

## EXECUTIVE SUMMARY

### A. Introduction

The Ramon Water District was formed by virtue of Presidential Decree No. 198, known and referred to as the “Provincial Water Utilities Act of 1973”. It was awarded with Conditional Certificate of Conformance No. 294 by the Local Water Utilities Administration (LWUA) on June 26, 1987. It became a Government-Owned and Controlled Corporation (GOCC) in April, 1992.

It operates with the primary objective of providing adequate potable water supply to its concessionaires through the operation, maintenance and expansion of reliable and economically viable and sound water system within the Municipality of Ramon, Isabela.

The Ramon Water District is classified as Category D and has five Board of Directors, while its management complement comprises of 9 employees, consisting of 8 permanent and 1 casual.

A financial and compliance audit was conducted on the accounts and operations of the Ramon 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 District to laws, rules and regulations, as well as the determination of the economical, efficient and effective utilization of the District’s resources.

### B. Financial Highlights

Presented below is the comparative information of the financial condition and operation of the Ramon Water District for CYs 2019 and 2018:

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>Increase/ (Decrease)</u></b>
Assets	8,465,084	5,567,654	2,897,430
Liabilities	63,061,380	55,290,384	7,770,996
Equity	(54,596,296)	(49,722,730)	(4,873,566)
Income	6,723,968	6,448,896	275,072
Expenses	11,501,723	9,526,967	1,974,756
Net Income	(4,777,755)	(3,078,071)	(1,699,684)

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

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
COB	12,591,862	8,944,064	3,647,798
Actual Expenditure	11,501,723	9,526,967	1,974,756

### **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 correctness of the Loans Payable-Domestic account with a balance of P37,383,008.29 could not be ascertained due to the material difference between the book balance of the Loans Payable with that of LWUA due to the District's failure to make a reconciliation of their outstanding balances. Moreover, Interest Payable and Other Financial Liabilities did not reconcile with the LWUA's record by P1,278,037.60 and P663,042.14, respectively. And lastly, erroneous aging of Accounts Receivable resulted in inaccurate provision for Allowance for Impairment of the Accounts Receivable, thus, the carrying amount of Accounts Receivable is unreliable.

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

1. Unserviceable properties with a total net book value of P1,263,565.74 were not disposed of contrary to Section 79 of Presidential Decree No. 1445 and COA Circular No. 89-296 dated January 27, 1989, thus, exposing the same to further deterioration and may lower the economic value of the said items upon disposal.

We recommended Management the following:

- (a) require the Appraisal Committee to conduct appraisal in the Inventory and Inspection Report for Unserviceable Properties (IIRUP) and submit to COA for evaluation; and after the conduct of disposal, the Senior Accounting Processor A will draw a journal entry voucher to derecognize in the books of accounts all the unserviceable properties sold and condemned, and likewise recognize the income earned from disposal; and
  - (b) create a Disposal Committee to expedite the disposal of the unserviceable properties in accordance with COA Circular No. 89-296 dated January 27, 1989.
2. Collections of customers' security payments were not fully deposited to the District's Customers' Deposit bank account, thus, it may be utilized for operational expenses contrary to the provisions of the Commercial Practices

Manual for Local Water Districts. Also, the customers' deposits of inactive concessionaires were not yet fully applied to the unpaid bills and were still recorded as payables of the District, thus, defeating the purpose for which the fund was established.

We recommended that Management deposit the full amount of the collected Customer's Deposits to the District's Customers' Deposits bank account intact to prevent its use other than for security for the payment of subsequent bills or as meter deposit in accordance with Commercial Practice Manual for Local Water Districts.

We also recommended that the District continue verifying the inactive concessionaires with deposits and apply the same to their unpaid water bills.

#### **E. Compliance with Tax Laws, Rules and Regulations**

The District withheld income tax on compensation and final VAT on the honoraria of the Board of Directors and its purchases of goods and services.

#### **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 complied with the requirements of RA 9184 on their procurement activities.

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

The District did not insure all its government properties with the GSIS as discussed in Part II, Observation No. 13 of this report.

#### **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 maintained all its account with the Land Bank of the Philippines – Santiago Branch, an 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 including propriety of the grant of allowances and benefits to the governing board and/or district officials/employees.

## **L. Efficiency and Effectiveness of Disaster Risk Management**

The District did not have projects designed to address disaster risk reduction and plans to mitigate the adverse effects of climate change on the environment as discussed in Part II, Observation No. 20 of this report.

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

The District prepared and developed a Water Safety Plan (WSP) as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027.

## **N. Non-Revenue Water**

The District had exceeded the allowed maximum acceptable NRW as discussed in Part II, Observation No. 21 of this report.

## **O. 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	NS/ND/NC	NSSDC	Ending Balance
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 0.00</b>	<b>P 0.00</b>	<b>P 0.00</b>	<b>P 0.00</b>

**P. Status of Implementation of Prior Year's Audit Recommendations**

Of the thirteen (13) audit recommendations embodied in the 2017-2018 Biennial Audit Report, five (5) were validated as implemented, two (2) were partially implemented and six (6) were not implemented and are reiterated in Part II of this report.