

EXECUTIVE SUMMARY

Auditee's Information

The Maasim Water District was established through Sangguniang Bayan Resolution No. 169 dated October 18, 1989 of the Sangguniang Bayan of the Province of South Cotabato now Sarangani Province with Presidential Decree No. 198, as amended, as the enabling law to creation of water districts. On May 23, 1990, the district was issued the Conditional Certificate of Conformance (CCC) No. 444 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 the through the Board of Directors, as the policy-making body composed of the following:

Chairperson	- Zenaida D. Arciaga	- Professional Sector
Vice Chairperson	- Florencio H. Castillon	- Education Sector
Secretary	- Emelia S. Templado	- Business Sector
Member	- Marialyn M. Katug	- Women Sector
Member	- Dionisio E. Arnoza	- Civic Sector

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 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 the comments of the concerned officials and personnel of the District were incorporated in this report.

Financial Highlights

Comparative Financial Position

Particulars	2020	2019	Increase (Decrease)	Percentage
Total Assets	Php24,991,029.08	Php15,652,574.50	Php9,338,454.58	59.66%
Total Liabilities	14,552,835.10	13,577,660.12	975,174.98	7.18%
Total Equity	10,438,193.98	2,074,914.38	8,363,279.60	403.07%

Results of Operations

Particulars	2020	2019	Increase (Decrease)	Percentage
Income	Php13,355,900.05	Php4,259,884.16	Php9,096,015.89	213.53%
Expenses	4,992,620.45	4,012,340.63	980,279.82	24.43%
Net Income(Loss)	8,363,279.60	247,543.53	8,115,736.07	3,278.51%

Opinion of the Auditor

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Maasim Water District for the calendar year 2020 because of the overstatement of both the Water Supply System and Retained Earnings accounts in the amount of P9,200,000.00, and the District's inability to fully disclose in the financial statements (and notes thereto) the existence of a material uncertainty that may cast significant doubt on the District's ability to continue as a going concern and therefore may be unable to realize its assets and discharge its liabilities in the normal course of operation and may affect the achievement of its mandate to efficiently and effectively provide water services to its customers.

Summary of Significant Observations and Recommendations

1. Maasim Water District's low solvency ratio, high debt to income ratio, low and negative profitability ratio, and quick ratio of less than 1 for CYs 2018, 2019 and 2020, are indicative of the District's inefficiency in the management of its resources and operations affecting its ability to operate as a going concern government entity.

We recommended that Management:

- a) strengthen/improve its operation by intensifying collection of outstanding receivable especially the delinquent and disconnected accounts in order to increase its cash inflow;
 - b) campaign for more water service connections and adopt effective strategies such as check-up of leakages, to reduce non-revenue water in order to generate more revenue that will increase the District's cash inflows;
 - c) find ways to minimize its operating and indirect expenses to optimize profit;
 - d) review and study the water district performance in the previous years; assess its current status and operation; evaluate its strength and weaknesses; analyze its possible opportunities and threats in its existence; establish feasible targets, goals and objectives; and formulate a concrete corporate plan that would guide the management and employees on its direction in realizing its targets, goals and objectives; and
 - e) identify the possible causes and effects of the actual condition of the District and employ concrete plan to further improve the financial condition of the District.
2. The water facility amounting to ₱9,200,000.00 received from the Municipal Government of Maasim, Sarangani Province was recorded in the books without proper documentation.

We recommended that Management:

- a) instruct the Accounting Unit to effect the correcting journal entry to fairly present the Water Supply System and Retained Earnings accounts in the financial statements;
 - b) coordinate with the Municipal Government of Maasim, Sarangani and comply all the pertinent documents for the proper recognition of the water facility in the books of accounts; and
 - c) require the Accountant to strictly comply with all the requirements/criteria set forth by the accounting standards in the recognition of any item in the financial statements.
3. Cash collections were not deposited intact within the prescribed period and payment for the outstanding net claims on the salaries and wages of District employees and petty operating expenses totaling ₱61,138.00 were drawn directly against the undeposited collections.

We recommended that Management:

- a) refrain from utilizing undeposited collections for the payment of salaries, wages and operating expenses;
 - b) open bank account within their vicinity following the amended guidelines on authorized government depository banks per DOF Circular 01-2017 dated May 11, 2017 and deposit intact all collections, as well as collections turned over to them by sub-collectors/tellers daily or not later than the next banking day; and
 - c) establish proper payroll fund and payroll accounting system in accordance with pertinent law, rules and regulations.
4. The approved amount of fidelity bond of ₱45,000.00 of the Collecting Officer is insufficient to cover her actual maximum accountability of ₱1,398,297.71.

We recommended that Management secure adequate coverage of fidelity bond equivalent to the maximum accountability of the Collecting Officer in order to safeguard the assets in case of loss through theft, misappropriation and other loss due to fortuitous events.

5. The District has neither formulated a Disaster Risk Reduction and Management Plan (DRRMP) nor allocated budget solely for disaster-related incidence contrary to RA 10121 known as the Philippine Disaster Risk Reduction and Management Act of 2010.

We recommended that Management:

- a) coordinate with the Local Disaster Risk Reduction Council (LDRRMC) of Municipal Government of Maasim, Sarangani and seek their assistance and guidance on the formulation of disaster preparedness and risk reduction plan related to their nature of operation;
 - b) attend seminars and/or trainings related to Disaster Risk Reduction and Management to enhance knowledge on the proper adoption and implementation of a coherent disaster risk reduction program;
 - c) identify programs/activities/projects and prepare relative Disaster Risk Reduction Management Plan (DRRMP) to ensure the timely, effective and coordinated response to disasters or calamities; and
 - d) allocate budget for the disaster risk reduction and management to carry out programs and activities on preparedness, mitigation, response and recovery.
6. Gender issues were not formally addressed because the District has neither prepared a GAD Plan and Budget nor complied with the five 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 five percent (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 LWUA for initial review and submission thereon to PCW for final 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.
7. The District's lack of funds resulted in the non-remittance of BIR, GSIS, HDMF and PhilHealth mandatory contributions in the aggregate amount of P3,103,933.82 as of December 31, 2020.

We recommended that Management create ways to improve its operations and find means to increase its fund source, improve its income and minimize other operating costs. We further recommend that Management give priority in the remittance of the mandatory contributions to BIR, GSIS, HDMF and PhilHealth in accordance with the existing laws, rules and regulations for the welfare of its employees.

Status of Suspensions, Disallowances and Charges

The District has no suspensions, disallowances and charges as of December 31, 2020.

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, three (3) were fully implemented, eighteen (18) were not implemented and one (1) was partially implemented.