

EXECUTIVE SUMMARY

A. INTRODUCTION

The Bangui Water District (BWD) was organized by the Local Government Unit of Bangui, Ilocos Norte under Municipal Resolution No. 7-46-09 which was approved on December 15, 2009. The Resolution states that the Water District shall operate in accordance with the pertinent provisions of Presidential Decree No. 198, otherwise known as the Provincial Water Utilities Act of 1973, as amended. On June 1, 2017, the District started its operation with 150 service connections.

B. FINANCIAL HIGHLIGHTS

The District's assets, liabilities and equity as of December 31, 2019 were ₱18,028,407.09, ₱8,205,566.52 and ₱9,822,840.57, respectively. Comparison of Financial Position is summarized in the table below:

Particulars	2019	2018	Increase/(Decrease)
Assets	₱18,028,407.09	₱17,638,579.84	₱389,827.25
Liabilities/Deferred Credits	8,205,566.52	7,794,378.87	411,187.65
Equity	9,822,840.57	9,844,200.97	(21,360.40)

The District is funded from the following sources for CY 2019 with comparative figures for CY 2018. The total gross income showed a net increase of ₱812,834.94.

Income/Sources of Funds	2019	2018	Increase/(Decrease)
Waterworks System Fees	₱2,493,962.37	₱1,716,062.94	₱777,899.43
Fines & Penalties-Bus. Inc.	43,670.43	37,044.35	6,626.08
Other Business Income	1,500.00	-	1,500.00
Other Sales Revenue	418,207.57	384,800.00	33,407.57
Miscellaneous Income	0.42	-	0.42
Interest Income	152.85	124.91	27.94
GROSS INCOME	₱2,957,493.64	₱2,138,032.20	₱819,461.44

The total expenses for CY 2019 showed a net increase of ₱964,823.53. A comparative figure of expenses for CY 2018 is shown below:

Expense Classification	2019	2018	Increase/(Decrease)
Personnel Services	₱1,168,390.69	₱ 820,560.00	₱ 347,830.69
MOOE	1,026,079.60	537,034.82	489,044.78
Non-Cash Expenses	158,830.05	53,947.48	104,882.57
Financial Expenses	625,553.70	602,488.21	23,065.49
TOTAL EXPENSES	₱2,978,854.04	₱2,014,030.51	₱ 964,823.53

C. OPERATIONAL HIGHLIGHTS

The Bangui 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 ₱ 2,493,962.37 and collected a total of ₱ 2,177,072.88 from current bills and current year arrears combined, with a collection efficiency of 87.29%.

Further, the District targeted 550 service connections in CY 2019 and attained 564 service connections.

D. 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 2019. 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.

E. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of financial statements because of the following:

1. The valuation, accuracy and existence of the recorded balance of the Plant – Utility Plant in Service account totaling to ₱16,560,961.44 as of December 31, 2019 were doubtful due to the discrepancy of ₱578,525.30 between the balances per book and the Report of the Physical Count of Property, Plant and Equipment (RPCPPE) contrary to Section 111 of PD 1445;
2. Allowance for Impairment was not provided due to non-preparation of Ageing of Accounts Receivable contrary to Philippine Accounting Standards (PAS) 39 – Financial Instruments: Recognition and Measurement, thus, the Accounts Receivable account amounting to ₱164,600.39 was not presented to its net realizable value. Likewise, the accuracy and reliability of said account as of December 31, 2019 cannot be ascertained because subsidiary ledgers were not maintained contrary to Section 12 of NGAS Volume II and Sections 111 and 114 (2) of PD 1445; and
3. Completed projects totaling ₱146,678.10 remained in the Construction in Progress (CIP) account and were not reclassified to the appropriate Property, Plant and Equipment accounts, the same not being in line with COA Circular No. 2020-002

dated January 28, 2020, thus, corresponding depreciation expense was not provided resulting to overstatement of Net Income.

F. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the other summary of significant audit observations and recommendations:

1. The unpaid audit fees recorded under Due to NGAs account amounting to ₱15,750.00 showed a discrepancy of ₱27,738.80 as against the balance maintained in the books of Commission on Audit (COA), thus, casting doubt as to the accuracy and reliability of the said account.

We recommended that management require the Bookkeeper to make a thorough reconciliation of the District's records with that of COA's and make the necessary adjustments to ensure a fair presentation of the affected accounts in the financial statements. We further recommend that the District settle their unpaid audit fees.

2. The Loans Payable account amounting to ₱8,041,919.50 as of December 31, 2019 showed a discrepancy of ₱13,415.13 as against the balance maintained in the books of Local Water Utilities Administration (LWUA) amounting to ₱8,055,334.63, contrary to Chapter 3 of Philippine Financial Reporting Standards requiring faithful representation of Financial Statements casting doubt as to the accuracy and reliability of the said account.

We recommended that Management:

- a. Require the Accounting Processor to make thorough reconciliation of the District's records with that of the LWUA's and note the causes of the discrepancy;
- b. Direct the Accounting Processor to make the necessary adjustments to ensure a fair presentation of Loans Payable in the financial statements; and
- c. Instruct the Accounting Processor to conduct periodic confirmation of loan balances with the LWUA Loans Department.

G. TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

Transactions for the period January to December 2019 were passed in audit, hence no Notice of Suspension, Notice of Disallowance or Notice of Charge was issued, thereby leaving a zero balance as of December 31, 2019.

H. STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Presented below is the status of implementation of prior years' audit recommendations embodied in the 2018 Annual Audit Report, details of which are discussed in Part III of the report.

STATUS	NUMBER	PERCENTAGE
Fully Implemented	8	61%
Partially Implemented	4	31%
Not Implemented	1	8%
Total	13	100%