

EXECUTIVE SUMMARY

A. Introduction

The Magsingal Water District (MaWD) was organized by the Local Government Unit of Magsingal, Ilocos Sur under Sangguniang Bayan Resolution No. 15 s. 2008 which was approved on November 18, 2008. The Resolution states that the Water District shall operate in accordance with the pertinent provisions of Presidential Decree No. 198, otherwise known as the Provincial Water Utilities Act of 1973, as amended and shall have all the powers to raise revenues and promulgate rules and regulations to run and manage the utilities. The MaWD covers the seven barangays namely: San Clemente, San Julian, San Basilio, San Lucas, San Ramon, San Vicente and Bacar.

The District is headed by the Acting General Manager, Engr. Tiburcio T. Tabarrejo, Jr. (concurrently the Municipal Planning and Development Officer of Magsingal, Ilocos Sur). As of December 31, 2018, the manpower complement of the District consists of five job order personnel. The Board of Directors which is the policy-making body of the District is composed of four members from different sectors of society, as listed below:

Name	Sector	Position
Mrs. Milagros U. Encarnacion	Professional Associations	Acting Chairman
Ms. Monet R. Tolentino	Educational Institution	Secretary
Mrs. Marle T. Peredo	Business, Finance & Commercial Organizations	Member
Mrs. Edna U. Unciano	Women's Organization	Member

B. Financial Highlights

Accounts	2018	2017	Increase/(Decrease)	
			Amount	%
Assets	P15,194,304.57	P15,771,062.27	(P576,757.70)	(3.66)
Liabilities	9,290,837.02	9,238,488.25	52,348.77	(0.57)
Equity	5,903,467.55	6,532,574.02	(629,106.47)	(9.63)
Total Income	1,113,272.09	228,173.61	885,098.48	387.91
Expenses	1,742,378.56	206,198.59	1,536,179.97	745.00
Net Income (Loss)	(P629,106.47)	P21,975.02	(P651,081.49)	(2,962.83)

C. Scope of Audit and Methodology

A financial and compliance audit was conducted on the accounts and operations of the Magsingal Water District, Magsingal, Ilocos Sur for the year ended December 31, 2018. The audit consisted of review of operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary.

D. State Auditor's Opinion on the Financial Statement

We rendered a qualified opinion on the presentation of the Financial Statements because the existence, completeness, accuracy and reliability of the Property, Plant and Equipment account in the total amount of P14,676,666.43, as well as P191,451.25 worth of Inventories as of December 31, 2018, could not be ascertained because physical count was not conducted and the required inventory reports were not submitted. In addition, the accuracy and validity of Loans Payable account amounting to ₱8,858,950.00 as of December 31, 2018, were doubtful and unreliable due to a discrepancy of ₱1,434,227.88 as against the balance maintained in the books of Local Water Utilities Administration. Moreover, various transactions were not recorded to their appropriate account classifications, thus, understating the Equity by P917,866.00 and Property, Plant and Equipment Accounts by P897,866.00 and overstating Expense by P917,866.00 and Loans Payable Accounts by P20,000.00. Also, Allowance for Impairment of Accounts Receivable was not provided due to the non-preparation of Aging of Accounts Receivable, thus, affecting the fair presentation of the financial statements of the District. Finally, Depreciation Expenses for some items of Property, Plant and Equipment (PPE) amounting to P14,496,987.99 were not provided due to absence of ledgers and other necessary documents contrary to Philippine Accounting Standards (PAS) 16, thus affecting the fair presentation of the financial statements for the year 2018.

E. Significant Audit Observations and Recommendations

We are pleased to note that the District incurred Non-Revenue Water of 1.03% which is within the range allowed under Local Water Utilities Administration Memorandum Circular 011.018 dated June 1, 2018.

Some transactions which need to be corrected or improved are enumerated in the herein audit observations with their corresponding recommendations, as follows:

1. The existence, completeness, accuracy and reliability of the Property, Plant and Equipment account in the total amount of P14,676,666.43, as well as P191,451.25 worth of Inventories as of December 31, 2018, could not be ascertained because physical count was not conducted and the required inventory reports were not submitted.

We recommended that Management:

- a) Conduct periodic inventory and inspection of all the District's inventories and properties to determine their existence, validity and serviceability; and
- b) Maintain property ledger cards for all properties and stock cards and supplies ledger cards for all inventories of the District.

2. The accuracy and validity of Loans Payable account amounting to ₱8,858,950.00 as of December 31, 2018, were doubtful and unreliable due to a discrepancy of ₱1,434,227.88 as against the balance maintained in the books of Local Water Utilities Administration (LWUA), contrary to Section 111 of Presidential Decree (PD) No. 1445 and Chapter 3 of Philippine Financial Reporting Standards requiring faithful representation of Financial Statements.

We recommended that Management:

- a) Require the Acting Accounting Processor to make thorough reconciliation of the District's records with that of the LWUA's and note the causes of the discrepancy;
 - b) Direct the Acting Accounting Processor to make the necessary adjustments to ensure a fair presentation of Loans Payable in the financial statements; and
 - c) Instruct the Acting Accounting Processor to conduct periodic confirmation of loan balances with the LWUA Loans Department.
3. Audit fees due to the Commission on Audit (COA) in the amount of P12,600.00 were not recognized as liability, thus, the Statement of Financial Position of the District as of December 31, 2018 was not fairly presented.

We recommended that Management cause the immediate recording of the amount due to the Commission on Audit and the eventual settlement thereof.

Other Audit Observations and Recommendations are discussed in detail in Part II of this report.

F. Status of Statement of Audit Suspensions, Disallowances and Charges

No Suspensions, Disallowances and Charges were outstanding as of December 31, 2018.

G. Status of Prior Year's Audit Recommendations

Out of the four prior year's audit recommendations embodied in the previous year's Management Letter, one was fully implemented and three were partially implemented as of December 31, 2018, which were all reiterated in Part II of the report.