

## EXECUTIVE SUMMARY

### A. Introduction

The Palauig Water District was formed on November 24, 1993 by Honorable Ex-Mayor Felicitto M. Aranda and the Palauig Sangguniang Bayan, pursuant to Presidential Decree (PD) No. 198, as amended, otherwise known as the “Provincial Water Utilities Act of 1973”.

The District was awarded the Conditional Certificate of Conformance No. 529 on the same year by the Local Water District Utilities Administration (LWUA). This certificate is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.

The primary objective of the water district was to provide and supply safe, adequate, reliable and economically viable water services to its constituents. The District started with the appointments of five members to sit as Board of Directors (BOD) and the designation of a General Manager (GM). Through the untiring effort of Ex-Mayor Aranda, Congressman Antonio M. Diaz was convinced and shared the much needed congressional fund of ₱3,000,000.00 intended for Zambaleño scholars to the District. Likewise, thru the persistence of Congressman Diaz, LWUA extended a regular loan of ₱300,000.00 to the District. The said funding was able to construct a shallow well, pumping station, an elevated reservoir and a 2,000-meter transmission line which was completed in December 1998. The said project was able to supply the needs of three barangays.

In January 1999, the District was fully operational with only three personnel including the GM.

At present, the District, despite its category of being a small water district and under a fourth class municipality, was able to construct six pumping stations and a 25-kilometer transmission line. The District is supplying safe and potable water to 13 barangays on a 24-hour service. The Board of Directors is the policy-making body which is composed of the following:

Name	Position/Sector
Engr. Fernando A. Reyes Jr.	Chairperson/Professional
Ms. Clemencia A. Encarnacion	Vice Chairperson/Education
Ms. Fe A. Monterola	Secretary/Civic
Ms. Delia M. Maniago	Member/Women
Ms. Jean D. Viray	Member/Business

The District has a total of 8 personnel consisting of 3 permanent, 3 casual, and 2 job order employees.

## B. Financial Highlights

The comparative analysis of the District's Financial Condition and Results of Operation for CYs 2019 and 2018 are shown below.

	<i>2019</i>	<i>2018</i>	<i>2017</i>
<b>Financial Condition</b>			
Assets	₱14,041,382.59	₱ 15,451,229.58	₱17,182,282.96
Liabilities	17,643,300.35	18,052,085.88	8,881,101.84
Equity	(3,601,917.76)	(2,600,856.30)	8,301,181.12
<b>Results of Operation</b>			
Income	5,920,211.62	5,359,599.41	5,278,856.30
Expenses	7,350,024.44	6,452,482.17	6,539,005.18
Net Income	(₱1,429,812.82)	₱ (1,092,882.76)	(₱1,260,148.88)

## C. Scope of Audit

We conducted our audit of the financial transactions and operations of the District for the years ended December 31, 2019 and 2018 on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated October 04, 2019 and August 24, 2018, prescribing the General Audit Instructions for the conduct of CYs 2019 and 2018 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 years' audit recommendations.

## D. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of Palauig Water District for the years ended December 31, 2019 and 2018.

## E. Summary of Significant Audit Observations and Recommendations

The significant audit observations noted during the audit and the corresponding recommendations are presented below.

1. Collections were not deposited intact daily or not later than the next banking day to the authorized government depository bank (AGDB in violation of Chapter II Item No. 32 of the Revised Cash Examination Manual and as prescribed under COA Memorandum

No. 2013-004 dated July 9, 2013 and Section 69 of Presidential Decree (P.D.) No. 1445. **(Observation No. 1)**

We reiterated our recommendations that the General Manager instruct the Collecting Officer to deposit all collections intact with the AGDB daily or not later than the next banking day and refrain from retaining cash from collections to safeguard the funds against possible loss or misuse.

2. The petty cash fund (PCF) was replenished at an average of three times per month and was used to pay regular expenses contrary to COA Circular No. 97-002 dated February 10, 1997. **(Observation No. 2)**

We recommended that the General Manager (a) evaluate the actual petty cash requirements of the District; (b) increase the PCF level, if necessary, through Board Resolution; (c) refrain from using PCF for payment of regular expenses.

3. The District failed to institute action to collect from inactive Accounts Receivable (AR) accumulating to ₱417,167.68 which constituted 37.17 per cent of the account balance contrary to Section 64 of the Government Auditing and Accounting Manual (GAAM), Volume I. **(Observation No. 3)**

We reiterated our recommendation that the General Manager thru the Senior Accounting - Processor B and Customer Service Assistant D (a) continuously monitor overdue accounts; (b) intensify collection strategies by regularly sending demand letters to concessionaires with delinquent accounts and institute appropriate legal action, if necessary; and (c) request for the authority from COA to write-off long dormant receivables that are deemed uncollectible.

4. The District incurred net loss in operation amounting to ₱1,429,812.82 in CY 2019 which affects its operational efficiency and financial viability provided under Republic Act No. 10149 dated June 6, 2011. **(Observation No. 4)**

We recommended that the General Manager together with the Senior Accounting – Processor B (a) regularly monitor the cash position; (b) incur expenditures only for projects, programs and activities that are highly necessary; and (c) undertake revenue-enhancing strategies and cost-cutting measures to improve the District’s operations and financial performance.

5. Properties of the District totaling ₱8,345,035.53 as of December 31, 2019 were not insured with the Government Service Insurance System (GSIS) contrary to COA Circular No. 79-112 implementing the Property Insurance Law (Republic Act No. 656), as amended by PD No. 245. **(Observation No. 5)**

We recommended that the General Manager and Property Officer (a) coordinate with the GSIS for the appraisal and eventual determination of the amount of premiums to be paid

for all its insurable properties; and (b) henceforth monitor the continuous insurance coverage for all insurable assets.

6. Bid opportunities and awards for the procurement of goods and infrastructure projects totaling ₱221,945.21, were not posted in the Philippine Government Electronic Procurement System (PhilGEPS) website contrary to the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184. (*Observation No. 6*)

We recommended that the General Manager thru its designated Procurement Officer use the PhilGEPS in all of its procurement activities amounting to ₱50,000.00 and above to achieve the objectives of transparency and efficiency, and use of information and communications technology in the conduct of procurement procedures of government agencies.

7. The District failed to formulate a Water Safety Plan (WSP) contrary to Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No. 010.14 dated December 1, 2014 and Department of Health (DOH) Administrative Order (AO) No. 2014-0027 dated September 4, 2014. (*Observation No. 7*)

We recommended that the General Manager require the WSPT to (i) attend seminars/trainings related to WSP; and (ii) make an effort to formulate and submit WSP to LWUA for review and approval to help improve the water quality and services provided to the concessionaires.

8. The District's GAD budget was underutilized by ₱142,500.00 and no GAD database/sex-disaggregated data was gathered to support the identified gender issues and concerns contrary to Joint Circular No. 2012-01 of the Department of Budget and Management (DBM), the National Economic and Development Authority (NEDA) and the Philippine Commission on Women (PCW). (*Observation No. 8*)

We recommended that the General Manager as the GFPS Chairperson (a) implement fully all programs, projects and activities and utilize the budget in accordance with the approved GAD Plan and Budget and (b) collect and generate sex-disaggregated data and submit a report thereon; and the GFPS (c) to continuously attend GAD trainings and seminars to increase awareness on the rules and regulations related to GAD particularly on identifying activities that will address gender issues and perform gender analysis in the preparation of GPB and the GAD AR as mandated by PCW-NEDA-DBM Joint Circular No. 2012-01.

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

The unsettled audit disallowances of the District pertaining to CYs 2014 to 2015 totaling ₱13,134.88 were fully settled on March 26, 2018. There were no audit suspensions, disallowances and charges issued in CYs 2019 and 2018 transactions.

**G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations**

Of the 21 recommendations embodied in the CYs 2017 and 2016 Financial Audit Report, 13 were fully implemented, seven were partially implemented and one was not implemented.