

## EXECUTIVE SUMMARY

### A. Introduction

The San Manuel Water District, San Manuel, Isabela, was established by virtue of Section 4 of Presidential Decree (P.D.) Nos. 768 and 479, known and referred to as the “Local Water District Law” and “Provincial Water Utilities Act of 1973”, respectively. Its water system was funded mainly by long-term loans from different agencies. The San Manuel Water District was issued its Certificate of Conformance by the Local Water Utilities Administration (LWUA) in November, 1989 and started its operations in October, 1999.

It operates with the primary objective of giving the best service possible to its customers by providing them with reliable and economically viable and sound water supply within the municipality of San Manuel.

As of year-end, the District is classified as Category D, with 11 regular and 1 casual personnel.

A financial and compliance audit was conducted on the accounts and operations of the San Manuel 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.

### B. Financial Highlights

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

Accounts	2019	2018	Increase/ (Decrease)
Assets	P 33,472,061	P 32,524,732	P 947,329
Liabilities	16,237,141	16,419,739	(182,598)
Equity	17,234,920	16,104,993	1,129,927
Income	12,925,017	11,641,849	1,283,168
Expense	11,803,974	11,438,102	365,872
Net Income	P 1,121,043	P 203,747	P 917,296

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

	<b>2019</b>		<b>2018</b>		<b>Increase/ (Decrease)</b>
Corporate Operating Budget	P	17,132,965	P	10,297,619	P 6,835,346
Actual Expenditure	P	11,803,974	P	11,438,102	P 365,872

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

The Auditor rendered a modified opinion on the fairness of presentation of the financial statements because the Report on Physical Count of Property, Plant, and Equipment (PPE) totaling to P39,259,348.56 did not provide for the details of the condition of the items reported therein, whether the same are still serviceable, hence, exposing the unserviceable properties to further deterioration and may lower the value of the said items upon disposal. Likewise, Management did not reclassify all of its semi-expendable properties to their appropriate Semi-expendable Accounts, resulting to overstatement of the PPE and the Retained Earnings Accounts. Moreover, Accounts Receivable Accounts totaling P857,532.18, which have been long outstanding/dormant, and have remained in the books of accounts, hence, affecting the fair presentation of the accounts in the financial statements.

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

1. The District did not submit its Corporate Operating Budget (COB) for CY 2019 for review and evaluation by the Department of Budget and Management (DBM), contrary to Item 3 of DBM Corporate Budget Circular No. 22 dated December 1, 2016.

We recommended that Management submit their Corporate Operating Budget (COB) to the Department of Budget and Management (DBM) for review and evaluation and monitor the level of actual expenditures for any variances. Moreover, 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.

2. The implementation of the activities listed in the District's Gender and Development (GAD) Plan and Budget as required under Item 2.3 of PCW-NEDA-DMB Joint Circular No. 2012-01 were not undertaken, thus, the District's objectives in the GAD Plan were not fully attained.

We recommended that the District appropriate at least 5% of its Corporate Budget and fully utilize the funds allotted for GAD activities in accordance with the approved GAD Plan.

3. The District was lenient in implementing its policy on collection of water bills resulting to lost income from the accumulation of uncollected receivables from inactive or disconnected concessionaires amounting to P927,085.87, contrary to COA Circular No. 76-027.

We recommended that Management strictly enforce the disconnection policy to delinquent customers in order to minimize uncollected receivables. Also, intensify collection efforts by sending collection/demand letters to delinquent customers. Likewise, if the delinquent customers do not heed the repeated demands issued to them, resort to the issuance of notice of disconnection in order to avoid further increase of their delinquencies.

4. Insurable properties of the District were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS), as required in COA Circulars No. 2018-002 dated May 31, 2018 and 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 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.

#### **E. Compliance with RA 9184**

The District complied with the provisions of RA 9184 in the conduct of their procurement activities.

#### **F. 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. 9 of this Report.

#### **G. Disaster Risk Management**

The District has joined in the celebration of the World Water Day in the addressing of disaster risk reduction and plans to mitigate the adverse effects of climate change on the environment, in compliance with Section 37 of General Appropriations Act for FY 2019.

#### **H. Implementation of Water Safety Plan**

The District has prepared and submitted a Water Safety Plan for LWUA's review and approval to address the risks that threaten the safe quality of drinking water and public health, as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027

#### **I. Compliance with the DBM-approved Corporate Operating Budget (COB)**

The District did not submit its Corporate Operating Budget (COB) for FY 2019 for review and evaluation by the DBM as discussed in Part II, Observation No. 5 of this Report.

## J. Remittances of GSIS and PhilHealth Premiums

The District has timely remitted the Philhealth Premiums in accordance with laws and has already inquired with GSIS on the proper deductions of premiums in compliance with RA No. 8291.

## K. Compliance with Tax Laws

The District has complied with the rules of proper withholding of taxes from its transaction in accordance with the National Internal Revenue Code of the Philippines (NIRC).

## L. Compliance with Gender and Development Plan and Budget

The implementation of the activities listed in the District's Gender and Development (GAD) Plan and Budget were not undertaken, as discussed in Part II, Observation No. 6 of this Report.

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

The Status of Audit Suspensions, Disallowances and Charges (SASDC) as at December 31, 2019 is presented as follows:

	Beginning Balance	Current year		Ending Balance
		NS/ND/NC	NSSDC	
Suspensions	P -	-	P -	P -
Disallowances	-	P 3,000.00	-	3,000.00
Charges	-	-	-	-
<b>Total</b>	<b>P -</b>	<b>P 3,000.00</b>	<b>P -</b>	<b>P 3,000.00</b>

## N. Status of Implementation of Prior Year's Audit Recommendations

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