EXECUTIVE SUMMARY

Introduction

The Municipality of Valencia became a town of Negros Oriental by virtue of Republic Act No. 252 dated June 14, 1948. Its original name was Nueva Valencia, which was later changed to Luzuriaga, and finally to Valencia. It is currently classified as a first-class Municipality per Bureau of Local Government Finance (BLGF) Memorandum Circular No. 01-M(30)-5 dated December 16, 2005.

As of December 31, 2024, it had a personnel complement of 913, as shown below:

Nature of Appointment to Office	***Quantity***
Elective Officials	12
Permanent Positions	153
Casuals/Contractuals	35
Job Orders	707
Co-terminous	6
Total	**913**

Audit Objective

The objective of the audit is to (a) ascertain the fairness of the presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations. The performance audit was likewise conducted with the objective of informing management where improvements can be instituted in the areas of revenues, expenditures, and management of resources.

Audit Methodology

The Commission has been implementing a risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in the audit was incorporated.

Scope of Audit

An audit was conducted on the accounts and operations of the Municipal Government of Valencia for CY 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interviews with concerned government officials and employees, verifications, reconciliations, confirmations, inspections, and analyses of accounts, and such other procedures considered necessary.

Financial Highlights

A comparative analysis of the Statement of Financial Position, as illustrated below, reveals increases in assets, liabilities, and equity:

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	2,086,866,442.21	1,805,280,070.09	281,586,372.12
Liabilities	1,104,312,596.05	866,179,506.07	238,133,089.98
Government Equity	982,553,846.16	939,100,564.02	43,453,282.14

Likewise, the Statement of Financial Performance reflects increases in revenue and surplus, as well as increases in expenses, as shown below:

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Results of Operations			
Revenue	325,442,428.16	290,859,211.16	34,583,217.00
Personnel Services	93,008,022.38	88,601,044.24	4,406,978.14
Maintenance and Other Operating Expenses	152,225,219.98	138,264,788.71	13,960,431.27
Financial Expenses	32,383,496.06	30,188,638.12	2,194,857.94
Non-cash Expenses	1,796,150.66	299,011.28	1,497,139.38
Net Financial Assistance/ Subsidy	(4,557,978.90)	(4,662,833.00)	104,854.10
Net Surplus (Deficit)	41,471,560.18	28,842,895.81	12,628,664.37

The following table illustrates a decrease in the final budget or appropriations and an increase actual amounts or obligations during the year:

Particulars	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Final Budget	572,619,441.48	595,027,138.05	(22,407,696.57)
Actual Amounts	389,398,286.62	346,500,559.04	42,897,727.58

Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended, taking exceptions to the effects of the following:

1. At least 38 completed projects in CY 2024 under the General Fund and Special Education Fund, totaling ₱58,898,662.36, were erroneously retained under the Construction in Progress (CIP) account instead of being transferred to the appropriate Property, Plant and Equipment (PPE) accounts, due to insufficient monitoring and improper documentation, resulting in an overstatement of the CIP account and an understatement of related PPE and depreciation expense accounts.

2. The Accounts Payable balance of ₱25,680,544.86 was not fairly presented due to the inclusion of undocumented unpaid obligations amounting to ₱2,084,423.19, of which ₱1,761,964.63 remained outstanding for more than two years and were neither reverted to the unappropriated surplus, thus, may no longer represent valid claims.

Significant Findings and Recommendations

In addition to the above-noted deficiencies, the significant audit observations and recommendations noted in the course of the audit are as follows:

1. **The Real Property Tax (RPT) Receivable and Special Education Tax (SET) Receivable for CY 2024, each amounting to ₱53,232,192.80, were recorded only in November 2024 due to the unavailability of the assessment roll at the beginning of the year, compromising the matching principle thus, collections may not align with recorded receivables.**

   We recommended that Management coordinate with the iTax System Technician to determine whether the amounts of RPT and SET Receivables established in November 2024, based on the assessment roll received by the Municipal Treasurer on November 12, 2024, would have been the same had the assessment roll been generated and made on or before December 31, 2023.

   We further recommended that the Municipal Accountant prepare the necessary adjusting entries, if warranted.

   We furthermore recommended that Management adhere to Sections 246 and 248 of Republic Act (RA) No. 7160 and Section 20 of the Manual on the New Government Accounting System (NGAS), Volume I, to ensure the timely and reliable establishment of RPT and SET Receivables.

2. **The Notes to the Financial Statements (FS) for CY 2024 did not correctly present the current appropriation for the Local Disaster Risk Reduction and Management Fund (LDRRMF), resulting in incomplete disclosure of vital information in the financial statements.**

   We recommended that, henceforth, the Municipal Accountant take into account the budget revisions made during the year to ensure that the current year appropriations for the LDRRMF are accurately disclosed in the Notes to FS as of December 31.

3. **The Municipality inappropriately invested a total of ₱89,492,517.47 in time deposits without proper compliance with COA Circular No. 92-382, as the funds under the General Fund (GF) did not qualify as idle and documentary support for Land Bank of the Philippines (LBP) placements was lacking, thereby rendering its propriety doubtful.**

   We recommended that Management:

   a. Cease the placement of funds in time deposits unless properly supported by a detailed computation showing excess funds beyond the Municipality's normal operating and financial requirements, in accordance with Sections 21 and 22 of COA Circular No. 92-382; and

   b. Instruct the Municipal Treasurer to retrieve and submit complete supporting documents for all existing time deposit accounts, particularly those under LBP, to validate the legality and appropriateness of such investments.

4. **Delinquent RPT and SET including penalties accruing thereon which accumulated to ₱18,374,734.90 remained uncollected as of December 31, 2024, depriving the Municipality of substantial amount of income which could have been utilized to finance the implementation of various development projects or other major programs/ projects/activities (PPAs).**

   We recommended that the Municipal Treasurer strengthen efforts to collect delinquent real property taxes by conducting intensive tax campaigns in each barangay and issuing updated Notices of Delinquency to all delinquent taxpayers, ensuring that these notices include the information mandated under Section 254(b) of RA No. 7160.

   We also recommended that Management consider applying the remedies for the collection of real property taxes, in accordance with the pertinent provisions of RA No. 7160.

Summary of Total Suspensions, Disallowances, and Charges as of Year-End

The reported audit suspensions, disallowances, and charges of the LGU as of December 31, 2024, were as follows:

Particulars	Beginning Balance (1/1/2024)	Issued this Period (1/1/2024 to 12/31/2024)		Ending Balance (12/31/2024)
		NS/ND	NSSDC	
Suspensions	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Disallowances	12,684,785.80	0.00	0.00	12,684,785.80
Charges	0.00	0.00	0.00	0.00

Status of Implementation of Prior Years' Recommendations

Of the 84 recommendations embodied in the previous years' Annual Audit Reports, 23 were fully implemented and 61 were not implemented.