

## EXECUTIVE SUMMARY

### A. Introduction

The Tumauni Water District, Tumauni, Isabela, was established in 1982 by virtue of Section 4 of Presidential Decree (PD) No. 198, series of 1973, as amended by Presidential Decree Nos. 768 and 1479 or otherwise known as the “Local Water District Law” and “Provincial Water Utilities Act of 1973”, respectively. The District formally started its operation on September 24, 1987 with 305 initial concessionaires.

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 Tumauni, Isabela and nearby barangays.

As at year-end, the District is classified as Category C, with nineteen (19) regular employees and six (6) job order personnel.

A financial and compliance audit was conducted on the accounts and operations of the Tumauni 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 Tumauni Water District for CYs 2020 and 2019:

<b>Accounts</b>	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>
Assets	P 57,628,785	P 49,168,639	P 8,460,146
Liabilities	4,341,542	3,606,718	734,824
Equity	53,287,243	45,561,921	7,725,322
Income	33,229,345	31,624,579	1,604,766
Expense	24,041,485	24,515,309	(473,824)
Net Income	9,187,860	7,109,270	2,078,590

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

	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>
Corporate Operating Budget	P 79,815,171	P 36,202,101	P 43,613,070
Actual Expenditure	24,041,485	24,515,309	(473,824)

### **C. Auditor's Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the Financial Statements because the balance of Property, Plant and Equipment (PPE) totaling to P60,057,222.16 is doubtful because the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) did not reconcile with the Ledger balances.

### **D. Significant Observations and Recommendations**

1. Two (2) motorcycles costing P124,800.00 were procured by the District without the required approval by the Secretary of Budget and Management which is not in accord with Section 1 of Administrative Order (AO) No. 14, s. 2018 and Item 4 of DBM Budget Circular No. 2019-2 dated March 4, 2019 hence, not in keeping with the principle of checks and balances in the streamlined process of procurement of government motor vehicles.

We recommended that Management:

- a. stop the practice of procuring motor vehicles without the approval of the Secretary of Budget and Management; and
  - b. adhere to the provisions of Administrative Order (AO) No. 14 dated December 10, 2018 and DBM Budget Circular No. 2019-2 dated March 4, 2019 to ensure the procurement of motor vehicles is properly undertaken.
2. Insurable properties of the District amounting to P52,922,572.79 were not covered with property insurance with the Government Service Insurance System (GSIS) as required in Item 5.1 of COA Circular No. 2018-002 dated May 31, 2018 and Items 1.1.2 and 3.1 of COA Circular No. 92-390 dated November 17, 1992 thus, leaving its properties at risk of total loss without insurance or chance of recovery.

We recommended that Management immediately insure all its insurable properties with the GSIS in compliance with the provisions of COA Circular No. 2018-002 dated May 31, 2018 and Circular No. 92-390 dated November 17, 1992 to ensure adequate security against possible occurrence of fire, loss and other fortuitous events.

3. The District did not submit its Corporate Operating Budget (COB) for FY 2020 for review and evaluation by the Department of Budget and Management (DBM) which is not in keeping with Item 3 of DBM Corporate Budget Circular No. 22 dated December 1, 2016 hence, the budget of the District may not be consistent with the budgeting standards and guidelines adopted for all agencies and instrumentalities of the government.

We recommended that Management:

- a. submit their Corporate Operating Budget to the Department of Budget and Management for review and evaluation;

- b. monitor the level of actual expenditures for any variances; and
  - c. prepare and submit a Supplemental Budget as necessary to cover the additional expenditures and adhere to the provisions of the DBM Corporate Budget Circular No. 22 dated December 1, 2016.
4. The District did not deduct and withhold final VAT and creditable withholding tax on the purchases of goods and services amounting to P1,822,070.05 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 hence, loss of income of the government.

We recommended that Management:

- a. deduct and withhold the taxes due on payments of goods and services; and
- b. adhere strictly to BIR Revenue Regulations to avoid disallowances in audit and penalties imposed by the BIR.

#### **E. Compliance with Gender and Development Plan and Budget**

The District has prepared a GAD Plan and Budget for GAD purposes, which is in compliance with the General Provisions of the General Appropriations Act for FY 2020, particularly Section 31 thereof.

#### **F. Compliance with the 2016 Revised IRR of RA No. 9184**

The District has prepared the Annual Procurement Plan for FY 2020 and has complied with the procurement guidelines under the 2016 Revised IRR of RA No. 9184.

#### **G. 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.

#### **H. 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.

#### **I. Authorized Government Depository Bank**

The District maintained all their accounts with the Land Bank of the Philippines (LBP) – Ilagan Branch and the Development Bank of the Philippines (DBP) – Ilagan Branch

which are 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.

**J. Compliance on the Payments of Allowances and Benefits**

The District has 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.

**K. Non-Revenue Water**

The NRW of the District for CY 2020 is 13.80%, which is within the prescribed maximum allowable rate set by the LWUA.

**L. Status of total Suspensions, Disallowances and Charges as at 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 -	-	-	P -
Disallowances	-	-	-	-
Charges	-	-	-	-
<b>Total</b>	<b>P -</b>	<b>-</b>	<b>-</b>	<b>P -</b>

**M. Status of Implementation of Prior Year’s Audit Recommendations**

Out of eight (8) audit recommendations contained in the CY 2019 Annual Audit Report, three (3) recommendations were validated as implemented, three (3) were partially implemented, and two (2) were not implemented and are reiterated in Part II of this report.