EXECUTIVE SUMMARY

Introduction

Pursuant to Republic Act No. 7160, the Municipality of Vallehermoso, Province of Negros Oriental, like other local government units, enjoys total independence in managing, deciding, and planning its own administrative fiscal and development affairs in conformity with the national government's thrusts for sustainable social and economic growth. It exercises the powers expressly granted, those necessarily implied therefrom, as well as powers appropriate or incidental for its efficient and effective governance, and those essential to promoting the general welfare.

The municipal government also ensures and supports, among other things, the preservation and enrichment of culture, the promotion of health and safety, and the enhancement of the people's right to a balanced ecology. Likewise, it encourages and supports the development of appropriate, self-reliant, scientific, and technological capabilities, improves public morale, and enhances economic prosperity and social justice. It also aims to promote full employment among its residents, maintain peace, and preserve the comfort and convenience of the inhabitants.

During the survey conducted in the 4th Quarter of 2024 by Bayan Serbisyo at Kaunlaran (BSK) Advocates for Participatory Governance and Accountability, the Local Chief Executive of the Municipality was recognized as one of the Top Performing Municipal Mayors in Negros Oriental with a job performance rating of 86.05%.

As of December 31, 2024, the Municipality had a personnel complement of 512, as shown below:

Nature of Appointment to Office	***Quantity***
Elective Officials	12
Permanent/Regular Positions	83
Casual Plantilla	9
Job Orders	405
Contract of Service	3
TOTAL	**512**

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 to inform management where improvement can be instituted in the field 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 Vallehermoso for 2024. The audit consisted of a review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary.

Financial Highlights

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

Accounts	2024 (in ₱)	2023 (in ₱)	Increase (Decrease)
Statement of Financial Position			
Assets	513,479,676.76	471,980,147.81	41,499,528.95
Liabilities	88,347,505.74	64,738,222.32	23,609,283.42
Government Equity	425,132,171.02	407,241,925.49	17,890,245.53

On the other hand, the Statement of Financial Performance reflects decreases in revenue and surplus, as well as increases in expenses, as shown below:

Results of Operations			
Revenue	236,103,630.69	194,877,561.88	41,226,068.81
Personnel Services	60,993,266.35	59,643,348.91	1,349,917.44
Maintenance and Other Operating Expenses	112,865,113.99	71,256,599.94	41,608,514.05
Non-cash Expenses	35,509,342.87	30,145,066.65	5,364,276.22
Net Financial Assistance/ Subsidy	(111,936.90)	(3,460,923.33)	3,348,986.43
Non-operating Income	190,584.00	146,186.62	44,397.38
Net Surplus (Deficit)	26,814,554.58	30,517,809.67	(3,703,255.09)

The following table illustrates increases in the final budget or appropriations and actual amounts or obligations during the year:

Final Budget	238,302,521.08	220,104,514.93	18,198,006.15
Actual Amounts	179,032,277.21	166,202,083.58	12,830,193.63

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. The Municipality did not effectively follow the guidelines and procedures on the one-time cleansing of PPE, thus affecting the fairness of presentation of the PPE accounts amounting to ₱375,535,879.35 in the financial statements at year-end and depriving the government of access to reliable and useful information for decision-making and accountability for these assets.

2. Biological Assets valued at ₱2,223,949.64 that have been in the books for more than five years, were not stated at fair value as of the reporting date due to the non-submission of the Inventory Report of Breeding Stocks and Other Biological Assets and the prevailing market price for each item by the Municipal Agriculturist and OIC-MENRO to the Municipal Accountant, thus, rendering the existence and valuation of the account presented in the financial statements doubtful and unreliable.

Significant Findings and Recommendations

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

1. **Collections amounting to ₱296,697.38 as of December 31, 2024, were not deposited with the authorized government depository bank (AGDB) daily or not later than the next banking day due to late remittance of Collecting Officers to the Municipal Treasurer, thereby posing a substantial risk to the municipality's financial integrity and exposing government funds to potential misappropriation or possible loss.**

   We recommended that the Municipal Mayor direct the Municipal Treasurer to:

   a. Strictly comply with Items 1 and 4 of Section 69 of Presidential Decree (P.D.) No. 1445 and Section 32 of the NGAS Manual for LGUs by ensuring that all collections are deposited intact with the authorized depository bank at the end of each day or within the prescribed period;

   b. Regularly notify the Collecting Officers to remit their collections at the end of each working day or at least once a week if they are stationed in far-flung areas and to establish cut-off dates for collections and deposits, especially at year-end; and

   c. Designate a responsible accountable officer, in accordance with existing regulations, to deposit collections to the municipality's AGDB within the prescribed period during her absence or when she is not personally available to do so.

2. **The four municipal vehicles labeled “Ambulance” were not licensed by the Department of Health (DOH) to operate as ambulances; instead, they functioned as patient transport vehicles. Consequently, they were improperly marked, thereby endangering the safety of both patients and personnel on board.**

   We recommended that the OIC - Municipal Health Officer comply with the requirements under DOH AO No. 2018-001 dated January 28, 2018, to obtain the DOH-LTO for the four vehicles.

3. **The unexpended balances of the LDRRMF from prior years amounting to ₱6,027,925.02 which were transferred to the Special Trust Fund (STF) were not considered and integrated into the LDRRMFIP for CY 2024 and may result in inefficiencies in allocating and utilizing funds for disaster risk reduction and management efforts, as well as missed opportunities for disaster resilience and preparedness initiatives.**

   We recommended that the LDRRMO and the LDRRMC:

   a. Include PPAs that are chargeable against the prior years’ unexpended LDRRMF in the annual LDRRMFIP of the current year, in accordance with the format prescribed under Annex A of COA Circular No. 2012-002; and

   b. Establish an efficient review and monitoring system to ensure that the LDRRMFIP complies with the requirements outlined in COA Circular No. 2012-002.

4. **The fuel purchased from the LDRRMF was used for purposes unrelated to disaster-related activities. This misuse undermines the intended purpose of the fuel purchase and reduces the funds available for disaster risk management, relief, rehabilitation, and recovery programs.**

   We recommended that the LDRRMO-Designate:

   a. Adhere strictly to the provisions of DILG Memorandum Circular No. 2012-73 dated April 17, 2012, and NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013, on the utilization of the LDRRMF;

   b. Reimburse the LDRRMF from the General Fund for the cost of fuel used by non-LDRRM vehicles; and

   c. Ensure that the LDRRM motor vehicles and heavy equipment are exclusively used for disaster/calamity response and rescue/relief operations in conformity with DILG MC No. 2021-004 dated January 18, 2021. Otherwise, refund or replenish the LDRRMF for the cost of the subject motor vehicles and heavy equipment, the appropriations for which shall be taken from the General Fund.

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

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

Particulars	Beginning Balance (01/01/2024)	Issued this Period (1/1/2024 to 12/31/2024)		Ending Balance (12/31/2024)
		NS/ND	NSSDC	
Suspension	₱ 969,463.00	0.00	0.00	₱ 969,463.00
Disallowance	0.00	0.00	0.00	0.00
Charge	0.00	0.00	0.00	0.00

2. These ending balances pertain to audit suspensions issued and received in the following years:

Year Issued	Balance as of 12/31/2024	Transaction Year	Remarks
Notice of Suspension (NS)			
2015	₱ 969,463.00	2014	₱958,133.00 - Lacking documents on BUB Tagbino - Guiba 50% ₱11,330.00 – Explanation for the extra labor and inconsistent documents
Total NS	**₱ 969,463.00**		

3. We would like to note that the aforesaid balances do not include Notices of Suspension, Disallowance, and Charge issued prior to the effectivity of the Rules and Regulations on Settlement of Accounts, which are still subject to reconciliation with the balances of the accounting record.

Status of Implementation of Prior Years' Recommendations

Of the 29 audit recommendations, 5 were implemented and 24 were unimplemented.