

EXECUTIVE SUMMARY

A. Introduction

The Alicia Water District (ALWAD), Alicia, Isabela, was established by virtue of Presidential Decree (P.D.) No. 198, known and referred to as the “Provincial Water District Law” and “Provincial Water Utilities Act of 1973”. It formally started its operations in July 1989. The District is one of the recipients of the 5th Loan Package acquired by the Philippine government from the Danish International Development Agency. It was also granted a 12.7 million Interim Improvement Loan by the Local Water Utilities Administration (LWUA).

The District’s primary objective is to supply potable water, which will meet the domestic demands through creation, maintenance and expansion of reliable and economically viable and sound water supply within the Municipality of Alicia, Isabela and nearby barangays.

As of year-end, the District is classified as Category D with 17 regular employees and 13 casual employees.

A financial and compliance audit was conducted on the accounts and operations of the Alicia Water District for the year ended December 31, 2020. 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 District to laws, rules and regulations.

B. Financial Highlights

Presented below is the comparative information of the financial condition and operation of the Alicia Water District for CYs 2020 and 2019:

Accounts	2020	2019	Increase/ (Decrease)
Assets	P 80,129,428	P 74,945,596	5,183,832
Liabilities	41,421,370	41,359,785	61,585
Equity	38,708,058	33,585,811	5,122,247
Income	34,864,023	30,465,712	4,398,311
Expense	27,692,573	23,826,695	3,865,878
Net Income	7,171,450	6,639,017	532,433

Also presented below is the comparative information of the budget and actual expenditure of Alicia Water District for CYs 2020 and 2019:

	2020	2019	Increase/ (Decrease)
Corporate Operating Budget	P 33,564,270.51	P 29,715,334.57	P 3,848,935.94
Actual Expenditure	P 27,692,573	P 23,826,695	P 3,865,878

C. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because a difference of P89,683.00 between the general ledger and subsidiary ledger balances were noted on the reported Other Machinery and Equipment account with a carrying amount of P3,338,153.38 as at December 31, 2020. Likewise, an item of Property, Plant and Equipment (PPE) with a total carrying amount of P61,895.82 was immediately dropped from the books of accounts of the District without undergoing proper disposal of assets thereby depriving the government/District of the fair compensation from the sale of the unserviceable equipment, if any. Moreover, the reported Allowance for Impairment-Merchandise Inventory did not reconcile with the General Ledger balance by P66,433.48 hence, the valuation and accuracy of the Merchandise Inventory with a net value of P2,907,777.16 as at December 31, 2020, could not be ascertained. Finally, a difference of P10,815.55 between the General Ledger (GL) and the Report on the Physical Count of Inventory (RPCI) was noted on the reported Office Supplies Inventory account with a balance of P55,166.12 which is not in accord with Section 111 of PD No. 1445 hence, the accuracy and reliability of the reported balance could not be ascertained.

D. Significant Observations and Recommendations

1. Three (3) lots purchased by the District totaling P1,588,000.00 are not yet titled in the name of the District, which is not in accord with Section 39 (2) of Presidential Decree (PD) No. 1445 thus, imposing risk over the public interest on the lot.

We recommended that Management assign a person responsible in securing the complete necessary documents in order to facilitate the processing of the titles of the lot thus, avoiding the payment of unnecessary penalties that may be imposed by regulatory bodies caused by the delay in the titling of the lots.

2. The District did not complete the preparation and development of a Water Safety Plan within the prescribed time period as required in Item VI.A of DOH Administrative Order No. 2014-0027 and LWUA Memorandum Circular No. 010.14, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.

We recommended that Management prioritize and comply with the preparation of Water Safety Plan to ensure proper control and adequate measures in the production of safe quality water that will aid in the promotion of public health.

3. The District did not deduct and withhold final income tax and creditable tax on the purchases of goods and services amounting to P1,733,773.67 which is not in accord with Section 12(C) of the Republic Act No. 9337 and Section 2.57.2 (J) of Revenue Regulation No. 11-2018.

We recommended that Management deduct and withhold the final VAT due on payments of goods and services and adhere strictly to BIR Revenue Regulations to avoid disallowances in audit and penalties imposed by the BIR.

E. Compliance with RA No. 9184 and its 2016 Revised IRR

The District complied with the requirements of RA No. 9184 on their procurement activities.

F. Non-Revenue Water

The NRW of the District for CY 2019 is 16.53%, which is within the prescribed maximum allowable rate set by the LWUA.

G. General Insurance of government properties with the GSIS

Management has insured its insurable properties with the GSIS as required in the COA Circular No. 92-390 dated November 17, 1992.

H. Remittances of GSIS, Pag-IBIG and PhilHealth premiums

The District has 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 Republic Act Nos. 8291, 9679 and 7875, respectively.

I. Bonding of Accountable Officers

The District has complied with the proper bonding of its Accountable Officers 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 all their accounts with the Land Bank of the Philippines – Alicia Branch, an Authorized Government Depository Banks 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 including propriety of the grant of allowances and benefits to the governing board and/or district officials/employees.

L. Compliance with Gender and Development Plan and Budget

The District prepared a GAD Plan and GAD Accomplishment Report in compliance with the General Provisions of the General Appropriations Act for FY 2020, particularly Section 31 thereof.

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

The Status of Audit Suspensions, Disallowances and Charges (SASDC) as at December 31, 2020 is presented as follows:

	Beginning Balance	Current Year		Ending Balance
		NS/ND/NC	NSSDC	
Suspensions	P -	-	-	-
Disallowances	-	P 4,700.00	-	P 4,700.00
Charges	-	-	-	-
Total	P -	P 4,700.00	-	P 4,700.00

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

Out of eight (8) audit recommendations contained in the CY 2019 Annual Audit Report, five (5) recommendations were validated as implemented, one (1) was partially implemented, and two (2) were not implemented and are reiterated in Part II of this report.