

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The San Marcelino Water District was created in 1988 by virtue of Sangguniang Bayan Resolution No. 252 of the Municipality of San Marcelino. The ownership and management was transferred from the Municipal Government to the San Marcelino Water District thru Conditional Certificate of Conformance No. 0427 dated January 12, 1990 from the Local Water Utilities Administration (LWUA) pursuant to Presidential Decree No. 198, as amended and by Presidential Decree Nos. 768 and 1479. The operation of the water district is mandated by the Presidential Decree No. 198 as amended, and by the Presidential Decree Nos. 768 and 1479.

The District has five (5) pumping stations which serve 14 barangays with 3,339 total active service connections. The District is re-categorized from Category “D” to Category “C” water district in compliance to Local Water District Manual of Categorization, Re-categorization and Other Related Matters (LWD-MaCRO) effective April 2018.

The San Marcelino Water District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of San Marcelino, Zambales.

As of December 31, 2019, the District was composed of the following Board of Directors from different sectors:

Name	Position
Ms. Evangeline B. Rodriguez	- Chairperson, Business
Ms. Gloria R. Nombrado	- Vice-Chairperson, Education
Ms. Virginia A. Jimenez	- Secretary, Civic
Ms. Eli S. Panganiban	- Member, Women
Ms. Angelita R. Gongora	- Member, Professional

### B. FINANCIAL HIGHLIGHTS

	2019	2018	2017
<b>Financial Position</b>			
Assets	₱62,268,179.03	₱55,021,262.91	₱51,340,821.85
Liabilities	7,879,150.20	13,671,151.78	10,752,815.52
Equity	54,389,028.83	41,350,111.13	40,588,006.33
<b>Results of Operation</b>			
Income	35,069,608.57	19,874,451.52	18,189,334.20
Expenses	22,040,076.97	18,988,297.06	16,130,590.74
Net Income	₱13,029,531.60	₱886,154.46	₱2,058,743.46

### **C. SCOPE OF AUDIT**

We conducted an 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, prescribing 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 years ended December 31, 2019 and 2018.

### **E. SUMMARY OF OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

The significant audit observations noted during the year together with the corresponding recommendations are presented below:

1. Five parcels of land acquired through purchase/donation totaling ₱1,441,150.00 were still without title in the name of the District contrary to Section 39(2) of PD No.1445 and Sections 51 and 52 of PD No. 1529. Moreover, the nature and true status of the Land account was not disclosed in the Notes to Financial Statements contrary to paragraph 125 of the Philippine Accounting Standards 1. (**Observation No. 1**)

We reiterated our previous recommendations and the General Manager agreed to facilitate the titling of the lots in order to protect the District's interest over the property for possibility of any third-party claims.

2. The District included unappropriated balance in its Corporate Operating Budget (COB) which is not aligned with DBM Corporate Budget Circular (CBC) No. 22 dated December 1, 2016. (**Observation No. 2**)

We recommended that the General Manager and the Board of Directors (a) prepare the COB in accordance with DBM CBC No. 22 and other pertinent rules and regulations; and (b) undertake revenue-enhancing strategies and cost cutting measures to regulate the financial performance in the ensuing years.

3. The District designated accounting personnel as Vice-Chairperson of the Bids and Awards Committee (BAC) contrary to Commission on Audit (COA) Circular No. 2003-004 dated July 03, 2003 and Government Procurement Policy Board (GPPB) Circular No. 03-2003 dated December 01, 2003. (*Observation No. 4*)

We recommended and the Management and the Board of Directors agreed to (a) withdraw the designation of the Senior Accounting Processor B as vice-chairperson of the BAC and designate other employee to fill the position; and (b) adhere on the provisions of COA Circular No. 2003-004 and GPPB Circular No. 03-2003.

#### **F. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

There were disallowable expenditures in the audit of transactions for CY 2019 in the amount of ₱28,800.00. Unsettled audit disallowances amounting to ₱385,100.00 as of December 31, 2019 pertained to audited transactions for CYs 2010 to 2015.

#### **G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Of the 13 audit recommendations embodied in the CYs 2017 and 2016 Financial Audit Report, 10 were fully implemented and three were partially implemented.