

EXECUTIVE SUMMARY

A. Introduction

The City of Valencia was created as Component City by virtue of Republic Act 8985. The Charter was approved through a Plebiscite on January 12, 2000. The City Government of Valencia is operating as a corporate body in pursuance to Republic Act 7160. It is classified as second-class component city and has 31 component barangays. It is the most populous among all cities and municipalities, the largest in terms of area in the province of Bukidnon. Valencia City serves as the center of trade and commerce in the province of Bukidnon.

B. Financial Highlights

The City Government of Valencia for the year 2021, through its annual budget and supplemental budgets had appropriated the total amount of P1,631,690,143.68. See Note No. 26 in the Notes to Financial Statements for the details.

Comparative analysis of the Statement of Financial Position showed increases in Assets, Liabilities and Equity in CY 2021:

	2021	2020	Increase/ (Decrease)
Assets	2,787,711,446.72	2,385,673,151.00	402,038,295.72
Liabilities	1,539,729,703.81	1,352,409,101.73	187,320,602.08
Government Equity	1,247,981,742.91	1,033,264,049.27	214,717,693.64

Likewise, the Statement of Financial Performance exhibits increases in both revenues and expenses, however, it resulted to a decrease in net income:

	2021	2020	Increase/ (Decrease)
Income	1,544,531,320.44	1,514,780,899.32	29,750,421.12
Expenses	1,450,237,870.47	1,410,676,249.75	39,561,620.72
Net Income	94,293,449.97	104,104,649.57	(9,811,199.60)

C. Operational Highlights

For CY 2021, revenues derived from all sources totaled P1,544,531,320.44. Of this amount, 80.81% represents the receipts of the IRA which amounted to P1,248,140,257.00. Total income this year was 9.42% lesser than last year's income, which amounted to P104,104,649.57.

Total expenditure incurred by the city during the year amounting to P1,450,237,870.47 was 2.80% more than last year's expenses of P1,410,676,249.75.

	December 3, 2021	Recipient of the Recognizing Individuals/institutions towards vibrant and enhance Rivers (RIVERs) for life award for the Panlibatuhan Creek	DENR-EMB X	City of Valencia
	July 30, 2021	Certificate of Commendation for garnering a rating of 2.84 in the recently conducted Local Disaster Risk reduction and Management Council/Offices (LDRRMC) assessment 2021 which exceeded the standards for the establishment and functionality of the LDRRM Councils and Offices as prescribed under Sections 11 and 12 of Republic Act 10121 and is hereby declared as “BEYOND COMPLIANT”	RDRRMC-X	CDRRMO

D. Scope of Audit

The audit covered the accounts and operations of the City Government of Valencia, Province of Bukidnon for the period January 1, 2021 to December 31, 2021. The objectives of the audit are to (a) verify the assurance that may be placed on Management assertions on the financial statements; (b) recommend agency improvement opportunities; (c) determine compliance with the existing laws, rules, and regulations; and (d) determine the extent of implementation of prior years’ audit recommendations.

We employed the regular audit methodologies and techniques to attain the aforementioned audit objectives.

E. Independent Auditor’s Opinion on the Financial Statements

The auditor rendered a MODIFIED opinion on the fairness of presentation of the financial statements as of December 31, 2021 due to the deficiencies enumerated below:

The city received the following noteworthy recognitions in CY 2021, among others:

NO.	DATE RECEIVED	AWARD	SPEARHEADED BY	AWARDEE
	November 18, 2021	2021 Regional Nutri-webby awards, 2 nd Place in the highest number of Facebook page engagements	National Nutrition Council X	Valencia City Nutrition Committee
	November 18, 2021	2021 Regional Nutri-webby Awards, 2 nd Place in the Highest Number of Articles Submitted	National Nutrition Council X	Valencia City Nutrition Committee
	November 18, 2021	2 nd Place in the Over-ll result of the Nutri-Webby Award	National Nutrition Council X	Valencia City Nutrition Committee
	December 13, 2021	Hall of fame-Maintenance Award for Nutrition in the Province of Bukidnon	Provincial Nutrition Committee	Valencia City Nutrition Committee
	November 18, 2021	Award of Merit- 2015 Nutrition Honor Award	National Nutrition Council X	Valencia City
	December 21, 2021	Special Recognition Award for having successfully managed and sustained 1 DOH – Certified Temporary Treatment and Monitoring Facility during the COVID-19 pandemic	DOH Center for Health Development - Northern Mindanao	City Government of Valencia
	January 7, 2022	Top 2 for Highest Number of Youth provided with Bridging Employment Assistance	Department of Labor and Employment Regional Office X	PESO
	December 23, 2021	Star Awards: 2021 Most Outstanding Negosyo Center in Bukidnon	DTI Bukidnon	Valencia City Negosyo Center
	June 29, 2021	3 rd Place in the SWM Infographics Competition during the 2021 SWM Caravan	DENR-EMB X	City of Valencia

1. The existence, validity and accuracy of the recorded Property, Plant, and Equipment (PPE) accounts as of December 31, 2021 cannot be ascertained due to (a) the material difference between the physical count of PPE amounting to ₱ 1,723,559,784.48 against accounting records of ₱1,963,442,505.96 exclusive of “Construction in Progress (CIP)”, showing a difference of ₱409,023,436.17 with only seventy four percent (74%) of the recorded PPE included in the Physical Count conducted and (b) incomplete and inaccurate PPE Summary, thereby casting doubt as to the accuracy of the PPE account balances, the existence of some PPEs reported as of December 31, 2021 as well as the fair presentation of the PPE accounts presented in the financial statements.
2. The City has not submitted 2,005 disbursement vouchers and their supporting documents involving P189,251,045.60 to the Office of the Auditor, within the prescribed period, thereby preventing the timely conduct of post audit, preventing the team to establish fully the validity of the underlying transactions, and forfeiting the benefit of, among others, timely detecting errors and deficiencies; identifying areas for improvement; and having input to assessments of accountability and decisions that need to be made.
3. Accounts Payable recorded in December 2021 in the General Journal (GJ) of the General Fund (GF), Economic Enterprise (EE), and Special Education Fund (SEF) with a total amount of P65,424,637.51 were not supported with proofs of receipt of goods and services, and other items not related to the procurement of goods and services were also accrued to the same account, creating doubt as to the validity and propriety of the recorded amounts and affecting the fair presentation of the balances of the accounts in the financial statements.
4. Prior years’ deposits in transit recorded as reconciling items in Bank Reconciliation Statements of various bank accounts of the City Government of Valencia as of August 31, 2019 with a total amount of P19,660,148.24 were not yet credited by the bank to date, resulting in the overstatement of Cash in Bank accounts.
5. The City Accounting Office did not maintain Subsidiary Ledgers (SL) to support the controlling accounts in the General Ledgers (GLs) for the General Fund (GF), Economic Enterprise (EE), and Special Education Fund (SEF), thus resulting in the difficulty of ascertaining the accuracy of the accounts presented in the financial statements as of December 31, 2021 of the GF, EE, and SEF.
6. Review and verification of the “Cash in Bank” account, which totaled P453,630,839.15, could not be done due to the delayed preparation and submission of the Bank Reconciliation Statement (BRS) together with the bank statements of the bank accounts of the City Government of Valencia, thus the fairness and accuracy of the account remain doubtful.

F. Summary of Significant Findings and Recommendations

In addition, the following is a summary of significant observations and recommendations in the audit and/or evaluation of the operations of the City Government of Valencia for the year 2021 which need immediate action. These and other audit observations and recommendations are fully discussed in Part II of this report.

1. The City Accounting Office failed to maintain special accounts in the General Fund for its 20% Local Development Fund (LDF) as required under Section 313 of RA 7160 and Sections 105, 106, and 110 of the New Government Accounting System (NGAS) Manual, Vol. 1, thus adversely affecting the transparency and accountability of the City Government in its usage of the 20% LDF, indicating a weakness in the internal control of the LGU with regards to the management of the fund, and thereby depriving management and other stakeholders of the necessary information relative to the financial condition and results of operation of the 20% LDF that are vital in the making of well-informed and sound decisions.

We recommended to the management to direct the City Accountant to maintain a special account in the General Fund for the 20% LDF, supported by a separate set of subsidiary ledgers for each development project charged to the said fund, whether current or continuing, and prepare financial statements exclusive for the 20% LDF, in order to effectively monitor existing fund balances, appropriations, and utilizations.

2. COVID cash assistance totaling P21,593,000.00 was given to LGU Job Order employees, barangay officials and functionaries on December 2020 and a total of P29,730,000.00 was disbursed and accrued as Accounts Payable on December 2021 without sufficient supporting documents, which is not in conformity with Section 4(6) of PD No. 1445 and one of the general requirements for all types of disbursement enumerated in COA Circular 2012-001, thus the legality and propriety of the disbursements cannot be ascertained.

We recommended to the management to provide the legal basis for and/or justify the disbursement of the COVID assistance, and upon the submission of the legal basis, provide an explanation as to the differences in amounts given and require the Disbursing Officer to submit a justification or authorization letter for the payment of cash assistance that bears similar signatures.

3. The LGU failed to observe the procedures provided for in the Manual on Audit for Fuel Consumption of Government Motor Vehicles as prescribed in COA Circular No. 77-61, and some consumption of fuels were not supported with complete supporting documents contrary to PD No. 1445 Section 4 (6); thus, the effective control and regulation of its fuel consumed is not guaranteed, the reasonableness of fuel procured/consumed cannot be ascertained, and the legality, validity, and propriety of the expenditures cannot be established.

We recommended to the Management to instruct the personnel/department concerned of the following:

- a) Preparation of an RIV or its equivalent in the procurement and requisition of fuel, the corresponding trip ticket/s should also be attached in the vouchers so that fuel consumptions are properly accounted for,
- b) Use of the prescribed format of trip tickets,
- c) Trip tickets should be completely and properly filled out especially the exact location/s for the travel, the approximate distance travelled, odometer readings at beginning and end of trip, so that the reasonableness of fuel procured/consumed can be determined,
- d) Non-travel-related fuel disbursements should be supported with complete and sufficient documentation to establish its validity and propriety,
- e) Preparation and submission of Monthly Report of Official Travels and Monthly Report of Fuel Consumption of Government Motor Transportation to the Office of the Auditor,
- f) Copies of trip tickets should also be attached in the fuel consumption reports, and
- g) In case of variances between the quantity of fuel authorized for withdrawal and actual quantity of fuel withdrawn, appropriately remark the same in the RIV.

We also recommended to the management for the establishment of a policy indicating fuel estimates to be procured/ consumed for specific purposes and destinations, assignment of personnel to record and monitor the travels of each government vehicle as well as decide on the quantity of fuel to be withdrawn per trip with reference to his/her monitoring of fuel balances, and other relevant policies that could ensure the effective control and proper accounting of the LGU's fuel consumption.

G. Summary of Total Suspensions, Disallowances and Charges

Total suspensions, disallowances and charges for the General Fund for CY 2021 are shown below:

General Fund	Notice of Suspension	Notice of Disallowance	Notice of Charge
Beginning Balances	397,800.00	133,650.00	-
Adjustment to Beginning Balances	-	-	-
Adjusted Beginning Balances	397,800.00	133,650.00	-
Issued	-	-	-
Settlement	-	6,115.75	-
Ending Balances	397,800.00	127,534.25	-

Trust Fund	Notice of Suspension	Notice of Disallowance	Notice of Charge
Beginning Balances	3,174,983.50	1,523.00	-
Adjustment to Beginning Balances	-	-	-
Adjusted Beginning Balances	3,174,983.50	1,523.00	-
Issued	-	-	-
Settlement	-	1,523.00	-
Ending Balances	3,174,983.50	-	-

For the Special Education Fund (SEF), there were no issuances in CY 2021 and previous issuances were fully settled.

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the forty-three (43) audit recommendations in CY 2020 and previous years, thirteen (13) were fully implemented, twenty-nine (29) were partially implemented, and one (1) was not implemented. Of the 29 partially implemented, 8 were reiterated with modifications in Part II of this report.