

EXECUTIVE SUMMARY

I. Introduction

The City of Himamaylan was made among the sub-division of the Province of Negros Occidental thru Act 2657 dated February 24, 1916 as found under Section 43 of Administrative Code of the Philippine Island. It was reclassified from fourth class to third class municipality on July 1, 1993 in accordance with the provision of Section 8 of the 1991 Local Government Code. In 1997, Himamaylan was again reclassified from third class to first class municipality pursuant to Department Order No. 97-3 (48) dated May 16, 1997 of the Department of Finance. On February 17, 2000, a public hearing was held on House Bill No. 6237 introduced by Congressman Jose Apolinario I. Lozada, Jr. converting the Municipality into a Component City of the Province of Negros Occidental. Finally, on March 5, 2001, RA No. 9028 was signed into law converting the Municipality of Himamaylan to City of Himamaylan.

Today, the City of Himamaylan, under the leadership of Mayor Agustin Ernesto G. Bascon, envisioned every possible means to provide an effective, efficient and faster delivery of basic services through accelerated socio-economic development. Himamaylan City, being a local government unit, is tasked to provide public service for the good of its people in terms of social, economic, civic, cultural, educational, health, agricultural, commercial sports and other development programs for the attainment of a fuller life for everyone.

II. Highlights of Financial Operation

a. Assets, Liabilities and Equity

The financial position and financial performance of Himamaylan City for CY 2018 with comparative figures for CY 2017, expressed in Philippine Peso are as follows:

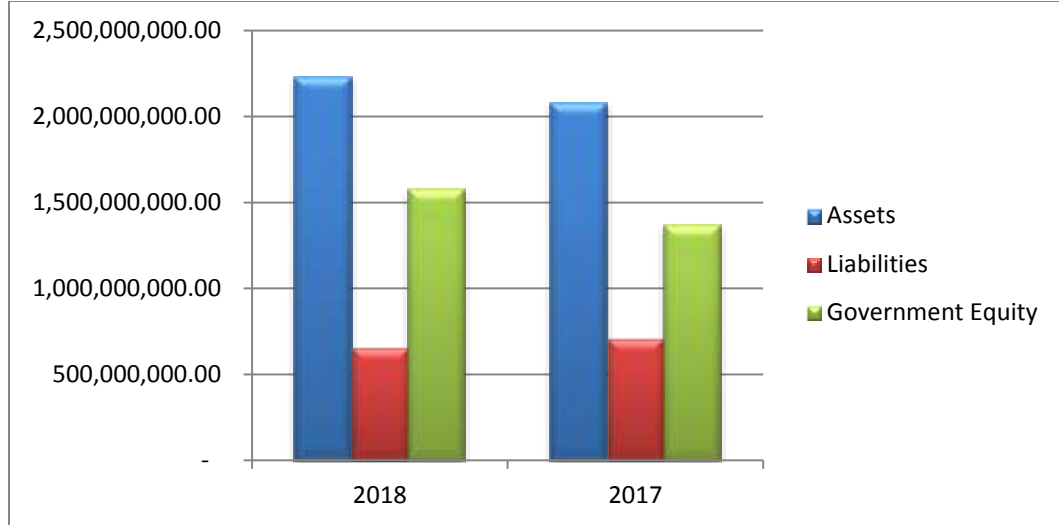
Accounts	2018	2017	Increase/(Decrease)
Assets	2,228,935,480.25	2,079,010,893.39	149,924,586.86
Liabilities	654,254,325.20	711,118,822.86	(56,864,497.66)
Government Equity	1,574,681,155.05	1,367,892,070.53	206,789,084.52
Income	672,518,693.50	686,653,067.99	(14,134,374.49)
Expense	475,095,736.92	442,213,453.97	32,882,282.95
Appropriation	755,649,249.27	699,827,323.52	55,821,925.75
Obligation	632,445,468.62	585,413,427.86	47,032,040.76

b. Sources and Application of Funds

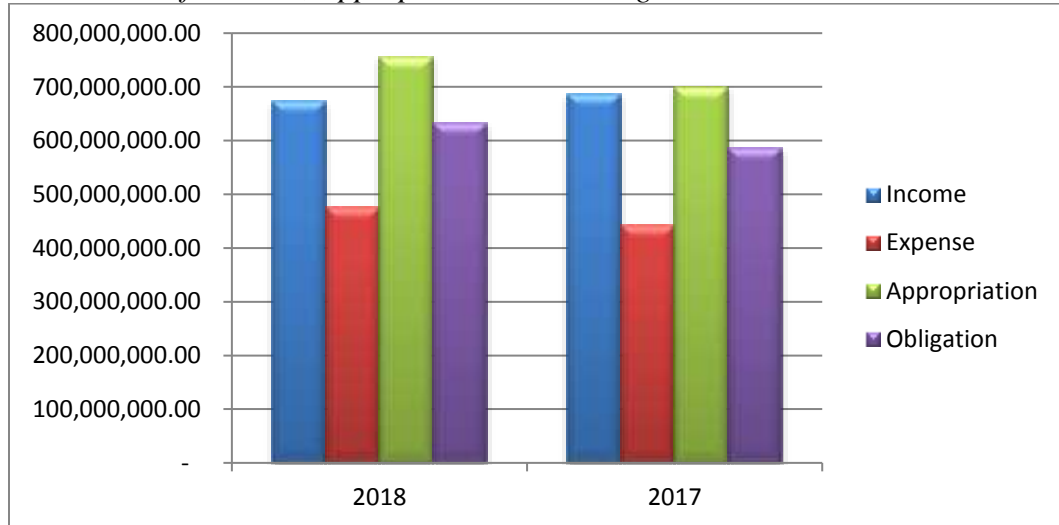
During the year, the City realized an actual Operating Income of ₱672,518,693.50 which is 2.06% lower than last year's income of ₱686,653,067.99. The decrease is attributed to the decrease in Internal Revenue Allotment, Other Income, Permits and Licenses, Service Income, Other Income, National Taxes and collection in local taxes.

Financial Graph: Financial Position and Financial Performance

Financial Position:



Financial Performance, Appropriations and Obligations:



c. Appropriations

This year's total appropriation of ₱755,649,249.27 is higher by 7.98% than last year's total appropriation of ₱699,827,323.52.

d. Obligations

The total obligations incurred during the year of ₱632,445,468.62 is 8.03% higher than last year's obligations of ₱585,413,427.86.

III. Scope of Audit

A financial and compliance audit was conducted, on test basis, on the accounts and operations of the City of Himamaylan, Negros Occidental from January to December, 2018. The audit was conducted to ascertain the propriety of financial transactions and compliance of the LGU to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS). A verification of the implementation of the prior year's audit recommendation was also undertaken.

The audit consisted of the review of the City's operating procedures, interview with concerned officials and employees, verification, analysis of accounts on test basis computations, comparison of current with prior year's data and other procedures considered necessary under the circumstances.

The following areas had been identified as audit focus pursuant to COA Memorandum dated September 14, 2018:

A. Financial Audit:

1. Cash and cash equivalents
2. Financial Liabilities (particularly Loans Payable) accounts
3. Fund Transfers Received From/Given To
 - 3.1 Due from NGOs/POs, Due from NGAs, Due from GOCCs and Due from LGUs
 - 3.2 Due to NGOs/POs, Due to NGAs, Due to GOCCS, and Due to LGUs
4. Funds Directly Released by the Dept. of Budget and Management (DBM) to Local Government Units (LGUs) from the Appropriations for Local Gov't. Support Fund (LGSF)
 - 4.1 Bottom-Up Budgeting (BUB) and Assistance to Disadvantaged Municipalities (ADM)
 - 4.2 Local Disaster Risk Reduction Management Fund (LDRRMF)

B. Compliance Audit

1. 20% Development Fund
2. Local Disaster Risk Reduction Management Fund (LDRRMF)
3. Special Education Fund
4. Local Council for Protection of Children

C. Inclusion of evaluation/audit observation on the following areas

1. Enforcement of COA Disallowances and Charges as prescribed in COA Memorandum No. 2009-084 dated November 16, 2009;
2. Compliance with tax laws;
3. Remittance of mandatory GSIS, Philhealth and PAG-IBIG contributions and remittances of loan amortizations; and
4. Compliance with: Programs and Projects related to Gender and Development.

IV. Independent Auditor's Opinion on the Financial Statements

The auditor, taking exception on the effect/s of any adjustment/s which might have been made had cash advances totaling ₱3,131,874.15 been liquidated, and the Property, Plant and Equipment valued at ₱556,828,427.26 been reconciled with the actual physical count, rendered a qualified opinion on the accompanying financial statements as they present fairly in all material respects, the financial position of the City of Himamaylan, Negros Occidental as of December 31, 2018, and the results of its operations and cash flows for the year then ended in conformity with the generally accepted accounting principles.

V. Significant Findings and Recommendations

- 1. Himamaylan City has an unreconciled difference of ₱46,351,827.00 between the Property, Plant and Equipment (PPE) account balance per books and the Report on the Physical Count of PPE for CY 2018 due to failure of the Accounting and the General Services Office to complete the reconciliation of their records, thus balances of the PPE accounts totaling ₱556,828,427.26 (net of depreciation) in the financial statements remain unreliable.**

We recommended that the City Accountant and the GS Officer reconcile the difference in their records and effect the necessary adjustments in order to present reliable balances of PPE accounts in the financial statements.

Likewise, the Inventory Committee should prepare a listing of properties not found during the inventory and identify the persons accountable thereof.

Furthermore, the GSO and the City Accountant should regularly maintain an updated Property Cards and PPE Ledger Cards so reconciliation of the two records will be carried out without unnecessary delay.

- 2. Advances to Officers and Employees for travel and other purposes totaling ₱3,131,874.15 aged from 30 days to over 5 years, remained unliquidated as of December 31, 2018, contrary to Section 89 of P.D. No. 1445, COA Circular No. 97-002 dated February 10, 1997, and COA Circular No. 2012-004 dated November 28, 2012.**

We recommended that the concerned officials and employees shall liquidate and/or refund immediately their unliquidated cash advances specifically those granted prior to December 31, 2011 considering that a final demand was already issued pursuant to COA Circular No. 2012-004 dated November 28, 2012.

We further recommended that the City Accountant ensure that all cash advances to Officers and Employees are liquidated within the prescribed period pursuant to Section 89 of P.D. No. 1445 and COA Circular No. 97-002 dated February 10, 1997 to avoid accumulation of unliquidated cash advances and to attain a fair presentation of the relevant accounts in the financial statements.

- 3. Fund transfers to NGOs/POs totaling ₱18,492,205.04 aged from over one year to over five years, remained outstanding as of December 31, 2018, thus proper accounting thereof could not be made contrary to Section 5.4 of COA Circular No. 2007-001 dated October 25, 2007.**

We recommended that the City Accountant require the NGOs/POs to liquidate outstanding fund transfers or demand return if not utilized.

We further recommended that the City Government refrain from granting of additional fund transfers unless the previous one has been settled and strictly follow the pertinent provisions of Section 5.4 of COA Circular No. 2007-001 dated October 25, 2007.

- 4. Non-reclassification of the completed infrastructure projects amounting to ₱38,745,312.82 on the 20% Development Fund for CY 2018 is contrary to Section 50 paragraph 4 & 5, of the New Government Accounting System Manual (NGAS Manual) for Local Government Units, Volume 1 thus, rendered the reported balances unreliable.**

We recommended that the City Accounting and the City Engineering Offices reconcile their records to determine the correct balances of the affected CIP accounts.

Furthermore, we recommended that the City Engineering Office provide the City accounting Office with copies of the report of completed projects and other necessary documents, and to cause the transfer of these projects from the CIP accounts to the appropriate PPE accounts and the Registry of Public Infrastructures.

- 5. The City Accountant failed to completely prepare and submit the monthly Bank Reconciliation Statements for the 13 depository accounts of the Himamaylan City in violation of Section 74 of Presidential Decree No. 1445 and COA Circular No. 96-011 dated October 2, 1996, thus accuracy and reliability of Cash in Bank account balances cannot be ascertained.**

We recommended that the City Accountant hasten the preparation of the monthly Bank Reconciliation Statements for all the depository accounts of the City to determine the correctness of the balances of the Cash- in-Bank Accounts appearing in the financial statements. The Accountant should submit the statements to the Auditor for verification.

- 6. Various disbursements charged against Special Education Fund (SEF) totaling ₱425,095.82 were not among those allowable under Section 100 (c) of RA No. 7160 and those enumerated under Section 4.0 of DepEd DBM DILG Joint Circular No. 1 s. 2017 dated January 19, 2017.**

We recommended that funds for Local School Board (LSB) be spent for expenses allowed under Section 100 (c) of RA No. 7160.

We recommended further that the LSB should adhere strictly with the rules and regulations of Section 100 (c) of RA No. 7160, and those enumerated under Section 4.0 of DepEd, DBM, DILG Joint Circular No. 1 s. 2017 dated January 19, 2017 so that funds will be spent for its intended purpose.

- 7. The City failed to maximize utilization of the 70% Mitigation Fund for its Local Disaster Risk Reduction and Management (LDRRM) Fund totaling ₱73,422,360.83 and registered a financial delivery rate of 12.39% during the year.**

We recommended that the City thru its DRRM Head to implement the programs, projects/activities based on the LDRRM Plan to strengthen the resilience of the constituents to disaster and climate change impacts.

- 8. Contracts for loans totaling ₱81,938,975.20 as of December 31, 2018 were not submitted to the auditor thus precluding timely review and examination thereof contrary to Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009 and to Section 7.2.1 (a and b) of COA Circular No. 2009-006 dated September 15, 2009.**

We recommended that the City Mayor should submit the loan contracts within five (5) working days from its execution for its timely review and evaluation in accordance to Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009 and other relevant loan documents should be readily available pursuant to Section 7.2.1 (a and b) of COA Circular No. 2009-006 dated September 15, 2009.

- 9. The City of Himamaylan failed to make timely submissions of its Annual GAD Plan and Budget (GPB) and the corresponding Accomplishment Report for CY 2018 to the Office of the Auditor contrary to Item V of COA Circular No. 2014-001 dated March 18, 2014.**

We recommended that the Management strictly adhere to Item V of COA Circular No. 2014-001 dated March 18, 2014 for the timely submission of the said reports to the COA Audit Team.

- 10. Check Registers were not found to be in order contrary to Section 42 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs) Volume I. Likewise, the City Treasurer failed to include two hundred forty seven (247) checks issued aggregating ₱53,233,856.49 in its Report of Checks Issued (RCI) contrary to Section 43 and items “i to k” of Section 44 of the NGAS Manual for LGUs Volume I, thus proper check disbursement process was not obtained and prevented timely examination thereof.**

We recommended that the City Treasurer shall maintain a Check Register where all checks issued are recorded chronologically, report all checks issued in the RCI and observe proper check disbursement process pursuant to Sections 42, 43 and 44 of the NGAS Manual for LGUs Volume I.

We further recommended that the City Treasurer coordinate with the City Accountant in reporting check amounts in the Check Register, RCI and eNGAS.

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

Audit Suspensions and Disallowances amounting to ₱718,899.78 and ₱11,905,919.45 respectively, remained unsettled as of December 31, 2018 contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

VII. Status of Implementation of Prior Year’s Audit Recommendations

Of the 31 recommendations contained in the prior year’s audit report, only three were implemented, 19 were partially implemented and nine remained unimplemented, or a 9.68% implementation rate.