

## EXECUTIVE SUMMARY

### A. Introduction

The Himamaylan Water District (HWD) in Himamaylan City, Negros Occidental, created in 1979 by virtue of Resolution No.19, series of 1979, of the Sangguniang Bayan of Himamaylan and in accordance with Presidential Decree No. 198 dated May 25, 1973, is currently headed by its General Manager, Eng'r. Joel G. Gellecanao. The personnel complement is composed of 24 regular officers and 42 job orders.

The five members of the Board of Directors constituting the policy-making body of the District are as follows:

Name	Designation	Term of Office
Emma C. Pabilona	Chairperson	Jan. 1, 2017- Dec. 31, 2022
Erlinda U. Badajos	Vice Chairperson	Jan. 1, 2013- Dec. 31, 2018
Ofencil T. Sencil	Secretary	Jan. 1, 2013- Dec. 31, 2018
Anthony G. Gayoso	Treasurer	Jan. 1, 2017- Dec. 31, 2020
Manuel G. Quingco	Auditor	Jan. 1, 2017- Dec. 31, 2022

### B. Financial Highlights

#### 1. Financial Condition:

		<u>2017</u>		<u>2016</u>		<u>Increase (Decrease)</u>	<u>%</u>
Assets	P	83,345,284.14	P	80,865,125.20	P	2,480,158.94	3.07
Liabilities		13,356,736.44		14,794,478.94		(1,437,742.50)	(9.72)
Equity	P	69,988,547.70	P	66,070,646.26	P	3,917,901.44	5.93

#### 2. Results of Operations:

		<u>2017</u>		<u>2016</u>		<u>Increase (Decrease)</u>	<u>%</u>
Operating Revenue	P	34,158,067.04	P	30,412,364.76	P	3,745,702.28	12.32
Operating Expenses		30,328,101.11		28,681,313.01		1,646,788.10	5.74
Other Income		43,785.51		105,959.78		(62,174.27)	58.68
Net Income (Loss)	P	3,873,751.44	P	1,837,011.53	P	2,036,739.91	110.87

### 3. **Financial Ratios:**

**2017**

**2016**

#### a. Liquidity Ratios:

Current Ratio	4.04: 1	3.50 : 1
Debt/Equity Ratio	0.19 : 1	0.22:1

#### b. Profitability Ratios:

Net Income to Gross Income Ratio	0.113: 1	0.060: 1
Return on Assets	0.046: 1	0.023 : 1
Return on Net worth	0.055: 1	0.028 : 1

#### c. Net Working Capital P 14,178,304.94 P 12,449,964.46

### C. **Operational Highlight**

	<b>2017</b>	<b>2016</b>
Total No. of Service	7,726	7,309
Total No. of Active Concessionaires	5,840	5,497
Total Metered	5,840	5,497
Total Billed	5,878	5,567
Total New Connections	47	32
Total Reconnections	160	117
Total Disconnections	120	104

### D. **Scope of Audit**

A financial and compliance audit was conducted on the accounts and operations of HWD for the years ended December 31, 2016 and 2017. We included tests of the accounting records and other auditing procedures and techniques considered necessary in the circumstances to ascertain the validity and propriety of the transactions in order to express an opinion on the fairness of presentation of financial statements as well as to determine whether or not transactions were made in accordance with existing laws, rules and regulations.

### E. **Independent Auditor's Opinion**

A qualified opinion was rendered on the fairness of presentation of the financial statements of HWD for the calendar years ended December 31, 2016 and 2017.

## **F. Significant Audit Observations and Recommendations**

We commend the management of HWD for the preparation and development of Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027. The HWD had a Corporate Operating Budget and expended within their approved budget. Annual Procurement Plan (APP) was prepared and submitted to Department of Budget and Management (DBM). Gender and Development (GAD) plan and budget were prepared and implemented and its accomplishments were forwarded to Philippine Commission on Women (PCW).

Other significant audit observations are presented below with details presented in Part II of this report:

**1. The total amount of P39,000.00 birthday incentive paid to the officers and employees of the District contravened the provisions of CSC Resolution No. 010112.**

We recommended that the General Manager stop the payment of birthday incentive or any allowance/benefit that are not authorized by law. We further recommended that the Accountant require the immediate refund of the amount of Birthday Incentive received by HWD officers and employees.

**2. The HWD paid its officers and employees rice allowance amounting to P198,000.00 in violations of Section 12 of RA 6758 and COA Resolution 2004-006.**

We recommended that the General Manager require the immediate refund of the rice allowances received by the personnel and officers of the HWD in CY 2016.

**3. Reimbursement of various expenses incurred by the members of the Board of Directors on transportation and communication expenses were in excess of the allowable 25% of the actual per diems received or by P4,489.25, in violation of Section 10 of Executive Order No. 65 dated January 2, 2012.**

We recommended that the Manager of the Finance and Commercial Divisions:

- a. observe strictly the pertinent provisions of E.O. No. 65 in approving payments of reimbursable expenses to the Board of Directors which should not exceed 25% of the actual per diems received for Regular and Special Board Meetings every month.

- b. require the Board of Directors the immediate refund of the overpayment of P4,489.25.

We further recommended that the Accounting Division maintain subsidiary ledgers to monitor the reimbursements of the BOD.

- 4. The unaccounted water produced in excess of the 20% maximum acceptable non-revenue water increased from 24,359 in 2016 to 27,698 cubic meters in 2017. This may expose the District to risks of possible loss of income for its efficient, effective and economical operation.**

We recommended that the Manager of the Finance and Commercial Divisions:

- a. periodically conduct performance audit of water meters of concessionaires to ensure their accuracy; and
- b. efficiently and effectively monitor and protect water facilities and take immediate appropriate action on leakages, defective water meters, theft and other illegal devices to minimize water losses.

- 5. Monthly Report of Accountability for Accountable Forms (RAAF) on official receipts and checks were not prepared and submitted by the accountable officers as provided under Section 98 of Government Accounting and Auditing Manual (GAAM). Thus, exposing Management to risks, losses, improper use and wastage of the accountable forms in their receipt, issuance and storage.**

We recommended that the Cashier, Bill Collectors and Property/Supply Officer prepare monthly RAAF which shall be submitted to COA pursuant to Section 98 of GAAM.

We further recommended that the Manager of Finance and Commercial Divisions monitor the compliance of the submission of RAAF to COA.

- 6. Semi-expendable properties totaling P526,269.24 are still carried as Property, Plant and Equipment (PPE) contrary to Paragraph 5.4 of COA Circular No. 2016-006 dated December 29, 2016 resulting in overstated assets and equity.**

We recommended that the Senior Accounting Processor derecognize in the books of accounts the semi-expendable properties recorded in the PPE accounts in compliance with Paragraph 5.4 of COA Circular No. 2016-006.

**7. Unserviceable Properties of P1.2 Million were still included in the Property, Plant and Equipment (PPE) accounts of P91,143,516.78 thereby affecting the accuracy of the PPE accounts.**

We recommended that the Property/Supply Officer prepare the Inventory and Inspection Report of Unserviceable Properties (IIRUP) and request for the immediate disposal of the unserviceable properties in accordance with the procedures prescribed under Section 79 of PD 1445.

We further recommended that the Senior Accounting Processor prepare the necessary JEV to drop from the book of accounts the related Asset accounts once disposal have been made.

**8. The Petty Cash Fund was used for recurring expenses on tricycle/jeepney fares which amounted to P151,562.00 and P162,261.00 in 2016 and 2017 respectively.**

We recommended that the Manager of the Finance and Commercial Divisions and the Manager of the Repairs and Maintenance, and Production and Water Quality Division:

- a. require the submission of approved itinerary of travel for all claims of tricycles and jeepney fares including accomplishment reports;
- b. reduce the amount of Petty Cash Fund to a reasonable amount to cover petty expenses of the District and use the fund strictly in accordance with the applicable rules and regulations; and
- c. maximize the use of the tricycles and motorcycles owned by the District to save on tricycle fares.

**9. HWD still failed to strictly implement its disconnection policy on water service to concessionaires resulting in an accumulated delinquent/past due Accounts Receivable-Water Bills (AR-WB) of P1,965,749.18 as of December 31, 2017, representing 63.86% of the total AR-WB of P3,078,040.63.**

We recommended and the management agreed that the Manager of Finance and Commercial Divisions specify the exact date of the disconnection in the Notice of Disconnection for the information of the concessionaires and strictly impose the disconnection policy of the District to all delinquent concessionaires.

- 10. The District did not develop policies and plans pertaining to all aspects of disaster risk reduction and management, contrary to the provisions of Republic Act No. 10121 or the Philippine Disaster Risk Reduction Management (PDRRM) Act of 2010, exposing the District to various risks arising from unpreparedness to mitigate the adverse effects of natural disasters.**

We recommended that the General Manager comply with R.A 10121, develop action plans and adopt necessary measures to mitigate the adverse effects of natural disasters.

#### **G. GSIS, Philhealth and PAG-IBIG DEDUCTIONS AND REMITTANCES**

The HWD dutifully deducted from the salaries of its officers and employees their mandatory Philhealth, PAG-IBIG and GSIS Life and Retirement insurance premiums (personal share) and loan repayments. These deductions along with the government share for the employees were timely remitted to GSIS.

#### **H. COMPLIANCE WITH TAX LAWS**

The HWD has complied with tax laws on withholding of income taxes from compensation and Value-Added Taxes (VAT) on goods and services purchased. The taxes withheld were remitted to the Bureau of Internal Revenue (BIR) regularly along with the franchise tax due from HWD as seller of water. Total amount remitted to the BIR for calendar years 2016 and 2017 amounted to P1,647,843.66 and P1,712,164.96, respectively.

#### **I. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES & CHARGES**

Total unsettled disallowances as of December 31, 2017 amounted to P1,053,885.50.

#### **J. STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the nine prior year's audit recommendations, three were implemented and six were partially implemented.