

EXECUTIVE SUMMARY

A. Introduction

The Agency

The Gamay Water District (GAWAD) was created pursuant to Presidential Decree No. 198 as amended, otherwise known as the “Provincial Water Utilities Act of 1973”. It was formed through Sangguniang Bayan Resolution No. 10, series of 2008, dated March 10, 2008. The District was issued a Conditional Certificate of Conformance (CCC) No. 619 by the Local Water Utilities Administration (LWUA) in Quezon City on September 2, 2008 and operated a quasi-public entity. The GAWAD is categorized as “Category D” Water District and currently headed by Engr. Jenner T. Turla, Acting General Manager (GM), with support of its duly elected Board of Directors, namely:

Table 1. Board of Directors of GAWAD as of December 31, 2019

Name	Designation	Sector	Term of Office
Gil C. Nueva	Chairman	Civic	July 1, 2016 to December 31, 2020
Asuncion B. Clacito	Treasurer	Business	January 1, 2017 to December 31, 2022
Cristino L. Arellano	Secretary	Professional	January 1, 2017 to December 31, 2022
Medarda C. Longcop	Member	Women	January 23, 2017 to December 31, 2020

Likewise, the GM was assisted by five Job Order workers designated as Bookkeeper, Cashier, Billing Clerk, Plumber and Water Source Watchman.

Pursuant to COA Circular No. 2015-002 dated April 16, 2015, water districts were among those identified under Annex A thereto as Government Business Enterprise (GBE), for the purpose of determining the applicable Financial Reporting Framework in the preparation of the financial statements (FS).

Audit Scope and Methodology

The audit covered the review of the accounts and operations of GAWAD for the biennium period from January 1, 2018 to December 31, 2019. The audit was conducted to (a) obtain reasonable assurance about whether the FS as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor’s report that includes our audit opinion; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementation of prior years’ audit recommendations.

B. Financial Highlights

The comparative financial position and comprehensive income for Calendar Years (CYs) 2019 and 2018 are shown in Table 2. The comparative budget and actual expenditures for CY 2019 is shown in Table 3.

Table 2 – Comparative Financial Position and Comprehensive Income for CYs 2019 and 2018 (In Pesos)

Elements	2019	2018	Increase Decrease
Assets	14,986,021.16	14,305,950.08	680,071.08
Liabilities	584,563.26	757,964.02	(173,400.76)
Equity	14,401,457.90	13,547,986.06	853,471.84
Gross Income	2,647,044.57	2,938,733.83	(291,689.26)
Expenses	1,793,572.73	1,529,004.99	264,567.74
Comprehensive Income	853,471.84	1,409,728.84	(556,257.00)

Table 3 –Budget vis-a-vis Actual Expenditures, CY 2019 (In Pesos)

Expenditures	Budget	Actual	Variance
Personnel Services	1,772,172.36	423,410.00	1,348,762.36
Maintenance and Other Operating Expenses	2,566,816.35	1,023,626.73	1,543,189.62
Capital Outlay	253,178.59	143,330.96	109,847.63
Total	4,592,167.30	1,590,367.69	3,001,799.61

C. State Auditor's Opinion on the Financial Statements

We expressed a qualified opinion on the fairness of presentation of the financial statements of GAWAD for the biennium period January 1, 2018 to December 31, 2019. As discussed in Part II- Audit Observations and Recommendations of this Report, the GAWAD failed to recognize, measure, present and disclose the following transactions at the transaction date inconsistent with the Philippine Financial Reporting Standards (PFRS):

1. The non-provision for impairment losses on the following assets, comprising 58.1% of total assets:
 - a. PPE with a carrying value of ₱7,369,235.94 (AO No.1);
 - b. Inventories valued at ₱834,772.76 (AO No. 3); and
 - c. Receivables totaling ₱506,484.33 (AO No. 4);

2. The unreconciled and unadjusted variances of the following:
 - a. ₱89,664.22 between the balance per books and the bank confirmed balances of the Cash in Bank, Local Currency Accounts (AO No. 2); and
 - b. ₱268,155.74 between the billing and accounting records on the Receivable accounts (AO No. 4).

D. Summary of Other Significant Observations and Recommendations

The following are the other significant audit observations and recommended courses of action:

1. The non-revenue water (NRW) for CY 2019 was 12.71% higher than the 20% maximum acceptable level due to absence of strategies/measures in reducing water losses.

We recommended that Management adopt effective strategies to manage water losses.

2. The appointment of the General Manager (GM) was not approved/confirmed by the Civil Service Commission (CSC) due to non-submission by the appointing authority, within thirty days from its issuance, of the copy of the appointment, Board Resolution and the approved/confirmed qualifications standard.

We recommended that the GM immediately seek an approval/validation of his appointment from the CSC pursuant to the pertinent provisions in the 2017 Omnibus Rules on Appointments and Other Human Resource Actions No. 1800692.

3. The GAWAD did not incorporate Gender and Development (GAD) perspective in its policies, programs, activities and projects, thus, the GAD Focal Point System was not institutionalized and the GAD Plan and Budget (GPB) and Accomplishment Report (AR) was not prepared and submitted to LWUA.

We recommended that Management should institutionalize GFPS in the District and cause the preparation and submission of GPB and GAD AR to LWUA in the manner prescribed under PCW-NEDA-DBM JC No. 2012-01 and PCW MC No. 2015-03 as extended under PCW MC No. 2016-06 to make GAWAD compliant with the mandate of E.O. No. 273.

E. Summary of Audit Suspensions, Disallowances and Charges

The summary of Suspensions, Disallowances and Charges (SASDC) as of December 31, 2019 is shown in Table 3:

Table 3. Summary of Audit Suspensions, Disallowances and Charges as of December 31, 2019

Notice	Beginning Balance (As of January 1, 2019)	This Period		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Suspension	23,750.00	0.00	0.00	₱23,750.00
Disallowance	0.00	0.00	0.00	0.00
Charge	0.00	0.00	0.00	0.00

F. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

The status of implementation of prior years' audit recommendations as of December 31, 2019 is shown in Table 4.

Table 4. Status of Implementation of Prior Years' Audit Recommendation as of December 31, 2019

Calendar Year	No. of Audit Recommendations	Status of Implementation		
		Fully Implemented	Partially Implemented	Not Implemented
2017	16	8	5	3
2016	2	1	-	1
Total	18	9	5	4