

PILAR WATER DISTRICT
Pilar, Capiz

EXECUTIVE SUMMARY

A. Introduction

The Pilar Water District was created by virtue of Resolution No. 3 in March 1979 passed by the Sangguning Bayan of the Municipality of Pilar. It is operating under Conditional Certificate of Conformance (CCC) No. 082 duly approved by the Local Water Utilities Administration (LWUA) dated May 29, 1979.

Pilar Water District was classified as a government-owned and/or controlled corporation in September 1991 pursuant to the Supreme Court Decision GR No. 95237-38 subject to the mandatory review and evaluation of the Commission on Audit.

It aims to provide safe and potable water to the general public. It is committed to provide adequate and potable water at affordable cost for the concessionaires and improved quality water services to the community as well as the protection of environment and conservation of water resources for future generation. It is a self-reliant and self-liquidating agency where operations depend solely on its income.

As of December 31, 2019, manpower of the District consist of four regular and five job order employees. It is headed by General Manager Anthony A. Villanueva.

B. Financial Highlights

The Financial Position and the Results of Operations of Pilar Water District for the Calendar Years (CYs) ended December 31, 2018 and 2019 are as follows:

Financial Position

	2019	2018
Assets	41,610,551.49	40,579,216.85
Liabilities	25,171,742.96	25,051,265.38
Net Worth	16,438,808.53	15,527,951.47

Results of Operations

	2019	2018
Income	3,562,354.67	3,121,888.44
Expenses	3,141,327.74	2,910,806.37
Net Income (Loss) from Operation	421,026.93	211,082.07
Other Income/ Charges	0	0
Net Income (Loss) Before Tax	421,026.93	211,082.07

C. Scope of Audit

The audit covered the examination on a test basis of the accounts and financial transactions and operations of Pilar Water District for the period January 1, 2018 to December 31, 2019 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit also involved performing procedures to ascertain the propriety of financial transactions and compliance of the District to prescribed laws, rules and regulations.

D. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the 2018 and 2019 financial statements for reasons stated in the Independent Auditor's Report under Part I of the report.

As discussed in Part II – Audit Observations and Recommendations of this report, we considered the following in the formulation of our audit opinion.

1. Collections totaling ₱144,913.47 were not deposited intact within the prescribed period, thus, existence is not ascertained.
2. Monthly Bank Reconciliation Statements were not prepared and submitted for CYs 2018 and 2019 on its Cash in Bank-Local Savings account and Cash in Bank - Local Current account totaling ₱1.105 million, thereby weakening the internal control over these transactions, and cast doubt on the accuracy of the cash balances appearing in the financial statements as at year-end.
3. Past due inactive accounts in the total amount of ₱260,905.73 that represent 48 percent of the total Accounts Receivable of ₱0.541 million as of December 31, 2019, remained outstanding in the books as of year-end, thus, cast doubt on the accuracy and validity of the account.
4. The accuracy and existence of the balances of Property, Plant and Equipment (PPE) as of December 31, 2019 amounting to ₱23.021 million as shown in the financial statement could not be ascertained due to deficiencies in the accounts:
 - a. The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) was not used to record the result of inventory, thereby, lacking of information as to description, unit value, quantity, existence and condition, thus, reconciliation of balances in the financial statement could not be done, rendering the value of the PPE accounts totaling ₱23.021 million unreliable; and
 - b. Property, Plant and Equipment Ledger Cards (PEELCs), Property Cards (PCs) and Property Acknowledgement Receipts (PARs) were not maintained, thus, information as to description, acquisition, depreciation, transfer and disposal of the PPE could not be readily obtained.
5. Customers' Deposits payable as of December 31, 2019 totaling ₱250,848.08 or 81 percent of ₱308,490.00 was not supported with bank deposit as trust liability of the District, thus, understating liabilities in the financial statement.

E. Significant Audit Observations and Recommendations

Below are other audit observations and recommendations with details discussed in part II of this report:

1. The Fidelity Bond of Accountable Officers were not renewed contrary to Section 101 of PD No. 1445 and Sections 4.3 and 6.1 of the Bureau of Treasury Circular No. 02-2009, therefore, not providing adequate protection in the event of loss in the District's funds.

We recommended that all accountable officers whose duties permit or require the possession or custody of government funds or property, for which they are accountable be properly bonded in accordance with the provisions of Sections 101 of PD No. 1445 and Sections 4.3 and 6.1 of the Bureau of Treasury Circular No. 02-2009 to ensure recovery of funds and property in case of loss not attributed to the negligence of accountable officers in the performance of their duties.

We also recommended that Management require the immediate renewal of the Accountable Officers' fidelity bonds which have already expired and ensure that these are renewed prior to expiry to avoid disruption of transactions and to assure that funds and properties of the District are protected at all times.

2. Water Safety Plan (WSP) was not developed contrary to Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No. 003.18 and Department of Health (DOH) Administrative Order (AO) No. 2017-0010, thereby compromising the water quality maintenance by the District in distributing potable water to its concessionaires.

We recommended that Management, with the Board's participation, carry out the necessary steps in the preparation and development of a Water Safety Plan (WSP) and submit the said plan to the DOH thru the LWUA as directed under LWUA Memorandum Circular No. 003.18.

3. Written authority to open deposit accounts and/or deposit government funds was not secured from the duly authorized official of the Bureau of Treasury (BTr)/Department of Finance (DOF) contrary to the provisions of DOF Department Circular (DC) No. 01-2017 and Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No. 007-17, thereby reducing the judicious management of the fund by the government financial institutions.

We recommended that management comply with the Amended Guidelines on Authorized Government Depository Banks provided in DOF DC No. 01-2017 and submit the required report in prescribed format to the LWUA in compliance with LWUA MC No. 007-17.

F. Status of Implementation of Prior Years' Audit Recommendations

Of the ten recommendations embodied in CYs 2008 to 2017 Annual Audit Report, two were partially implemented and eight were not implemented.

G. Summary of Suspensions, Disallowances and Charges

As of December 31, 2019, the Statement of Audit Suspensions, Disallowances and Charges issued to the District showed total disallowances of ₱75,000.00.