

## EXECUTIVE SUMMARY

### A. Introduction

The Calumpit Water District was created and organized in 1980 pursuant to Presidential Decree (PD) No. 198 otherwise known as the “Local Water Utilities Act of 1973” as amended by PD Nos. 768 and 1479. The District was awarded the Conditional Certificate of Conformance (CCC) No. 140 on October 17, 1980 by the Local Water Utilities Administration (LWUA). This CCC is the accreditation of LWUA to a newly-formed water district to operate under standard specifications.

Since 1992, by virtue of the Supreme Court En Banc decision, G.R. No. 95237-38 (Davao City Water District, et al. vs CSC et al.) water districts were declared government owned and controlled corporations with original charter, and as such they are under the jurisdiction of the Civil Service Commission and Commission on Audit.

The major purposes and mission of the District are as follows:

- a. To provide water and effective sanitation services with excellent customer service delivery;
- b. To ensure adequate water resources; and
- c. To provide safe and potable water at affordable cost, and carry out sanitation services through competent and dedicated work force strongly committed to protect the environment.

At present, the District has 25,262 service connections operating 24 hours a day. It is composed of 124 employees, consisting of 97 permanent personnel and 27 job orders under the leadership of the General Manager, Engr. Ronnie B. Largado.

The Board of Directors is composed of five members representing the civic, professional, women, education and business sector, as follows:

<u>Name</u>	<u>Position/Designation</u>	<u>Sector</u>
Mr. Arthur M. Carlos	Chairman	Civic
Mr. Manuel P. Punzalan	Vice Chairperson	Professional
Ms. Teresita B. Nadura	Member	Women
Ms. Ofelia T. Sevilla	Member	Education
Mr. Medel S. Patag	Member	Business

### B. Financial Highlights

The comparative analysis of the District’s Financial Position and Results of Operation for CY 2019 and 2018 are shown on the next page.

	<b>2019</b>	<b>2018</b>
<b>Financial Position</b>		
Assets	₱263,634,531.38	₱258,965,518.26
Liabilities	46,461,219.36	45,776,689.24
Equity	217,173,312.02	213,188,829.02
<b>Results of Operation</b>		
Income	138,135,218.07	132,294,879.67
Expenses	133,448,876.47	112,198,949.79
<b>Net Income</b>	<b>4,686,341.60</b>	<b>20,095,929.88</b>

### **C. Scope of Audit**

We conducted an audit of the financial transactions and operations of the Calumpit Water District for the year ended December 31, 2019 on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 04, 2018 prescribing for the General Audit Instructions for the conduct of CY 2019 Audit of Water Districts and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

### **D. Independent Auditor's Report**

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2019.

### **E. Summary of Significant Audit Observations and Recommendations**

The summary of significant audit observations noted during the audit and the corresponding recommendations are the following:

1. The advance payments of the concessionaires/customers totaling ₱917,241.98 were directly credited to Other Receivables account instead of Other Deferred Credits, inconsistent with Annex A of COA Circular 2015-010 dated December 01, 2015, thus effecting the fair presentation of the balances of said accounts in the financial statements as of December 31, 2019. (*Observation No. 1*)

We recommended that the General Manager instruct the Financial Planning Specialist A thru the Department Manager B – Finance Services and Commercial to (a) make sure that the billings are ready prior to the collection of the service rendered/materials already delivered; (b) ensure the availability of stock and that the actual size and cost of materials

installed are close if not equal to the estimates, otherwise, cause the refund or offset to their unpaid accounts the excess payment made by the concessionaires; (c) strictly observe the provisions of COA Circular 2015-010 dated December 01, 2015; and (d) exert efforts to reconcile the discrepancy that was carried over from prior years' unreconciled balances between the GL controlling account of Other Receivables with the SL.

2. The District failed to establish the appropriate level of Petty Cash Fund sufficient for the recurring expenses for one month which resulted to infrequent replenishments of the PCF contrary to Paragraph No. 4.3.1 of COA Circular No. 97-002 dated February 10, 1997. (*Observation No. 2*)

We recommended that the Petty Cash Custodian and the Department Manager - Finance (a) abide strictly with the rules and regulations on the granting, utilization and liquidation of the Petty Cash Fund as set forth under Paragraph Nos. 4.3.1 of COA Circular No. 97-002 dated February 10, 1997; and (b) reevaluate thoroughly the one-month PCF requirement of the District in order to establish the appropriate level.

3. The validity and reliability of the balance of Accounts Receivable (AR) account amounting to ₱17,766,683.92 was doubtful due to unreconciled discrepancy of ₱8,856.77 between the general ledger (GL) and aging schedule balances contrary to Paragraph 15 of the Philippine Accounting Standards (PAS) 1 and PFRS Framework. Moreover, inactive AR totaling ₱5,656,460.41 which constituted a significant 31.85 per cent of the account balance despite the institution of actions to collect contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I; thus, depriving the District of the opportunity cost on the funds tied up to these receivables. (*Observation No. 3*)

We recommended that the General Manager instruct the Department Manager B – Finance Services and Commercial to (a) investigate and reconcile the discrepancy brought about by system error between the GL controlling account of Receivables with the Aging Schedule; (b) continuously send confirmation/demand letters to verify the existence of the concessionaires with inactive accounts in their indicated addresses; and (c) strengthen efforts to collect the inactive accounts receivables including those with existing accounts and take appropriate legal action, if necessary.

## **F. Summary of Audit Suspensions, Disallowances and Charges**

The balance of audit disallowances as of December 31, 2018 totaled ₱12,849,912.12 and showed no movement in 2019 because the subject NDs were either on appeal or petition for review with the Regional Office and Commission Proper, respectively. Moreover, the total audit disallowances issued in CY 2019 amounted to ₱1,231,765.42; thus showing an unsettled audit disallowance in the total amount of ₱14,081,677.54 as of December 31, 2019.

**G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations**

Of the 30 audit recommendations embodied in the CY 2018 Financial Audit Report (FAR), 16 were fully implemented, 13 were partially implemented and one was not implemented.