

EXECUTIVE SUMMARY

Highlights of Financial Operation

The financial highlights of the City Government of Himamaylan for CY 2013 with comparative figures for CY 2012 follow:

Amount in Million

Particulars	2013	2012	Increase (Decrease)	
			Amount	%
Financial Condition				
Total Assets	₱1,303.631	₱1,450.522	₱(146.891)	(10.1)
Total Liabilities	377.168	394.076	(16.908)	(4.3)
Total Equity	926.462	1,056.447	(129.985)	(12.30)
Results of Operations				
Total Revenues	410.727	386.008	24.719	6.4
Total Expenses	406.939	361.823	45.116	12.5
Net Income	3.788	24.185	(20.397)	(84.30)
Sources and Application of Funds				
Allotments	389.533	509.023	(119.490)	(23.5)
Obligations	366.397	430.041	(63.644)	(14.80)
Balance	23.136	78.982	(55.846)	(70.7)

A. Sources and Application of Funds

During the year, the City realized an actual operating income of ₱ 410,727,440.04 which is ₱ 24,719,193.98 or 6.40% higher than last year's income of ₱ 386, 008,246.06. The increase is attributed to the increase in IRA, and in collection of taxes, fees, rent income, and miscellaneous income.

Total operating expenditures incurred during the year amounted to ₱ 406,939,231.66 which is ₱ 45,116,092.47 or 12.50% higher compared to the prior years at ₱ 361,823,139.19.

B. Financial Ratios

	2013	2012	Increase/Decrease
Current Ratio	5.29:1	3.97:1	1.32
Net Working Capital	₱357,814,594.36	₱374,389,317.49	(₱ 16,574.723.13)
Quick Ratio	5.27:1	3.95:1	1.32
Debt Ratio	0.29:1	0.27:1	0.02

Debt Equity Ratio	0.41:1	0.37:1	0.04
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C. Scope of Audit

A financial and compliance audit on the accounts and operations of the City of Himamaylan, Negros Occidental, was conducted for the year ended December 31, 2013. The audit was conducted to ascertain the propriety of financial transactions and compliance of the LGU to prescribed 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.

A value for money audit was also conducted to ensure economy, efficiency and effectiveness in carrying out the agency’s plans and targets and/or in the management of its resources.

D. Auditor’s Opinion on the Financial Statements

The auditor, taking exception on the effect of the unreconciled property, plant and equipment with an amount of ₱ 461,853,087.87 and cash advances granted to Officers and Employees amounting to ₱ 3,509,588.51 not duly settled/liquidated, rendered a qualified opinion on the accompanying consolidated financial statements as they present fairly in all material respects, the financial position of the City of Himamaylan, Negros Occidental as of December 31, 2013, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

E. Significant Findings and Recommendations

The following is the summary of significant audit findings and recommendations in the audit of City of Himamaylan for the year 2013:

1. Non-submission of Accounts

Himamaylan City has not submitted the year-end financial statements, supporting schedules and disbursement vouchers for Calendar Year 2013 within the prescribed period contrary to the provisions of Section 4 of COA Circular No. 2010-001 dated March 2, 2010 and Section 100 and 107 of Presidential Decree No. 1445.

We recommend that management submit the required year-end financial statements, supporting schedules and disbursement vouchers immediately to the Office of the Auditor. Strict compliance with COA Circular No. 2010-001 dated March 2, 2010 and Section 100 and 107 of Presidential Decree No. 1445 must be observed.

2. Local Disaster Risk Reduction Management Fund

(a) Transfer of unexpended balance of Local Disaster Risk Reduction Management Fund (LDRRMF) totaling ₱28,693,524.31 were erroneously credited to Due to LGU's (418) account contrary to COA Circular No. 2012-002 dated September 12, 2012, thus, overstating the Due to LGU account and risking the possibility of appropriating the amount for other purposes.

(b) City Government of Himamaylan through its Local Disaster Risk Reduction and Management Officer (LDRRMO) failed to submit the Report of Utilization of Disaster Risk Reduction and Management Fund contrary to Section 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012, hence the sources, utilization and balance of the fund is not transparently presented.

We recommend that City Accountant makes the necessary adjusting entries to reclassify the remaining balance of LDRRMF from Due to LGUs (418) account to Trust Liability – LDRRMF (438) account as of December 31, 2013.

The Local Disaster Risk Reduction and Management Officer prepare the Report on the Sources and Utilization of the Disaster Risk Reduction and Management Fund certified by the City Accountant and submit the said report on or before the 15th day after the end of each month to the COA Auditor.

3. Special Education Fund (SEF)

Expenditures not related to the intended purpose of the Special Education Fund totaling ₱311, 793.01 were incurred in violation of Section 272 of R.A. 7160 and the rules and regulations issued under DECS, DBM, DILG Joint Circular No. 01, 01-A, 01-B, series of 1998, 2000 and 2001, respectively, resulting to improper and irregular disbursement of government funds.

We recommend that management stop the practice of using the SEF outside the scope for which the fund was established and strictly observe the proper utilization thereof pursuant to Section 272 of R.A. 7160 and the rules and regulations issued under DECS, DBM, DILG Joint Circular No. 01, 01-A, 01-B, series of 1998, 2000 and 2001, respectively.

4. Unliquidated Cash Advance

Cash Advances granted to Officers and Employees for travel and other purposes amounting to ₱ 3,509,588.51 aged from 30 days to over 3 years, remained unliquidated as of December 31, 2013, contrary to the pertinent provisions of Section 89 of P.D. 1445, COA Circular 97-002 dated February 10, 1997, and COA Circular 2012-004 dated November 28, 2012, resulting in the misstatements of affected accounts in the financial statements and/or exposing cash in the custody of officials concerned to possible misappropriation or loss.

We recommend that the concerned officials and employees liquidate and/or refund immediately their cash advances pursuant to the provisions of Section 89 of P.D. 1445, COA Circular 97-002 dated February 10, 1997, and COA Circular 2012-004 dated November 28, 2012, to avoid accumulation of unliquidated cash advances and to attain a fair presentation of the relevant accounts in the financial statements.

5. Non-compliance with Section 37 of the General Appropriations Act of 2013

Some employees were receiving below the minimum net take home pay lower than the mandatory net pay of ₱ 4,000.00 a month as provided for in Section 37 of the General Appropriation Act for FY 2013.

We recommend that City Accountant should closely monitor the net take home pay of employees not to go lower than Four Thousand Pesos (₱ 4,000.00) in compliance with the provision of the General Provisions of 2013 General Appropriations Act.

6. Audit of Fuel Consumption

The Monthly Reports of Fuel Consumption of Motor Vehicles and the Monthly Reports of Official Travel were not prepared and submitted to the Auditor in violation of COA Circular No. 77-61 dated 26 September 1977, hence the reasonableness of fuel consumed cannot be established. Hence, the accuracy and propriety of expenses for gasoline, oil and lubricants during the year amounting to ₱ 26,266,016.90 could not be ascertained.

We recommend that the GSO should verify the Monthly Official Travels prepared by the drivers of each motor vehicle and based thereon prepare the Monthly Report of Fuel Consumption showing the type of vehicles, total distance travelled, total fuel used and the normal fuel consumption for each vehicle so that the use of the LGU's motor vehicle can be properly monitored/controlled and regulated.

We also recommend the immediate submission of the Monthly Reports of Fuel Consumption of Motor Vehicles and the Monthly Reports of Official Travel including properly filled up Driver's Trip Tickets to support disbursements for gasoline, oil and lubricants for CY 2013, otherwise these shall be suspended in audit.

7. Audit of Property, Plant and Equipment

Unaccounted difference between the PPE account balance and the Report on the Physical Count of PPE for CY 2013 of ₱ 461, 853,087.87 due to failure to complete the reconciliation of accounting and property records rendered the balances of the PPE accounts totaling ₱ 687,400,606.63 in the financial statements unreliable.

We recommend that the Accountant and the Property Officer to reconcile the difference in their records, effect the necessary adjustments of necessitated facilitating presentation of the correct balance.

We also recommend the Property Officer and the City Accountant to henceforth maintain Property Cards and Equipment Ledger Cards to ensure accurate and reliable updated records.

8. Environmental Compliance Audit

City Government of Himamaylan failed to fully implement program, projects and activities embodied in the City Solid Waste Management Plan pursuant to R.A. No. 9003, otherwise known as Ecological Solid Waste Management Act of 2000, resulting in non-realization of City's goals on solid waste management towards public health and environmental protection.

We recommend that City Solid Waste Management Plan be reviewed and updated pursuant to Section 16 of RA 9003 and implement a system of incentive and awards to performing barangays in adherence to Section 17 (m) of the same Act.

We also recommend the implementation of proper closure of dumpsite according to approved safe closure and rehabilitation plan and speedy construction of sanitary landfill to be used as the final disposal facility pursuant to Section 37 of R.A. 9003.

Moreover, to ensure efficiency and effectiveness of solid waste management program the following are recommended:

- Reconstruction of CSWMB and conduct capability building among members of SWMB and Barangay Officials to appreciate SWM programs and identification of roles and responsibilities.
- Massive information education campaign and enforcement plan within the jurisdiction.

9. Compliance with Full Disclosure Policy

City of Himamaylan failed to comply strictly with the provisions on the Full Disclosure Policy pursuant to DILG Memorandum Circular No. 2010-83 dated August 31, 2010 and DILG Memorandum Circular No. 2011-134 dated September 19, 2011: thus, transparency, accountability and good local governance cannot be achieved.

We recommend that the City Government complete the documents/data/information to be posted to completely adhere to the full disclosure policy pursuant to DILG Memorandum Circular No. 2010-83 dated August 31, 2010 and DILG Memorandum Circular No. 2011-134 dated September 19, 2011.

10. Credit Financing / Debt Servicing

The City of Himamaylan has three (3) existing loans as of December 31, 2013 from Land Bank of the Philippines and DOF-MDFO – LOGOFIND for the Construction of Public Market – Brgy. Caradio-an, New Government Center and School Building Project respectively. See Individual Loan Profile as Annex A and B of the report for the details.

11. Compliance with Tax Laws and Regulations

For Calendar Year 2013, the City withheld taxes from salaries of personnel and purchase of goods and services of which the amount was remitted the following month in which the withholding tax was made to the BIR.

Balances of inter-agency payables of City of Himamaylan as of December 31, 2013 such as Due to BIR, GSIS, Pag-ibig and PHILHEALTH were remitted to the concerned agencies, breakdown as follows:

Account	Total	General Fund	Special Education Fund	Trust Fund
Due to BIR	1,776,980.48	1,546,871.36	15,913.61	214,195.51
Due to GSIS	3,460,016.24	3,460,016.24		
Due to Pag-ibig	281,059.04	281,059.04		
Due to Philhealth	155,667.65	155,667.65		
Total	5,673,723.41	5,443,614.29	15,913.61	214,195.51

These balances represent withholding tax, monthly premiums, contributions and loan repayments which are to be remitted on CY 2014.

12. Suspensions, Disallowances and Charges

For CY 2013, no Notices of Suspensions, Disallowances' and Charges were issued to the City Government of Himamaylan. Balances of NS, NDS and NCs are as follows:

	Beginning Balance (as of Dec. 31, 2012)	NS/ND/NC Issued	Settlement	Ending Balance (as of Dec. 31, 2013)
Notice of Suspension	9,302,393.78	-	8,032,582.51	1,269,811.27
Notice of Disallowance	2,614,528.65	-	689,249.06	1,925,279.59
Notice of Charge	-	-	-	-
TOTAL	11,916,922.43	-	8,721,831.57	3,195,090.86

F. Status of Implementation of Prior Year's Audit Recommendations

Out of twenty nine (29) recommendations embodied in the prior year's audit report, eight (8) were implemented, fifteen (15) were partially implemented and six (6) were not implemented.