

## EXECUTIVE SUMMARY

### A. Introduction

The Benito Soliven Water District (BSWD) was formally established on November 6, 2006 when it was issued a Conditional Certificate of Conformance (CCC) No. 0613 by the Local Water Utilities Administration (LWUA).

The Benito Soliven Water District is classified as Category D and is run by a five-man Board of Directors, through a General Manager and four permanent personnel.

A financial and compliance audit was conducted on the accounts and operations of the Benito Soliven Water District for the year ended December 31, 2019. 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 Benito Soliven Water District for CYs 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
Assets	P 25,524,169	P 24,137,144	P 1,387,025
Liabilities	18,103,496	16,067,144	2,036,352
Equity	7,420,673	8,070,000	(649,327)
Income	7,480,929	6,081,865	1,399,064
Expenses	7,028,914	5,624,895	1,404,019
Net Income	452,015	456,970	(4,955)

Also presented is the comparative information of the budget and actual expenditure of Benito Soliven Water District for CYs 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
COB	9,635,353	7,270,120	2,365,233
Actual Expenditure	7,028,914	5,624,895	1,404,019

### **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 loan interests and penalties totaling to P831,063.89 were directly recognized in the Retained Earnings/(Deficit) Account instead of the Interest Expenses Account and Other Financial Charges Account, thus, overstating the amount of Net Income presented in the Statement of Comprehensive Income for the year ended December 31, 2019 by the same amount.

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

1. The District did not pay its regular loan amortizations to the Local Water Utilities Administration (LWUA) contrary to Sections 2A(b), 2B(c), 3 and 4 of Article V of the Financial Contract, which resulted in the accumulation of loan penalties amounting to P2,018,753.73 as at year-end.

We recommended that Management intensify its collection efficiency by maintaining the minimum tolerable level of non-revenue water, to improve their financial standing, thus, making them financially capable in meeting their financial obligations.

We also recommended that Management make written representation with LWUA relative for the: a) forfeiture or reduction of penalties; b) creditor's concurrence with acceptance of loan amortizations as payments to the principal rather than applying the same to penalties; and c) resort to other measures to increase their income to ensure payment of loan.

2. Two (2) unserviceable properties with a net book value of P17,520.00 were not disposed of or condemned, contrary to Section 79 of Presidential Decree (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 ensure that the Property Custodian complete the preparation of required documents for the disposal, submit request to COA for the review of the in-house 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 A 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 indicate in the Purchase Order (PO) all the necessary information required in the purchase, thus, the conformance with the terms and conditions of the PO is not warranted and there is no basis for the provision on the imposition of liquidated damages which is not in compliance with Item VIII of

COA Circular No. 97-004 dated July 1, 1997 and Section 68, Rule XXII of Republic Act (R.A.) No. 9184.

We recommended that Management supply the complete information required in the proper accomplishment of PO in order that conformance with its terms and conditions be warranted and that there will be a basis for the provision on the imposition of liquidated damages in compliance with Item VIII of COA Circular No. 97-004 and Section 68, Rule XXII of R.A. No. 9184.

**E. Compliance with Tax Laws**

The District withheld taxes on compensation and Final VAT on supplies and materials procured in compliance with Section 3 of RR No. 10-2008; Section 3, Item 9 of Revenue Regulation (RR) No. 30-2003, Section 12 (c) of Republic Act No. 9337 and Section 2.57.3 (c) of RR 2-98.

**F. 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 R.A Nos. 8291, 9679 and 7875, respectively.

**G. Compliance with RA 9184**

The District did not utilize the PhilGEPS in their procurement activities as discussed in Part II, Observation No. 4, of this report.

**H. General Insurance of Government Properties with the GSIS**

The District insured its properties with the GSIS.

**I. Bonding of Accountable Officers**

The District has 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 deposited their collections with a private rural bank as discussed in Part II, Observation No. 11, of this report.

**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 prepared and submitted their Annual GAD Plan and Budget and its actual report of accomplishments.

**M. Establishment and Implementation of Water Safety Plan**

The District established and implemented their Water Safety Plan as required in Department of Health Administrative Order No. 2012-0027.

**N. Efficiency and Effectiveness of Disaster Risk Reduction Management**

The District complied with R.A. No. 10121 on the Disaster and Risk Reduction Program.

**O. Non-Revenue Water**

The District's Non-Revenue Water (NRW) is 15.74% which is below the twenty percent (20%) allowable rate prescribed by LWUA.

**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, 2019 is presented as follows:

	Beginning Balance		Current Year					
			NS/ND/NC		NSSDC			
Suspensions	P	0.00	P	0.00	P	0.00	P	0.00
Disallowances		0.00		0.00		0.00		0.00
Charges		0.00		0.00		0.00		0.00
<b>Total</b>	<b>P</b>	<b>0.00</b>	<b>P</b>	<b>0.00</b>	<b>P</b>	<b>0.00</b>	<b>P</b>	<b>0.00</b>

**Q. Status of Implementation of Prior Years' Audit Recommendations**

Of the seven (7) audit recommendations contained in the CY 2018 Annual Audit Report, four (4) were validated as fully implemented, two (2) were partially implemented and reiterated in the Part II of this report and one (1) was not implemented.