. This Annex specifies that, in addition to the Road Network ID and Road Name, the report must include details such as the components of the road (e.g., road lot, pavement, drainage, slope, and other miscellaneous structures), along with the description, construction date, cost, and the condition of the road. These details are essential for reconciling the records with the Provincial Accountant's registries, ensuring that actual assets are accurately reflected in the books of accounts.
- 1.9 Moreover, the recording of items for identification in the books of accounts does not conform with Annex F of the Circular, which provides the guidance on how to record road networks that are posted in RPCLRN. Further, it outlines the accounting treatment for roads with no construction cost data and for roads included in the inventory but not recorded in the registry.
- 1.10 Therefore, had there been a complete inventory of the local road network system, along with proper reconciliation of the inventory report and road map with the registry records and the correct recording in the books, there would have been no accounts pending identification in the road network accounts. The lump sum amount lacks specific details, which resulted in the misclassification of infrastructure assets. This condition also affects management's compliance with IPSAS 17, which requires accurate recognition, measurement, and categorization of assets.
- 1.11 **We recommended and Management agreed that the Governor issue an executive order to establish the Road Inventory Committee (RIC), clearly defining the duties and responsibilities of its members. The committee must thereafter develop a clear action plan with a detailed timeline on the completion of the road network inventory.**
- 1.12 **Further, we recommended and the Provincial Accountant agreed that upon completion of the inventory, a thorough reconciliation will be conducted between the results of the physical count, the records in the Registry, and the books of accounts. Any discrepancies identified during the reconciliation process be promptly addressed in accordance with the guidelines set forth in COA Circular No. 2015-008 dated November 23,**

**2015, and COA Circular No. 2020-006 dated January 31, 2020, to ensure that all road network assets are accurately reflected in the financial statements and comply with established accounting and reporting standards.**

*Unreliable Computation of Accumulated Depreciation Expense for Road Networks*

**2. The depreciation expense for the Road Network, with an accumulated depreciation balance of ₱471,365,166.38, was calculated using a uniform estimated useful life of ten years and a 10% salvage value for the total cost rather than for each road component, contrary to COA Circular No. 2015-008 and paragraph 73 IPSAS 17, thus raising concerns about the reliability of the balance and resulting in an undetermined amount of discrepancy.**

- 2.1 Items IV and V of COA Circular No. 2015-008 dated November 23, 2015 provide, among others, that the components of local roads should be segregated, and the cost of each component must be recognized individually. Accordingly, separate subsidiary ledgers must be maintained for the road and its components, namely: (a) road lot, (b) road pavement, (c) drainage and slope protection structures and (d) other miscellaneous structures. Each depreciable component of the road network, except for the road lot component, shall be depreciated separately using the straight-line method of depreciation. In addition, no residual value shall be applied to the depreciable components of the road network system. The useful life of the local roads should be determined based on the range prescribed by COA, taking into account factors such as design, users, and volume of usage.
- 2.2 Additionally, paragraph 73 of the IPSAS 17 defines the useful life of an asset in terms of its expected utility to the entity. Estimating the useful life of an asset involves judgment based on the entity’s experience with similar assets.
- 2.3 To support the development of local road asset management and ensure that accounting practices in local government units align with IPSAS, the Department of the Interior and Local Government (DILG) issued Memorandum Circular No. 2020-155 dated November 16, 2020, on the adoption of the Local Road Asset Management Manual (LRAMM).
- 2.4 Module 2, page 60 of the Manual on the determination of the remaining useful life of the road asset, requires the Provincial Accountant to determine the remaining useful life of the road asset taking into consideration its condition. Ideally, the design life of road assets should be used as a basis for depreciation. The useful life guideline may be based on the Department of Public Works and Highways (DPWH) Department Order No. 176 series of 2015, as follows:

Public Infrastructure Assets	Estimated Useful Life
Road Networks:	
• Concrete	20
• Asphalt	10
Bridges (Concrete or Steel)	40

Public Infrastructure Assets	Estimated Useful Life
Box Culvert (Highway Drainage)	25
Pipes Culvert	15
Rehabilitation, Repairs and Maintenance	
• Concrete Re-blocking	10
• Asphalt Overlay (Asset Preservation)	5
Bridges (Major Repairs):	
• Concrete	20
• Steel	10
• Lined Canals (Concrete or Grouted Riprap)	2

- 2.5 However, an examination of the lapsing schedule for the local road network accounts revealed that the depreciation expense was computed by deducting a 10% residual value from the total cost of the road network and applying a uniform estimated useful life of ten years, which is inconsistent with the above-mentioned provisions.
- 2.6 On November 7, 2024, the Audit Team inquired with the Provincial Accountant whether a Local Road Network Ledger Card (LRNLC) was maintained for roads and their components. On November 18, 2024, the Audit Team was informed that their office maintains subsidiary records for road networks, which can be accessed through the Financial Management Information System (FMIS). However, our review of the subsidiary ledger maintained in the FMIS revealed that it only shows the debits and credits of each road network.
- 2.7 Item VII (a) of the Circular requires the use of the Local Road Network Ledger Card, as outlined in the format presented in “Annex D” of the Circular. This ledger details, among others, the cost of each road component based on the physical count, the estimated useful life of each component, and the carrying amount after accounting for accumulated depreciation and impairment losses. Additionally, this subsidiary record includes the maintenance history of the road network.
- 2.8 As a result of this deficiency, and in the absence of a physical inventory as noted in the previous audit observation, the cost of each road component could not be determined. Consequently, the accuracy of the accumulated depreciation for each component, as well as the appropriate useful life to be applied, remains unverified. The lack of proper documentation, the absence of detailed subsidiary records, and non-compliance with the prescribed procedures undermine the accuracy and transparency of financial reporting for these assets.
- 2.9 **We recommended and the Provincial Accountant agreed to ensure the immediate establishment and proper maintenance of LRNLC for all road networks and their components prescribed in Annex D of COA Circular No. 2015-008, and based on a thorough physical inventory of all road networks and their components.**

- 2.10 **We further recommended and the Provincial Accountant agreed that, following the physical inventory and reconciliation of records, depreciation expenses be recomputed separately for each road component and any necessary adjustments be reflected in the books of accounts to ensure compliance with IPSAS 17 and COA Circular No. 2015-008.**

*Unreliable Inventory Balance Due to Incomplete Records and Dormant Accounts*

- 3. The reliability of the inventory accounts totaling ₱557,966,849.17 could not be ascertained due to the absence of Supplies Ledger Cards, the inclusion of negative balances amounting to ₱623,726.29, and the presence of dormant accounts totaling ₱22,200,675.08, which are inconsistent with paragraph 76 of IPSAS 1, thus affecting the fair presentation of the account balances in the financial statements.**

- 3.1 Paragraph 76 of IPSAS 1 states that an asset should be classified as a current asset if it is expected to be realized, sold, or consumed in the normal course of the entity's operating cycle, or if it is held for trading purposes or for the short-term and expected to be realized within twelve months of the reporting date.
- 3.2 Additionally, paragraph 79 of the Standard specifies that current assets include inventories that are either realized, consumed, or sold as part of the entity's normal operating cycle, even if they are not expected to be realized within twelve months of the reporting date.
- 3.3 In this regard, COA Circular No. 2023-008, issued on August 17, 2023, provides the guidelines and procedures for the proper disposition of dormant accounts, amending COA Circular No. 2016-005 dated December 19, 2016. One of the primary reasons for this issuance is that the Annual Financial Reports of government agencies have highlighted a significant volume of dormant accounts. Additionally, the details and validity of these accounts cannot be fully verified due to the lack of supporting records or documents and insufficient knowledge among the current accounting personnel, which affects the fair presentation of the financial statements.
- 3.4 Item 5.6 of COA Circular No. 2023-008, dated August 17, 2023, defines dormant accounts as individual or group of account balances within the general ledger that have remained non-moving or inactive for ten (10) years or more from the last transaction recorded in the books.
- 3.5 The Statement of Financial Position of the Provincial Government as of December 31, 2024, reports inventory account balances amounting to ₱557,966,849.17, as presented in the table below:

Account		Total
Title	Number	
<b>Inventory Held for Distribution</b>		
Welfare Goods for Distribution	10402020	₱ 47,326,072.78
Drugs and Medicines for Distribution	10402030	9,807,608.82
Textbooks and Instructional Materials for Distribution	10402070	14,951,008.60
Other Supplies and Materials for Distribution	10402990	631,530.00

Account		Total
Title	Number	
<b>Inventory Held for Consumption</b>		
Office Supplies Inventory	10404010	20,283,137.61
Accountable Forms, Plates and Stickers	10404020	9,164,280.64
Drugs and Medicines Inventory	10404060	132,552,543.25
Medical, Dental and Laboratory Supplies Inventory	10404070	182,923,046.88
Fuel, Oil and Lubricants Inventory	10404080	85,183,843.79
Agricultural and Marine Supplies Inventory	10404090	31,377,617.09
Construction Materials Inventory	10404130	3,085,034.01
Other Supplies and Materials Inventory	10404990	20,681,125.70
<b>Total</b>		<b>₱557,966,849.17</b>

3.5 However, upon reviewing the agency's compliance with the aforementioned IPSAS and Circular, the following deficiencies have been identified:

### **Non-maintenance of Supplies Ledger Cards**

3.6 Section 114 of the NGAS Manual, Volume 1, requires the Provincial Accountant to maintain perpetual inventory records, including Supplies Ledger Cards (SLC) for each commodity or stock. These ledger cards should contain the details of the property in the inventory control account in the general ledger.

3.7 Verification with the assigned accounting personnel revealed that the SLCs were neither prepared nor maintained by the Accounting Office. Only the subsidiary ledgers (SLs) for inventory accounts are used to record acquisitions, issuances, and disposals of inventories. However, the SLs lack essential details such as descriptions, quantities of receipts, issuances, and other necessary information related to the inventory items.

3.8 The maintenance of SLCs is important as it provides a detailed and accurate record of each commodity or stock in the perpetual inventory system. These ledger cards not only track the quantities and values of inventory items but also support proper accounting controls, ensuring the accuracy and reliability of financial reporting.

### **Dormant inventory account balances amounting to ₱22,200,675.08.**

3.9 Upon examination and analysis of the entries in the SLs of the inventory accounts, we found that the accounts include inventoriable items amounting to ₱22,200,675.08, which have remained outstanding and non-moving for ten years or more from the date of recording in the books, as shown in the aging schedule below:

Account Name	10 years to 20 years	More than 20 years	Total
Welfare Goods for Distribution	₱ -	₱ -	₱ -
Drugs and Medicines for Distribution	-	-	-
Textbooks and Inst. Materials for Distribution	-	-	-
Other Supplies and Materials for Distribution	-	-	-
Office Supplies Inventory	312,594.66	554,121.83	866,716.49
Accountable Forms, Plates and Stickers	-	-	-

Account Name	10 years to 20 years	More than 20 years	Total
Drugs and Medicines Inventory	2,902,361.45	-	2,902,361.45
Medical, Dental and Laboratory Supplies	7,182,720.45	5,594,445.11	12,777,165.56
Fuel, Oil and Lubricants Inventory	4,389,997.16	388,541.05	4,778,538.21
Agricultural and Marine Supplies Inventory	-	-	-
Construction Materials Inventory	560,965.37	-	560,965.37
Other Supplies and Materials Inventory	49,683.00	265,245.00	314,928.00
<b>Total</b>	<b>₱15,398,322.09</b>	<b>₱6,802,352.99</b>	<b>₱22,200,675.08</b>

- 3.10 Inventories are expected to be consumed within one year or within the normal operating cycle of the agency. Considering that these items were acquired decades ago, it is presumed that the dormant inventory accounts pertain to items that have already been distributed, issued, consumed, expired, or rendered unusable. Thus, appropriate adjusting entries should be made to reflect the accurate inventory balances.
- 3.11 In the absence of supporting records and documents, and the insufficient knowledge among the current accounting personnel, the agency could have availed of the one-time cleansing of all dormant accounts as provided under the referenced COA Circular. Management is reminded, however, that this option should not be used to further derecognized subsequent dormant accounts.

**Negative balance amounting to ₱623,726.29.**

- 3.12 Further, the following negative balances totaling ₱623,726.29 were identified in the inventory account during the reconciliation of transactions in the SLs:

Account Name	Account No.	Amount
Medical, Dental and Lab. Supplies Inventory	10404070	₱ (266,144.45)
Fuel, Oil and Lubricants Inventory	10404080	(357,581.84)
<b>Total</b>		<b>₱ (623,726.29)</b>

- 3.13 This balance pertains to negative amounts caused by any of the following: negative beginning balances, credit entries without corresponding debit balances, and erroneous postings such as double recording of issuances or misposting to the wrong account.
- 3.14 An abnormal general ledger account balance is an accounting irregularity caused by the incorrect posting of transactions or non-compliance with the normal debit or credit balance established in the general ledger chart of accounts.
- 3.15 The identified deficiencies, including the non-maintenance of Supplies Ledger Cards, the existence of dormant inventory account balances amounting to ₱22,200,675.08, and the negative balance of ₱623,726.29, which resulted from a lack of proper documentation and control over inventory transactions, impair the accuracy and reliability of the inventory balances.

3.16 We recommended and the Provincial Accountant agreed to:

- a) **Maintain the Supplies Ledger Cards for each inventory item;**
- b) **Investigate the non-moving inventory accounts and erroneous entries, and record the necessary adjusting entries to reflect the correct account balances;**
- c) **Observe the prescribed guidelines and procedures for the proper disposition of dormant inventory accounts, in accordance with Item 7 of COA Circular 2023-008; and**
- d) **Prepare the monitoring and reporting requirements required under Item 10 of the same COA Circular, and henceforth, ensure that current transactions and those below ten years are properly documented and appropriately acted upon immediately to avoid being dormant.**

*Unreliable breeding stocks amounting to ₱23,076,711.37*

4. **The reported balance of breeding stocks, valued at ₱23,076,711.37, could not be relied upon due to (a) incomplete inventory count, (b) non-maintenance of the Work, Other Animals and Breeding Stocks Ledger Card, (c) dormant accounts exceeding ten years totaling ₱6,717,359.87, and (d) the non-recognition and measurement of stocks in accordance with IPSAS 27, thereby causing misstatements in the breeding stocks and related accounts for an undetermined amount.**

4.1 Paragraph 13 of IPSAS 27 provides that the entity shall recognize a biological asset or agricultural produce when and only when the entity controls the asset as a result of a past event, it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value or cost of the asset can be measured reliably.

4.2 An examination of the abstract of the subsidiary ledgers of the Provincial Government of Negros Oriental at-year end showed the following balances under the breeding stocks account:

SL Account Code	Description	Total
10801010-1011	Office of the Governor	₱7,034,608.00
10801010-300-1011	Office of the Governor – ENRD	88,700.00
10801010-1021	Office of the SP	1,302,175.00
10801010-8711	Department of Agriculture	3,382,537.37
10801010-8721	Provincial Veterinary Office	2,251,975.00
10801010-8911-01(17)	Dispersal Program	194,950.00
10801010-8971-09(16)R	Cattle Fattening Project	300,000.00
10801010-1999-077A (19)	Livelihood Program – GAD	879,750.00
10801010-1999-085B (21)	Livelihood Program-Livestock (GAD)	1,993,860.00
10801010-1999-055B (22)	Livelihood Program-Livestock (GAD)	1,696,192.00
10801010-1999-104B (23)	Livelihood Program-Livestock (GAD)	836,864.00
10801010-01(09) 3(A-D) T	Carabao Dispersal Program	115,200.00
10801010-1999-97A(24)	Livelihood Program- GAD	2,999,900.00
<b>Total</b>		<b>₱23,076,711.37</b>

- 4.3 However, further evaluation of the account revealed the following deficiencies, which significantly affects its reliability and accuracy:

**Non-maintenance of Work, Other Animals and Breeding Stocks Ledger Card**

- 4.4 Section 114 of the NGAS Manual, Volume I requires the Chief Accountant to maintain a Work, Other Animals and Breeding Stocks Ledger Card (WOABSLC) for each type of livestock. This ledger card must include details of the livestock account recorded in the inventory control account within the general ledger.
- 4.5 The Provincial Accountant maintained the General Ledger (GL) and Subsidiary Ledgers (SLs) through the FMIS. However, examination of the SLs revealed that it did not provide detailed information about the livestock account. Rather, the records were maintained according to the offices responsible for the implementation of the specific projects or programs.
- 4.6 Furthermore, some entries in the SL only reflected payments for breeding stocks or the recording of payable accounts for purchases, without capturing critical details. Consequently, information such as the date of acquisition, property number, description, quantity, value, births of offspring, and the disposition of animals and offspring could not be determined.
- 4.7 Notably, based on the SL dating back to CY 2004, there were no recorded biological transformations, such as growth, degeneration, production, or procreation, which is inconsistent with the provisions of IPSAS 27.
- 4.8 Thus, the lack of detailed records undermines the completeness and reliability of the livestock account. Further, monitoring acquisitions, births, or disposals becomes impossible without proper documentation, which could lead to unrecorded or mismanaged assets.

**Dormant accounts exceeding ten years amounting to ₱6,717,359.87.**

- 4.9 Pursuant to COA Circular No. 2016-004 dated September 30, 2016, local accountants are required to review memoranda of agreement, contracts, and similar documents of the LGU to identify the circumstances surrounding transactions related to these agreements and to determine the appropriate accounts to be used.
- 4.10 However, our examination of the SL revealed that accounts amounting to ₱6,717,359.87 have been dormant and have remained non-moving or with no activity for over ten years since the last transaction recorded in the books, as shown in the table below.

Description	Ageing of Breeding Stocks Per Books			
	Over 20 years	16 to 20 years	11 to 15 years	Total
Carabaos		₱1,480,212.75		₱1,480,212.75
Buck/Doe/Goat		613,795.00	32,000.00	645,795.00

Description	Ageing of Breeding Stocks Per Books			
	Over 20 years	16 to 20 years	11 to 15 years	Total
Swine/Gilt/Pig		88,930.00		88,930.00
Stallion/Mares		60,000.00	100,000.00	160,000.00
Chicken			495,500.00	495,500.00
Cara heifer		526,182.12		526,182.12
Rabbit			399,600.00	399,600.00
For Identification	1,028,400.00	1,739,960.00	152,780.00	2,921,140.00
<b>Total</b>	<b>₱1,028,400.00</b>	<b>₱4,509,079.87</b>	<b>₱1,179,880.00</b>	<b>₱6,717,359.87</b>

- 4.11 Account balances aged over 20 years pertain to beginning balances for CY 2004 recorded in the FMIS without specific descriptions or details. Similarly, unidentified balances aged 11 to 20 years are classified in the SL as reclassifications of accounts or entries to record accounts payable.
- 4.12 Given the significant span of time and the nature of these accounts, it is reasonable to assume that these breeding stocks may have already produced offspring, or that some may have died or been sold. However, due to the lack of detailed records, these events cannot be verified, raising concerns about the accuracy and reliability of the reported balances.

#### **Non-completion of inventory of all breeding stocks.**

- 4.13 Section 124 of the NGAS Manual, Volume 1, mandates that the local chief executive shall require a periodic physical inventory of supplies or property. The results of this inventory must be submitted to the Auditor concerned not later than January 31 of each year.
- 4.14 In line with this, the Commission on Audit issued COA Circular No. 2016-004 on September 30, 2016, which outlines the responsibilities of local officials in supporting local accountants with the conversion of accounts, consistent with the adoption of the IPSAS by Local Government Units (LGUs). Specifically, Section 4.5 of the Circular requires the local agriculturist to provide the inventory of breeding stocks.
- 4.15 Contrary to the foregoing, the Audit Team only received the Inventory Report from the Provincial Veterinary Office on January 16, 2025, for stocks held at the Provincial Artificial Breeding Center Livestock and Poultry, as well as at Native Chicken Hatchery Production in Bondo, Siaton, with a reported value of ₱1,543,115.00. This total already includes the value of livestock that were born, dispersed, sold, or died, but were not reported in the books of accounts, as shown in the tables below:

#### **A. Large Ruminants, Small Ruminants and Swine**

Name of Commodity	Beginning Inventory	Offspring	Dispersal	Sold	Mortality	Ending Inventory	Value
Cattle	3	0	0	0	0	3	₱545,000.00
Goat	14	0	2	0	2	10	78,000.00
Swine	12	0	0	1	0	11	236,120.00
<b>Sub-total</b>							<b>₱859,120.00</b>

## B. Poultry

Name of Commodity	Beginning Inventory	Offspring	Dispersal	Sold	Mortality	Ending Inventory	Value
Native Chicken	4,148	1,117	286	26	1,108	3,660	₱ 657,895.00
Pekin Duck	139	0	52	0	0	87	26,100.00
<b>Sub-total</b>							<b>₱ 683,995.00</b>
<b>Total</b>							<b>₱1,543,115.00</b>

- 4.16 Based on the reported value provided by the Provincial Veterinarian, a significant discrepancy of ₱17,558,721.37 exists between the reported value and the recorded book value. However, this valuation does not reflect the fair value less cost to sell as required under the cited IPSAS but based on estimated prices or costs, consensus, and other price references.
- 4.17 To determine the fair value in compliance with paragraphs 19 to 22 of IPSAS 27, biological assets may be grouped into significant market attributes, such as age, quality, or other relevant factors that serve as a basis for pricing. This process should include the identification of relevant active markets and quoted prices, as well as other reference prices in cases where active markets do not exist. Subsequently, the cost to sell, such as transportation expenses and other costs necessary to bring the livestock to the market or the location for distribution, should be deducted.
- 4.18 The validity and accuracy of the breeding stock account could not be determined due to the non-conduct of the inventory count and the non-submission of the required inventory report. These deficiencies have rendered the existence and completeness of the account doubtful.

### **Non-recognition and measurement of stocks in accordance with IPSAS 27.**

- 4.19 Paragraph 16 of IPSAS 27 provides that a biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except in cases described in paragraph 34, where the fair value cannot be measured reliably.
- 4.20 Paragraph 34 states that there is a presumption that the fair value of a biological asset can be measured reliably. This presumption may only be rebutted at initial recognition if market-determined prices or values are unavailable and alternative estimates of fair value are deemed clearly unreliable. In such instances, the biological asset should be measured at its cost, less accumulated depreciation and accumulated impairment losses. Once the fair value becomes reliably measurable, the entity shall measure it at its fair value less costs to sell.
- 4.21 In line with the IPSAS, Section 4.5 of COA Circular No. 2016-004 requires the Local Agriculturist to provide the Local Accountant information on the prevailing market price for each biological asset and the prevailing cost to sell as of the reporting date.
- 4.22 However, since the conversion and adoption of the chart of accounts in CY 2015, breeding stock accounts have been measured at cost. This practice persists due to the lack of important information necessary for compliance with

the measurement criteria of IPSAS 27. Specifically, as previously discussed, Management has not provided a grouping of biological assets based on significant attributes, the selection of attributes used in the market as a basis for pricing, identification of a relevant market and quoted prices, and other reference prices when active markets do not exist.

- 4.23 As a result, the accuracy of the breeding stock accounts is doubtful. Similarly, gains or losses arising from the initial recognition and changes in the fair value less cost to sell during the period have likely been misstated. However, the extent of these misstatements cannot be determined due to the absence of the necessary information. The noncompliance with the prescribed measurement standards affects the reliability of the affected accounts in the financial position and performance.
- 4.24 **We recommended and the Provincial Agriculturist and the Provincial Veterinarian agreed to complete the inventory of all breeding stocks and provide the Provincial Accountant and the Audit Team with the results of the physical count, including information on the prevailing fair market value and cost to sell for each item as of the reporting date.**
- 4.25 **We further recommended and the Provincial Accountant agreed to: (a) prepare the necessary adjusting entries to record any changes in the fair market value less cost to sell of the breeding stock, including births of offspring or dispositions, based on the required information to comply with the measurement criteria of IPSAS 27; and (b) maintain the Work, Other Animals, and Breeding Stocks Ledger Card that contains all relevant details, including information on the acquisition, births of offspring, and dispositions of breeding stocks.**
- 4.26 **Finally, we recommended and Management agreed that the Provincial Accountant's Office (PAccO), in coordination with the Office of the Provincial Agriculture (OPA) and the Office of the Provincial Veterinarian (OPV), design and implement the necessary accounting policies and procedures to strengthen internal controls over the Provincial Government's biological assets. These policies include provisions for ensuring the timely flow of relevant accounting information concerning biological assets from the operating units to the PAccO, thereby enhancing the accuracy and accountability for succeeding years.**

*Misclassification of Service Drop Wire Resulting in Overstatement of CIP Accounts*

5. **Service drop wires procured by the Provincial Government for distribution to various barangays were erroneously recorded as Construction in Progress (CIP)-Buildings and Other Structures instead of Construction Materials for Distribution, contrary to paragraph 11 of the IPSAS 12, resulting in the overstatement of the CIP accounts by ₱11,495,167.80 and the understatement of the Inventory and Expense accounts by an undetermined amount, pending submission of the Inventory Transfer Report (ITR).**

- 5.1 Paragraph 11 of IPSAS 12 states that inventories include goods purchased or produced by an entity for distribution to other parties, either for no charge or for a nominal charge. In many public sector entities, inventories typically relate to the provision of services rather than goods purchased and held for resale or goods manufactured for sale.
- 5.2 On the other hand, paragraph 14 of IPSAS 17 sets out the recognition criteria for PPE. It states that an item of PPE shall be recognized as an asset only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and if the cost or fair value of the item can be measured reliably. Moreover, Section 4.2 of COA Circular No. 2020-006 dated January 31, 2020, further clarifies that for an item to be capitalized, there must be clear beneficial ownership and control vested in the entity.
- 5.3 Aligned with the requirements of IPSAS, the Commission issued COA Circular No. 2015-009 dated December 1, 2015, which prescribed the revised chart of accounts for Local Government Units. Annex B of the Circular includes accounts for Inventory Held for Distribution, which covers, among other items, Construction Materials for Distribution. This account is used to record the cost of construction materials for distribution to various projects or beneficiaries, while the Construction in Progress (CIP) accounts are intended to record the accumulated cost directly related to the acquisition, construction, or production of qualifying assets.
- 5.4 On March 12, 2024, the Provincial Government issued Check No. 188510 amounting to ₱11,495,167.80 as payment for 684.44 rolls of service drop wire under DV No. 100(18)-2024-03-175, which was allocated for the “Electrification Program to Various Barangays Provincewide.” The said materials were recorded under Construction in Progress-Buildings and Other Structures per Journal Entry Voucher (JEV) No. 100(18)-20240300073.
- 5.5 Review of the Summary of Estimates for the program revealed that the service drop wires were intended to be distributed to 557 barangays across the Province. The cost of labor and any additional materials required for installation are to be borne by the respective barangays. As such, the Provincial Government’s role is limited to supplying the materials, with no involvement in the construction or installation process. Therefore, from the Provincial Government’s perspective, no construction occurred since its involvement pertains only to the provision and distribution of materials.
- 5.6 Given that the barangays are responsible for the installation and any further material procurement, the service drop wires do not meet the criteria for capitalization under CIP. Rather, they should be recorded as inventory until distributed to the recipient barangays.
- 5.7 On the other hand, the Audit Team had requested the Inventory Transfer Report (ITR) or any equivalent report from the Provincial Engineer, who had custody of the service wires, to document the transfer of inventory to another local government unit. The original copy of the ITR and other supporting documents also serve as the basis for the preparation of the journal entry voucher, in

accordance with Item III (7) of Annex B of the COA Circular No. 2022-004. However, to date, the Audit Team has not yet received the ITR or any equivalent report.

- 5.8 As a result, the CIP-Buildings and Other Structures account was overstated by ₱11,495,167.80, while the Inventory and Expense accounts were understated by an undetermined amount, pending the submission of the ITR and other supporting documents.
- 5.9 It should be noted that for the transfer of property without cost to another local government unit, Section 381 of Republic Act (RA) No. 7160 requires that such transfer be subject to the approval of the sanggunian of the transferor, and the head of the office, agency, subdivision, instrumentality or local government unit receiving the property.
- 5.10 **We recommended and the Provincial Accountant agreed to prepare the necessary adjustments to properly classify the service drop wires as Inventory Held for Distribution and require the Property Custodian to submit the ITR and other supporting documents as the basis for the preparation of the necessary adjustments in the books to recognize the transfer of expendable property, in accordance with IPSAS 12, COA Circular No. 2015-009 dated December 1, 2015, and COA Circular No. 2022-004 dated May 31, 2022.**

*Misclassification of Borrowing Costs Leading to Overstatement of Expenses*

**6. Borrowing costs amounting to ₱ 5,035,754.82 were expensed outright, which is inconsistent with paragraph 18 of IPSAS 5 that requires the capitalization of borrowing costs for qualifying assets, thereby overstating expenses and understating asset accounts.**

- 6.1 Paragraph 5 of IPSAS 5 defines borrowing costs and qualifying assets as follows:

“ Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.”

- 6.2 As provided under Paragraph 13 thereof, examples of qualifying assets are office buildings, hospitals, infrastructure assets such as roads, bridges, and power generation facilities, as well as inventories that require a substantial period of time to be brought to a condition ready for use or sale.
- 6.3 The Standard states that borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized in accordance with paragraph 18. Paragraph 18 specifies that **borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset should be capitalized as part of the cost of that asset.** Such

borrowing costs are capitalized when it is probable that they will result in future economic benefits or service potential for the entity and when the costs can be measured reliably.

- 6.4 The standard further states that the financial statements should disclose the accounting policy adopted for borrowing costs and where an entity adopts the allowed alternative treatment, that treatment shall be applied consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the entity.
- 6.5 In line therewith, Note 3.9 of the Notes to the Financial Statements of the Provincial Government for CY 2024 disclosed that borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when the construction of the asset is complete.
- 6.6 An examination of the accounts of the Provincial Government revealed that during the year, the Province obtained various loans from Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) to finance the construction of qualifying assets, as defined under IPSAS 5. The corresponding interest charges incurred in CY 2024 are as follows:

Purpose	Start of Term	Released Amount	Interest Expense
Improvement of Perdices Coliseum	11/20/24	₱ 5,967,743.41	₱ 22,379.04
Construction of New Govt. Center	07/30/24	218,923,324.27	4,186,908.58
Installation of Solar Streetlights	10/17/24	44,392,991.47	71,150.41
Installation of Solar Streetlights	07/30/24	66,591,938.90	755,316.79
<b>Total</b>		<b>₱335,875,998.05</b>	<b>₱5,035,754.82</b>

- 6.7 Review of the FMIS revealed that all interest on loans incurred during the year were recorded as outright expense, contrary to the capitalization requirement. As stated in the standard, the interest incurred on term loan, as well as interest to be incurred until the completion of the physical construction of the projects, should be capitalized as part of the cost of the qualifying assets.
- 6.8 The disclosure in the Province’s Notes to Financial Statements stated that borrowing costs were treated in accordance with the requirements of IPSAS 5. However, the audit revealed otherwise. The Provincial Accountant’s oversight to capitalize the aforementioned borrowing costs resulted in the overstatement of Interest Expense account and the understatement of the Equity and Construction in Progress accounts by ₱5,035,754.82.
- 6.9 **We recommended and the Provincial Accountant agreed to prepare the necessary adjustments in the books to capitalize the borrowing costs incurred in the construction of the qualifying assets in adherence to the requirement of IPSAS 5.**

*Non-derecognition of Disposed Assets Due to Incomplete Records*

**7. Unserviceable properties with an acquisition cost of ₱2,872,383.09, whose net book value could not be determined due to incomplete subsidiary records, were not derecognized from the PPE account upon disposal, contrary to paragraph 82 of the IPSAS 17. Additionally, certain other items could not be traced to the ledger card maintained by the Provincial Accountant due to limited data and record deficiencies, potentially resulting in the overstatement of the PPE accounts by an undetermined amount.**

- 7.1 Paragraph 82 of IPSAS 17 states that the carrying amount of an item of property, plant, and equipment shall be derecognized upon disposal or when no future economic benefits or service potential are expected from its use or disposal.
- 7.2 On January 17, 2024 and April 17, 2024, the Appraisal and Disposal Committee conducted public auctions to dispose of various unserviceable properties of the Provincial Government, generating total sale proceeds of ₱2,080,073.96.
- 7.3 A review of the subsidiary ledger revealed that PPE with a total cost of ₱6,046,153.95 and a carrying value of ₱679,322.71 was derecognized. On December 12, 2024, the Audit Team requested details of the derecognized properties in the books and reconciled them with the reports submitted by the Provincial General Services Officer for items disposed of during the year. During this process, we observed the following deficiencies:

**Disposed unserviceable properties not derecognized from the PPE**

- 7.4 As previously reported in the prior year's Annual Audit Report, the Provincial Accounting Office (PAccO) did not maintain Property, Plant, and Equipment Ledger Cards. While subsidiary ledgers were maintained under the FMIS for each account, these did not provide a comprehensive report containing the essential information for each class of PPE, such as acquisition details, description, custody, estimated useful life, and disposal records.
- 7.5 Additionally, another database within the FMIS, referred to as the ledger card, was maintained to capture information such as properties purchased, unit price, their corresponding serial numbers, property numbers, and persons accountable. However, this data appears to be incomplete.
- 7.6 Nevertheless, the Audit Team utilized the available ledger card to reconcile the items disposed of by the Disposal and Appraisal Committee. During this process, it was observed that items recorded as PPE under the old chart of accounts, with a total acquisition cost of ₱2,872,383.09, were not included in the schedule of PPE derecognized during the year.
- 7.7 To ascertain the carrying value of the identified properties, we requested a copy of the schedule of PPEs from PAccO. However, difficulties were encountered in matching the items, as the provided schedule did not include property numbers or descriptions to confirm that the listed assets corresponded to those disposed of.

7.8 As a result of this deficiency, the overstatement of the PPE accounts is a potential concern, as these assets have already been sold, and no future economic benefits are expected from them. Consequently, these should have been derecognized from the PPE account, leading to an inaccurate representation of the accounts by an undetermined amount.

**Disposed unserviceable properties could not be traced to the ledger card.**

7.9 Furthermore, the Audit Team also observed that various disposed unserviceable properties could not be traced to the ledger card because the Inventory and Inspection Report of Unserviceable Property (IIRUP) lacked essential information such as the serial numbers and property numbers. Additionally, the incomplete database prevented the traceability of items with serial numbers to the ledger. Some of these assets are the following:

Items	Qty.	Office	Date of Withdrawal
Air conditioner	58	PHO-NOPH	May 15, 2024
Air conditioner	17	PGSO	January 22, 2024
Chainsaw	5	PGSO	January 22, 2024
Computer, CPU	42	PGSO	January 22, 2024
Copier Machine	17	PGSO	January 22, 2024
Hospital Beds	106	BDH	January 22, 2024
Crib	2	BDH	January 22, 2024
Examining and Bedside Table	6	BDH	January 22, 2024
Metal Cabinet	1	BDH	January 22, 2024
Generator	4	PGSO	May 15, 2024
Computer Monitor	48	PGSO	May 15, 2024
Printer	22	PGSO	May 15, 2024
Typewriter	7	PGSO	May 15, 2024
Motorcycle	10	PGSO	January 22, 2024
Isuzu Elf Diesel Engine	1	PGSO	June 18, 2024
Garbage Compactor	1	PGSO	June 18, 2024
Toyota Hi-Ace	1	PGSO	June 18, 2024
Dump Truck	2	PGSO	June 18, 2024
Nissan CVRP	1	PGSO	June 18, 2024
Truck with Man Lift	1	PGSO	June 18, 2024
Double Cab	1	PGSO	June 18, 2024
Multi Cab	6	PGSO	June 18, 2024
Tamaraw FX	1	PGSO	June 18, 2024
Mitsubishi Van	1	PGSO	June 18, 2024
Pajero	1	PGSO	June 18, 2024
Man Lift Implement	2	PGSO	June 18, 2024
Tourist Cart	1	PGSO	June 18, 2024

7.10 The PAccO is still in the process of reconstructing its records based on the available subsidiary ledgers, which does not readily provide a complete list of items recorded in the account at one glance.

- 7.11 This deficiency makes it difficult to ascertain the proper account in which these assets are recorded and their corresponding carrying value. As a result, these assets could not be properly derecognized from the books, leading to the overstatement of the PPE accounts. The inaccurate representation could affect the fair presentation of the financial statements, as assets that have already been disposed of may still appear on the books.
- 7.12 Thus, it is imperative for management to avail itself of the one-time cleansing initiative provided under COA Circular 2020-006 dated January 31, 2020, which offers guidelines and procedures to accurately establish reliable PPE balances, enabling proper asset management and disposal. Furthermore, when future disposals occur, the difficulties currently encountered will no longer be an issue, as comprehensive and accurate records will be in place.
- 7.13 **We recommended and the Provincial Accountant agreed to assign personnel to focus on completing and maintaining the PPELC. This includes ensuring that each PPE item is recorded with the necessary details, such as acquisition cost, description, property numbers, and estimated useful life, and that the total balances are reconciled with the balances in the General Ledger.**
- 7.14 **We further recommended and the Provincial Accountant agreed to immediately reconcile all disposed unserviceable properties with the corresponding records in the PPELC and derecognize all assets that have been disposed of and are no longer providing future economic benefits, ensuring proper adjustments to the PPE accounts.**
- 7.15 **Lastly, we recommended and Management agreed to avail of the one-time cleansing initiative provided under COA Circular 2020-006.**
- 7.16 The Provincial Accountant, in his letter dated February 28, 2025, commented that the Provincial Government already has an Inventory and Procurement System integrated into the current FMIS. End-users, particularly the Provincial General Services Office, Provincial Engineering Office, and the Provincial Accountant's Office, are scheduled to begin their training on database buildup for the real-time recording of inventories, both movable and immovable, tentatively in the second week of March 2025.

*Erroneous Recording of Derecognized Assets*

- 8. The derecognition of items of Property, Plant, and Equipment (PPE) due to disposal was incorrectly reported as Other Business Income, while the carrying value of the PPE was closed to Prior Year's Adjustment, which is not consistent with paragraph 83 of IPSAS 17, resulting in the overstatement of the Other Business Income account by ₱2,080,073.96 and an undetermined misstatement of the Gain/Loss on sale of PPE.**

- 8.1 Section 59 of the NGAS Manual, Volume 2, states that the IIRUP shall serve as basis for recording the derecognition of unserviceable properties from the books of accounts, including those carried under Property, Plant and Equipment and Inventory accounts.
- 8.2 Additionally, paragraph 83 of IPSAS 17 specifies that any gain or loss resulting from the derecognition of an item of property, plant, and equipment should be recognized in the surplus or deficit for the period in which the item is derecognized.
- 8.3 Furthermore, under “Annex B” of COA Circular No. 2015-009 dated December 1, 2015, which prescribes the revised chart of accounts for local government units, the Gain on sale of PPE account is designated for recording gains from sale of government-owned PPE, while the Loss on sale of PPE account is used to record losses incurred from such sales.
- 8.4 On September 17, 2024, the Provincial Accountant derecognized items of PPE recorded under the following accounts. These items had an aggregate cost of ₱6,046,153.95 and a carrying value of ₱679,322.71:

Account Name	Cost	Accumulated Depreciation	Net Book Value
Office Equipment	₱ 271,420.00	₱244,278.00	₱27,142.00
Medical Equipment	231,860.00	208,674.00	23,186.00
Info. and Comm. Tech. Eq.	187,969.00	134,032.10	53,936.90
Communication Equipment	790.00	711.00	79.00
Motor Vehicles	3,618,500.00	3,256,550.00	361,950.00
Other Machinery and Eq.	646,834.95	542,684.14	104,150.81
Other Property, Plant and Eq.	1,088,780.00	979,902.00	108,878.00
<b>Total</b>	<b>₱ 6,046,153.95</b>	<b>₱5,366,831.24</b>	<b>₱679,322.71</b>

- 8.5 Upon examination of the journal entries related to the derecognition of assets, it was observed that the accumulated depreciation account was debited while the asset accounts were credited. However, the carrying value of the assets was then closed to the prior year’s adjustment account. Meanwhile, the total sales proceeds of all disposed unserviceable assets, amounting to ₱2,080,073.96, was credited to the Other Business Income account.
- 8.6 This accounting treatment is not consistent with the provisions of paragraph 83 of IPSAS 17 and COA Circular No. 2015-009, which provide that any gain or loss arising from the derecognition of PPE should be included in the surplus or deficit for the period. Specifically, such transactions should be recorded using the Gain/Loss on Sale of PPE accounts.
- 8.7 The deficiencies noted in previous audit observations, particularly the failure to properly drop all unserviceable assets disposed of from the books, have further affected the accurate determination of the gain or loss on the sale of PPE. Consequently, the exact amounts that should have been recognized as gains or losses remain undetermined.

8.8 As a result of the inappropriate accounting treatment, the Other Business Income account was overstated by ₱2,080,073.96, while the Prior Year Adjustments account was understated. Furthermore, the Gain/Loss on Sale of PPE accounts were misstated by an undetermined amount due to incomplete records of the derecognized assets.

8.9 **We recommended that the Provincial Accountant ensure that all future disposals of Property, Plant, and Equipment (PPE) comply with the provisions of IPSAS 17 and COA Circular No. 2015-009. Specifically, gains or losses arising from the derecognition of PPE be recognized in the surplus or deficit for the period and recorded under the appropriate accounts, using the following pro-forma accounting entry:**

Cash – Local Treasury	X X X	
Accumulated Depreciation	X X X	
Specific PPE account		X X X
Gain/(Loss) on Sale of PPE		X X X

8.10 In response, the Provincial Accountant in his letter dated February 28, 2025, stated that an adjusting entry had been made to correct the record of the sale of disposed PPE for the period January to April 2024, as reflected under JEV No. 100(01)2024120354

8.11 The Audit Team acknowledges Management’s effort in recording an adjusting entry to recognize the sale of disposed PPE. However, this was done by closing the “Other Business Income” account and crediting the “Gain on Sale of PPE” account, net of the carrying value of the derecognized asset. As noted in the previous audit finding, various unserviceable properties included in the disposal were not derecognized. Consequently, the accuracy of the reported “Gain on Sale of PPE” amounting to ₱1,445,031.25 cannot be fully relied upon, and the exact amounts that should have been recognized as gains or losses remain undetermined.

**B. OTHER FINACIAL RELATED ISSUES**

*Lack of Feasibility Studies for Loan-Funded Infrastructure Projects*

**9. Feasibility studies for seven infrastructure projects amounting to ₱5.850 billion, which were funded through loans, were neither prepared nor submitted to the Audit Team, contrary to Section 2 of Presidential Decree (PD) No. 1445 and Section 17.6 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thereby raising concerns about whether the projects’ viability and the optimal utilization of resources were assessed prior to their implementation.**

9.1 Section 2 of PD 1445 states that it is the declared policy of the State that all government resources must be managed, expended, or utilized in accordance with law and regulations. These resources must be safeguarded against loss or wastage through illegal or improper disposition to ensure efficiency, economy,

and effectiveness in the government operations. The responsibility for adhering to this policy rests directly with the head of the government agency concerned.

- 9.2 In line with this, Section 296 of RA No. 7160, LGUs provides that the LGUs may avail of credit facilities to finance local infrastructure projects, provided that these projects are aligned with the approved local development plan and public investment program.
- 9.3 Moreover, Section 17.6 of the Revised IRR of RA No. 9184 specifies that no bidding and awarding of contracts for infrastructure projects shall be conducted unless detailed engineering investigations and related activities have been sufficiently carried out. These activities must be duly approved in accordance with the standards and specifications prescribed by the Head of the Procuring Entity or his authorized representative. Furthermore, Annex “A” of the IRR requires that detailed engineering shall proceed only on the basis of feasibility or preliminary engineering studies, which establish the technical viability of the project.
- 9.4 Additionally, Section 2.1 of the Government Procurement Policy Board (GPPB) Circular No. 06-2019, dated July 17, 2019, mandates that procuring entities must complete all appropriate preparatory activities prior to the approval of the indicative Annual Procurement Plan. These activities include, but are not limited to, cost-benefit analysis, feasibility studies, market research, detailed engineering designs, regulatory clearances, and right-of-way acquisitions for civil works projects.
- 9.5 Therefore, it is imperative for management to establish project justification and ensure that, before implementing any project or program, it satisfies the following conditions: [1] maximum impact to the community, [2] feasibility, [3] sustainability, [4] social acceptability, [5] functionality, [6] cost-effectiveness, and [7] implementation capability by the local administration. If proceeds will be indiscriminately utilized for non-productive endeavors, credit financing options may result in further hardships on the part of the LGU concerned.
- 9.6 On December 19, 2023, the Sangguniang Panlalawigan, under Resolution Nos. 1272 and 1273, approved Addenda Nos. 1 and 2 to the Annual Investment Program for Calendar Year 2024. These addenda included adjustments to the allocation and nomenclature of identified priority projects, as follows:

<b>Project</b>	<b>Appropriation</b>
1. Construction/Improvement of Bayawan District Hospital	₱ 100,000,000.00
2. Construction/Improvement of Bais District Hospital	100,000,000.00
3. Construction/Improvement of Gov. William “Billy” Villegas Memorial Hospital	100,000,000.00
4. Installation of Solar Streetlights to 25 LGUs in Negros Oriental	750,000,000.00
5. Construction of Negros Oriental Medical City	3,300,000,000.00
6. Construction of Negros Oriental Government Center	1,460,000,000.00
7. Improvement of Perdices Coliseum	40,000,000.00
<b>Total</b>	<b>₱5,850,000,000.00</b>

- 9.7 Subsequently, on February 16, 2024, the Provincial Governor, pursuant to the authority granted by the Sangguniang Panlalawigan under Resolution No. 103, series of 2024, dated February 5, 2024 and Resolution No. 1274 dated December 19, 2023, entered into a Term Loan Agreement with the Development Bank of the Philippines and Landbank of the Philippines. The agreement involved loans amounting to ₱1,800,000,000.00 and ₱4,050,000,000.00, respectively, totaling ₱ 5,850,000,000.00, with repayment periods ranging from 9 years to 15 years.
- 9.8 A review of the contracts for the Construction of the Negros Oriental Government Center and the Improvement of the Perdices Coliseum revealed that the Bids and Awards Committee conducted early procurement activities. However, an examination of the supporting documents showed that no project feasibility studies were included. Consequently, on November 7, 2024, the Audit Team requested copies of the cost-benefit analyses and feasibility studies related to all the loan-funded projects.
- 9.9 In response to the audit query, the Audit Team received a reply on November 25, 2024. However, the reply neither mentioned the preparation of project feasibility studies nor included the requested documents. This omission suggests that no feasibility studies were prepared, which is inconsistent with Section 2.1 of GPPB Circular No. 06-2019, dated July 17, 2019, which explicitly require the preparation of cost-benefit analyses and feasibility studies as part of the preparatory activities before conducting bidding or early procurement activities.
- 9.10 Loans extended by lenders to the Provincial Government are subjected to the condition that the latter, among others, execute a “Deed of Assignment,” through which the LGU assigns, transfers and conveys to the lenders 20% of its National Tax Allotment (NTA). This is provided under Section 2.09(i) of the DBP Term Loan Agreement and Annex “A” of the LBP Loan Agreement.
- 9.11 For CY 2024, the annual NTA of the Provincial Government amounted to ₱3,126,152,772.00, or ₱260,512,731.00 per month. Of this amount, 20% was allocated for the Development Fund, totaling ₱625,230,554.40 annually or ₱52,102,546.20 per month.
- 9.12 As of December 31, 2024, the outstanding loan balances of the Provincial Government with the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP), based on the amortization schedules, amounted to ₱1,162,093,298.05, as summarized below:

Purpose Term (in years)	Maturity Date	Balance	Annual Amortization		
			Principal*	Interest**	Total
Completion of the Construction of Four-Storey Central Block Building	15 07/22/29	₱ 122,744,038.08	₱26,780,517.48	₱ 5,397,842.65	₱ 32,178,360.13
Improvement of Perdices Coliseum	15 11/20/39	5,967,743.41	459,057.24	272,278.33	731,335.57
Negros Oriental Government Center	15 07/30/39	218,923,324.27	16,840,255.68	9,988,376.68	26,828,632.36

Purpose Term (in years)	Maturity Date	Balance	Annual Amortization			
			Principal*	Interest**	Total	
Installation of Solar Streetlights (1 <sup>st</sup> – 3 <sup>rd</sup> release)	9	07/29/33	66,591,938.90	9,513,134.12	2,996,637.26	12,509,771.38
	9	07/29/33	44,392,991.37	6,341,855.92	1,997,684.61	8,339,540.53
	9	07/29/33	208,488,262.03	29,784,037.44	8,636,554.86	38,420,592.30
Design and Build for the Construction of the Negros Oriental Medical City	15	12/16/39	494,984,999.99	38,075,769.24	22,274,324.99	60,350,094.23
<b>Total</b>			<b>₱1,162,093,298.05</b>	<b>₱127,794,627.12</b>	<b>₱51,563,699.38</b>	<b>₱179,358,326.50</b>

\*Principal repayment after the two-year grace period.

\*\*Based on the interest due for CY 2025.

- 9.13 While the use of the IRA as security or collateral has been a common practice among LGUs to finance developmental projects, assigning 20% of the IRA for loan repayment significantly reduces the Provincial Government's flexibility in utilizing its Development Fund.
- 9.14 The annual principal loan amortizations, starting after the two-year grace period for loans released in CY 2024, totaling ₱127,794,627.12, and the interest of ₱51,563,699.38 for CY 2025, for a total of ₱179,358,326.50, represent 28.69% of the 20% Development Fund allocation from the annual IRA. Notably, this figure does not yet include the amortization for loans that will be released by these financial institutions in the coming years.
- 9.15 This high percentage reflects a substantial debt servicing burden, which limits the resources available for other infrastructure, social services, and development initiatives, as a significant portion of funds is now diverted to debt repayment.
- 9.16 Additionally, the interest expense for CY 2025, as projected from the amortization schedules, amounting to ₱51,563,699.38, represents a considerable cost component of the total loan repayments. This high interest expense underscores the financial strain placed on the Provincial Government, as a significant portion of the repayment does not contribute to the principal reduction but is instead allocated to servicing the cost of borrowing. Such an arrangement further limits the Provincial Government's capacity to fund other essential projects, which may delay or scale back other programs that could benefit the community.
- 9.17 Furthermore, as gleaned from the loan terms provided, some repayment periods extend far beyond the three-year term of the local officials who approved these loans, creating a disconnect between the official's accountability period and the long-term financial obligations incurred, potentially shifting the burden to succeeding administrations.
- 9.18 While the aforementioned infrastructure projects were added to the Annual Investment Program, considering the loans payable profile, and incidental expenses besetting the Province presented in the preceding paragraphs, it is indeed imperative to inform the public what satisfactorily convinced Management of its crucial decision in financing and to invest such huge amount of people's money in that project. Transparency regarding the anticipated benefits and the expected returns from such a major investment is equally important.

- 9.19 Hence, the preparation of feasibility studies and cost-benefit analyses is indispensable. These documents would provide a clear understanding of the project's potential impact and justify the commitment of such a significant portion of the 20% Development Fund for principal loan amortizations over several years. Without this assessment, the prolonged allocation of funds for debt repayment could constrain the province's ability to implement future developmental projects. Furthermore, the incurrence of substantial incidental expenses could adversely affect the delivery of basic services, which may hinder the realization of its vision as a frontliner in public service.
- 9.20 **We recommended and Management agreed to conduct in-depth analyses and a comprehensive feasibility study, including assessments of financial viability, socio-economic feasibility and management feasibility, to evaluate compliance with the purpose and intent of Section 296(b) of RA No. 7160 and Section 2 of PD No. 1445. Additionally, the study must address the viability and necessity of the project, the financial sustainability of the loan repayment, and the overall impact on the Provincial Government's finances.**
- 9.21 Management submitted feasibility studies for the Medical City and District Hospitals on February 6, 2025, as part of their reply. These submissions are still subject to examination and evaluation by the Audit Team.

*Socio-Civic Fund Lacks Proper Beneficiary Validation*

**10. The ₱49,870,000.00 Socio-Civic Projects Fund (SPCF) from the Office of the President for farmers, fisherfolk, and other marginalized families severely affected by the El Niño may not have reached its intended beneficiaries, as the supporting documents do not show that the Department of Agriculture (DA) and Department of Social Welfare and Development (DSWD) was involved in identifying the beneficiaries, while the supporting papers submitted pertained to the “Ayuda sa Kapos ang Kita Program” (AKAP), a separate DSWD initiative to low-income families and individuals facing economic hardships due to inflation, which may render the disbursements illegal.**

- 10.1 Section 4(3) of PD No. 1445 provides that Trust Funds must be available and may only be utilized for the specific purpose for which the trust was established or the funds were received.
- 10.2 Similarly, Section 94 of the NGAS Manual, Volume I, states that a trust fund consists of private and public monies that have officially come into the possession of the local government or a local government official acting as trustee, agent, or administrator, or that have been received as a guarantee for the fulfillment of an obligation. **This fund shall only be used for the specific purpose for which it was created or for which it came into the possession of the local government unit.**
- 10.3 On June 27, 2024, the Provincial Government received ₱50 million from the Office of the President, acknowledged under Official Receipt (OR) No. 06059601. On July 1, 2024, the Sangguniang Panlalawigan authorized the

Provincial Governor, through Resolution No. 757, to enter into and sign, on behalf of the Provincial Government of Negros Oriental (PGNO), the Deed of Donation executed by the Office of the President. This pertains to the transfer of ₱50 million from the Socio-Civic Projects Fund (SCPF) to provide cash assistance of ₱10,000.00 per family or household to farmers, fisherfolk, and other marginalized families in the province severely affected by the El Niño phenomenon.

10.4 Section 3 of the Deed of Donation explicitly outlines the purpose of ensuring the full effect and validity of the donated funds, as follows:

- “ a. The donation shall be used as cash assistance to farmers, fisherfolk and other marginalized families/households severely affected by El Niño at ₱10,000.00 per family/household;
- b. The affected farmers, fisherfolk and other marginalized families/households who will receive the financial assistance shall be jointly determined by the donee and representatives of the Regional Field Units (RFUs) of the Department of Agriculture (DA) and the Department of Social Welfare and Development (DSWD) having jurisdiction over the donee;
- c. x x x;
- d. x x x;
- e. No realignment of use of the donation shall be made by the donee without prior approval of the donor. Any modification or amendment with respect to the terms and conditions of the Deed shall be subject to the prior approval of the donor.”

10.5 Examination of the liquidation report amounting to ₱49,870,000.00 for the SCPF, intended for the aforementioned purpose, revealed no evidence that the recipients were jointly identified by the Regional Field Unit (RFU) of the DA, or the donee (PGNO), and the DSWD, as stipulated in Section 3(b) of the Deed of Donation.

10.6 Further verification of the supporting documents showed that the liquidation report is supported with a Certificate of Eligibility approved by the PSWDO, along with a certification from either the Municipal Social Welfare Development Officer, the PSWDO, or the Punong Barangay having jurisdiction over the recipient beneficiaries. These certifications confirm that the recipients are minimum wage earners, classified as low-income, and were severely affected by rising inflation, accompanied by an identification card. However, these documents do not clearly establish whether the beneficiaries are farmers, fisherfolk, or members of marginalized sectors directly and severely impacted by the El Niño phenomenon, as intended by the SCPF.

- 10.7 Additionally, the Certificate of Eligibility indicates that the financial assistance is to be charged to the “Ayuda sa Kapos ang Kita Program” (AKAP), a separate government initiative implemented by the DSWD. The AKAP program is designed to provide financial support to low-income families and individuals facing economic hardships due to inflation, rather than specifically targeting those affected by El Niño.
- 10.8 While the SPCF program may include marginalized sectors such as low-income earners, it is intended to address the specific needs of those directly impacted by the El Niño crisis, such as farmers and fisherfolk who have experienced significant damage to their crops and livestock rather than those affected by inflation.
- 10.9 The absence of documents confirming that recipients were jointly identified by the RFU of the DA and the DSWD, as well as the PGNO, and the misalignment of supporting documents with the intended purpose or objectives of the SPCF raises concerns about whether the funds reached their intended beneficiaries. This, in turn, casts doubt on the proper utilization of the funds, which were specifically allocated to aid those most severely affected by El Niño, potentially rendering the disbursements illegal.
- 10.10 **We recommended that Management submit the supporting documents to prove that the SPCF provided by the Office of the President was distributed to its intended beneficiaries, the farmers, fisherfolk, and other marginalized families affected by the El Niño phenomenon, in order to ensure that the objectives of the grant were achieved.**
- 10.11 Management asserts in their written reply dated March 5, 2025, that a coordination meeting was conducted on July 8, 2024, between the PSWDO, DA–Provincial Agriculture Technology Coordinating Office, and the DSWD–Province of Negros Oriental, prior to the distribution of funds.
- 10.12 Management further explained that, considering the intended beneficiaries, it was suggested during the meeting to classify them under the “other marginalized sector,” which includes, but is not limited to, farmers, fisherfolk, vulnerable individuals, and low-income earners, as the entire Province is affected by El Niño.
- 10.13 Further, Management attributed the labeling of the forms to pre-existing DSWD forms, stating that they were not customized to reflect SPCF as the source of funds. They also clarified that the Deed of Donation does not specify the forms or documents required from beneficiaries.

- 10.14 It should be noted that Section 3(b) of the Deed of Donation explicitly states that the identification of beneficiaries should be jointly determined by the donee and the representatives of the RFUs of the DA and the DSWD. While the minutes of the meeting indicate that discussions on implementation took place, they do not show active participation by the RFU DA and DSWD in the actual identification of the beneficiaries.
- 10.15 Although the El Niño phenomenon may have caused widespread economic effects across the entire province, the Deed of Donation specifies that the funds are intended for farmers, fisherfolk, and other marginalized families or households **severely affected by El Niño**.
- 10.16 The broader classification of beneficiaries suggested by Management, which includes general low-income earners and individuals facing economic hardships due to inflation, appears to deviate from the specific intent of the grant. Without clear documentation confirming that these individuals belong to the farming, fishing, or other marginalized sectors affected by the El Niño, the alignment of the disbursements with the grant's purpose remains questionable.
- 10.17 Any modification to the classification of beneficiaries should have been formally approved by the Office of the President, as stipulated in Section 3(e) of the Deed of Donation. This section requires prior approval from the donor for any realignment of fund use or amendments to the terms and conditions of the Deed.
- 10.18 While Management asserts that the Deed of Donation does not specify the forms or documents required from beneficiaries, Section 4(6) of PD No. 1445 mandates that claims against government funds be supported by complete documentation. Therefore, it is Management's responsibility to ensure all disbursements are properly documented to demonstrate compliance with the Deed's terms.
- 10.19 Furthermore, the absence of proper documentation verifying that the beneficiaries fall within the eligible categories outlined in the Deed of Donation raises concerns regarding the appropriateness of the disbursements.

*Concerns on the Necessity and Justification for Hiring Force Multipliers - ₱16.595M*

- 11. The necessity and propriety of hiring Force Multipliers for Task Force SAGAR and Task Force Octopus which cost the Provincial Government ₱16,595,000.00 in CY 2024, is questionable due to the lack of clearly specified duties, functions, and expected outputs in the contract, as well as proof of technical skills and justification for the need to hire these personnel, contrary to Section 517 of the Government Accounting and Auditing Manual (GAAM), Volume 1 and CSC Memorandum Circular No. 24, S. 2002, thus may have resulted in the possible wastage of government funds.**

- 11.1 CSC Resolution No. 021480, dated November 12, 2002, was circularized through Memorandum Circular No. 24, S. 2002, to provide clarificatory policy guidelines on contracts of service, ensuring the proper implementation of CSC Memorandum Circular No. 2017, S. 2002.
- 11.2 As defined under Section 1.a. of the CSC Resolution 021480, a Contract of Service (COS) refers to the engagement of a person, private firm, non-governmental agency, or international organization to perform specific work or tasks requiring special or technical skills not available within the agency.
- 11.3 In CY 2024, the Provincial Government entered into various contracts of service with private individuals to work as Force Multipliers for data acquisition under Task Force SAGAR and Task Force Octopus. Each contract generally covers a six-month period, with a monthly compensation of ₱5,000.00.
- 11.4 A review of the subsidiary ledgers revealed that, as of September 30, 2024, the Provincial Government incurred a total expenditure of P16,595,000.00 for the payment of services rendered by 709 Force Multipliers. These payments were charged against the appropriations for Support to Task Force Octopus classified as Other Maintenance and Operating Expenses.
- 11.5 Post-audit of the report of disbursements (RDs) related to these payments disclosed the following observations:

**The contract lacks specific duties, functions, and definite expected outputs.**

- 11.6 Section 517 of the GAAM, Volume 1, states that agencies may enter into contracts with individuals or organizations, both public and private, subject to the applicable laws and guidelines approved by the President. These contracts must be for specific services that cannot be provided by the agency's regular staff, must be for a defined period, and must have clearly stated expected output.
- 11.7 A review of the contracts revealed that the hired individuals, referred to as focal persons, agreed to work for the Province as Force Multipliers in data acquisition for Task Force SAGAR and Task Force Octopus.
- 11.8 Task Force SAGAR and Task Force Octopus is an inter-agency task force aimed at addressing criminality, peace, and security matters. They are composed of eight units- intelligence, anti-illegal drugs, criminality, anti-insurgency, anti-illegal gambling, terrorism, disaster response and anti-cybercrime.
- 11.9 However, the contract did not specify their duties and functions, as well as the expected output to be delivered within the period covered by the contract. Without clear performance indicators and standards, Management had no basis to measure the actual services rendered and to assess whether their contributions aligned with the achievement of the desired outcomes.

### **Incomplete documentary requirements.**

- 11.10 Section 4(6) of PD No. 1445 requires that claims against government funds shall be supported with complete documentation.
- 11.11 In addition, Item 1.2.1 of COA Circular No. 2012-001 dated June 14, 2012 specifies the documentary requirements for the liquidation of payroll funds for salaries, wages, and other similar expenses. These include, among others, approved payrolls or vouchers duly acknowledged or signed by the payee(s), approved daily time records (DTRs) or Certificate of Service, verified or accepted accomplishment report, and any other pertinent supporting documents as required by the nature of the expense. Furthermore, Item 4.1.3 of the same Circular provides that, for contractual personnel, in addition to the accomplishment report and approved DTR, a certification from the Local Chief Executive or personnel officer is required. This certification must confirm that the services provided cannot be fulfilled by regular or permanent personnel of the agency.
- 11.12 Upon examination of the payrolls for the payment of salaries and wages of the force multipliers, it was found that some payrolls were not supported by accomplishment reports. It was also observed that identical accomplishments were repeatedly reported, with some reports appearing to be written by the same individuals. In some cases, reports were merely photocopied, with only the names and periods covered being changed. In addition, certain DTRs were either incomplete or improperly accomplished.
- 11.13 Moreover, with the exception of one payroll, none of the payrolls were accompanied by a certification from the proper officer stating that the services could not be provided by regular and permanent personnel of the agency. More importantly, no justification for the necessity of hiring these contractual personnel was submitted.
- 11.14 Further, the Audit Team inquired with the Vice-Chairman of Joint Task Force Octopus about the technical skills of the mentioned COS and learned that the selection of individuals from various municipalities relied on endorsement letters obtained from local officials.
- 11.15 Paragraph 3 of Section 1.a. of CSC Resolution No. 021480 states that a contract of service, which does not involve special or technical skills or where the functions to be performed are clerical or administrative in nature, or where the work is also performed by the regular personnel of the agency, **may only be entered when done in the exigency of the service and when it is not feasible for the agency to hire said services under a casual or contractual appointment.** Therefore, it is necessary for Management to support these claims with the appropriate documentation, proving either the technical skills of the personnel or the exigency of their services, whichever is applicable.

### **Concerns on the necessity of force multipliers.**

- 11.16 Unnecessary expenditures, as defined in paragraph 4.1 of COA Circular No. 2012-003 dated October 29, 2012, refer to expenditures which could not pass the test of prudence and the diligence expected from a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. These expenditures are those that do not support the implementation of the agency's objectives and mission in relation to the nature of its operations. They also include expenditures that are not dictated by the demands of good government, and whose utility cannot be ascertained at a specific time. Any expenditure that is non-essential or that which can be dispensed with or without loss or damage to property is considered unnecessary.
- 11.17 An examination of the monthly accomplishment reports revealed that the COS did not accurately reflect the actual duties or tasks performed. The reports were not descriptive enough to provide a clear understanding of the work that was actually done, often merely broadly stating activities such as "monitoring of the assigned area" and "no criminality observed."
- 11.18 It is important to note that most of the tasks performed by the force multipliers assigned to various municipalities closely align with the duties and responsibilities of barangay tanods, as outlined in DILG Memorandum Circular No. 2003-42, dated March 10, 2003. These duties include, among others, assisting barangay officials in crime prevention and promoting public safety, conducting patrols (ronda) within the barangay, reporting any crimes, fires, accidents, public disturbances, environmental degradation, or other untoward incidents to the concerned barangay officials, monitoring the presence and activities of suspicious persons, criminals, and other lawless elements within their jurisdiction, conducting surveillance of crime-prone areas within the barangay or puroks and reporting findings to the proper authorities, and assisting in maintaining the smooth flow of traffic.
- 11.19 Further scrutiny of the accomplishment reports revealed several activities that raise questions about the necessity of hiring these COS personnel. Activities reported include, but are not limited to, packing of rice, serving as a spiritual adviser, assisting applicants seeking assistance at the SAGAR Center, attending events such as funeral services and clean-up drives, and personal activities such as attending children's closing or awarding ceremonies.
- 11.20 These deficiencies may result in the improper use of public funds, which could lead to unnecessary expenditures that do not directly contribute to public service or the mandate of the Provincial Government.

### **Use of the governor's name on a provincial program.**

- 11.21 As previously mentioned, the contract states that the hired individuals serve as Force Multipliers in acquiring data for Task Force SAGAR and Task Force Octopus. Additionally, an examination of payrolls attached to the Report of Disbursements indicates that the payees are designated as Task Force SAGAR.

- 11.22 While “SAGAR” may be an acronym, it appears to be derived from the governor’s surname, which may create the perception that the program is personal rather than officially representing the province. In DILG Legal Opinion No. 40 s. 2015 dated October 1, 2015, issued in their response to a query from the former Provincial Administrator regarding the similarity between the former governor’s surname and a provincial government program, the DILG stated that “**signboards, equipment, facilities, and other publicity materials relating to PPAs should only bear the prescribed features or elements of the PPAs and should not in any way contain elements associated, related, pertaining or that could be mistaken for the top leadership of the project proponent or implementing agency, unit or office.**” (Emphasis ours)
- 11.23 **We recommended and Management agreed to submit a justification for the employment of Force Multipliers and the creation and maintenance of these Task Forces, as well as detailed description of their specific duties, functions and expected outputs.**
- 11.24 **We also recommended and Management agreed that henceforth, the specific duties, functions, and expected outputs be incorporated in the individual contracts of services and that these personnel be required to submit monthly accomplishment reports aligned with the respective duties, functions and expected outputs to establish the necessity of their services.**
- 11.25 **Furthermore, we reiterated our recommendation and Management agreed to discontinue the use of any government official’s name in government programs and desist from charging to government funds any expenses related to programs that include the initials or surname of any government personality.**

*Failure to Secure Separate Sanggunian Authorization for Lump Sum Appropriations*

**12. Appropriations amounting to ₱11,500,000.00 from the 20% Development Fund (DF) for an Electrification Program in various barangays, described in generic terms, were utilized to procure service wires for distribution to barangays at a cost of ₱11,495,167.80, without securing the required separate Sanggunian authorization under Section 22(c) of RA No. 7160.**

- 12.1 Section 22(c) of RA No. 7160 states that, unless otherwise provided in the Code, no contract may be entered into by the local chief executive on behalf of the local government unit without prior authorization from the concerned sanggunian.
- 12.2 Further, Article 454(d) of the IRR of RA No. 7160 partly provides that Article 391 of the IRR mandates each LGU to appropriate their share of proceeds from the development and utilization of national wealth to fund local development and livelihood projects. Disbursements from such special accounts under the General Fund shall proceed from the **itemized appropriations in the budget of the LGU, rather than lumpsum amounts. These itemized appropriations**

**shall be for specific development projects or activities included in the local development plan and/or public investment program, which are formulated and prioritized by the Local Development Council and approved by the concerned sanggunian.** (Emphasis ours)

- 12.3 On October 27, 2023, the Sangguniang Panlalawigan issued Resolution No. 1109, enacting Appropriation Ordinance No. 27, series of 2023, which appropriated, among other amounts, ₱11,500,000.00 for the Electrification Program in various barangays, provincewide.
- 12.4 Appropriating funds in general terms indicates that the appropriate object of expenditures was not yet identified or determined during the budget preparation. This practice, aside from being contrary to Article 454(d) of the IRR of RA No. 7160, may give wide latitude of discretion to the implementing unit in spending the funds for any purpose or nature of expenses, thus negating the specific, quantifiable, realistic and time-bound attributes of a well-prepared budget.
- 12.5 Furthermore, post-audit of the disbursement vouchers (DVs) revealed that, from this appropriation, the Provincial Government procured 684.44 rolls of service drop wires (500 meters per roll) amounting to ₱11,495,167.80, under Disbursement Voucher (DV) No. 100(18)-2024-03-175 and Check No. 188510 dated March 12, 2024.
- 12.6 The Summary of Estimates for the Program indicates that the said electrical materials will be distributed to the following barangays in the Province, with the cost of labor and any additional materials required to be shouldered by the respective LGUs:

Name of LGU	No. of Barangays	No. of Service Drop Wire
<b>A. Cities</b>		
Bais	35	38.56
Bayawan	28	28.92
Canlaon	12	19.28
Dumaguete	30	38.56
Tanjay	24	28.92
Guihulngan	33	38.56
<b>B. Municipalities</b>		
Amlan	8	19.28
Ayungon	24	28.92
Bagong	22	28.92
Basay	10	19.28
Bindoy	22	28.92
Dauin	23	28.92
Jimalalud	28	28.92
La Libertad	29	28.92
Mabinay	32	28.92
Manjuyod	27	28.92
Pamplona	16	28.92
San Jose	14	19.28

Name of LGU	No. of Barangays	No. of Service Drop Wire
Siaton	26	28.92
Sibulan	15	19.28
Sta. Catalina	22	28.92
Tayasan	28	28.92
Valencia	24	28.92
Vallehermoso	15	19.28
Zamboanguita	10	19.28
<b>Total</b>	<b>557</b>	<b>684.44</b>

- 12.7 However, examination of the the Certificate of Availability of Funds (CAF) and the Registry of Appropriations, Allotments, and Obligations of the Provincial Accountant and the Provincial Budget Officer, respectively, revealed that no separate Sanggunian authorization was issued for the said program.
- 12.8 Management is reminded that, since the PPAs were not specifically provided in the Supplemental Budget enacted under Appropriation Ordinance No. 27 dated October 27, 2023, authorization from the Sangguniang Panlalawigan is required before implementation.
- 12.9 Quoted hereunder are excerpts from the ruling of the Supreme Court in the case of Hon. Gabriel Luis Quisumbing, et.al. vs. Hon. Gwendolyn F. Garcia, et.al. under General Register (GR) No. 175527, which was promulgated on December 8, 2008:

“ The question of whether a sanggunian authorization separate from the appropriation ordinance is required should be resolved depending on the particular circumstances of the case. Resort to the appropriation ordinance is necessary in order to determine if there is a provision therein which specifically covers the expense to be incurred or the contract to be entered into. Should the appropriation ordinance, for instance, already contain in sufficient detail the project and cost of a capital outlay such that all that the local chief executive needs to do after undergoing the requisite public bidding is to execute the contract, no further authorization is required, the appropriation ordinance already being sufficient.

**On the other hand, should the appropriation ordinance describe the projects in generic terms such as "infrastructure projects," "inter-municipal waterworks, drainage and sewerage, flood control, and irrigation systems projects," "reclamation projects" or "roads and bridges," there is an obvious need for a covering contract for every specific project that in turn requires approval by the sanggunian.** Specific sanggunian approval may also be required for the purchase of goods and services which are neither specified in the appropriation ordinance nor encompassed within the regular personal services and maintenance operating expenses.” (Emphasis ours)

- 12.10 **We recommended that the Provincial Development Council, when endorsing programs, projects and activities to the Sangguniang Panlalawigan for approval, specify the particular projects to be funded as required under Article 454(d) of the IRR of RA No. 7160. For appropriations that have been presented in lump sum or in generic terms, a separate SP appropriation ordinance/resolution must be secured by the Local Chief Executive before utilizing the funds, as required under Section 22(c) of RA No. 7160.**
- 12.11 The Provincial Budget Officer, in her letter dated March 3, 2025, contended that the “Electrification Program to Various Barangays, Provincewide” under the 20% Development Fund should not be regarded as a general appropriation and, therefore, should not require a separate SP appropriation for its implementation. She explained that the project underwent review by various committees of the Executive Department, including the Local Finance Committee (LFC) and the Provincial Development Council (PDC), and was subsequently approved by the Sangguniang Panlalawigan.
- 12.12 Furthermore, Management cited previous projects, such as the “Streetlighting in Different Barangays” funded under the Gender and Development (GAD) Fund in CY 2020, as comparable cases where fund utilization was carried out under similar conditions.
- 12.13 Management is reminded that Appropriation Ordinance No. 27, s. 2023, does not provide a specific, itemized breakdown of the projects to be implemented under the Electrification Program.
- 12.14 As stated in Article 454(d) of the IRR of RA No. 7160, appropriations for development projects must be itemized rather than presented as lump sum amounts. The absence of a detailed appropriation ordinance specifying the particular expenditure components necessitates a separate Sanggunian authorization before fund utilization.
- 12.15 Furthermore, on February 14, 2024, the Department of Budget and Management (DBM), in its review of the FY 2023 Supplemental Budget (SB) Nos. 11-23, which includes Appropriation Ordinance No. 27, s. 2023, declared the budget operative, subject to the condition stated in Item 13 which, provides:
- “ That the utilization of all items in the appropriations including the Capital Outlay and Capital Expenditures under the General Fund-Proper and the Local Development Fund shall as may be applicable, **be subject to the authorization of the sanggunian on the list of projects to be implemented as ruled by the Supreme Court in the case of Hon. Gabriel Luis Quisumbing, et.al., vs. Hon. Gwendolyn F. Garcia, et.al., G.R. No. 175527, 08 December 2008.**<sup>1</sup>” (Emphasis supplied)

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<sup>1</sup> Excerpts from Supreme Court Decision on G.R. No. 175527, 08 December 2008 – “The question of whether a sanggunian authorization separate from the appropriation ordinance is required should be resolved depending on the particular circumstances of the case. Resort to the appropriation ordinance is necessary in order to determine if there is a provision therein which specifically covers the expense to

- 12.16 Moreover, review of the Registry of Appropriations, Allotments, and Obligations (RAAO) reveals that the allotment for this project was classified under Capital Outlay. However, the actual disbursement covered the procurement of service wires for distribution, which are considered inventory items rather than capital assets.
- 12.17 Thus, the procurement of service wires should not have been charged against the Capital Outlay appropriation without prior reclassification and Sanggunian authorization.
- 12.18 Furthermore, past practices do not serve as legal justification for the current issue if they are inconsistent with statutory requirements. Each appropriation must be assessed independently to ensure compliance with existing laws and regulations.

*Unliquidated Funds of ₱7.4 million and Violation of Separation of Powers*

**13. The propriety of the transfer of funds to the Philippine Councilor's League (PCL) amounting to ₱7,400,000.00 is questionable because (a) it was approved for payment despite an outstanding unliquidated fund transfer of ₱12,019,725.32, contrary to Section 3.0 of COA Circular No. 2012-001 dated June 14, 2012, and (b) the fund was intended for the implementation of programs and projects under the responsibility of the executive, thereby violating the separation of powers principle.**

- 13.1 Sections 508 and 509 of RA No. 7160, also known as "The Local Government Code of the Philippines," provide that elective local officials of local government units have the right to form their own leagues or federations whose Constitution and by-laws must always conform with the provisions of the Philippine Constitution and existing laws.
- 13.2 Further, Section 510 of the Act states that the leagues and federations may derive their funds from the contributions of individual league or federation members or from fund-raising projects or activities. The local government unit concerned may appropriate funds to support the leagues or federation organized subject to the availability of funds.
- 13.3 On December 29, 2023, the Provincial Government entered into a Memorandum of Agreement with the Philippine Councilors League (PCL)-Negros Oriental Chapter for the transfer of Provincial funds of ₱400,000.00 to support various programs, activities, and the regular operations of the PCL.

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be incurred or the contract to be entered into. Should the appropriation ordinance, for instance, already contain in sufficient detail the project and cost of a capital outlay such that all the local chief executive needs to do after undergoing the requisite public bidding is to execute the contract, no further authorization is required, the appropriation ordinance already being sufficient.

**On the other hand, should the appropriation ordinance describe the projects in generic terms such as 'infrastructure projects,' 'inter-Municipal waterworks, drainage, and sewerage, flood control, and irrigation system projects,' 'reclamation projects' or 'roads and bridges,' there is an obvious need for a covering contract for every specific project that in turn requires approval by the sanggunian.**

Specific sanggunian approval may also be required for the purchase of goods and services which are neither specified in the appropriation ordinance nor encompassed with the regular personal services and maintenance operating expenses." (Emphasis supplied)

Furthermore, on May 30, 2024, the Provincial Government signed another Memorandum of Agreement with PCL-Negros Oriental Chapter for the transfer of an additional ₱7 million as a counterpart subsidy for various programs, projects, and activities of the latter, as well as for its regular office operations.

- 13.4 On February 12, 2024 and on May 31, 2024, the Provincial Government transferred the amount of ₱400,000.00 and ₱7 million, respectively, to the PCL-Negros Oriental Chapter under the following references and particulars:

<b>Date</b>	<b>Check No.</b>	<b>DV No.</b>	<b>Amount</b>
02/12/24	185679	100(01)-2024-02-05173	₱ 400,000.00
05/31/24	193390	100(01)-2024-05-17025	5,000,000.00
05/31/24	193389	100(01)-2024-05-17326	2,000,000.00
<b>Total</b>			<b>₱ 7,400,000.00</b>

- 13.5 However, an examination of the disbursement vouchers (DVs) disclosed the following deficiencies:

**Fund released to PCL despite a ₱12,019,725.32 unliquidated balance**

- 13.6 Section 3.1.1 of COA Circular No. 2012-001 dated June 14, 2012 requires, among others, that a Certification by the Accountant that the funds previously transferred to the Implementing Agency (IA) have been liquidated and accounted for in the books prior to the release of additional funds.
- 13.7 Examination of the disbursement vouchers (DVs) revealed that the Provincial Accountant was unable to issue a certification that the funds previously transferred to the PCL had been liquidated and accounted for in the books because the League still had an unliquidated balance of ₱17,230,000.00 as of February 6, 2024, and ₱12,019,725.32 as of May 30, 2024, of which ₱6,600,000.00 pertains to financial aid to PCL Regional Office No. VII. The Governor was informed of this deficiency by the Provincial Accountant and the Provincial Treasurer through letters dated February 6, 2024 and May 30, 2024.
- 13.8 However, despite the lack of a liquidation report for the previous funds and a certification from the Provincial Accountant, the DV was still approved for payment. This indicates a breakdown in the control process, highlighting that management failed to ensure that the previously released funds were used for their intended purpose and that proper accounting of the amount provided was reported by the League.

**The fund was intended for programs under the responsibility of the executive**

- 13.9 On December 19, 2023, the Sangguniang Panlalawigan issued Resolution No. 1298, authorizing the Governor to enter into and sign a Memorandum of Agreement with the PCL-Negros Oriental Chapter on behalf of the province. This agreement provides financial assistance to the League in the amount of ₱400,000.00 to support health care services and promote child and family nutrition through feeding programs and the provision of various medical equipment supplies.

13.10 Subsequently, on March 4, 2024, the Sangguniang Panlalawigan issued Resolution No. 184, authorizing the Governor to enter into a transaction with the PCL-Negros Oriental Chapter. The proposed programs and projects for CY 2024, submitted by the President of the PCL, indicate that ₱7 million will be allocated for the following PPAs:

1. Monitoring, Records and Development Activities	₱1,900,000.00
2. Capacity Development Program	500,000.00
3. Provide support top day-to-day and seasonal activities, including baptisms, community programs, funerals, and the provision of collapsible canopy tents to barangays.	3,000,000.00
4. Provide various sports equipment and materials to different groups and organizations.	600,000.00
5. Support local economic development projects and livelihood programs	1,000,000.00
<b>Total</b>	<b>₱7,000,000.00</b>

13.11 It is important to note that the programs, projects, and activities mentioned above, except for Item Nos. 1 and 2, amounting to ₱5 million, fall within the jurisdiction of the implementing agency. According to Article V, Section 1 of the PCL Constitution and By-Laws, the members of the League include all elected, appointed, and ex-officio members of local legislative councils in cities and municipalities. As a group of officials with a shared interest in local legislation, the League is mandated to use funds to advance its primary purpose of discussing, articulating, and clarifying matters related to local legislative concerns. Thus, public funds should not be allocated for activities outside the League’s legislative functions.

13.12 In a landmark case decided by the Supreme Court, promulgated on November 19, 2013, under GR No. 208566, 208493, and 209251, the High Tribunal held that “there is a violation of the separation of powers principle when one branch of government unduly encroaches on the domain of another. x x x the Legislative branch of government, much more any of its members, should not cross over the field of implementing the national budget since, x x x the same is properly the domain of the Executive.”

13.13 Given that the Priority Development Assistance Fund (PDAF) and all similar informal practices have been declared unconstitutional, local government units must strictly comply with the Supreme Court’s decision and no longer enact appropriations to fund programs and projects selected by lawmakers outside their legislative functions.

13.14 **We recommended and Management agreed that no additional funds be released to the PCL unless the previous fund releases have been fully liquidated.**

13.15 **We also recommended and the Provincial Accountant agreed to demand PCL to immediately submit liquidation reports for the financial assistance previously provided and return or refund the unexpended or unutilized amount to determine the propriety of the utilization thereof.**

- 13.16 Furthermore, we recommended and Management agreed to refrain from granting financial assistance to the PCL for the implementation of programs, projects, and activities that fall within the responsibility of the executive branch.

*Distribution of Solar Lights and Canopy Tents by Sanggunian Members*

14. Solar lights and canopy tents costing ₱3,890,370.00 procured by the Office of the Governor on the basis of Programs of Work prepared by the Sangguniang Panlalawigan (SP) members were turned over to the latter for distribution to the intended recipient barangays, contrary to Section 468 of the RA No. 7160 on the separation of powers of the executive and legislative branches.

14.1 Article II, Section 1 of the 1987 Philippine Constitution declares that the Philippines is a democratic and republican state. There are three branches of the government: the legislative department (Congress of the Philippines), the executive department (vested in the President), and the judicial department (Supreme Court and lower courts), each one independent of each other and having separate functions.

14.2 RA No. 7160 provides that for the province in particular, executive power, such as that vested in the President of the Philippines, is exercised by the Governor as the local chief executive officer. On the other hand, legislative power is exercised by the SP, whose powers, duties, and functions are enumerated under Section 468 of the Code, which partly provides that the SP, as the legislative body of the province, shall enact ordinances, approve resolutions, and appropriate funds for the general welfare of the province and its inhabitants.

14.3 Post-audit of the disbursement vouchers disclosed that the Provincial Government procured 30 solar-powered lights with sensors and steel posts, as well as 48 canopy tents, under the following reference vouchers:

Date	DV No.	Item	Amount
03/13/24	100(01)-2024-03-09739	Carol Enterprises	₱1,499,970.00
04/15/24	100(01)-2024-04-13009	RF Construction Services	946,200.00
05/22/24	100(01)-2024-05-16854	RF Construction Services	498,000.00
05/22/24	100(01)-2024-05-16835	RF Construction Services	946,200.00
<b>Total</b>			<b>₱3,890,370.00</b>

14.4 Further verification showed that the Program of Work (POW) was prepared by the respective sangguniang members, and the items were turned over to them through the issuance of an Inventory Custodian Slip (ICS). The supplies are intended for distribution by the Board Members to the following barangays within their respective districts:

Item			Recipients (Per POW)	Amount
Description	Qty	Unit Cost		
Solar lights	30	₱49,999.00	Barangays of the 2 <sup>nd</sup> District	₱1,499,970.00
Canopy tents	19	49,800.00	Barangays of Bayawan City	946,200.00
Canopy tents	10	49,800.00	Barangays of Basay	498,000.00
Canopy tents	19	49,800.00	Barangays of Sta. Catalina	946,200.00
<b>Total</b>	<b>78</b>			<b>₱3,890,370.00</b>

- 14.5 The examination of the Obligation Requests indicated that the appropriations for the subject goods intended for distribution were sourced from the Office of the Governor. Consequently, it appears that both the executive and legislative branches were involved in delivering certain services to their constituents, with the executive handling the requisitioning and the legislative managing the distribution of the goods.
- 14.6 The foregoing constitutes a violation of the constitutional principle of separation of powers between the executive and legislative branches. The allocation of goods to the SP members for distribution within their respective districts involved the delivery of social services, which falls under the responsibility of the executive. This activity is unrelated to the SP members' legislative functions or the maintenance of their respective offices.
- 14.7 Management is reminded of the Court's ruling under GR No. 208566, 208493, and 209251, all dated November 19, 2013, that as enunciated in *Abakada*, the high tribunal held that from the moment the law becomes effective, any provision of law that empowers Congress or any of its members **to play any role in the implementation or enforcement of the law violates the principle of separation of powers and is thus unconstitutional**. It further clarified, however, that since the restriction only pertains to "any role in the implementation or enforcement of the law," the legislative body may still exercise its oversight function and made clear that its role must be confined to mere oversight. Any post-enactment measure allowing legislator participation beyond oversight is bereft of any constitutional basis, and hence, tantamount to impermissible interference and/or assumption of executive functions, to quote:
- “ Any post-enactment congressional measure x x x should be limited to scrutiny and investigation. In particular, congressional oversight must be confined to the following:
- (1) scrutiny based primarily on Congress' power of appropriation and the budget hearings conducted in connection with it, its power to ask heads of departments to appear before and be heard by either of its Houses or any matter pertaining to their departments and its power of confirmation; and
- (2) investigation and monitoring of the implementation of laws pursuant to the power of Congress to conduct inquiries in aid of legislation.
- Any action or step beyond that will undermine the separation of powers guaranteed by the Constitution.”**  
(Emphasis supplied)
- 14.8 **We recommended and Management agreed to stop the practice of involving the SP members in the distribution of goods to their respective districts to ensure compliance with the principle of separation of powers and align with the SP members' functions outlined in Section 468 of the Local Government Code.**

*Transfer of ₱3.5 million to NGOs Non-Compliant with COA Circular No. 2007-001*

**15. The transfer of government funds to Non-Governmental Organizations (NGOs) totaling ₱3,500,000.00 is not consistent with COA Circular No. 2007-001 dated October 25, 2007 because the requisites and procedures for the entitlement and availment of funds were not complied with, while ₱2 million were granted for the NGOs asset acquisition, contrary to Section 305(b) of RA No. 7160, casting doubts on the propriety of the transactions.**

15.1 On October 25, 2007, the Commission issued COA Circular No. 2007-001 to provide revised guidelines for the grant, utilization, accounting, and auditing of funds released to Non-Governmental Organizations/People's Organizations (NGOs/POs) in view of the increase in the number of NGOs and POs seeking funds. This is to ensure that the necessary controls are put in place in the release and utilization of funds to promote transparency and accountability, including monitoring of the implementation of projects funded out of the funds granted.

15.2 Post-audit of the following disbursement vouchers (DVs) on the Provincial Government's grant of financial assistance to NGO/POs in CY 2024, which amounted to ₱3,500,000.00, revealed that the requisites and procedures for the entitlement and availment of government funds provided under the aforementioned COA Circular were not adhered to, as discussed below:

<b>Date</b>	<b>Check No.</b>	<b>DV No.</b>	<b>Amount</b>
02/27/24	186602	100(01)-2024-02-7826	₱ 500,000.00
02/27/24	186626	100(01)-2024-02-7828	500,000.00
02/29/24	186812	100(01)-2024-02-8203	500,000.00
02/29/24	186813	100(01)-2024-02-8209	500,000.00
02/29/24	186814	100(01)-2024-02-8211	500,000.00
03/05/24	187369	100(01)-2024-03-8589	500,000.00
03/15/24	1888815	100(01)-2024-03-10450	500,000.00
<b>Total</b>			<b>₱ 3,500,000.00</b>

**Priority projects were not pre-identified and publicized**

15.3 Section 4.5.1 of the Circular provides that the government organization (GO) shall identify the priority projects under its Work and Financial Plan (WFP) which may be implemented by the NGO/PO, including their respective purpose(s), specifications and intended beneficiaries as well as the time frame within which the projects are to be undertaken. To ensure transparency, this information shall be made public via newspapers, agency websites, bulletin boards and the like, at least three months prior to the target date of commencement of the identified projects.

15.4 The examination of the aforementioned DVs revealed, however, that the grants were not supported with a list of priority projects that may be implemented by the NGO/PO. Additionally, the required publication of these projects in the newspaper, agency website, or bulletin board was not observed. An approved summary of budget requirements detailing the items of expenditure or disbursement to be incurred in the program or projects as required in the

aforementioned guidelines and Section 2.1 of COA Circular No. 2012-001 dated June 14, 2012, was likewise not provided.

- 15.5 Our inquiry with the Provincial Budget Officer on the procedures for inclusion of financial assistance to NGOs in the Annual Budget revealed that accredited NGOs/POs submit their proposal to the Provincial Development Council (PDC) for inclusion in the Annual Investment Program (AIP) and, if approved, in the Annual Budget at a fixed amount of ₱500,000.00 for each NGO/PO.
- 15.6 The absence of required documentation and proper publication of priority projects can have an impact on transparency and accountability in grant allocation. Without a list of priority projects and published information, the public may not have a clear understanding of project priorities or the intended use of funds, which could compromise the effectiveness of the financial assistance provided to NGOs/POs.

#### **Insufficient documentation to confirm compliance with RA No. 9184**

- 15.7 Section 4.5.2 of the Circular requires that for each project proposal, the GO shall accredit the NGO/PO project partners through the Bids and Awards Committee (BAC), which shall perform the selection criteria, including the screening of the qualification documents, ocular inspection of the NGOs/POs business site, and the evaluation of the technical and financial capability of the NGO/PO.
- 15.8 Further, Section 4.5.3 thereof states that upon proper evaluation, the GO, thru the Committee, shall award the project to the NGO/PO that meets the minimum qualification requirements and the specifications for the project and which can satisfactorily undertake the project at terms most advantageous to the beneficiaries taking into consideration the cost effectiveness of the project.
- 15.9 However, proof of accreditation of the NGO/PO by the BAC and the results of the evaluation of the financial and technical capability of the selected NGO/PO were not submitted or attached to the DV in support of the grant.
- 15.10 Further, the NGO/POs project proposals for funding were not accompanied by the following requirements under Section 4.4 of COA Circular No. 2007-001:
  - a. Authenticated copy of the latest Articles of Incorporation, or the Articles of Cooperation, as the case may be, showing the original incorporators/organizers and the Secretary's certificate for incumbent officers, together with the Certificate of Filing with the Securities and Exchange Commission (SEC) or Certificate of Approval by the Cooperative Development Authority (CDA);
  - b. Audited financial reports for the past three years preceding the date of project implementation. For NGO/PO which has been in operation for less than three years, financial reports for the years in operation and proof of previous implementation of similar projects;
  - c. Disclosure of other related business, if any;
  - d. Work and Financial Plan (WFP) and sources and details of proponent's equity participation in the project;

- e. List and/or photographs of similar projects previously completed, if any, indicating the source of funds for implementation; and
- f. Sworn affidavit of the secretary of the NGO/PO that none of its incorporators, organizers, directors or officers is an agent of or related by consanguinity or affinity up to the fourth civil degree to the official of the agency authorized to process and/or approve proposed MOA, and release funds.

15.11 These documents are necessary to determine whether the procedures for selecting an NGO complied with RA No. 9184 and the aforementioned COA Circular. This also ensure that the NGO/PO is credible, free from conflicts of interest, and capable of implementing and completing the proposed projects satisfactorily and successfully.

15.12 While the Constitution encourages the participation of NGOs in the promotion of national welfare, their participation in the implementation of government projects is subject to RA No. 9184 and its IRR<sup>2</sup>.

**Incomplete terms of reference in the Memorandum of Agreement (MOA)**

15.13 Section 4.3 of COA Circular No. 2007-001 provides that the types of projects that may be granted government funds are those that are beyond the capability of the GO, which shall be clearly defined in the MOA.

15.14 Our review of the MOA between the Provincial Government and the NGOs on the aforementioned grants of government funds disclosed that it did not include the following terms of reference as prescribed in Section 4.5.3 of the same COA Circular:

- a. Systems and procedures to implement the project such as, but not limited to, procurement of goods and services by the NGO/PO and their distribution which should be documented and coordinated with the GO's authorized officials and the respective barangays;
- b. Time schedules for the releases of funds, periodic inspection/evaluation, reporting, monitoring requirements, date of commencement and date of completion;
- c. Submission of the required periodic financial and physical status reports;
- d. Specific period to liquidate the finds granted to NGO/PO with the GO;
- e. In case of construction projects like school buildings, housing, and other similar structures, and acquisition of assets like vehicles and equipment, a stipulation of turnover of ownership of the infrastructure or fixed assets;
- f. In case the asset shall be owned by the specific beneficiary, a stipulation that a Deed of Donation shall be executed by the GO after the completion of the project;

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<sup>2</sup> COA Decision No. 2022-263 dated January 24, 2022

- g. Institution of legal action by the GO against the defaulting NGO/PO which fails to complete a project covered by the MOA, or for a material violation of the provisions of the MOA or of this Circular, and in any of these cases, its subsequent disqualification from applying for another project in any other GO;
  - h. In case of the dissolution of the recipient NGO/PO, voluntary or involuntary, the lien of the granting GO on its assets, in accordance with existing laws, to the extent of the unexpended or unutilized portion of the fund;
  - i. Maintenance by the NGO/PO of a separate savings/current account for each fund received from the GO; and
  - j. The return by the NGO/PO to the granting GO of any amount not utilized to complete the project, including interest, if any.
- 15.15 The requirements in the release and utilization of GO funds transferred to NGOs/POs are necessary controls that the Provincial Government must consider before approving any fund transfer to NGOs/POs. This is because the GO fund granted to the NGO/PO retains its character as a public fund. Thus, it is imperative that there is an approved MOA with comprehensive terms of reference before any release of funds to safeguard government funds from wastage or misapplication.

**Funds amounting to ₱2 million were granted for the NGOs asset acquisition**

- 15.16 Section 305(b) of RA No. 7160 provides the governing fundamental principles in the financial affairs, transactions, and operations of local government units, which state that the local government funds and monies shall be spent solely for public purposes.
- 15.17 Despite this legal requirement, the Provincial Government granted a total of ₱2 million in financial assistance to four (4) NGOs allocated for the purchase of a Solar Energy 8.19 KWH Hybrid on/off grid system, materials for the NGOs Training Space, establishment of tricycle motor parts and service center, and a service vehicle.
- 15.18 The project proposal states that solar energy system aims to support the livelihood programs of the Center by addressing the frequent power outages that have disrupted its catering services. Additionally, the budget for construction materials and supplies is allocated to create a child- and youth-friendly space, which will further improve the NGOs training programs.
- 15.19 On the other hand, the objective of the establishment of a tricycle motor parts and service center is to provide members of the association with additional livelihood opportunities and access to affordable, high-quality motor parts. Meanwhile, the acquisition of a service vehicle is intended to help the cooperative reach target beneficiaries and newly organized cooperatives in remote areas of the Province.

15.20 While the community may indeed benefit from the provision of these resources to the NGOs/POs, it is important to emphasize that this benefit is incidental to the primary purpose, which is the improvement of the Center’s facilities and the provision of a vehicle for the cooperative, both of which are integral to the NGO’s operations.

15.21 As established in GR Nos. 230818 and 244540<sup>3</sup>, dated February 14, 2023, the Court laid down the test of the validity of a public expenditure as follows:

“ We must not forget that *Pascual* has already laid down a standard in determining the validity of a public expenditure. With that, We cannot sustain such amplification of the principle as justification for the expenditure of public funds. While the concept of “public purpose,” taken alone, may be given such extended, flexible, and evolving meaning, the same cannot be said when disbursement of public funds is involved. In the latter scenario, the Court must adhere to the view laid down in *Pascual*, *i.e.*, that “[i]ncidental advantage to the public or to the state, which results from the promotion of private interests and the prosperity of private enterprises or business, does not justify their aid by the use of public money.” Again, expenditure of public funds requires that the purpose be mainly for the public with any benefit to private enterprises be merely incidental, and not the other way around. This narrow view laid in *Pascual* is put in place precisely to serve as guard against the squander of state resources, and to avoid the likely abuse that may follow from easing up the otherwise strict guidelines in the expenditures of valuable state funds.

x x x

To reiterate, if the payment of the financial grant is allowed, the project constructed using public funds, there is no denying that PVHA will be the main beneficiary. Said private property will be the primary recipient of the improvement, and any benefit to the larger community and the public in general shall, at most, be speculative and merely incidental. This cannot be allowed for being in direct contravention with the mandate of PD 1445.”

15.22 Further, Section 6.2.5 of COA Circular No. 2007-001 stipulates that no portion of the funds granted to the NGO/PO shall be used for the acquisition of assets unless such acquisition is necessary for the execution of the project and explicitly stated in the MOA. In the subject project proposal, there are no government projects or programs being implemented as previously discussed. The funds, as stipulated in the MOA, are solely intended to acquire or improve the aforementioned equipment and structures for the NGOs.

**15.23 We recommended that Management identify the priority projects under its Work Financial Plan that may be implemented by the NGOs and publish these projects in newspapers, on agency websites, and on bulletin boards for at least three months before the target commencement date.**

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<sup>3</sup> Efraim C. Guinino, Petitioner, vs. Commission on Audit , et.al., Respondents (GR No. 230818) and Rene C. Figueroa, Petition, vs. Commission on Audit, Respondent (GR No. 244540).

- 15.24 **We further recommended that Management strictly follow the selection procedure of NGOs in accordance with Sections 4.5.2 and 4.5.3 of COA Circular No. 2007-001 dated October 25, 2007, and RA No. 9184.**
- 15.25 **Additionally, we recommended that the Provincial Government ensure that the MOA with the NGOs/POs includes all applicable terms of reference as specified in Section 4.5.3 and 4.5.8 of COA Circular No. 2007-001, and require the Provincial Accountant to strictly evaluate fund transfers to NGOs/POs, ensuring that no disbursements are certified unless supported by complete documentary requirements as outlined in Section 2.1 of COA Circular No. 2012-001, dated June 14, 2012.**
- 15.26 **Finally, we recommended that Management strictly adhere to the limitations on the granting of funds to NGOs provided under Section 6.0 of COA Circular No. 2007-001 dated October 25, 2007.**
- 15.27 Management, in their written reply dated February 5, 2025, indicated that the attachments were based on COA Circular No. 2023-004 dated June 14, 2023, which was in effect at the time the funds were transferred to the NGOs/POs. They further explained that the Circular had not yet been amended or suspended by COA Circular No. 2024-004 dated March 14, 2024, at the time funds were released.
- 15.28 Additionally, Management clarified that the accreditation of the NGO/PO was conducted by the Sangguniang Panlalawigan, citing Section 4.5.2, which allows another committee to perform the accreditation. They also stated that the Terms of Reference (TOR) were included in the NGOs/POs project proposal and duly attached to the MOA.
- 15.29 The Audit Team agrees that COA Circular No. 2023-004 was indeed in effect when the funds were disbursed. However, the disbursement vouchers must still be supported by the documentary requirements outlined in COA Circular No. 2012-001, as these are required under COA Circular No. 2007-001 dated October 25, 2007.
- 15.30 While Item 2.0 of COA Circular No. 2023-004 does not specify these documentary requirements, this does not override or eliminate the need to comply with the requirements set forth in other relevant regulations or issuances.
- 15.31 Furthermore, the accreditation process by the SP, as required under Section 108 of RA No. 7160, is more generally focused on recognizing the eligibility of the NGO/PO to participate in LGU programs. Thus, it is likely distinct from the process required by Section 4.5.2 and Section 4.5.3 of COA Circular No. 2007-01, which involves a more detailed evaluation. Specifically, the Circular requires the Committee to assess the NGO/POs technical and financial capabilities to meet the minimum qualifications and specifications for the

projects and determine whether the NGO/PO can satisfactorily undertake the project under terms most advantageous to the beneficiaries, while taking into consideration the cost effectiveness of the project.

- 15.32 Management has commented that the Terms of Reference (TOR) were included in the Project Proposal of the NGO/PO and duly attached to the MOA.
- 15.33 Section 4.5.3 of COA Circular No. 2007-01 explicitly requires that the TOR, which are integral to the execution of the project, be embodied in the MOA itself. This ensures that all parties involved are fully aware of and agree to the specific terms, conditions, and the requirements of the project.
- 15.34 Upon further review of the submitted proposal, we found that the required TOR were not included in the Project Proposals. Moreover, the duly notarized MOA, signed by both the Governor and the NGO/PO representative did not explicitly state that the Project Proposal, including its TOR, was an integral part of the agreement.

*Entertainment Expenses amounting to ₱2.29 million Charged to Government Funds*

**16. A total of ₱2,290,000.00 for production services related to pageants, the State of the Province Address (SOPA), and fireworks displays was improperly charged to government funds, contrary to Section 343 of RA No. 7160. Additionally, ₱300,000.00 of the production services and fireworks expenses were inappropriately categorized as Advertising Expenses, contrary to COA Circular No. 2015-009 dated December 1, 2015, highlighting weaknesses in budgetary control mechanisms.**

- 16.1 Section 343 of RA No. 7160 provides that no money shall be appropriated, used, or paid for **entertainment or reception** except to the extent of the representation allowances authorized by law or for the reception of visiting dignitaries of foreign missions, or when expressly authorized by the President in specific cases.
- 16.2 The audit revealed that, contrary to the aforementioned provision of law, the Provincial Government spent a total amount of ₱2,290,000.00 on production services and fireworks display for various events in CY 2023. These events included the holding of Hari ng Negros, Miss Negros Oriental, Gandang NegOrense Transgender Pageant, and the State of the Province Address (SOPA), as well as the fireworks display for the Grand Launch of the Tourism Roadshow. The details and references for these expenditures are shown below:

<b>Date</b>	<b>DV No.</b>	<b>Particular</b>	<b>Amount</b>
02/15/24	100(01)-2024-02-05488	Production services- Ms. Negros Oriental	₱ 780,000.00
03/22/24	100(01)-2024-03-10941	Outdoor fireworks and pyrotechnicians	50,000.00
04/01/24	100(01)-2024-03-09428	Production services- Hari ng Negros	850,000.00
04/01/24	100(01)-2024-04-12039	Production Services-State of the Prov. Address	250,000.00

<b>Date</b>	<b>DV No.</b>	<b>Particular</b>	<b>Amount</b>
04/03/24	100(01)-2024-03-09431	Production services- Gandang NegOrense	360,000.00
<b>Total</b>			<b>₱2,290,000.00</b>

**Expenditures totaling ₱2.290 million improperly charged to provincial funds.**

- 16.3 In the examination of the Terms of Reference, it was disclosed that the scope of work for the production services covered various fees, including those for the rehearsal director, choreographer, production assistants, stagehands, sound engineer, assistant soundman, videographer, celebrity host, voiceover host, scriptwriter, DJ and sound master, backup dancers, as well as the stage backdrop and venue decorations. The production services for the SOPA included fees for dancers, choristers, and the host, as well as event conceptualization, styling, and management.
- 16.4 The Provincial Tourism Officer explained that the pageants were part of the Buglasan Festival 2023 activities. He further noted that the purpose of these events was not solely for entertainment but to recognize and celebrate the beauty and talents of Negrosanons in the field of culture and arts.
- 16.5 In a similar case under COA Decision No. 96-355 dated July 9, 1996, the respondent likewise argued that the expenditures incurred in the “Mutya ng DVORAC” were necessary and supportive of the Cultural Revival Trust of DECS, noting that “culture” is a part of the DECS nomenclature, which suggests that its components are essential and necessary activities in the system. However, the Commission held that these expenditures were not essential or that which can be dispensed without loss or damage to property, thereby considering them as unnecessary and extravagant. It ruled that the school could function even if the “Mutya ng DVORAC” was not undertaken.
- 16.6 Furthermore, COA Decision No. 1997-047 dated January 17, 1997, on expenses incurred in the holding of the “Miss Manila Beauty Pageant,” expressly ruled that said expenses are in violation of Section 343 of RA 7160 and are considered “unnecessary” as contemplated under COA Circular No. 85-55-A.
- 16.7 According to the Honorable Chairman, “Expenditure of government funds through misspending if remained uncontrolled as in this particular case will ultimately result in the dissipation of the scarce fiscal resources of government, hence, it is imperative for this Commission as mandated under Section 2, PD 1445 to prevent such wastage if warranted...it cannot be denied that there are more meaningful projects other than the launching of “Miss Manila Beauty Pageant” upon which the intended funds can be utilized which will inure to the socio-economic well-being of the Manila residents such as but not limited to (a) economic livelihood projects; (b) basic health services (c) projects which have to do with the improvement of the peace and order in the locality; and (d) projects having social relevance designed to improve the socio-economic life of the common man.”

- 16.8 While the Audit Team understands that the pageants were conducted as part of the Buglasan Festival and the Province’s tourism promotion program, which aims to celebrate the cultural and artistic achievements of Negrosanons, it is worth considering a more resource-efficient approach. Nevertheless, the Audit Team views the use of public funds for these expenditures as unnecessary, as they are not essential to the core operations of the government.
- 16.9 On the other hand, the Commission on Audit has previously addressed the issue of expenses incurred for the celebration of significant events in its past ruling. This matter has been highlighted in the decisions of the Auditor General, as cited below:

“ Expenses by local governments for celebration of important events and oath taking of officials and those for the printing of records, souvenir programs, propaganda, **fireworks, and decorations not being of public benefit or material progress of the residents of the locality cannot be paid out of local government funds.** The Auditor General (Gimenez) in the case of the City of Manila, said:

“On the matter of observance of important events or celebrations, the Office of the President ruled under its 9<sup>th</sup> Indorsement dated June 26, 1956, that expenditures for the purpose cannot be allowed citing with approval 30 A.L.R. 1042 as follows:

“Viewed in the most favorable light for the respondents, their vote authorized an expenditure of public money to celebrate the anniversary of a great event of national and historical interest, in a manner which might serve to amuse the inhabitants, and perhaps excite in their minds a spirit of patriotism and a love of liberty. **But these objects, however, laudable, do not come within the range of municipal powers and duties. If money in the treasury of a city can be expended to commemorate one event of interest and importance in the history of a country, so may it be to celebrate the anniversary of any and every other...Nor would there be any limit to the amount of money which might be expended for such purpose or to the mode in which the expenditures might be made, except that which might be prescribed by the will or caprice of the majority. If fireworks and illumination can be permitted, so may dinners, balls and fetes of every description. It is obvious that such a power would open a door for great abuses and expenditure of the most wasteful character;**” and the Auditor General said in the final paragraph of his decision: “It is, therefore, ruled that the expenditure should be, as it is hereby, disallowed.” (GAO 1<sup>st</sup> 11-12-64; f, -2.015, MBM. Decision Volume II p. 287) (Emphasis ours)

**Inappropriate charges to advertising expenses totaling ₱300,000.00.**

- 16.10 Section 2.2.18 of Local Budget Memorandum No. 85 dated June 15, 2022 provides that the FY 2023 annual budgets of provinces be prepared consistent with the Revised Chart of Accounts for LGUs, as prescribed under COA Circular No. 2015-009 dated December 1, 2015. Annex “B” of the said Circular defines Advertising Expenses as an account to be used to record the cost incurred for advertisement, such as expenses to (a) promote and market products and services; and (b) publish invitations to bid and other authorized government advertisements.
- 16.11 However, contrary to the above cited regulations, it was observed that the production services and the fireworks display and pyrotechnicians for the State of the Province Address (SOPA) and the Grand Launching of Tourism Roadshow amounting to ₱300,000.00, accrued in CY 2023, were improperly charged to the Advertising Expense account (5-02-99-010).
- 16.12 The production expenses pertain to the fees of the dancers, choristers, the host and the event conceptualization, styling and management. It is important to emphasize that the SOPA, where the governor reports on accomplishments and plans and promotes culture and arts, should not be classified as advertising expenses. Instead, it serves as a formal communication regarding the province’s governance, progress, and future plans.
- 16.13 Furthermore, Section 9.1.3.5 of COA Circular No. 2012-001 dated June 14, 2012 requires that when a government agency engages in paid advertising, the claims must be supported by documentary evidence, such as a copy of newspaper clippings, showing publication and/or CD in the case of TV/Radio commercial. However, such documentations were not submitted to support these transactions, as these expenses do not pertain to advertising.
- 16.14 Anent thereto, Management is reminded that one of the austerity measures adopted under Administrative Order No. 103 dated August 31, 2004, is the suspension, among others, of paid media advertisements, except those required in the issuance of agency guidelines, rules and regulations, and the conduct of public bidding and the dissemination of important public announcements.
- 16.15 Inasmuch as budgetary control in the expenditure of funds rests in the obligation of transaction through appropriate recording in the registries maintained by the Provincial Budget Officer, the use of appropriate budgetary accounts is necessary in conformity with the NGAS Manual. Failure to ensure proper account classification defeats the purpose of budgetary control.
- 16.16 **We recommended and Management agreed to desist from charging to the Provincial Fund expenses related to receptions, pageants, fireworks displays, and similar activities, as well as other related events.**

- 16.17 **We also recommended and the Provincial Accountant agreed to record expenditures using the appropriate account in accordance with COA Circular No. 2015-009 dated December 1, 2015, to reflect the accurate amount of the affected accounts for the period ended.**
- 16.18 **Further, we recommended and the Provincial Budget Officer agreed to exercise due judgment in the account classification based on the nature of the transactions, specified conditions, and the purpose to ensure that obligations are charged to appropriate accounts.**

*Contract of Service Personnel Perform Duties Unrelated to Contract Terms*

**17. Certain personnel under the Contract of Services (COS) performed duties unrelated to their responsibilities as outlined in the Contract of Agreements, of which salaries totaling ₱79,526.77 were improperly charged to the Local Disaster Risk Reduction and Management Fund (LDRRMF), contrary to Section 4.0 of NDRRMC, DILG, DBM and CSC Joint Memorandum Circular No. 2014-1, thereby reducing the funds available for disaster risk management activities.**

- 17.1 Section 4.0 of NDRRMC, DILG, DBM and CSC Joint Memorandum Circular No. 2014-1 dated April 4, 2014 specifies that the budgetary requirements for personal services, maintenance and other operating expenditures, as well as capital outlay for the Local Disaster Risk Reduction Management Office must be sourced from the General Fund of the Local Government Unit (LGU) in accordance with Section 76 of Republic Act No. 7160. Furthermore, it states that the other maintenance and operating expenses, and other capital outlay requirements of the LDRRMO, for implementing the DRRM projects, shall be charged to the LDRRMF, subject to the provisions of Joint NDRRMC, DBM, and DILG Memorandum Circular No. 2013-1 and COA Circular No. 2012-002.
- 17.2 Anent thereto, Section 5.0 of NDRRMC, DBM and DILG JMC Circular No. 2013-1 dated March 25, 2013, outlines the specific projects and activities for which the LDRRMF may be utilized.
- 17.3 On a test basis, we conducted a post-audit of disbursement vouchers for the period from January to August 2024. We observed that the salaries and wages of some COS personnel were charged to the LDRRM Fund for specific infrastructure projects assigned to them for implementing DRRM initiatives. However, an examination of the contracts of certain personnel revealed the following deficiencies:

**Services rendered were inconsistent with contractual duties and responsibilities.**

- 17.4 Section 517 of the GAAM, Volume I, provides that agencies may enter into contracts with individuals or organizations, both public and private, subject to applicable laws and guidelines approved by the President. Contracts must be for specific services that cannot be provided by the regular staff of the agency, must have a defined period, and **shall specify a definite expected output.** (Book VI, Section 58 of the Administrative Code of 1987)

- 17.5 Similarly, Item 7.0 of COA and DBM Joint Circular No. 2, series of 2020 dated October 20, 2020 states that hiring under COS is limited to consultants, learning service providers and/or other technical experts **to undertake special project or job** within a specific period.
- 17.6 In reviewing the Contract Agreement, we noted that the responsibilities of COS personnel are detailed in the Statement of Duties and Responsibilities. However, evaluation of the Accomplishment Reports for these personnel indicates that they are performing tasks that are either unrelated to or significantly different from the activities specifically outlined in their contracts, as summarized in the table below:

<b>Position</b>	<b>Duties and Responsibilities</b>	<b>Actual Accomplishment</b>
Architect I	<ol style="list-style-type: none"> <li>1. Prepares detailed estimates, programs of work, and equipment lists for various provincial public work projects;</li> <li>2. Directs the survey party and transit man in gathering data for proposed public works projects, and prepares plans and profiles;</li> <li>3. Oversees the drafting of plans by a group of draftsmen and handle the more difficult aspects of this work directly; may prepare draft specifications according to accepted standard procedures and forms.</li> </ol>	Prepared bid documents and construction schedules.
Engineer I	<ol style="list-style-type: none"> <li>1. Prepares specifications for the purchase of heavy equipment and light vehicles;</li> <li>2. Submits monthly reports for proper guidance and action;</li> <li>3. Keeps records of every equipment's periodic maintenance schedule, preventive maintenance timetable, necessary parts and materials, and conducts and oversees the maintenance procedures and protocols;</li> <li>4. Reviews, recommends and assists in the preparation of various documents;</li> <li>5. Responds to equipment breakdowns and collaborates with mechanics in diagnosing faults or defects to accurately order defective parts;</li> <li>6. Collaborates with technicians or mechanics to develop long-term preventive maintenance plans for all equipment (performance monitoring, routine check-ups, and replacement of worn-out parts) to maximize the utilization of government assets;</li> <li>7. Assists with the administrative functions in the equipment pool division.</li> </ol>	Prepared construction schedule; Construction Materials Investigation; and prepared the minimum requirements for construction safety and health program for the project.
Computer Maintenance Technologist	<ol style="list-style-type: none"> <li>1. Responsible for creating, developing and enhancing computer or web-based applications using appropriate technology to provide or generate better data and/or needed information for other offices and divisions;</li> <li>2. Creates an information management software application that provides visual tracking, analysis and displays of graphs, charts and/or key</li> </ol>	Prepared bid documents and construction schedule.

Position	Duties and Responsibilities	Actual Accomplishment
	performance indicators for various provincial projects; 3. Manages and identifies software related problems, performs maintenance functions on computer systems, and ensures the security of data and software; 4. Perform other duties and functions as may be directed.	

17.7 While Item 5 of the Contract states that, in the interest of public service, COS personnel may be assigned tasks other than those listed in the Statement of Duties and Responsibilities, it also explicitly requires that such tasks be related to their designated duties. Furthermore, the applicable Manual and Joint Circular mandate that the expected outputs of COS personnel must be clearly and specifically defined in the contract. Therefore, the accomplishments of the COS personnel, as shown in the table above, do not comply with the terms of the contract agreement.

**Improper charging of salaries not directly attributable to construction projects.**

17.8 Paragraph 30 of IPSAS No. 17 stipulates that the cost of an item of property, plant, and equipment shall include, among others, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The following are examples of directly attributable costs listed in paragraph 31 of the same IPSAS:

- “(a) *Cost of employee benefits (as defined in IPSAS 25, Employee Benefits) arising directly from the construction or acquisition of the item of property, plant, and equipment;*
- (b) *Costs of site preparation;*
- (c) *Initial delivery and handling costs;*
- (d) *Installation and assembly costs;*
- (e) *Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and*
- (f) *Professional fees.*” (Emphasis ours)

17.9 Expenses that are not costs of an item of PPE are provided under paragraph 33 of the IPSAS, which include, among others, administration and other general overhead costs.

17.10 Contrary to the foregoing, the following salaries and wages of COS personnel, totaling ₱79,526.77, whose accomplishments for the period are presented in the table above, were improperly capitalized to the DRRM construction projects:

Designation	Period	Amount
Architect I	August 1-15, 2024	₱ 10,921.65
Engineer I	February 1-29, 2024	34,407.12
Computer Maintenance Tech.	January 2 to February 29, 2024	34,198.00
<b>Total</b>		<b>₱ 79,526.77</b>

17.11 This practice is inconsistent with both the IPSAS and Section 4.0 of NDRRMC, DILG, DBM, and CSC Joint Memorandum Circular No. 2014-1 (dated April 4, 2014), which specifies that only personal services and other maintenance and operating expenses related to the implementation of DRRM initiatives may be charged to the LDRRMF.

17.12 The activities performed by the COS personnel, which are administrative in nature to support the operation of the Provincial Engineering Office (PEO) and the Bids and Awards Committee (BAC), do not directly contribute to the construction or development of PPE. According to paragraph 35 of IPSAS No. 17, the related expenses of incidental operations are not considered part of the cost of an item of the PPE, to quote:

*“ Some operations occur in connection with the construction or development of an item of property, plant, and equipment, but are not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the construction or development activities. x x x. **Because incidental operations are not necessary to bring an item to the location and condition necessary for it to be capable of operating in the manner intended by management, the revenue and related expenses of incidental operations are recognized in surplus or deficit, and included in their respective classifications of revenue and expense.**”*

17.13 The law treats LDRRMF as a specific fund intended only for a specific purpose. Charging the aforementioned salaries and wages of COS personnel, which are considered administrative, maintenance, and support services, reduces the funds available for disaster risk reduction and management purposes, defeating the primary purpose for which the fund was established.

17.14 **We recommended and Management agreed to stop charging the wages of COS personnel, which are administrative in nature, to the 70% LDRRMF. Furthermore, we recommended and Management agreed to ensure that the services rendered by COS personnel align with their contractual duties and responsibilities to address the inconsistencies noted in their accomplishments.**

*GAD Database Not Fully Established*

**18. The Provincial Government was unable to fully establish a GAD database that would have provided gender statistics and sex-disaggregated data for effective planning, budgeting, programming, and policy formulation, as mandated by Section 36(c) of RA No. 9710, hindering the accurate identification and analysis of gender gaps and differences within the locality, which could lead to inefficiencies in program implementation and resource allocation.**

- 18.1 Section 36(c) of RA No. 9710 mandates all government entities, including departments, attached agencies, offices, bureaus, state universities and colleges, government-owned and controlled corporations, LGUs, and other government instrumentalities, to develop and maintain a Gender and Development (GAD) database. This database must contain systematically gathered, regularly updated, and gender-analyzed gender statistics and sex-disaggregated data for use in planning, programming, and policy formulation.
- 18.2 Furthermore, Section 4.1.B(1) of the Philippine Commission Women (PCW), DILG, DBM, and National Economic and Development Authority (NEDA) Joint Memorandum Circular No. 2013-1 assigns LGUs, through their Local Planning and Development Offices (LPDOs), the responsibility of establishing and maintaining the GAD database.
- 18.3 Annex B of the same JMC outlines that the LGU GAD Focal Point System (GFPS) and the DILG Operations Field Officer assigned to the LGU shall support the LPDO in generating and processing sex-disaggregated data and other GAD-related information. Additionally, it specifies the minimum GAD indicators and sectoral data requirements that should be included in the LGU database.
- 18.4 To establish the GAD database, the Provincial Government may utilize its existing database, planning and data-gathering tools, and management information systems to generate gender statistics, age, sex-disaggregated data, and other GAD-related information. These may be sourced from primary and secondary data, including surveys, studies, focus group discussions (FGDs), and other relevant sources.
- 18.5 On November 7, 2024, the Audit Team formally requested information from the GAD Focal Person regarding the establishment and maintenance of the GAD database within the Provincial Government, including relevant documents to substantiate their response to the audit query.
- 18.6 In a letter dated November 22, 2024, the GAD Focal Person confirmed that the sex-disaggregated data is being adequately maintained and submitted a copy of the database managed by the Provincial Government.

- 18.7 An examination of the GAD database against the minimum data requirements outlined in Annex B of the JMC, along with the Programs, Projects and Activities (PPAs) in the GAD Plan and Budget (GPB) for CY 2024 revealed that the database lacks essential gender statistics and GAD-related information. The Provincial Government allocated ₱175,517,764.00 for various sectoral programs under the GPB, covering areas such as education, health, gender-based violence and protection, media and film, and security in times of disasters, calamities, and crises. However, the submitted database did not contain complete data or statistics to highlight gender gaps and differences between women and men.
- 18.8 For instance, under the education social subsector, the Provincial Government's PPAs include conducting hands-on skills training for out-of-school youth and marginalized women, as well as providing educational assistance to 1,000 underprivileged but deserving students. Despite these initiatives, the GAD database did not include the following essential sex-disaggregated data requirements for gender analysis, which are crucial for justifying the mainstreaming of these programs under the GAD Fund:
1. Simple literacy rate (10 years old and over)
  2. Functional literacy rate (for individuals aged 10-64)
  3. Ratio of girls to boys in primary, secondary, and tertiary education
  4. Availability of functional literacy training programs for women
  5. Distribution of the population aged 6 and over by highest educational attainment (%):
    - a. No education
    - b. Some elementary
    - c. Completed elementary
    - d. Some high school
    - e. Completed high school
    - f. College or other higher education
  6. Percentage of population age 6-24 by education level currently attended, disaggregated by age group and by sex:
    - a. Not currently attending
    - b. Kinder/Preparatory/Nursery
    - c. Elementary
    - d. High school
    - e. Post-secondary
    - f. College
    - g. Postgraduate
  7. Elementary and high school completion rates
  8. Percentage of college graduates by program cluster
  9. Number of Technical-Vocational Education and Training (TVET) graduates
- 18.9 As a development approach, GAD seeks to equalize the status, conditions, and relationships between women and men by influencing the processes and outcomes of policymaking, planning, budgeting, implementation, monitoring,

and evaluation. This ensures that gender issues and concerns affecting the full development of women are addressed.

- 18.10 The GAD database is a vital tool for conducting gender analysis within the LGU. Its primary purpose is to identify gender gaps and disparities between women and men in terms of access to basic services, control over resources, and enjoyment of rights, benefits, and opportunities. The data generated from gender analysis informs the formulation and integration of policies into the LGU GAD Plan, ensuring that gender equality and women's empowerment goals are effectively addressed. Additionally, it provides baseline data on the status of both women and men within the LGU, serving as a reference for tracking progress over time.
- 18.11 However, the absence of a fully established GAD database poses significant challenges. Without comprehensive data, conducting an accurate gender analysis becomes difficult, making it harder to identify inequalities in education, employment, healthcare, and other critical sectors. Consequently, policies and programs may not be adequately designed to address the specific needs of women and men. For instance, without sex-disaggregated data on literacy rates or employment statistics, it is challenging to develop targeted skills training programs for those who need them most.
- 18.12 Furthermore, Annex D of the aforementioned JMC emphasizes that in determining what can or cannot be charged to the GAD budget, the primary consideration is the gender issues and disparities being addressed by the expense or activity. The absence of a fully developed GAD database weakens the justification for allocating resources to gender-focused programs. Without data-backed evidence, funding requests may not be prioritized, and gender-responsive initiatives may receive insufficient financial support.
- 18.13 Additionally, since the GAD database serves as a baseline for tracking progress on gender equality and women's empowerment initiatives, its absence makes it difficult to assess whether policies and interventions have resulted in meaningful improvements. Without these important data and information, the Provincial Government may struggle to measure the extent to which gender-responsive goals have been achieved, which could lead to inefficiencies in program implementation and resource allocation.
- 18.14 **We recommended and Management agreed that the Provincial Planning and Development Office (PPDO), in coordination with the GFPS and DILG, establish a comprehensive GAD database containing the necessary information in accordance with the data requirements under Annex B of PCW-DILG-DBM-NEDA JMC No. 2013-01 to aid in effective gender-responsive planning, programming, and policy formulation by clearly identifying and defining gender issues in the preparation of the annual**

**GPB, ensuring that the proposed PPAs are properly charged to the GAD Fund.**

*Delayed Remittance of Withheld Taxes*

**19. Taxes withheld from payments for purchases and compensation were not fully remitted within the prescribed period specified in Item B.4 of the Bureau of Internal Revenue (BIR) Revenue Memorandum Circular (RMC) No. 23-2012 dated February 14, 2012, which may hamper the government’s immediate use of these funds for various programs and projects and may subject the withheld amounts to penalties and surcharges for delayed remittances.**

- 19.1 Paragraph B of BIR Revenue Memorandum Circular No. 23-2012 dated February 14, 2012, provides, in substance, the responsibilities of government officials and employees as withholding agents. Among these responsibilities are the proper withholding of the correct amount of tax and the timely remittance of the withheld taxes within the prescribed periods.
- 19.2 Paragraph C of the RMC outlines the applicable penalties for specific violations. Failure to fulfil their responsibilities expose government officials or personnel to the risk of incurring applicable interest and surcharges.
- 19.3 An examination of the General Ledger (GL) for the “Due to BIR” account revealed the following balances, totaling ₱33,161,213.94 as of December 31, 2024, for the General Fund, Special Education Fund, and Trust Fund:

<b>Month</b>	<b>Withheld</b>	<b>Remittance</b>	<b>Balance</b>
January	₱ 41,438,777.46	₱ 22,005,147.11	₱ 19,433,630.35
February	10,937,298.13	13,260,035.84	(2,322,737.71)
March	14,536,887.41	8,809,113.59	5,727,773.82
April	13,265,876.19	9,346,290.46	3,919,585.73
May	20,463,194.86	13,081,950.75	7,381,244.11
June	17,408,297.31	14,210,339.87	3,197,957.44
July	23,073,077.36	32,558,524.08	(9,485,446.72)
August	13,125,811.65	22,056,783.38	(8,930,971.73)
September	13,906,460.44	15,404,473.73	(1,498,013.29)
October	25,646,894.43	23,269,076.67	2,377,817.76
November	17,074,862.80	14,635,055.87	2,439,806.93
December	30,717,840.83	19,797,273.58	10,920,567.25
<b>Total</b>	<b>₱ 241,595,278.87</b>	<b>₱ 208,434,064.93</b>	<b>₱ 33,161,213.94</b>

- 19.4 As shown in the table above, the taxes withheld in a particular month were not remitted in full during the immediately succeeding month. Instead, the remittances made were either lower than the amount withheld in the previous month or higher in the following months, compensating for months with lower remittances. A full or complete remittance would have reflected an amount equal to the taxes withheld in the preceding month.

- 19.5 Verification of the SL, General Journal, and the supporting documents for the remittance of taxes for the said account revealed the following delays in remitting the taxes:

### **Withholding Tax on Compensation**

- 19.6 Item B.4 of the aforementioned Revenue Memorandum Circular requires that withholding taxes on compensation, filed and remitted through the Electronic Filing and Payment System (eFPS), must be made on or before the 15<sup>th</sup> day of the following month. However, taxes withheld in December must be remitted by the 20<sup>th</sup> day of January of the following year.
- 19.7 While it is commendable that the remittance of withholding taxes on compensation in the General Fund was expedited — with the majority of remittances made earlier than the prescribed remittance period or on the last day of the month in which they were withheld — it was observed that some taxes withheld did not comply with the prescribed remittance period, as shown in the table below:

<b>Month</b>	<b>Withheld</b>	<b>Remittance</b>	<b>Date Remitted</b>	<b>Balance</b>	<b>No. of Days Delayed</b>
Beg. Bal.	₱1,307,061.82	₱1,220,862.85	01/03/24	₱ 0.01	
		86,198.96	01/31/24		11
January	1,216,660.18	1,102,769.09	01/31/24	0.00	
		98,436.16	02/29/24		14
		15,454.93	04/30/24		75
February	1,088,303.22	1,070,011.09	02/29/24	0.00	
		18,292.13	04/30/24		46
March	1,259,075.34	1,129,918.04	03/27/24	0.00	
		113,949.23	04/30/24		15
		15,208.07	05/30/24		45
April	1,133,346.38	1,119,150.88	04/30/24	0.00	
		13,157.19	05/30/24		15
		1,038.31	06/28/24		43
May	1,442,621.39	314,954.35	06/28/24	0.00	13
		1,095,716.29	05/30/24		
		11,659.76	08/29/24		75
		20,290.99	07/30/24		45
June	1,153,036.31	1,068,479.19	06/28/24	0.00	
		84,557.12	07/30/24		15
July	1,271,942.88	138,793.24	09/30/24	5,479.51	46
		1,117,755.67	07/30/24		
		9,914.46	08/29/24		14
August	1,195,923.42	2,087.90	09/30/24	6,443.36	15
		1,187,392.16	08/29/24		
<b>Total</b>	<b>₱11,067,970.94</b>	<b>₱11,056,048.06</b>		<b>₱11,922.88</b>	<b>15 &amp; 46</b>

- 19.8 Based on the table above, the delays in remittances ranged from 11 to 75 days beyond the prescribed due dates. Additionally, the withholding taxes on compensation under SL account code 20201010-11-H (Proper), totaling ₱100,707.34, from various dates starting November 5, 2020, have not been remitted as of December 31, 2024:

Date	Particulars	Withheld	Due Date	Days Delayed
11/05/20	BAC honoraria for July-Sept. 2020	₱ 27,453.08	12/15/20	1805
02/24/21	BAC honorarium for Oct. -Dec. 2020	27,453.08	03/15/21	1355
01/06/23	Payment of Economic Welfare Assistance	3,810.75	02/15/23	656
01/09/23	Payment of Economic Welfare Assistance	1,405.00	02/15/23	656
01/10/23	Payment of Economic Welfare Assistance	1,081.25	02/15/23	656
07/30/24	BAC honoraria for Dec.-Jan. 2024	39,504.18	08/15/24	107
<b>Total</b>		<b>₱100,707.34</b>		

- 19.9 The delays in remitting taxes on compensation withheld pertain, among others, to overtime pay and honoraria, which are not included in the Personnel Management Information System (PMIS). As a result, these could not be included in the remittance before the due date. Additionally, since the remittances were based on the PMIS and the Statement of Deduction, in the case of hospital accounts, rather than the subsidiary ledgers, some remittances were made but had not yet been recorded or accrued in the books of accounts. For instance, the following remittances for “Due to BIR - Hospital Accounts” (20201010-11-H):

Month Withheld	Amount Remitted	Date		Days Remitted in Advance
		Due	Remitted	
February	968,514.77	03/15/24	01/31/24	43
March	988,152.68	04/15/24	02/29/24	46
April	4,368.31	05/15/24	02/29/24	76
	968,623.41	05/15/24	03/26/24	50
May	922,252.50	06/15/24	04/30/24	46
June	886,492.13	07/15/24	05/30/24	46
July	41,972.34	08/15/24	04/20/24	117
	159,616.51	08/15/24	06/28/24	48
August	30,476.54	09/15/24	07/30/24	57
September	20,000.00	10/15/24	07/30/24	77
	861,383.68	10/15/24	08/29/24	47

### Taxes withheld from payment of purchases

- 19.10 Item B.4 of the RMC also specifies the remittance period for taxes withheld under the Expanded Withholding Tax. These taxes must be remitted on the 15th day of the following month for amounts withheld from January to November and on the 20th day of January for taxes withheld in December. For Value Added Tax (VAT), the remittance is due on the 10th day of the following month.

- 19.11 Similar to the above observations, the remittances for taxes withheld from the payment of purchases for the Special Education Fund (SEF) and Trust Fund (TF) were not made within the prescribed period. The delays ranged from 17 to 26 days for the SEF and 16 to 26 days for the TF, as detailed in **Appendix F1-2**.
- 19.12 Furthermore, according to the schedule provided by the personnel from the Provincial Accountant's Office (PAccO), the following amount are still due for remittance in November 2024. This amount should have already been remitted on either the 10<sup>th</sup> or the 15th day of the month following when it was withheld, as applicable:

SL Account Code: 20201010-14

<b>Month Withheld</b>	<b>Proper</b>	<b>Hospital</b>	<b>20% Development Fund</b>	<b>Total</b>	<b>Due Date</b>
April		2,121.43		2,121.43	05/10/24
May	5,655.34			5,655.34	06/10/24
August	21,057.32			21,057.32	09/10/24
September	606,781.07	500,411.62	171,924.05	1,279,116.74	10/10/24
<b>Total</b>	<b>633,493.73</b>	<b>502,533.05</b>	<b>171,924.05</b>	<b>1,307,950.83</b>	

SL Account Code: 20201010-19

<b>Month Withheld</b>	<b>Proper</b>	<b>Hospital</b>	<b>20% Development Fund</b>	<b>Total</b>	<b>Due Date</b>
April		424.29		424.29	05/15/24
May	10.11			10.11	06/15/24
August	12,829.92	48,183.10		61,013.02	09/15/24
September	189,710.74	326,962.80	73,919.41	590,592.95	10/15/24
<b>Total</b>	<b>202,550.77</b>	<b>375,570.19</b>	<b>73,919.41</b>	<b>652,040.37</b>	

- 19.13 Due to the delays in remitting taxes withheld from compensation and in making payments for purchases, the national government has been deprived of the use of these funds to finance its various projects. This practice likewise, exposes the personnel involved to the risk of paying interest, surcharges, and sanctions provided under paragraph C of the RMC.
- 19.14 **We recommended and Management agreed that the Provincial Accountant, promptly remit all taxes withheld from compensation and payments for purchases in accordance with the prescribed period outlined in BIR Revenue Memorandum Circular (RMC) No. 23-2012, dated February 14, 2012. Additionally, we recommended reconciling the amounts remitted with the subsidiary ledgers maintained by the Provincial Accountant's Office (PAccO).**

*Withheld Funds for GSIS, PhilHealth and Pag-ibig Not Remitted on Time*

**20. Funds withheld and recorded under the accounts “Due to GSIS,” “Due to Philhealth,” and “Due to Pag-ibig” were not fully remitted within the required timeframe, contrary to the provisions of Section 14.1 of the IRR of RA No. 8291, Section 11 of the Revised IRR of RA No. 10606, and Section 3, Rule VII of the IRR of RA No. 9679, which could affect employees’ access to benefits from these government agencies, including salary and policy loans.**

- 20.1 Rule III, Section 14.1 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 8291, also known as the GSIS Act of 1997, mandates that every government agency must remit both the employees’ and the agency’s contributions directly to the GSIS within the first ten (10) days of the calendar month following the month for which the contributions apply. Furthermore, the remittance of these contributions to the GSIS shall take precedence over all other obligations, except salaries and wages for its employees.
- 20.2 On the other hand, Section 18(b) of the Revised IRR of the National Health Insurance Act of 2013<sup>4</sup>, requires employers to remit the monthly premium contributions of employed members to PhilHealth on or before the date prescribed by the latter. Anent thereto, the Corporation issued PhilHealth Circular No. 0001, series of 2014, dated January 9, 2014, which specifies that starting in March 2014 onwards, the PhilHealth contributions must be remitted every 11<sup>th</sup>–15<sup>th</sup> day of the month following the applicable period for employers with PhilHealth Employer Number (PEN) ending in 0-4.
- 20.3 Similarly, Rule VII, Section 3, IRR of RA No. 9679, also known as “An Act Further Strengthening the Home Development Mutual Fund, and for Other Purposes,” requires that remittances be made within 15 days from the date of collection.
- 20.4 An examination of the General Ledger revealed that not all funds withheld during the month were subsequently remitted on the following month. As shown in the table below for the period January to December 2024, the total amount remitted did not correspond to the amount recorded as withheld in the previous month.

**Due to GSIS (Proper) (20201020)**

<b>Month</b>	<b>Withheld</b>	<b>Remittance</b>	<b>Balance</b>
Beginning Balance	₱10,906,188.02		₱10,906,188.02
January	7,783,444.26	8,626,040.03	842,595.77
February	7,671,609.82	7,288,289.23	383,320.59
March	7,897,073.11	7,921,908.10	24,834.99
April	7,626,134.65	8,087,248.01	461,113.36
May	7,360,083.45	7,769,794.39	409,710.94
June	7,120,097.99	7,120,151.20	53.21

<sup>4</sup> RA 7875 as amended by RA 9241 and 10606

<b>Month</b>	<b>Withheld</b>	<b>Remittance</b>	<b>Balance</b>
July	8,078,875.05	7,869,002.60	209,872.45
August	7,819,941.41	7,189,725.82	630,215.59
September	7,606,889.39	7,596,758.21	10,131.18
October	8,025,913.58	8,120,422.46	(94,508.88)
November	7,959,671.58	7,216,157.92	743,513.66
December	8,036,258.77	8,273,509.89	(237,251.12)
<b>Total</b>	<b>₱103,892,181.08</b>	<b>₱93,079,007.86</b>	<b>₱10,813,173.22</b>

**Due to Pag-ibig (General Fund) (20201030)**

<b>Month</b>	<b>Withheld</b>	<b>Remittance</b>	<b>Balance</b>
Beginning Balance	₱ 2,380,891.92	-	₱2,380,891.92
January	1,404,942.70	1,463,654.86	(58,712.16)
February	1,500,157.96	1,099,230.06	400,927.90
March	1,545,751.09	1,601,464.37	(55,713.28)
April	1,602,968.47	1,447,042.19	155,926.28
May	1,552,091.21	2,395,002.16	(842,910.95)
June	1,518,539.90	986,799.49	531,740.41
July	1,583,482.77	2,200,729.98	(617,247.21)
August	1,574,713.35	994,530.90	580,182.45
September	1,565,545.44	1,643,602.64	(78,057.20)
October	1,568,156.27	1,030,527.53	537,628.74
November	1,637,474.90	1,518,370.89	119,104.01
December	1,695,570.90	1,701,459.30	(5,888.40)
<b>Total</b>	<b>₱21,130,286.88</b>	<b>₱18,082,414.37</b>	<b>₱3,047,872.51</b>

**Due to PhilHealth (General Fund) (20201040)**

<b>Month</b>	<b>Withheld</b>	<b>Remittance</b>	<b>Balance</b>
Beginning Balance	₱1,826,119.59	-	1,826,119.59
January	1,909,940.20	1,541,266.09	368,674.11
February	1,918,813.72	1,959,824.70	(41,010.98)
March	1,950,654.78	1,924,936.27	25,718.51
April	1,942,672.86	1,916,993.75	25,679.11
May	1,886,943.85	1,927,365.98	(40,422.13)
June	1,872,943.39	1,906,806.98	(33,863.59)
July	1,959,011.41	1,900,307.39	58,704.02
August	1,932,153.42	1,916,744.65	15,408.77
September	1,932,895.52	1,919,531.29	13,364.23
October	2,037,552.89	1,925,154.23	112,398.66
November	2,112,428.56	2,017,849.13	94,579.43
December	2,038,859.59	2,057,951.39	(19,091.80)
<b>Total</b>	<b>₱25,320,989.78</b>	<b>₱22,914,731.85</b>	<b>₱2,406,257.93</b>

- 20.5 As shown in the tabulation above, the remittances were either less than or in excess of the amounts withheld in the previous month, but never equal. This inconsistency is not in line with the obligations of the Provincial Government under the aforementioned provisions governing the remittance of funds withheld for GSIS, PhilHealth, and Pag-ibig.
- 20.6 Upon verification of the remittances of the aforementioned mandatory deductions for the period January to July 2024, the Audit Team observed that while the Provincial Government had remitted certain contributions withheld within the prescribed timeframe, others were not remitted on time. The details of these delays are presented in **Appendix G1-3**.
- 20.7 In our assessment, this condition could have been avoided if Management had implemented and maintained a review process before the remittance of premiums and loan payments. This process should have included verifying that the remittance matched the actual amounts withheld as recorded in the subsidiary ledgers, ensuring that the prepared remittance equals the actual amounts withheld, and performing reconciliations whenever discrepancies arise.
- 20.8 The non-observance of the timely remittance of all withheld mandatory deductions may result in penalties and interest charges. Furthermore, this situation may affect the enjoyment of the benefits that the employee members and the Provincial Government could access, including loans, hospitalization subsidies, and other relevant benefits available to members of GSIS, HDMF, and PHIC.
- 20.9 **We recommended and Management agreed to implement a review process that would ensure that the monthly remittance matches the total funds withheld, including the performance of reconciliation procedures to address any discrepancies between the withheld amounts and the prepared remittances, and thereafter ensure the timely remittance of all withheld funds in compliance with the applicable laws, rules, and regulations governing the remittances to GSIS, PhilHealth, and Pag-ibig.**

## SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

The reported audit suspensions, disallowances and charges of the Provincial Government as of December 31, 2024, were as follows:

<b>Particulars</b>	<b>Ending Balance (As of 12/31/23)</b>	<b>NS/ND/NC Issued from 01/01/24 to 12/31/24</b>	<b>NS/ND/NC Settled from 01/01/24 to 12/31/24</b>	<b>Ending Balance (As of 12/31/24)</b>
Suspensions	₱ 29,021,895.75	₱ 0.00	₱772,476.43	₱28,249,419.32
Disallowances	536,052,230.48	(16,625.00)	0.00	536,035,605.48
Charges	0.00	0.00	0.00	0.00

Further, the table below shows the respective balances of suspensions, disallowances and charges of ₱28,249,419.32, ₱536,035,605.48, and ₱0.00, respectively, with a breakdown as to timing and age as follows:

<b>Timing</b>	<b>Age</b>	<b>NS</b>	<b>ND</b>	<b>NC</b>
07/01/2022 to 12/31/2024 (Current Administration)	Less than 1 year to 2.5 years	₱0.00	₱0.00	₱0.00
07/01/2019 to 06/30/2022	More than 2.5 to 5.5 years	0.00	0.00	0.00
07/01/2016 to 06/30/2019	More than 5.5 to 8.5 years	18,017,882.00	15,000.00	0.00
07/01/2013 to 06/30/2016	More than 8.5 to 11.5 years	5,733,400.00	390,705,405.99	0.00
07/01/2010 to 06/30/2013	More than 11.5 to 14.5 years	4,292,311.32	145,315,199.49	0.00
10/06/2009 <sup>5</sup> to 06/30/2010	More than 14.5 to 15.25 years	205,826.00	0.00	0.00
<b>Total</b>		<b>₱28,249,419.32</b>	<b>₱536,035,605.48</b>	<b>₱ 0.00</b>

Of the total balance of disallowances of ₱536,035,605.48, 90.05% is pending appeal at various levels of adjudication pursuant to the COA Rules and Regulations on Settlement of Accounts (RRSA), while 9.95% has already attained finality and issued with Notice of Finality of Decision (NFD). Of the disallowances that had become final, 1.88% were issued with COA Order of Execution (COE).

Lastly, of the total suspensions of ₱28,249,419.32, 0.04% is pending evaluation by the Audit Team while 99.96% is still for settlement by persons determined responsible. Under the RRSA, a suspension should be settled within ninety (90) calendar days from receipt of the NS; otherwise, the transaction covered by it shall be disallowed/charged after the Auditor is fully satisfied that such action is appropriate. Consequently, the Auditor shall issue the corresponding ND/NC.

## **OTHER MATTERS**

We have audited the other audit areas specified under 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.

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<sup>5</sup> COA Circular No. 2009-006

**PART III**

**STATUS OF IMPLEMENTATION OF PRIOR  
YEARS' AUDIT RECOMMENDATIONS**

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 130 prior years' audit recommendations, six (6) were revised and incorporated into paragraphs 1, 2, 4, and 18 of Part II of this report due to the similarity of the issues involved. Additionally, two (2) audit recommendations were reiterated in the 2023 AAR, AO No. 7, and included as audit recommendation numbers 11, 12, 13, and 14 in Part III of this report. Of the remaining 122 audit recommendations, 36 were implemented and 86 were not implemented as shown in the results of validation presented below:

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2023 AAR, AO No. 1, page 35	The Provincial Government was unable to benefit from the one-time cleansing of Property, Plant and Equipment (PPE) which is inconsistent with paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1, thus adversely affecting the fairness of the presentation of the PPE accounts with a net book value of ₱5,252,224,806.15 as of December 31, 2023, and also depriving the government of reliable and useful information for decision-making and accountability of these assets.	<ol style="list-style-type: none"> <li>1. Management observes the guidelines and procedures provided in COA Circular No. 2020-006 dated January 31, 2020 for the one-time cleansing of PPE account balances to have a reliable PPE balance that is verifiable as to existence, condition, and accountability as follows:               <ol style="list-style-type: none"> <li>a. Require the Provincial Accountant to assign personnel to prepare and maintain the PPELCs to facilitate the reconciliation of the results of the physical count;</li> <li>b. Conduct the required preliminary activities before inventory taking;</li> <li>c. Adopt the uniform numbering system for property numbers of PPE and require the Property Unit to update the property stickers based on the prescribed format and to include the required information under Section 5.6 of the Circular;</li> <li>d. Record and document the physical count daily in a standard ICF prescribed in Annex A of COA Circular No. 2020-006 dated January 31, 2020;</li> <li>e. Strictly follow the guidelines and procedures in the conduct of the physical count of PPE, the recognition of PPE items found at the station, and the disposition of non-existing or missing PPE items; and</li> <li>f. Undertake collaborative procedures to ensure that all PPEs in the RPCPPE are duly recorded in their respective records and that the</li> </ol> </li> </ol>	<p>Unimplemented: Due to limited manpower, the PAccO was unable to assign personnel to focus on the preparation and maintenance of the PPELCs.</p> <p>As a result, other preliminary activities, such as the reconciliation of records, were not conducted.</p> <p>Pending completion of the inventory and reconciliation of records, the PGNO has not yet availed of the one-time cleansing of PPE.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		Property Cards (PCs) maintained by the Property Unit and the PPELCs of the Accounting Unit are reconciled.	
2023 AAR, AO No. 2, page 39	The reported balances of the Construction in Progress (CIP) account were unreliable due to the existence of dormant balances of projects worth P2,374,876.20 and the delayed reclassification of completed infrastructure projects costing P210,708,137.01 to its proper asset accounts contrary to Section 50 of the NGAS Manual, Volume I, resulting in the overstatement of the asset and equity accounts by the amount of depreciation that should have been provided from the time the projects were completed.	<p>2. The Provincial Engineer coordinate with the Provincial Accountant and provide the latter with a copy of the Certificate of Project Completion of the completed projects so that the proper adjustments may be made to the CIP accounts.</p> <p>3. Require the Provincial Accountant to:</p> <ul style="list-style-type: none"> <li>a. Conduct verification, analysis, and validation of the accounts;</li> <li>b. Prepare the necessary adjusting entries for correction of inadvertent errors;</li> <li>c. Close the cost directly attributable to the completed CIP accounts to the appropriate infrastructure asset account; and</li> <li>d. Compute the applicable depreciation expense to arrive at an accurate and reliable carrying balance of the PPE, pursuant to Section 50 of the NGAS Manual, Volume I, and paragraph 71 of IPSAS No. 17.</li> </ul>	<p>Unimplemented</p> <p>Unimplemented</p> <p>The Provincial Accountant sent a letter request to the PEO and is still waiting for the complete submission of the documents.</p>
2023 AAR, AO No. 3, page 41	Various vaccines received as regular allocations from the Department of Health (DOH), costing ₱49,857,733.44, were not recorded in the books, contrary to paragraphs 96 and 97 of IPSAS 23, resulting in an understatement of the inventory and revenue accounts by an amount equivalent to the value of the remaining 51,104 vials of vaccines as of December 31, 2023.	<p>4. Ensure that the PGSO and PHO reconcile the report of the physical count conducted with the SCR and other pertinent records maintained by the PHO;</p> <p>5. Instruct the PGSO and PHO to provide the Provincial Accountant with the detailed list of vaccines received as donations and issuances thereof for the year ended December 31, 2023, and subsequent years; and</p> <p>6. Require the Provincial Accountant to properly recognize these donated vaccines in accordance with paragraphs 96 and 97 of IPSAS 23.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2023 AAR, AO No. 4, page 45	Fund transfers recorded as Due to NGAs totaling ₱10,547,022.90 remained dormant for ten years or more. Moreover, the inclusion of cash prizes, incentives, and awards received, as well as trust receipts from GOCCs and sources other than NGAs, in this account is not consistent with paragraph 27 of IPSAS 1 and COA Circular No. 2015-009 dated December 1, 2015, thus misstating the balance thereof by ₱12,734,346.85.	<p>7. Management complies with the guidelines by implementing the following courses of action:</p> <ul style="list-style-type: none"> <li>a. Immediately implement the projects and disburse the funds intended for the benefit of the constituents, if still viable, and direct the Provincial Accountant to immediately liquidate the funds received if the projects have already been implemented or completed. Likewise, excess funds from completed projects shall be returned to the source agency;</li> <li>b. Require the Provincial Accountant to review and reconcile the unliquidated fund transfers from the source agencies and prepare the necessary adjusting entries. If review and analysis of dormant accounts is not possible due to the absence of records and documents, observe the procedures for the proper disposition of dormant accounts as provided under Section 7.0 of COA Circular No. 2023-008.</li> <li>c. Direct the Provincial Accountant to verify the validity of the obligations erroneously recorded under Due to NGAs and thereafter prepare the necessary adjusting journal entries to correct the balances of the accounts.</li> <li>d. Identify the cause of the negative balances and make necessary adjustments accordingly to reflect the correct balances of the affected accounts.</li> </ul>	<p>Unimplemented: A dormant fund transfer totaling ₱32,470.45 under the General Fund remained outstanding as of December 31, 2024. Additionally, the Due to NGAs (excluding PDAF) under the Trust Fund, amounting to ₱64,935,355.55 and aged over five (5) years, also remained outstanding at year-end.</p> <p>The Provincial Accountant will continue review the accounts and make the necessary adjustments upon further verification to correct the affected accounts.</p>
2023 AAR, AO No.	Fund transfers recorded as Due to NGAs for Priority Development Assistance Fund (PDAF) amounting to	8. Management review and revisit the Memorandum of Agreement (MOAs) to determine the conditions of the grants and institute action against the defaulting NGOs/POs and IA pursuant to the provisions of	Unimplemented: Only ₱1,500,000.00 of the fund transferred to Bais City

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
5, page 49	P4,787,050.00 remained outstanding as of December 31, 2023 due to the non-submission of the liquidation report by the implementing agencies contrary to COA Circular No. 94-013 and COA Circular No. 2007-001, precluding the proper assessment of the validity and propriety of fund utilization.	<p>the MOA, COA Circular No. 2007-001, COA Circular No. 94-013 and SC G.R. Nos. 208566, 208493, and 209251.</p> <p>9. The Provincial Accountant follow-up and inform the recipients of the PDAF amounting to P4,787,050.00 in writing, requesting that they submit the liquidation reports on said fund transfers to facilitate the settlement of the accounts.</p>	<p>Water District (BCWD) was liquidated on March 21, 2024, through JEV No. 300-20240300001.</p> <p>Implemented</p>
2023 AAR, AO No. 6, page 51	The unexpended balances of the QRF and the LDRRMF-MOOE, amounting to P66,559,313.28 were obligated for transfer to the STF at year-end but were not recognized in the latter fund, contrary to Section 4.4 of COA Circular 2012-002, thereby understating the Trust Liability-DRRM account by the same amount as well as causing unreconciled balances in the reciprocal accounts by P65,700,019.83.	10. The Provincial Accountant make the necessary accounting entry in the Trust Fund books to record the corresponding receipt of the unexpended balances of the QRF and DRRMF-MOOE from the General Fund in compliance with Annex C of COA Circular No. 2012-002 and COA Circular No. 2015-009.	Implemented
2023 AAR, AO No. 7, page 53	The recording of RPT income was based solely on the remittances from various municipalities and the year-end report of the Provincial Treasurer instead of the actual income received, contrary to Section 20, Volume I of the NGAS Manual, thereby rendering the reliability of the Due from LGUs and	<p>11. Verify the amount of real property tax income due to the province by requiring the Municipal Accountants to submit the weekly summary of the required JEVs with a breakdown of the amounts;</p> <p>12. Reconcile with the Monthly Abstract of Real Property Tax Collections to ensure that all income that is due to the provincial government is recorded at the end of the year pursuant to Section 20, Volume I of the NGAS Manual;</p>	<p>Unimplemented</p> <p>Unimplemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	related RPT income accounts doubtful, affecting the fair presentation of the financial statements.	<p>13. Prepare the necessary adjusting entries; and</p> <p>14. Periodically issue demand letters to the Municipal Accountants to ensure strict compliance with the aforementioned requirements.</p>	<p>Unimplemented</p> <p>Unimplemented</p> <p>The Provincial Accountant reminded the Municipal Accountants, including the Municipal Treasurers. However, most Municipal Accountants submitted their reports late, hindering the reconciliation of the Monthly Abstract with the records of the Provincial Accountant.</p>
2023 AAR, AO No. 8, page 55	The contract for the Construction of Warehouse and Production Facility of the Negros Oriental Native Chicken Production and Marketing Enterprise amounting to ₱5,081,112.64 was executed before the winning contractor posted the Performance Security, contrary to Items XIII and IX of the Terms and Conditions and Section 27.1 of the Revised IRR of RA No. 9184.	<p>15. Management provides a comprehensive written explanation or justification of the different dates found in the Contract of Agreement and the Notice to Proceed pertaining to the same transaction.</p> <p>16. Management submits a detailed written justification clarifying why the contract was awarded, notwithstanding the contractor's inability to furnish the requisite performance security within the stipulated timeframe provided under Section 27.1 of the Revised IRR of RA No. 9184.</p>	<p>Implemented</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2023 AAR, AO No. 9, page 59	The completion of the warehouse and production facility of the Negros Oriental Native Chicken Production and Marketing Enterprise was significantly delayed due to several suspensions of work and extensions of contract time, as well as erroneous computations of revised contract time, in contrast with Memorandum Circular No. 57 dated February 7, 2019 and Item 10 of Annex E of the Revised IRR of RA No. 9184.	<p>17. Management requires the Provincial Engineer to prepare and submit evidence or justifications for the suspension of work to the Audit Team. This should include supporting data or certifications from PAGASA and the PERT/CPM network. Henceforth, ensure that the suspension duration is reasonable and in accordance with existing issuances and provisions of RA No. 9184.</p> <p>18. The Provincial Engineer submit the contractor's requests for a contract time extension, if any, supported by the findings of facts that would justify an extension and provide a clear presentation of the contract time, specifically during periods of suspensions, resumptions, and time extensions. Additionally, submit an explanation for the additional 73 CDs credited for SO No. 5, which caused the variance between the actual remaining contract time and the revised contract time per RO.</p>	<p>Unimplemented</p> <p>Unimplemented</p> <p>An explanation and justification had already been submitted to the Audit Team. However, the initial evaluation revealed that they were incomplete and lacked certifications from PAGASA to support the request for a contract time extension. Additionally, the presented contract time did not reconcile with the supporting suspension and resumption orders.</p>
2023 AAR, AO No. 10, page 66	The disbursement vouchers for the construction of the warehouse and production facility of the Negros Oriental Native Chicken Production and Marketing Enterprise, funded	19. The Provincial and the Assistant Provincial Administrators immediately stop approving vouchers in the Trust Funds in accordance with Section 344 of RA No. 7160 and Section 41 of COA Circular No. 92-382 dated July 3, 1992.	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	through the Trust Fund under the I-REAP of the PRDP, were inappropriately approved by both the Provincial and Assistant Provincial Administrators, contrary to Section 41 of COA Circular No. 92-382 dated July 3, 1992, thus undermining the authority of the Local Chief Executive, who has administrative control over the funds.		
2023 AAR, AO No. 11, page 68	The ramp constructed at the Negros Oriental Provincial Hospital (NOPH) Four-Storey Central Block Building and concreting of Cawitan-Nagbinlod Road in Barangay Cawitan, Sta. Catalina, Negros Oriental, costing a total of ₱17,615,400.28, was found to be only 92.70% and 94.72% complete, respectively, instead of 100% completed, resulting in a deficiency of ₱1,187,425.75.	20. The Provincial Engineer inform the respective contractors of the cited observations to rectify the noted deficiencies accordingly or cause a refund amounting to ₱928,975.26 and ₱258,450.50, respectively.	Implemented
2023 AAR, AO No. 12, page 70	The Provincial Government had a consistently low average utilization rate of only 22.89 per cent of its 20 per cent Local Development Fund (LDF) over the past five (5) years, with an unexpended balance of ₱1,790,185,647.96 as of December 31,	21. Management directs the Provincial Planning and Development Office (PPDO) and the Provincial Local Development Council to include in the Annual Investment Plan (AIP) and in the Budget Proposal only those programs and projects that are considered “Implementation-Ready.”	Unimplemented: An examination of the Statement of Appropriations, Allotments, Obligations, and Liquidations as of December 31, 2024,

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	<p>2023 and significant delays in the project implementation ranging from one (1) year to more than 10 years from the time they were funded, depriving the constituents of its socio-economic benefits.</p>	<p>22. Management reviews its projects funded under the continuing appropriation over the last three (3) years, or any timeframe as the Management deems appropriate, to ascertain if they are still viable for implementation at this time. Otherwise, consider its reversion, in accordance with Section 322 of RA No. 7160, to fund other meaningful projects or programs.</p>	<p>disclosed that for CY 2024, the PGNO had registered a utilization rate of only 3.72% of its total appropriation of ₱761,423,433.52.</p> <p>Implemented</p>
<p>2023 AAR, AO No. 13, page 75</p>	<p>Peace and Order PPAs amounting to ₱9.290 million, which did not conform to guidelines thereon, particularly Joint Circular No. 2015-01 dated January 8, 2015 of the COA, DBM, DILG, Governance Commission for GOCCs, and DND and thus are not eligible for funding, were included in the CY 2023 Peace and Order Program (POP) of the Provincial Government, thereby affecting the budgetary limitations for Confidential Fund (CF).</p>	<p>23. Management carefully scrutinize and evaluate the eligibility of the PPAs proposed for inclusion in the POP pursuant to Section 3.23 of the COA, DBM, DILG, Governance Commission for GOCCs, and DND Joint Circular No. 2015-01 dated January 8, 2015, and adhere to the budgetary limitations on the appropriation for CF as provided in the same Joint Circular.</p>	<p>Unimplemented: Post-audited disbursement vouchers totaling ₱16,595,000.00 had been issued for the payment of services rendered by the Force Multipliers, charged against the appropriations for Support to Task Force Octopus. An Audit Observation Memorandum had been issued on this matter.</p>
<p>2023 AAR,</p>	<p>Cash advances for confidential funds totaling ₱30,225,189.00 remained</p>	<p>24. Management requires the Security Officer duly designated by the former Governors to handle intelligence reports and who has been</p>	<p>Unimplemented: Management had only sent</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AO No. 14, page 78	unliquidated as of December 31, 2023, contrary to Section 6.2.2 of COA, DBM, DILG, Governance Commission for GOCCs, and DND Joint Circular No. 2015-01 dated January 8, 2015, exposing the funds to potential misuse as well as misstatement of the financial statements.	<p>given security clearance to have access to such classified information to prepare and submit directly to the ICFAU the liquidation reports and the necessary supporting documents for the above cash advances. Additionally, we recommended that Management ensure the provision of a copy of the duly received transmittal letters to the Audit Team in accordance with Section 6.1.2 of COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01 dated January 8, 2015.</p> <p>25. Management adheres to the prescribed timelines for the liquidation of cash advances for confidential funds, as provided under Sections 6.2.2 and 6.2.2.7 of the aforementioned Joint Circular, to ensure financial transparency, accountability, and overall integrity of fund management.</p>	<p>letters to ICFAU, duly signed by the Provincial Treasurer and Accountant, on October 2, 2023, and March 19, 2024, informing the Office of the situation and circumstances.</p> <p>Implemented</p>
2023 AAR, AO No. 15, page 80	The Schedule of Fair Market Values (SFMV) of the Provincial Government has not been revised every three (3) years since CY 2014, contrary to Section 219 of RA No. 7160. Thus, the basis for computing real property taxes may not be appropriate, precluding the maximization of its revenue-raising power to generate additional funds to finance development projects beneficial to its constituents and the general public.	<p>26. The Provincial Government revisit their SFMV and seek technical assistance from the DOF-BLGF to fast-track the preparation of the updated SFMVs of all municipalities pursuant to Section 212 of the LGU and cause the drafting of an ordinance for consideration of the Sanggunian, incorporating therein the proposed SFMV, assessment level, and tax rate.</p> <p>27. Management expedites the tax mapping project to update the record of the Province and to facilitate the conduct of the general revision of real property assessment in adherence to Section 219 of the LGC and DILG-DOF JMC No. 2010-001, and closely monitor its completion within the regulatory period of three (3) years.</p>	<p>Unimplemented: The Provincial Assessor had submitted a written request to the Governor for a supplemental budget; however, the SFMV had not yet been drafted and approved.</p> <p>Unimplemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2023 AAR, AO No. 16, page 82	Various laws and regulations were not adhered to in the handling of collections at Bindoy District Hospital (BDH), thereby providing opportunities to manipulate transactions and commit irregularities.	<p>28. Management relieves both JO personnel and utility worker from collecting functions. Instead, designate other permanent employees as collectors and require the cashier to review, at the end of each day, the official receipts issued against the ER and Ward logbooks to ensure the correctness and completeness of amounts turned over by designated collectors.</p> <p>29. Management requires the cashier present to the Audit Team the ORs for all collections amounting to ₱360,428.00 and to henceforth ensure that all collections are acknowledged by official receipts as mandated by Section 305(c) of RA No. 7160 and Section 68(1) of PD No. 1445.</p> <p>30. Management strengthens its internal control measures concerning the management of collections related to the services provided to patients to safeguard assets and ensure the accuracy and reliability of records.</p>	<p>Implemented</p> <p>Unimplemented: The utility worker had already started making payments on an installment basis for the ₱360,428.00, as per a duly notarized Affidavit dated February 14, 2024 (under Accounting Code No. 103-0306010-700-LBD2). The total amount returned as of December 31, 2024, was ₱41,000.00.</p> <p>Unimplemented: Management had not submitted an internal control system.</p>
2023 AAR, AO No.	The inadequate adherence to internal controls for managing government funds within the Community Primary Hospitals (CPH), as evidenced by the	31. Management immediately designate a disbursing officer to each CPH in accordance with Section 4.1.4 of COA Circular No. 97-002 dated February 10, 1997, who shall exclusively perform the disbursing functions, to provide the agency with effective internal control.	Unimplemented: A letter dated April 25, 2024, from the Provincial Treasurer's Office had expressed

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
17, page 85	concurrent designation of the collecting officer as the disbursing officer, the failure to deposit collections intact daily, and the non-preparation of the RCDs at the end of each business day as required under Section 29 of the NGAS Manual, Volume I, may expose the funds to possible misappropriation or risk of loss.	32. Management requires the collecting officers deposit the collections intact daily or not later than the next banking day. Where collections are minimal, and the daily deposit thereof becomes costly and impractical, the CO can deposit the collections at least once a week or as soon as the collections reach ₱10,000.00.	<p>concerns regarding the non-implementation of the recommendation for the segregation of duties due to the following reasons:</p> <ul style="list-style-type: none"> <li>a. Limited permanent personnel; and</li> <li>b. Additional functions assigned to nurses may have hampered the services offered to patients.</li> </ul> <p>Unimplemented: The cash examination report of one (1) accountable officer (AO) of NOPH showed that collections had been deposited daily or on the next banking day. However, at the Community Primary Hospitals, AOs continued to deposit their collections after 15 days or only twice a month, even when the</p>

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			amounts exceeded the ₱10,000.00 limit.
2023 AAR, AO No. 18, page 87	Disbursements of SEF totaling ₱34,636,976.35 did not conform with Section 40 of COA Circular No. 92-382 dated July 3, 1992, thereby compromising the controls instituted by the LGC and the Circular.	<p>33. The Provincial and Assistant Provincial Administrator immediately desist from approving disbursements charged to the SEF, and require the certification of the Division Superintendent as to validity, propriety, and legality of claims chargeable to said fund pursuant to Section 344 of RA No. 7160 and Section 40 of COA Circular No. 92-382 dated July 3, 1992.</p> <p>34. The Provincial Treasurer issue checks in settlement of SEF obligations only on duly approved and certified disbursement vouchers as required under Section 42 of COA Circular No. 92-382.</p> <p>35. The LCE review and revise the Memorandum Orders relative to the delegation of authority to the Provincial Administrator and his assistant to sign and approve SEF disbursement vouchers, ensuring that the approval of vouchers pertains only to regular recurring administrative expenses of the General Fund.</p>	<p>Unimplemented: An examination of sample disbursement vouchers for the period from September to December 2024 revealed that all vouchers had been signed by the Governor; however, some vouchers had not been certified by the Division Superintendent.</p> <p>Unimplemented</p> <p>Implemented</p>
2023 AAR, AO No. 19, page 93	Various agricultural input fertilizers worth ₱59,755,287.08 were procured from a lone bidder who should have been disqualified for non-compliance with the certification requirements	36. The Technical Working Group (TWG) and the BAC conduct the eligibility screening and post-qualification with the utmost care in order to ensure that the contract is awarded only to qualified contractors who have the legal and technical capability in accordance with the standards	Unimplemented: Deficiencies were still identified, as stated in the Observer's Report submitted to OSA on the

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	under Section 16 of RA No. 10068 and with the bid requirements.	of the government set under RA No. 9184, its Revised IRR, and other applicable laws and regulations.	opening of bids on December 26, 2024, for the project with Bid No. B-411-2024, amounting to ₱5,292,000.00.
2023 AAR, AO No. 20, page 93	Procurement of fertilizers totaling ₱59,755,287.08 did not comply with the requirements of COA Circular No. 96-010 and involved acceptance of items that did not conform with specifications, which is inconsistent with Section 118, Volume I of the NGAS Manual.	<p>37. Management requires the personnel assigned to properly and completely fill out the PO to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract and to allow comparison with the prevailing market prices, and that the HoPE ensure that the required information is indicated in the POs before approving the same.</p> <p>38. Management directs the members of the Inspectorate Team to inspect and verify delivered items in conformity with the specifications based on the delivery receipt and approved PO before signing in the “Inspection” column of the IAR. If specifications are not in order, indicate in the IAR that the deliveries do not conform with the specifications agreed under the PO.</p>	<p>Unimplemented: An examination of the Purchase Orders (POs) for December 2024 revealed that most of the required information had been provided. However, the brand name and country of manufacture or origin of the items were not indicated. Additionally, some POs had incomplete addresses, with only the city or municipality specified.</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2024 AAR, AO No. 21, page 96	The Provincial Government has not provided a proper facility to properly store and maintain 12 units of Mechanical Combined Rice Harvester/Thresher and five units of Rice/Corn Combined Harvester costing P42.415 million, contrary to the requirements of Section V(5) of COA Circular No. 75-6 dated November 7, 1975, thereby exposing the assets to rapid deterioration, destruction, and possible loss.	39. Management take immediate action to protect the equipment from the elements and safeguard the same against damage and possible theft or unauthorized cannibalization of parts in accordance with Section V(5) of COA Circular No. 75-6 dated November 7, 1975.\	Unimplemented: The PDRRMC, in coordination with the PEO, had proposed the construction of a Multi-Purpose Building at the PEO Motor Pool in Talay, with a provision for storage space intended for the PGSO. A draft Job Order had been submitted, and consultations were ongoing with the Provincial Legal Office regarding the terms and conditions of the JO for the lease.
2023 AAR, AO No. 22, page 98	Economic Welfare Assistance (EWA) amounting to P40,496,722.31, which is equivalent to one month's basic salary per employee, was granted to officials and employees of the Provincial Government without legal basis, contrary to Section 12 of RA No. 6758	40. Management submits a written explanation on the non-utilization of the aforementioned heavy equipment, which were procured for specific purposes as well as its current status.	Implemented
		41. Management requires all officials and employees concerned to refund the amount illegally disbursed and ensure that the grant of benefits to officials and employees is covered by a law or presidential authority to avoid the illegal disbursement of public funds.	Unimplemented: The amount illegally disbursed were not yet refunded.

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	and COA Circular No. 2013-003 dated January 30, 2013.		
2023 AAR, AO No. 23, page 101	The Provincial Government hired the services of private lawyers or legal consultants contrary to COA Circular No. 98-002 dated June 9, 1998 and Section 481 of RA No. 7160 which prohibit the same, thereby incurring unnecessary and illegal expenses amounting to ₱605,222.33.	42. The Provincial Government discontinue the employment of private lawyers or legal consultants and strictly comply with the provisions of COA Circular No. 92-008 and Section 481 of RA No. 7160.	Implemented
2023 AAR, AO No. 24, page 103	The use of the governor's name on a provincial program, SAGAR Center, along with the display of signage featuring the image and name of the government official, is inconsistent with the DILG Memorandum Circular No. 2010-101 dated September 23, 2010, and COA Circular No. 2013-004 dated January 30, 2013, on Information and Publicity on Programs, Projects, and Activities of the Government.	43. Management be guided by the pertinent provisions of DILG Memorandum Circular No. 2010-101 dated September 23, 2010, and COA Circular No. 2013-004 dated January 30, 2013, and refrain from placing pictures, names or mottos of government officials on billboards and signages of government programs, projects, and properties of the Provincial Government to prevent any perception of impropriety.	Unimplemented: A signage displaying the picture of the Governor and the label "SAGAR Center" remained on display.
2022 AAR, AO No. 1, page 35	Various reconciling items in the Bank Reconciliation Statements (BRS) amounting to ₱4,188,832.22 remained unadjusted at year-end, while nine bank accounts with an aggregate amount of ₱203,719.35 are closed or unverified for lack of information and	44. Management instructs the Provincial Accountant to make representations with the various depository banks to seek the necessary evidence or documentation to support the correction of book and bank errors noted and, henceforth, improve monitoring and reporting systems, particularly in the preparation of the BRS, to ensure that reconciling items that need attention are addressed on a timely basis so as not to defeat the purpose of preparing the said report.	Implemented

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	BRS, contrary to Section 3 of COA Circular No. 96-011, thus presenting an inaccurate and unreliable balance in the financial statements.	45. The Provincial Treasurer secure all stale checks and their supporting documents, cancel the same, and furnish the Accounting Office with the original DVs for them to prepare a JEV restoring the Cash in Bank and crediting Accounts Payable and Prior Years' Adjustment for stale checks less than two years and for those beyond two years, respectively, and henceforth, regularly monitor all outstanding checks so that written notices can be sent to the payees a month before these become stale.	Unimplemented: Adjusting entries had been made for stale checks. However, as of December 31, 2024, the bank reconciliation statement showed that the stale check amounting to ₱12,662.19 remained unadjusted.
2022 AAR, AO No. 2, page 40	Cash advances totaling ₱21,616,297.42, of which ₱13,326,697.50 or 61.65%, had been outstanding for one year to over ten years, remained unliquidated as of year-end, contrary to COA Circular No. 97-002 dated February 10, 1997, thus expenses were not properly recognized on periods these were incurred. Moreover, the request for write-off of dormant cash advances amounting to ₱4,287,051.98 was not adequately supported by documentary requirements under Section 8.3 of COA Circular No. 2016-005 dated December 19, 2016.	46. The Provincial Accountant demand the immediate liquidation of all outstanding cash advances by issuing final demand letters directed to the accountable officers concerned, otherwise, if no liquidation is made, impose the sanction of withholding the salaries of those who still fail to settle their accounts after due notice.	Unimplemented: Demand letters had been sent in March and August 2023 to active and regular employees only. However, demand letters were not issued to other inactive AOs with unidentified or unrecorded addresses. Salary deductions were implemented for those who failed to fully liquidate their outstanding cash advances.

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		47. The Provincial Accountant make sure that the request for authority to write-off dormant receivables is accompanied by complete supporting documents as enumerated under Section 8 of COA Circular No. 2016-005 to avoid denial of such a request and that the Provincial Governor files the said request to address the overstatement of receivable accounts in the financial statements due to the remote possibility of their settlement.	Unimplemented: The lacking documents for the request for the write-off of dormant cash advances had not been submitted to the Audit Team for re-evaluation due to difficulties in gathering the required documents.
2022 AAR, AO No. 5, page 49	Work texts, short story books, and other learning materials donated to the Department of Education (DepEd) or for distribution to the different districts and schools under the Negros Oriental Division with a book value of ₱36,905,028.60 were erroneously recorded under PPE, specifically, the Books account, instead of Textbooks and Instructional Materials for Distribution or the appropriate expense account upon distribution to end-users, contrary to COA Circular No. 2015-009 dated December 1, 2015, and the pertinent provisions of IPSAS No. 12, thus, resulting in the overstatement of PPE by ₱23,744,128.61, the carrying amount of the inventory items, adversely affecting the fairness of the	48. The Local School Board and the General Services Officer furnish the Provincial Accountant with a copy of the ITR, RSPI, and the Deed of Donation as the basis for the derecognition of the donated properties in the books of accounts pursuant to Sections 4.7.5 and 4.7.7 of COA Circular No. 2022-004 dated May 31, 2022, and Article 748 of Republic Act No. 386.	Implemented

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	presentation of the financial statements.		
2022 AAR, AO No. 7, page 54	Advance payments for mobilization amounting to ₱29,456,623.60 for six Payapa at Masaganang Pamayanan (PAMANA) projects remained unrecouped despite the official termination of the contract in CY 2020, contrary to paragraph 4.3, Annex E, of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and Sections 46.1 and 46.3 of the General Conditions of Contract (GCC), which could result in the loss of a substantial amount of funds.	49. The Provincial Government (a) demand the immediate refund of the unrecouped advances and forfeit the corresponding irrevocable standby letters of credit or guarantee/surety bonds posted by the contractor; (b) initiate legal action in case of refusal to refund the unrecouped advances if warranted; and (c) henceforth strictly comply with the provisions of existing issuances regarding the recoupage of advance payments made to contractors.	Unimplemented: The Provincial Legal Officer had issued a demand letter on April 14, 2023. However, the contractor still failed to return the unrecouped advances.  The matter was subsequently referred to the Provincial Legal Officer for appropriate action.
2022 AAR, AO No. 9, page 61	Unexpended balances of appropriations under the Continuing Appropriations (CA) and Continuing Legislative Appropriations (ConLA) of the 20 per cent Development Fund, amounting to ₱79,208,276.27 and ₱19,457,113.70, respectively, for various PPAs of the Provincial Government, remained dormant for ten years, contrary to Section 5.0 of the DILG and DBM JMC No. 2017-1 dated February 22, 2017, and Section	50. The Provincial Budget Officer and the Provincial Accountant review and monitor the balances of the continuing appropriations under the 20% DF, which shall be the basis for the Local Finance Committee to recommend to the Local Chief Executive the reversion of those pertaining to completed projects and those no longer needed pursuant to Section 322 of RA No. 7160, so that the funds may be appropriated in accordance with Section 321 of the LGC and utilized for other priority development projects.	Implemented

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	322 of RA No. 7160, thereby depriving the public of timely benefits from the development projects or other development PPAs that could have been programmed from the unexpended amount.		
2022 AAR, AO No. 10, page 63	Appropriations amounting to ₱48,889,329.58 for PPAs of the PGNO out of the 20 per cent Development Fund (DF) are described in generic terms, while ₱7,769,651.00 are lumpsum appropriations contrary to Article 454(d) of the IRR of RA No. 7160, also known as “The Local Government Code of the Philippines,” which may affect the timeliness of the implementation of the PPAs.	51. The Provincial Development Council, in endorsing specific PPAs to the Sangguniang Panlalawigan for approval, indicate the project location, specific implementation schedule, and physical target to facilitate the timely implementation of the PPAs. For appropriations already presented in a lump sum or in generic terms, a separate SP appropriation ordinance/resolution shall be secured by the Local Chief Executive before utilizing the fund. Henceforth, Management is enjoined to strictly comply with Article 454(d) of the IRR of RA No. 7160.	Unimplemented: A separate Sanggunian authorization for the Supplemental Budget under Appropriation Ordinance No. 27, s. 2023, which had been utilized in CY 2024, was not obtained despite the COA audit findings and one of the conditions stated in the Department of Budget and Management's letter dated February 14, 2024.
2022 AAR, AO No. 11, page 66	Projects, programs, and activities (PPAs) funded from the continuing appropriations of the 20 per cent DF amounting to ₱3,886,339.69 are not eligible for funding therefrom, contrary to Sections 3.2.2 and 3.2.5 of DBM, DOF, and DLG JMC No. 1 dated November 4, 2020, which could	52. The Provincial Budget Officer and the Provincial Accountant thoroughly examine the projects under the continuing appropriations of the 20 per cent DF and recommend to the Local Chief Executive, through the Local Finance Committee, the reversion to unappropriated surplus the amounts appropriated for projects and programs that are not eligible for funding and to henceforth ensure that appropriation of the fund conforms with existing guidelines.	Implemented

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	result in irregular utilization of the fund if actually spent and further reduce the amount available for more beneficial development projects.		
2022 AAR, AO No. 13, page 70	Welfare goods amounting to ₱9,462,034.95 out of the cash donations from different government agencies for the affected households of Typhoon Odette were not supported with Relief Distribution Sheets (RDS) duly signed by the recipients, contrary to Item VI.B of COA Circular No. 2014-002 dated April 15, 2014. Moreover, the Inventory Committee was not able to conduct a physical count of the undistributed relief goods nor prepare a Report of Physical Count of Inventories (RPCI) contrary to Section 124 of the Manual on the New Government Accounting System (NGAS), thus the accuracy of the account balances could not be ascertained.	53. The Inventory Committee conduct a physical count of the undistributed relief goods and prepare the RPCI for submission to the Audit Team in accordance with Section 124 of the NGAS Manual, Volume I.	Implemented
2022 AAR, AO No. 14, page 73	Unexpended balances of the Local Disaster Risk Reduction and Management Fund (LDRRMF) Continuing Appropriations (CA) totaling ₱8,747,114.41 from 197 completed projects were not	54. In the preparation of the LDRRMFIP, the Provincial Disaster Risk Reduction and Management Council (PDRRMC) identify the specific PPAs for disaster mitigation, prevention, and preparedness in accordance with Section 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012, and that in the preparation of the LDRRMFIP, the OIC-LDRRM Officer consider all aspects, such as the implementation	Unimplemented: The sum of ₱46,006,672.45, representing continuing appropriations under prior years' Disaster Risk Reduction and

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	<p>reprogrammed to other disaster risk reduction and management activities as required under Section 5.1.11 of COA Circular No. 2012-002 dated September 12, 2012. Moreover, ₱23,574,175.90 were presented in a lump sum instead of specifying the projects and activities to be funded, contrary to Section 5.1.2 of the Circular, which may result in the delay or non-implementation of DRRM projects.</p>	<p>schedule, availability of manpower, and other resources, to complete the projects within a reasonable period and to improve the disaster preparedness and response capabilities of the Province.</p> <p>55. The unexpended or unobligated balances of completed projects in the LDRRMF be made available for other disaster risk reduction and management activities pursuant to Section 5.1.11 of the said Circular.</p>	<p>Management Fund (CF for CYs 2012-2023), had been reverted to the unappropriated balance. However, for lump sum projects totaling ₱23,574,175.90, only ₱13,200,000.00 had been reverted.</p> <p>Furthermore, a review of the SAAOL for CY 2024 appropriations disclosed lump sum projects, including Emergency Preparedness for Response and Pre-Disaster Preparedness and Risk Reduction Measures.</p> <p>Implemented</p>
2022 AAR, AO No.	<p>The Provincial Government did not prepare the Public Service Continuity Plan (PSCP) as required in the National Disaster Risk Reduction and</p>	<p>56. The LCE institutionalize the PSCP by creating a working group that will perform the following activities:</p> <p>a. To conduct a risk assessment;</p>	<p>Unimplemented: The draft of the PSCP, as well as the EO for the TWG, was under review by the</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
16, page 80	Management Council (NDRRMC) Memorandum No. 33, s. 2018 and No. 57, s. 2020, nor did the Local Chief Executive (LCE) organize a working group to formulate the plan as required in Section 5.0, Chapter II, of the PSCP Guidebook. This may impair the continuous delivery of quality essential services to the public during an emergency, disaster, or any disruptive event.	<ul style="list-style-type: none"> <li>b. To identify critical processes and functions;</li> <li>c. To determine scenarios that may disrupt normal operation;</li> <li>d. To conduct risk analysis and impact analysis;</li> <li>e. To formulate the PSCP based on the identified risks on critical processes and functions and the related steps to be followed to eliminate, if not mitigate, the impact of the determined disruptions following the prescribed templates and requirements in the PSCP guidebook; and</li> <li>f. To submit the plan to the PDRRMO for review, to the Local Chief Executive for approval, and to the Sangguniang Panlalawigan for the passage of a resolution to institutionalize the PSCP.</li> </ul>	Division and was set to be finalized and submitted after the 2nd phase of the PSCP Training.
2022 AAR, AO No. 17, page 83	The rules and regulations on the grant and liquidation of cash advances were not strictly adhered to because the cash advances amounting to ₱3,500,000.00 for the Executive-Legislative Agenda (ELA) of PGNO were not supported by a program of expenditure or approved activity budget, while the total cash advance of ₱5,454,500.00 was not liquidated within the prescribed period, contrary to the pertinent provisions of COA Circular No. 97-002 dated February 10, 1997. Moreover, the ELA was conducted outside their territorial jurisdiction, resulting in the incurrence of a substantial amount of expense, contrary to Sections 6.1 and 6.2 of	57. Management complies with the rules and regulations on the grant, utilization, and liquidation of cash advances in accordance with the pertinent provisions of COA Circular No. 97-002 dated February 10, 1997, and demand that the SDOs settle their accountabilities immediately. Otherwise, if no liquidation is made, impose the sanction of withholding their salaries pursuant to Section 9.3.2 of the Circular, without prejudice to the filing of administrative and criminal cases as may be warranted under the circumstances.	Unimplemented: Only cash advance amounting to ₱1,954,500.00 had been liquidated in CY 2023, leaving a balance of ₱3,500,000.00 as of December 31, 2024.

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	COA Circular No. 2012-003 dated October 29, 2012, thereby undermining the prudent use of scarce financial resources of the government.		
2022 AAR, AO No. 18, page 87	The specific guidelines on the implementation of the Medical Assistance to Indigent Patients (MAIP) Program of the Department of Health (DOH), as provided under Section VI of DOH Administrative Order No. 2020-0060 dated December 23, 2020, were not fully complied with because (a) the medical assistance granted to 3,483 patients amounting to ₱22,210,846.66 was not supported with complete documentary requirements, contrary to Section 4(6) of Presidential Decree (PD) No. 1445; and (b) the mandatory Senior Citizen discounts were charged thereto, reducing the fund by ₱206,265.95 that could have been provided to other patients eligible for the said program.	58. The MSW and the Provincial Accountant submit the lacking documents on patients availing of medical assistance required under Section VI (1) of AO No. 2020-0060 dated December 23, 2020, to facilitate the evaluation of the disbursements.	Unimplemented: The Audit Team had not yet received the lacking documents on the subject liquidation reports.
2022 AAR, AO No.	The procurement of food supplies amounting to ₱7,226,143.80 for prisoners' subsistence at the Negros Oriental Detention and Rehabilitation	59. Management requires the DO to submit to the Audit Team valid evidence of receipts of payment for food items purchased amounting to ₱4,987,676.00 in conformity with COA Circular No. 2004-006, dated	Unimplemented: On December 10, 2024, the Special Disbursing Officer had submitted only the

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
19, page 92	Center (NODRC) was neither in accordance with the Annual Procurement Plan (APP) nor compliant with the procurement procedure for direct purchase of food supplies prescribed under Section 11 of Republic Act (RA) No. 11321. Moreover, the related payments were not supported by complete documentation, contrary to Section 4(6) of Presidential Decree (PD) No. 1445. Thus, the integrity of the procurement process and the propriety of the disbursements might be questionable.	September 9, 2004, and to, henceforth, ensure that all RDs are properly supported with all the required basic supporting documents.	original sales invoices to the Audit Team for the payment of fish/squid, totaling ₱4,069,880.00.
2022 AAR, AO No. 20, page 98	Construction Safety and Health Programs (CSHP) used to support the procurement of the civil works for projects totaling ₱47,165,134.36 in CY 2022 lacked the required approval of the Department of Labor and Employment (DOLE), contrary to Section 5.2 of DOLE Department Order (DO) No. 13 dated July 23, 1998, and Section 37.2.3(f) of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184. Moreover, the CSHP was not even integrated into the	<p>60. The BAC require the winning contractor to submit the CSHP duly approved by DOLE in compliance with Section 5.2 of DOLE DO No. 13 dated July 23, 1998, and Section 37.2.3(f) of the Revised IRR of RA No. 9184.</p> <p>61. Management integrate the CSHP into the computation of construction costs for all projects to be implemented by the PGNO and that during implementation, the construction foremen and supervisors closely monitor the proper observance of the approved Occupational Safety and Health Standards and Programs for each construction project to</p>	<p>Unimplemented: On a test basis, it was noted that some of the perfected contracts submitted by the BAC had not been accompanied by the DOLE-approved CSHP.</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>construction cost of some of the projects, implying that construction safety measures were not enforced during project implementation, contrary to Sections 5.3 and 17 of DOLE DO No. 13, thereby adversely affecting the safety and welfare of the workers and the general public within the immediate vicinity of the construction site.</p>	<p>ensure the safety of every worker employed therein, as well as of the general public within the immediate vicinity of the construction site.</p>	
<p>2022 AAR, AO No. 21, page 102</p>	<p>The Province did not observe the internal control procedures on the receipt, issuance, and recording of donated COVID-19 vaccines as the complete and accurate reports on their acceptance from the Department of Health (DOH) and their distribution to the Local Government Units (LGUs) and hospitals were not prepared and maintained by concerned officers, nor did it comply with the reportorial requirements under Section II.1 of COA Circular No. 2020-009 dated April 21, 2020, thus, the vaccines were not properly accounted for in the books, understating the inventory, donations, and other related accounts, and the government resources were not properly safeguarded.</p>	<p>62. PGNO strengthen its internal controls on the receipt and distribution of in-kind donations to safeguard assets and the accuracy and reliability of records and require the Cold Chain Manager to update the SCR by reconciling it to the records from DOH and the other relevant documents, and thereafter prepare and maintain a summary list of donated vaccines received, distributed, and balances.</p> <p>63. The Inventory Committee conduct a physical count of the remaining undistributed items and reconcile the result thereof to the SCR prepared by the Cold Chain Manager.</p> <p>64. The PGSO submit the Summary List of Donated Vaccines Received, Distributed, and Balances, duly supported with the acknowledgement receipts, complete and duly signed RIVs or proof of receipt and distribution to document all issuances and distribution of vaccines, and an inventory report of any remaining undistributed items to the Provincial Accountant for costing and recording in the books of accounts copy furnished the Provincial Auditor.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2022 AAR, AO No. 22, page 107	The purchase of five units of Multi-Purpose Vehicles (MPVs) amounting to ₱6,685,000.00 was made without the approved Authority to Purchase Motor Vehicle (APMV) from the Department of the Interior and Local Government (DILG), nor a written report on the acquisition submitted to the concerned DILG office within 30 days from the completion of the purchase as required under DILG Memorandum Circular (MC) No. 2021-004 dated January 18, 2021, thus casting doubt on the propriety of the disbursement.	65. Management immediately submits the required written report on the subject acquisition, which shall contain the details regarding the type, brand, engine displacement, quantity, price, and seller of the purchased vehicle, through the DILG Provincial Field Office pursuant to Section 5.1.6 of the DILG MC No. 2021-004 dated January 18, 2021.	Implemented
2021 AAR, AO No. 2, page 39	Contrary to Section 124 of the Manual on the New Government Accounting System (NGAS) for (LGUs), Volume I, the Inventory Committee, as in the previous years, did not conduct the required physical count of inventories nor prepare a Report of Physical Count of Inventories (RPCI), and consequently, a reconciliation of book balances with actual physical count could not be done. Thus, the accuracy of the balances of the Inventory Held for Distribution and Consumption accounts totaling ₱652,712,883.57 as	66. Require the Inventory Committee to conduct the periodic physical inventory of supplies by type and submit the RPCI to the Audit Team no later than July 31 and January 31 of each year for the first and second semesters, respectively;  67. Instruct the Inventory Committee to formulate strategies or techniques in the conduct of physical count during a pandemic or similar situation; and  68. Enjoin all stock custodians and the PAO to reconcile their records.	Unimplemented: The RPCI for the 2nd semester of CY 2024 had been submitted to the Audit Team on February 20, 2025.  Implemented  Unimplemented: Management was still in the process of reconciling

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	of December 31, 2021, could not be relied upon as it may have been possibly overstated.		the RPCI with the accounting records.
2021 AAR, AO No. 4, page 44	Provincial government-owned vehicles were not marked with the words “FOR OFFICIAL USE ONLY” and the Province’s name and were kept in the end-users’ respective residences when not in use, contrary to COA Circular No. 75-6 dated November 7, 1975, thus exposing these vehicles to the risk of abuse and misuse by the personnel responsible therefor.	69. Management observes the rules and regulations governing the use of government vehicles and effect the mark “FOR OFFICIAL USE ONLY” and the LGU’s name to prevent any unnecessary and unofficial use of government vehicles. Otherwise, any expenses incurred in connection with the personal or unofficial use of government vehicles shall be disallowed in audit, and the official found responsible therefor shall be held personally liable for the expenditures arising therefrom.	Unimplemented: An ocular inspection conducted on March 10, 2025, revealed that some government vehicles were either not marked or had their markings or stickers removed.
2021 AAR, AO No. 5, page 46	Lapses and documentary deficiencies were noted in the payment of COVID-19 Hazard Pay totaling ₱4,845,985.40 to the provincial government employees/workers contrary to Section 4(6) of Presidential Decree (PD) No. 1445 and other pertinent laws, rules, and regulations, hence, the propriety and regularity of the grant during the period of the implementation of the Modified Enhanced Community Quarantine (MECQ) could not be ascertained.	70. Management requires the concerned Heads of Offices to ensure that payrolls covering payment of COVID-19 Hazard Pay are supported with: a. Authority from the head of office to render service during the period of the MECQ stating the prescribed official working hours as well as entitlement to COVID-19 Hazard Pay; b. Individual-approved daily time record or daily report of attendance indicating the dates and time they physically reported for work; c. Authority from the payee and identification documents if claimed by a person other than the payee;	Unimplemented: The PAccO had submitted the documentary requirements for 14 provincial offices and district hospitals on August 12, 2022, and September 20, 2022. However, the following offices had not yet submitted the required documents:  a. Agriculturist’s Office b. Legal Office c. Governor’s Office d. GSO

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		71. Payment of hazard pay conform to the rate and basis prescribed under Section 4.1 of DBM Circular No. 2020-1 dated March 24, 2020.	e. SWDO f. Bais District Hospital  Implemented
2021 AAR, AO No. 6, page 50	The complete detailed specifications, suppliers' information, and brand names of welfare goods and other supplies totaling P35,603,204.35 procured to mitigate the effect of the COVID-19 pandemic and Typhoon Odette, were not indicated in the Purchase Orders (POs), contrary to Item B of COA Circular No. 96-010 dated August 15, 1996, thus, making it difficult to determine the price reasonableness and compliance with Section 5 of Government Procurement and Policy Board (GPPB) Circular No. 01-2020 dated April 16, 2020.	72. Management, henceforth, require the personnel concerned or the end-user duly authorized by the Head of the PE to properly and completely fill out the relevant and required information in the POs to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract and to also allow comparison with the prevailing market prices in the locality, or with the existing price data of the agency, the Department of Trade and Industry or other relevant agencies.  73. Management requires the approving officer/Head of the PE to ensure that the required information is indicated in the POs before approving the same.	Unimplemented: An examination of the Purchase Orders (POs) for December 2024 revealed that most of the required information had been provided. However, the brand name and country of manufacture or origin of the items were not indicated. Additionally, some POs had incomplete addresses, with only the city or municipality specified.  Unimplemented
2021 AAR, AO No.	Copies of 49 perfected contracts amounting to ₱399 Million and their supporting documents were not submitted to the auditor for review	74. Management submits the copies of the contract and their required supporting documents to COA for contract review within five days from execution of the contract and to assign such responsibility to competent personnel or a committee solely dedicated to the task so that	Unimplemented: The BAC had been submitting the perfected contracts to the Auditor. However, the

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7, page 52	within five working days from approval thereof as required under COA Circular No. 76-34, as restated under COA Circular Nos. 2009-001 and 2012-001, thus the determination of the reasonableness of contract prices and the initial evaluation that the contractual covenants were not disadvantageous to the Provincial Government could not be timely conducted.	contracts can be reviewed promptly as to the reasonableness of prices and deficiencies corrected before final payments are made.	required five-day period was sometimes not met due to delays in reproducing the copies.
2021 AAR, AO No. 10, page 62	The distribution of various welfare goods amounting to P54,798,286.00 for relief operations during the declaration of the General and Enhanced Community Quarantine in CY 2020 due to COVID-19 pandemic was not properly documented contrary to Section 4(6) of Presidential Decree (P.D) No. 1445 and pertinent provision of COA Circular No. 2012-01 dated June 14, 2012, thus, raising doubt that some of the relief goods were not actually given to the intended beneficiaries.	75. Require the Provincial Accountant and the OIC-PSWDO to submit the following documents: a. Acknowledgment receipt or any document showing proof of receipt of the welfare goods by the recipient LGUs; b. Master list of the intended beneficiaries per LGU; and c. Authority from the intended beneficiaries and identification documents if claimed by a person other than the payee;	Unimplemented: The PSWDO had still failed to submit the additional documents required to support the liquidation due to the non-turnover of the same from the previous OIC-PSWDO. Furthermore, authorities from the intended beneficiaries and identification documents for those claimed by another person had not been submitted due to difficulties in identifying and verifying the identities of the recipients.

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		76. Management requires the officials and personnel involved in the distribution of welfare goods to submit their explanation/justification for the abovementioned discrepancies noted in the RDSs.	Unimplemented: The former PSWDO, who had direct supervision over the distribution of welfare goods, did not submit an explanation or justification for the discrepancies noted in the RDS.
2021 AAR, AO No. 11, page 62	Utilization of unexpended Local Disaster Risk Reduction and Management Fund (LDRRMF) of previous years in the Special Trust Fund (STF) amounting to P7,876,666.01 for programs, projects, and activities (PPAs) was neither incorporated in the Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP) nor found in the approved Annual Investment Plan (AIP) contrary to COA Circular No. 2012-002 dated September 12, 2012, and NDRRMC-DBM-DILG JMC 2013-01 dated March 25, 2013. Hence, programs, projects, and activities (PPAs) using the LDRRMF of previous years may	77. Management require the LDRRM Officer to update and revise the LDRRMFIP annually, to include activities to be funded from the unexpended QRF and DRRMF-MOOE of the previous years which were transferred to the Special Trust Fund, to submit the same to the PDRRMC for approval, which in turn should be submitted by the latter to the Local Development Council (LDC) for deliberation and inclusion in the revised AIP, for approval by the Sangguniang Panlalawigan, otherwise, the subject expenditures would be suspended in audit.  78. Henceforth, the PDRRMC and PDRRMO review and update the LDRRMFIP annually, to include priority projects and activities to be charged to prior years' unexpended DRRMF to facilitate timely implementation and to maximize the utilization of the fund.	Unimplemented: The LDRRMFIP for CY 2024 does not include the activities to be funded from the unexpended QRF and DRRMF-MOOE from previous years.  Unimplemented: Moreover, some projects for which funds remained unutilized have not been included in the LDRRMFIP.

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	have been implemented without legal basis.		
2021 AAR, AO No. 12, page 66	Only 26 of the 62 programs, projects, and activities (PPAs) with appropriations totaling P56,992,935.60 under the 70% Mitigation Fund (MF) of the Local Disaster Risk Reduction and Management Fund (LDRRMF) for CY 2021 were fully implemented due to inadequate planning, contrary to Section 12(6) of Republic Act (R.A.) No. 10121 and Section 4.0 of National Disaster Risk Reduction and Management Council (NDRRMC), Department of Budget and Management (DBM) and Department of the Interior and Local Government (DILG) Joint Memorandum Circular No. 2013-1 dated March 25, 2013. Thus, there is the risk that the Province may not be prepared to manage the adverse effects of disaster in case of calamity.	79. The Provincial Disaster Risk Reduction Management Council (PDRRMC), through the PDRRM Officer, address the causes of delay in project implementation. In the preparation of the LDRRMIP, the PDRRMO consider all aspects, such as the implementation schedule, availability of manpower, and other resources in order to complete the projects within a reasonable period of time to improve disaster preparedness and response capabilities of the Province.	Unimplemented: The LDRRMO had acquired additional manpower and resources to expedite the completion of projects and activities in their office. However, of the 36 PPAs with total appropriations of ₱83,147,921.75 that were partially or not implemented as of December 31, 2021, four PPAs with total appropriations of ₱9,441,612.16 remained unimplemented, while three PPAs had an unexpended balance of ₱18,697.70.
2021 AAR, AO No. 13, page 68	The Province still failed to submit the complete Summary/List of Donations Received, Distributed, and Balances within the prescribed period, while partial lists for donations worth	80. Management prepare and furnish the Audit Team with a complete Summary/List of Donations Received, Distributed and Balances that is properly categorized, appropriately signed and accomplished with details of the quantity distributed per item, balances of remaining items, as well as supported with copies of the (a) Acknowledgement Receipts	Unimplemented: The PTR, RIV, and Stock Control Card for January to December 2024 had been submitted to the Audit

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	<p>₱489,981,252.02 did not show the quantity distributed and the remaining balances nor adequately supported with the required documents contrary to COA Circular No. 2020-009 dated April 21, 2020, thus, precluding timely evaluation from ensuring that these were properly accounted for.</p>	<p>of the 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 Section 1 of COA Circular No. 2020-009 dated April 21, 2020.</p> <p>81. Management delegate the receipt and acknowledgment of the donations in-kind to the GSO, which will take heed of the basic controls in the receipt, recording, inventory, storage and distribution of all donations in-kind received and will prepare and submit the required reports together with the supporting documents.</p>	<p>Team on the following dates:</p> <table border="1" data-bbox="1715 491 1962 815"> <thead> <tr> <th>Month</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Jan-Mar</td> <td>4/29/24</td> </tr> <tr> <td>Apr</td> <td>5/13/24</td> </tr> <tr> <td>May</td> <td>6/25/24</td> </tr> <tr> <td>June</td> <td>8/9/24</td> </tr> <tr> <td>Jul</td> <td>9/2/24</td> </tr> <tr> <td>Aug</td> <td>9/24/24</td> </tr> <tr> <td>Sept</td> <td>10/31/24</td> </tr> <tr> <td>Oct</td> <td>11/26/24</td> </tr> <tr> <td>Nov</td> <td>12/19/24</td> </tr> <tr> <td>Dec</td> <td>2/3/25</td> </tr> </tbody> </table> <p>However, the complete list of donations received, distributed, and remaining balances, along with the supporting documents related to this finding, had not yet been submitted to the Audit Team.</p> <p>Unimplemented: In-kind donations were delivered directly to the recipients' offices or hospitals. The PGSO lacked a safe and adequate storage facility for in-kind donations.</p>	Month	Date	Jan-Mar	4/29/24	Apr	5/13/24	May	6/25/24	June	8/9/24	Jul	9/2/24	Aug	9/24/24	Sept	10/31/24	Oct	11/26/24	Nov	12/19/24	Dec	2/3/25
Month	Date																								
Jan-Mar	4/29/24																								
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Dec	2/3/25																								

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2020 AAR, AO No. 2, page 40	Management did not monitor liquidation neither did the Provincial Accountant process and take up liquidations of funds transferred to various national government agencies, government-owned and/or controlled operations, local government units and non-government organization/peoples' organizations amounting to ₱82,920,937.16, which remained unliquidated for more than one year to more than five years, contrary to Section 4.6 of COA Circular No. 94-013 dated December 13, 1994 and Section 5 of COA Circular No. 2007-001 dated October 25, 2007, exposing government funds to possible loss for failure of recipients to account for the funds and overstated, as well, the receivables of the Province as of December 31, 2020.	82. The Provincial Accountant a) demand immediate liquidation of funds transferred to different agencies and to ensure that subsequent fund transfers be granted, utilized and liquidated in accordance with COA Circular No. 94-013 dated December 13, 1994; b) confirm and reconcile balances with the IAs; c) prioritize verification of the liquidation reports submitted by the IAs to avoid overstatement of the receivable accounts in the financial statements; and d) ensure that funds are released to IAs only when covered by an agreement or contract and funds released to IAs are correctly taken up in the books as trust liabilities by requiring them to submit a copy of the journal entry voucher taking up the funds received.	Unimplemented: The Provincial Accountant had exerted extra effort to ensure that the liquidations of funds transferred were submitted and recorded in the books. Agencies could no longer avail of further subsidies and assistance if an unliquidated balance still existed. However, liquidation remained dependent on the implementing agencies' responses.  Verification of unliquidated "Due From" accounts revealed that out of ₱82,920,937.16, a total of ₱67,741,911.82 had already been liquidated, leaving an unliquidated balance of ₱15,179,025.34 as of December 31, 2024.
2020 AAR, AO No.	Liquidation of cash advances granted for the meals of in-patients of various hospitals and inmates of the Negros Oriental Detention and Rehabilitation	83. Management requires the concerned accountable officers to submit to the Audit Team valid evidence of receipts of payment for the purchases of food/meal items aggregating to P11,014,076.24 in conformity with COA Circular No. 2004-006 dated September 9, 2004, and to ensure	Unimplemented: The proof of receipts of payment for the purchases of meals for inpatients of

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
6, page 48	Center aggregating to P11,014,076.24 were not supported with receipts of purchases contrary to Section 4 (6) of Presidential Decree (PD) No. 1445, thus the actual amounts paid out of the cash advances could not be established.	that all RDs are properly supported with sufficient and valid documents.	various hospitals and inmates of the NODRC had not yet been submitted to the Audit Team. Only the original sales invoices for the CY 2022 audit findings and recommendations had been submitted to the Audit Team.
2020 AAR, AO No. 7, page 50	The payrolls covering the payment of COVID-19 Hazard Pay and Special Risk Allowance (SRA) to the provincial government employees/workers and Public Health Workers (PHWs) in the total amount of P18,316,542.38 and P911,233.13, respectively, were not substantially supported with complete documents contrary to Section 4(6) of Presidential Decree (PD) No. 1445, hence, the propriety and regularity of the grant during the period of the implementation of the Enhanced Community Quarantine (ECQ) could not be ascertained.	84. Management requires the concerned Heads of Offices to submit to the Auditor the following documents to substantiate the grant of COVID-19 Hazard Pay and SRA to the personnel/workers and PHWs of the Province: <ul style="list-style-type: none"> <li>a. Inter-Agency Task Force for the Management of Emerging Infectious Diseases Resolution of the Risk Classification in the workplace;</li> <li>b. Authority from the head of agency/office to render service during the period of the ECQ stating the prescribed official working hours as well as the entitlement of the COVID-19 Hazard Pay or SRA;</li> <li>c. Individual approved daily time record or daily report of attendance indicating the dates and time they physically reported for work; and</li> <li>d. Daily status/monitoring report on COVID-19 patients, PUIs or PUMs quarantined in the hospitals' COVID-19 facility, in the homes, and in other isolation facilities covering the same period of the ECQ (for SRA payrolls only).</li> </ul>	Unimplemented: Verification of the submitted documents showed that some payrolls lacked individual approved daily time records and the authority to render service during the ECQ.

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2020 AAR, AO No. 13, page 67	A warranty clause was not included in the Purchase Orders (Pos) for the procurement of goods amounting to P24,817,556.66, needed to contain the transmission of Coronavirus Disease 2019 (COVID-19) contrary to GPPB Circular 01-2020 dated April 6, 2020, thereby not fully protecting the interest of the government in case of manufacturing defects of goods delivered.	85. The Provincial Accountant ensure compliance with Section 3.5 of GPPB Circular 01-2020 dated April 6, 2020, otherwise, they will be held answerable for negligence in case of uncorrected manufacturing defects on the delivered goods.	Implemented
2020 AAR, AO No. 15, page 72	Highly-needed medical supplies, materials, equipment and other critical services for COVID-19 related programs, projects and activities procured on emergency basis amounting to P46,554,685.66. were paid despite the lack of supporting documents required under Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020, such as Mayor's permits, income tax returns, omnibus sworn statements and other documents, thus the regularity of the transactions and compliance to the guidelines for emergency procurement under Republic Act (R.A.) No. 11469 could not be determined.	86. The Provincial Accountant submit immediately the lacking documents to the Audit Team for verification, to substantiate or justify the deficiencies noted, and to, henceforth, ensure that all documentary requirements for emergency purchase under R. A. No. 11469 are proper and complied with before certifying as to the completeness of the supporting documents.	Unimplemented: Although the Provincial Accountant had submitted documents on September 22, 2021, they were incomplete as they did not cover all the subject disbursements.

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2020 AAR, AO No. 20, page 84	Interests earned on Philippine Rural Development Project (PRDP) bank deposits totaling P40,254.93 were recorded as Trust Liabilities and Due to NGAs in the Trust Fund books, contrary to Item 5.1.2.D of the Ministry of Budget, Ministry of Finance and Commission on Audit (MOB-MOF-COA) Joint Circular No. 9-81 dated October 19, 1981, Section 305 (d) of Republic Act (RA) No. 7160 and Section 111 of Presidential Decree (PD) No. 1445, thus, overstating the liabilities and understating the equity accounts of the Province.	87. The interest income earned from bank deposits of receipts from national government agencies be remitted to the Bureau of Treasury at the end of each quarter unless otherwise provided by law in accordance with the pertinent provision of MOB-MOF-COA Joint Circular No. 9-81 dated October 19, 1981.	Implemented
2020 AAR, AO No. 8, page 53	The welfare goods and medical supplies needed to respond to the COVID-19 pandemic were procured at prices exceeding the prices set by the Department of Trade and Industry (DTI) and the Department of Health (DOH) pursuant to Republic Act (R.A.) No. 7581 or the Price Act, resulting to excessive expense and loss of government funds amounting to P9,562,386.00.	88. The officials and personnel involved in said procurement be made to answer for such loss of government funds by refunding the excess payment of P9,562,386.00, without prejudice to the imposition of the sanctions provided under the Price Act. We further recommended that, henceforth, officials involved in the procurement of goods and services comply with law and regulations, particularly R.A. No. 7581 or the Price Act, as amended, in order to protect the interest of the government.	Unimplemented: The former governor, in his letter dated June 28, 2021, stated that they had acted in good faith in the exercise of their duties, particularly in observing and adhering to the pertinent laws and issuances related to the procurement of welfare goods and medical supplies. The new administration had referred

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			the matter to the Provincial Legal Officer for further study on legal actions or options to take.
2020 AAR, AO No. 14, page 68	Contrary to DBM Local Budget Circular (LBC) No. 126 dated April 13, 2020, programs, projects and activities (PPAs) not directly connected to the operations of hospitals and maintenance of established checkpoints related to COVID-19 in the total amount of P840,414.00 were charged to the Bayanihan Grant for Provinces (BGP), thereby, defeating the purpose of the grant and substantially reducing the funds intended to support the Provincial Government's efforts to respond to the crisis brought about by the COVID-19 pandemic.	89. Management reimburse the BGP Special Account the amount of P840,414.00 from the General Fund for the cost of office supplies, IT Equipment, storage cabinets and catering services, and, henceforth, adhere strictly with the provisions of DBM LBC No. 126 dated April 13, 2020 on the use of the remaining balance of the BGP.	Unimplemented: As of date, no reimbursement had been made by Management from the General Fund for PPAs not directly connected to the operations of hospitals or the maintenance of established checkpoints charged to the BGP.
2019 AAR, AO No. 2, page 34	Purchases of various supplies and materials amounting to ₱28,673,168.85 were simultaneously recorded to the related inventory and expense account upon purchase contrary to Sections 114, 116 and 121 of the New Government Accounting System (NGAS) Manual, Volume I, thus eliminating the required	90. Provide the GSO with adequate and safe storage facilities for the supplies and materials purchased;  91. Require the requisitioning office needing supplies and materials to prepare and submit the RIS to the GSO on a weekly basis;	Unimplemented: The PGSO had submitted a proposal or request for the construction of safe and adequate storage facilities.  Implemented

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	accounting of the receipt and utilization established through the use of Requisitions and Issue Slips (RIS) and Summary of Supplies and Materials Issued (SSMI), which could result in the misstatement of inventory and expense accounts at the end of the year.	<p>92. Require the GSO to consolidate on the SSMI all RIS and submit the same to the Accountant weekly; and</p> <p>93. Require the Accountant to record to the expense accounts the supplies consumed on the basis of the SSMI and to maintain perpetual inventory records to be reconciled periodically with the records of GSO, in order to fairly present the expense and inventory accounts in the financial statements.</p>	<p>Implemented</p> <p>Unimplemented: The Provincial Accountant had recorded the expense accounts of the supplies consumed based on the SSMI. However, the perpetual inventory records, comprising Supplies Ledger Cards (SLCs), were not maintained.</p>
2019 AAR, AO No. 6, page 45	Collections from sponsorship and rental fees during the Buglasan Festival amounting to P969,500.00 were not acknowledged by official receipts and therefore were not taken up in the books of accounts, in violation of Sections 63 and 68(1) of Presidential Decree (P.D.) No. 1445, thus, understating the income of the Province and the risk of possible misuse because the funds were not subjected to the usual government accounting and auditing rules and regulations.	94. Management requires the Finance Committee of the Buglasan Festival to account for all collections received and disbursements made during the Buglasan Festival as required under Sections 63 and 68(1) of P.D. No. 1445.	Unimplemented: The account required further verification because, based on the breakdown of sponsorship and expenses for the Buglasan Festival Celebrations for FYs 2016-2019, as attached to the letter submitted by the governor to the Sangguniang Panlalawigan on October 7, 2021, the remaining balance for CY 2019 was P87,103.97. However, this amount did

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			not reconcile with the total collections recorded in the trust liability account under the trust fund, which amounted to ₱224,016.00.
2019 AAR, AO No. 7, page 47	Expenses paid for the repairs and maintenance of motor vehicles and equipment amounting to ₱5,405,010.08 were not supported with pre-repair evaluation and post/pre-repair inspection reports, copies of document indicating the history of repairs, and warranty certificates, contrary to Section 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012, thus, the validity, propriety and reasonableness of spare parts and repairs procured could not be established.	95. Management require the General Services Officer to (a) submit pre-repair evaluation and pre/post-repair inspection reports, copies of documents indicating history of repairs and warranty certificates for expenses paid for the repairs and maintenance of motor vehicles and equipment listed in Annex 6; (b) maintain records on the history of repairs of equipment and motor vehicles; and (c) henceforth, ensure the completeness of supporting documents to the DVs in accordance with Section 9.1.3.4 of COA Circular No. 2012-001 dated June 14, 2012.	Unimplemented: Supporting documents for the payment of repairs and maintenance of motor vehicles and equipment, amounting to ₱5,405,010.08, had not yet been submitted to the Audit Team.
2019 AAR, AO No. 11, page 54	The Province procured common-use supplies from private suppliers totaling ₱6,027,881.88 without first securing the Certificate of Non-Availability of Stocks (CNAS) from the Department of Budget and Management-Procurement Service (DBM-PS) contrary to Section 8.2.3 of the Revised Implementing Rules and	96. Management stop procuring common-use supplies from outside sources unless the same are not available from DBM-PS as evidenced by a CNAS and, henceforth, procure them from the DBM-PS in accordance with the pertinent provisions of the Revised IRR of RA 9184.	Unimplemented: On a test basis, a review of the disbursement vouchers revealed that no Certificates of Non-Availability (CNAs) were attached to support the purchases of office

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Regulations (IRR) of Republic Act No. (RA) 9184, resulting in the loss of potential savings amounting to ₱448,176.37, which the Province could have availed of had the supplies been purchased through the DBM-PS.		supplies from private suppliers.
2019 AAR, AO No. 12, page 55	The Bids and Awards Committee (BAC) did not submit the CY 2019 Annual Procurement Plan for Common-Use Supplies and Equipment (APP-CSE) to the Procurement Service-Department of Budget and Management (PS-DBM) as required in Section 6.4(e) of DBM Memorandum Circular No. 2018-01 dated May 28, 2018 and as reiterated in Section 3 of DBM Circular No. PS-01-2018 dated August 09, 2018. Hence, common-use supplies needed by the Province amounting to ₱7,098,967.43 were not available from the PS-DBM, and thus, were procured from private suppliers through shopping instead of public bidding, precluding the Province from obtaining volume discounts inherent in bulk purchasing.	97. Management requires the BAC to: (a) Submit the APP-CSE to PS-DBM within the prescribed timeframe as required under DBM Circular PS-01-2018 dated August 09, 2018, to ensure inclusion of common-use supplies needed by the Province in the Consolidated APP-CSE, and to allow the PS-DBM to determine its inventory requirements. Henceforth, properly plan the procurement of common-use supplies on a quarterly basis from PS-DBM to avail of volume discounts inherent in bulk purchasing; and (b) Refrain from splitting requisitions and procure common-use supplies not available in the PS-DBM through competitive bidding in accordance with Section 10, Rule IV of the Revised IRR of R.A. 9184, save only in cases provided under Rule XVI of the IRR.	Implemented
2019 AAR,	Owing to the failure of the 22 LGUs to submit their respective Solid Waste	98. The ENRD provide more coaching and technical assistance to the rest of the component cities and municipalities in the preparation of their	Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AO No. 13, page 58	Management Plan (SWMP) and the failure of the Provincial Solid Waste Management Board (PSWMB) to meet regularly, the Province remained without an approved 10-year SWMP, contrary to Section 13 of Republic Act (R.A.) No. 9003, thereby, hindering the formulation of a solid waste management program that would ensure the protection of public health and environment of all Local Government Units (LGUs) comprising the Province.	<p>respective updated SWM plan so that they can submit them as soon as possible, and thereafter, be able to prepare an enhanced PSWMP in accordance with the results of the review by the EMB Regional Office No. 7.</p> <p>99. The PSWMB convene at least once every quarter and set a timeline within which to finalize and submit the draft plan to the NSWMC for approval.</p>	Implemented
2018 AAR, AO No. 4, page 37	Stale checks totaling ₱995,715.14 presented as reconciling items in the bank reconciliation statements were not cancelled, contrary to Section 59 of the Manual on the NGAS, Volume 1 and Section 97 of P.D. No. 1445, hence, presenting an inaccurate and unreliable balance of the Cash in Bank, Accounts Payable, and Government Equity accounts as of December 31, 2018.	<p>100. Require the OIC-Provincial Treasurer to secure all stale checks and the supporting documents, cancel the same and furnish the Accounting Office with the original DVs for the preparation of the JEV debiting the Cash in Bank and crediting Accounts Payable and Prior Years' Adjustment for stale checks less than two years and for those more than two years, respectively;</p> <p>101. Require the OIC-Provincial Treasurer and the OIC-Provincial Accountant to regularly monitor and determine stale checks requiring issuance of replacement checks.</p>	<p>Unimplemented: Based on the BRS, Check No. 667375 dated December 4, 1998, along with other outstanding unaccounted PNB checks that had been reconciling items from previous years, remained unadjusted or unreplaced due to limited data.</p> <p>Unimplemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2018 AAR, AO No. 5, page 39	<p>The collectability of receivables aggregating ₱13,458,171.45 which had been non-moving or dormant for ten years to more than 20 years could not be ascertained due to the absence of sufficient records/documents and/or the debtors could no longer be located, to the detriment of the government. Likewise, no allowance for impairment of receivables was recognized thereon as prescribed in Section 7 of COA Circular No. 2016-005 dated December 19, 2016, thus, affecting the presentation of the financial statements.</p>	<p>102. Conduct a thorough verification and analysis of the dormant receivable accounts and provide allowance for impairment pursuant to Section 71 of PPSAS 29.</p> <p>103. Comply with all the conditions and requirements of COA Circular No. 2016-005 for possible filing of request for authority to write off dormant receivable accounts by the Local Chief Executive to the Commission on Audit.</p>	<p>Unimplemented: An allowance for impairment loss had been set up in CY 2019 for receivables past due for ten years and more, whose collectability could no longer be ascertained. However, other receivables aging more than five years, such as advances for operating expenses, payroll, special disbursing officers, and officers and employees, were not provided with an allowance for impairment loss.</p> <p>Unimplemented: The lacking documents for the request for the write-off of dormant receivables had not been submitted to the Audit Team for re-evaluation due to difficulties in gathering the required documents.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2018 AAR, AO No. 6, page 42	Confirmation from 16 cities and municipalities of the Due from Local Government Units (1-03-03-030) amounting to ₱21,172,170.21, representing 65% of the total account balance of ₱32,571,520.99, showed a discrepancy of ₱10,383,808.70, contrary to the Generally Accepted Accounting Principles (GAAP), thus, rendering the year-end balance presented in the financial statements unreliable.	104. Require the OIC Provincial Accountant to reconcile the Due from LGUs account with the subsidiary ledgers of the 16 LGUs and effect immediately the necessary corrections/adjustments in the books of the Province and to coordinate with concerned LGU accountants for them to adjust their records so that the affected Due from LGUs and Due to LGUs accounts in either books will be properly presented.	Unimplemented: As of December 31, 2024, the accounts Due from LGUs had not been reconciled with the subsidiary ledgers of the concerned LGUs because some of the balances were not reflected in their books of accounts due to the unavailability of data for reconciliation.
2018 AAR, AO No. 7, page 44	The reciprocal accounts Due from Other Funds (10304050) and Due to Other Funds (20301010) registered a difference of ₱6,532,044.23 as of December 31, 2018, thus, affecting the fairness of the presentation of the financial statements.	105. Management require the OIC Provincial Accountant to review and investigate the difference by tracing the erroneous journal entries and to prepare the necessary correcting entry to reconcile the Due To/From Other Funds accounts in all funds as required in Sections 28 and 152 of the NGAS Manual, Volume III, and to, henceforth, regularly reconcile these two reciprocal accounts to ensure the fairness of presentation in the financial statements.	Unimplemented: The reciprocal accounts remained unreconciled as of December 31, 2024.
2017 AAR, AO No. 8, page 48	Paid disbursement vouchers, payrolls, official receipts and other transaction documents for CYs 2013 to 2017 were not submitted to the audit team intact and within the prescribed period	106. The Provincial Governor require the OIC-Provincial Accountant and all others concerned to immediately submit the disbursement vouchers, payrolls, official receipts and financial reports pursuant to Section 6.5 of COA 95-006 dated May 18, 1995 and Section 100 of PD No. 1445.	Unimplemented: Some of the paid vouchers, payrolls, official receipts, and other transaction documents for CY 2013–

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>contrary to Section 7.2.1 (a) of COA Circular No. 2009-06 dated September 15, 2009, Section 6.05 of COA Circular 95-006 dated May 18, 1995 and Section 100 of PD 1445, precluding timely audit, the results of which could have been useful information for management in their decision-making.</p>	<p>107. Management augment the Accounting personnel to assist in the sorting and preparation of transaction documents so that these can be submitted to the audit team within the prescribed timeframe.</p>	<p>2017 had not yet been submitted because the warehouse was still scheduled for renovation, making it difficult for management to retrieve the aforementioned documents.</p> <p>Unimplemented: The current-year paid vouchers, payrolls, official receipts, and other documents were not submitted to the Audit Team within the prescribed timeframe.</p>
<p>2016 AAR, AO No. 3, page 37</p>	<p>The Special Education Fund (SEF) was used for programs, plans and activities that are contrary to Section 272 of Republic Act (RA) No. 7160 and DECS-DBM-DILG Joint Circular No. 01 series of 1998.</p>	<p>108. The Local School Board appropriate projects that are in accordance with existing guidelines on the utilization of the SEF. A fund transfer from the General Fund to the SEF should also be made for the telephone bills amounting to ₱11,211.20 to replenish the amount erroneously charged to the latter while the appropriation for motor vehicle/equipment amounting to P3Million should be realigned for other valid SEF capital outlay projects.</p>	<p>Unimplemented: The Provincial Accountant had been monitoring the projects under the SEF and their utilization. However, verification of the SAAOb disclosed that the ₱3 million appropriation for vehicles and equipment under FPP Code No. 3999S-07(16) had not been fully reverted, leaving a</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			balance of ₱26,021.92 as of December 31, 2024.
2016 AAR, AO No. 6, page 43	Inventory procedures for goods were not in accordance with Section 122 of the New Government Accounting System (NGAS) Manual, Volume I and the Generic Procurement Manual, thus resulting in inadequate property records and breakdowns in internal controls on supply and property management.	109. The BAC Secretariat and the GSO should strictly comply with Section 122 (e) to (g), of the NGAS Manual, Volume I and the Generic Procurement Manual to strengthen internal controls for supplies and property and maintain complete and updated related records.	Unimplemented: The PGSO inspected and accepted delivered items and signed the acceptance portion of the Inspection and Acceptance Report (IAR). However, it was observed that the preparation of the DVs was still done by the requisitioning or end-user office instead of the GSO.
2016 AAR, AO No. 7, page 47	Financial assistance granted to Leagues of Local Elective Officials totaling ₱4,060,518.00 as of December 31, 2016 were not supported with a Memorandum of Agreement and remained unliquidated to date, thus government funds could not be properly accounted for.	110. The OIC-Provincial Accountant follow up the submission of liquidation reports to properly account for the funds granted and to ascertain whether these were utilized for their intended purpose.	Unimplemented: Out of the ₱4,060,518.00 in financial assistance granted to Local Elective Officials, ₱340,100.00 remained unliquidated as of December 31, 2024.
2015 AAR, AO No. 3, page 31	Due to the failure of the Bids and Awards Committee and the Technical Working Group to carefully examine the eligibility documents of the winning bidder as required in Section 12.1 of the Revised IRR of R.A. 9184, the contract to design and build the	111. The Governor conducts an investigation and impose the necessary administrative sanctions on errant members of the BAC and TWG in accordance with Section 70 of the Revised IRR of R.A. 9184, if warranted. Moreover, he should also consider reporting to the PCAB and the Department of Trade and Industry (DTI)-Negros Oriental, for appropriate disciplinary action, the joint venture's operation without a renewed license in violation of R.A. 4566.	Unimplemented: Although the joint venture had renewed its special license, the BAC and TWG failed to carefully scrutinize the validity of the special PCAB license, which was

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>completion of the construction of the Negros Oriental Provincial Hospital four-storey central block building amounting to P346,598,230.95 was awarded to R.R. encabo Constructors Inc./Legazpi Premium Development Corp. (J/V) whose special license had already expired, thus, prejudicial to the interest of the Province.</p>		<p>only valid until June 30, 2014. As a result, the joint venture operated without a special license when it commenced the construction of the project after receiving the NTP on June 14, 2014. Furthermore, no investigation had been conducted on this matter.</p>
<p>2015 AAR, AO No. 7, page 41</p>	<p>Disbursements for various drugs and medicines for the Outreach Program/ Medical Mission under the Provincial Governor's Office amounting to ₱10,418,949.75 were made without complete supporting documents contrary to Section 4(6) of PD 1445 and applicable Department of Health (DOH) and Commission on Audit (COA) guidelines and regulations, thus, the validity of the transactions and the disposition of the items bought cannot be ascertained.</p>	<p>112. The BAC and other officials concerned ensure that all procurement for the purchase of drugs and medicines for the medical outreach program follow established procedures and are supported with prescribed documentary requirements. They should also submit the necessary supporting documents upon receipt of the Notices of Suspension to be issued by the audit team.</p>	<p>Unimplemented: The necessary supporting documents had not yet been submitted to the Audit Team.</p>
<p>2015 AAR, AO No. 12, page 54</p>	<p>Majority of the contract of service and job order workers were hired for periods exceeding one year or six months, respectively, contrary to Section 517 of the Government</p>	<p>113. Management hire job order and contract of service workers only for periods not exceeding six months or one year pursuant to existing regulations, otherwise, hire regular employees who are needed for the continuous rendition of necessary essential services to the people of the Province.</p>	<p>Unimplemented: The OIC-HRMO commented that in CY 2023, they had been developing a system to assess the current roster of</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Accounting and Auditing Manual (GAAM), Section 77 R.A. 7160 and CSC guidelines.		<p>JOs and COs for possible permanency. They also encouraged these personnel to take the CSC examination to qualify for permanent positions. Additionally, some JOs and COs had been regularized, and efforts were being made to promote regular employees to facilitate career movement and free up positions for JOs.</p> <p>However, due to the shortage of organic regular personnel employed by the provincial government, it remained necessary to renew the contracts of the respective CO and JO personnel.</p>
2013 AAR, AO No. 7, page 49	The validity of total disbursements for overtime services of the members of the BAC Secretariat in CY 2013 amounting to ₱183,010.28 cannot be ascertained because the guidelines on payment of overtime services	114. Management issues a policy and specific guidelines on the rendition and payment of overtime services in the Province of Negros Oriental which are consistent and harmonized with DBM Budget Circular No. 10 and other existing regulations on the matter.	Unimplemented: Management had yet to formulate and issue specific policies to formalize the guidelines on the rendition and payment

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	prescribed in Budget Circular No. 10 dated March 29, 1996, COA Circular No. 78-77 dated February 28, 1978 and Section 5.10 of COA Circular No. 2012-001 dated June 14, 2012 were not followed.		of overtime services in accordance with the existing regulations.
2012 AAR, AO No. 10, page 56	Medicines costing ₱3,731,897.22 distributed as medical assistance to indigents were not supported by Certificates of Eligibility, doctors' prescriptions, IDs or barangay certificates as required under DSWD Administrative Order No. 5, s. 2008 as amended.	115. Management submits the supporting documents for medical assistance required under DSWD Administrative Order No. 5, series of 2008 as amended, particularly the certificates of eligibility issued by the Provincial DSWD Office, doctor's prescriptions, and identification or Barangay Certification in order to support the purchase of medicines alleged to have been distributed to indigents under the Aid-in-Crisis Situation Program of the DSWD.	Unimplemented: The Office of the PSWD had not initiated any action upon discovering that, under the leadership of the former department head of the PSWDO, the distribution of medicines to indigents had not undergone a PSWD social worker assessment. As a result, recipients were not required to submit the documentary requirements outlined in the amended DSWD AO No. 5, Series of 2008.
2012 AAR, AO No. 16, page 78	Absence of an effective and efficient control mechanism, clear cut policies on operation and levels of recommending and approving authorities in the operation of Negros 2Oriental Convention Center (NOCC)	116. The provincial government establish control mechanisms including documentation, accounting requirements and clear-cut policies in the operation of NOCC as its guide for its effective and efficient operation.	Unimplemented: Due to the inactivity of the Board of Management, there were no established control mechanisms, documentation, accounting

Ref.	Audit Observations	Audit Recommendations	Status of Implementation									
	resulted in the failure to collect estimated rental income of P4,490,299.50 for CY 2011 and CY 2012.		requirements, or clear-cut policies for the effective and efficient operation of the NOCC. The officer-in-charge had only been monitoring and rescheduling rentals based on formal requests addressed to the Governor.									
2010 AAR, AO No. 14, page 36	Program Funds from the Department of Agriculture amounting to ₱1,000,000.00 which were utilized for the implementation of the Binhian Sa Lalawigan Program through loans granted to rice farmers in CY 2000 were not collected by the provincial government, thus benefited only the twenty-two farmers who first availed of the loans, and immediately brought the project to a close, with receivables amounting to ₱1,865,541.16 as of September 30, 2010 due to the accumulated interest.	<p>117. Require the Office of the Accountant and the Provincial Legal Officer, in coordination with the Office of the Provincial Agriculturist, to demand the repayment of the overdue loans and interest under the Binhian Sa Lalawigan program and enforce the provisions of the promissory notes signed by each borrower. In addition, require the Provincial Accountant to recognize the remaining loans receivable by the following entry (to be posted also to individual subsidiary ledgers:</p> <table border="1" data-bbox="887 967 1677 1075"> <thead> <tr> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td>Other Receivables</td> <td>858,000.00</td> <td></td> </tr> <tr> <td>Due to Other NGAs</td> <td></td> <td>858,000.00</td> </tr> </tbody> </table>		Debit	Credit	Other Receivables	858,000.00		Due to Other NGAs		858,000.00	Unimplemented: As of December 31, 2024, an outstanding loan balance totaling ₱833,000.00 remained unpaid, primarily because most of the borrowers had passed away and/or their crops were adversely affected by drought at the time the loans were granted, resulting in poor yields.
	Debit	Credit										
Other Receivables	858,000.00											
Due to Other NGAs		858,000.00										
2010 AAR, AO No. 7, page 25	The utilization of a portion of the 80% share in national wealth taxes for the purchase of various electrical materials contravened Sec. 294 of the Local Government Code and DILG-DOE Joint Circular No. 98-01 dated	118. Require the restitution of the funds illegally disbursed by those responsible therefor. Henceforth, comply with the limitations on the use of the province's share in national wealth as outlined under Sec. 294 of the Local Government Code and DILG-DOE Joint Circular No. 98-01 dated September 30, 1998, apply government funds and property solely for public purposes, utilize capital outlay	Unimplemented: There had been no restitution of the funds that were illegally disbursed.									

Ref.	Audit Observations	Audit Recommendations	Status of Implementation						
	<p>September 30, 1998 which limit the use of the fund solely for lowering the cost of electricity, while the subsequent distribution thereof to individuals and some local government officials violated Sec. 4(2) of P.D. No. 1445 or the public purpose rule, and resulted to the overstatement of the total assets and equity of the province by ₱6,160,116.61 since the payments were recorded to asset accounts but no assets were utilized.</p>	<p>appropriations for capital expenditures which will result to additional assets of the government and stop giving away government properties to private persons and organizations except for public purposes following the proper procedures as outlined under existing regulations.</p>							
<p>2009 AAR, AO No. 2, page 14</p>	<p>The value of the property donated to other local government units remained in the books because of the failure to accomplish the required deeds of donation upon the transfer of vehicles and computers/accessories amounting to ₱16,492,746.90 to other government units/agencies.</p> <p>Note: Additional properties distributed to other LGUs in 2010.</p> <table border="1" data-bbox="338 1203 801 1299"> <tr> <td>101 units multicabs valued at</td> <td>P10,834,785.00</td> </tr> <tr> <td>Add: PY</td> <td>16,492,746.90</td> </tr> <tr> <td>TOTAL, EO 2010</td> <td>P27,327,531.90</td> </tr> </table>	101 units multicabs valued at	P10,834,785.00	Add: PY	16,492,746.90	TOTAL, EO 2010	P27,327,531.90	<p>119. Direct the personnel assigned in the processing of the documents necessary for the transfer of the affected properties to facilitate the completion thereof;</p> <p>120. Require the Provincial Accountant to effect adjustments on the accounts affected after all documents pertaining to the donation are received by that office.</p>	<p>Unimplemented.</p> <p>Unimplemented</p> <p>The PAccO had sent letters requesting the Office of the Governor to submit the deeds of donation and pertinent documents related to the transfers of properties to other LGUs. However, the documents had not yet been submitted, and the PAccO was still</p>
101 units multicabs valued at	P10,834,785.00								
Add: PY	16,492,746.90								
TOTAL, EO 2010	P27,327,531.90								

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			waiting to effect the necessary adjustments.
2004 AAR, AO No. 8, page 12	The provincial government did not transfer title to 13 real properties valued at least ₱1,276,151.35 purchased from 1928 to 2003, to reconcile book and inventory balances of the Land account and to maintain real property cards.	121. The General Services Officer to process the transfer of title of the thirteen real properties purchased by the province and to reconcile said inventory with accounting records, to ensure that all properties listed therein are covered by Torrens title, and to open and maintain a property card for each real property owned by the province.	Unimplemented: Management was still waiting for the creation of a new task force on titling to facilitate the implementation of the transfer of title.
2003 AAR, AO No. 9, page 12	Overstatement of the Land account by ₱350,000.00 due to the payment of a parcel of land acquired by another local government unit (Barangay Suba, Manjuyod)	122. Management undertakes measures to rectify the infirmities, such as amending the contract and executing a deed of donation in favor of Barangay Suba, Manjuyod.	Unimplemented: The Provincial Assessor commented that they lacked the necessary information and documents regarding the overstatement of the land account.

# PART IV

## APPENDICES

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