

## EXECUTIVE SUMMARY

### A. Introduction

The Tumauini Water District, Tumauini, 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 Tumauini, Isabela and nearby barangays.

As of year-end, the District is classified as Category C, with sixteen (16) regular employees and eight (8) job order personnel.

A financial and compliance audit was conducted on the accounts and operations of the Tumauini 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 Tumauini Water District for CYs 2019 and 2018:

<b>Accounts</b>	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
Assets	P 49,168,639	P 43,048,775	P 6,119,864
Liabilities	3,606,718	3,792,189	(185,471)
Equity	45,561,921	39,256,586	6,305,335
Income	30,717,021	27,322,495	3,394,526
Expense	23,607,751	20,897,242	2,710,509
Net Income	7,109,270	6,425,253	684,017

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

	<b>2019</b>	<b>2018</b>	<b>Increase/ (Decrease)</b>
Corporate Operating Budget	P 36,202,101	P 27,884,860	P 8,317,241
Actual Expenditure	23,607,751	20,897,242	2,710,509

### **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 valuation, accuracy, and reliability of the Property, Plant and Equipment (PPE), with a carrying amount of P43,966,005.46 as at December 31, 2019, could not be ascertained because it includes semi-expendable properties resulting to overstatement of the PPE and the Retained Earnings accounts.

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

1. The District was lenient in implementing its policy on collection of water bills resulting to lost income from the accumulation of uncollected receivables from delinquent concessionaires amounting to P763,380.95, contrary to COA Circular No. 76-027.

We recommended that Management strictly enforce their existing policy that will help enhance the collection efficiency of the District. 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.

2. 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.

3. The District did not complete the preparation and development of an updated/revised Water Safety Plan within the prescribed time period as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.

We recommended that Management facilitate the completion of the updated/revised Water Safety Plan to ensure proper control and adequate measures in the production of safe quality water that will aid in the promotion of public health as provided under DOH Administrative Order No. 2014-0027.

4. 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 to the Department of Budget and Management 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.

#### **E. Compliance with RA 9184 and its 2016 Revised IRR**

Some procurements of the District were not posted in the PhilGEPS, as discussed in Part II, Finding No. 8 of this report.

#### **F. 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 2019, particularly Section 32 thereof.

#### **G. Disaster and Risk Reduction Management Program**

The District has coordinated with another Government Agency and has conducted tree planting activities in addressing the disaster risk reduction and in mitigating the adverse effects of climate change on the environment, in compliance with Section 37 of General Appropriations Act for FY 2019.

#### **H. 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.

#### **I. Compliance with Tax laws, rules and regulations**

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

#### **J. 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.

### **K. Authorized Government Depository Bank**

The District maintained an account with the Philippine National Bank (PNB) – Ilagan Branch, an account used for employee monetization and terminal benefits. The balance of the account per records as at December 31, 2019 is P398,449.74, which is within the maximum deposit insurance coverage of the PDIC. The District maintained all their remaining 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.

### **L. 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.

### **M. Non-Revenue Water**

The NRW of the District for CY 2019 is 14.10%, which is within the prescribed maximum allowable rate set by the LWUA.

### **N. 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 8,615,383.98	-	P 8,615,383.98	-
Disallowances	508,760.00	P 97,145.20	605,905.20	-
Charges	-	-	-	-
<b>Total</b>	<b>P 9,124,143.98</b>	<b>P 97,145.20</b>	<b>P 9,221,289.18</b>	-

### **O. Status of Implementation of Prior Year's Audit Recommendations**

Out of eleven (11) audit recommendations contained in the CY 2017-2018 Biennial Audit Report, five (5) recommendations were validated as implemented, five (5) were partially implemented, and one (1) was not implemented and are reiterated in Part II of this report.