

EXECUTIVE SUMMARY

INTRODUCTION

The Batac Water District (BWD) was created through Resolution No. 127 passed by the Sangguniang Bayan of Batac on November 15, 1982. Its Conditional Certificate of Conformance (CCC) No. 250 was issued on September 26, 1983 by the Local Water Utilities Administration. The mission of the district is to deliver, 24 hours a day, safe, potable and affordable water at the most convenient way to the people of Batac. It is also the mission of the Batac Water District to help protect, preserve and maintain Mother Earth, the very source of its existence.

FINANCIAL HIGHLIGHTS

As of December 31, 2018, the District's assets and equity were ₱39,529,049.45, and ₱31,390,803.10, respectively, which both showed an increase from last year. Meanwhile, liabilities which amounted to ₱8,138,246.35, decreased. Comparison of Financial Position is summarized in the table below:

Particulars	2018 (In Peso)	2017 (In Peso)	Increase (Decrease)
Assets	₱39,529,049.45	₱38,111,405.48	₱ 1,411,280.95
Liabilities/Deferred Credits	8,138,246.35	10,366,756.46	(2,228,510.11)
Equity	₱31,390,803.10	₱27,751,012.04	₱ 3,639,791.06

Following are the fund sources of the District for CY 2018 with comparative figures for CY 2017. The total gross income showed a net increase of ₱1,786,889.31.

Income/Sources of Funds	2018 (In Peso)	2017 (In Peso)	Increase (Decrease)
Metered Sales to Gen. Customers	₱12,301,051.30	₱11,273,437.58	₱1,027,613.72
Other Waterworks Systems Fees	667,522.05	663,183.61	4,338.44
Share in the Profit/Revenue of Joint Venture	475,000.01	-0-	475,000.01
Share in the Profit/Revenue of Joint Venture (Loan Amortization)	203,648.08	-0-	203,648.08
Interest Income	424.78	684.77	(259.99)
Fines and Penalties	367,635.64	304,106.59	63,529.05
Miscellaneous Income	23,500.00	10,480.00	13,020.00
GROSS INCOME	₱14,038,781.86	₱12,251,892.55	₱1,786,889.31

Total expenses for CY 2018 showed a net increase of ₱1,099,787.28. A comparative figure of expenses for CY 2017 is shown on the next page:

Expense Classification	2018 (In Peso)	2017 (In Peso)	Increase (Decrease)
Personnel Services	₱ 4,384,636.10	₱3,953,557.59	₱ 431,078.51
MOOE	4,951,960.35	4,339,646.30	612,314.05
Financial Expenses	591,460.84	751,258.73	(159,797.89)
Non-Cash Expenses	1,039,368.81	823,176.20	216,192.61
TOTAL EXPENSES	₱10,967,426.10	₱9,867,638.82	₱1,099,787.28

For CY 2018, the District appropriated and utilized the following amounts for each expenditure class. A comparison also of CY 2017 appropriation and utilization is presented hereunder:

Corporate Operating Budget	Personal Services (In Peso)	MOOE (In Peso)	Financial Expenses (In Peso)	Capital Expenditures (In Peso)
<u>2018</u>				
Budget	₱6,586,296.00	₱5,413,800.00	₱2,848,063.00	₱1,100,000.00
Utilization	5,022,412.35	4,043,312.82	2,848,138.46	1,016,723.79
Variance	1,563,883.65	1,370,487.18	(75.46)	83,276.21
<u>2017</u>				
Budget	5,993,268.00	6,710,595.00	2,812,580.00	1,100,000.00
Utilization	4,554,646.34	3,763,744.12	2,572,590.68	1,038,333.57
Variance	₱1,438,621.66	₱2,946,850.88	₱ 239,989.32	₱ 61,666.43

OPERATIONAL HIGHLIGHTS

The Batac Water District derives its income mainly from metered sales or water delivery through water meters billed to its concessionaires. In addition, the District collects fines and penalty charges on delinquent accounts.

During the year in audit, the District generated total water sales of ₱12,668,686.94 and collected a total of ₱12,445,693.67 from current bills and current year arrears combined, with a collection efficiency of 98.24% – lower compared to 98.86% last year.

Of the targeted 2,051 service connections for the year, the District was able to attain 91% thereof or 1,869 connections. Total service connections increased by 138 this year compared to 1,731 in CY 2017.

SCOPE OF AUDIT AND METHODOLOGY

The audit of the District was conducted on a test basis covering the accounts and operations of BWD for the calendar year 2018. The examination includes the review of operating procedures, interview with concerned officials and employees, verification, reconciliation and analysis of accounts, and such other procedures considered necessary. The audit also aimed to: (a) verify the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement

opportunities; and (c) determine extent of implementation of prior years' audit recommendations.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified audit opinion on the fairness of presentation of the Financial Statements because the accuracy and existence of the Other Property, Plant and Equipment account amounting to ₱263,841.17 is doubtful because these properties were not included in the submitted Report of Physical Count of Property, Plant and Equipment (RPCPPE), contrary to Section 124 of the Manual on the New Government Accounting System, Volume I.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

One of the commendable observations for this year is the high efficiency of the District in the collection of their billed water sales. Of the total billings amounting to ₱12,668,686.94 for CY 2018, 98.24% or ₱12,445,693.67 thereof was collected. Moreover, the total service connections increased by 7.97% this year, from 1,731 to 1,869.

However, presented below is a summary of other significant observations and recommendations for CY 2018. These were discussed with the agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate:

1. The absence of Subsidiary Ledger for Loans Payable account resulted in a discrepancy of P90,606.00 between the balances per books and per Local Water Utilities Administration (LWUA) confirmation as of December 31, 2018, contrary with International Accounting Standards (IAS) 1 -Presentation of Financial Statements, therefore, accuracy and reliability of the said account were doubtful.

We recommended that Management:

- a. Instruct the Accountant to prepare subsidiary ledgers for the Loans Payable account; and
 - b. Direct the Accountant to reconcile the District's loan balances with the LWUA in order to record the correct balance.
2. Collections were not deposited daily and intact, contrary to Section 69(1) of Presidential Decree 1445, thus, exposed the government funds to risk of loss and misuse.

We recommended that Management direct the cashier/collecting officer to remit daily collections to the bank daily and intact pursuant to Section 69(1) of Presidential Decree 1445 to prevent loss or misuse of government funds.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Presented in the table below is the summary of audit suspensions, disallowances and charges as of December 31, 2018.

	Beginning Balance (As of Dec. 31, 2017)	This period Jan. 1 to Dec. 31, 2018		Ending Balance (As of Dec. 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	410,338.00	0.00	0.00	410,338.00
Notice of Charge	0.00	0.00	0.00	0.00
TOTAL	₱410,338.00	₱ 0.00	₱ 0.00	₱410,338.00

STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 32 prior years' audit recommendations embodied in 2018 Annual Audit Report, 25 or 78% were fully implemented and 7 or 22% were not implemented by the District.