

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 8,623 as of December 31, 2015 broken down as follows:

Permanent Employees	-	503	Co-terminus	-	50
Casual Employees	-	1,547	Consultants	-	95
Contractual Employees	-	3,182	Part-time Instructors	-	267
Elective Officials	-	15	Honorarium Based	-	2,964

c) Major Accomplishments

The City reported in its Annual Accomplishment Report 35 completed infrastructure projects amounting to ₱102.346 million and 33 on-going projects totaling to ₱997.157 million, thus in CY 2015 the City had incurred a total of ₱1.99 billion for various infrastructure projects particularly roads and drainage improvements in various barangays, constructions of Satellite Government Centers (3S Centers), School Buildings, Deck Disaster Preparedness Building and Valenzuela Special Education Center. Moreover, the City's Social Welfare and Development Office and City Health Office with the assistance of the national government agencies had provided essential services, among them were Maternal and Child Health, education assistance to solo parents, financial, medical and educational assistance which had alleviated poverty and improved the lives of the indigents and less fortunate citizens of the City.

Financial Highlights

a. Financial Condition/Result of Operations

	In million pesos		Increase (Decrease)
	2015	2014	
Assets	6,315,475,211	5,362,215,909	953,259,302
Liabilities	2,644,913,758	2,179,534,643	465,379,115
Equity	3,670,561,453	3,182,681,266	487,880,187
Income	3,141,657,540	2,522,185,143	619,472,397
Expenses	2,632,488,744	2,200,859,389	431,629,355

b. Appropriation/Obligation

	In million pesos		Increase (Decrease)
	2015	2014	
Appropriation			
Current	4,216,491,218	3,566,462,918	650,028,300
Continuing	616,521,770	905,663,556	(289,141,786)
Obligation			
Current	3,168,013,889	2,829,780,693	338,233,196
Continuing	297,933,385	540,261,282	(242,327,897)

Scope of the Audit

The audit covered the accounts and operations of the City for the year ended December 31, 2015. 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 amounting to ₱460.899 million between the subsidiary ledger balances of the City Accounting Office (CAO) and the Reports of Physical Count of Property, Plant and Equipment (RPCPPE) of the Property and Supply Management Division (PSMD) due to (a) varied costing of expropriated lands; (b) discrepancies in the entries of the PPE accounts; and (c) unrecorded PPEs in the books of accounts, thus, the accuracy and reliability of the recorded PPE is doubtful.

Moreover, there is an overstatement of Other Maintenance and Operating Expenses (OMOE) and Loans Payable –Domestic accounts amounting to ₱29.691 million and ₱16.304 million, respectively and understatement of Interest expenses- ₱13.387 million due to discrepancies in the entries made in the General Fund (GF) and Special Education Fund (SEF) books of accounts.

For the PPE account

We have reiterated our previous recommendation that the PSMD and the CAO closely coordinate to complete the reconciliation of their respective records and the CAO to effect all adjustments as warranted.

For the Other Maintenance and Operating Expenses and Loans Payable accounts

We have recommended that the City Accounting Office (CAO):

- a. Reclassify the amortizations and payments of loans and interests to their proper accounts to ensure fair presentation of the accounts balances in the financial statements.
- b. Reflect in the GF subsidiary ledgers and financial statements the payment of amortization and interest of the loan with PN No. 4808-TL-14-4568-010 amounting to ₱1,368,421.06 and ₱581,533.98 or a total of ₱1,949,955.04 which was erroneously recorded under the SEF books of accounts.

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 2015:

1. Except for infrastructure projects, most of the procured goods and equipment in the total amount of ₱162.590 million and ₱168.424 million, respectively, were acquired either through small value procurement or shopping, thus defeating the purpose of the pertinent provisions of Implementing Rules and Regulations (IRR) of R.A. 9184. (Observation No. 3.1 page 47)

We have recommended that management conduct public bidding on the procurement of goods and equipment and resort to shopping or small value procurement only in cases or when the conditions provided for under Section 52 of the IRR are present.

- 2.1 The breakdown of the 20% Community Development Fund (CDF) Projects in the amount of ₱177.078 million was not properly represented in the Council Resolution No. 01-15, Series of 2015 and the Annual Development/Investment Plan (AD/IP) for CY 2015. (Observation No. 2.2 page 70)

We have recommended that management require:

- a. The City Development Council to formulate an AD/IP exclusively for projects chargeable against the 20% CDF with the corresponding cost/s, the total of which should equal to the total appropriations for the said Fund.
- b. The City Council to adopt and approve a resolution authorizing the use of the 20% CDF for the projects contained in the AD/IP to ensure compliance with existing laws, rules and regulations on the appropriation and utilization of the Fund.

- 2.2 Community Development Fund projects with total costs of ₱134.020 million were not implemented, thus the socio-economic development expected to be gained therefrom was not attained. (Observation No. 2.3 page 71)

We have recommended that management properly plan the development projects chargeable against the 20% CDF and maximize the use of the appropriated amount to ensure the optimum utilization and implementation of the projects.

3. Delayed or non-utilization of the funds transferred from the National Government Agencies (NGAs) for the City's programs, projects and activities (PPAs) in the total amount of ₱ 9.542 million deprived the primary beneficiaries/ constituents of the use of the said PPAs. (Observation No. 3.4 page 53)

We have recommended that management require:

- a. The responsible officials implementing the various PPAs funded by the NGAs to utilize the funds for the intended purposes/beneficiaries and to abide strictly with the provisions and conditions in the respective Memorandum of Agreement (MOA);
 - b. The CAO to exert extra effort to look for the documents supporting the non-moving balances of funds and ascertain the reasons why the same remained in the books for so long, and coordinate with the offices/department concerned on the reasons for its non/partial implementations;
 - c. The implementing office/department to coordinate with the City Health Department to facilitate the immediate implementation of the National Tuberculosis Program; and
 - d. The CAO to determine if the Medical Assistance Program was funded out of the Priority Development Assistance Fund (PDAF) of the concerned legislators, if so, effect the immediate remittance of the unexpended balance to the National Treasury pursuant to Supreme Court Decision G.R. Nos. 208566, 208493 and 209251.
4. Taxes withheld for all funds amounting to ₱14.075 million were not remitted in full to the Bureau of Internal Revenue (BIR) within the prescribed period. (Observation No. 3.5 page 55)

We have recommended that management require:

- a. The In Charge of Office (ICO) - City Treasurer (CT) to cause the immediate full remittance of the amount withheld to the BIR;
- b. The OIC - City Accountant to monitor and review all the financial transactions taken up under the account Due to BIR and reconcile the difference to ensure

that all financial transactions pertaining to said account were correctly recorded; and

- c. The concerned official to address the causes for the short/under remittance of taxes withheld to the BIR.
5. Unremitted balances of personnel shares for Life and Retirement Premiums, and loan repayments of officials and employees totaling P17.021 million. to the Government Service and Insurance System (GSIS) within the prescribed period. (Observation No. 3.6 page 57)

We have recommended that management require the CAO:

- a. To determine the compositions of the prior year's obligations and remit immediately to the GSIS the current and past due payables to GSIS.
- b. To adhere strictly with GSIS regulation on the prescribed period of remittance of the employees' and employer's contribution to avoid payment of interests, non-granting of loans to officials and employees and delays in the processing of claims or forfeiture of benefits due to the employees.
6. The grant of tax relief/amnesty had increased the Real Property Tax (RPT) collections of the City for CY 2015 under the GF and SEF by P220.835 million and P210.428 million, respectively but the City still fell short of the estimated revenues for CY 2015. (Observation No. 1.1 page 76)

We have recommended that management require the concerned offices to intensify the collections of real property taxes and enforce collection on tax delinquencies by instituting the administrative and legal remedies provided in the Local Government Code. We have also advised the concerned offices/officials to evaluate the benefits/advantages and disadvantages on the grant of tax relief/tax amnesty which could discourage updated payment of RPT.

7. Non-submission of original/extended service contract/s of the City on solid waste transport, hauling and disposal in the total amount of P91.700 million for review and evaluation. (Observation No. 3.7 page 59)

We have recommended that management submit the copy of the contract and the required supporting documents prescribed under COA Circular 2009-001 to facilitate review and evaluation of the contract/s.

8. The delayed release of the 30 percent share from the basic real property taxes to the 33 barangays of Valenzuela City in the total amount of P73.496 million did not permit them to immediately implement their programs, projects and activities (PPAs), thus deprived its constituents in the use and benefits of the said projects. (Observation No. 3.8 page 61)

We have reiterated our prior year's recommendation that the CAO and the ICO – City Treasurer's Office exert extra effort to effect the timely release of the 30 percent share from the basic real property taxes to the 33 barangays of Valenzuela City for the prompt implementation of their respective PPAs.

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, 2015, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed a balance of ₱17,886,765 for unsettled suspensions and disallowances amounting to ₱3,235,969 and ₱14,650,796, respectively.

Implementation of Prior Years' Audit Recommendations

Of the 30 audit recommendations contained in the Annual Audit Report for CYs 2013 to 2014, 16 were fully implemented, 9 were partially implemented while the remaining 5 was not acted upon.