

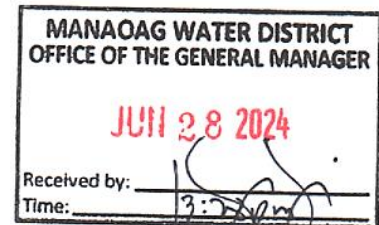


REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
City of San Fernando, La Union

June 24, 2024

MS. LOURDES B. VELORIA
Chairman of the Board of Directors
Manaoag Water District
Manaoag, Pangasinan

MS. FLORDELIZA N. TEJANO
General Manager
Manaoag Water District
Manaoag, Pangasinan



Dear Chairman Veloria and Manager Tejano:

We are pleased to transmit the Annual Audit Report on the Manaoag Water District for the Calendar Year 2023, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

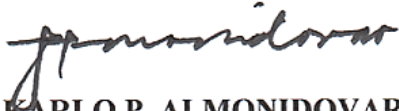
The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Manaoag Water District in view of the significance of the exceptions noted in audit as stated in the Independent Auditor's Report.

The audit observations together with the recommended courses of action, which were discussed with the concerned management officials and staff during the exit conference on June 11, 2024, are presented in detail in Part II of the report.

We request that the recommendations contained in the report be immediately implemented and we appreciate being informed of the actions taken thereon within 60 days from receipt hereof pursuant to Section 99 of the General Provisions of the General Appropriations Act of Fiscal Year 2023 (Republic Act No. 11936), using the Agency Action Plan and Status of Implementation (AAPSI) Form to be submitted to the Audit Team.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus, facilitating the submission of this report.

Very truly yours,



KARLO P. ALMONIDOVAR
Officer-in-Charge

Copy furnished:

President of the Republic of the Philippines
Vice-President of the Republic of the Philippines
President of the Senate
Speaker of the House of Representatives
Chairperson – Senate Finance Committee
Chairperson – Appropriations Committee
Secretary of the Department of Budget and Management
Governance Commission of the Government-Owned and Controlled Corporations
Presidential Management Staff, Office of the President
National Library (soft copy)
University of the Philippines (UP) Law Center (soft copy)
COA Commission Central Library (soft copy)

MANAOAG WATER DISTRICT

Manaoag, Pangasinan

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION
Audit Observations and Recommendations**

For the Calendar Year 2023

As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			

Agency Sign-off

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed




REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
CORPORATE GOVERNMENT AUDIT SECTOR
WATER DISTRICTS AND OTHER STAND ALONE AGENCIES
City of San Fernando, La Union

Office of the Auditor – Audit Team No. 5

MEMORANDUM

FOR : KARLO P. ALMONIDOVAR
Officer-in-Charge
Commission on Audit
Regional Office No. I

THRU : CRISTINA M. LOPEZ

OIC – Supervising Auditor

DATE : June 18, 2024

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Manaoag Water District, Manaoag, Pangasinan for the year ended December 31, 2023.

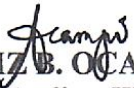
The audit was conducted to ascertain the fairness of presentation of the financial statements and the propriety of financial transactions. We conducted the audit in accordance with generally accepted auditing standards and we believe that it provides a reasonable basis for the results of the audit. The audit was likewise aimed at determining whether the desired objectives were attained in an effective, efficient, and economical manner.

Our report consists of three parts. Part I is the Audited Financial Statements, Part II contains the Observations with the corresponding Recommendations, and Part III presents the Status of Implementation by the Auditee of Prior Years' Audit Recommendations.

We rendered a Qualified Opinion on the fair presentation of the financial statements.

We have discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last June 11, 2024. We are pleased to note their favorable reactions to our recommendations.

We acknowledge the cooperation extended to us by the Manaoag Water District personnel through whose assistance and support the submission of this report was made possible.


AIRIZ B. OCAMPO
State Auditor III
OIC – Audit Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

MANAOAG WATER DISTRICT
Manaoag, Pangasinan

For The Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. INTRODUCTION

Manaoag Water District (MANWAD) is a government-owned and controlled corporation (GOCC) which was established to provide potable water and sewerage system in the Municipality of Manaoag, Pangasinan. On September 12, 1980, the Local Water Utilities Administration (LWUA) issued Conditional Certificate Conformance (CCC) No. 128 recognizing the agency as full-fledged Water District.

The Board of Directors (BOD) is the policy-making body of MANWAD. It is composed of the Chairman and four members, representing different sectors.

B. OPERATIONAL HIGHLIGHTS

For the Calendar Year (CY) 2023, MANWAD reported the following accomplishments:

Key Performance Indicators

Indicators	Targets	Actual Accomplishments
Non-Revenue Water (NRW)	$\leq 20\%$	18%
Collection Efficiency	$\geq 90\%$	95%
Current Ratio	$\geq 1.5:1$	7.01:1
Net Income	₱5,301,229.48	₱7,787,303.50
Staff Productivity Index	145	171

MANWAD List of Projects Completed

Project Title	Location	Amount (₱)
Construction of Water Reservoir and Installation of Transmission Pipelines	Barangay Pugaro, Manaoag, Pangasinan	11,710,400.00
Well Drilling and Installation of Transmission Pipelines	Barangays Pao and Sapang, Manaoag, Pangasinan	8,517,604.13
Installation of uPVC Pipes	Zones 4 and 5, Barangay Baritao, Manaoag, Pangasinan	411,384.00
Construction of Fence	Barangay Pao, Manaoag, Pangasinan	506,350.00
Construction of Pump House	Barangay Pao, Manaoag, Pangasinan	460,850.00
Construction of Discharge Line Assembly	Barangay Pao, Manaoag, Pangasinan	676,194.40
Installation of uPVC Pipes	Barangay Bisal, Manaoag, Pangasinan	514,641.02
Total		22,797,423.55

C. FINANCIAL HIGHLIGHTS

The summary of financial highlights of MANWAD for the period ending December 31, 2023, with the comparative figures for CY 2022 is presented as follows:

Financial Position

For CY 2023, there was an increase in assets, liabilities and government equity of 4.64%, 31.80% and 3.20%, respectively, presented as follows:

Particulars	2023	2022	Increase/ (Decrease)	
			Amount	Percentage
Assets	183,434,205.48	175,301,780.68	8,132,424.80	4.64
Liabilities	11,616,508.00	8,813,900.96	2,802,607.04	31.80
Government Equity	171,817,697.48	166,487,879.72	5,329,817.76	3.20

Financial Performance

For CY 2023, MANWAD posted a 1.23% decrease in net income tabulated as follows:

Particulars	2023	2022	Increase/ (Decrease)	
			Amount	Percentage
Income	63,845,450.29	57,693,538.79	6,151,911.50	10.66
Expenses	56,058,146.79	49,812,598.78	6,245,548.01	12.54
Net Income (Loss)	7,787,303.50	7,880,940.01	(96,636.51)	(1.23)

Budget and Utilization

MANWAD expended 71% of the total budget for CY 2023 presented as follows:

Particulars	2023		2022	
	Budget	Actual Expenditures	Budget	Actual Expenditures
Personnel Services	30,701,520.97	29,966,895.29	30,055,723.66	26,012,426.50
Maintenance and Other Operating Expenses	41,835,495.29	21,643,561.37	31,183,047.53	19,859,117.42
Financial Expenses	302,500.00	2,200.00	297,433.00	88,021.00
Non-Cash Expenses	6,254,988.82	4,445,490.13	5,254,641.16	3,853,033.86
Capital Expenditures	44,162,155.30	30,936,896.76	59,650,900.00	26,104,219.93
Total	123,256,660.38	86,995,043.55	126,441,745.35	75,916,818.71
Percentage of Utilization		71		60

D. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of MANWAD for the Calendar Year (CY) ended December 31, 2023. The audit included the review of operating procedures, interview with concerned officials and employees, verification, reconciliation and analysis of accounts, and such other procedures considered necessary. The audit also aimed to: (a) verify the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

The audit was focused on the 2023 audit thrusts issued by the Commission. Financial, compliance and operational audits were conducted to achieve the audit objectives.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of presentation of the financial statements of MANWAD for the year ended December 31, 2023 in view of the various deficiencies noted affecting the accuracy of Property, Plant and Equipment (PPE) account and related Accumulated Depreciation, to wit:

- a. Erroneous recording of various properties with aggregate costs of ₱129,337,797.74; and
- b. Semi-expendable properties amounting to ₱136,973.17 that did not meet the capitalization threshold were recognized as PPE.

Moreover, various transactions in the total amount of ₱14,873,233.24 were erroneously classified in the books of accounts, which are not in keeping with the Conceptual Framework of the Philippine Financial Reporting Standards (PFRS) and Commission on Audit (COA) Circular No. 2020-002 dated January 28, 2020.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following are the significant observations and recommendations that require the attention of the Management. These were discussed with the concerned agency officials during the exit conference held on June 11, 2024, and their corresponding comments were incorporated in Part II of the report, where appropriate:

1. Payments for the Exploratory Well Drilling and Pipelaying of Transmission, Main and Service Lines with Interconnections along Barangays Pao and Sapang and the Construction of Glass Fused to Steel Bolted Reservoir at Barangay Pugaro, with contract costs of ₱8,517,604.13 and ₱11,710,400.00, respectively, were not duly supported with complete procurement documents and other necessary documentation

such as Inspection Reports and As Built Plans, among others, which is not in keeping with the pertinent provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, and Section 4(6) of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012. The documents submitted provided no clear determination on the full compliance of the transactions with RA No. 9184 and other pertinent laws, thus, may result to invalid or illegal expenditures.

We recommended that Management instruct the members of the Bids and Awards Committee (BAC) to adhere strictly with the aforementioned provisions of the 2016 Revised IRR of RA No. 9184 and ensure that the documentary requirements in every phase of the procurement process are complete before the award of any contract.

We also recommended that Management direct the Division Manager (DM), Finance and Commercial, to promptly submit the lacking documents.

Additionally, we recommended Management to implement a process to verify the completeness of supporting documents before making payments for any expenditure.

2. Various expenses of MANWAD in the total amount of ₱17,257,541.57 were not supported with complete documentary requirements, which is not in accordance with Sections 2 and 4 of PD No. 1445 and COA Circular No. 2012-001. The payments were improper which may result to invalid or illegal expenditures.

We recommended that Management instruct the Accountant to submit the lacking documents and strictly adhere to the provisions of Sections 2 and 4 of PD No. 1445 by ensuring that documents are complete and proper before processing claims against the MANWAD funds.

3. The procurements of four units of motor vehicles amounting to ₱424,630.18 were not supported with an Authority to Purchase Motor Vehicles (APMV) as prescribed under Department of Budget and Management (DBM) Budget Circular (BC) No. 2022-1 dated February 11, 2022, thus undermining a critical mechanism for ensuring that the government procurement of motor vehicles is transparent, justified, and aligned with budgetary and operational priorities.

We recommended that Management direct the members of the BAC to adhere strictly to the provisions of DBM BC No. 2022-1 dated February 11, 2022 in the procurement of motor vehicles.

4. The grant of MANWAD of monthly post-paid plans to several officials and employees ranging from ₱300.00 to ₱4,900.00 without any approved policy and guidelines was not in accordance with Section 2 of PD No. 1445 thus, the efficient, economical, and effective use of Water District funds was not ensured. Moreover, the recording of the transactions was erroneous, resulting in the misstatement of the related accounts.

We recommended that Management:

- a. Require the members of the BOD to establish policies and guidelines on the grant of load allowance to qualified employees for control and monitoring purposes;
 - b. Submit a monthly certification that the telephone/ mobile load allowance was utilized for official use;
 - c. Record the device costs and excess on the monthly plans as Due from Officers and Employees and strictly enforce and monitor the monthly refund; and
 - d. Discontinue the charging of costs of devices to MANWAD's fund after the end of the current contracts.
5. Payments of BAC honoraria exceeded the rates provided under BC No. 2004-5A dated October 7, 2005, resulting in the incurrence of irregular expenditures amounting to ₱91,000.00 pursuant to COA Circular No. 2012-003 dated October 9, 2012. In addition, the honoraria granted were not subjected to withholding tax which is not in keeping with BIR Ruling No. 494-18.

We recommended that Management require the Accountant to:

- a. Strictly adhere to the provisions of BC No. 2004-5A on the allowable rates on the payment of honoraria; and
- b. Ensure that applicable amount of tax is withheld therefrom.

We further recommended that Management require the recipients to refund the excess amount.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

All 21 prior year's audit recommendations were implemented.

H. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

There were no suspensions and charges, however, disallowances amounting to ₱5,286,836.61 remained outstanding as of December 31, 2023. A summary is presented as follows:

Particulars	Beginning Balance as of January 1, 2023	This Period Jan. 1 to Dec. 31, 2023		Ending Balance as of December 31, 2023
		NS/ND/NC	NSSDC	
Notice of Suspension	-	-	-	-
Notice of Disallowance	5,760,987.66	107,442.74	581,593.79	5,286,836.61
Notice of Charge	-	-	-	-
Total	5,760,987.66	107,442.74	581,593.79	5,286,836.61

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PART I

AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
CORPORATE GOVERNMENT AUDIT SECTOR
WATER DISTRICTS AND OTHER STAND ALONE AGENCIES
City of San Fernando, La Union

INDEPENDENT AUDITOR'S REPORT

The General Manager
The Board of Directors
Manaoag Water District
Manaoag, Pangasinan

Qualified Opinion

We have audited the accompanying financial statements of Manaoag Water District (MANWAD), which comprise the Statement of Financial Position as at December 31, 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Bases of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of MANWAD as at December 31, 2023, and its comprehensive income, its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

A qualified opinion was rendered on the fairness of presentation of the financial statements of MANWAD for the year ended December 31, 2023 in view of the various deficiencies noted affecting the accuracy of Property, Plant and Equipment (PPE) account and related Accumulated Depreciation, to wit:

- a. Erroneous recording of various properties with aggregate costs of ₱129,337,797.74; and
- b. Semi-Expendable Properties amounting to ₱136,973.17 that did not meet the capitalization threshold were recognized as PPE.

Moreover, various transactions in the total amount of ₱14,873,233.24 were erroneously classified in the books of accounts, which are not in keeping with the Conceptual Framework of the Philippine Financial Reporting Standards (PFRS) and Commission on Audit (COA) Circular No. 2020-002 dated January 28, 2020.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Except for the matter described in the Bases for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


Those charged with governance are responsible for overseeing the MANWAD’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

BY:


CRISTINA M. LOPEZ
OIC – Supervising Auditor
June 14, 2024




REPUBLIC OF THE PHILIPPINES
MANAOAG WATER DISTRICT
AQUINO STREET, POBLACION, MANAOAG 2400 PANGASINAN | TELEPHONE NO.: 075.579.0754 | MOBILE NO.: 0977.819.3878


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL STATEMENTS**

The Management of the Manaoag Water District is responsible for the preparation of the financial statements as at December 31, 2023, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.


LOURDES B. VELORIA
Chairman of the Board

January 31, 2024
Date Signed


RUSTY MARK M. FLORES
Division Manager C,
Finance and Commercial

January 31, 2024
Date Signed


FLORDELIZA N. TEJANO
General Manager C

January 31, 2024
Date Signed

Manaoag Water District
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

I. GENERAL INFORMATION

1. Agency Profile

Manaoag Water District (MANWAD) was organized by virtue of Sanguniang Bayan Resolution No. 34 dated May 26, 1980. Subsequently, the newly created Water District acquired autonomy of management from the municipal government. On September 12, 1980, Conditional Certificate of Conformance No. 128 was awarded by the Local Water Utilities Administration (LWUA) to the Water District which entitled it to the rights and privileges authorized under Presidential Decree (PD) No. 198.

MANWAD is a government-owned and controlled corporation and is mandated to a) acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and agricultural uses for residents and land within the boundaries of the Water District; b) provide, maintain and operate wastewater collection, treatment and disposal facilities; and, c) conduct such other functions and operations incidental to water resource development, utilization and disposal within MANWAD, as are necessary or incidental to said purpose.

As of December 31, 2023, it was categorized as Category C. The Water District is serving 8,712 active service connections in 25 of the 26 barangays of Manaoag, two barangays in Pozorrubio and one barangay in Urdaneta City.

MANWAD is headed by General Manager (GM), Flordeliza N. Tejano who is assisted by 51 regular employees and eight job order personnel.

The Board of Directors (BOD) serves as the policy-making body of the Water District. The incumbent members of the board are:

Name of Director	Position	Sector	Term of Office
Lourdes B. Veloria	Chairperson	Women	January 1, 2021 to December 31, 2026
Patricio D. Bautista, Jr.	Vice Chairperson	Civic Organizations	January 1, 2023 to December 31, 2028
Erlinda C. Tambaoan	Secretary	Professional	January 1, 2019 to December 31, 2024
Glady G. Giron	Member	Education	January 1, 2019 to December 31, 2024
Franklin Z. Cariño	Member	Business	January 1, 2023 to December 31, 2028

2. Basis of Preparation of Financial Statements

The financial statements of MANWAD have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS), which was mandated to be adopted by all government corporations by virtue of Commission on Audit (COA) Circular No. 2015-003 dated April 16, 2015. The financial statements are expressed in Philippine Peso (₱), the functional and reporting currency of the Water District.

3. Summary of Significant Accounting Policies

3.1. Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with the PFRS prescribed by COA. Accounts were classified to conform to the Revised Chart of Accounts (RCA) prescribed by COA Circular No. 2020-002 dated January 28, 2020 effective January 1, 2019.

3.2. Current versus Non-current Classification

MANWAD presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

MANWAD classifies all other liabilities as non-current.

3.3. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

3.4. Inventories

Inventory is measured at cost upon initial recognition. These are accounted for using the moving weighted average method, except for semi-expendable properties which are accounted using specific identification.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of MANWAD.

3.5. Property, Plant and Equipment (PPE)

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- held for use in the production or supply of goods or services, or for administrative purposes; and
- expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as PPE is measured at cost. On the other hand, a PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

Cost includes the following:

- Its purchase price, including non-refundable purchase taxes, after deducting trade discounts;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used

the item during a particular period for purposes other than to produce inventories during that period.

Measurement after Recognition

After recognition, all PPE are stated at cost less accumulated depreciation.

When significant parts of PPE are required to be replaced at intervals, MANWAD recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair or replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation Method

The straight-line method of depreciation is adopted.

Estimated Useful Life

MANWAD uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA and uses a residual value equivalent to at least 10% of the cost of the PPE.

Derecognition

The Water District derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6. Revenue Recognition

MANWAD recognizes revenue from rendering of services upon delivery or completion thereof. Revenue is recognized in the accounting period in which it was earned and when the associated expenses for a transaction are incurred. Revenue is recognized only when it is probable that the economic benefits associated with the transactions will flow to the entity.

3.7. Changes in Accounting Policies and Estimates

MANWAD recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

MANWAD recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

3.8. Employee Benefits

The employees of the Water District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

MANWAD recognizes employee benefits, like salaries, wages, bonuses, allowances, etc., as an expense unless capitalized.

MANWAD recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date were not recognized as an expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.9. Related Parties

The Water District regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over MANWAD, or vice versa. Members of key management, comprised by the BODs and GM are regarded as related parties.

4. Cash and Cash Equivalents

4.1. Cash in Bank – Local Currency refers to cash in local currency deposited in current account at the Land Bank of the Philippines (LBP).

The accounts earn interest based on the prevailing bank deposit rates.

LBP Account No.	2023	2022
0040-xxxx-0207	17,225,551.00	39,426,208.09

4.2. Cash – Collecting Officer refers to cash collections in the custody of the Collecting Officers for remittance to the Cashier as of the reporting date.

Account	2023	2022
Cash – Collecting Officer	244,732.17	118,212.22

4.3. Petty Cash Fund is operated under Imprest System. This consists of the cash intended for petty expenditures of the Water District.

Account	2023	2022
Petty Cash Fund	20,000.00	20,000.00

Total Cash and Cash Equivalents	17,490,283.17	39,564,420.31
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5. Receivables

Account	2023	2022
Loans and Receivable Accounts		
Accounts Receivable	3,397,817.92	3,271,037.61
Allowance for Impairment – Accounts Receivable	(99,322.85)	(102,119.37)
Sub-total	3,298,495.07	3,168,918.24
Other Receivables		
Receivable – Disallowances/ Charges	5,145,400.81	5,656,555.04
Due from Officers and Employees	7,839.29	589,619.21
Other Receivables	354,693.50	345,675.32
Sub-total	5,507,933.60	6,591,849.57
Total Receivables	8,806,428.67	9,760,767.81

5.1. Accounts Receivable represents the amount due from consumers arising from water sales and other related receivables.

5.2. Allowance for Impairment – Accounts Receivable represents the amount of Accounts Receivable estimated to be uncollectible. The determination of the impairment loss is based on the aging of receivables, as follows:

Age	Percentage of Uncollectability
1 to 60 days	1
61 to 180 days	2
181 days to 1 year	3
>1 to 3 years	5

Age	Percentage of Uncollectability
>3 to 5 years	8
>5 years to 8 years	12
>8 to 10 years	17
>10 to 12 years	25
>12 to 15 years	50
Above 15 years	80

5.3. Receivables – Disallowances/Charges represents the amount of disallowances issued to MANWAD by COA due from persons liable identified in the notices of disallowance that have become final and executory.

5.4. Due from Officers and Employees represents the personal telephone bills and other dues from officers and employees.

5.5. Other Receivables consists of the amount of materials billed to customers and other dues from accountable officers/personnel.

Particulars	2023	2022
Materials billed to consumers	71,456.50	62,438.32
Unremitted Collection – D. Saplan (CY 2005)	40,541.96	40,541.96
Unliquidated Cash Advance – Engr. R. Espejo, Jr. (CY 2007)	242,695.04	242,695.04
Total Other Receivables	354,693.50	345,675.32

6. Inventories

Account	2023	2022
Inventory Held for Sale		
Merchandise Inventory	776,631.51	529,720.94
Inventory Held for Consumption		
Office Supplies Inventory	486,009.71	381,694.08
Construction Materials Inventory	2,870,117.81	3,775,918.02
Semi-Expendable Furniture, Fixtures and Books		
Semi-Expendable Furniture and Fixtures	-	379,610.80
Semi-Expendable Machinery and Equipment		
Semi-Expendable Other Machinery and Equipment	-	1,113,219.38
Total Inventories	4,132,759.03	6,180,163.22

Merchandise Inventory refers to the costs of materials purchased which are intended for sale in the normal operation of the Water District.

Office Supplies Inventory consists of office supplies left in the custody of the Supply Officer.

Construction Materials Inventory refers to the costs of construction materials purchased for the construction, fabrication, repair and rehabilitation of water facilities undertaken by MANWAD.

7. Investments

Account	2023	2022
Sinking Fund	-	2,143,259.58

Sinking Fund pertains to the joint account between LWUA and MANWAD consisting of the amount allocated for debt service, operational and maintenance, and capital reserve. The account was reclassified to Restricted Fund account this year for proper presentation.

8. Property, Plant and Equipment

This account pertains to assets of MANWAD with material amounts and expected life of more than one year. These assets are used in the normal operations of the Water District.

Account	2023	2022
Land	4,001,310.00	4,001,310.00
Land Improvements		
Other Land Improvements	3,816,457.69	3,816,457.67
Infrastructure Assets		
Water Supply Systems	69,553,549.10	64,620,016.99
Power Supply Systems	1,925,297.18	1,925,297.18
Other Infrastructure Assets	198,579.40	198,579.40
Buildings and Other Structures		
Buildings	8,740,790.37	8,740,790.37
Water Plant, Structure and Improvements	26,154,330.25	17,296,101.25
Machinery and Equipment		
Machinery	13,044,575.45	13,388,818.92
Office Equipment	873,089.00	1,005,062.00
Information and Communications Technology Equipment	3,882,810.50	3,930,342.50
Communications Equipment	439,559.70	899,841.74
Other Machinery and Equipment	130,000.00	65,000.00
Transportation Equipment		
Motor Vehicles	3,000,838.18	2,647,869.00
Furniture, Fixtures and Books		
Furniture and Fixtures	136,973.17	136,973.17
Construction in Progress		
Construction in Progress – Infrastructure Assets	24,611,607.46	4,893,126.70

Account	2023	2022
Other Property, Plant and Equipment	15,364,094.01	15,364,094.01
Total	175,873,861.46	142,929,680.90
Accumulated Depreciation	(34,073,386.10)	(33,244,082.20)
Net Amount of PPE	141,800,475.36	109,685,598.70

9. Other Assets

Account	2023	2022
Current		
Prepayments		
Prepaid Rent	443,473.32	180,750.00
Total Other Assets – Current	443,473.32	180,750.00
Non-Current		
Prepayments		
Prepaid Rent	318,166.68	-
Other Prepayments	1,133,363.59	1,639,451.77
Deposits		
Guaranty Deposits	7,165,126.75	5,872,524.09
Restricted Fund	2,144,128.93	-
Other Assets	-	274,845.20
Total Other Assets – Non-Current	10,760,785.95	7,786,821.06

Prepaid Rent consists of the unexpended portion of rent paid for various land consisting of the following:

Particulars	2023	2022
Barangay Baritao Pumping Station	137,370.00	180,750.00
Barangay Pao Pumping Station	354,270.00	-
Barangay Sapang Pipelines Easement	140,000.00	-
Barangay Sapang Glass Fused to Steel (GFS) Reservoir	130,000.00	-
Total Prepaid Rent	761,640.00	180,750.00

Other Prepayments refers to various prepayments consisting of the following:

Particulars	2023	2022
Meter Deposit to DECORP for PS	688,525.94	393,525.94
Excavation Permit for Barangays San Ramon and Mermer	-	17,038.00
Mobilization fee for the Construction of GFS Reservoir at Barangay Pugaro	-	1,128,062.83
Clothing Allowance for CY 2023	-	100,825.00
Mobilization fee for the Construction	323,307.65	-

Particulars	2023	2022
of GFS Reservoir at Barangay Sapang		
Clothing Allowance for CY 2024	45,550.00	-
Clothing and Athletics Uniform for CY 2024	75,980.00	-
Total Other Prepayments	1,133,363.59	1,639,451.77

Guaranty Deposits refers to the security paid by the consumers in case of delinquency in the payment of water bills. The amount shall be refunded without any interest when the consumers opt to discontinue availing the services of the Water District.

Restricted Fund is a joint account between LWUA and the MANWAD consisting of the amount allocated for, debt service, operational and maintenance, and capital reserve. The amount was initially recorded as Sinking Fund and later reclassified to Restricted Fund after evaluation of the appropriate account to be used.

10. Financial Liabilities

This account comprises of unpaid expenses and obligations incurred by the Water District.

Account	2023	2022
Accounts Payable	3,540,861.00	1,502,214.53

11. Inter-Agency Payables

Account	2023	2022
Due to BIR	232,580.47	476,292.48
Due to GSIS	456,386.09	466,734.26
Due to Pag-IBIG	113,831.98	93,386.62
Due to Philhealth	59,716.60	52,392.28
Other Payables	-	8,000.00
Total Inter-Agency Payables	862,515.14	1,096,805.64

11.1. Due to BIR consists of withheld taxes that were subsequently remitted to the Bureau of Internal Revenue (BIR) in January 2024.

11.2. Due to GSIS represents the withholding of the employees' premium payment and other loan payables for remittance to the GSIS.

11.3. Due to Pag-IBIG represents the withholding of the employees' premium payment and other loan payables for remittance to Home Development Mutual Fund (HDMF) or Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (Pag-IBIG) Fund.

11.4. Due to Philhealth represents the withholding of the employees' premium payment and remittance to the Philippine Health Insurance Corporation (PHIC) or Philhealth.

12. Trust Liabilities

Account	2023	2022
Customers' Deposit Payable	7,165,126.75	6,182,415.45

Customer Deposits Payable represents the amount paid by the consumers as a guaranty for non-payment of water bills.

13. Deferred Credits/Unearned Revenue/Income

Account	2023	2022
Other Deferred Credits	48,005.11	32,465.34

Other Deferred Credits consists of the amount paid by the consumers for materials that were not yet installed as of the reporting date.

14. Equity

This account consists of government equity and retained earnings, broken down as follows:

Account	2023	2022
Government Equity	166,642.25	166,642.25
Retained Earnings	171,651,055.23	166,321,237.47
Total Equity	171,817,697.48	166,487,879.72

14.1. Government Equity pertains to the difference of the Water District's assets and liabilities at the time of turn-over from the National Waterworks and Sewerage System Authority (NAWASA).

14.2. Retained Earnings includes accumulated earnings and prior period adjustments.

Account	2023	2022
Retained Earnings, Beginning	166,321,237.47	159,641,580.07
Net Income/(Loss) for the Year	7,787,303.50	7,880,940.01
Prior Period Adjustment	(2,457,485.74)	(1,201,282.61)
Retained Earnings, Ending	171,651,055.23	166,321,237.47

15. Revenue/Income

Account	2023	2022
Service and Business Income		
Fines and Penalties – Service Income	-	2,112,745.95
Fines and Penalties – Business Income	2,284,346.97	-
Other Service Income	-	153,300.00
Other Business Income	305,700.00	-
Waterworks System Fees, net of adjustments	60,718,502.51	55,137,017.06
Interest Income	14,863.32	26,927.23
Total Service and Business Income	63,323,412.80	57,429,990.24
Other Non-Operating Income		
Miscellaneous Income	522,037.49	263,548.55
Total Revenue/Income	63,845,450.29	57,693,538.79

15.1. Fines and Penalties – Business Income pertains to income arising from the collection of penalties from delinquent consumers.

15.2. Other Business Income refers to fees earned from registration, relocation and reconnection of water service connections.

15.3. Waterworks System Fees pertains to revenue earned from generation, transmission and distribution of water service connection to consumers. Adjustments are made to correct billing errors arising from erroneous water meter readings, defective water meters that registers incorrect water usage and other errors affecting the accuracy of water sales.

15.4. Miscellaneous Income pertains to the mark-ups on the costs of materials and charges arising from water loss and illegal connections.

16. Personnel Services (PS)

This refers to salaries and wages for regular employees, other compensation, personnel benefit contributions and other personnel benefits granted to MANWAD employees.

Breakdown is shown as follows:

Account	2023	2022
Salaries and Wages		
Salaries and Wages – Regular	16,780,037.27	12,238,123.62
Salaries and Wages – Casual/Job	1,188,252.81	3,027,001.60
Other Compensation		
Personnel Economic Relief Allowance	1,224,000.00	1,179,727.29
Representation Allowance	337,000.00	282,000.00

Account	2023	2022
Transportation Allowance	337,000.00	282,000.00
Clothing/ Uniform Allowance	306,000.00	306,000.00
Directors and Committee Members’	449,280.00	428,400.00
Year-End Bonus	1,414,257.00	-
Mid-Year Bonus	1,414,257.00	1,275,775.00
Other Bonus and Allowances	3,261,999.99	4,153,490.00
<i>Personnel Benefit Contribution</i>		
Retirement and Life Insurance	2,093,053.56	1,824,035.99
Pag-IBIG Contribution	61,200.00	58,900.00
PhilHealth Contribution	348,123.24	300,736.98
<i>Other Personnel Benefits</i>		
Other Personnel Benefits	700,156.58	615,570.90
Terminal Leave Benefits	52,277.84	40,665.12
Total Personnel Services	29,966,895.29	26,012,426.50

17. Maintenance and Other Operating Expenses (MOOE)

This refers to various expenses incurred by MANWAD in its regular operations.

Breakdown of expenses is shown as follows:

Account	2023	2022
<i>Traveling Expenses</i>		
Travelling Expense – Local	1,262,363.22	770,193.25
<i>Training and Scholarship Expenses</i>		
Training Expense	264,164.00	267,207.35
<i>Supplies and Materials Expenses</i>		
Office Supplies Expense	620,665.72	635,667.48
Fuel, Oil and Lubricants Expense	603,965.28	647,021.47
Semi-Expendable Machinery and Equipment Expenses	334,295.80	77,695.05
Semi-Expendable Furniture, Fixtures and Books Expenses	3,244.00	29,255.28
Other Supplies and Materials Expense	532,511.40	346,300.00
<i>Utility Expenses</i>		
Electricity Expense	8,917,283.75	9,242,356.01
<i>Communication Expenses</i>		
Postage and Courier Services	12,577.00	10,712.50
Telephone Expense	462,795.48	333,946.86
Internet Subscription Expense	114,240.00	119,240.00
<i>Generation, Transmission and Distribution Expenses</i>		
	24,900.00	5,050.00

Account	2023	2022
<i>Confidential, Intelligence and Extraordinary Expenses</i>		
Extraordinary and Miscellaneous Expense	116,400.00	116,392.92
<i>Professional Services</i>		
Legal Services	61,850.00	62,950.00
Auditing Services	21,000.00	-
<i>General Services</i>		
Security Services	495,000.00	495,000.00
<i>Repairs and Maintenance</i>		
Repairs and Maintenance – Infrastructure Assets	2,325,675.44	1,590,410.15
Repairs and Maintenance – Buildings and Other Structures	33,355.00	75,480.50
Repairs and Maintenance – Transportation Equipment	260,865.01	151,945.35
Repairs and Maintenance – Machinery and Equipment	253,916.25	408,510.70
Repairs and Maintenance – Furniture and Fixtures	1,020.00	23,482.00
<i>Taxes, Insurance, Premiums and Other Fees</i>		
Taxes, Duties and Licenses	1,233,315.48	1,195,317.99
Insurance Expense	361,836.43	236,535.97
<i>Other Maintenance and Operating Expenses</i>		
Advertising, Promotional and Marketing Expenses	15,000.00	5,000.00
Representation Expense	2,210,996.30	2,066,696.11
Rent/Lease Expenses	406,243.32	94,743.72
Membership Dues and Contributions to Organizations	14,293.00	-
Donations	20,100.00	15,100.00
Other MOOE	659,689.49	836,906.76
Total MOOE	21,643,561.37	19,859,117.42

18. Financial Expenses

Account	2023	2022
Interest Expenses	-	85,721.00
Bank Charges	2,200.00	2,300.00
Total Financial Expenses	2,200.00	88,021.00

19. Non-Cash Expenses

This consists of the depreciation of PPE of MANWAD and the discounts granted to qualified consumers.

Account	2023	2022
<i>Depreciation Expenses</i>		
Depreciation – Land Improvements	114,493.68	94,080.48
Depreciation – Buildings and Other Structures	296,688.00	272,106.97
Depreciation – Transportation	260,039.78	272,629.47
Depreciation – Furniture, Fixtures and Books	24,655.20	23,566.62
Depreciation – Other PPE	3,666,794.27	3,103,616.57
<i>Discounts and Rebates</i>		
Other Discounts	82,819.20	87,033.75
Total Non-Cash Expenses	4,445,490.13	3,853,033.86

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

Misstatement of PPE and related Accumulated Depreciation

1. The PPE accounts and related Accumulated Depreciation were not fairly presented in view of: properties with aggregate costs of ₱129,337,797.74 that were misclassified which is not in keeping with the Updated Revised Chart of Accounts (RCA) for Government Corporations prescribed under COA Circular No. 2020-002 dated January 28, 2020; properties with aggregate cost of ₱136,973.17 that did not meet the capitalization threshold inconsistent with COA Circular No. 2022-004 dated May 31, 2022 and unaccounted properties costing ₱1,840,266.54 due to lack of supporting documents.

- 1.1. The Conceptual Framework, states that:

Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.

- 1.2. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework.
- 1.3. Per books of MANWAD, the breakdown of PPE as of December 31, 2023, is as follows:

Account	Amount (₱)		
	Cost	Accumulated Depreciation	Book Value, 12/31/2023
Land	4,001,310.00	-	4,001,310.00
Land Improvements	3,816,457.67	443,775.36	3,372,682.31
Infrastructure Assets	71,677,425.68	12,351,631.01	59,325,794.67
Buildings and Other Structures	34,895,120.62	7,213,711.69	27,681,408.93
Machinery and Equipment	18,370,034.65	7,732,511.73	10,637,522.92
Transportation Equipment	3,000,838.18	1,770,380.54	1,230,457.64
Furniture, Fixtures and Books	136,973.17	39,037.40	97,935.77
Other Property, Plant and Equipment	15,364,094.01	4,522,338.37	10,841,755.64
Construction in Progress	24,611,607.46	-	24,611,607.46
Total	175,873,861.44	34,073,386.10	141,800,475.34

1.4. However, the audit revealed that items categorized under the Infrastructure Assets, Buildings and Other Structures, Machinery and Equipment, Furniture, Fixtures and Books and Other Property, Plant and Equipment with aggregate costs of ₱129,337,797.74 were not properly classified, summarized as follows:

Particulars	Cost (₱)	Account Used	Proper Account
Distribution and Transmission Lines, Pipelaying, Aqueducts and Waterways	69,553,549.10	Water Supply System	Plant – Utility Plant in Service (UPIS)
Transformer, Generator Set, Concrete Breaker	1,925,297.18	Power Supply Systems	Other Machinery and Equipment
Hydrants	198,579.40	Other Infrastructure Assets	Plant - Utility Plant in Service (UPIS)
Fence, Ramp, Driveway	2,216,611.48	Buildings	Other Land Improvements
Construction/Renovation of Consumers' Waiting Area and discharge line roofing	448,388.00		Other Structures
Wells, Reservoirs, Pumping Station, Elevated Water Tank, Conduits, Installation of Riser Pipes	24,756,411.51	Water Plant, Structure and Improvements	Plant - Utility Plant in Service (UPIS)
Pump House	1,397,918.74		Other Structures
Electric Meter, Submersible Pump, Deepwell Motor, Chlorinator Pump, VFD, Metering Pump, Generator Set, Concrete Cutter, Digital Chlorinator Tester	12,933,658.81	Machinery	Other Machinery and Equipment
PVC Riser	110,916.64		Plant - Utility Plant in Service (UPIS)
CCTV, Control of Power Supply	243,855.00	Communication Equipment	Other Machinery and Equipment
Camera	51,544.70		Technical and Scientific Equipment
Pipelaying, Mainlines, Distribution Lines, Installed Meters and Flow Meters	15,216,558.01	Other Property, Plant and Equipment	Plant - Utility Plant in Service (UPIS)
Concrete Flooring of Genset, Septic Tank	147,536.00	Other Property, Plant and Equipment	Other Structures
Office Blinds (₱136,973.17 / 9 pcs = ₱15,219.24 each)	136,973.17	Furniture and Fixtures	Semi-Expendable - Furniture and Fixtures and Books Expenses
Total	129,337,797.74		

- 1.5. The above misclassifications are not in accordance with the Updated RCA for Government Corporations (GC) prescribed under COA Circular No. 2020-002 dated January 28, 2020.
- 1.6. Due to the erroneous recording of the PPE transactions, the related accounts for recording depreciation were also affected. Details are as follows:

Account	Effect	Amount
Accumulated Depreciation - Water Supply Systems	overstated	9,682,299.46
Accumulated Depreciation - Power Supply Systems	overstated	1,327,805.89
Accumulated Depreciation - Other Infrastructure Assets	overstated	78,071.64
Accumulated Depreciation – Buildings	overstated	388,433.90
Accumulated Depreciation - Water Plant, Structure and Improvements	overstated	4,105,693.99
Accumulated Depreciation - Machinery	overstated	3,787,297.39
Accumulated Depreciation - Communication Equipment	overstated	101,897.05
Accumulated Depreciation - Other Property, Plant and Equipment	overstated	4,274,095.09
Depreciation - Infrastructure Assets	understated	2,070,894.52
Depreciation - Machinery and Equipment	understated	900,464.03
Depreciation - Land Improvements	understated	89,533.68
Depreciation - Buildings and Other Structures	understated	58,044.84
Accumulated Depreciation - Plant - Utility Plant in Service (UPIS)	understated	18,035,334.04
Accumulated Depreciation - Machinery and Equipment	understated	5,137,972.68
Accumulated Depreciation - Other Land Improvements	understated	378,958.78
Accumulated Depreciation - Other Structures	understated	193,328.91
Depreciation – Buildings and Other Structures	overstated	102,985.44
Depreciation - Other Property, Plant and Equipment	overstated	3,015,951.63

- 1.7. The Team also noted that the Furniture and Fixtures account consists of nine pieces office blinds costing ₱15,219.24 each, or a total of ₱136,973.17, which is below the capitalization threshold. Details are as follows:

Acquisition Cost	136,973.17
Less : Accumulated Depreciation, 12/31/2022	14,382.20
Depreciation Expense – CY 2023	24,655.20
Book Value, 12/31, 2023	97,935.77

- 1.8. Section 4.1 of COA Circular No. 2022-004 dated May 31, 2022, on the Implementing Guidelines, states that:

Tangible items which meet the definition and recognition criteria of PPE but cost are below Fifty Thousand Pesos (₱50,000.00) shall be accounted in the books of accounts of the agencies as semi-expendable property. This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship/ user of the property. The threshold shall be applied on an individual asset or per item basis.

- 1.9. Because of the error, the following accounts are misstated:

Account	Effect	Amount (₱)
Furniture and Fixtures	overstated	136,973.17
Accumulated Depreciation - Furniture and Fixtures	overstated	14,382.20
Depreciation - Furniture and Fixtures	overstated	24,655.20
Retained Earnings	understated	97,935.77

- 1.10. Moreover, various items under the Building account totaling ₱1,840,266.54 could not be verified due to the absence of property records to properly identify the items. Details are as follows:

Particulars	Acquisition Date	Acquisition Cost (₱)	Accumulated Depreciation (₱)	Book Value, 12/31/2023
Structures & Improvements	05/31/1991	134,135.00	121,057.96	13,077.04
Structures & Improvements	12/31/1996	1,641,131.54	1,325,214.09	315,917.45
Structures & Improvements	04/30/2001	65,000.00	44,037.50	20,962.50
Total		1,840,266.54	1,490,309.55	349,956.99

- 1.11. Inquiry with the Management disclosed that the above items were already presented as Structures & Improvements as far back as 2008. However, given the absence of property records to properly identify the same and the amount involved, the fair presentation of the Buildings account is affected.

- 1.12. **We recommended that Management direct the Accountant to make the necessary reclassification/adjusting entries, as follows:**

- a. **To reclassify the erroneously recorded PPE items and the related depreciation expense accounts (assuming that the books are still open):**

Plant - Utility Plant in Service (UPIS)	109,836,014.66
Other Machinery and Equipment	15,102,810.99

Other Land Improvements	2,216,611.48
Other Structures	1,993,842.74
Technical and Scientific Equipment	51,544.70
Water Supply Systems	69,553,549.10
Power Supply Systems	1,925,297.18
Other Infrastructure Assets	198,579.40
Buildings	2,664,999.48
Water Plant, Structure and Improvements	26,154,330.25
Machinery	13,044,575.45
Communication Equipment	295,399.70
Other Property, Plant and Equipment	15,364,094.01
Accumulated Depreciation - Water Supply Systems	9,682,299.46
Accumulated Depreciation - Power Supply Systems	1,327,805.89
Accumulated Depreciation - Other Infrastructure Assets	78,071.64
Accumulated Depreciation - Buildings	388,433.90
Accumulated Depreciation - Water Plant, Structure and Improvements	4,105,693.99
Accumulated Depreciation - Machinery	3,787,297.39
Accumulated Depreciation - Communication Equipment	101,897.05
Accumulated Depreciation - Other Property, Plant and Equipment	4,274,095.09
Depreciation - Infrastructure Assets	2,070,894.52
Depreciation - Machinery and Equipment	900,464.03
Depreciation - Land Improvements	89,533.68
Depreciation - Buildings and Other Structures	58,044.84
Accumulated Depreciation - Plant - Utility Plant in Service (UPIS)	18,035,334.04
Accumulated Depreciation - Machinery and Equipment	5,137,972.68
Accumulated Depreciation - Other Land Improvements	378,958.78
Accumulated Depreciation - Other Structures	193,328.91
Depreciation – Buildings and Other Structures	102,985.44
Depreciation - Other Property, Plant and Equipment	3,015,951.63

- b. To reclassify the Semi-Expendable - Furniture and Fixtures Expenses recorded as PPE:**

Retained Earnings	122,590.97
Accumulated Depreciation - Furniture and Fixtures	39,037.40
Depreciation - Furniture and Fixtures	24,655.20
Furniture and Fixtures	136,973.17

- c. Retrieve documents related to the items labeled as Structures & Improvements and reclassify accordingly to the proper account.**

1.13. Management informed that as of writing of this report, reclassification entries on the various PPE accounts have been made under Journal Entry Voucher (JEV) Nos. 2024-05-084 and 2024-05-085 dated May 2024.

Erroneous Recording of Various Transactions

2. Various transactions of MANWAD in the total amount of ₱14,873,233.24 were erroneously classified in the books of accounts, which are not in keeping with the Conceptual Framework of the PFRS and COA Circular No. 2020-002 or the RCA for Government Corporations dated January 28, 2020, thereby, affecting the fair presentation of the applicable accounts in the financial statements.

2.1. The PFRS, under its Conceptual Framework, states that:

QC12. Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.

2.2. Moreover, COA prescribed through COA Circular No. 2020-002 dated January 28, 2020, the adoption of the Updated RCA for GC. The new chart of accounts shall be used for the recording of transactions effective January 1, 2019.

2.3. A review of the financial reports of MANWAD, disclosed that a number of transactions were erroneously classified in the books of accounts, details are shown as follows:

Particulars	Amount (₱)	Suggested Account
Repairs and Maintenance - Infrastructure Assets		
• Bacteriological, physical and chemical tests	103,320.00	Other Maintenance and Operating Expense
• Materials for water physical and chemical tests	469.00	
Office Supplies Expenses		
• Token for loyalty awardees, raincoat, rain boots and ID lace	61,092.40	Other Maintenance and Operating Expense
• Anti-termite/pesticide for termite control,	23,346.40	
• Faucet replacement		
• Door bell		
• Utensil organizer		
• Tarpaulin for ground breaking ceremony		
• Group photo for calendar		
• Food for guard dogs		

Particulars	Amount (₱)	Suggested Account
• Sampaguita for office altar	4,800.00	
• Umbrella for employees	5,060.00	
• LED bulb	610.00	
• First-aid medicines	2,563.75	
• Printing and Ring/ Bookbinding of Reports and Manuals, printing of IDs and stickers	28,794.75	Printing and Publication Expenses
• Tarpaulin (Advertisement)	4,108.00	Advertising, Promotional and Marketing Expenses
• Checkbook	3,600.00	Bank Charges
• Electrical Materials	801.00	Electrical Supplies and Materials Expense
• Broomstick, Dishwashing Liquid, Hand Soap, Garbage Bags and Other Cleaning Supplies	18,316.27	Housekeeping/ Cleaning Supplies Expense
• Newspaper	8,460.00	Subscription Expenses
• Alcohol, tissue, battery, cable ties, telephone cable, sando bags, storage boxes and extension cords	7,288.40	Other Supplies and Materials Expenses
Other Supplies and Materials Expense		
• Printing of calendars	307,672.50	Advertising, Promotional and Marketing Expenses
Repairs and Maintenance - Transportation Equipment		
• Printing of MANWAD logo sticker for service vehicle	750.00	Printing and Publication Expenses
Repairs and Maintenance - Infrastructure Assets		
• Materials for new connection	295.00	Supplies and Materials for Water Systems Operations Expenses
• Muriatic acid	790.00	Housekeeping/Cleaning Supplies Expense
• Alcohol and cotton balls	535.00	Other Supplies and Materials Expense
Other Maintenance and Operating Expense		
• Expenses for Team Building 2023 and National Women's Month Celebration	292,910.64	Major Events and Conventions Expenses
• Expenses for 2023 World Water Day and National Women's Month Celebration	1,600.00	
Electricity Expenses		
• Power consumption for pumping stations	8,917,283.75	Generation, Transmission and Distribution Expenses
Fuel, Oil and Lubricants Expenses		
• Gasoline for Genset	37,405.43	Generation, Transmission and Distribution Expenses
Semi-Expendable Machinery and Equipment Expenses		
• Padlocks and Caution tape	3,820.00	Other Maintenance and

Particulars	Amount (₱)	Suggested Account
• Key duplication	2,055.00	Operating Expense
• LED bulb	1,010.00	
Semi-Expendable Furniture, Fixtures and Books Expenses		
• Door knob replacement for restroom and picture frame	490.00	Other Maintenance and Operating Expense
Generation, Transmission and Distribution Expense		
• Fare for the meter reading, distribution of Notices of Disconnection, SACO and Demand Letters, and site investigation/ inspection (TE)	24,900.00	Traveling Expense
Insurance Expenses		
• Fidelity Bond	56,250.00	Fidelity Bond Premiums
• LTO Registration of various motor vehicles	17,034.06	Taxes, Duties and Licenses
Taxes, Duties And Licenses		
• Documentary Stamp	270.00	Documentary Stamps Expenses
Salaries and Wages – Casual/Job Order		
• Salaries of Job Order (JO) Personnel	952,384.49	Other General Services
Other Bonuses and Allowances		
• Gratuity Pay of JO Personnel	37,000.00	Other General Services
Construction Materials Inventory		
• Various service connection materials and fittings	2,870,117.81	Supplies and Materials for Water Systems Operations Inventory
Office Supplies Inventory		
• Disconnection Notice Forms	64,196.00	Non-Accountable Forms Inventory
Other Prepayments		
• Meter deposit to DECORP	688,525.94	Other Deposits
• Advance Payment for the Construction of GFS Reservoir at Brgy. Sapang	323,307.65	Advances to Contractors
TOTAL	14,873,233.24	

- 2.4. The Team also noted that accounts such as Salaries and Wages - Casual/Job Order and Machinery were used but were not present in the prescribed chart of accounts.
- 2.5. The Team further noted that the Generation, Transmission and Distribution Expenses amounting to ₱8,917,283.75 included the electric consumption of the office of MANWAD, which is located within the premises of the pumping station at Barangay Poblacion. However, the amount of electric consumption cannot be identified due to the absence of separate electric meter for the MANWAD office.

- 2.6. Due to the erroneous classification of the subject transactions, the accuracy, completeness and classification of the affected accounts are doubtful thereby affecting the fair presentation of the financial statements.
- 2.7. **We recommended that Management instruct the Accountant to properly classify the transactions of MANWAD using the Updated RCA for GCs and to prepare the necessary correcting entries.**

To reclassify the erroneously recorded real accounts:

Supplies and Materials for Water Systems	2,870,117.81
Operations Inventory	
Non-Accountable Forms Inventory	64,196.00
Other Deposits	688,525.94
Advances to Contractors	323,307.65
Construction Materials Inventory	2,870,117.81
Office Supplies Inventory	64,196.00
Other Prepayments	1,011,833.59

To reclassify the erroneously recorded expense accounts (assuming that books are still open):

Advertising, Promotional and Marketing Expenses	311,780.50
Bank Charges	3,600.00
Documentary Stamps Expenses	270.00
Electrical Supplies and Materials Expense	801.00
Fidelity Bond Premiums	56,250.00
Generation, Transmission and Distribution Expenses	8,929,789.18
Housekeeping/Cleaning Supplies Expense	19,106.27
Other General Services	989,384.49
Major Events and Conventions Expenses	294,510.64
Printing and Publication Expenses	29,544.75
Subscription Expenses	8,460.00
Supplies and Materials for Water Systems Operations Expenses	295.00
Taxes, Duties and Licenses	16,764.06
Traveling Expense - Local	24,900.00
Electricity Expenses	8,917,283.75
Fuel, Oil and Lubricants Expenses	37,405.43
Insurance Expenses	73,284.06
Office Supplies Expenses	168,840.97
Other Bonuses and Allowances	37,000.00
Other Maintenance and Operating Expense	85,874.09
Other Supplies and Materials Expense	299,849.10

Repairs and Maintenance - Infrastructure Assets	105,409.00
Repairs and Maintenance - Transportation Equipment	750.00
Salaries and Wages – Casual/Job Order	952,384.49
Semi-Expendable Furniture, Fixtures and Books Expenses	490.00
Semi-Expendable Machinery and Equipment Expenses	6,885.00

- 2.8. We also recommended that Management provide a separate meter for the MANWAD office to facilitate the recording of electricity expenses in the books of account.
- 2.9. Management commented that they will comply with the recommendations. They also informed the team that the provision of separate meter for the office building is on-going.

B. COMPLIANCE AUDIT

Incomplete Documentary Requirements of Infrastructure Projects

3. Payments for the Exploratory Well Drilling and Pipelaying of Transmission, Main and Service Lines with Interconnections along Barangays Pao and Sapang and the Construction of Glass Fused to Steel Bolted Reservoir at Barangay Pugaro, with contract costs of ₱8,517,604.13 and ₱11,710,400.00, respectively, were not duly supported with complete procurement documents and other necessary documentation such as Inspection Reports and As Built Plans, among others, which is not in keeping with the pertinent provisions of the 2016 Revised IRR of RA No. 9184, and Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012. The documents submitted provided no clear determination on the full compliance of the transactions with RA No. 9184 and other pertinent laws, thus, may result to invalid or illegal expenditures.
- 3.1. Section 4(6) of PD No. 1445 expressly states that “claims against government funds shall be supported with complete documentation” and COA Circular No. 2012-001 dated June 14, 2012, prescribes the revised guidelines and documentary requirements for common government transactions.
- 3.2. Parts of the major accomplishments of MANWAD for CY 2023 are the Exploratory Well Drilling and Pipelaying at Barangays Pao and Sapang, Manaoag, Pangasinan and the Construction of Glass Fused to Steel Bolted Reservoir at Barangay Pugaro, Manaoag, Pangasinan. These projects enabled the consumers in areas with limited resources of water to avail the services offered by MANWAD.

3.3. Details of the projects are summarized as follows:

Project Name	Date of PhilGEPS Posting	Date of Award	Date of Completion	Contractor	Amount (₱)
Exploratory Well Drilling and Pipelaying of Transmission, Main and Service Lines with Interconnections	02/17/2023	03/14/2023	08/10/2023	Georavin Construction and Supplies	8,517,604.13
Construction of Glass Fused to Steel Bolted Reservoir with complete accessories	07/07/2022	08/01/2022	05/19/2023	Houston Hydrotech Products and Systems, Inc.	11,710,400.00
Total					20,228,004.13

3.4. A review of the procurement documents and Disbursement Vouchers (DV) however revealed that a number of documentary requirements were not submitted as required in the pertinent provisions of the 2016 Revised IRR of RA No. 9184, such as:

Documentary Requirement	Provision of the 2016 Revised IRR of RA No. 9184
Approved BAC Resolution on the Creation of the Technical Working Group (TWG).	Section 12.1.m prescribes the creation of a TWG from a pool of technical, financial, and/or legal experts to assist in the following procurement activities like Review of the Technical Specifications, Scope of Work, and Terms of Reference; Review of Bidding Documents; Shortlisting of Consultants; Eligibility Screening; Evaluation of Bids; Post-Qualification; and Resolution of Request for Reconsideration.
Detailed Engineering Documents (Approved Technical Specifications, Detailed Quantity and Cost Estimates and Program of Work).	Section 17.6 requires the Detailed Engineering Documents for the Procurement of Infrastructure Projects while Section 1 of Annex “A “of the same IRR states that “Detailed engineering shall proceed only on the basis of the feasibility or preliminary engineering study made which establishes the technical viability of the project and conformance to land use and zoning guidelines prescribed by existing laws.” Approved Technical Specifications, Detailed Quantity and Cost Estimates and Program of Work, among others, formed part of the Detailed Engineering Documents. Likewise, Section 3 (i) states that necessary program of work shall be prepared before prosecuting any project which shall include, among other things, estimates of the work, items, quantities and costs and a PERT/CPM network of the project activities.
Certification from the Head of BAC Secretariat on the posting of advertisement, at	Section 21.2.1 states that except as otherwise provided in Section 54.2 of this IRR and for the procurement of common-use goods and supplies, the Invitation to Bid/Request for Expression of Interest shall be:

Documentary Requirement	Provision of the 2016 Revised IRR of RA No. 9184
conspicuous place.	a) Posted at any conspicuous place reserved for this purpose in the premises of the Procuring Entity concerned for seven (7) calendar days as certified by the head of the BAC Secretariat of the Procuring Entity concerned...
Evidence on posting of Approved Bidding Documents at its website and at the PhilGEPS, and the records of BAC on the issued Bid Documents with corresponding official receipts were not attached to the contracts.	As provided in Section 17.4 of the Revised IRR of RA No. 9184, "bidders may be asked to pay a fee to recover the cost for the preparation and development of the Bidding Documents pursuant to the Guidelines on the Sale of Bidding Documents. The Procuring Entity shall post the complete Bidding Documents at its website and the PhilGEPS website from the time the Invitation to Bid/Request for Expression of Interest is advertised. Bidding Documents may be downloaded from any of the said websites: Provided That upon submission of their bids, the bidders shall pay the applicable fee, if required. The Bidding Documents may also be secured from the BAC Secretariat upon payment of the corresponding fee, if required."
Invitation of a duly recognized private group and non-government organization (NGO) as observers in writing, at least 5 calendar days before procurement activity.	Section 13.1, 13.2 and 13.3 state the following regulations: 13.1. To enhance the transparency of the process, the BAC shall, during the eligibility checking, shortlisting, pre-bid conference, preliminary examination of bids, bid evaluation, and post-qualification, invite, in addition to the representative of the COA, at least two (2) observers, who shall not have the right to vote, to sit in its proceedings where:
Invitation of three observers in writing, during Detailed Evaluation of bids, at least 5 calendar days before the procurement activity.	<p>(1) At least one (1) shall come from a duly recognized private group in a sector or discipline relevant to the procurement at hand, for example:</p> <p>a) For Infrastructure Projects, national associations of constructors duly recognized by the Construction Industry Authority of the Philippines (CIAP), such as, but not limited to the following:</p> <p>(1) Philippine Constructors Association, Inc.; or (2) National Constructors Association of the Philippines, Inc.</p> <p>b) For Goods, a specific relevant chamber-member of the Philippine Chamber of Commerce and Industry...</p> <p>(2) The other observer shall come from a non-government organization (NGO).</p> <p>13.2. The observers shall come from an organization duly registered with the Securities and Exchange Commission</p>

Documentary Requirement	Provision of the 2016 Revised IRR of RA No. 9184
	<p>(SEC) or the Cooperative Development Authority (CDA), and should meet the following criteria:</p> <ul style="list-style-type: none"> a) Knowledge, experience or expertise in procurement or in the subject matter of the contract to be bid; b) Absence of actual or potential conflict of interest in the contract to be bid; and c) Any other relevant criteria that may be determined by the BAC. <p>13.3 Observers shall be invited at least five (5) calendar days before the date of the procurement stage/activity. The absence of observers will not nullify the BAC proceedings: Provided that they have been duly invited in writing. The Procuring Entities should ensure that the invitation is received at least five (5) calendar days before each procurement activity. In the event that a procurement activity has to be postponed, the observers shall be notified immediately of the change in schedule.”</p>
<p>Post-qualification Evaluation Report by the TWG and Resolution of the BAC adopting and confirming the TWG Post Qualification Evaluation Report and declaring the LCB.</p>	<p>Section 34.1 of the same Revised IRR provides that “The Lowest Calculated Bid/Highest Rated Bid shall undergo post-qualification in order to determine whether the bidder concerned complies with and is responsive to all the requirements and conditions as specified in the Bidding Documents.”</p>
<p>Construction Safety and Health Program (CSHP) approved by the Department of Labor and Employment (DOLE).</p> <p>(For the Exploratory Well Drilling and Pipelaying at Brgy. Pao and Sapang)</p>	<p>Section 37.2.3 requires, among others, other contract documents that may be required under existing laws and/or the Procuring Entity concerned in the Bidding Documents, such as the construction safety and health program approved by the DOLE.</p>
<p>Print out on posting of Notice of Award, Notice to Proceed and approved contract in the PhilGEPS website, procuring entity’s website (if any) and Certification from the BAC Secretariat on posting in any conspicuous places.</p>	<p>Sections 37.1.6 and 37.4.2 provide that:</p> <p>37.1.6. The BAC, through the Secretariat, shall post, within three (3) calendar days from its issuance, the Notice of Award in the PhilGEPS, the website of the Procuring Entity, if any, and any conspicuous place in the premises of the Procuring Entity.</p> <p>37.4.2. The Procuring Entity, through the BAC Secretariat, shall post a copy of the Notice to Proceed and the approved contract in the PhilGEPS and the website of the Procuring</p>

Documentary Requirement	Provision of the 2016 Revised IRR of RA No. 9184
	Entity, if any, within fifteen (15) calendar days from the issuance of the Notice to Proceed.

- 3.5. In addition to the above requirements of the 2016 Revised IRR of RA No. 9184, the Team noted that the resolution of the BAC adopting and confirming the TWG Detailed Bid Evaluation Report and declaring the LCB was not also submitted. Based on Non-Policy Matters (NPM) No. 064-2016), TWG members are tasked to aid, particularly, in the eligibility screening, evaluation of bids and post-qualification, depending on the proficiency required and the nature of the procurement to be undertaken. The BAC may accept or reject the findings of the TWG and its findings are deemed accepted by preparing a resolution adopting and confirming the TWG Detailed Bid Evaluation Report and declaring the LCB.
- 3.6. Moreover, post-audit of disbursements on the payments of the projects revealed that the disbursement vouchers were not properly supported with complete documentary requirements which is not in accordance with Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012; thus, affecting the validity and propriety of the recorded transactions. Details of payments are provided as follows:

Disbursement Voucher (DV) No.	Check		Amount (net of tax)
	No.	Date	
Exploratory Well Drilling and Pipelaying			
04-23-25400	81578	04/24/2023	2,398,696.66
06-23-25491	81476	06/08/2023	2,406,783.92
08-23-25627	89906	08/16/2023	1,183,459.83
Sub-total			5,988,940.41
Construction of Glass Fused to Steel Bolted Reservoir			
12-22-25106	76478	12/13/2022	2,922,217.94
3-23-25301	81476	03/13/2023	2,387,148.84
5-23-25466	86344	05/25/2023	2,793,184.28
Sub-total			8,102,551.06
Grand Total			14,091,491.47

- 3.7. Other documentary requirements which were not attached to the above disbursements are the following:

Project Name	Lacking Documents
Exploratory Well Drilling and Pipelaying of Transmission, Main and Service Lines with Interconnections	<ul style="list-style-type: none"> • Inspection Report by the Agency's Engineer • Result of Test Analysis (if any) • Statement of Time Elapsed • Contractor's Affidavit on payment of laborers and materials

Project Name	Lacking Documents
	<ul style="list-style-type: none"> • As Built Plans
Construction of Glass Fused to Steel Bolted Reservoir with complete accessories	<ul style="list-style-type: none"> • Statement of Time Elapsed • Contractor's Affidavit on payment of laborers and materials • As Built Plans

- 3.8. The effects of implementing the maintenance of complete documentary requirements include improved transparency, enhanced accountability, and the ability to effectively evaluate compliance. These effects contribute to MANWAD's overall financial integrity and accountability.
- 3.9. **We recommended that Management instruct the members of the BAC to adhere strictly with the aforesaid provisions of the 2016 Revised IRR of RA No. 9184 and ensure that the documentary requirements in every phase of the procurement process are complete before the award of any contract.**
- 3.10. **We also recommended that Management direct the DM, Finance and Commercial, to promptly submit the lacking documents.**
- 3.11. **Additionally, we recommended Management to implement a process to verify the completeness of supporting documents before making payments for any expenditure.**
- 3.12. Management commented that they will comply with the recommendation. As of date, several lacking documents have been submitted.

Incomplete Documentary Requirements of Various Expenses

- 4. Various expenses of MANWAD in the total amount of ₱17,257,541.57 were not supported with complete documentary requirements, which is not in accordance with Sections 2 and 4 of PD No. 1445 and COA Circular No. 2012-001. The payments were improper which may result to invalid or illegal expenditures.**

- 4.1. Section of 2 the PD No. 1445 states that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

- 4.2. Section 4 (5) of PD No. 1445 also expressly states that claims against government funds shall be supported with complete documentation.
- 4.3. Moreover, COA Circular No. 2012-001 dated June 14, 2012, was issued to prescribe the revised guidelines and documentary requirements for common government transactions. It provides that one of the general requirements for all types of disbursements is sufficient and relevant documents to establish the validity of claims.
- 4.4. Audit disclosed that for CY 2023, various expenses of MANWAD with a total amount of ₱17,257,541.57 were not supported with complete documentation. A summary of the relevant disbursements is as follows:

Particulars	No. of transactions	Amount (₱)	Lacking Documents
Labor and Wages	52	878,892.88	<ul style="list-style-type: none"> • Daily Time Record (DTR) • Accomplishment Report
Salaries and Wages - Regular	38	9,529,684.97	<ul style="list-style-type: none"> • DTR
Overtime and Night Pay	1	33,322.50	
Longevity Pay	1	45,000.00	<ul style="list-style-type: none"> • Copy of service record • Certification from the HRO that the claimant has not incurred more than 50 days authorized vacation leave without pay within the 10-year period or aggregate of more than 25 days authorized vacation leave without pay within the 5-year period, as the case may be
Fuel, Oil and Lubricants	22	507,812.10	<ul style="list-style-type: none"> • Monthly Report of Official Travels • Purchase Order (PO) Nos. 1848, 1898, 1963, and 2512 (though not included in the billing statement)
Repairs and Maintenance - Transportation Equipment	6	35,396.74	<ul style="list-style-type: none"> • Waste Material Report • Post Repair Inspection Report (not filled out)
Repairs and Maintenance - Machinery and Equipment	6	42,962.00	<ul style="list-style-type: none"> • Post Repair Inspection (not filled out) • Waste Material Report • PO - not duly received by the supplier
Supplies and Materials for Water Systems Operations	10	991,136.25	<ul style="list-style-type: none"> • Notice of Award (NOA) • PO - not duly received by the supplier
Electrical Supplies and Materials	1	50,680.00	
Major Events	2	269,074.64	

Particulars	No. of transactions	Amount (₱)	Lacking Documents
Machinery and Equipment	1	940,000.00	
Office Supplies	1	2,714.00	<ul style="list-style-type: none"> • PO • Inspection and Acceptance Report (IAR)
Plant - Utility Plant In Service (UPIS)	1	3,423,164.12	<ul style="list-style-type: none"> • PO - not duly received by the supplier
Total DV transactions	142	16,749,840.20	
Meals and Snacks	121	122,683.05	<ul style="list-style-type: none"> • PO • IAR • Attendance sheet • Office Order • Reimbursement Expense Receipt (RER) - incorrect form
Traveling Expense	110	47,720.00	<ul style="list-style-type: none"> • Certificate of Appearance (CA) • Certificate of Travel Completed • Travel Order (TO)
Newspaper Subscription	10	6,870.00	<ul style="list-style-type: none"> • PO • IAR • RER
Postage and Courier Services	28	7,046.00	<ul style="list-style-type: none"> • Job Order (JO)
Advertising, Promotional and Marketing Expenses	3	4,108.00	<ul style="list-style-type: none"> • JO • IAR
Printing and Publication	17	13,354.75	
Representation Expense	18	15,191.40	<ul style="list-style-type: none"> • PO • IAR
Major Events/ Other MOOE	6	3,630.00	<ul style="list-style-type: none"> • PO • JO
Other Maintenance and Operating Expense	33	24,748.90	<ul style="list-style-type: none"> • PO • JO • IAR • RER (incorrect form)
Construction Materials	20	12,861.00	<ul style="list-style-type: none"> • PO • IAR
Housekeeping/ Cleaning Supplies	34	22,420.07	
Office and Other Supplies	43	25,178.45	
Supplies and Materials for Water Systems Operations and Other Supplies	93	68,490.00	
Electrical Supplies	4	3,316.00	

Particulars	No. of transactions	Amount (₱)	Lacking Documents
Medical Supplies	5	2,563.75	
Repairs and Maintenance - Transportation Equipment	150	102,495.00	<ul style="list-style-type: none"> • JO • PO • Post Repair Inspection Report (not filled out) • Waste Material Report • RER (incorrect form)
Repairs and Maintenance - Machinery and Equipment	10	7,650.00	<ul style="list-style-type: none"> • JO • Post Repair Inspection Report (not filled out)
Repairs and Maintenance - Furniture and Fixtures	1	300.00	<ul style="list-style-type: none"> • JO
Repairs and Maintenance - Infrastructure Assets	13	13,275.00	<ul style="list-style-type: none"> • PO • JO • IAR
Semi-Expendable - Machinery and Equipment	3	3,800.00	
Total – PCV Transactions	722	507,701.37	
Grand Total	864	17,257,541.57	

- 4.5. The said practice is an indication of MANWAD’s lack of internal control as the Accountant allowed payment of expenses without the complete documentary requirements to support the validity and legality of the claims.
- 4.6. The above claims should not have been processed due to incomplete documentation, thus casting doubt on the validity of the transactions.
- 4.7. **We recommended that Management instruct the Accountant to submit the lacking documents and strictly adhere to the provisions of Sections 2 and 4 of PD No. 1445 by ensuring that documents are complete and proper before processing claims against the MANWAD funds.**
- 4.8. Management commented that they will submit the lacking documents until June 30, 2024.

Unauthorized Purchase of Motor Vehicles

5. **The procurements of four units of motor vehicles amounting to ₱424,630.18 were not supported with an APMV as prescribed under DBM Budget Circular No. 2022-1 dated February 11, 2022, thus undermining a critical mechanism for ensuring that**

the government procurement of motor vehicles is transparent, justified, and aligned with budgetary and operational priorities.

- 5.1. DBM Budget Circular No. 2022-1 was issued to provide an Omnibus Guidelines on the Acquisition, Use, Rental, and Replacement of Government Motor Vehicles.
- 5.2. Section 6 of the circular prescribes the approving authorities for the acquisition of government motor vehicles, quoted as follows:

6.0 Approving Authority for the Purchase of Motor Vehicles

Requesting Government Entity	Vehicle Type	Approving Authority
NGAs, GOCC and GFIs including their subsidiaries, LWDs, SUCs, Other Executive Offices (OEOs), except the OP, chargeable against their respective appropriations authorized for the purpose	<ul style="list-style-type: none"> a.1 Specific-purpose vehicles, such as medical ambulances, military and police patrol vehicles, armored vehicles, prisoners' vans, and fire trucks; a.2 Heavy equipment, such as road construction equipment, cargo transport equipment, farm machinery, waste management/ environmental sanitation equipment, and similar vehicles/ equipment; a.3 Locally-assembled owner-or passenger-type jeeps; a.4 Motorized bancas/boats; a.5 Vehicles for mass transport when necessary in the interest of public service; and a.6 Motorcycles and tri-wheel vehicles. 	Secretary of Budget and Management

7.0 Authority to Purchase Motor Vehicles (APMV)

7.1 The APMV issued by the appropriate approving authority shall serve as the basis of agencies in acquiring motor vehicles.

- 5.3. In CY 2023, MANWAD procured a total of four motor vehicles amounting to ₱424,630.18, for the use of the Engineering and Construction Division and the Finance and Commercial Division. A summary of the transactions is as follows:

DV No.	Date	Payee	Particulars	Amount (₱)
12-23-25888	12/29/2023	Motorcentrum Corporation	Payment for two units Motorcycle for Finance and Commercial Division	147,800.00
12-23-25887	12/29/2023	Ramas-Uypitching Sons, Inc.	Payment for one unit Motorcycle for Engineering and Construction Division	142,641.50
02-23-25253	02/17/2023	Ramas-Uypitching Sons, Inc.	Payment for one unit Utility Vehicle for Engineering and Construction Division	134,188.68
Total				424,630.18

- 5.4. Verification of records showed that the procurements were not supported with the required APMV from the DBM. Inquiry with the Management disclosed that they were not able to secure APMV for the procurement of motor vehicles due to a misconception that the policy is only effective starting CY 2024 and informed that there were urgent needs for the vehicles.
- 5.5. The DBM BC No. 2022-1 was issued on February 11, 2022 and took effect upon its publication. No Memorandum, Circular and other issuances rescinding and/or repealing the same was released thereafter, hence the Omnibus Guidelines on the Acquisition, Use, Rental, and Replacement of Government Motor Vehicles remains in force from the day it was published.
- 5.6. **We recommended that Management direct the members of the BAC to adhere strictly to the provisions of DBM BC No. 2022-1 dated February 11, 2022 in the procurement of motor vehicles.**
- 5.7. Management commented that due to prolonged waiting period of the approval from the LWUA and DBM on MANWAD's request to purchase motor vehicles, all acquisitions in CY 2023 were made under emergency circumstances, supported with Certificate of Emergency Procurement, to ensure uninterrupted billing and maintenance operations. Nevertheless, they committed to comply with the recommendation on the succeeding procurements of motor vehicles.

Absence of Policy on the Grant of Cellular Postpaid Plans

6. **The grant of MANWAD of monthly post-paid plans to several officials and employees ranging from ₱300.00 to ₱4,900.00 without any approved policy and guidelines was not in accordance with Section 2 of PD No. 1445 thus, the efficient, economical, and effective use of Water District funds was not ensured. Moreover, the recording of the transactions was erroneous, resulting in the misstatement of the related accounts.**

6.1. Section 2 of PD No. 1445 also known as the Auditing Code of the Philippines provides that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

6.2. Post-audit of vouchers pertaining to the communication expenses of MANWAD showed that selected officials and employees were granted monthly cellular post-paid plans ranging from ₱300.00 to ₱4,900.00.

6.3. In CY 2023, MANWAD disbursed ₱491,722.36 of telephone expenses. A summary of monthly expenditures is shown in the following table:

Date	DV No.	Check No.	Amount (₱)	Billing Period
01/20/2023	01-23-25193	76566	26,500.00	December 2022
03/09/2023	03-23-25290	81465	28,052.35	January 2023
03/13/2023	03-23-25299	81474	25,013.13	February 2023
04/24/2023	04-23-25398	81576	25,095.00	March 2023
07/06/2023	07-23-25552	86431	47,990.53	April 2023
07/11/2023	07-23-25560	86439	45,543.59	May 2023
07/25/2023	07-23-25589	86468	32,200.11	June 2023
09/12/2023	09-23-25681	89961	30,200.00	July 2023
11/21/2023	11-23-25800	90080	63,464.50	August-September 2023
11/29/2023	11-23-25817	90097	93,050.34	October 2023
12/14/2023	12-23-25852	95732	74,612.81	November 2023
Total			491,722.36	

6.4. Of the above total telephone expenses, ₱282,720.41 were incurred for the load allocation, ₱176,014.35 for the cost of amortization of devices and ₱32,987.60 were more than the monthly plans of various employees. The summary is as follows.

DV No.	Load Allocation	Device	Excess Charges	Total Amount Paid (₱)
01-23-25193	20,900.00	4,100.00	1,500.00	26,500.00
03-23-25290	20,910.00	4,100.00	3,042.35	28,052.35
03-23-25299	20,900.00	4,100.00	13.13	25,013.13
04-23-25398	20,900.00	4,100.00	95.00	25,095.00
07-23-25552	24,320.08	11,600.00	12,070.45	47,990.53
07-23-25560	26,300.00	15,800.00	3,443.59	45,543.59

DV No.	Load Allocation	Device	Excess Charges	Total Amount Paid (₱)
07-23-25589	26,300.00	5,900.00	0.11	32,200.11
09-23-25681	26,300.00	3,900.00	-	30,200.00
11-23-25800	48,400.00	14,600.00	464.50	63,464.50
11-23-25817	23,990.33	61,942.88	7,117.13	93,050.34
12-23-25852	23,500.00	45,871.47	5,241.34	74,612.81
Total	282,720.41	176,014.35	32,987.60	491,722.36

6.5. The amounts pertaining to the load allocation, device amortization and excess charges were derived from the monthly subscription plan availed by MANWAD as indicated in the Statement of Account (SOA).

6.6. Summary of accounts and incurred excess charges and amortization of devices are as follows:

Mobile Number	Excess Charges				Amortization Cost of Device
	Browsing Subscription/ Mobile Data	International SMS/ Calls	Could not be determined	Total	
0998xxx8760	-	-	453.34	453.34	-
0998xxx3689	13.13	487.76	4,350.01	4,850.90	15,200.00
0918xxx0647	-	-	160.01	160.01	800.00
0908xxx3182	-	-	232.36	232.36	20,800.00
0998xxx3124	-	-	7,978.59	7,978.59	43,371.47
0920xxx4671	125.00	-	-	125.00	-
0918xxx3149	299.33	-	-	299.33	1,000.00
0920xxx6271	100.00	-	1,354.84	1,454.84	1,700.00
0918xxx8254	-	40.00	10.00	50.00	11,900.00
0939xxx6202	-	-	593.56	593.56	-
0918xxx5217	449.98	40.00	-	489.98	1,000.00
0939xxx5967	100.00	-	-	100.00	-
0999xxx7109	-	-	232.25	232.25	6,800.00
0918xxx7814	562.76	-	3,000.00	3,562.76	1,000.00
0928xxx9116	-	-	732.59	732.59	2,400.00
0998xxx2939	-	-	10,907.15	10,907.15	61,442.88
0920xxx2505	-	-	722.60	722.60	-
0918xxx3631	-	42.34	-	42.34	1,000.00
0922xxx3878	-	-	-	-	3,600.00
0918xxx3948	-	-	-	-	1,000.00
0918xxx5173	-	-	-	-	1,000.00
0918xxx5178	-	-	-	-	1,000.00
0998xxx6680	-	-	-	-	1,000.00
Total	1,650.20	610.10	30,727.30	32,987.60	176,014.35

- 6.7. Verification of documents showed that several accounts had incurred excess charges on the availed plans. Of the total excess amount, ₱1,650.20 was due to browsing subscriptions/mobile data, ₱610.10 was due to International SMS and Calls to USA, Romania and Russia and a total of ₱30,727.30 could not be determined whether to be applied as excess in load allocation or as payment for the amortization of the device.
- 6.8. Also, apart from the Commercial, Maintenance and MANWAD's Hotlines, several officials' and employees' plans include a device on top of the monthly load allocation.
- 6.9. Management informed the Team that they were unable to verify whether the said benefit of selected employees was covered by a policy as to the limit on the amount that can be charged against the fund of MANWAD because there was no proper turn-over of records from the previous management.
- 6.10. As to the costs of the devices and excess incurred on the existing plans, Management commented that the agreement with the concerned employees is that any excess on the plan will be paid to MANWAD, and the same with the amortization of the devices. However, the Team noted and Management admitted that no payment has been made as of date on the device amortization on several accounts. Management informed the Team that payment will start in May 2024.
- 6.11. Though the Team acknowledges the necessity of these expenditures given that communication is vital in the discharge of their duties and responsibilities, it is still crucial to establish a clear policy outlining the criteria for the grant of the load allowance, the amount each employee is entitled to, the purpose for which it should be used and the process for requesting additional load if necessary. The same shall also help ensure that MANWAD funds are used efficiently, economically and effectively in accordance with Section 2 of PD No. 1445.
- 6.12. Moreover, review of the accounting for the transactions revealed that the recording of the expenses was erroneous resulting in the misstatement of the related accounts. The Telephone Expenses account is debited upon payment of the billing and credited upon receipt of the refund of the costs of the devices and excess incurred on the post-paid plans of the employees. However, it was noted that several employees did not promptly pay the monthly amortization of the cost of the device, thus, payments were made out of MANWAD's fund, resulting in the misstatement of the Telephone Expenses and Due from Officers and Employees accounts.
- 6.13. The amounts recorded under Telephone Expenses account include the costs of the devices and excess incurred on the post-paid plans which should be borne by the concerned officials and employees, hence, should be more appropriately recorded as Due from Officers and Employees.

6.14. In CY 2023, MANWAD paid ₱176,014.35 for devices and ₱32,987.60 for excess charges, or a total of ₱209,001.95, which was recorded under Telephone Expenses account. Of the total amount, only ₱58,926.88 was refunded by the concerned officials and employees as of year-end, leaving a receivable amounting to ₱150,075.07 from concerned officials and employees. Consequently, the Telephone Expenses account was overstated, and the Due from Officers and Employees account was understated by the same amount.

6.15. **We recommended that Management:**

- a. Require the members of the BOD to establish policies and guidelines on the grant of load allowance to qualified employees for control and monitoring purposes;**
- b. Submit a monthly certification that the telephone/ mobile load allowance was utilized for official use;**
- c. Record the device costs and excess on the monthly plans as Due from Officers and Employees and strictly enforce and monitor the monthly refund; and**
- d. Discontinue the charging of costs of devices to MANWAD's fund after the end of the current contracts.**

6.16. Management commented that they will comply with the recommendations.

Excessive BAC Honoraria

7. Payments of BAC honoraria exceeded the rates provided under BC No. 2004-5A dated October 7, 2005, resulting in the incurrence of irregular expenditures amounting to ₱91,000.00 pursuant to COA Circular No. 2012-003 dated October 9, 2012. In addition, the honoraria granted were not subjected to withholding tax which is not in keeping with BIR Ruling No. 494-18.

7.1. BC No. 2005-5A dated October 7, 2005 provides the guidelines on the grant of honoraria to government personnel involved in government procurement consistent with RA No. 9184 or the Government Procurement Reform Act.

7.2. The said Circular provides that:

- 5.3 The honoraria of each person shall not exceed the rates indicated below per completed procurement project:

Designation	Maximum Honorarium rate per procurement project
BAC Chair	₱3,000.00
BAC Members	2,500.00
TWG Chair and Members	2,000.00

- 5.4 The average amount of honoraria per month over one year shall not exceed twenty five percent (25%) of the basic monthly salary. The honoraria, however, shall be paid only upon the successful completion of each procurement.
- 5.5 To be entitled to honoraria, personnel should be duly assigned as chair or member of the BAC or the TWG by the head of the department/agency concerned.
- 5.6 The members of the BAC Secretariat who are performing the attendant functions in additions to their regular duties in other non-procurement units of the agency may likewise be paid honoraria at the same rate as the TWG Chair and Members, subject to the same regulations.

The members whose positions are in the Procurement Unit of the agency shall not be entitled to honoraria. The payment of overtime services may be allowed, subject to existing policy on the matter.

- 7.3. In CY 2023, MANWAD disbursed a total of ₱130,000.00 for the honoraria of the members of the BAC, BAC TWG and BAC Secretariat for two projects. Summary is as follows:

Designation	Amount Paid (₱)	Allowed (₱)	Excess (₱)
BAC Chairman	20,436.00	6,000.00	14,436.00
BAC Member	17,680.00	5,000.00	12,680.00
BAC Member	17,680.00	5,000.00	12,680.00
BAC Member	17,680.00	5,000.00	12,680.00
BAC Member	17,680.00	5,000.00	12,680.00
BAC Member	11,700.00	5,000.00	6,700.00
TWG Member	13,572.00	4,000.00	9,572.00
BAC Secretariat	13,572.00	4,000.00	9,572.00
TOTAL	130,000.00	39,000.00	91,000.00

- 7.4. As shown in the preceding table, the amounts paid exceeded the maximum rates provided for under BC No. 2004-5A by a total of ₱91,000.00.
- 7.5. On the other hand, Section 3.1 of COA Circular No. 2012-003 dated October 29, 2012 states that:

The term “irregular expenditures” signifies an expenditure incurred without adhering to established rules, policies, principles or practices that have gained recognition in laws...

- 7.6. The grant of honoraria should always conform to the relevant guidelines and any deviations therefrom are considered irregular.
- 7.7. Moreover, it was also noted that MANWAD did not withhold taxes on the honoraria granted. In BIR Ruling No. 494-18 it was stated that, “it is without argument that the honoraria and allowances, no matter how negligible the amount, are wealth that flow into the hands of the recipient, hence, subject to income tax and, consequently, to withholding tax on compensation.”
- 7.8. **We recommended that Management require the Accountant to:**
 - a. **Strictly adhere to the provisions of BC No. 2004-5A on the allowable rates on the payment of honoraria; and**
 - b. **Ensure that applicable amount of tax is withheld therefrom.**
- 7.9. **We further recommended that Management require the recipients to refund the excess amount.**
- 7.10. Management committed to comply with the recommendations. The Team was also informed that partial refund of the excess has been made by the BAC in the amount of ₱4,000.00 evidenced by OR No. 1943669 dated June 13, 2024.

Improper Usage of RER

8. Purchased goods and services totaling ₱95,454.30 from establishments not issuing receipts/invoices were not correctly supported with documents as evidence for the disbursements, hence, were not in compliance with Paragraph 3 of COA Circular No. 2021-001 dated June 24, 2021.

- 8.1. COA Circular No. 2021-001 dated June 24, 2021 was issued to clarify the use of Reimbursement Expense Receipt (RER) and Certification in relation to reimbursement of expenses not requiring OR.
- 8.2. Paragraph 3 of the said circular provides that:

To address the confusion on the interpretation of COA Circular No. 2004-006 and COA Circular No. 2017-001, as far as the use of the RER and the Certification is concerned, the table below specifies the required supporting documents for the reimbursement/liquidation of expenses:

Particulars	Documents Required
Expenses regardless of amount purchased from/rendered by establishment issuing receipts/invoice	OR/Invoice
Expenses amounting to ₱300.00 or less purchased from/rendered by establishment not issuing receipts/invoice	Certification of Expenses Not Requiring Receipts
Expenses amounting to more than ₱300.00 but not exceeding ₱1,000.00 purchased from/rendered by establishment not issuing receipts/invoice	RER

- 8.3. Audit of disbursements showed that the use of RER and Certification in relation to reimbursement was not properly implemented. A number of transactions with amounts less than ₱300.00 were supported with RER instead of the Certification of Expenses Not Requiring Receipts. While OR/Invoice or Acknowledgment Receipt, as the case may be, was not attached to a number of transactions, considering that the amounts were more than ₱1,000.00.
- 8.4. It bears emphasis that the use of RER shall only be allowed for purchases amounting to more than ₱300.00 but not more than ₱1,000.00, and procured from entities not required by the BIR to issue receipts/invoices.
- 8.5. The Accountant of MANWAD should have required that proper supporting documents were provided, depending on the amount involved, before processing reimbursement claims.
- 8.6. **We recommended that Management to require the Accountant to process a reimbursement transaction only when the proper supporting documents presented by the concerned employee comply with COA Circular No. 2021-001.**
- 8.7. Management commented that they will comply with the recommendation.

Absence of Authority on the Grant of Uniform Allowance to the Members of the BOD

9. **Purchase of uniforms for the members of the BOD totaling ₱33,647.45 were granted without prior approval from LWUA, thus was not in accordance with PD No. 198, as amended by RA No. 9286, and DBM BC No.2018-1 dated March 8, 2018. Moreover, the payments were not completely supported with documentary requirements as prescribed under Section 4(5) of PD No. 1445 and COA Circular No. 2012-001, thus affecting the propriety and validity of the transaction.**

9.1. Section 13 of PD No. 198 provides that:

...

Any per diem in excess of One hundred fifty pesos (₱150.00) shall be subject to the approval of the Administration. In addition thereto, each director shall receive allowances and benefits as the Board may prescribe subject to the approval of the Administration.

9.2. Moreover, the DBM BC No. 2018-1 provides the rules and regulations on the grant of uniform/clothing allowance to civilian government personnel which maybe in the form of cash, textile materials and cash or uniforms procured through a bidding process. Section 3 of the circular provides that it covers civilian government personnel occupying regular, contractual, or casual positions; appointive or elective; rendering services on full-time or part-time basis.

9.3. Whereas, Section 4(5) of PD No. 1445 expressly states that claims against government funds shall be supported with complete documentation. Relatedly, COA Circular No. 2012-001 dated June 14, 2012, was issued to prescribe the revised guidelines and documentary requirements for common government transactions. It provides that one of the general requirements for all types of disbursements is sufficient and relevant documents to establish the validity of claims.

9.4. In CY 2023, MANWAD purchased various garments to be used as uniforms of the members of the BOD. A cash advance through Disbursement Voucher No. 11-23-25790 and Check No. 90070 dated November 15, 2023 in the amount of ₱80,000.00 was granted for that purpose. The same was liquidated under Journal Entry Voucher No. 2023-12-216, with no specific date, in the month of December 2023. Details of the liquidation are as follows:

Account Used	Amount	Particulars
Travelling Expense	2,500.00	Van Rental
Travelling Expense	510.00	Load for RFID
Representation Expense	22,000.32	Meals and Snacks
Other Maintenance and Operating Expenses	33,647.45	Various garments
Other Maintenance and Operating Expenses	18,500.00	Assorted merchandise
Total Expenses	77,157.77	
OR No. 1943599	2,842.23	Refund of cash advance
Total Liquidation	80,000.00	

9.5. As shown in the preceding table, the amount of ₱33,647.45 for various garments pertains to the uniforms of the members of the BOD and is charged to Other Maintenance and Operating Expenses account. However, inquiry with the Management disclosed that no request for the approval of the LWUA has been made for the procurement of the uniforms.

- 9.6. Likewise, the purchase of uniforms is not consistent with the provisions cited in the DBM Budget Circular No. 2018-1 because the members of the BOD are not included among those allowed to receive a uniform/clothing allowance. Management also reasoned that this has been a yearly practice of MANWAD.
- 9.7. It bears emphasis that the practice, no matter how long continued, cannot give rise to any vested right if it is not in accordance with the regulation.
- 9.8. Apart from the cost of the uniforms, the Team noted other observations on the liquidation. In the Travel Order dated November 16, 2023, the destination was Baguio City for the purpose of purchasing uniforms of the members of the BOD. Consequently, MANWAD incurred travelling expenses totaling ₱3,010.00, which included ₱2,500.00 for the van rental and ₱510.00 for the RFID load. Liquidation documents also included attendance sheet for the regular meeting of the members of the BOD dated November 20, 2023. Expenses for meals and snacks during the travel charged to Representation Expense are summarized as follows:

Payee	OR/ SI No.	OR Date	Amount
Jollibee	5094	11/20/2023	1,233.00
Valencia's Restaurant	588	11/20/2023	11,342.32
J. Co Donuts & Coffee	24597	11/20/2023	955.00
J. Co Donuts & Coffee	24598	11/20/2023	640.00
Starbucks Coffee	6077	11/20/2023	2,025.00
Mountain Maid Training and Development Foundation, Inc.	33712	11/20/2023	5,805.00
Total			22,000.32

- 9.9. Travelling and meal expenses incurred may be considered as reimbursable expenses of the members of the BOD which are necessary in attending Board and other meetings, and shall not exceed 25% of the actual per diems received for regular and special board meetings.
- 9.10. Meanwhile, the propriety of expenditure amounting to ₱18,500.00 for assorted merchandise also charged to Other Maintenance and Operating Expenses account cannot be ascertained, since details as to the specific items purchased were not provided to the Team.
- 9.11. It was also noted that the liquidation reports were only supported with a Travel Order, Attendance Sheet for the BOD Meeting, ORs/Sales Invoices and an RER. Other documentary requirements not attached are as follows:
- Approval from the LWUA for the purchase of uniforms;
 - Budget Utilization Request and Status;
 - Purchase Requests;
 - Price Quotations from at least three suppliers;

- Purchase Orders/Contracts; and
 - Inspection and Acceptance Reports.
- 9.12. The deficiencies noted indicate a weakness in the internal control as the Accountant allowed a disbursement of funds without legal basis, as well as sufficient and relevant documentary requirements to support the propriety and validity of the transactions.
- 9.13. **We recommended that Management discontinue the grant of uniform allowance to the members of the BOD unless supported with legal basis and specific authority, to avoid personal liability for irregular disbursements.**
- 9.14. **We further recommended that Management direct the Accountant to strictly adhere to the provisions of Sections 2 and 4 of PD No. 1445 by ensuring that documents are complete and proper before processing claims against MANWAD funds.**
- 9.15. Management informed the Team that they are currently in direct contact with their Management Advisor from LWUA for the request of authority on the grant clothing allowance to the members of the BOD.

Printing of ORs through a Private Printer

10. **MANWAD engaged the services of a private printer instead of the Recognized Government Printers (RGPs) for the printing of ORs without the certification by the RGPs that they are unable to service the printing requirements, which is not in accordance with Section 25 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2023, Appendix 20 of the 2016 Revised IRR of RA No. 9184 LWUA Memorandum Circular (MC) No. 010-17 dated June 19, 2017, thereby affecting the propriety and validity of the transaction.**

- 10.1. Section 25 of the GAA for FY 2023 states that:

All agencies of the government shall engage the services of the National Printing Office, BSP, and APO Production Unit as Recognized Government Printers (RGPs) for the printing of accountable forms and sensitive, high quality or high volume requirements, subject to the following:

- a. The RGPs shall undertake the printing requirements themselves and shall not sub-contract any portion thereof to other printers; and
- b. An agency may be allowed to engage private printers for the printing of accountable forms and sensitive, high quality or

high volume requirements upon certification by the RGPs that they are unable to service the said requirements. Said engagement of private printers shall be in accordance with RA No. 9184, its IRR, and GPPB guidelines.

10.2. Likewise, Appendix 20 of the 2016 Revised IRR of RA No. 9184 or the Guidelines on the Procurement of Printing Services provides that:

4.0 Procedure

4.3.1 The procuring entity may seek the assistance of the PCOO in determining whether no RGP is capable of undertaking the printing service.

4.3.2 Upon determination by the PCOO that no RGP can undertake the printing service due to time constraints and equipment limitations, the procuring entity may engage the services of private printers.

10.3. Moreover, LWUA issued MC Nos. 009.16 and 013.16-17, dated August 5, 2016 and October 21, 2016, respectively, enjoining all Water Districts to cause the printing of all ORs by RGPs. Water Districts were given reasonable time to consume their stock of ORs prior to the procurement of the same from RGPs.

10.4. LWUA then issued MC No. 010-17 dated June 19, 2017, to amend MC No. 009.16 allowing Water Districts to engage private printers for the printing of their ORs, however, subject to the determination of the PCOO that no RGP can undertake the printing service or the certification from RGPs that they are unable to service the said requirements.

10.5. In the audit of DV of the Water District, it was noted that a payment was made to a private printer for the printing of 18 boxes of water bill ORs. Details are as follows:

Date	DV No.	Check No.	Payee	Amount
05/22/2023	05-23-25459	86337	Northern Plex Office Supplies Trading	151,200.00

10.6. Inquiry with the Management disclosed that they were not able to secure the required certification from the RGPs that they are not capable of undertaking the printing service, due to non-awareness of the provisions.

10.7. It was also noted that the OR used by the Water District is in duplicate only, wherein the original copy is issued to the consumer upon payment and the duplicate copy serves as COA copy. The OR has no triplicate copy leaving no file for the District for control and monitoring purposes. This practice results in the late submission of ORs to the Team since the duplicate copy to be submitted to COA is

being used for BIR-related transactions prior to submission to the Team thus, hindering the timely audit thereof.

10.8. We recommended that Management:

- a. Engage RGPs for the printing of ORs of the Water District and ensure that the service of private printers may only be availed upon the determination of the PCOO that no RGP can undertake the printing service or certification from RGPs that they are unable to service the said requirements, as provided by law, rules and regulations, and government issuances on the matter; and**
- b. Include a triplicate copy in the technical specification of ORs to be printed which will serve as a file copy of MANWAD for control and monitoring purposes.**

10.9. Management informed the Team that they are currently communicating with the NPO on the printing of the Water Bill Receipts. In addition, they are working with MANWAD's computerized system programmer to modify the existing two-copy format into a three-copy format.

Non-Implementation of the Required Posting of Project Signboards

11. Project signboards and/or public notices were not posted on-site on infrastructure projects of MANWAD, which is not in accordance with Section 3.1 of COA Circular No. 2013-004 dated January 30, 2013 hence, defeating the principle of transparency, accountability, good governance and the right of the people to information on matters of public concern.

11.1. Consistent with the policies of the State under the 1987 Constitution to promote full disclosure of all transactions involving public interest and to recognize the right of the people to information on matters of public concern, COA Circular No. 2013-004 dated January 30, 2013, as amended, was issued to provide guidelines on the information and publicity on programs/projects/activities (PPAs) of government agencies.

11.2. Section 2.2 of said circular states that:

2.2 Notification to the public and other forms of announcement and/or publicity for or otherwise relating to the PPA shall be made at the least possible cost, taking into account that the nature of and purposes of such notification, announcement and/or publicity, is to inform the public of the essential features/elements of the PPA. Accordingly,

2.2.1 All government agencies, or the implementing unit, office or division as the case may be, shall notify the public of their PPA through the posting of relevant information, detailed in Item 2.1 above on signboards, blackboards, whiteboards, posters, tarpaulins, streamers, electronic boards or similar materials (Collectively, “Signboards”) not exceeding 3 feet by 2 feet, in conspicuous places within the agency premises, and in the venue where the PPA is located or carried out. This requirement applies to all government PPAs, regardless of amount or source of funds.

2.2.2 ...

2.2.3 For infrastructure projects, a tarpaulin signboard must be suitably framed for outdoor display at the project location, and shall be posted as soon as the award has been made. The design and format of the tarpaulin, as shown in Annex “A”, shall have the following specifications:

Tarpaulin, white, 8 ft x 8ft
Resolution: 70 dpi
Font: Helvetica
Font Size: Main Information – 3”
Sub-Information – 1”
Font Color: Black

3.1 The Head of Agency shall inform its SA and ATL within ten (10) days after the award of the infrastructure project or before the start of the program/activity that the appropriate project signboards and/ or public notices are already posted, and the SA and ATL shall validate the same.

11.3. In CY 2023, MANWAD implemented the Construction of Glass Fused to Steel Bolted Reservoir with complete accessories at Barangay Pugaro, Manaoag, Pangasinan, with contract cost of ₱11,710,400.00, and Exploratory Well Drilling of PAO Deep well with 70m Depth Pilot Hole and 250MM (10”) Spiral Welded Steel Well Casing and Pipelaying of Transmission, Main and Service Lines with Interconnections along Barangays Pao and Sapang, Manaoag, Pangasinan project, with contract cost of ₱8,517,604.13. However, verification revealed that MANWAD did not strictly comply with the above posting requirement. The Management informed that it was not a practice to necessarily post project signboards.

- 11.4. The non-compliance undermined the principle of transparency, accountability, good governance and the right of the people to information on matters of public concern. The absence of project signboards and public notices means that the local community and other stakeholders are not informed about the ongoing projects. These notices also form part of the monitoring mechanisms for projects by informing not only the public but also facilitating oversight by authorities. The lack of these postings can hinder effective monitoring and evaluation of the projects.
- 11.5. **We recommended that Management implement the required posting of appropriate project signboards and/or public notices on the implementation of projects.**
- 11.6. **We further recommended that Management furnish the Team a copy of notice of the posting of the appropriate signboards of its projects within the prescribed period for validation and implement the attachment of pictures of the actual signboards to the disbursement vouchers as part of the supporting papers for the payment of the infrastructure project.**
- 11.7. Management commented that they will comply with the recommendation in succeeding project implementations.

DV and BURs forms not in prescribed format

12. **The DV and BURS forms used by MANWAD are not consistent with the provisions of COA Circular No. 2017-004 dated December 13, 2017, thus accountability for the expenditures is not properly established and proper monitoring of budget utilization is not observed.**

- 12.1. Review of the disbursements of MANWAD revealed that DV and BURS forms were not in accordance with the prescribed format. The table below illustrates the difference between the format currently used by MANWAD and the format prescribed in Annexes N and Q of COA Circular No. 2017-004.

Box	Format used by MANWAD		Prescribed Format (Annex N/Q)	
	Accountability	Signatory	Accountability	Signatory
DISBURSEMENT VOUCHER				
A	Certifies completeness of supporting documents	Division Manager	Certifies expenses/ advances necessary, lawful and incurred under direct supervision	Responsible officer having direct supervision of the transaction
B	Approves payment	General Manager	Certifies cash availability, proper and complete supporting documents	Head, Accounting Unit/ Authorized Representative
C	Receives payment	Payee	Approves payment	Agency Head/ Authorized

Box	Format used by MANWAD		Prescribed Format (Annex N/Q)	
	Accountability	Signatory	Accountability	Signatory
				Representative
D	N/A	N/A	Receives payment	Payee
BUDGET UTILIZATION REQUEST AND STATUS				
A	Certifies charges to budget necessary, lawful and under direct supervision	Division Manager, Finance and Commercial	Certifies charges to budget necessary, lawful and under direct supervision and supporting documents valid, proper and legal	Head, Requesting Unit/ Authorized Representative
B	Certifies budget availability and funds earmarked/ obligated for the purpose indicated	Corporate Budget Specialist	Budget available and utilized for the purpose indicated	Head, Budget Unit/ Authorized Representative

12.2. As can be gleaned from the table, responsibilities of Heads of Requesting Unit, Budget Unit and Accounting Unit were not properly observed due to the improper format used by MANWAD for DV and BURS as provided under Section 2 of COA Circular No. 2006-004 dated January 31, 2006, quoted as follows:

- The Head of the Requesting Unit shall prepare the BUR and the DV and certify on the necessity and legality of charges to budget under his supervision. He shall also certify the validity, propriety and legality of supporting documents.
- The Head of the Budget Unit shall certify the availability of budget and maintain the Registry of Budget and Utilization.
- The Head of the Accounting Unit shall certify the completeness of supporting documents of the DV.

12.3. Further verification of documents revealed that Box C of the BURS which pertains to the Status of Utilization was not included in the form used by MANWAD. The Status of Utilization shall serve as the subsidiary ledger to monitor the budget utilizations to be maintained by the Budget Division/Unit.

12.4. Non-compliance with the use of the prescribed format of DV and BURS affects the proper establishment of the liability of accountable persons as well as the monitoring of budget utilization.

12.5. **We recommended that Management adhere to the provisions of COA Circular No. 2017-004 by using the prescribed format for the DV and BURS to establish accountability for the transactions and proper monitoring of budget utilization.**

12.6. Management commented that as of June 10, 2024, DV and BURS forms of MANWAD have been revised.

Unstamped "PAID" in DVs and Supporting Documents

13. The DVs and supporting documents were not stamped "PAID" or marked with similar indications upon payment, which is not in conformity with Section 2 (Q) of COA Circular No. 92-389 dated November 3, 1992, and Section 123 of PD No. 1445. This exposes to possible re-use of the document, hence, may result to payments of invalid claims.

13.1. Section 2(Q) of COA Circular No. 92-389 requires that:

Paid vouchers, including its supporting documents, shall be perforated and conspicuously stamped "PAID" by the Cashier. The stamp shall provide space for the number of the check issued and date of actual payment, and its size should be 2" x 3".

13.2. In the conduct of post-audit, it was noted that paid DVs and supporting documents were not stamped "PAID", making the same documents susceptible to possible re-use for other claims.

13.3. Section 123 of PD No. 1445 also states that:

Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data and encourage adherence to prescribed managerial policies.

13.4. Likewise, Section 124 provides that:

It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.

13.5. The internal control measure presently adopted by the Water District such as the numbering of the vouchers is not a guarantee against re-use and double payment.

13.6. We recommended that Management direct the Cashier to stamp "PAID" on the DVs and all supporting documents after payment to deter the possible re-use of the same supporting documents for other claims.

13.7. Management committed to comply with the recommendation.

C. OPERATIONAL AUDIT

Non-Revenue Water (NRW)

14. MANWAD reported an NRW of 18%, which is within the maximum acceptable level of 20% as prescribed under LWUA Resolution No. 444 series of 2009.

D. OTHER AREAS

Gender and Development (GAD)

15. The GAD Focal Point System has prepared the Annual GAD Plan and Budget and Accomplishment Report for CY 2023. All activities included in Annual GAD Plan and Budget was implemented. The total amount of utilization was ₱23,553,687.52.

Water Safety Plan (WSP)

16. The WSP of MANWAD has been approved by the Department of Health (DOH) under WSP Certificate No. 2023-069WD dated October 12, 2023.

Disaster Risk Reduction Management (DRRM) Plan

17. DRRM Plan has been prepared and developed and has been submitted to LWUA for review and approval on February 21, 2024.

E. COMPLIANCE WITH TAX LAWS

Non-withholding of Tax on BOD Per Diem

18. The additional per diem of the BOD Chairperson totaling ₱17,280.00 was not subjected to withholding tax, which is not in accordance with Section II of the BIR Revenue Memorandum Order (RMO) No. 23-2014 dated June 20, 2014 and BIR Revenue Regulations (RR) No. 11-2018 dated January 31, 2018, thus may result in imposition of penalties.

- 18.1. Under the Expanded Withholding Tax (EWT) system, the person or the entity that pays the income to another is given the responsibility of withholding tax and remitting the same to the government. The system is an effective and convenient method to facilitate the collection and payment of taxes since every withholding agent is obliged to collect and remit taxes on behalf of and for the government.

18.2. Section II of BIR RMO No. 23-2014 dated June 20, 2014, provides that:

All government offices including government-owned or controlled corporations (such as but not limited to the Bangko Sentral ng Pilipinas, Metropolitan Waterworks and Sewerage System, Philippine Deposit Insurance Corporation, Government Service Insurance System, Social Security System), as well as provincial, city and municipal governments are constituted as withholding agents for purposes of the creditable tax required to be withheld on the following...

18.3. Likewise, Section 2 of BIR RR No.11-2018 amending Section 2.57.2 of RR 2-98 prescribes that the withholding tax rate on fees of directors who are not employees of the company paying such fees, whose duties are confined to attendance at and participation in the Per Diem of the board of directors, is five percent (5%) if gross income of the director for the current year does not exceed ₱3,000,000.00 and ten percent (10%) if gross income is more than ₱3,000,000.00.

18.4. As part of the compensation structure of the BODs, the Chairperson is entitled to receive an additional amount not exceeding twenty percent (20%) of the amount authorized for the members of the Board for each meeting he/she actually attended as provided under Section 4 of Executive Order No. 65 dated January 2, 2012.

18.5. In CY 2023, MANWAD paid additional per diem for the BOD Chairperson in the total amount of ₱17,280.00. A summary of payments is shown as follows:

Date	DV No.	Check No.	Amount (₱)
01/23/2023	01-23-25196	76569	1,440.00
02/20/2023	02-23-25256	81431	1,440.00
03/20/2023	03-23-25319	81495	1,440.00
04/17/2023	04-23-25385	81562	1,440.00
05/15/2023	05-23-25446	86324	1,440.00
06/19/2023	06-23-25514	86393	1,440.00
07/17/2023	07-23-25572	86451	1,440.00
08/22/2023	08-23-25631	89910	1,440.00
09/11/2023	09-23-25676	89955	1,440.00
10/16/2023	10-23-25739	90019	1,440.00
11/17/2023	11-23-25795	90075	1,440.00
12/20/2023	12-23-25795	95746	1,440.00
Total			17,280.00

18.6. Audit of the disbursements revealed that the payments were not subjected to withholding tax of 10%, for a total of ₱1,728.00 tax deficiency.

18.7. Non-compliance with tax laws may result in imposition of penalties against the MANWAD which can significantly increase the amount owed to the BIR.

18.8. We recommended that Management direct the Accountant to withhold the correct amount of taxes on payments of BOD Per Diem in compliance with the provisions of aforesaid BIR Regulations to avoid possible imposition of penalties.

18.9. Management informed the Team that as of April 2024, MANWAD has implemented the withholding of taxes on the additional per diem of the BOD Chairman.

F. REMITTANCES TO GSIS, PHILHEALTH AND PAG-IBIG

19. The schedule of withheld and remitted employees’ premium contributions to GSIS, PhilHealth and Pag-IBIG for CY 2023 is presented as follows:

Month	GSIS		
	Withheld	Remitted	Balance
Beginning			466,734.26
January 2023	463,596.61	466,734.26	463,596.61
February	487,926.83	461,948.69	489,574.75
March	485,322.43	491,210.54	483,686.64
April	483,549.64	483,186.64	484,049.64
May	499,398.88	483,549.64	499,898.88
June	485,619.90	501,846.82	483,671.96
July	483,412.91	483,171.96	483,912.91
August	488,371.11	488,571.75	483,712.27
September	489,727.37	510,363.31	463,076.33
October	472,356.01	469,530.44	465,901.90
November	465,221.90	469,810.82	461,312.98
December	460,745.77	466,352.66	455,706.09
Refund of Over-deduction	680.00	-	456,386.09
<i>Due to GSIS as of December 31, 2023 - remitted on January 2024</i>		<i>456,386.09</i>	<i>-</i>

Month	PhilHealth		
	Withheld	Remitted	Balance
Beginning			52,392.28
January 2023	53,636.32	52,392.28	53,636.32
February	56,130.32	53,636.32	56,130.32
March	59,247.52	57,688.92	57,688.92
April	57,688.92	57,688.92	57,688.92
May	57,688.92	57,688.92	57,688.92
June	57,688.92	57,688.92	57,688.92
July	57,688.92	57,688.92	57,688.92
August	58,312.36	57,688.92	58,312.36
September	59,014.48	58,312.36	59,014.48

Month	PhilHealth		
	Withheld	Remitted	Balance
October	59,365.54	59,014.48	59,365.54
November	60,067.66	59,716.60	59,716.60
December	59,716.60	59,716.60	59,716.60
<i>Due to PhilHealth as of December 31, 2023 - remitted on January 2024</i>		59,716.60	-

Month	Pag-IBIG		
	Withheld	Remitted	Balance
Beginning			93,386.62
January 2023	94,556.62	96,446.11	91,497.13
February	94,937.48	91,497.13	94,937.48
March	99,282.77	97,523.53	96,696.72
April	96,696.72	96,696.72	96,696.72
May	103,618.56	101,440.56	98,874.72
June	93,432.41	112,436.41	79,870.72
July	89,740.80	85,617.29	83,994.23
August	102,236.30	85,767.84	100,462.69
September	108,463.90	101,508.19	107,418.40
October	111,010.00	107,418.40	111,010.00
November	117,115.81	111,010.00	117,115.81
December	115,951.95	119,235.78	113,831.98
<i>Due to Pag-IBIG as of December 31, 2023 - remitted on January 2024</i>		113,831.98	-

G. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

20. The balance of Suspensions, Disallowances and Charges as of December 31, 2023, as reported in the Statement of Suspensions, Disallowances and Charges (SASDC) are shown as follows:

Particulars	Beginning Balance as of January 1, 2023	This Period Jan. 1 to Dec. 31, 2023		Ending Balance as of December 31, 2023
		NS/ND/NC	NSSDC	
Notice of Suspension	-	-	-	-
Notice of Disallowance	5,760,987.66	107,442.74	581,593.79	5,286,836.61
Notice of Charge	-	-	-	-
Total	5,760,987.66	107,442.74	581,593.79	5,286,836.61

- 20.1. The outstanding balance of disallowances amounting to ₱5,286,836.61 is detailed as follows:

	ND No.	Amount	Settlement	Outstanding Balance	Particulars
1	2015-09(2015)	60,000.00	59,147.76	852.24	Medical Allowance
2	2015-10(2015)	518,311.00	281,036.04	237,274.96	Mid-Year Financial Assistance
3	2016-02(2015)	60,000.00	22,000.00	38,000.00	Medical Allowance
4	2016-03(2015)	60,000.00	22,000.00	38,000.00	
5	2016-04(2015)	60,000.00	22,000.00	38,000.00	
6	2016-05(2015)	576,926.00	180,030.33	396,895.67	Extra Bonus 2015
7	2016-06(2015)	518,898.00	107,119.00	411,779.00	Year-End Financial Assistance (YEFA)
8	2016-01(2016)	60,000.00	12,000.00	48,000.00	Medical Allowance
9	2016-02(2016)	58,000.00	10,000.00	48,000.00	
10	2016-03(2016)	58,000.00	10,000.00	48,000.00	
11	2016-04(2016)	58,000.00	10,000.00	48,000.00	
12	2016-05(2016)	58,000.00	10,000.00	48,000.00	
13	2016-06(2016)	58,000.00	10,000.00	48,000.00	
14	2016-07(2016)	58,000.00	10,000.00	48,000.00	
15	2016-08(2016)	58,000.00	10,000.00	48,000.00	
16	2016-09(2016)	58,000.00	10,000.00	48,000.00	
17	2017-01(2017)	54,000.00	6,000.00	48,000.00	
18	2017-02(2017)	54,000.00	6,000.00	48,000.00	
19	2017-03(2017)	54,000.00	6,000.00	48,000.00	
20	2017-04(2017)	54,000.00	6,000.00	48,000.00	
21	2017-05(2017)	54,000.00	6,000.00	48,000.00	
22	2017-06(2017)	54,000.00	6,000.00	48,000.00	
23	2017-07(2017)	54,000.00	6,000.00	48,000.00	
24	2017-08(2017)	54,000.00	6,000.00	48,000.00	
25	2018-01(2017)	537,017.00	102,364.00	434,653.00	YEFA
26	2018-02(2017)	508,600.00	73,947.00	434,653.00	Extra Bonus
27	2019-01(2018)	522,781.00	25,717.00	497,064.00	Rice Allowance
28	2019-09-(2018)	60,000.00	12,000.00	48,000.00	
29	2019-10 (2018)	62,000.00	14,000.00	48,000.00	
30	2019-11 (2018)	62,000.00	14,000.00	48,000.00	
31	2019-12 (2018)	62,000.00	14,000.00	48,000.00	
32	2019-13 (2018)	62,000.00	14,000.00	48,000.00	
33	2019-14 (2018)	62,000.00	14,000.00	48,000.00	
34	2019-15 (2018)	62,000.00	14,000.00	48,000.00	
35	2019-16 (2018)	62,000.00	11,000.00	51,000.00	
36	2019-17 (2018)	62,000.00	8,500.00	53,500.00	
37	2019-18 (2018)	62,000.00	8,000.00	54,000.00	
38	2019-19 (2018)	62,000.00	8,000.00	54,000.00	
39	2019-20 (2018)	62,000.00	8,000.00	54,000.00	
40	2019-55	62,000.00	8,000.00	54,000.00	
41	2019-56	64,000.00	10,000.00	54,000.00	
42	2021-02(2019)	553,841.00	26,777.00	527,064.00	Extra Bonus 2019
43	2021-03(2020)	670,977.00	72,319.00	598,658.00	Extra Bonus 2020
44	2023-01(2022)	10,250.44	-	10,250.44	NWRB Annual Water

	ND No.	Amount	Settlement	Outstanding Balance	Particulars
					Charges
45	2023-02(2022)	22,999.98	-	22,999.98	Excessive BAC
46	2023-03(2022)	13,192.32	-	13,192.32	Honoraria
47	2023-04(2022)	58,000.00	-	58,000.00	
48	2023-05(2022)	3,000.00	-	3,000.00	
	Total	6,578,793.74	1,291,957.13	5,238,836.61	

There are no outstanding suspensions and charges for the year 2023.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S
AUDIT RECOMMENDATIONS**

All 21 prior year's audit recommendations were implemented. Details are summarized as follows:

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. Semi-Expendable Properties reclassified from the PPE Accounts pursuant to Section 23 of the General Provisions of RA No. 11639 that were already issued to end-users in the total amount of ₱1,492,830.18, were recorded under the Inventory Accounts instead of adjusting the carrying amount to the expense accounts charged against the Retained Earnings contrary to COA Circular No. 2022-004 dated May 31, 2022, thereby overstating the Inventory Accounts and understating the Retained Earnings with the same amount.</p> <p>We recommended that Management direct the DM of the Finance and Commercial Divisions to make the necessary adjusting entries in order to properly charge the Semi-Expendable Properties already issued amounting to ₱1,492,830.18 to Retained Earnings Account and to derecognize the accounts accordingly from the Inventory Accounts.</p> <p>We further recommended that Management direct the</p>	<p>page 26 of CY 2022 AAR</p>	<p>The Accountant recorded the necessary adjusting entries through JEV Nos. 2023-02-31 and 2023-02-32 dated February 2023.</p> <p>Acquired semi-expendable properties</p>	<p>Implemented</p> <p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
DM of the Finance and Commercial Divisions and the Property Officer (PO) to properly account and monitor succeeding procurement/acquisition of semi-expendable properties.		in CY 2023 have been properly recorded.	
<p>2. The missing or unlocated One Set Submersible Deep-well Pump with costing ₱333,500.00 is included in the PPE - Machinery account in the total amount of ₱6,961,500.08, thus, rendering PPE accounts of the District overstated contrary to Section 1 of the Philippine Accounting Standards (PAS) and Section 73.a of the Government Accounting Manual, Volume I.</p> <p>We recommended that Management require the former PO to settle the carrying cost of the property considering that a number of years had lapsed and the same remained not located despite the efforts undertaken by the former accountable officer.</p> <p>We recommended further that the DM of the Finance and Commercial Divisions to determine the net carrying amount of the missing property and record the same as Other Receivables – Due from Officers and Employees. Thereafter,</p>	page 28 of CY 2022 AAR	<p>The missing PPE with carrying amount of ₱33,344.25 was paid under OR Nos. 1943583 dated November 15, 2023, 1943595 dated December 15, 2023 and 1943605 dated December 29, 2023.</p> <p>The settlement was properly recorded by the Accountant.</p>	<p>Implemented</p> <p>Deemed implemented upon settlement of the Accountable Officer.</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
submit the OR to the Team upon receipt of payment for validation.			
<p>3. Various accounts in the FS of the District amounting to ₱7,829,676.37 were not properly classified contrary to PAS No. 1 and COA Circular No. 2020-002, dated January 28, 2020 on the RCA for GC, thus, affecting the fair presentation of the FS of the Water District.</p> <p>Further, the guaranty deposits and the guaranty deposits payable showed a difference of ₱309,891.36, thereby, the Other Asset and the Trust Liabilities accounts were not fairly presented in the books of the District.</p> <p>We recommended that Management require the DM of the Finance and Commercial Divisions reclassify and prepare the necessary adjusting entries using JEV to correct the misclassified accounts in accordance with the RCA for GC.</p> <p>We recommended further that Management require the DM of the Finance and Commercial Divisions to review and analyze the individual subsidiary ledger of consumers who have deposits and determine the correct and actual liability,</p>	page 29 of CY 2022 AAR	<p>The Accountant recorded the necessary adjusting entry through JEV No. 2023-01-08 dated January 2023.</p> <p>It was determined that the discrepancy between the accounts was due to the delayed transfer of funds from the General Fund to the Guaranty Deposits fund. Regular transfer has been implemented</p>	<p>Implemented</p> <p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
particularly from the deposits of inactive connections.		and the accounts are already reconciled.	
<p>4. The regularity and validity of the payment of Night Shift Differential Pay to the personnel of the District amounting to ₱110,937.93 could not be determined due to the inaccuracies of the supporting documents as well as the computation of claims, thereby, may result to improper use of government funds contrary to the fundamental principles governing financial transactions of a government agency as provided under Section 4 of PD No. 1445 and DBM BC No. 8, series of 1995, in relation to RA No. 11701.</p> <p>We recommended that the GM strictly adhere to the guidelines in granting the 20% night-shift differential pay to employees whose regular working hours are covered under the guidelines wherein actual hour of work performed should be based on the hourly basic salary of an employee.</p> <p>We further recommended that the GM direct the DM of the Production Division to determine the nature of the services to be performed by employees who are required to work from 6:00 0'clock in the evening to 6:00 o'clock</p>	page 32 of CY 2022 AAR	<p>Computation of the night-shift differential pay has been presented correctly. A review of all the claims has also been implemented. Further, any changes in schedules are being monitored and approved by the GM. The works to be performed were properly approved by the GM.</p>	<p>Implemented</p> <p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>in the morning.</p> <p>Finally, we recommended that the GM instruct the DM of the Administrative and Finance Divisions to strictly monitor the personnel assigned on night shift duty to avoid unnecessary claims of government funds. Likewise, any changes of schedule should be with the prior approval of the head of Office.</p>		<p>The DMs of the Administrative and Finance were instructed to monitor the overtime works and pays of employees. All changes of overtime schedules were also being approved by the GM.</p>	<p>Implemented</p>
<p>5. The procurement of various supplies and materials and the implementation of programs and activities in the development and maintenance of the water system facilities of the Water District, under Capital Outlay, in the total amount of ₱21,636,934.68 were undertaken based only on the projects listed in the improvised Annual Procurement Plan (APP) form contrary to Sections 7.2 and 7.3.2, Rule II of the 2016 Revised IRR of RA No. 9184, hence, procurement activities may not have been effectively and efficiently implemented.</p> <p>Further, no Project Procurement Management Plans (PPMP) were prepared and submitted by the different end-users to support the APP, thus, a piecemeal procurement was resorted to.</p>	<p>page 35 of CY 2022 AAR</p>		

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>In effect, the optimized use of the financial resources of the District was not achieved.</p> <p>We recommended that Management require and oblige the heads of the different sections to prepare their respective PPMP as reference and guide by the BAC in the preparation of the APP using the prescribed GPPB form, including the approved changes thereto. It must be consistent with the duly approved budget of the Procuring Entity pursuant to the provisions of the 2016 Revised IRR of RA No. 9184 and the GPPB issuances. All procurement shall be based on the properly prepared PPMP and the APP approved by responsible officials of the District.</p> <p>We also recommended that Management oblige the BAC to comply with the preparation and submission of the Procurement Monitoring Review (PMR) by following the specific guidelines and the prescribed format of the GPPB. The procurement report must be duly approved and signed by the head of the PE or his/her duly designated second-ranking official.</p>		<p>The PPMPs and APP have been prepared in 2023.</p> <p>PMR for the 1st Semester of 2023 was submitted to GPPB on July 14, 2023.</p>	<p>Implemented</p> <p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>6. The reimbursements of the Extraordinary and Miscellaneous Expenses (EME) of GM of the District authorized under Section 50 of RA No. 11639, the GAA of CY 2022, were made on occasional bases resulting in the overlapping of claims, thus, the regularity and validity on the reimbursement of the EME remained doubtful contrary to COA Circular No. 2012-003, dated October 29, 2012.</p> <p>We recommended that the GM strictly adhere to the guidelines in the reimbursement of extraordinary and miscellaneous expenses in the discharge of official functions in the District. Likewise, the reimbursements of the EME should be on a regular basis and within the rates prescribed to avoid overlapping of claims.</p> <p>We further recommended that the DM of the Finance Division strictly monitor the regularity and validity of claims to prevent the irregular use of government funds.</p>	<p>page 38 of CY 2022 AAR</p>	<p>Reimbursement of EME is made quarterly and the amount for CY 2023 was within the rate provided by GAA.</p>	<p>Implemented</p> <p>Implemented</p>
<p>7. The NRW of the District of 21.32% was beyond the maximum acceptable level rate of 20% prescribed by LWUA under MC No. 004-</p>	<p>page 40 of CY 2022 AAR</p>		

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>10, dated February 23, 2010, thus, resulting in a production loss equivalent to ₱124,775.03 based on the 1.32% excess of the acceptable level. Further, the District could have earned additional potential revenue of ₱766,773.92 had the Water District complied with the prescribed acceptable level rate prescribed by LWUA.</p> <p>We recommended that Management direct the personnel of the Production and Water Quality Division to conduct a periodic inspection of water meters and pipelines to detect leakages and to undertake massive rehabilitation of transmission or distribution lines.</p> <p>Further, we recommended that Management conduct a periodic calibration or replacement of the water meters being used by customers to enhance its operational efficiency to address or minimize the NRW to the allowable level of 20% pursuant to LWUA MC No. 004-10, dated February 23, 2010.</p>		<p>Continuous leak detection and repair of old pipelines are being executed. In CY 2023, NRW is 18% which is within the allowable rate provided by LWUA.</p> <p>A periodic calibration or replacement of water meters being used by customers is being implemented by the Management.</p>	<p>Implemented</p> <p>Implemented</p>
<p>8. The District allocated a GAD budget of ₱46,891,252.62 or 40.54% of the total agency budget of ₱115,648,030.03 in compliance with Section 6.a</p>	<p>page 43 of CY 2022 AAR</p>		

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>of the JC No. 2012-01 of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA), and the Department of Budget and Management (DBM); and, Section 34, second paragraph, of the GAA of 2022 under RA No. 11639, however, no timelines were set in the supply of water in terrain areas, hence, the plans and programs were not fully implemented during the year.</p> <p>Further, only ₱27,832,102.23 or 59.35% of the GAD budget was utilized in the implementation of its gender-related activities in addressing gender issues towards the realization of the objectives of the country's commitments provided under PCW MC No. 2015-03 dated May 19, 2015.</p> <p>We recommended that Management:</p> <p>a. Direct the GFPS implement the GAD activities in accordance with the Plans and Programs in compliance with PCW-NEDA-DBM JC No. 2012-01 and PCW MC No. 2015-03 dated May 19, 2015;</p> <p>b. Provide timelines on the client-prioritized projects</p>		<p>All activities the in the GAD Plan has been implemented.</p> <p>The GFPS has set timelines on the</p>	<p>Implemented</p> <p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>to fully address gender issues towards the realization of the District's commitments to contribute to poverty alleviation, and economic empowerment especially of marginalized women; and,</p> <p>c. Instruct the GFPS conduct a gender analysis by using tools such as gender further mainstreaming evaluation framework, harmonized gender and development guidelines and the analysis of sex-disaggregated data and other relevant information to arrive at a gender-related issues aligned with the agency's mandate that will focus on client and organization gender-related issues.</p>		<p>client-prioritized projects.</p> <p>The GFPS was instructed to conduct the analysis and this is being implemented gradually as the GFPS is in the capacity-building phase.</p>	<p>Implemented</p>
<p>9. The District did not prepare and develop its DRRM Plans and Programs for the current year, contrary to Sections 40 and 41 of the General Provisions of the GAA of FY 2022, thus exposing the agency's resources to possible loss in case of disaster/ calamity.</p> <p>We recommended that Management require the personnel at the Engineering Division prepare its DRRM Plans and Programs in conformity with the</p>	<p>page 47 of CY 2022 AAR</p>	<p>The DRRM Plan has been prepared and developed and the same was submitted to LWUA for review and approval on February</p>	<p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Result of Auditor's Validation
<p>guidelines and identify precautionary measures/activities that should be implemented in case of calamities/disasters and taking into consideration the necessary actions to adapt to and mitigate climate change.</p>		<p>21, 2024.</p>	
<p>10. The Water District has not prepared an updated WSP required under DOH Administrative Order No. 2014-0027 dated September 4, 2014 in relation to PD No. 856, the Sanitation Code of the Philippines, thus exposing risk to the health of the consumers.</p> <p>We recommended that Management require the DM of the Production Division update its WSP in adhering to DOH AO No. 2014-007 on the policy of the government requiring all water service providers to develop and implement water safety plan to ensure the delivery of safe drinking water to its consumers.</p> <p>We further recommended that Management direct the Engineering Division personnel to assess its water safety plan whether it was able to address the needs of the customers for safe water consumption.</p>		<p>The WSP has been approved by the DOH under WSP Certificate No. 2023-069WD dated October 21, 2023.</p> <p>The Engineering Division was directed to integrate in its function the regular assessment of the effectivity of the control activities outlined in the WSP.</p>	<p>Implemented</p> <p>Implemented</p>