

EXECUTIVE SUMMARY

Introduction

a) Agency Mandate

Valenzuela became a City by virtue of Republic Act (RA) No. 8526 on February 14, 1998, signed by then President Fidel V. Ramos and was ratified by the people on December 30, 1998 through a plebiscite, making it the 12th City in Metropolitan Manila and the 83rd City of the Republic of the Philippines.

b) The City has a total personnel complement of 7,982 as of December 31, 2014 broken down as follows:

Permanent	-	515	Co-terminus	-	50
Casual Employees	-	1,437	Consultants	-	86
Contractual Employees	-	2,783	Part-time Instructors	-	216
Elective Officials	-	16	Honorarium Based	-	2,879

c) Major Accomplishments

Total reported accomplishments of the City amounted to ₱738.673 million consisting of 117 various infrastructure projects. These included construction of school buildings, ALERT Center, Fire Station, 3S Centers, improvement of various roads, streets, drainage, buildings for health facilities and multi-purpose halls, among others.

Financial Highlights

a. Financial Condition/Result of Operations

	In million pesos		
	2014	2013	Increase (Decrease)
Assets	5,362,215,909	4,750,211,591	612,004,318
Liabilities	2,179,534,643	1,518,261,459	661,273,184
Equity	3,182,681,266	3,231,950,132	(49,268,866)
Income	2,522,185,143	2,200,488,405	321,696,738
Expenses	2,200,859,389	2,041,777,956	159,081,433

b. Appropriation/Obligation

	In million pesos		Increase (Decrease)
	2014	2013	
Appropriation			
Current	3,566,462,918	2,943,892,167	622,570,751
Continuing	905,663,556	722,254,674	183,408,882
Obligation			
Current	2,829,780,693	2,339,471,004	490,309,689
Continuing	540,261,282	300,484,669	239,776,613

Scope of the Audit

The audit covered the accounts and operations of the City for the year ended December 31, 2014. The objectives of the audit are to: (a) verify the assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; (c) determine compliance with existing rules and regulations; and (d) determine the extent of implementation of the prior year's audit recommendations.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because there is an unreconciled balance of P322.840 million between the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) of the Property and Supply Management Division and the subsidiary ledger balances of the Accounting Office due to (a) incomplete reconciliation of property and accounting records and (b) non-recording of assets purchased costing P29.079 million, thus, casting doubt on the correctness and reliability of the Property, Plant and Equipment (PPE) account as at year-end.

Moreover, the Cash in Bank account showed a discrepancy/variance of P95.109 million between the subsidiary ledger balance and cash book balance of the City Accounting Office and the City Treasurer's Office due to the absence of quarterly reconciliation as required under Section 181(c), Volume I of Government Accounting and Auditing Manual.

For the above mentioned deficiencies, we have recommended the following

For the PPE account

1. That the PSMD and the AO closely coordinate to complete the reconciliation of their respective records and the AO to effect all adjustments, as warranted.

2. That all PPEs purchased be taken up in the books of the City pursuant to Section 50 of Manual on NGAS for LGUs.
3. To submit the reconciliation report to the Office of the Supervising Auditor for review and verification in compliance with Section C.3, Chapter V of the Manual on Property Custodianship.

For the Cash in Bank account

1. That quarterly reconciliations be made between the balances per cashbooks and subsidiary ledgers to immediately resolve any discrepancy that may be due to erroneous recording/posting, unrecorded disbursements and thereafter adjust the same with the use of Reconciliation Statements. Furthermore, exert extra effort to trace these variances mentioned above that could be attributed to the reconciling items of the previous years.

Other Significant Audit Observations and Recommendations

The following is the summary of other significant observations and recommendations in the audit of the City Government of Valenzuela for the year 2014:

1. The failure to record the amortizations of the outstanding loan balance and interest for the 4th quarter of CY 2014 resulted in the overstatement of the Loans Payable – Domestic account and the understatement of the Interest Expense by ₱4.206 and ₱1.776 million, respectively. (Observation No. 1.1, page 23)

We had recommended that adjustments be made on the affected accounts to record the amortized portion of the Loans Payable –Domestic account and to reflect the correct balance of the interest expense for CY 2014.

2. Partial payment for the construction of Valenzuela City People’s Park in the amount of ₱68.345 million was recorded as Construction in Progress - Agency Assets account (264) instead of Construction in Progress - Parks, Plazas and Monuments account (267) contrary to COA Circular No. 2004-008 dated September 20, 2004. (Observation No. 1.2, page 24)

We had recommended that the City Accountant reclassify the said Construction in Progress to their proper accounts and strictly observe/follow the updated description of accounts prescribed under COA Circular No. 2004-008 dated September 20, 2004 for a proper presentation of its financial statements.

3. Various expenses amounting to ₱21.423 million were erroneously recorded as Other Maintenance and Operating Expenses (969), thus, overstating the OMOE account and understating the appropriate expense accounts, both by the same amount. (Observation No. 1.3, page 24)

We had recommended that the Accounting Office prepare the necessary adjusting entries to correct the misclassification in the expense accounts affected. Moreover, the allotment for each type of expenses should be properly reviewed by the City Budget Office to eliminate the practice of lump sum allotment to OMOE account.

4. Confirmation with the three authorized depository banks (Land Bank of the Philippines, Development Bank of the Philippines and Philippine National Bank) showed a total discrepancy/variance of ₱42.941 million between the balances per bank as against the balances per books resulting in the misstatement of the Cash in Bank account. (Observation No. 2.4, page 32)

We had recommended that the accounting personnel concerned analyze and identify the causes of the discrepancies and take up the necessary adjusting entries to correct the misstatement of the Cash in Bank account.

5. Due to Officers and Employees (403) account under Special Education Fund (SEF) amounting to ₱1.134 million remained dormant for more than five (5) years and unsettled/unclaimed as of the end of the year. (Observation No. 2.5, page 33)

We had recommended reversion of the above-stated accounts which have been outstanding and stagnant for two years or more in compliance with Section 98 of PD 1445.

6. a) Purchase of medicines and various dental, medical and laboratory supplies for Alagang Valenzuelano Mobile Clinic in the amount of ₱3.625 million were charged to Special Education Fund (SEF), contrary to Sections 100 (c) and 272 of the Local Government Code of 1991. (Observation No. 3.3a, page 36)
7. b) Expenses amounting to ₱1.995 million for payment of honoraria, meals and snacks, airfare tickets, gasoline and diesel, financial assistance and transportation allowances incurred by the DepEd Division Office was charged to Special Education Fund (SEF), contrary to Section 272 of R.A. 7160 and Joint Circular No. 01 s. 1998 of the DECS. DBM and DILG, thus, resulting in irregular disbursements of funds from the SEF. (Observation No. 3.3b, page 37)
8. c) Payment of other bonuses and allowances for CY 2014 intended for teaching and non-teaching personnel totaling ₱10.572 million was charged against the Special Education Fund (SEF) under the Other Bonuses and Allowances (719) account, contrary to Sections 100(c) and 272 of the Local Government Code of 1991, thereby defeating the purposes for which the SEF was created. (Observation No. 3.3c, page 37)

We had recommended that the members of the Local School Board, in the preparation of School Board budget give priority to programs, activities and projects enumerated in Sections 100 (c), Section 272 of the Local Government Code and Joint Circular No. 01, s. of 1998 of the DECS-DBM-DILG and therefore must utilize the proceeds of the SEF only for such purposes prescribed by law.

Moreover, it is recommended that the expenses incurred for the payment of the above-cited medicines, dental, medical and laboratory supplies and other non-SEF expenses be charged against the General Fund of the City.

It is likewise recommended that the payment of other bonuses and allowances for CY 2014 be reimbursed to SEF in compliance with the above-cited regulations.

The Local School Board was of the assumption that Section 99 of the Code allows the Local School Board to determine the annual supplementary budgetary needs for the operation and maintenance of public schools as well as the supplementary local cost to meet such needs, does not exclude allocation for dental, medical and laboratory supplies needs of the students in elementary public schools.

9. Several land titles with a total value of P35.212 million are still registered in the name of the previous owners contrary to Section 148 of COA Circular No. 92-386 dated October 20, 1992. (Observation No. 3.13, page 48)

We had recommended that all titles to land owned by and/or donated to the City should be transferred and registered in the name of the City as provided for under Section 148 of COA Circular No. 92-386 dated October 20, 1992. It is likewise recommended that the necessary budget for the transfer/registration and related expenses should be determined and appropriated in the next year's annual budget.

Other deficiencies noted in audit are discussed in detail in Part II of the Report.

Status of Suspensions, Disallowances and Charges

As of December 31, 2014, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed a balance of ₱18,183,543 for unsettled suspensions and disallowances amounting to ₱3,087,219 and ₱15,096,324, respectively.

Implementation of Prior Years' Audit Recommendations

Of the 22 audit recommendations contained in the Annual Audit Report for CY 2013, 12 were fully implemented, five were partially implemented while the remaining five was not acted upon.