EXECUTIVE SUMMARY

A. Introduction

Jordan Water District was created by virtue of Resolution No. 64 enacted by the Sangguniang Bayan of Jordan, Guimaras on November 12, 1986 in accordance with Presidential Decree (PD) No. 198, as amended by PD Nos. 768 and 1479, authorizing the formation of Local Water Districts and providing for their administration. As required by law, the Municipality of Jordan transferred to Jordan Water District the supervision and administration of the Municipality's waterworks system.

The Agency's main functions are to provide affordable, viable, reliable, sufficient, safe and potable water, as well as to install, improve and maintain pipeline connections to the different barangays of the Municipality.

As at December 31, 2020, the Board of Directors was composed of the following:

Mr. Jose S. Javellana	Chairperson	Professional Sector
Mr. Josue P. Alelis, Jr.	Vice-Chairperson	Business Sector
Ms. Gloria G. Ganancial	Member	Women Sector
Ms. Salvacion T. Custodio	Member	Education Sector
Mr. Beltran N. Escape, Sr.	Member	Civic Sector

Total personnel complement is 13, consisting of seven regular and six casual employees. In addition, there were six employees hired through job order. The OIC – General Manager is Ms. Eleanor I. Bacabac.

The audit was made to ascertain the propriety of financial transactions and compliance with prescribed laws, rules and regulations, and to express an opinion on the fairness of presentation of the financial statements. Furthermore, the audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

The audit covered the examination, on a test basis, of the accounts and financial transactions and operations of the Jordan Water District for the period January 1, 2020 to December 31, 2020 in accordance with the 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 with prescribed laws, rules and regulations.

B. Financial Highlights

The Financial Position and Comprehensive Income of the Jordan Water District for the year ended December 31, 2020, with comparative figures for CY 2019, are presented on the following tables:

Comparative Financial Position

	2020	2019	Increase (Decrease)
Assets	₱ 43,054,339.46	₱ 43,436,093.93	₱ (381,754.47)
Liabilities	₱ 24,114,485.34	₱ 26,192,333.86	₱ (2,077,848.52)
Equity	₱ 18,939,854.12	₱ 17,243,760.07	₱ 1,696,094.05

Comparative Comprehensive Income

	2020	2019	Increase (Decrease)
Income	₱ 20,886,191.01	₱19,509,749.14	₱ 1,376,441.87
Expenses	18,810,706.78	17,661,641.66	1,149,065.12
Net Income from Operations	₱ 2,075,484.23	₱ 1,848,107.48	₱ 227,376.75

C. Independent Auditor's Report on the Financial Statements

A qualified opinion was rendered on the fairness of presentation of the financial statements for the year ended December 31, 2020 for the following reasons which are discussed in detail in Part II.A of this report:

1. The Inventories and Property, Plant and Equipment account balances of ₱0.662 million and ₱32.281 million, respectively, as at December 31, 2020, could not be ascertained as to validity, accuracy and existence due to non-conduct of physical inventory taking on PPE and non-preparation of Reports on the Physical Count of Inventories (RPCI) and Property Plant and Equipment (RPCPPE) against which accounting records can be reconciled;

2. The District did not recognize in the books of accounts the total cost of electric transformers amounting to ₱0.905 million that it purchased in CY 2019, and expensed a total of ₱360,000.00 instalment payments for those power supply units during CY 2020, thus, the asset and liability accounts were understated while the expenses were overstated;

3. The year-end balance of Construction in Progress (CIP) - Infrastructure Assets in the amount of ₱5.128 million was not recognized to the appropriate Property, Plant and Equipment account notwithstanding the project status report as of December 31, 2020, showing no on-going projects, thus, resulted in misstatement of the account balance and understatement of depreciation expenses; and

4. The year-end balance of Accounts Receivable amounting to ₱3.951 million was not supported with subsidiary ledgers and no provision for Allowance for Doubtful Accounts was set-up, thus, reliability and accuracy of the account could not be established and the financial statements might not be presented fairly due to non-consideration of the probability of collectability of some receivables.

D. Significant Other Observations and Recommendations

The summary of significant observations and their corresponding recommendations, other than the bases for rendering a qualified opinion, as discussed in detail in Part II.B of this report, is presented below.

1. Cash advances for various regular and job order employees' payrolls, totaling to ₱2.732 million, were either directly booked into an expense or liability account; and supporting documents attached to disbursement vouchers were incomplete, contrary to COA Circular Nos. 2020-002 and 2012-001, thus, resulted in misrepresentation of the affected accounts in the financial statements and limited accountability on the use of funds.

We recommended and Management agreed to, henceforth, use Advances for Payroll account when granting cash advances for the payment of payroll of both regular and job order employees in order to establish the accountability of the grantee, and observe strictly the required supporting documents outlined in COA Circular No. 2012-001 to be attached to the disbursement vouchers. We also recommended the following journal entries to correct the grant and liquidation of cash advances for payrolls:

a. Set-up of liability (accrual of expenses as employees have already rendered service)
   Dr. Expenses
   Cr. Due to officers and employees

b. Grant of cash advances
   Dr. Advances for payroll
   Cr. Cash in bank

c. Liquidation of cash advances
   Dr. Due to officers and employees
   Cr. Advances for payroll.

2. The District paid a total of ₱80,000.00 in CY 2020 for donations made to the bereaved families of its former Board of Director member and a Job Order (JO) employee, contrary to Section 4(2) of PD No. 1445, thus, the government was put at a disadvantage when it paid such expenditures.

   We recommended and Management agreed to, henceforth, stop the practice of giving out financial assistance to the bereaved families of the BOD, regular or job order employees without establishing first the legal basis for its payment and see to it that every expenditure has passed the "public purpose test' pursuant to Section 4(2) of PD No. 1445.

3. The District did not withhold the correct taxes due in CY 2020, totaling to ₱42,446.90, from its gross money payments to suppliers of goods and services and per diems of the Board of Directors, contrary to Republic Act No. 10963 and Revenue Regulations Nos. 2-98 and 11-2018, thus, the government has been deprived of the immediate source of funds that could have been used or appropriated for public purpose.

   We recommended and Management agreed to, henceforth, strictly comply with the pertinent Bureau of Internal Revenue (BIR) rules and regulations in the withholding and remittance of taxes or to consult, from time to time, with the local BIR personnel in case of doubt as to what rates to be used and the manner of computing the same.

4. The District paid a total of ₱47,921.96 telephone expenses on two post-paid plans for mobile phones of two personnel that were observed to have included some unnecessary charges, exceeded the post-paid plan limits and lacked the necessary supporting documents, contrary to COA Circular No. 2012-003 and Section 4(6) of PD No. 1445, thus, propriety of the expenditures could not be established and the unnecessary charges paid were disadvantageous to the government.

   We recommended and Management agreed to, henceforth, provide the necessary supporting documents for its payments to mobile phone post-paid plans and the same shall be limited only to the subscription contract amount, except in cases where the

excess charges are duly supported with documents to justify that they were spent for official purposes. We also recommended that the District apply for a mobile post-paid plan under its name and not in the name of any of the personnel.

5. The District paid a total of ₱32,500.00, equivalent to half of the Cash Gift amount to each of its employees, before the allowed time for payment contrary to DBM Budget Circular No. 2016-4, thus, the cash flow of the District might be compromised on the period of payment.

   We recommended and Management agreed to, henceforth, adhere strictly with DBM Budget Circular No. 2016-4 when releasing the Cash Gift of employees in any particular year and to stop the partial payment of the same. Likewise, proper journal entries must be observed in granting cash advances by debiting Advances for Payroll and crediting Cash in Bank account. The Advances for Payroll account shall only be closed or credited upon its liquidation.

6. The District's Non-Revenue Water (NRW) of 329,697 cubic meters, equivalent to 36 percent, exceeded the maximum acceptable NRW rate of 20 percent, contrary to Local Water Utilities Administration (LWUA) Memorandum Circular No. 004-10, hence, an opportunity loss arose or loss of revenue by at least ₱5.836 million which could have been earned and used to better improve its operations.

   We recommended and Management agreed to conduct a comprehensive assessment, identification and evaluation of all the causes of water losses and formulate a feasible NRW reduction program.

E. Summary of Total Suspensions, Disallowances and Charges

The beginning balances of suspensions, disallowances and charges were ₱1.321 million, ₱100,971.00 and ₱0.00, respectively, or a total of ₱1.422 million, as at January 1, 2020. No suspensions, disallowances and charges and settlements were issued during the year, thereby leaving the same amounts as ending balances as at December 31, 2020.

F. Status of Implementation of Prior Years' Audit Recommendations

Of the 21 recommendations contained in the prior years' Annual Audit Reports, 7 were fully implemented, 1 was partially implemented and 13 were not implemented.