

EXECUTIVE SUMMARY

A. Highlight of Financial Operation

For Calendar Year 2012, the District had collected ₱8,583,114.42 income which is 27.96% higher than the previous year's collection of ₱ 6,707,659.47. The total expenditures for the period was ₱6,697,600.16 or 14.10% higher compared that of the last year in the amount of ₱5,869,702.25.

The District's assets, liabilities and equity as of December 31, 2012 were ₱21,164,581.30, ₱21,390,748.47 and (₱226,167.17), respectively which correspondingly increase/(decreased) by 7.73%, (0.48%) and 768.23% compared to last year figures of ₱19,404,806.39, ₱21,498,486.95 and (₱2,093,680.56), respectively.

The net income from operation for Calendar Year 2012 was ₱1,885,514.26 which increased compared to last year's figure of ₱837,957.22.

B. Scope of Audit

Financial and compliance audit were conducted on the accounts and transactions of the SKWD for the calendar year 2012. The audit determined the fairness of presentation of the agency's financial condition and results of its operations for the year ended.

The audit included ascertaining the validity and propriety of transactions on a sampling basis focusing on critical accounts identified during the planning stage of audit; specifically vouching of receipts and disbursements, verification of financial reports, records and books of accounts, and evaluation of selected agency's internal control system.

C. Audit Opinion on the Financial Statements

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

D. Significant Audit Findings and Recommendations

1. Pumping Station, Pump House and Water District Office containing an area of 1,164 square meters or less situated at Brgy. Pasandalan, Lebak, Sultan Kudarat remained unrecorded in the books of the agency. Ownership of the land is still in the name of the former owner.

1. Request the Sangguniang Bayan of the Municipality of Lebak to issue a resolution authorizing the transfer of title of the donated land to Lebak Water District.
2. Secure all the necessary documents (Tax Declaration, Deed of Sale, Authority from the Sangguniang Bayan, etc...) for the immediate titling of the aforementioned land in the name of the agency to avoid ownership conflict in the future.

2. **Cash on hand of the collecting officer as of December 31, 2012 in the amount of ₱162,589.03 as indicated in the balance sheet does not exist anymore resulting to misrepresentation of the account in the financial statement.**

1. Exert effort in identifying the person accountable for the amount of ₱8,800.71 and establish accountability.
2. Reclassify the Account Code 102 – Cash Collecting Officers to a receivable account to properly adjust the account, to wit;

Debit: Due from Officers and Employees - ₱ xx,xxx.xx

Credit: Cash - Collecting Officers - ₱ xx,xxx.xx

3. The management should issue Demand Letters to the previous accountable officers demanding them to restate the shortages.

3. **Fines and penalties as well as the Accounts Receivable account were overstated by P14,093.95 due to the outright recognition of the income upon booking of the bills for the month which is not pursuant to Section 23 of New Government Accounting System (NGAS).**

1. We recommend that the District will only book those fines and penalties that were actually paid by cash to present fairly the financial statement in accordance with generally accepted accounting principle.
2. The determined fines and penalties, on the other hand, will still be maintained in the billing section for record purposes. This will be used to match against the collected fines and penalties on the individual concessionaire's record.
3. Only the actual fines and penalties will be reported in accounting for recording of the fines and penalties – business income.

4. **The General Manager, who is a regular employee, and Accountable Officers designated as Cashiering Assistant and Disbursing Officer, who are in a Job Order Contract, of the LEWADI was not bonded, contrary to existing regulations.**

All accountable officers must be regular employees of the District and must be duly bonded to ensure that funds and properties of the government will not be unduly exposed to risks and for the protection of both the personnel and the District.

5. **Petty Cash Fund Expenses were not properly documented and not provided with cashbook which is not pursuant to Section 111 and 114 of Presidential Decree 1445 (The Government Auditing Code of the Philippines).**

We recommend that management must strictly adhere to the following internal control policies to ensure the completeness of documents as expended:

1. The petty cash custodian must use the standard petty cash voucher whenever a personnel advances for petty expenses and liquidate such advances. (Please refer to Annex A for the form).
2. All of the information needed in the Petty Cash Voucher must be duly accomplished to provide audit trail and tracing of expenses.
3. The petty cash custodian must maintain a cashbook intended for petty cash fund transactions (Please see Annex B for the form). This must be updated always.

6. Non-maintenance of Subsidiary Ledgers on cash, receivable and payable accounts may render the balances of the financial statements to be unreliable which is not pursuant to Section 111 and 114 of Presidential Decree No. 1445 (The Government Auditing Code of the Philippines).

The management must see to it to maintain subsidiary ledgers on all accounts necessary to be provided with details to furnish the information needed by fiscal or control agencies of the government and District's decision makers.

7. Board Resolution No. 39, Series of 2011 retaining Mr. Citland Rolando C. Tongcua , a job order employee as Water Utilities Development Officer B with a salary amounting to P15,000.00 monthly effective January 2, 2012 is not in accordance with Section 18 and Section 24 of Law and Jurisprudence of Water Districts.

We recommend that the General Manager immediately terminate the services of Mr. Tongcua in the absence of legal basis.

E. Status of Implementation of Prior Year's Audit Recommendations

Of the ten (10) prior year's audit recommendations embodied in the 2011 Annual Audit Report, two (2) were fully implemented, seven (7) were partially implemented and one (1) is not acted upon by the auditee.