

## EXECUTIVE SUMMARY

### Introduction

The Sultan Kudarat Water District (SKWD) was established thru Sangguniang Bayan Resolution No.82-66 dated October 22, 1982 of the Sangguniang Bayan of the Province of Sultan Kudarat with Presidential Decree No. 198, as the enabling law to the creation of water districts. On August 5, 1983, the District was issued the Conditional Certificate of Conformance (CCC No. 247) by the Local Water Utilities Administration (LWUA).

As of December 31, 2020, the Water District had a total workforce of 149 employees composed of 77 regular personnel, 11 casuals, 36 contractual, and 25 project-based job order personnel. The Water District is presently headed by a General Manager, Engr. Jose D. Tabuga Jr., MPA.

### 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 period January 1 to December 31, 2020.

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.

### Financial Highlights

The financial profiles of the District for CY 2020 with comparative figures of CY 2019 are presented as follows: (All amounts in Philippine Pesos unless otherwise stated)

Table 1. SKWD Financial Profile

Particulars	2020	2019	Increase/(Decrease)	
			Amount	Percentage
<b>A. Financial Condition</b>				
Assets	386,555,048.82	385,465,357.86	1,089,690.96	0.28%
Liabilities	46,787,976.60	60,521,030.15	(13,733,053.5)	(22.69)%
Equity	339,767,072.22	324,944,327.71	14,822,744.51	4.56%
<b>B. Financial Performance</b>				
Revenues	153,126,761.53	149,872,767.00	3,253,994.53	2.17%
Expenses	137,785,690.10	125,912,771.18	11,872,918.92	9.43%
Surplus (Deficit)	15,341,071.43	23,959,995.82	(8,618,924.39)	(35.97)%

## **Audit Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of Sultan Kudarat Water District as of December 31, 2020 due to: a) the doubtful accuracy and validity of the net realizable value of Accounts Receivable stated at ₱24,435,007.38 at year-end because of the non-inclusion of both the inactive and dormant accounts totaling ₱7,876,528.35 in the provision for Impairment Loss and Allowance for Impairment of Accounts Receivable; and b) overstatement of the Accounts Payable and understatement of Retained Earnings account because of the non-reversion of Accounts Payable totaling ₱463,985.62 which have been outstanding for more than two years and of which no actual claims were filed.

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

1. Gaps in the handling, monitoring and reporting of Accounts Receivable account were observed in the CY 2020 Financial Statements of the District.

We have recommended that Management:

- a) exercise diligence in the collection of receivables by sending at least three (3) demand letters to the delinquent customers;
- b) if the collectability is still remote, request for authority to write-off dormant accounts by submitting all required documents to the Commission on Audit (COA) pursuant to COA Circular 2016-005; and
- c) instruct the accounting section to reassess the provision of the Allowance for doubtful accounts to arrive at the reliable net realizable of the account in accordance with the NGAS manual in order to achieve fair presentation of the accounts receivable in the Financial Statements.

2. Accounts Payable totaling ₱463,985.62, of which no actual claims were filed and has been outstanding for more than two years, remained in the books of accounts.

We have recommended that Management instruct the Accountant to:

- a) review the composition of the Accounts Payable in order to determine the valid claims and ensure that all recorded payables are duly supported with adequate required documents; and
- b) prepare the necessary adjusting entries to drop from the books of accounts the undocumented or unsupported obligations/claims and to revert the recorded payables which have been outstanding for more than two years, in the total amount of ₱463,985.62.

3. Customers' Deposits Payable amounting to ₱435,656.16 remained non-moving for the past four years and was not supported with subsidiary ledgers to monitor and verify the existence and validity of the account.

We have recommended that Management instruct the Accounting Unit to obtain and trace the details of the Customers' Deposits Payable account,

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prepare and maintain the corresponding subsidiary ledgers for proper monitoring and reporting and drop from the books those accounts that were not supported with adequate documents. We further recommend that Management submit these documents to the Audit Team to facilitate verification and validation.

4. Weak safeguard measures and internal control system in the overall handling, recording and management of the various supplies and properties of the District were observed.

We have recommended that Management: a) formulate and install sound internal control policies/measures in the handling of properties and supplies in order to address the noted deficiencies; and b) instruct the concerned personnel to adhere to the proper procedures in the maintenance of records in order to achieve correct and reliable information over the District's assets.

5. Interventions implemented by the District as reflected in its CY 2020 GAD Accomplishment Report did not include adequate measures in addressing gender issues and concerns arising from the effects of COVID-19 pandemic.

We have recommended that Management:

- a) strictly follow the GAD mandates, reports preparation and the processes stated in the PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2015-03 and with the adoption of the above stated mandate in addressing COVID-19;
- b) improve the implementation rate of GAD Programs/Projects/Activities by ensuring that all planned activities for each year are fully implemented; continue to develop, maintain and update GAD Database especially the sex-disaggregated data as reference in the formulation and development of gender responsive PAPs that are in line with the agency's mandate;
- c) improve its future GAD plans and programs. Exert additional efforts to propose, formulate, and actually implement more GAD PAPs, thru the GFPS, in response to the gender gaps and current/existing issues being faced by its clients as well as women and men employees; and
- d) require the GFPS to ensure continuous learning and development in terms of technical knowledge on gender and development. Regular updating activities/learning sessions on GAD-related laws, recently issued circulars and other issuances to include, among others, visiting the PCW's official website are highly encouraged to be informed on the latest updates and developments on GAD which can eventually be applied to the District's GAD undertakings.

### **Summary of Total Suspensions, Disallowances and Charges as of Year-End**

The total audit suspension, disallowances and charges found in the audit of various transactions of the agency, as of December 31, 2020 is ₱374,908.93, based on the Notice of Suspension (NS)/Notice of Disallowance (ND)/Notice of Charge (NC) issued by this Commission, as summarized hereunder:

Particulars	Suspensions	Disallowances	Charges
Summary of Audit Suspensions, Disallowances and Charges as of December 31, 2019	₱0.00	₱ 374,908.93	₱0.00
Add: Issuances	0.00	0.00	0.00
Less: Settlements			
Prior Year	0.00	0.00	0.00
Current Year	0.00	0.00	0.00
Balance, December 31, 2020	₱0.00	₱ 374,908.93	₱0.00

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

Of the nine (9) prior year's audit recommendations embodied in the CY 2019 Annual Audit Report, three (3) were fully implemented and six (6) were partially implemented.