

EXECUTIVE SUMMARY

A. INTRODUCTION

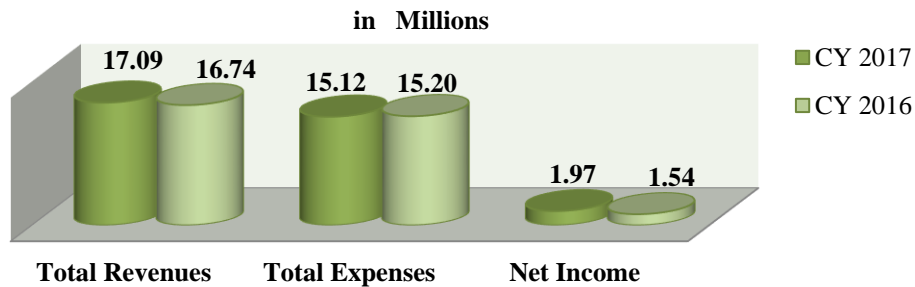
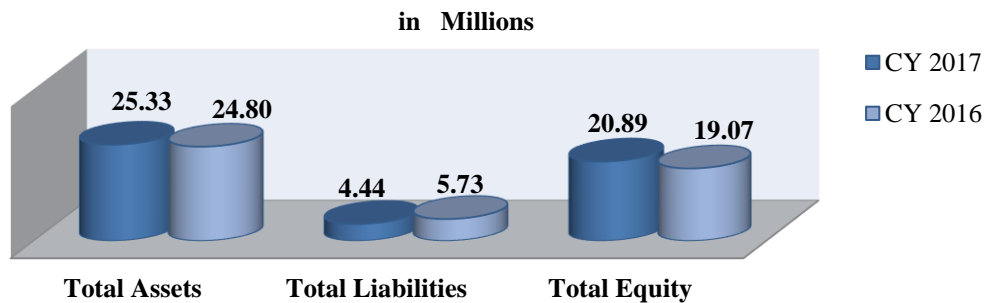
The Dalaguete Water District (DWD) became operative as one of the country's water districts with the issuance by the Local Water Utilities Administration (LWUA) of the Certificate of Conformance No. 436 dated April 19, 1990. DWD is a government-owned and controlled corporation created and existing by virtue of P.D. 198, as amended. On March 29, 2012, pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters, DBM has categorized Dalaguete Water District as Category "C" Water District.

The administration of the Water District and the exercise of its corporate powers are vested exclusively in the Board of Directors and the Acting General Manager as authorized by the Board.

As of December 31, 2017, DWD had a total workforce of 21 employees composed of 16 regular personnel and 5 casual employees. The Water District is still headed by Acting General Manager Anthony C. Osorio.

B. FINANCIAL HIGHLIGHTS

The financial position and results of operations for Calendar Years 2016 and 2017 are summarized in the following graphs:



The Corporate Operating Budget for CY 2016 in the amount of ₱ 56.66 million and ₱50.48 million in CY 2017 were approved thru Board Resolution Nos. 3 series of, 2015 and 010 series of 2016, respectively.

C. OPERATIONAL HIGHLIGHTS

The following were among the reported accomplishments of the Water District in the two-year period which were verified by the Audit Team:

Category	2017	2016	Increase
Service Connections			
Total Services	5,937	5,630	392
Total Active	5,222	4,922	372
Total Metered	5,159	4,899	372
Total Billed Concessionaires	5,159	4,899	372
Water Production			
Pumped	1,135,944 m ³	1,136,040 m ³	452,093.34 m ³
Gravity	1,036,152 m ³	1,036,152 m ³	452,093.34 m ³

D. SCOPE OF AUDIT

The audit covered the financial transactions of DWD for Calendar Years 2016 and 2017. The objectives of the audit were primarily to; (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years’ audit recommendations. On a test basis, it also included a review on the propriety of disbursements and other financial transactions to determine whether or not the transactions were made in accordance with existing laws, rules and regulations.

E. AUDITOR’S REPORT

The auditor expressed a qualified opinion on the financial statements of the Dalaguete Water District due to the audit exceptions as stated in the Independent Auditor’s Report, enumerated as follows:

1. The unused portion of earned leave credits of employees of DWD as of December 31, 2016 and 2017 with money value totaling ₱1,800,602.45 and ₱2,108,175.58 respectively, were not recognized as liability, which is contrary to Paragraph 11 of the Philippine Accounting Standards (PAS) 19 and COA Circular 2015-010 dated December 1, 2015, thereby, resulting in the understatement of the liability account as at year end.

2. Unreleased checks in the amount of ₱196,325.84 and ₱46,157.88 as at December 31, 2016 and 2017, respectively, were not reverted back to Cash in Bank resulting in the understatement of both the Cash in Bank and liability accounts in DWD's books, which is not in conformance with the requirements of Sections 2.3 to 2.5 of the GAFMIS Circular Letter No. 2002-001 dated December 16, 2002.
3. The computer software of the Water District's Billing, Collection and Accounting system with cost totaling ₱200,000.00 was recorded as Property, Plant and Equipment (Office Equipment) instead of Intangible Asset which is not in accordance with the provisions of COA Circular No. 2015-010 and PAS 16 and 38.

F. OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition to the above, the following were among the significant findings, with the corresponding audit recommendations, which are discussed in detail in Part II of the herein report:

1. The use of a "special" water rate of ₱10.00 per cubic meter up to March 2017 for Mantalongon Tower No. 1 and Mantalongon Sowa No. 2 including its reclassification from Bulk/Wholesale to Residential type of service, which adjusted the water rate effective April 2017, were not supported with documents that will attest the Board's approval and confirmation from the LWUA pursuant to Section 63 of PD 198. This condition, using the latest LWUA approved water rates, is grossly disadvantageous to the government.

We recommended that management reassess the water rate granted to the aforementioned concessionaires and thereafter cause the preparation of a Memorandum of Agreement for approval by the Board and for confirmation by LWUA, in case the water rates that may be agreed upon are not within the LWUA approved water rates for DWD.

We further recommended that Management consider setting a minimum charge to enable the Water District realize a reasonable return under the renewed agreement.

2. The reliability of the reported water production in the Monthly Data Sheet could not be ascertained since the Water District had no available means to measure the actual production due to defective flowmeters installed at the six water sources. Thus, affecting the data in computing the Non-Revenue Water (NRW) percentage, that will gauge the Water District's operational efficiency, pursuant to LWUA Memorandum Circular No. 005-14.

We recommended that Management appropriate funds necessary for the purchase of new flowmeters or overhaul the existing defective flowmeters installed at the six water sources, if these are still serviceable.

3. Monetization of leave credits granted to employees of DWD were not in accordance with Section 22 Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292. Moreover, errors were noted in the posting of the approved number of days monetized in the employees' individual leave cards which may result in inaccurate balances of leave credits.

We recommended and Management agreed to instruct the Personnel In-Charge for keeping the employees' leave cards to: (a) review the postings of the monetized leave credits so that the errors such as double monetization, if any, could be detected and corrected accordingly and (b) post the number of days monetized in the leave cards, immediately after the approval of the application, to avoid incidence of non-recording of the monetized leave credits.

We further recommended that Management strictly comply with the provision of Section 22 of the CSC Omnibus Rules on Leave in the grant of monetization of leave credits to the officials and employees of the Water District.

4. The Water District failed to formulate the Disaster Risk Reduction and Management Plan and did not provide a budgetary allocation thereof contrary to Section 39 of the General Appropriations Act (GAA) 2016 and Section 35 of GAA 2017, and pertinent sections of the Implementing Rules and Regulations (IRR) of RA 10121 or the Philippine Risk Reduction and Management Act of 2010, thereby, rendering the Water District incapable to address the needs before, during and after each occurrence of disaster.

We thus recommended and Management agreed to:

- a. Develop action plans and adopt necessary measures to mitigate the adverse effects of natural disasters; and
 - b. Allocate funds to implement projects and activities related to DRRM as required under the IRR of RA No. 10121.
5. The Water District did not develop a Water Safety Plan notwithstanding a declared national policy under the Department of Health Administrative Order No. 2014-0027 dated September 4, 2014 and further instructed under LWUA Memorandum Circular No. 010.14 dated December 1, 2014. This requirement, if not addressed, may adversely affect the future operations of the District.

We recommended that Management, with the Board's participation, formulate in 2017 its water safety plan (WSP) and submit the said plan to DOH thru LWUA as directed under DOH AO No. 2014-0027 and LWUA Memorandum Circular No. 010.14.

G. IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 12 prior years' audit recommendations as of December 31, 2015 and noted that one audit recommendation reported in the CY 2010-2012 BAR was already issued with Notice of Disallowance (ND) Nos. 13-001-(COB)-(11) and 13-002-(COB)-(12) all dated October 18, 2013 and repayments were done in installment basis. Of the remaining 11 prior years' audit recommendations, seven were fully implemented, one partially implemented and three not implemented as of December 31, 2017.

H. ON GENDER AND DEVELOPMENT

The budget allocation for Gender and Development (GAD) programs for CY 2016 was only ₱267,554.00 or 0.47% of the total approved budget of ₱56,658,475.00, thus way below the mandated ₱2,832,823.75 or 5% of the agency's budget during the year.

Moreover, the utilization for the CY 2017 GAD activities was only ₱168,375.41 or 2.59% of the total GAD budget of ₱6,489,800.00. Management justified that the low utilization of the 2017 GAD budget was attributed to the stalled loan application of the DWD for the intended rehabilitation, improvement and upgrading of transmission and distribution lines which they had identified as GAD projects/activities for CY 2017 in their GAD Plan. Processing of the requirements of the said loan was still on going.

I. ON COMPLIANCE WITH TAX LAWS

The BIR regulations on withholding and remittance of taxes were substantially complied with by DWD. The taxes remitted in 2016 and 2017 were ₱883,148.59 and ₱1,020,427.49, respectively. The details are shown in Part II of the herein report.

J. ON GSIS DEDUCTIONS AND REMITTANCES

The Water District has consistently deducted from the salaries of their employees the mandatory GSIS Life and Retirement insurance premiums (personal share) and loan payments. These deductions along with the government share were remitted to the GSIS on time. Breakdown of the GSIS remittances are shown in the Part II of this report.

K. ON UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit disallowance of DWD amounting ₱1,923,224.15 remained unsettled as of December 31, 2017. There was no notice of suspension, disallowance and charge that was issued during CYs 2016 and 2017.