

EXECUTIVE SUMMARY

Auditee's Information

The Malungon Water District was established through Sangguniang Bayan Resolution No. 99-21 dated March 11, 1990 of the then Sangguniang Bayan of the Province of South Cotabato with the Presidential Decree No. 198, as amended, as the enabling law to the creation of water districts. The District was issued the Conditional Certificate of Conformance (CCC) No. 592 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 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	- Annabelle D. Dapitan
Vice-Chairman	- Froilan S. Galvez
Member	- Ronald Madriga
Member	- Norma Obogon

Day to day activities are carried out by the General Manager Henry Lito C. Pactes and its six (6) permanent employees, three (3) casual, and eight (8) job order.

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. No. 1445), we have audited the accounts and operations of the District covering the period January 1, 2020 to December 31, 2020.

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; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

Deficiencies observed in the course of the audit were earlier communicated through the issuance of the Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted with concerned officials and personnel of the District whose comments are incorporated in this report.

Financial Highlights

The financial profiles of the Malungon Water District for the Calendar Year 2020 are presented below:

Comparative Financial Position

Particulars	2020	2019	Increase (Decrease)	Percentage
Total Assets	Php42,024,073.63	Php41,667,739.26	Php356,334.37	0.86%
Total Liabilities	35,041,770.45	35,204,371.61	(162,601.16)	(0.46%)
Total Equity	6,982,303.18	6,463,367.65	518,935.53	8.03%

Results of Operations

Particulars	2020	2019	Increase (Decrease)	Percentage
Income	Php11,233,296.22	Php6,464,920.11	Php4,768,376.11	73.76%
Expenses	10,714,362.69	7,990,518.87	2,723,843.82	34.09%
Net Income (Loss)	518,933.53	(1,525,598.76)	2,044,532.29	134.02%

Opinion of the Auditor

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements.

Summary of Significant Observations and Recommendations

1. The Accounts receivable account balance of ₱1,530,528.23 as of December 31, 2020 included receivables that have been outstanding for three to more than ten (10) years amounting to ₱536,323.14.

We recommended that Management direct the Accountant to: a) issue demand letters to all the concessionaires with delinquent payment especially those that have been long outstanding and institute other actions to improve collection efficiency; b) strictly comply with the provisions of COA Circular No. 2016-005 on the required analysis of dormant accounts by performing the conduct of regular and periodic verification, analysis, and validation of the existence of the receivables, for strict monitoring and disposition of said accounts; and c) comply with all the conditions and requirements of COA Circular No. 2016-005 for the possible request to the Commission on Audit for authority to write-off the specified dormant receivables.

2. The Inventories account balance of ₱1,855,370.70 as of December 31, 2020 is of doubtful accuracy and reliability due to a) un-reconciled variance between the Accounting and the Property records; b) improper classification of construction materials; and c) inclusion of semi-expendable properties that were already issued to end users.

We recommended that Management:

- a) instruct the Accounting Unit to effect the correcting/adjusting journal entries to fairly present the Inventories, Construction in Progress and Retained Earnings accounts in the financial statements.
 - b) instruct the Supply Officer to see to it that the required Inventory Custodian Slip (ICS) shall be prepared for all small tangible items upon issuance to end users based on approved Requisition and Issue Slip (RIS) and upon recognition of the carrying amount of those previously recognized as PPE that were already issued to end users as an adjustment to the opening balance of Retained Earnings;
 - c) direct the Accountant to maintain the Supplies Ledger Cards for each inventory stock and the Supply Officer to maintain the Stock Cards for each supplies and materials inventory accounts; and
 - d) require the Accountant and the Supply Officer to closely coordinate with each other for the timely reconciliation of their records in order to immediately detect any discrepancy, identify the causes of such discrepancy and effect necessary adjustment/correction in their respective records to arrive at the correct balances of the inventory accounts for the fair presentation of the accounts in the financial statements.
3. The accuracy and reliability of the Property, Plant and Equipment with a total net book value of ₱31,552,154.20 as of December 31, 2020 could not be ascertained due to a) unreconciled variances between the Accounting and Property records, b) non-maintenance of Property Cards and PPE Ledger Cards by the Accountant and Property Officer, respectively, and c) inclusion of semi-expendable and unserviceable properties.

We recommended that Management:

- a) instruct the Accounting Unit to effect the necessary adjusting journal entry to recognize the carrying amount of semi-expendable properties recognized as PPE already issued to end-users as an adjustment to Retained Earnings. The corresponding Inventory Custodian Slip (ICS) should be prepared for these semi-expendable properties upon adjustment;
 - b) instruct the Property Officer to prepare the Inventory and Inspection Report for Unserviceable Property (IIRUP) and undertake the necessary actions in accordance with Section 79 of PD 1445. The IIRUP shall be used as basis in reclassifying the unserviceable properties from the PPE accounts to Other Assets account awaiting its actual disposal;
 - c) require the Accountant and the Property Officer to maintain the PPE Ledger Cards and Property Cards for each category of property, plant and equipment, respectively;
 - d) require the Property Officer to strictly observe the renewal of Property Acknowledgement Receipt (PAR), which should be done every three years or every time there is a change in accountability; and
 - e) require the Accountant and the Property Officer to closely coordinate with each other for the timely reconciliation of their records in order to immediately detect any discrepancy, identify the causes of such discrepancy and effect necessary adjustment/correction in their respective records to arrive at the correct balances of the PPE accounts for the fair presentation of the accounts in the financial statements.
4. Gender issues were not formally addressed because the District has neither prepared a GAD Plan and Budget nor complied with the 5 percent (5%) GAD budget requirement for the Calendar Year 2020.

In order to address the gaps and improve the current GAD implementation, we recommended that Management:

- a) require its employees to attend trainings and seminars on GAD to increase their knowledge and awareness on gender and development; and
- b) create/establish the GAD Focal Point System in accordance with Section 37.C.1, Rule VI of the Implementing Rules and Regulations (IIR) of RA 9710 or the Magna Carta of Women through issuance of the appropriate directives and require them to:
 - i. conduct gender analysis using the Harmonized Gender and Development Guidelines (HGDG) to attribute a portion or the total budget of the District's major programs/projects to GAD budget to have a better chance in attaining the 5% GAD budget requirements based on the District's total current operating budget;

- ii. develop and maintain a GAD database/sex-disaggregated data which contains the gender statistics and sex-disaggregated data that have been systematically produced or gathered to serve as inputs or bases for planning, budgeting, programming, and policy formulation;
 - iii. assess and identify gender and development issues within the organization (internal to the organization) and those of the outside stakeholders (outside the organization);
 - iv. establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization;
 - v. plan gender and development initiatives whether in the form of programs, project and activities that outlines synergy of the agency's mandate and objectives with the PPGD for 1995-2025 and Philippine MDGs;
 - vi. formulate annual GAD Plan and Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM;
 - vii. establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities;
 - viii. implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and
 - ix. evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.
5. GSIS monthly premiums, contributions and loan amortizations in prior years were under remitted contrary to the provisions of RA 8291.

We recommended that Management: a) instruct the Accounting Unit to prioritize the verification and reconciliation of records with GSIS in order to properly establish the prior years' unremitted amount and to immediately remit the same to GSIS; b) refund over-deductions to the employees concerned and prepare necessary adjusting entry, if any; and c) religiously comply with the provisions of RA 8291 with regard to the proper deduction and remittance of its mandatory contributions to GSIS.

Status of Suspensions, Disallowances and Charges

The total audit disallowances found in the audit of various transactions of the agency, as of December 31, 2020 is ₱136,311.06 based on the Notice of Disallowance (ND) issued by this Commission.

Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Of the twenty-two (22) prior years' audit recommendations embodied in the 2019 Annual Audit Report, five (5) were fully implemented, nine (9) were not implemented, one (1) is partially implemented and seven (7) are on the ongoing status of implementation.