

## EXECUTIVE SUMMARY

### Introduction

The Aleosan Water District (ALWAD) was established thru Sangguniang Bayan Resolution No. B-333 dated March 2, 2009 issued by the Municipality of Aleosan, Province of Cotabato pursuant to the provisions of Presidential Decree No. 198, as amended. On November 9, 2009, the District was issued the Conditional Certificate of Conformance (CCC No. 755) by the Local Water Utilities Administration (LWUA). The Mandates of the District are:

- To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
- To provide, maintain and operate waste water collection treatment and disposal facilities; and
- To conduct such other functions and operations incidental to water resource development, utilization and disposal within the district, as are necessary or incidental to said purpose.

The powers, privileges and duties of the District are exercised and performed by and through the Board of Directors, as the policy-making body composed of the following:

Chairman	-	PCI. Orlando Y. Panzo (RET)
Vice Chairman	-	Francisco C. Regular
Secretary	-	Emanuel C. Rezane
Treasurer	-	Gilda D. Catanus
Member	-	Hermogenes C. Bolivar

The operational activities at the Aleosan Water District are under the direct supervision of Mr. Gil B. Sabinorio, General Manager. Multi-tasking was observed at the district having employed only five (5) job order employees to perform varied office tasks and services to its water concessionaires.

### Audit Scope and Methodology

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Auditing Code of the Philippines (P.D. 1445), we have audited the accounts and operations of the District covering the biennium period from January 1, 2016 to December 31, 2017.

The audit was conducted in accordance with the generally accepted state auditing standards, and accordingly included such tests of the accounting records and other related documents and evaluation of the design and operating effectiveness of the controls and such other procedures, as necessary, in the audit.

The audit was conducted to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; and (b) recommend agency improvement opportunities.

### Financial Highlights

The financial condition and results of operations of the Aleosan Water District for Calendar Years (CY) 2017 and 2016 are presented below:

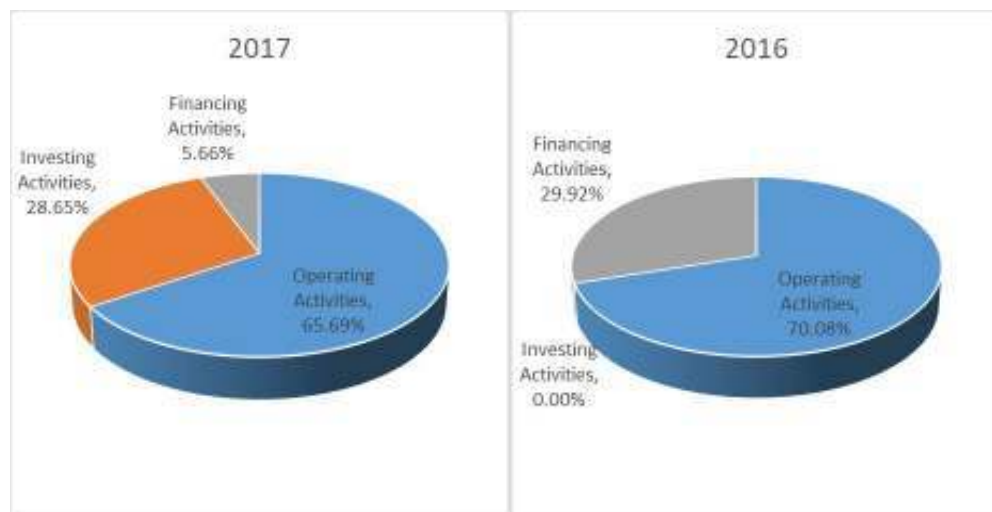
Financial Condition	2017	2016	Increase/(Decrease)	
			Peso Value	%
Assets	3,504,800.74	4,013,037.88	(508,237.14)	(12.66)
Liabilities	1,630,197.88	1,262,445.07	367,752.81	29.13
Equity	1,874,602.86	2,750,592.81	(875,989.95)	(31.85)

Results of Operations	2017	2016	Increase/(Decrease)	
			Peso Value	%
Income	1,393,139.54	945,537.36	447,602.18	47.34
Expenses	2,269,129.49	1,568,459.06	700,670.43	44.67
Net Income (Loss)	(875,989.95)	(622,921.70)	(253,068.25)	40.63

### Sources and Application of Funds

Total cash receipts for Calendar Years 2017 and 2016 amounted to ₱1,494,801.40 and ₱1,487,939.84, respectively, which all sourced out from the District's operating and financing activities.

Funds were utilized as follows:



## **Opinion of the Auditor**

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Aleosan Water District for the biennium year 2016 and 2017, due to the following: (a) Cash-in-Bank accounts have unreconciled difference of ₱36,206.00 between the books and bank records; (b) Accounts Receivable of ₱582,015.62 was not provided with the allowance for impairment and was not supported with subsidiary ledgers; (c) lack of documentary pieces of evidence showing the District's ownership of some PPEs with a total cost of ₱1,918,097.00, hence the existence and accuracy of the Property, Plant and Equipment (PPE) were doubtful; (d) unpaid franchise tax totalling ₱41,252.72 was unrecorded, hence understating both the expense and liability accounts; and (e) Government Equity account in the amount of ₱3,518,567.00 was inadequately disclosed in the Notes to Financial Statements.

## **Summary of Significant Audit Observations and Recommendations**

1. The accuracy of the Cash-Collecting Officers and Cash-in-Bank accounts as of December 31, 2016 and 2017 in the amount of ₱69,233.81 and ₱224,854.06 respectively, cannot be ascertained due to non-preparation of journal entries pertaining to collections and deposits, non-submission of bank reconciliation statements and unreconciled difference of ₱36,206.00 between the books and bank records.

We have recommended that Management:

- (a) require the Accounting Processor/Acting Bookkeeper to prepare the necessary adjusting journal entries to record the collections and deposits of the Cashier as of December 31, 2017 and to start adhering to the prescribed accounting process which include, among others the proper recording of transactions from the JEVs to the books of accounts;
  - (b) instruct the Cashier to prepare the Report of Collections and Deposits daily in accordance with the instructions provided in the NGAS Manual, Volume II; and
  - (c) direct the Accounting Personnel to prepare bank reconciliation statements for each of the District's depository account on a monthly basis and submit a copy thereof to the Office of Auditor. Moreover, balances of the cash in bank accounts recorded in the books as at December 31, 2017 shall be reconciled with the bank records and adjusting entries, if any shall also be recorded as appropriate.
2. The accuracy of the receivable and payable accounts amounting to ₱582,015.62 and ₱417,192.95, respectively cannot be ascertained due to the non-maintenance of subsidiary ledgers, the non-preparation of the periodic aging schedule for both accounts and the non-provision of the allowance for impairment for the receivable accounts.

We have recommended that Management:

- (a) allow the Acting Bookkeeper to attend trainings/seminars on government accounting and bookkeeping in order to enhance her skill and knowledge in

recording financial transactions and on the proper maintenance of the books of accounts;

- (b) instruct the Acting Bookkeeper to maintain subsidiary ledgers and aging schedules on all receivable and payable accounts and in accordance with existing regulations and in order to ensure the accuracy on the presentation of the accounts in the financial statements; and
  - (c) develop a reasonable scheme of providing allowance for impairment – Accounts Receivable based on the aging of receivables in order to present fairly the net realizable value of the receivable account.
3. The existence and accuracy of the reported balance of the Property, Plant and Equipment (PPE) cannot be ascertained due to lack of documentary pieces of evidence showing the District's ownership of some PPEs with a total cost of ₱1,918,097.00, inadequacies of accounting and property records and unrecorded receipt of transferred and donated properties.

We have recommended that Management:

- (a) secure copies of pertinent documents from the LGU of Aleosan and MAWD relative to the transfer/donation of the subject properties to the ALWAD to include among others the original copy of the transfer and invoice receipt with the details of the property- description, cost, etc., deed of donation and other relevant attachment papers;
  - (b) designate/appoint a Supply/Property Officer who shall maintain/keep records of his/her property accountability and render accounts as prescribed by the Commission and secure fidelity bond with the Bureau of Treasury Fidelity Fund upon appointment or designation of the Supply/Property Officer;
  - (c) instruct both the Supply/Property Officer and the Accounting Processor/Acting Bookkeeper to ensure that transaction details indicated in the source documents are posted promptly in the appropriate Property Cards (PC) and PPE Ledger Cards (PPELC), respectively, in accordance with Section 43, Chapter 1 of the NGAS Manual, Volume I; and
  - (d) create an Inventory Committee that will conduct the physical count/inventory of all the District's equipment and supplies at least once a year in compliance with Section 490 of the GAAM, Volume I.
4. Franchise tax amounting to ₱41,252.72 for calendar years 2016 and 2017 was not paid by the District to BIR contrary to Section 119 of RA 8424, as amended and BIR Revenue Memorandum Circular No. 63-2003.

We have recommended that Management instruct the Acting Bookkeeper and/or the Accounting Processor to strictly comply with existing BIR rules and regulations regarding the payment of Franchise Tax and pay the computed Franchise Tax liability amounting to ₱41,252.72 for CYs 2016 and 2017 to BIR.

5. Valuation and accuracy of the Government Equity account as at year-end in the amount of ₱3,518,567.00 cannot be relied upon due to the absence of supporting

documents and inadequacy of relevant information disclosed in the Notes to Financial Statements.

We have recommended that Management:

- (a) trace all transactions affecting the Government Equity account and properly record the same in the journal entry vouchers and books of accounts; and
  - (b) make appropriate disclosures in the Notes to Financial Statements such as but not limited to the details of assets received from the concerned LGU and the respective amounts thereof, to facilitate understanding and to avoid misinterpretations by the users of financial information.
6. Utilization of the ₱580,121.08 out of the LWUA Project Fund of ₱1.8M representing initial field cash requirement for the drilling of well source is not in accordance with the purpose of the fund contrary to Section 84(2) of PD 1445 and Sections 40 and 80 of Executive Order No. 292.

We have recommended that Management:

- (a) stop the practice of using funds for purposes other than what it is intended for and to strictly comply with Section 84 of the PD 1445 and Sections 40 and 80 of Executive Order No. 292 or The Administrative Code of 1987; and
- (b) expedite the project implementations in order to prevent the funds from becoming idle which deprive the government of all potential profits during the idle times.

### **Summary of Total Suspensions, Disallowances and Charges**

The total audit suspension, disallowances and charges found in the audit of various transactions of the agency as of December 31, 2017 is ₱0.00, based on the Notice of Suspension (NS)/ Notice of Disallowance (ND)/ Notice of Charge (NC) issued by the Commission, as summarized hereunder:

Particulars	Suspensions	Disallowances	Charges
Summary of Audit Suspensions, Disallowances and Charges as of January 1, 2016	₱0.00	₱0.00	₱0.00
Add: Issuances	-	-	-
Less: Settlements	-	-	-
Prior Year	-	-	-
Current Year	-	-	-
Balance, December 31, 2017	₱0.00	₱0.00	₱0.00

### **Status of Implementation of Prior Years' Unimplemented Audit Recommendations**

The Aleosan Water District is a newly-created agency under the audit jurisdiction of the Commission on Audit (COA) and this is the first audit conducted per COA Reassignment Order No. 2017-112 dated October 12, 2017, hence there are no audit recommendations for the prior years.