

Republic of the Philippines
MANAOAG WATER DISTRICT
Manaoag, Pangasinan
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	58,428,950.46	56,339,788.37
Investment-Local Currency	5	2,141,521.97	2,140,140.07
Receivables, Net	6	7,705,316.02	8,202,169.36
Inventories	7	4,069,285.27	6,227,551.03
Total Current Assets		<u>72,345,073.72</u>	<u>72,909,648.83</u>
Non-Current Assets			
Property, Plant and Equipment, Net	8	75,951,124.27	66,298,617.64
Other Assets	9	6,101,332.72	5,148,858.16
Total Non-Current Assets		<u>82,052,456.99</u>	<u>71,447,475.80</u>
TOTAL ASSETS		<u>154,397,530.71</u>	<u>144,357,124.63</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	40,345.69	129,844.06
Inter-Agency Payables	11	575,203.08	595,225.26
Total Current Liabilities		<u>615,548.77</u>	<u>725,069.32</u>
Non-Current Liabilities			
Financial Liabilities	12	5,734,192.53	7,451,415.16
Trust Liabilities	13	5,449,672.65	5,088,228.15
Deferred Credits	14	43,865.64	12,625.88
Total Non-Current Liabilities		<u>11,227,730.82</u>	<u>12,552,269.19</u>
TOTAL LIABILITIES		<u>11,843,279.59</u>	<u>13,277,338.51</u>
EQUITY			
Government Equity, Beginning	15	166,642.25	166,642.25
Retained Earnings	16	142,387,608.87	130,913,143.87
TOTAL EQUITY		<u>142,554,251.12</u>	<u>131,079,786.12</u>
TOTAL LIABILITIES AND EQUITY		<u>154,397,530.71</u>	<u>144,357,124.63</u>

(See the Accompanying Notes to Financial Statements)

Republic of the Philippines
MANAOAG WATER DISTRICT
 Manaoag, Pangasinan
STATEMENT OF COMPREHENSIVE INCOME
 For the Year Ended December 31, 2020

	<u>Note</u>	2020	<u>2020</u>	<u>2019</u>
REVENUE/INCOME				
Business Income	17		51,026,065.91	51,091,274.64
Other Non-Operating Income	18		<u>275,720.50</u>	<u>221,850.95</u>
TOTAL INCOME			<u>51,301,786.41</u>	<u>51,313,125.59</u>
EXPENSES				
Personal Services	19		20,030,852.84	19,505,999.81
Maintenance and Other Operating Expenses	20		15,099,433.32	14,358,584.94
Non-Cash Expenses	21		3,133,528.48	3,207,042.86
Financial Expenses	22		529,634.00	632,701.00
Other Discounts	23		<u>72,758.17</u>	<u>87,656.53</u>
TOTAL EXPENSES			<u>38,866,206.81</u>	<u>37,791,985.14</u>
NET INCOME			<u>12,435,579.60</u>	<u>13,521,140.45</u>

(See the Accompanying Notes to Financial Statements)

Republic of the Philippines
MANAOAG WATER DISTRICT
 Manaoag, Pangasinan
STATEMENT OF CHANGES IN EQUITY
 General Fund
 For the Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Government Equity		
Balance at beginning of period	166,642.25	166,642.25
Balance at end of period	<u>166,642.25</u>	<u>166,642.25</u>
 Retained Earnings		
Balance at beginning of period	130,913,143.87	118,074,812.21
Prior period adjustment	(961,114.60)	(682,808.79)
Net Income/loss for the period	12,435,579.60	13,521,140.45
Balance at end of period	<u>142,387,608.87</u>	<u>130,913,143.87</u>
TOTAL EQUITY	<u><u>142,554,251.12</u></u>	<u><u>131,079,786.12</u></u>

Republic of the Philippines
MANAOAG WATER DISTRICT
 Manaoag, Pangasinan
STATEMENT OF CASH FLOWS
 For the year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Cash Flowa from Operating Activities		
Cash Inflows:		
Collection of Waterworks System Fees	49,414,986.49	48,772,471.72
Collection of Fines and Penalties-Business Income	1,322,845.95	1,909,926.70
Collection of Interest Income, Net	38,048.40	38,608.82
Collection on other Busines Income	448,239.60	413,591.89
Collection on cost of Materials/Fittings	1,327,175.23	1,436,383.85
Collection of Guaranty Deposit	376,791.50	431,075.50
Transfer of funds from Restricted to General Fund	116,585.14	6,281,607.93
Total Cash Inflows:	<u>53,044,672.31</u>	<u>59,283,666.41</u>
Cash Outflows:		
Payment of Salaries and Wages	8,378,134.43	6,184,435.44
Payment of operating expenses	15,106,411.61	16,388,198.18
Payment of Materials and Supplies Inventory	7,801,823.00	2,834,554.93
Receivables from Officers and Employees	2,697,832.17	1,900,741.65
Payment of Payables	2,312,142.28	2,426,614.10
Remittance of Franchise Tax	925,176.06	977,005.03
Remittances of GSIS/Pag-Ibig/Philhealth, Withholding Taxes	5,234,228.16	5,616,918.66
Total Cash Outflows:	<u>42,455,747.71</u>	<u>36,328,467.99</u>
Total Cash Provided (Used in) by Operating Activities	<u>10,588,924.60</u>	<u>22,955,198.42</u>
 Cash Flows from Investing Activities		
Cash Outflows:		
Purchase/Construction of:		
Machinery & Equipment and Other Machinery Tools	225,503.65	1,367,788.40
Other Equipment/Furniture & Fixtures	289,266.00	-
Motor Vehicles	-	136,900.00
Information and comm. Technology Equipment	632,654.00	276,785.00
Communication Equipment	81,855.00	90,000.00
Other Property, Plant & Equipment	5,418,308.86	2,288,350.76
Total Cash Outflows:	<u>6,647,587.51</u>	<u>4,159,824.16</u>
Total Cash Provided (Used in) by Investing Activities:	<u>(6,647,587.51)</u>	<u>(4,159,824.16)</u>

Cash Outflows from Financing Activities

Cash Outflows:

Decrease in Net Assets	6,803.00	404,776.30
Cash Payment of Interest on Loans Payable	529,384.00	632,651.00
Payment of Domestic Loans	1,315,988.00	1,212,721.00
Total Cash Outflows:	1,852,175.00	2,250,148.30
Total Cash Provided (Used in) by Financing Activities:	(1,852,175.00)	(2,250,148.30)

NET CASH INFLOW (OUTFLOW)	2,089,162.09	16,545,225.96
PROVIDED BY OPERATING, INVESTING &		
Add: Cash & Cash Equivalent - Beginning	56,339,788.37	39,794,562.39
Adjustments	-	-
CASH & CASH EQUIVALENT- ENDING	58,428,950.46	56,339,788.35



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No.
San Fernando City, La Union
Tel No. (072) 888-6780/888-6781

February 26, 2021

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

Ms. JOSIE S. VILLANUEVA
General Manager
Manaoag Water District
Manaoag, Pangasinan

Dear **Director Veloria** and **Manager Villanueva**:

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," and in line with this Commission's efforts towards informing Management on how fiscal responsibility had been discharged, we are pleased to transmit the report of our auditors on the audit of the accounts and operations of the Manaoag Water District, Manaoag, Pangasinan, for the year ended December 31, 2020.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

A qualified opinion was rendered on the fairness of the presentation of the financial statements except for the effects of the matter described in the Basis of Qualified Opinion section of our report.

We request that the audit observations and recommendations contained in the report be appropriately acted upon and we will appreciate being informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI), form attached, within 60 days upon receipt hereof.

We acknowledge the cooperation and support extended to our auditors during the audit.

For the Commission on Audit:

By:


ATTY. CHITO C. JANABAN
Regional Director

Copy furnished:

The President of the Republic of the Philippines
Malacañan Palace Compound
J.P. Laurel St., San Miguel, Manila

The Vice-President of the Republic of the Philippines
Quezon City Reception House
100 11th Street, Brgy. Mariana
New Manila, Quezon City

The Senate President
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

The Chairperson-Senate Finance Committee
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

The Speaker of the House
House of Representatives
Constitutional Hills, Quezon City

The Chairperson –Committee on Appropriation
Committee Office
House of Representatives of the Philippines
Basement, North Wing Building
Constitutional Hills, Quezon City

The Secretary of the Department of Budget and Management
General Solano Street, San Miguel, Manila

The Administrator
Local Water Utilities Administration

MWSS-LWUA Complex, Katipunan Avenue
Balara, Quezon City

The Director
The National Library of the Philippines
T.M. Kalaw, Ermita, Manila

The Chief Office
UP Law Center
Bacobo Hall, UP Law Complex
UP Diliman, Quezon City

The Director
COA Commission Central Library
Commission on Audit
Commonwealth Avenue, Quezon City



**Republic of the Philippines
COMMISSION ON AUDIT**

Regional Office No. I
Corporate Government Sector 7
Water Districts and Other CGS Stand Alone Agencies
Mangaldan, Pangasinan
Team R1-05

MEMORANDUM

FOR : ATTY CHITO C. JANABAN
Regional Director
Commission on Audit
Regional Office No. I

THRU : ATTY. ROBERT V. OCAMPO, SR.
OIC – Supervising Auditor

DATE : February 26, 2021

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, 2020.

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 four parts. Part I is the audited financial statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference, Part III presents the Status of Implementation by the Auditee of Prior Years' Audit Recommendations and Part IV, the Annexes.

There is a reason to believe that the financial statements are free of material misstatement/s and are prepared in accordance with applicable laws, rules, and regulations and in conformity with generally accepted accounting principles.

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present

fairly, in all material respects, the financial position of the Manaoag Water District as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last February 11, 2021. We are pleased to note their favorable reactions to our recommendations.

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



OFELIA T. CELI
State Auditor IV
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, 2020

EXECUTIVE SUMMARY

A. Introduction

The Manaoag Water District (MANWAD) was organized by virtue of Sangguniang Bayan Resolution No. 34 dated May 26, 1980. It acquired autonomy of management from the municipal government of Manaoag when Conditional Certificate of Conformance (CCC) No. 128 was issued by the Local Water Utilities Administration (LWUA) on September 12, 1980 which entitled the District rights and privileges authorized under Presidential Decree (PD) No.198.

MANWAD is a Government-Owned and Controlled Corporation and is mandated by PD No. 198 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 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 the District, as are necessary or incidental to said purpose.

The District, categorized as Category C Water District, has a total manpower complement of 46 composed of 32 permanent employees, nine casual, and five Job Order personnel. It is headed by a General Manager.

The Board of Directors (BOD) which has a component of five members serves as the policy-making body of the District namely:

Name of Director	Position	Sector	Term of Office
Ms. Lourdes B. Veloria	Chairman	Women	January 1, 2015 to December 31, 2020
Mr. Patricio D. Bautista Jr.	Vice-Chairman	Civic	January 1, 2017 to December 31, 2022
Ms. Erlinda C. Tambaogan	Secretary	Professional	January 3, 2019 to December 31, 2022
Ms. Glady G. Giron	Member	Education	January 3, 2019 to December 31, 2024
Mr. Franklin Z. Cariño	Member	Business	October 1, 2019 to December 31, 2022

B. Operational Highlights

Hereunder were the targets vis-à-vis accomplishments of MANWAD for the calendar year 2020:

Programs/Projects/Activities	Targets	Actual Accomplishments	Percentage
a. Urgent Installation of 150	51,206.00	50,086.00	100

mm transmission lines at Barangay Pugaro, Manaoag, Pangasinan			
b. Construction of filter & treatment chamber of septic tank	71,935.00	71,095.00	100
c. Extension of distribution line of three barangays	1,116,642.40	1,094,662.40	100
d. Installation of transmission Line (Bernal Project)	5,053,814.87	3,459,504.29	99
e. Construction of storage facility	995,428.00	995,426.67	100
f. Rehabilitation of the elevated water tank	219,857.00	219,857.00	100

C. Financial Highlights

Presented below is the summary of financial highlights of the District as of December 31, 2020:

	2020	2019	Inc./(Dec.)
Total Income	49,451,020.28	48,851,718.89	599,301.39
Total Expenses	38,793,448.64	37,704,328.61	1,089,120.03
Assets	154,397,530.71	144,357,124.63	10,040,406.08
Liabilities	11,843,279.59	13,277,338.51	-1,434,058.92
Government Equity	142,554,251.12	131,079,786.12	11,474,465.00

D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of MANWAD for the year ended December 31, 2020. The audit was conducted to ascertain the propriety of financial transactions and compliance of MANWAD to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements in accordance with the Philippine Financial Reporting Standards (PFRS). A verification/validation on the implementation of prior years' audit recommendations was undertaken.

E. Independent Auditor's Opinion

A qualified opinion was rendered on the fairness of presentation of the financial statements of Manaoag Water District for the year ended December 31, 2020 for the reason that the existence, validity, accuracy and reliability of the Machinery and the Office Equipment accounts with a total book value of ₱12,261,831.21 could not be ascertained due to the unaccounted properties totalling ₱1,292,689.77. Also, the Account balance differs from the Report on the Physical Count of Property, Plant and

Equipment (RPCPPE) with a discrepancy of ₱4,868,258.21, thus, the Property, Plant and Equipment (PPE) were not fairly presented contrary to Section 1 of the Philippine Accounting Standards (PAS).

F. Summary of Significant Observations and Recommendations

The District was able to reduce its Non-Revenue Water (NRW) from 26.20% in Calendar Year 2019 to 20.00% on the year under audit or by 6.2%, within the maximum acceptable level of 20%, due to its conscientious monitoring and fixing leakages of its pipes and other measures undertaken by the District. Further, the District dutifully complied with prevailing tax laws and regulations remitting on time the taxes due to BIR on January 7, 2021 amounting to ₱134,687.75. detailed as follows:

Tax Type	Amount Remitted
Income Taxes withheld on compensation	56,698.08
Value Added Tax and Other Percentage Taxes	53,233.88
Creditable Income Taxes withheld (Expanded)	24,755.79
Total	134,687.75

The following are the other significant Audit Observations and Recommendations that affected the performance and operations of the District. These were discussed with the Agency officials and employees concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate:

1. The Impairment Loss of ₱431,837.10 on the Accounts Receivable from the inactive concessionaires was not recognized in the books as Allowance for Impairment account, thus, affecting the reliability of the AR account in the Financial Statements contrary to Section 39 of the Philippine Accounting Standards (PAS). Consequently, the Allowance for Impairment-Accounts Receivable Account was understated and the financial statements do not reflect the correct net realizable value of the Accounts Receivable account.

We recommended that Management require the Accountant to draw a Journal Entry Voucher and record the Allowance for Impairment-Accounts Receivable of ₱431,837.10 to arrive at a net realizable value of the Accounts Receivable account presented in the Financial Statements of the District.

2. The Construction in Progress-Infrastructure Assets (CIP-IA) Account of ₱8,330,309.37 includes unused materials and cost of surveying services in the total amount of ₱275,780.58 of completed projects, thus, affecting the reliability of the account in the Financial Statements contrary to Sections 1 of the PAS.

We recommended that Management require the Accountant to make proper adjustment of the remaining cost of the unused materials recorded as CIP-IA to the construction materials inventory account. Correspondingly, close to the proper

infrastructure asset account those identified as completed projects and make proper adjustment of the survey expenses as addition to the cost of the lots purchased.

3. The Construction Materials Inventory Account (CMIA) with a balance of ₱3,062,533.81 is deficient by ₱255,639.06 as compared with the report on the physical count with an inventory balance of ₱3,318,172.87 at the end of the year. These materials were used for repairs and for new water service connections with a minimal mark-up to cover the cost of handling.

We recommended that Management require the Accountant to review and verify all records pertaining to the acquisition and issuance of the CMIA to determine and arrive at a correct balance of the inventory account. Thereafter, prepare an adjustment to the books of accounts by drawing a journal entry voucher (JEV) by recognizing the discrepancy of the inventory of ₱255,639.06, if necessary. Submit the JEV to the COA audit team for verification.

4. Twenty-seven out of 202, or 13.4%, of the water samples submitted for microbial tests were found as below the standard parameters and framework for a clean and safe water for drinking, hence, may affect the social responsibility of the District which is mandated to provide potable water services to the public. The contaminated water also poses health hazard to the concessionaires. The personnel under the water quality division and all other concerned employees may not have effectively and efficiently performed their tasks or may have lacked the sufficient qualification to provide quality water for drinking.

We recommended that Management require the personnel under the Water Quality Division (WQD) provide a drinking water that must be clean, safe, and clear, and free from all harmful organisms and chemical substances which could constitute hazard to the health of the concessionaire and the general public.

We also recommended that Management direct the WQD and other personnel concerned effectively and efficiently conduct a regular flushing of water pipes and blow-offs to remove any harmful organisms and chemical substance present in the water system.

The audit team has discussed the observations and recommendations with the Management and that comments were incorporated in the report where appropriate. The exit conference was conducted on February 11, 2021.

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

Of the 21 prior year's audit recommendations, 17 were implemented and the four audit recommendations on property, plant and equipment; gender and development; and, the disaster risk reduction management program were reiterated in Part II of this report.

H. Status of Settlement of Audit Suspensions, Disallowances and Charges

As of December 31, 2020, the District has unsettled disallowances amounting to ₱6,348,371.90 and no outstanding suspensions and charges.

TABLE OF CONTENTS

PART	TITLE	PAGE NO.
I	AUDITED FINANCIAL STATEMENTS	
	• Independent Auditor’s Report	1
	• Statement of Management’s Responsibility For Financial Statements	3
	• Statement of Financial Position	4
	• Statement of Comprehensive Income	5
	• Statement of Changes in Equity	6
	• Statement of Cash Flows	7
	• Notes to Financial Statements	9
II	AUDIT OBSERVATIONS AND RECOMMENDATIONS	25
III	STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS	49
IV	ANNEXES	

PART I

AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue
Quezon City

INDEPENDENT AUDITOR'S REPORT

**General Manager/Board of Directors
Manoag Water District
Manoag, Pangasinan**

Report on the Financial Statements

We have audited the financial statements of Manoag Water District which comprise the statement of financial position as at December 31, 2020, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Manoag Water District as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

The existence, validity, accuracy and reliability of the Machinery and the Office Equipment accounts with a total book value of ₱12,261,831.21 could not be ascertained due to the unaccounted properties totalling ₱1,292,689.77. Also, the Account balance differs from the Report on the Physical Count of Property, Plant and Equipment with a discrepancy of ₱4,868,258.21, thus, the Property, Plant and Equipment were not fairly presented contrary to Section 1 of the Philippine Accounting Standards (PAS).

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 of 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 Basis 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 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 Manaoag Water District financial reporting process.

Auditor's Responsibility

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:


Atty. ROBERT V. OCAMPO, SR.
State Auditor IV
OIC-Supervising Auditor

February 18, 2021



REPUBLIC OF THE PHILIPPINES

MANAOAG WATER DISTRICT

AQUINO STREET, POBLACION, MANAOAG 2430 PANGASINAN | TELEFAX 075-579-0754 | MOBILE 9977-508-7934 / 0977-839-3878 | manwa@1730@gmail.com

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, 2020, 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.

The Commission on Audit has audited the financial statements of the Manaoag Water District in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

Lourdes B. Veloria
Chairman of the Board

02-10-21

Date Signed

RUSTY MARK V. FLORES

OIC - Finance and Commercial Division

2/5/2021

Date Signed

JOSIE S. VILLANUEVA

General Manager

02/05/21

Date Signed

NOTES TO FINANCIAL STATEMENTS

1. Agency Profile

MANWAD is located at Aquino Street, Barangay. Poblacion, Manaoag, Pangasinan, was organized by virtue of Sangguniang Bayan Resolution No. 34 dated May 26, 1980. It acquired autonomy of management from the municipal government of Manaoag when CCC No. 128 was issued by the LWUA on September 12, 1980 which entitled the District rights and privileges authorized under Presidential Decree (PD) No.198.

The District, categorized as Category C Water District, is headed by a General Manager and has a total manpower complement of 46 composed of 32 permanent employees, nine casual, and five Job Order personnel.

As of December 31, 2020, the District has a total of 7,357 active service connections spread all over the 23 barangays of the Municipality of Manaoag, two barangays in the Municipality of Pozorrubio and one barangay in the City of Urdaneta, all of the Province of Pangasinan. Under PD No. 198, the District is mandated of the following services:

- a) To acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and commercial uses for residents within the boundaries of the District;
- b) To provide, maintain and operate waste water collection, treatment and disposal facilities; and,
- c) To conduct such other functions and operations incidental to water resource development, utilization and disposal within the District, as are necessary or incidental to said purpose.

2. Basis of preparation

The financial statements of the District have been prepared in accordance with the PFRS. The financial statements are presented in Philippine Peso, which is the functional and reporting currency of the 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 prescribed under COA Circular No. 2020-002 dated January 28, 2020.

3.2. Financial Instruments

Financial Assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables. The District determines the classification of its financial assets at initial recognition. It also includes cash and short-term deposits, trade, and, other receivables.

Derecognition

The District derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- a. The rights to receive cash flows from the asset have expired or is waived.
- b. The District has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the District has transferred substantially all the risks and rewards of the asset; or (b) the District has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The District assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments; and,

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the District first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the District determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are

individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the District. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PAS 32 and 39, and PFRS 37 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The District determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings. The District's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Contingent liabilities

The District does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

3.3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4. Inventories

Inventory is measured at cost upon initial recognition.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the District, moving-average unit cost method is used which provides a new unit cost after each purchase.

All procurement of materials were treated and recorded as materials held for consumption. However, since there were new connections during the year, the District sold a portion of the materials with a minimum mark-up to cover the cost of handling.

3.5. Property, plant and equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, and,
- are 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.

Cost includes the following:

- Its purchase price,
- 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, the MANWAD recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/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.

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 unless another method is more appropriate for agency operation.

Estimated Useful Life

The District uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA. The District uses a residual value equivalent to ten percent (10%) of the cost of the PPE.

Derecognition

The 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 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

Revenue from exchange transactions

Rendering of services

The District recognizes revenue from rendering of services upon delivery or completion thereof. Revenue is recognized in the accounting period in which the services are rendered 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

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

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

The District corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.8 Employee benefits

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

The District recognizes the employee benefits like salaries, wages, allowances, etc. as expense and as a liability after deducting the amount paid.

The District 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 expense. Non-

accumulating compensated absences, like special leave privileges, were not recognized.

3.9 Related parties

The 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 the District or vice versa. Members of key management are regarded as related parties and comprise the BOD and General Manager.

4. Cash and other Cash Equivalents

a. Cash - Collecting Officers

This pertains to cash collections in the custody of the collecting officer for remittance to the Cashier as of December 31, 2020.

Account	2020	2019
Cash - Collecting Officers	143,220.23	335,371.64

b. Petty Cash

Petty Cash Fund is operated on an Imprest System. This consists of the cash for small expenditures of the Water District.

Account	2020	2019
Petty Cash	20,000.00	20,000.00

c. Cash in Bank - Local Currency, Current Account

This account represents cash deposits maintained by the Water District in a current account with Authorized Government Bank (Land Bank of the Philippines). Cash in Bank earns interest based on the prevailing bank deposit rates.

Account	2020	2019
Cash in Bank – LCA, CA	58,265,730.23	55,984,416.73

5. Investment

a. Sinking Fund

This a joint account between LWUA and the Water District consisting of amount set aside for, among others, debt service reserves which will be used for loan repayment.

Account	2020	2019
Sinking Fund	2,141,521.97	2,140,140.07

6. Receivables

a. Accounts Receivable

This account represents the amount due from concessionaires arising mainly from the water sales.

Account	2020	2019
Accounts Receivable	4,208,721.17	4,844,523.74

b. Allowance for Impairment - Accounts Receivable

The district's Allowance for Impairment on Accounts Receivable computed for the year 2020 in accordance with BOD Resolution No. 58 s. 2020 was lower as compared to the percentage rates used in the year 2019. There is no Impairment Loss but a decrease of ₱382,391.74 in Allowance for Impairment on Accounts Receivable recognized in the year 2020.

Account	2020	2019
Allowance for Impairment - AR	460,073.28	842,465.02

c. Receivable - Disallowances/Charges

Amount disallowed by COA to be refunded by MANWAD employees.

Account	2020	2019
Receivable - Disallowances/ Charges	2,879,025.35	3,156,343.65

d. Due from Officers and Employees

Pertains to the personal telephone bills and other dues from officers and employees.

Account	2020	2019
Unrecovered Deposits from Kaunlaran Bank	635,098.77	635,098.77
Penalty from EFPS late filing	20,000.00	-
Personal Telephone Bills	332.55	2,000.00
Total Due from Officers and Employees	655,431.32	637,098.77

e. Other Receivables

This account consists of the amount due from reimbursement of cost of materials and other dues from accountable personnel.

Account	2020	2019
Other Receivables	422,211.46	406,668.22

7. Inventory

a. Office Supplies Inventory

This represents the cost of materials and supplies purchased for reimbursement to customers or use in the normal operation of the district.

Account	2020	2019
Office Supplies Inventory	324,982.78	1,560,308.25

b. Other Supplies and Materials Inventory/Semi-Expendable Equipment

This represents the cost of materials and supplies purchased for reimbursement to customers or use in the normal operation of the district.

Account	2020	2019
Inventory Held for Consumption - Construction materials inventory	3,062,533.81	4,667,242.78
Semi-Expendable-Other Machinery & Equipment	486,698.38	-
Semi-Expendable-Furniture and Fixtures	195,070.30	-
Total Inventory	4,069,285.27	6,227,551.03

8. a. Property, Plant and Equipment

This account pertains to those assets which are used in the normal utility operation and have expected lives of more than one year, which consists of:

Account	2020	2019
Land		
Aquino St. Poblacion	2,505,810.00	2,505,810.00
Pugaro	925,000.00	925,000.00
Other Land Improvements	3,136,015.68	-
Buildings	6,296,662.37	5,300,029.37
Office Equipment	1,142,470.29	876,804.29
Motor Vehicles	2,519,149.00	2,519,149.00
Other Machinery and Equipment	11,119,360.92	10,145,790.07
Furniture and Fixtures	714,634.60	691,034.60
Plant – Utility Plant in Services (UPIS)	22,585,942.97	21,359,866.60
Water Supply Systems	36,899,061.53	35,765,913.13
Water Plant, Structures and Improvement	11,592,394.66	11,436,627.06
Other Infrastructure Assets	146,380.76	146,380.76

Construction in Progress - Infrastructure Assets	8,330,309.37	3,454,752.16
Subtotal	107,913,192.15	95,127,157.04
Less: Total Accumulated Depreciation	31,962,067.88	28,828,539.40
Property, Plant and Equipment, net	75,951,124.27	66,298,617.64

9. Other Assets

a. Advances to Officers and Employees

Cash advances are granted to officers and employees for official travels, emergency purchases and other expenditures necessary to carry out the affairs of the Water District.

Account	2020	2019
Advances to Officers and Employees	-	11,000.00

b. Prepayments

This consists of the following:

Particulars	2020	2019
Rent	-	140,000.00
Insurance	-	10,678.19
Other Prepayments		
-Meter Deposit to DECORP for PS	102,025.94	102,025.94
-BOT FAO DPWH-Work Permit	97,008.87	97,008.87
-BIP Steadfast Ground, Inc.-Soil Testing	64,960.00	64,960.00
-Clothing/Uniform allowance	-	56,750.00
Total Prepayments	263,994.81	471,423.00

c. Guaranty Deposits (Restricted Funds)

Deposit in bank where withdrawal is restricted, reserved for other current purposes or long-term plans.

Account	2020	2019
Restricted Funds	5,552,236.21	4,381,333.46

d. Other Assets

This account includes various materials used in the water system operation.

Account	2020	2019
Materials and equipment	285,101.70	285,101.70

10. Financial Liabilities

a. Accounts Payable

This includes the unpaid expenses and obligations incurred by the District.

Account	2020	2019
Accounts Payable	40,345.69	129,844.06

11. Inter-Agency Payables

This account includes the amount for remittance to BIR, GSIS, Philhealth, Pag-IBIG and Landbank, as follows:

Particulars	2020	2019
Due to BIR	134,687.75	134,821.71
Due to GSIS	199,128.83	362,822.91
Due to PagIBIG	69,814.96	70,186.08
Due to PhilHealth	26,681.54	19,275.19
Due to Other Funds	-	8,169.84
Other payables	144,890.00	-
Other Loans Payable-LBP Salary Loan	-	(50.47)
Total Inter-Agency Payables	575,203.08	595,225.26

12. Loans payable-Domestic

This consists of loans granted by LWUA for various expansion projects.

Particulars	2020	2019
3-225-R	-	67,583.00
3-225-S	-	75,453.55
3-584-R	626,424.46	990,402.61
4-2108-A	5,107,768.07	6,317,976.00
Total Loans Payable	5,734,192.53	7,451,415.16

13. Guaranty / Security Deposits Payable

This comprises the amount paid by the customers normally before the extension of any service connections as security for the payments of delinquent water bill.

Account	2020	2019
Guaranty/ Security Deposits Payable	5,449,672.65	5,088,228.15

14. Deferred Credits

This account is used to recognize the cost of paid and uninstalled construction

materials available for release to customers.

Account	2020	2019
Deferred Credits	43,865.64	12,625.88

15. Government Equity

This pertains to the difference between the utility's assets and liabilities at the time of turnover from NAWASA.

Account	2020	2019
Government Equity	166,642.25	166,642.25

16. Retained Earnings

This consists of the cumulative results of normal and continuous operations of the District, including prior period adjustments, effects of changes in accounting policy and other capital adjustments.

Account	2020	2019
Balance at beginning of period	130,913,143.87	118,074,812.21
Prior period adjustment	(961,114.60)	(682,808.79)
Net Income/loss for the period	12,435,579.60	13,521,140.45
Balance at end of period	142,387,608.87	130,913,143.87

Revenue/Income

17. Business Income

a. Waterworks System Fees

This pertains to revenue earned from the generation, transmission and distribution of water service connection to customers. Adjustments shown below are made to correct billing errors arising from erroneous water meter readings, defective water meter that registers incorrect water usage and other errors affecting the accuracy of water sales.

Particulars	2020	2019
Waterworks System Fees	49,532,916.90	48,936,937.30
Adjustments	(9,138.45)	2,438.12
Waterworks System Fees, net	49,523,778.45	48,939,375.42

b. Fines and Penalties - Business Income

This account is used to recognize income arising from the collection of penalties to customers for delinquent payment of their water bill.

Account	2020	2019
Fines and Penalties – Service Income	1,323,787.90	1,923,237.97

c. Other Business Income

This pertains to the fees earned from registration, relocation, reconnection and disconnection of water service connections including a minimal mark-up of the materials used by new concessionaires to cover the cost of handling of the materials.

Account	2020	2019
Other Business Income	135,567.12	180,900.00
Interest Income	42,932.44	47,761.25
Total	178,499.56	228,661.25

18. Other Non-operating Income

a. Miscellaneous Income

This pertains to the minimal markups from the reimbursement of cost of materials and charges arising from water loss and illegal connection of water service.

Account	2020	2019
Miscellaneous Income	275,720.50	221,850.95
Total Revenue/ Income	51,301,786.41	51,313,125.59

Expenses

19. Personnel Services

a. Salaries and Wages

Accounts	2020	2019
Salaries, Wages-Regular	9,514,494.34	9,174,988.85
Salaries, Wages-Casual/Contractual	1,993,884.12	1,369,776.12
Total Salaries and Wages	11,508,378.46	10,544,764.97

b. Other Compensation

Personnel Economic Relief Allowance (PERA)	1,038,500.00	1,004,000.00
Representation Allowance (RA)	280,750.00	222,000.00
Transportation Allowance (TA)	280,750.00	222,000.00

Clothing Allowance	253,350.00	315,000.00
Honoraria	396,000.00	385,200.00
Year-End Bonus	935,012.00	873,675.00
Other Bonuses & Allowances	3,063,833.00	3,029,504.00
Total Other Compensation	6,248,195.00	6,051,379.00

c. Personnel Benefit contributions

Retirement Life and Insurance Contribution	1,404,247.70	1,304,116.44
Pag-Ibig Contribution	52,000.00	50,000.00
PhilHealth Insurance	159,088.40	122,604.07
Total Personnel Benefit contributions	1,615,336.10	1,476,720.51

d. Other Personnel Benefits

Other Personnel Benefits	658,943.28	1,433,135.33
Total Other Personnel Benefits	658,943.28	1,433,135.33

Total Personnel Services	20,030,852.84	19,505,999.81
---------------------------------	----------------------	----------------------

20. Maintenance and Other Operating Expenses

a. Maintenance and Other Operating Expenses

Accounts	2020	2019
Travelling Expense - Local	133,754.00	529,343.35
Training Expense	8,360.00	220,700.00
Office Supplies	612,861.54	309,584.05
Fuel, Oil and Lubricants	208,619.16	267,741.97
Semi-Expendable Other Machinery & Equipment	15,535.00	-
Office supplies & Other Materials	96,000.00	108,800.00
Electricity	5,683,515.25	6,569,339.93
Postage and Deliveries	28,231.00	12,088.07
Telephone Expense	223,811.95	236,991.32
Internet Subscription Expense	120,381.93	53,760.00
Legal Services	60,100.00	57,300.00

Security Services	495,000.00	514,250.00
Repair & Maintenance-Infrastructure Assets	1,247,287.32	1,088,750.21
Repair & Maintenance-Buildings & Structures	268,226.84	54,359.00
Repair & Maintenance-Transportation Equipment	124,104.52	120,644.28
Repair & Maintenance-Machinery & Equipment	196,978.00	115,729.33
Total Maintenance and Operating Expenses	9,522,766.51	10,259,381.51

b. Other Maintenance and Operating Expenses

Advertising, Promotion & Marketing Expense	3,000.00	7,000.00
Taxes, Duties & Licenses	978,836.34	1,042,268.36
Insurance Expense	243,876.73	193,577.53
Representation Expense	1,395,115.12	1,355,944.56
Rent/Lease Expense	168,603.72	278,613.72
Generation, Transmission and Distribution Expenses	29,190.00	10,760.00
Extraordinary and Miscellaneous Expenses	-	4,005.53
Membership Dues & Cont. To Organization	14,249.00	6,767.00
Donations	16,870.00	24,900.00
Other Maintenance & Operating Expenses	2,726,925.90	1,175,366.73
Total Other Maintenance and Other Operating Expenses	5,576,666.81	4,099,203.43

Total Maintenance and Other Operating Expenses	15,099,433.32	14,358,584.94
---	----------------------	----------------------

21. Non-Cash Expenses

Accounts	2020	2019
Depreciation Expense –Land Improvements	141,120.72	-
Depreciation Expense – Buildings & Structures	207,455.72	165,687.08
Depreciation Expense – Transportation Equipment	278,804.36	266,804.02

Depreciation Expense - Furniture & Fixtures	9,779.74	39,974.60
Depreciation Expense - Other Property, Plant and Equipment	2,496,367.94	2,434,593.77
Impairment Loss- Receivables	-	299,983.39
Total Non-Cash Expenses	3,133,528.48	3,207,042.86

22. Financial Expenses

Accounts	2020	2019
Bank Charges	250.00	50.00
Interest Expense	529,384.00	632,651.00
Total Financial Expenses	529,634.00	632,701.00

Total Operating Expenses	38,793,448.64	37,704,328.61
---------------------------------	----------------------	----------------------

23. Other Discounts

This refers to the reduction of water bill to recognize the 5% discount given to senior citizen customers with water consumption range only within 10 to 30 cubic meters. Should the water consumption exceed beyond the consumption range limit, the customer will have to pay the gross amount of their water bill.

Account	2020	2019
Other Discounts	72,758.17	87,656.53

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Unaccounted Property, Plant and Equipment

1. Various properties of the District in the total amount of **₱1,292,689.77** were found missing during the conduct of physical inventory in the calendar year 2020. Also, the Machinery and Other Equipment Account and the Office Equipment Account with a total book balance of **₱12,261,831.21** differ from the Report of Physical Count of Property, Plant and Equipment (RPCPPE) with a balance of **₱17,130,089.42**, or a discrepancy amounting to **₱4,868,258.21**, thus, the PPE accounts were not fairly presented contrary to Section 1 of the Philippine Accounting Standards (PAS) and Section 73.a of the Government Accounting Manual (GAM), Volume I.

PAS 1 on the Presentation of Financial Statements defines faithful presentation as:

Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. 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, revenue and expenses set out in PAS. The application of PAS, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

Section 73.a of the GAM, Volume I also states that:

All financial data presented in the FS shall be accurate, reliable, and truthful xxx.

Review and verification of the RPCPPE disclosed that various properties under the Machinery and Equipment Account in the total amount of **₱1,292,689.77** were found missing or cannot be located during the physical inventory conducted in December 2020 summarized as follows:

a) Machinery	-	₱ 778,349.77
b) Other Machinery and Equipment-Tools	-	219,102.00
c) Furniture & Fixtures	-	281,258.00
d) Communication Equipment	-	<u>13,980.00</u>
Total	-	<u>₱1,292,689.77</u>

The missing PPE of **₱1,292,689.77** were part of the unaccounted properties of **₱52,190,090.74**, included in our prior year audit observation, caused by the absence of documents from the former Property Officer. The documents were turned-over only in March 2020, after two years of follow-ups. Upon review,

however, the documents contained unverifiable records as to the location of the property and to whom the properties were issued, thus, traces cannot be made.

Section 105 of Presidential Decree (PD) No. 1445 on the Measure of liability of Accountable Officers (AO) states that:

- (1) Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or any person for whose acts he may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody.

Further review disclosed that the Machinery and Equipment Accounts with a total book balance of ₱12,261,831.21 showed a discrepancy of ₱4,868,258.21 when compared with the RCPPE of ₱17,130,089.42 as shown below:

PPE Classification	GL	RPCPPE	Discrepancy
Office Equipment	1,142,470.29	1,304,977.93	(162,507.64)
Machinery	11,119,360.92	10,531,325.29	588,035.63
Other Machinery and Equipment-Tools	-	524,024.50	(524,024.50)
Information & Communication Technology Equipment	-	3,675,054.00	(3,675,054.00)
Communication Equipment	-	1,045,207.70	(1,045,207.70)
Sports Equipment	-	49,500.00	(49,500.00)
Total	12,261,831.21	17,130,089.42	(4,868,258.21)

As gleaned from the above table, the Machinery and Equipment Accounts were understated by ₱4,868,258.21, thus, affecting the fair presentation of the accounts in the FS as provided under Section 1 of the PAS.

We recommended that Management direct the AO immediately locate the missing properties which were held under his responsibility and liability. Failure to find the missing properties would render him or any person for whose acts he may be responsible, liable for its money value in case of improper or unauthorized use or misapplication thereof, thus, the AO will be charged accordingly for his failure to account the properties.

We recommended further that Management direct the Accountant determine the correctness of the unrecorded properties found during the physical count and reconcile both the accounting and the property records by identifying the specific items to be included in a particular account for easy monitoring and control on the succeeding conduct of physical inventory. Thereafter, prepare an adjustment of the Machinery and Equipment accounts, when necessary.

The former Property Officer commented that most of the missing furniture and fixtures were those that could no longer be identified due to deterioration and some could have been placed in the pumping stations and the old storeroom. He assured the audit team, however, that the AO will look into the missing equipment particularly the tools. The Accountant also assured the audit team to make the proper recognition of the unrecorded PPE based on the RPCPPE.

Non-recognition of the Allowance for Impairment-Accounts Receivable

- 2. The Impairment Loss of ₱431,837.10 on the Accounts Receivable (AR) from the inactive concessionaires was not recognized in the books as Allowance for Impairment account, thus, affecting the reliability of the AR account in the Financial Statements (FS) contrary to Section 39 of the PAS. Consequently, the Allowance for Impairment-AR was understated and the FS do not reflect the correct net realizable value of the AR.**

PAS 39 provides that:

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The allowance for impairment is provided to represent the estimated amount of the AR that the agency may not be able to collect based on various factors such as the aging of accounts receivable or collection experiences of the agency. The Allowance for Impairment-AR is credited to reduce the amortized cost of accounts receivable due to impairment that may arise from non-collection of AR.

In the review of the Aging of AR of the District, it was noted that the Allowance for Impairment-Accounts Receivable from the water sales of the inactive concessionaires amounted to ₱431,837.10. The rates of percentages were provided and approved by the Board of Directors of the District. The allowance for impairment amount is shown on the next page as follows:

Age of A/R	Accounts Receivable (₱)	Rates provided (%)	Allowance for Impairment (₱)
1-60 days	75,981.00	1	759.81
61-180 days	156,963.50	2	3,139.27
181-365 days	206,,249.25	3	6,187.48
1-3 yrs.	250,668.90	5	12,533.45
3-5 yrs.	123,416.13	8	9,873.29
5-8 yrs.	220,410.45	12	26,449.25
8-10 yrs.	78,158.45	17	13,286.94
10-12 yrs.	111,003.80	2	27,750.95
12-15 yrs.	143,534.80	50	71,767.40
Over 15 years	325,111.57	80	260,089.26
Total	1,691,497.85		431,837.10

The allowance for impairment which amounted to ₱431,837.10 was not recognized in the books of accounts, thus, would affect the fair presentation of the FS which requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the PAS.

We recommended that Management require the Accountant draw a Journal Entry Voucher (JEV) and record the Allowance for Impairment-AR of ₱431,837.10 to arrive at a net realizable value of the AR presented in the FS of the District.

The Accountant justified that the discrepancy of the Allowance for Impairment-AR was due to the new policy under BOD Resolution No. 58 s 2020 by reducing the rates of the allowance for impairment effective Calendar Year 2020 as shown below:

Age	2020	2019
1 to 60 days	1%	5%
61 to 180 days	2%	8%
181 days to 1 year	3%	12%
1 year to 3 years	5%	17%
3 years to 5 years	8%	25%
5 years to 8 years	12%	38%
8 years to 10 years	17%	50%
10 years to 12 years	25%	65%
12 years to 15 years	50%	80%
More than 15 years	80%	100%

The Accountant further justified that there was no Impairment Loss because the required Allowance for Impairment-AR in CY 2020 was lower than in CY 2019 or there was a decrease by ₱382,391.74 in Allowance for Impairment on Accounts Receivable recognized in the year 2020.

The audit team acknowledged that there was a new BOD policy reducing the rates of impairment of AR, which was presented only during the exit conference. However, the allowance for impairment presented in the FS still did not conform with new rates per new BOD policy. Therefore, the Accountant was requested to go over the ages and balances of the AR and recompute the Allowance for Impairment to arrive at the correct net realizable AR.

Completed Projects still under Construction-in-Progress Account

- 3. The Construction in Progress-Infrastructure Assets (CIP-IA) Account of ₱8,330,309.37 includes unused materials and cost of surveying services in the total amount of ₱275,780.58 of completed projects, thus, affecting the reliability of the account in the Financial Statements contrary to Sections 1 of the PAS.**

PAS 1 on the Presentation of Financial Statements defines faithful presentation as:

Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. 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, revenue and expenses set out in PAS. The application of PAS, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

Review of the Subsidiary ledger of the CIP-IA account with a book balance of ₱8,330,309.37 disclosed that the cost of unused materials of completed projects and the down payment of the surveying services of the parcels of lot located at Cabanbanan, Pantal and Pugaro, contracted in CY 2015, and, the completed projects in the current year, in the total amount of ₱275,780.58, were not yet closed or adjusted to their respective infrastructure assets account. Details of the CIP-IA are shown below as follows:

Date	Reference	Particulars	Amount
Dec. 2014	MSIJ	Materials for the installation of distribution line (mainline expansion-upper Bliss Pugaro)	51,605.90
Feb. 2015	MSIJ	Materials for the installation of 50MM distribution line (mainline expansion-Nalsian)	55,573.85
Feb. 2015	MSIJ	Materials for the installation of 50MM distribution line (mainline expansion-Lelemaan)	56,045.50

Feb. 2015	DV No. 18581	Downpayment for the Geodetic and surveying services for (3) parcels of lot at Cabanbanan, Pantal and Pugaro.	51,100.00
Mar. 2015	MRIS #16859	Materials for pump station No. 3	1,355.33
Aug. 2020	MRIS #25024	Materials for the rehabilitation of 6" riser pipe of the elevated water tank	20,600.00
Aug. 2020	DV No. 23259	Labor expenses re: replacement of 8" shut off valve and painting of 380 cu. m. reservoir at Brgy. Calaocan.	39,500.00
Total			275,780.58

In an inquiry made with the personnel of the property section, it was learned that the unused materials in the total amount of ₱164,580.58 were used in some other water expansion projects or when there were repairs of pipelines being undertaken by the District. Those materials amounting to ₱20,600.00 for the rehabilitation of the 6" riser pipe of the elevated water tank and the labor expenses of ₱39,500.00 for the replacement of 8" shut off valve, however, were not disclosed whether there are still on-going related projects since these were not indicated on the reports submitted to the audit team.

On the other hand, the down payment of ₱51,100.00 on the surveying services was inappropriately recorded under the CIP-IA. This should have been directly added to the cost of the lots purchased.

We recommended that Management require the Accountant to make proper adjustment of the remaining cost of the unused materials recorded as CIP-IA to the construction materials inventory account. Correspondingly, close to the proper infrastructure asset account those identified as completed projects and make proper adjustment of the survey expenses as addition to the cost of the lots purchased.

Management assured the audit team to comply with the audit recommendation by drawing a JEV and to close the identified infrastructure asset account.

Unrecorded Construction Materials

- 4. The Construction Materials Inventory Account (CMIA), the materials held for consumption, with a balance of ₱3,062,533.81 is deficient by ₱255,639.06 as compared with the report on the physical count with an inventory balance of ₱3,318,172.87 at the end of the year. These materials were used for repairs and for new water service connections with a minimal mark-up to cover the cost of handling.**

The physical inventory on the construction materials held for consumption was conducted by Management on December 29, 2020. The total inventory of the

construction materials amounted to ₱3,318,172.87 while the book balance of the CMIA has only ₱3,062,533.81, thereby, deficient by ₱255,639.06.

It was also learned that these materials were purchased for repair and for distribution for new water service connections with a minimal mark-up to cover the cost of handling; hence, recorded as inventory held for consumption.

We recommended that Management require the Accountant review and verify all records pertaining to the acquisition and issuance of the CMIA to determine and arrive at a correct balance of the inventory account. Thereafter, prepare an adjustment in the books of accounts drawing a journal entry voucher (JEV) to recognize the discrepancy of the inventory of ₱255,639.06, if necessary, and submit the same to the audit team for verification.

We further recommended that Management direct the Property Officer determine and segregate the procurement of materials that are intended for sale and for those intended for consumption to properly identify the inventory accounts.

Management assured the audit team to comply with the audit recommendation.

Unrecovered time deposits from a closed bank

- 5. Due from Officers and Employees (DOE) Account of ₱655,431.32 includes unrecovered deposit of ₱635,098.77 from a closed Rural Bank which remained not refunded by the officer or employee of the District identified as liable persons.**

Inquiry from the officials and employees of the District disclosed that the amount of ₱635,098.77 recorded as DOE pertained to the unrecovered time deposit with the rural bank that was ordered closed in CY 2009 by the Philippine Deposit Insurance Corporation (PDIC).

When the bank was closed in 2009, only the maximum amount of ₱500,000.00 was recovered from the Philippine Deposit Insurance Corporation (PDIC) out of ₱1,135,098.77 time deposit, thus, leaving an unrecovered amount of ₱635,098.77. This amount was the guaranty deposit collected from the District's concessionaires; some of them are still active consumers as of the audit period.

We recommended that Management require the DM-AD identify all liable officials or employees involved in the deposit of the District's guaranty fund at the closed bank including those who authorized the deposit of the fund so that a possible recovery can be undertaken.

We recommended further that Management require the Accountant retrieve all records pertaining to the active concessionaires as of CY 2009 and

identify from among the existing concessionaires the exact amount that could have been included on the foreclosed bank account for proper charging and determination on the extent of liability of the concerned official or employee.

Management commented that the current GM exerted its efforts in claiming the insured amount with the PDIC. She emphasized that since the person responsible for opening the account with the private bank is already dead; refund or collection of the amount may no longer be possible. It was further emphasized that some of the concessionaires then covered by the guaranty deposit were already inactive; hence, their guaranty deposit was applied from the collectible amount.

The audit team responded that review and verification of the existing guaranty deposits of concessionaires prior to the bank closure are still to be undertaken. The issuance of a Demand Letter, however, is highly considered.

Dormant Accounts Receivable

- 6. The Other Receivables Account of ₱422,211.46 includes an amount of ₱283,237.00 where the recovery or collection may not be possible considering that the amount has not been moving for 10 years or more, thus, considered dormant accounts as defined under COA Circular No. 2016-005, dated December 15, 2016. Also, the account includes an unsettled advance payment of ₱80,000.00 for the titling of lots of the District.**

The Other Receivables Account includes the following:

	Amount (₱)
a) Unremitted collection of Danny Saplan in Calendar Year (CY) 2005	- 40,541.96
b) Cash advances of Engr. Renato J. Espejo, Jr. former GM of the District in CY 2007	- 242,695.04
c) Advance payment in the judicial land titling paid to Atty. Edgardo Pascua	- <u>80,000.00</u>
Total	- <u>363,237.00</u>

An inquiry was made as to the status of the above Other Receivable Account and it was noted that the recovery or collection of the amount of ₱283,237.00 could no longer be ascertained since the employees involved have no capacity to refund the amount or are no longer living, hence, considered dormant accounts. The cash advances of the former GM were made in CY 2007 or 13 years that remained in the books of accounts without a settlement.

Section 5.5 of COA Circular No. 2016-005, dated December 15, 2016, defines Dormant Unliquidated Cash Advances as the advances granted to disbursing officers, agency officers and employees which remained non-moving for ten (10) years or more and where settlement/collectability could no longer be ascertained.

On the unremitted collection of ₱40,541.96, this is considered as cash shortage; hence, the above circular cannot be applied. Further, the advance payment for the titling of lots owned by the District, which was made several years ago, should now be settled or liquidated thru the submission of documents as required in the contract.

We recommended that Management direct the Officer-in-Charge (OIC) of the Finance and Commercial Division (FCD) file a request for write-off of the cash advances incurred by the former GM by following the guidelines under COA Circular No. 2016-005 dated December 15, 2016 with the Office of the Regional Director of COA Region 1.

We further recommended that Management instruct the DM-AD make a proper demand of the cash shortage of ₱40,541.96 from the former collecting officer or his relatives. Exert more effort that the shortage will be refunded otherwise sanctions will be formally charged against any identified liable persons.

Lastly, we recommended that Management require the Accountant to submit documents in the titling of the lot and close the expense account incurred several years ago for the fair presentation of the accounts.

Management assured the audit team to comply with the audit recommendations.

Unrecorded Disallowances

- 7. The Receivables-Disallowance/Charges Account recorded was only ₱2,879,025.35 compared to the total disallowance which became final and executory amounting to ₱4,901,350.46 or a discrepancy of ₱2,022,325.11. The total disallowance as of December 31, 2020 amounted to ₱6,348,371.90.**

The total disallowance issued as of December 31, 2020 amounted to ₱6,348,371.90. Of this amount, ₱4,901,350.46 has been issued with COA Orders of Execution (COE), while the balance of ₱1,447,021.44 is due for the issuance of the Notice of Finality of Decision (NFD) since the District failed to file an appeal or petition for review with the Commission Proper within the reglementary period as provided under the 2009 Revised Rules of Procedures of the Commission on Audit.

With COE (CY 2017-2019)	-	₱4,901,350.46
With COA RO1 decision pending the issuance of NFD/COE	-	522,781.00
ND without appeal for NFD	-	<u>924,240.44</u>
Total Disallowance		<u>₱6,348,371.90</u>

Section 7.2.d of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA) provides that, “the disallowances and charges that

have become final and executory as contained in the NFD are recorded in the books of accounts, and settlements thereof under the Notice of Settlement of Suspensions, Disallowances and Charges (NSSDC) are dropped.”

Of the disallowance with COE, only ₱2,879,025.35 has been recorded as Receivables-Disallowance/Charges; hence, deficient by ₱2,022,325.11.

We recommended that Management direct the Accountant make proper adjustment of the disallowance with finality to the Receivable-Disallowance/Charge Account by drawing a JEV of the discrepancy.

Management commented that the recorded disallowances were those appealed and decided. It assured the audit team, however, to go over the issued disallowance for proper adjustment in the books of accounts.

Outstanding checks

- 8. Checks amounting to ₱25,369.75 remained outstanding in the books of accounts for over six months, hence considered stale as per banking practice and will no longer be accepted for encashment by any authorized depository bank as prescribed under Section 97 of PD No. 1445, thus, casting doubt on the propriety and reliability of the Cash in Bank balance as at end of the year.**

Under the present banking system, checks are valid for encashment within six months; henceforth, the checks become stale and are no longer valid for encashment. The stale checks, however, may be presented to the agency and request for a substitute check but subject to the guidelines on the replacement of stale checks set forth under Section 3.1 of COA-MOF-OBF Joint Circular No. 8-85 dated October 31, 1985, which provides that:

The Issuing Agency shall:

- (a) Process the request for replacement of lost, destroyed, stale or obsolete check;
- (b) Approve or deny the request depending upon the validity of the claim;
- (c) Approve the indemnity bond thereof;
- (d) Issue the replacement of check with respect to lost. Replacement shall be limited to those verified as still outstanding; and
- (e) Issue a certification that the check lost in transit by bank before clearing was validly issued and that the same has not been replaced.

Section 97 of PD No. 1445, also states that “A treasury warrant or check which remains outstanding after two years from date of its issue shall not be paid by the Treasurer of the Philippines or by any duly authorized depository. The issuing

agency shall take up in its books of accounts the amount of this warrant or check as surplus adjustment of the fund against which it was previously charged. Upon presentation of a stale warrant or check, the issuing agency shall cancel it and issue to the payee a substitute warrant or check in lieu thereof.”

Review and verification of the Bank Reconciliation Statements of the District maintained with the Land Bank of the Philippines (LBP), Mangaldan Branch, disclosed checks amounting to ₱25,369.75 which are already stale and can no longer be presented for payment with the depository bank. Details are as follows:

Date of Issue	Payee	Check No.	Amount (₱)	Remarks
6-04-2018	PLDT, Inc.	8188	4,280.00	Over two years
8-27-2019	Eduardo L. Natividad	21945	660.00	Over one year
9-06-2019	Erlinda C. Tamayo	21987	176.00	Over one year
12-13-2019	Sharon M. Tingco	25421	660.00	Over one year
2-28-2020	Azil Security Agency	26401	19,593.75	Over six months
Total			25,369.75	

We recommended that Management direct the OIC-FCD send notices to the payees regarding the checks that have become stale and outstanding which can no longer be presented to the bank for payment. Thereafter, prepare a replacement of the stale checks if found valid in accordance with the guidelines under COA-MOF-OBFI Joint Circular No. 8-85 dated October 31, 1985.

Management commented that check for PLDT was already replaced after exerting all efforts to locate and trace the issued check. Regarding other outstanding checks, proper adjustment and cancellation will be made.

Reimbursement of meal expenses

- The employees of the District assigned at the Engineering and Construction Division (ECD) and at the Production and Quality Division (PQD) claimed reimbursement of meals amounting to ₱39,547.26 while on regular duty conducting the maintenance of the District’s water system. Likewise, the payment was recorded as a representation expense contrary to the guidelines on the description of the account under the Revised Chart of Accounts.**

The employees of the District assigned at the ECD and at the PQD are tasked to perform functions directly related to the maintenance and control of the water system operation of the District. The works include the flushing process thru the fire hydrants and water main blow-offs to help maintain the high quality of water, to clean out any bio-films or silt present in the pipes, and, for the control of bacteria, taste and odor, and the corrosion of pipelines.

In the review of transactions, it was noted that the said employees, while conducting the flushing process, monitoring, or other related activities, claimed their meals thru cash advance equivalent to an apportioned daily travel expenses to cover meals in the total amount of ₱39,547.26. The works performed, which are within the areas of the District, also include the pull-out, cleaning, and installation of pump motors of the pumping stations, installation of control and exhaust fan, and, water pressure monitoring. All of these activities are the regular duties and responsibilities of employees hired for the water system operation of the District, thus, do not allow the reimbursement of meals as claimed by said employees.

Further, the payment was incorrectly recorded under the representation expense account contrary to the description under the Revised Chart of Accounts as, “the expenses incurred for official meetings/conferences and other official functions”.

We recommended that Management require the Accountant stop processing the payment of meals of employees who are conducting works related to their official duties and responsibilities required in their positions. Otherwise, a notice of disallowance will be properly issued to the concerned employees.

The head of the production division justified the claim of meal expenses. He, however, assured the audit team to stop the claim.

B. COMPLIANCE AUDIT

Payment of overtime services

10. The District paid the overtime services of six employees amounting to ₱108,472.55 contrary to the policies and guidelines prescribed under Civil Service Commission (CSC) and DBM JC No. 02, s. 2015, dated November 25, 2015, and Section 1(d) of Administrative Order (AO) No. 103 directing the continued adoption of austerity measures in the government. The continued cash payment of the purportedly overtime services instead of applying the non-monetary remuneration encourages the employees to render unnecessary overtime services.

Section 3 of CSC-DBM JC No. 02, s. 2015, dated November 25, 2015 provides the general policies on overtime services as follows:

3.1 The rendition of overtime services shall be authorized only when extremely necessary, such as when a particular work or activity cannot be completed within the regular work hours and that non-completion of the same will: a) cause financial loss to the government or its instrumentalities; b) embarrass the government due to its inability to meet its commitments; or c) negate the purposes for which the work or activity was conceived.

3.2 As a general rule, the remuneration for overtime services shall be through compensatory time-off (CTO), in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2, s. 2004 and No. 2-A, s. 2005.

3.3 The payment in cash of overtime services through Overtime Pay may be authorized only in exceptional cases when the application of CTO for all overtime hours would adversely affect the operations of the agency.

Also, Section 1(d) of AO 103 directing the continued austerity measures in the government provides that, “Adoption of a scheme that will allow employees rendering overtime to be compensated through time/days off work in lieu of overtime pay, in accordance with guidelines jointly issued by the DBM and CSC”.

In the review of transactions pertaining to the payment of overtime services, it was noted that six pump operators were authorized to render overtime, regularly, on the works that are routinary in nature, purportedly due to the exigency of service such as: a) maintaining chlorine; b) on continuous duty during special non-working holidays; and, c) when the assigned pump operator filed leave of absence. Section 4 of the CSC-DBM Joint Circular specifically enumerated the priority activities that may warrant the rendition of overtime services such as:

- a) Implementation of special or priority programs and projects embodied in Presidential directives with specific dates of completion;
- b) Completion of infrastructure and other projects with set deadlines when due to unforeseen events the deadline cannot be met without resorting to overtime work;
- c) Essential public services during emergency or critical situations that would require immediate or quick response;
- d) Relief, rehabilitation, reconstruction, and other work or services during calamities and disasters; and
- e) Others

Based on the above-enumerated priority activities, the works rendered by the District’s pump operators did not qualify for the cash payment since there were no exceptional cases when the application of CTO for all overtime hours would adversely affect the operations of the agency.

The detail of the total number of hours rendered by each pump operator as well as the corresponding payment in the total amount of ₱108,472.55 is shown in Annex A.

Section 3.2 of the CSC-DBM JC No. 02, s. 2015 provides that the remuneration for overtime services shall be through CTO in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2, s. 2004 and No. 2-A. s. 2005.

The District did not observe the non-monetary remuneration for overtime services rendered. As defined in item 4.0 of the CSC-DBM JC No. 2, s. 2004, CTO refers to the accrued number of hours, and/or those rendered on Saturdays, Sundays, holidays or scheduled days off without the benefit of Overtime Pay.

Further review on the approved monthly schedule for work and day-off of the pump operators as against their daily time records was made to validate the overtime services rendered. It was noted that some of them did not strictly follow their time allotted schedule thus affected the other operators. Also, only five pump operators were listed in the schedule but six were allowed to render overtime that included Mr. Reynald S. Cariño, a Water Resources Facilities Tender A position. Mr. Cariño was on forced leave on January 13, 2020 but paid/rendered overtime for four hours. Moreover, all overtime services were not reflected in their individual daily time record.

We recommended that Management require the DM-AD strictly enforce and implement the provisions of CSC-DBM JC No. 2, s. 2015, dated November 25, 2015 thru a careful assessment and evaluation of the works to be undertaken by the pump operator employees whether the rendition of overtime services is extremely necessary for the operation of water services.

We further recommended that Management instruct the DM implement the non-monetary remuneration thru the compensatory time-off where an employee is excused from reporting to work with full pay and benefit in lieu of the overtime services.

Management assured the audit team to comply with the audit recommendation.

Improper implementation on the Monetization of earned leaves

- 11. The monetization of 50% of the vacation and sick leave credits of the District's employees was granted contrary to the guidelines set forth under Sections 22 and 23 of the Omnibus Rules on Leaves of Executive Order (EO) No. 292 and its amendments to Rule XVI embodied in the CSC Memorandum Circular (MC) No. 41, s. 1998, dated December 24, 1998. Further, there was no specific agency policy as to the period an employee can be qualified for monetization. Finally, the leave balance indicated in the application for monetization was incorrectly applied and cannot be determined whether the employee has met the required number of days being applied for.**

Section 22 of the Omnibus Rules on Leaves of EO 292 and its amendments to Rule XVI embodied in the CSC MC No. 41, s. 1998, dated December 24, 1998, states that—"Officials and employees in the career and non-career service whether permanent, temporary, casual, or coterminous, who have accumulated fifteen (15) days of vacation leave credits shall be allowed to monetize a minimum of ten (10)

days: Provided, that at least five (5) days is retained after monetization and provided further that a maximum of thirty (30) days may be monetized in a given year”.

Section 23 further states that “Monetization of 50% or more of the accumulated leave credits may be allowed for valid and justifiable reasons such as:

- a) Health, medical and hospital needs of the employee and the immediate members of his/her family;
- b) Financial aid and assistance brought about by force majeure events such as calamities, typhoons, fire, earthquake and accidents that affect the life, limb and property of the employee and his/her immediate family;
- c) Educational needs of the employee and the immediate members of his/her family;
- d) Payment of mortgages and loans which were entered into for the benefit or which inured to the benefit of the employee and his/her immediate family;
- e) In cases of extreme financial needs of the employee or his/her immediate family where the present sources of income are not enough to fulfill basic needs such as food, shelter and clothing; and,
- f) Other analogous cases as may be determined by the Commission.

A review on the payments of the 50% monetization disclosed that supporting documents as reasons to avail the monetization appeared not convincing and justifiable. Under the guidelines, the monetization of 50% of all the accumulated leaves may be allowed for valid and justifiable reasons subject to the discretion of the agency head and the availability of funds. It was noted, however, that most of the justifications were for house repair that were supported only with letter-requests and few pictures of the reported damaged-part of the house. No other valid and necessary documents like bill of materials or cost of labor were attached to the payment of monetization.

Further review disclosed that the computation of the 50% of earned leaves was based on the accumulated total of leave credits. The vacation leave was not first exhausted contrary to Section 22 of the Omnibus Rules of Leave requiring that at least five (5) days is retained after monetization. Also, in column 6, the total leave balance, as certified in the CSC form which was verified with the individual leave card of employees, showed that the balances were already net of monetization meaning the number of days monetized has already been deducted. Thus, upon review of the leave application as a supporting document, it appeared that the employee is not qualified for the 50% monetization. Moreover, the agency has no policy or regulation as to the specific period as cut off for an employee to apply for monetization. Thus, the agency is processing applications for monetization almost every month including those applications for ten (10) to thirty (30) days

monetization under Section 22. In one of the clarifications on monetization under CSC Resolution No. 000034, the CSC says, “To qualify for monetization, officials and employees must meet the required number of leave credits earned as of December 31 ending year, and June 30 of the current year”.

We recommended that Management instruct the DM strictly adhere to the provision set forth under Sections 22 and 23 of the Omnibus Rules on Leaves and its amendments to Rule XVI embodied in the CSC MC No. 41, s. 1998, dated December 24, 1998, in the monetization of 50% of leave credits. Also, require the personnel in-charge of leave to thoroughly review all applications whether the employee qualifies for the monetization.

Further, we recommended that Management require the DM set a clear guideline on the period where an employee can be entitled to monetization whether at every end of December of the prior year or June 30 of the current year.

Finally, we recommended that Management direct the DM set deadlines on the filing of applications for monetization so that the processing of payment would be facilitated thru the payroll system. Likewise, the certification of leave balance should indicate the balance before monetization for easy monitoring.

Management commented to comply with the recommendations and assured that a policy on the period where an employee can be entitled to monetization will soon be formulated after thorough evaluation and study provided that it is not contrary to the existing CSC laws, rules and regulations. It also assured the audit team to properly indicate the leave balance on the application of monetization which accordingly has been implemented starting February 1, 2021 monetization.

Lack of Internal Control on the Payment of Salaries and Wages

- 12. The District paid the salaries and wages, bonuses, and other benefits of more or less ₱12.6 million to its 44 regular and casual employees by stuffing cash in envelopes every payday instead of availing the bank services thru the use of automated teller machines (ATM) of its depository bank to minimize the operating costs and to save time in the cash disbursement of funds of the agency. With the old payroll system, the fund may be at high-risk of loss or misapplication of funds as well as exposing the health and safety of personnel to risks of contamination during this pandemic.**

Also, the internal control was weakened when the accounting officer was named as the payee in some cash advances for the salaries and wages of employees while the cashier was on a leave of absence.

The agency’s procedure in paying the salaries and wages of regular, casual, and job order employees was weekly or four times a month for an average of 12

separate monthly payrolls for all types of employment. During the year, about 141 payments amounting to more or less ₱12,634,552.99 were all counted and individually placed in the pay envelopes of the employees.

In the audit of these payrolls, we noted that the procedure was timewasting and repetitive in reviewing the weekly daily time records (DTRs) that were attached to the payrolls. These could have been prepared at the end of each month to minimize the operational costs on supplies and to save time in producing/printing the weekly supporting documents.

Also, with the contagion of the coronavirus and in modern technology, the old payroll system should have been reviewed and replaced with the use of bank services thru the ATM system of the agency's depository bank, making it more convenient for both the management and the employees, and eliminating the risks of loss of funds or misapplication of funds by limiting the cash advances held by the accountable officer. It was noted that the Accountant of the District, who is also the OIC of the Finance and Commercial divisions, in a concurrent capacity, was the payee in some of the cash advances for the salaries and wages of employees.

Allowing the Accountant to cash advance for the salaries and wages of employees would weaken the internal controls of the agency.

We recommended that Management require the DM-AD pay the salaries and wages of employees twice a month to minimize the paper works and require the employees to prepare and submit their daily time records every end of the month only. Apply for the use of ATM of your servicing bank which is both convenient for the management and the employees. Request the assistance of your depository bank for efficient, accurate, and reliable banking with them.

Management justified that attempts of using ATM have been tried. However, the employees rejected the idea for their personal reason that it would be inconvenient on their part considering the distance from the office to the designated places where the ATM is located, not to mention the number of depositors waiting for the availability of the machine. Also, the depositor can not withdraw the amount less than P100.00 and a service charge applies to ATM for non-depository bank.

C. PERFORMANCE AUDIT

Quality of drinking water

- 13. Twenty-seven out of the 202, or 13.4%, of the water samples submitted for microbial tests were found as below the standard parameters and framework for clean and safe water for drinking affecting the social responsibility of the District which is mandated to provide potable water services to the public. The contaminated water also poses health hazard to the concessionaires.**

The LWUA issued Memorandum Circular (MC) No. 003-18, dated January 22, 2018, requiring the local water districts to submit monthly a water quality monitoring report in consonance with the parameters issued by the Department of Health (DOH) MC No. 2017-0010, dated June 23, 2017, the Philippine National Standards for Drinking Water (PNSDW) of 2017. The DOH MC provides the standard values, methods of detection and points of compliance for microbiological quality of drinking water. The parameter includes the total coliform, thermotolerant coliform/E.coli, and, the heterotrophic plate count (HPC) where a local water district has to conform to the standards to provide a clean and safe drinking water for the concessionaires and the general public.

The standard values as per PNSDW 2017 are as follows:

Total coliform (MPN/100ml)	-	less than (<) 1.1
Thermotolerant Coliform (MPN/100 ml)	-	less than (<) 1.1
HPC (CFU/ml)	-	less than (<) 500

MPN – Most Probable Number

HPC – Heterotrophic Plate Count

CFU – Colony Forming Units

Coliform bacteria are organisms that are present in the environment and in the feces of all warm-blooded animals and humans. Coliform bacteria will not likely cause illness. However, their presence in drinking water indicates that disease-causing organisms (pathogens) could be in the water system. Testing for indicator organisms, typically thermotolerant coliforms or E. coli, has generally been adequately considered to reflect the presence of enteric pathogens and diarrheal infectious diseases.

During the year, the District has collected a total of 202 treated water samples from among its active concessionaires for bacteriological analysis by using a multiple tube fermentation technique done by an accredited laboratory. From the total samples, 27 or 13.4% were found as below the standard values or were marked FAILED, thus, were not potable and safe for drinking. The contaminated water samples were taken directly from the water connection of concessionaires from 18 barangays or 78% of the 23 barangays under the jurisdiction of the District.

The negative results of the water samples tested were alarming and may pose serious health diseases to the public affecting the District's social responsibility towards its concessionaires.

The causes that may have contributed to the negative results of the water service may be traced to the ineffective approach in monitoring water quality; lack of water treatment with chemicals, like chlorine; and, the irregular flushing from the mainline and other distribution lines of the water system. The personnel under the

water quality division and all other concerned employees may not have effectively and efficiently performed their tasks or may have lacked the sufficient qualification to provide quality water for drinking.

We recommended that Management instruct the ED personnel provide drinking water that must be clean, safe, and clear, free from all harmful organisms and chemical substances which could constitute hazard to the health of the concessionaires and the general public by directing the personnel under the water quality division to effectively and efficiently conduct a regular flushing of water pipes and blow-offs to remove any harmful organisms and chemical substances present in the water system.

Further, we recommended that Management direct the ED personnel replace the old pipes with leakages because this could be a source where waste of human nature and pollutants could contaminate the water.

Lastly, we recommended that Management advise the DM-AD provide immediate advisory to the affected concessionaires, on waters found contaminated and or with bacteria which can be harmful to human health, as part of transparency and accountability.

Management justified that measures have already been taken thru regular flushing of blow-offs and some other measures to comply with the Philippine National Standards for Drinking Water.

Cost of Water Production

13. The District incurred a loss of ₱1,145,554.80 or 20% of the total water production cost of ₱5,738,756.77 in producing the unaccounted water or the Non-Revenue Water (NRW) of 477,314.50m³ thereby affecting the efficiency and performance of the personnel involved in the production of water and the District in general in its public service.

The District produced a total of 2,388,451.50 cubic meters (m³) from four (4) wells and one (1) spring as sources of water in its water system operation. Of the total water produced during the year, 477,314.50 m³ were unaccounted based on the monthly data sheet reports which contained various information of the District as shown below:

Month	Water Produced (a)	Metered/Billed (b)	Metered Unbilled (c)	Total Water Accounted (d)	Total Water Unaccounted (e) = a-d
January	185,100.00	164,463.00	232.00	164,695.00	20,405.00
February	177,695.00	156,660.00	250.00	156,910.00	20,785.00
March	189,487.00	146,666.00	237.00	146,903.00	42,584.00
April	187,012.00	159,235.00	0.00	159,235.00	27,777.00

May	220,455.00	159,235.00	759.00	159,994.00	60,461.00
June	179,151.00	172,489.00	139.00	172,628.00	6,523.00
July	210,744.00	168,025.00	300.00	168,325.00	42,419.00
August	199,783.90	170,835.00	221.00	171,056.00	28,727.90
September	204,489.90	155,161.00	336.00	155,497.00	48,992.90
October	227,693.90	142,336.00	266.00	142,602.00	85,091.90
November	208,433.90	171,586.00	266.00	171,852.00	36,581.90
December	198,405.90	141,133.00	307.00	141,440.00	56,965.90
Total	2,388,451.50	1,907,824.00	3,313.00	1,911,137.00	477,314.50

The unaccounted water or the NRW of 477,314.50m³ could have earned a potential income of the District.

In the production of water, corresponding costs in a total of ₱5,738,756.77 were incurred broken down as follows:

a) Electricity	-	₱5,341,389.94
b) Energy	-	321,766.83
c) Chemicals	-	<u>75,600.00</u>
Total	-	<u>₱5,738,756.77</u>

Thus, the cost per cubic meter of the water produced was ₱2.40 (5,738,756.77 / 2,388,451.50 m³). Of the unaccounted water of 477,314.50 m³, the District incurred a production loss of ₱1,145,554.80 (477,314.50m³ x 2.40), or 20% of ₱5,738,756.77 which is considerably material for the District to incur.

In an inquiry with the PQD and ECD personnel, it was learned that the NRW may have been caused by undetected leaks of the main or distribution pipe systems. They added however, that on-going repairs are being undertaken and to replace or calibrate water meters regularly to reduce the NRW into an acceptable level prescribed by the LWUA.

We recommended that Management require the personnel at the ED utilize the allocated resources in the production of water by adopting strategic measures and control to address the unaccounted water or the NRW to avoid wastage and loss of fund. Further, the energy consumption must be optimized by regularly checking the water system operation while keeping the overall water production cost at a reasonable level.

D. OTHER AREAS

GENDER AND DEVELOPMENT

Non-gender issues

- 14. The Gender and Development (GAD) activities of the District included an outreach program, “Ayuda sa Eskwela”, amounting to ₱1,201,930.40, a non-gender issue, contrary to the revised guidelines prescribed under Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, in relation to PCW-NEDA-DBM Joint Circular (JC) No. 2012-01 and PCW MC 2015-03 dated May 19, 2015. Also, the GAD budget of ₱741,550.00 was only 1.32% of the total agency budget of ₱56,135,782.27 lower than the required allocation of at least 5% of the total agency budget.**

PCW MC No. 2018-04, dated September 19, 2018, in relation to PCW-NEDA-DBM JC No. 2012-01 and PCW MC 2015-03 dated May 19, 2015, provides the procedures in the formulation, implementation, monitoring and evaluation of GAD plans and budgets (GPB) and in setting the GAD agenda. The GAD agenda is the basis in formulating the annual PAPs to be included in the gender plans and budget which sets the direction of the agency to address gender issues and to implement the Magna Carta of Women.

Before an agency can develop a measurable GAD’s plans, activities, and programs, it has to follow several steps in formulating GAD agenda such as:

- a) Organizing the planning team
- b) Conducting gender analysis
- c) Setting the agency’s GAD vision and Mission
- d) Formulating the GAD goals
- e) Prioritizing gender issues
- f) Outlining the GAD outcomes, indicators, baseline data and targets
- g) Translating the GAD outcomes into GAD programs, programs and activities.

Section 3.4 of the JC No. 2012-01 of PCW, NEDA, and DBM also states that mainstreaming gender perspectives in agency projects, activities and programs (PAPs) shall be a priority in GAD planning and budgeting to attain the desired outcomes for GAD. There are various tools in the conduct of gender analysis such as: gender mainstreaming evaluation framework, harmonized gender and development guidelines, and, the analysis of sex-disaggregated data and/or relevant information, and other tools. After collating the results of the gender analysis, the agency can be able to come up with a summary list of gender issues which can either be a client and/or organization focused on formulating its annual GAD plans and budget.

Client-focused gender issues refer to gaps arising from the unequal status of women and men stakeholders or the agency water concessionaires while the organization-focused gender issue points to the gaps in the capacity of the organization to integrate a gender dimension in its programs, systems, or structure. In prioritizing the gender issues to be addressed, the agency has to consider whether the issues are strategic (aligned with the priorities of the agency), relevant (aligned with the agency’s mandate), and urgent (immediate action to respond is necessary)

On the GAD budget, the JC provides that all agencies shall allocate at least 5% of their annual budget drawn from the agency's Maintenance and Other Operating Expenses, Capital Outlay and Personal Services.

Review and analysis of the District's GPB showed that only ₱741,550.00 or 1.32% of the total agency budget of ₱56,135,782.27 was allocated to implement its GAD PAPs, or ₱2,065,239.11 below the 5% required agency budget allocation. Of the total GPB, however, the amount of ₱1,270,080.40 or ₱528,530.40 over that of its GAD budget was utilized including the "Ayuda Eskwela" activity of ₱1,201,930.40, a non-gender related activity. Details of the PAPs and the corresponding accomplishments are shown in Annex B.

It can be gleaned from the accomplishments that most of the activities were not implemented during the year because of the pandemic except for the "Ayuda Eskwela" activity which is not a GAD related activity as defined under Joint Circular 2012-01 of PCW-NEDA-DBM.

We recommended that Management require the designated GAD focal point system (GFPS) to develop and formulate measurable GAD Plans and Programs in compliance with PCW-NEDA-DBM JC No. 2012-01 and PCW MC No. 2015-03 dated May 19, 2015.

We further recommended that Management require 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 gender-related issues aligned with the agency's mandate that will focus on client and organization gender-related issues.

Lastly, we recommended that Management instruct the GFPS prioritizes the most relevant and urgent gender issues in the GPB that will affect the significant number of stakeholders and employees within the timeframe of the GPB. Include only activities that are included in the agency budget since the GAD budget is drawn from it.

Management commented that the audit recommendations will be implemented. They also commented further that the GAD guidelines are difficult to implement.

DISASTER RISK AND REDUCTION MANAGEMENT (DRRM)

Non-preparation of DRRM

15. The District did not prepare and develop its DRRM Plans and Programs for the current year, contrary to Section 36 of the General Provisions of the General

Appropriations Act (GAA) of Fiscal Year (FY) 2020, thus exposing the agency's resources to possible loss in case of disaster/ calamity.

Section 36 of the General Provisions of the GAA for FY 2020 provides the Mainstreaming of Disaster Risk Reduction and Climate Change Adaptation and Mitigation in All Agency Programs and Projects. That all agencies of the government shall plan and implement programs and projects, taking into consideration measures for climate change adaptation and mitigation, and disaster risk reduction, based on climate and disaster risk assessments.

Inquiries with the District personnel at the PQD revealed that no DRRM Plan has been prepared for the current year because of the lack of time and personnel due to pandemic. They added, however, that personnel are immediately assigned in times of emergencies and or during calamities, just like in previous years.

This is a reiteration of prior year audit observation.

We recommended that Management require the personnel at the ED prepare its DRRM Plan and Program in conformity with the 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.

Management assured the audit team to prepare its DRRM for CY 2021.

WATER SAFETY PLAN

Prepared Water Safety Plan

16. The District has prepared a Water Safety Plan (WSP) required under Department of Health (DOH) Administrative Order No. 2014-0027 dated September 4, 2014 in relation to PD No. 856, the Sanitation Code of the Philippines, thus protecting the health of the consumers.

The Department of Health's Administrative Order (AO) No. 2014-0027, dated September 4, 2014 requires all drinking water service providers to develop and implement WSP to ensure the delivery of safe drinking water. Under the AO, all drinking water service providers, like water districts, are mandated to secure an approved WSP from the DOH or its authorized office as provided under Section 9, Chapter II of PD No. 856, the Sanitation Code of the Philippines.

Upon inquiry and verification, the audit team noted that the District has prepared a water safety plan sometime in 2018 which comprised a comprehensive approach encompassing all steps in detail, from the water sources to consumers, the treatment process, and, the distribution networks to protect the health of consumers.

However, no report can be verified as to the implementation of the approaches in the treatment process to determine whether the water safety water plan works and could assure the public of safe and potable water for drinking.

We recommended that Management instruct the DM-AD update its records 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.

We further recommended that Management direct the ED personnel assess its water safety plan whether it was able to address and serve its concessionaires safe water consumption.

E. COMPLIANCE WITH TAX LAWS

MANWAD has complied with the rules and regulations on the withholding and remittances of taxes from the compensation of its officers and employees and its payment on procurement of goods and services including infrastructure projects, as required under RA No. 8424 or “The Tax Code of 1997” and BIR Regulations No. 4-2002 dated March 6, 2002, as amended. For the years 2020 and 2019, the following taxes were remitted to BIR:

Taxes	2020	2019
Franchise Tax	924,219.65	977,005.03
Income Tax Withheld on Compensation, Income Tax Withheld – Expanded (EWT) and VAT Withheld	2,074,115.38	1,711,085.31
Total	2,998,335.03	1,688,090.34

F. REMITTANCES TO GSIS, PHILHEALTH AND PAG-IBIG

The MANWAD dutifully and timely remitted its mandatory contributions to GSIS, PhilHealth and PAG-IBIG comprising employer’s and employees’ share and loan repayments for 2020 and 2019.

Particulars	2020	2019
GSIS	3,486,896.92	4,092,143.74
PhilHealth	313,323.09	244,890.37
Pag-IBIG	662,282.74	664,913.52
Total	4,462,502.75	5,001,947.63

G. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of CY 2020, the District has unsettled disallowances amounting to ₱6,348,371.90 and no outstanding suspensions and charges. The details of the disallowances are the following:

With COE (CY 2017-2019)	-	₱4,901,350.46
With decision pending issuance of NFD/COE	-	522,781.00
Without appeal pending issuance of NFD/COE	-	<u>924,240.44</u>
Total Disallowance		<u>₱6,348,371.90</u>

PART III
STATUS OF IMPLEMENTATION OF PRIOR
YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 21 prior year's recommendations, 17 were implemented and 4 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. The existence, validity, accuracy and reliability of the Property, Plant and Equipment (PPE) with net book value of ₱66,298,617.64 were doubtful due to unaccounted properties totalling ₱52,190,090.74 and other various deficiencies noted, contrary to Chapter 3 of the Philippine Financial Reporting Standards and Section 73.a of Government Accounting Manual, Volume I.</p> <p>a) Require the former Property Officer (PO) to immediately turn-over all records pertaining to the properties previously held under his responsibility and liability. Once the report is submitted, create a committee to conduct physical count to determine the existence and actual condition of the properties. Otherwise, cause the suspension of payment of the Accountable Officer's salaries and other benefits if ever the AO fails to submit the required report.</p> <p>b) Reconcile the inventory report with the accounting records to establish the accuracy and reliability of the recorded balances of the PPE</p>	<p>2019 AAR Finding No. 1</p>	<p>The former PO submitted and turned-over the documents. However, the required amount to account the ₱52,190,090.74 was not implemented.</p> <p>There was a discrepancy of records by ₱ (4,868,258.21).</p>	<p>Not Implemented. A finding on the discrepancy of the turned-over properties was included under 2020 AAR Finding No. 1.</p> <p>Not Implemented. Included in the recommendation under Finding</p>

<p>accounts. Thereafter, provide a specific status on the properties located whether serviceable or not serviceable. Prepare a list of items that cannot be located or missing.</p> <p>c) Record the perimeter fence under the Land Improvement Account. Determine whether the amount in the CIP includes the amount of the perimeter fence.</p> <p>d) Prepare an Inventory and Inspection Report of Unserviceable Properties (IIRUP) for proper disposal in accordance with the guidelines. Thereafter, create an Appraisal and Disposal Committee to appraise/determine the properties to be disposed. Submit the IIRUP to the audit team for proper action to be undertaken.</p> <p>e) Review and reconcile the accumulated depreciation of the items recorded in the Subsidiary Ledger with that of the amounts reflected in the GL. The basis of recording the amounts in the GL is the SL which contains the final entry of the details or breakdown of the balances.</p> <p>f) Reclassify Semi-Expendable Assets from the PPE account for the assets that are still serviceable and existing as prescribed under Section 6.6 of COA Circular 2017-004 dated December 13, 2017 and COA Circular 2020-002, dated January 28, 2020. Further,</p>		<p>A JEV was drawn on the CIP.</p> <p>Requested for TAS inspection.</p> <p>Prepared separate SL on every PPE for proper monitoring of the depreciation.</p> <p>Reclassified the Semi-Expendable Assets using the threshold and whether the properties are still serviceable or not.</p>	<p>No. 1.</p> <p>Implemented. The JEV was reviewed and found correct.</p> <p>Implemented. TAS inspection report was submitted to Management for action.</p> <p>Implemented. The SL submitted was reviewed. However, the same is still subject to further verification as to the accuracy of balances.</p> <p>Implemented. Semi-expendable assets were reclassified from the PPE accounts.</p>
--	--	---	---

<p>identify the properties that are no longer serviceable so that these could be disposed of and thereafter, derecognized from the books to reflect accurate balances of the accounts in the Financial Statements.</p> <p>g) Process the titling of the three parcels of lot to ascertain ownership thereof. Consequently, make a follow-up on the result of the Court Order pertaining to the lot situated at Poblacion, Manaoag, Pangasinan so that corresponding Transfer Certificate of Title will be issued under the name of the District.</p> <p>h) Submit immediately to the audit team copy of the updated Report on the Physical Count of PPEs.</p>		<p>The District is waiting for the release of the court decision.</p> <p>Submitted the RPCPPE in December 2020.</p>	<p>Implemented. The District was advised to furnish the audit team of the documents once release.</p> <p>Implemented. Copy of the PRCPPE was reviewed.</p>
<p>2) The General Ledger balance of the Account Receivables of ₱4,844,523.74 from water bills as compared with the Ageing Schedule of ₱4,289,110.93 posted a discrepancy of ₱555,412.81, thus, casting doubt as to the accuracy and reliability of the account and the Allowance for Impairment. This resulted in the District's Financial Statement not complying with the fundamental qualitative characteristics of useful financial information as prescribed in Chapter 3 of the Philippine Financial Reporting Standards (PFRS).</p>	<p>2019 AAR Finding No. 2</p>		

<p>Further, receivables from water bills of inactive accounts aged more than 10 years in the amount of ₱591,840.18 were not yet written off in the books of accounts, contrary to COA Circular No. 2016-005 dated December 19, 2016, thus, affecting the fair presentation of the accounts receivable reflected in the Financial Statements.</p> <p>a) We recommended that Management make the necessary reconciliation and identify the causes of the discrepancy and immediately effect the adjustments in compliance with Chapter 3 of the Philippine Financial Reporting Standards (PFRS).</p> <p>b) We further recommended that Management file a request for Write-off to the Audit Team of the dormant amounts in the books following the guidelines and procedures under COA Circular No. 2016-005 which shall be supported with valid documents for evaluation.</p>		<p>Management updated the subsidiary ledger of the active and inactive concessionaires.</p> <p>Management filed a request for write-off of Receivables aging 10 years and above.</p>	<p>Implemented. A total of 156 inactive concessionaires with dormant accounts totalling ₱318,841.85 was filed on December 7, 2020 requesting for write-off.</p>
<p>3) The Loans Payable-Domestic account with a balance of ₱7,155,069.53 was not reconciled with LWUA's records amounting to ₱7,451,415.16 or an aggregate discrepancy of ₱296,345.63, thus, reliability of the account was doubtful thereby affecting the fair presentation of the Financial Position of the District as of December 31, 2019.</p>	<p>2019 AAR Finding No. 3.</p>		

<p>We recommended that Management reconcile its loan outstanding balance with LWUA per Loan Account to reflect a reliable and accurate loan balance presented in the financial statements of the District as of the given period. Thereafter, draw a journal entry voucher (JEV) to adjust the discrepancy.</p>		<p>A JEV was drawn to effect the adjustment of the discrepancy.</p>	<p>Implemented as of June 30, 2020.</p>
<p>4) The provision for Allowance for Impairment on Loans and Receivables Account was computed at 5% to 80% or ₱842,465.02 of the total receivables of ₱4,289,110.93 without the necessary BOD resolution prescribing the rates used in determining the impairment loss, thus, affecting the fair presentation of the Accounts in the Financial Statements contrary to Sections 1 and 39 of the Philippine Accounting Standards (PAS) and Section 20, Chapter V of PD 198 on the powers and duties of the Board.</p> <p>We recommended that Management confers with the Board of Directors on the percentages to be used in the computation of Allowance for Impairment of Accounts Receivable for the formulation of accounting policies on the allowance for impairment to arrive at a reasonable estimate of the allowance for doubtful accounts taking into consideration the rates provided under Section 66 of the NGAS</p>	<p>2019 AAR Finding No. 4.</p>	<p>The Board of Directors issued Resolution No. No. 58 s 2020.</p>	<p>Implemented as of December 31, 2020. The rates of allowance for impairment were reduced depending on the age of the receivables.</p>

before arriving at a reasonable estimate.			
<p>5) Fines and penalties for late payments of water bills amounting to ₱9,135.44 were not enforced and implemented by the billing and collection section from some of the concessionaires, thus, casting doubt as to the consistency in the charging of penalties prescribed under Section 13 of the Billing and Disconnection Policy of the District. The laxity in the collection could affect the financial performance and the reliability in the implementation of policies of the District.</p> <p>We recommended that Management explain the reason for the non-imposition of penalties of past dues water bills made by the subject concessionaires. Also, that Management justify the inconsistency in the imposition of fines and penalties among consumers which are contrary to the District's policy on billing and collection.</p> <p>We further recommended that Management submit the complete details of payments made by the above concessionaires to facilitate the validation and verification of the same.</p>	2019 AAR Finding No. 5.	<p>Incorporated on the succeeding billings of the concerned concessionaires.</p> <p>Complied with</p>	<p>Implemented. Verified as to compliance with the recommendation.</p> <p>Implemented. The penalties were found on the succeeding payments of concessionaires.</p>
6) A copy of the contract and other pertinent supporting documents for the Construction of Perimeter Fence of the District amounting to	2019 AAR Finding No. 6.		

<p>₱3,136,015.68 and all other procurement contracts were not submitted to COA within five days from the execution of the contract as required under COA Circular No. 2009-001 dated February 12, 2009 and other COA rules and regulations.</p> <p>We recommended that Management:</p> <p>a) Furnish/submit to the Auditor all perfected contracts and purchase orders with supporting documents within five (5) days from their execution as required under COA Circular No. 2009-001 dated February 12, 2009 and COA Memorandum No. 2005-027 dated February 28, 2005 to facilitate the review and evaluation process particularly on the technical aspects.</p> <p>b) Submit immediately all the stated lacking documents required under COA Circular No. 2012-001 dated June 14, 2012 and Section 23 of Rule VIII of 2016 Revised Implementing Rules and Regulations (IRR) of the Philippine Procurement Law to facilitate the review and inspection on the construction of perimeter fence project.</p> <p>c) Submit the bid security of the project and the irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand to support the advance payment in</p>		<p>Submitted the required documents. The same has been submitted for TAS inspection.</p> <p>Submitted the required documents.</p> <p>Submitted the required documents.</p>	<p>Implemented. Reviewed and verified.</p> <p>Implemented. Reviewed and verified.</p> <p>Implemented. The documents were reviewed.</p>
--	--	--	---

<p>compliance with the requirement under Section 4, Annex E of the same IRR.</p> <p>d) Ensure strict compliance with Section 23, Rule VIII of the 2016 IRR of RA 9184 that all transactions contracted are legitimate and coffers are economically used to the advantage of the District.</p>		<p>Implemented as per purchases in CY 2020.</p>	<p>Implemented. Procurement transactions were in compliance with RA No. 9184.</p>
<p>7) The non-revenue water (NRW) of the District was 26.2% or 6.2% beyond the maximum acceptable level rate of 20% prescribed by Local Water Utilities Administration (LWUA) under Resolution No.444, series of 2009, thus, resulting in a production loss equivalent to ₱410,352.93 on the 6.2% excess of the acceptable level. Further, the District could have earned potential revenue of ₱3,393,896.44 had the District complied with the acceptable level rate prescribed by LWUA.</p> <p>a) We recommended that Management formulate effective and attainable measures to address or minimize the non-revenue water to the allowable level of 20%, pursuant to LWUA Resolution No. 444, series of 2009 by conducting periodic inspection of water meters and pipelines to detect leakages, water meter tampering and illegal connections and to undertake rehabilitation of transmission or distribution lines.</p>	<p>2019 AAR Finding No. 7.</p>	<p>Measures have been undertaken to address the NRW.</p>	<p>Implemented. The NRW was reduced from 26.2% in 2019 to 20.0% in 2020.</p>

<p>8) The utilization of GAD plans, activities and programs funds of ₱32,096,915.00 or 58% of the District's budget was not in accordance with the revised guidelines prescribed under Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018 in relation to PCW-NEDA-DBM Joint Circular (JC) 2012-01 and PCW MC 2015-03 dated May 19, 2015.</p> <p>We recommended that Management require the designated GAD focal point system (GFPS) to develop and formulate a realistic GAD Plans and Programs in compliance with PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW MC No. 2015-03 dated May 19, 2015.</p> <p>We further recommended that Management, thru 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>In addition, that Management prioritizes the most relevant and urgent gender issues in the GPB that will affect significant</p>	<p>2019 AAR Finding No. 8.</p>	<p>GAD Plan was developed by the duly created focal point system. The ayuda Eskwela project, however, a non-gender related activity was included as GAD Plan.</p> <p>Non-complied.</p>	<p>Implemented. However, since this is a mandatory finding, an observation was included in Other Areas under Finding No. 13. Implemented.</p> <p>Not implemented.</p>
--	--------------------------------	--	---

<p>number of stakeholders and employees within the timeframe of the GPB. Include only activities that are provided in the agency budget since the GAD budget is drawn from it.</p>			
<p>9) The District did not prepare and develop its Disaster Risk Reduction Management (DRRM) Plans and Programs for the current year, contrary to Section 37 of the General Provisions of the General Appropriations Act (GAA) of FY 2019, thus exposing the agency's resources to possible loss in case of disaster/calamity.</p> <p>We recommended that Management prepare its DRRM Plan and Program in conformity with Section 37 of the General Provisions of the General Appropriations Act (GAA) of FY 2019, properly identifying the 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>2019 AAR Finding No. 9.</p>	<p>Not complied</p>	<p>Not Implemented. Reiterated under Finding No. 15.</p>

PART IV
ANNEXES

Activity	Output /Performance Indicators	GAD Budget	Actual	Variance	Remarks
		(₱)	(₱)	(₱)	
A. Organization Focused					
1. Send male and female employees to GAD and work-related trainings, seminars, and conventions.	25% of employees have attended and seminars.	50,000.00	8,360.00	41,640.00	Types of trainings/seminars not indicated.
2					
➤ Involvement in employees' sports fest and other sponsored activities.	• Number of sports participated in.	121,550.00	-	121,550.00	Not implemented due to pandemic.
➤ Installation of sports equipment.	• Number of times the physical fitness was performed.				
➤ Provide first aid medicines for male/female employees.					
3					
➤ Team Building	•90% of employees have participated in various GAD activities.	290,000.00	-	290,000.00	Not implemented due to pandemic.
➤ Family Day					
➤ participation in PAWD and LGU activity.					
B. Client-Focused					
1. Placing GAD corner in conspicuous places in the District for client's awareness of the GAD.	<ul style="list-style-type: none"> • Posting the Magna Carta Law and updates on GAD related programs. • Distribution of flyers/leaflet re GAD related plans, activities. 	50,000.00	48,670.00	1,330.00	
2.Observance of the National Women's month	• Hanging of tarpaulin posting the National Women's month advocacy.	20,000.00	10,620.00	9,380.00	Implemented in 1 st Quarter of the year.
3.Observance of the Philippine Civil Service month.	• Hanging of tarpaulin in the observance of the Civil Service month.				
	• Outreach Program (Ayuda sa Eskwela)				
		180,000.00	500.00		
			1,201,930.40	-1,022,430.40	Not GAD related activity.

4. Hanging of tarpaulin in observance of 18-day campaign to end Violence Against Women and Children Act. (VAWC)	To educate/inform the clients on RA 9262 (VAWC)	5,000.00	-	5,000.00	Not implemented
5. Implementation of proposed infrastructure projects	Post- implementation of GAD survey of infrastructure project for the benefit of clients.	25,000.00	-	25,000.00	Not implemented due to pandemic
		741,550.00	1,270,080.40	-528,530.40	