

EXECUTIVE SUMMARY

A. Introduction

The Cordon Water District was created by virtue of Presidential Decree No. 198, as amended, to provide adequate potable water affordable to every household belonging to any class of the society in the municipality. It was organized on April 13, 1987, under Conditional Certificate of Conformance No. 287. It operated on January 1, 1996, with the financial and technical assistance from the Local Water Utilities Administration.

The Cordon Water District is classified as Category D and is run by a five-man Board of Directors, through a General Manager and ten (10) personnel.

A financial and compliance audit was conducted on the accounts and operations of the Cordon Water District for the year ended December 31, 2018. The audit consisted of review of operating procedures, interview of concerned government officials and employees, verification, reconciliation and analysis of accounts, and such other procedures considered necessary to ascertain the fairness of presentation of the financial statements and compliance by the agency to laws, rules and regulations, as well as the determination of the economical, efficient and effective utilization of agency resources.

B. Financial Highlights

Presented below is the comparative information of the financial condition and operation of the Cordon Water District for CYs 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
Assets	19,515,420	16,880,296	2,635,124
Liabilities	54,640,157	33,477,241	21,162,916
Equity	(35,124,737)	(16,596,945)	(18,527,792)
Income	8,091,084	6,124,126	1,966,958
Expenses	8,952,034	5,494,537	3,457,497
Net Income	(860,950)	629,589	(1,490,539)

Also presented is the comparative information of the budget and actual expenditure of Cordon Water District for CYs 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
COB	6,267,665	6,267,665	0
Actual Expenditure	8,952,034	5,494,537	3,457,497

C. Auditor's Opinion on the Financial Statements

The Auditor rendered a modified opinion on the fairness of presentation of the financial statements of the District because the reported Accounts Receivable balance included a number of dormant accounts amounting to P601,276.23 that remained inactive for about 10 years or more but not yet written-off as at year-end and the correctness of the recorded balances of the Property, Plant and Equipment (PPE) account with total carrying value of P14,062,780.66 could not be ascertained because the District did not (a) maintain property cards for check and balance and for reconciliation with the ledger cards; (b) properly prepare and compute the periodic depreciation in the lapsing schedule; and (c) provide residual value for several properties.

D. Significant Observations and Recommendations

1. Receivables totaling P310,757.35 remained uncollected since CY 2014 due to the absence of subsidiary ledgers and lack of records of the District to identify whom the amount is collectible, hence, depriving the District of additional fund that can be used for its operations contrary to Sections 111 and 114 (2) of Presidential Decree (PD) No. 1445.

We recommended that Management exert effort to locate the documents and identify from whom these amounts are to be collected in order to have basis in the collection thereof. Also, require the Accounting Processor B to maintain subsidiary records for the said Receivables account.

2. Unserviceable properties with an aggregate carrying amount of P500,026.93 were not disposed of or condemned, contrary to Section 79 of PD No. 1445 and COA Circular No. 89-296 dated January 27, 1989, thus, exposing the same to further deterioration and may lower the value of the said items upon disposal.

We recommended that Management direct the Property Custodian to prepare the Inventory and Inspection Report of Unserviceable Properties, request to COA for the appraisal of the unserviceable properties, and dispose the said unserviceable properties properly in accordance with the above-cited rules and regulations. Also, direct the Accounting Processor to drop the same from the books of accounts by effecting necessary adjustment in the books of accounts upon disposal of unserviceable properties.

3. The District did not pay its regular loan amortizations to the LWUA pursuant to Sections 2 (b), 3 and 4 of Article V of the Financial Assistance Contract, which resulted in the accumulation of interest and loan penalties amounting to P9,804,221.87 and P24,698,894.68, respectively.

We recommended that Management intensify its collection efficiency to improve their financial standing, thus, making them financially capable in meeting their financial obligations. Furthermore, Management to conduct periodic marketing to attract concessionaires to avail of the water services which will provide additional income of the District for the allocation for debt service.

E. Compliance with Tax Laws

The District did not pay the franchise tax, contrary to the provisions of Section 119 of the National Internal Revenue Code of the Philippines (NIRC) as discussed in Part II, Observation No. 10, of this report.

F. Remittances of GSIS, Pag-IBIG and PhilHealth Premiums

The District complied with the rules on the proper deductions of GSIS, Pag-IBIG and PhilHealth premiums from the salaries of employees and the timely remittances of these premiums to the GSIS, Pag-IBIG and PhilHealth in accordance with R.A Nos. 8291, 9679 and 7875, respectively.

G. Compliance with RA 9184

The District's procurement activities and transactions complied with RA No. 9184 and its 2016 Revised Implementing Rules and Regulations.

H. General Insurance of Government Properties with the GSIS

The District did not insure its properties with the GSIS as discussed in Part II, Observation No. 12, of this report.

I. Bonding of Accountable Officers

The District complied with the proper bonding of its Accountable Officer for government funds and property in compliance with Treasury Circular No. 02-2009 dated August 6, 2009.

J. Authorized Government Depository Bank

The District maintained three accounts with the Land Bank of the Philippines – Santiago Branch, one account with Development Bank of the Philippines – Santiago Branch and the other with the Veterans Bank, all of which are Authorized Government Depository Bank in compliance with DOF Department Circular No. 01-2017; DOF DC 002-2016 in relation to DOF DC No. 01-2015.

K. Compliance on the Payments of Allowances and Benefits

The District complied with existing rules and regulations on the payment of allowances, benefits and emoluments to the District officials/employees.

L. Gender and Development Plan and Budget and its Accomplishment

The District did not implement its Annual GAD Plan and Budget as discussed in Part II, Observation No. 16, of this report.

M. Efficiency and Effectiveness of Disaster Risk Reduction Management

The District did not have projects designed to address disaster risk reduction plans to mitigate the adverse effects of climate change on the environment as discussed in Part II, Observation No. 17, of this report.

N. Establishment of Water Safety Plan and Its Implementation

The District have a Water Safety Plan for submission to LWUA for review and approval.

O. Non-Revenue Water

The District's Non-Revenue Water (NRW) is 20.69% which is above the twenty percent (20%) allowable rate prescribed by LWUA as discussed in Part II, Observation No. 19, of this report.

P. Status of total Suspensions, Disallowances and Charges as of year-end

The Status of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2018 is presented as follows:

	Beginning Balance	Current Year		Ending Balance
		NS/ND/NC	NSSDC	
Suspensions	0	0	0	0
Disallowances	313,720	0	0	313,720
Charges	0	0	0	0
Total	313,720	0	0	313,720

Q. Status of Implementation of Prior Years' Audit Recommendations

Of the seventeen (17) audit recommendations embodied in the 2017 Annual Audit Report, nine (9) were validated as implemented, two (2) were partially implemented, six (6) were not implemented and are reiterated in Part II of this report.