

EXECUTIVE SUMMARY

INTRODUCTION

The City of Bayawan is a component City of the Province of Negros Oriental, located in the southern part of the Province. It became a City on December 5, 2000 by virtue of Republic Act No. 8983. It is classified as a second class City.

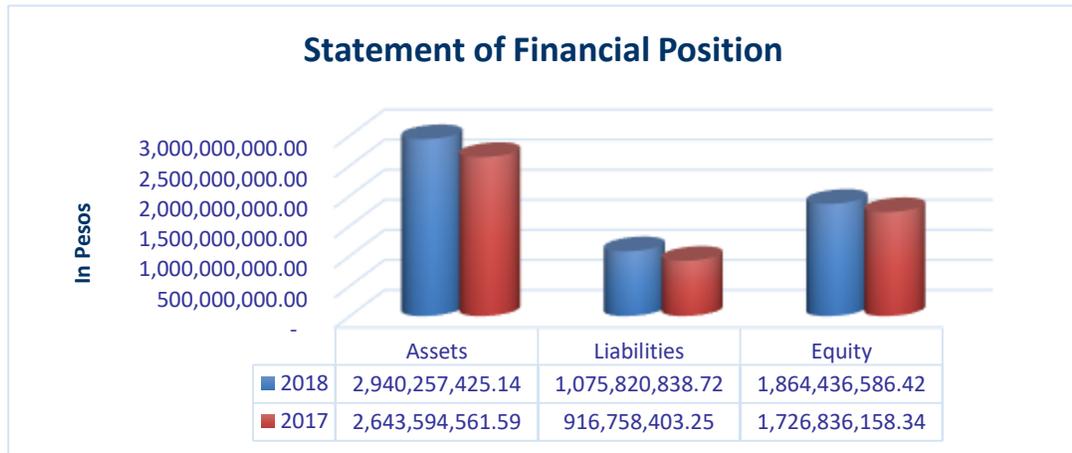
Pursuant to Republic Act No. 7160, the City, like all other government units, enjoys total independence in managing and planning its own administrative, fiscal and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

As of December 31, 2018, it had a personnel complement of:

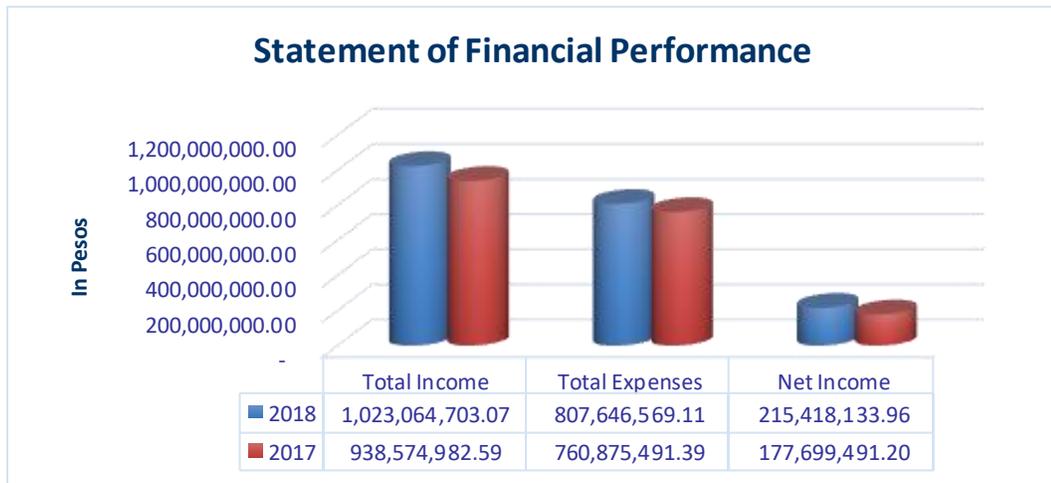
<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective	13
Co-terminus	18
Permanent	447
Casual	314
Job Orders	1,426
Total	2,218

FINANCIAL HIGHLIGHTS

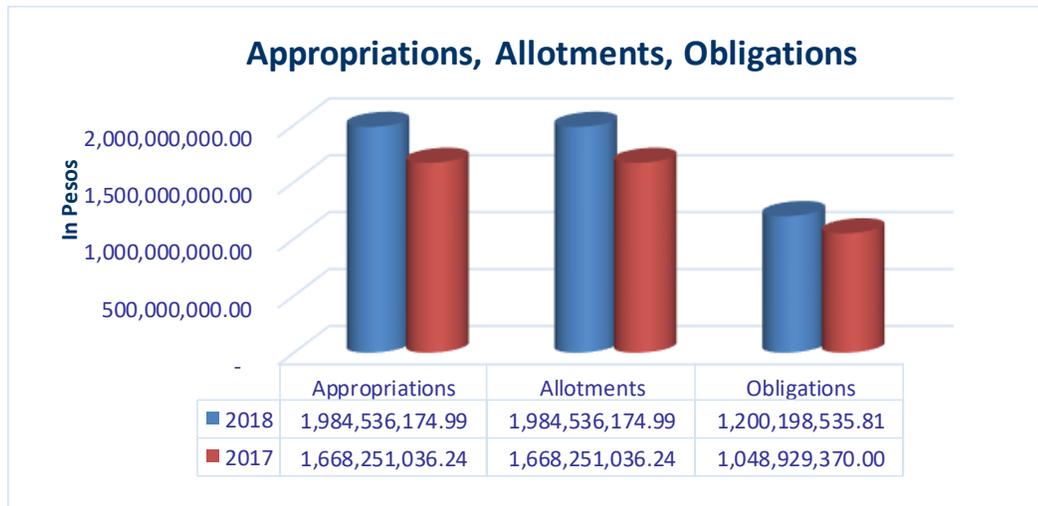
Comparative analysis of the Statement of Financial Position as graphically illustrated below showed an increase in assets, liabilities and equity.



Likewise, the Statement of Financial Performance presented an increase in both income and expenses:



The following graph also illustrates the increase in appropriations, allotments, and obligations during the year:



SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the City of Bayawan for the year ended December 31, 2018. The audit was aimed at ascertaining the accuracy and reliability of the financial statements, the propriety and legality of disbursements, the adequacy of the books of accounts and its subsidiary records, and the degree of compliance with existing laws, rules and regulations. We also conducted a performance audit to determine whether the programs, projects and activities for the year under audit were attained in an efficient, economical and effective manner.

Audit examinations consisted of the verification of records on a test basis, review of operating procedures, inspection of projects, interview with concerned officials and

employees, analysis of accounts and such other procedures considered necessary in the circumstances.

In compliance with unnumbered Memorandum dated July 9, 2018 of the Assistant Commissioner, Local Government Sector, COA, Quezon City, the following are the significant thrust areas that were looked into by the Audit Team:

1. Cash and Cash Equivalents
2. 20% Development Fund
3. Local Disaster Risk Reduction Management Fund (LDRRM)
4. Gender and Development (GAD)
5. Loans Payable
6. Fund Transfers to NGOs/POs
7. Fund Transfers from NGAs
8. Payments to Casuals

Based on the Audit Team's assessment on Agency's account, the following areas were likewise covered in audit:

1. Loans Receivables – Others
2. Property, Plant and Equipment
3. Interests on Borrowings
4. Other Personnel Benefits
5. Local Government Service Equalization Fund

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the City for the year 2018 due to the deficiencies enumerated below:

1. The reliability of the balance of the Property, Plant and Equipment (PPE) accounts valued at P1,742,772,212.57 could not be ascertained because the conduct of the physical count of movable properties was not completed and the property cards maintained by the City General Services Office (CGSO) did not reconcile with the equipment ledger cards kept by the City Accountant's Office (CAO).
2. The validity and propriety of the Land account was questionable because real properties amounting to P16,194,204.00 were not covered with Transfer Certificates of Title.
3. Interests on borrowings for the purchase of heavy equipment and implementation of infrastructure projects which were already completed amounting to P3,638,280.53 and P1,891,588.96, respectively, were capitalized which resulted in the overstatement of asset and equity accounts.
4. The year-end balances of Loans Receivables and Other Payable accounts were misstated by P1,140,000.00 because Management recorded the transactions even if the contracts for the granting of loans to Non-Government Organizations/People's Organizations (NGOs/POs) were not yet perfected.

SUMMARY OF AUDIT OBSERVATIONS AND RECOMMENDATIONS

The following is the summary of significant observations and recommendations in the audit of the operations of the City of Bayawan for the year 2018:

- 1. The reliability of the balance of the Property, Plant and Equipment (PPE) account valued at ₱1,742,772,212.57 could not be ascertained because the conduct of physical count of movable properties was not completed due to the failure of some departments and other government agencies to submit their respective lists of properties to the City General Services Office (CGSO). Moreover, the property cards maintained by the CGSO did not reconcile with the equipment ledger cards kept by the City Accountant's Office (CAO).**

We recommended that the CGSO demand from the different departments and other government agencies their respective lists of properties as basis in the conduct of physical count and submit the RPCPPE for CY 2018 not later than June 30, 2019. We recommended further that the RPCPPE be reconciled with the related property and accounting records to ascertain the reliability of the balances of the PPE accounts presented in the financial statements.

- 2. The parcels of land acquired in the total amount of ₱16,194,204.00 did not have the requisite Certificates of Title in the name of the City, rendering the validity and propriety of the recorded assets questionable and exposing the City to risk of possible adverse claims from third parties.**

We recommended that Management submit the required documents enumerated under COA Circular No. 2012-001 dated June 14, 2012, particularly the TCTs as an indispensable requirement on the procurement of land in accordance with Section 148 of COA Circular No. 92-386 dated October 20, 1992.

- 3. Interests on borrowings for the purchase of heavy equipment and implementation of infrastructure projects which were already completed amounting to ₱3,638,280.53 and ₱1,891,588.96, respectively, were capitalized which resulted in the overstatement of the asset and equity accounts, thus, affecting the fair presentation of the financial statements.**

We recommended that the City Accountant (a) stop capitalizing interests on loans for non-qualifying assets and completed projects in accordance with PPSAS 5 and (b) effect the necessary adjusting entries to reflect the correct balances of the affected accounts.

- 4. The year-end balances of Loans Receivables and Other Payable accounts were misstated by ₱1,140,000.00 because the City Accountant recorded the transactions even if the contracts for the granting of loans to Non-Government Organizations (NGOs)/People's Organizations (POs) were not yet perfected, hence, affecting the fair presentation of the financial statements.**

We recommended that the City Accountant record the transactions only when the City becomes a party to the contractual provisions of an instrument in order to provide users accurate financial information at a particular reporting date.

- 5. Management granted Exemplary Services Incentive Bonus (ESIB) at ₱35,000.00 each employee and official, or for a total of ₱27,706,000.00, under its Program on Awards and Incentive Service Excellence (PRAISE) because of the awards and recognitions received by the City Government, even if the monetary savings were not determined, contrary to Item No. 2 of Civil Service Commission (CSC) Memorandum Circular No. 01 Series of 2001, thus, resulting in irregular expenditures.**

We recommended that Management require the PRAISE Committee, in coordination with the City Budget Officer, to determine the monetary savings as a result of the exemplary efforts and superior accomplishments of officials and employees pursuant to CSC Memorandum Circular No. 01 series of 2001. Monetary awards shall be granted only to individuals or group of individuals upon determining that their suggestions, inventions, and superior accomplishments resulted in monetary savings for the LGU.

SETTLEMENT OF ACCOUNTS

Disallowances amounting to ₱20,884,500.00 remained unsettled as of December 31, 2018.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 18 audit recommendations embodied in the CY 2017 Annual Audit Report, nine were fully implemented, six were partially implemented and three were not implemented.