

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:

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

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.