

Republic of the Philippines
MANAOAG WATER DISTRICT
Manaoag, Pangasinan
STATEMENT OF FINANCIAL POSITION
As at December 31, 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	39,564,420.31	67,873,355.29
Investment-Local Currency	5	2,143,259.58	2,142,390.60
Receivables, Net	6	9,760,767.81	10,697,402.56
Inventories	7	6,180,163.22	5,114,548.62
Total Current Assets		<u>57,648,610.92</u>	<u>85,827,697.07</u>
Non-Current Assets			
Property, Plant and Equipment, Net	8	109,685,598.70	79,166,795.05
Other Assets	9	7,967,571.06	5,970,853.37
Total Non-Current Assets		<u>117,653,169.76</u>	<u>85,137,648.42</u>
TOTAL ASSETS		<u>175,301,780.68</u>	<u>170,965,345.49</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	1,502,214.53	468,081.18
Inter-Agency Payables	11	1,096,805.64	601,141.92
Total Current Liabilities		<u>2,599,020.17</u>	<u>1,069,223.10</u>
Non-Current Liabilities			
Financial Liabilities	12	-	4,306,144.53
Trust Liabilities	13	6,182,415.45	5,758,622.25
Deferred Credits	14	32,465.34	23,133.29
Total Non-Current Liabilities		<u>6,214,880.79</u>	<u>10,087,900.07</u>
TOTAL LIABILITIES		<u>8,813,900.96</u>	<u>11,157,123.17</u>
EQUITY			
Government Equity, Beginning	15	166,642.25	166,642.25
Retained Earnings	16	166,321,237.47	159,641,580.07
TOTAL EQUITY		<u>166,487,879.72</u>	<u>159,808,222.32</u>
TOTAL LIABILITIES AND EQUITY		<u>175,301,780.68</u>	<u>170,965,345.49</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, 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u>
REVENUE/INCOME		#	
Business Income	17	57,429,990.24	53,745,598.57
Other Non-Operating Income	18	263,548.55	251,244.80
TOTAL INCOME		<u>57,693,538.79</u>	<u>53,996,843.37</u>
EXPENSES			
Personal Services	19	26,012,426.50	21,409,351.39
Maintenance and Other Operating Expenses	20	19,859,117.42	15,238,306.62
Non-Cash Expenses	21	3,766,000.11	3,429,734.01
Financial Expenses	22	88,021.00	418,474.00
Other Discounts	23	87,033.75	86,149.70
TOTAL EXPENSES		<u>49,812,598.78</u>	<u>40,582,015.72</u>
NET INCOME		<u>7,880,940.01</u>	<u>13,414,827.65</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, 2022

	2022	2021
Government Equity		
Balance at beginning of period	166,642.25	166,642.25
Balance at end of period	166,642.25	166,642.25
 Retained Earnings		
Balance at beginning of period	159,641,580.07	142,387,608.87
Prior period adjustment	24 (1,201,282.61)	3,839,143.55
Net Income/loss for the period	7,880,940.01	13,414,827.65
Balance at end of period	166,321,237.47	159,641,580.07
TOTAL EQUITY	166,487,879.72	159,808,222.32

(See the Accompanying Notes to Financial Statements)

Republic of the Philippines
MANAOAG WATER DISTRICT
 Manaoag, Pangasinan
STATEMENT OF CASH FLOWS
 For the year Ended December 31, 2022

Cash Flowa from Operating Activities

Cash Inflows:

Collection of Waterworks System Fees	55,006,471.38	51,555,491.62
Collection of Fines and Penalties-Business Income	2,098,636.37	1,968,282.40
Collection of Interest Income, Net	23,753.17	26,922.78
Collection on other Busines Income	434,965.95	357,197.24
Collection on cost of Materials/Fittings	1,553,435.71	1,278,876.53
Collection of Guaranty Deposit	548,062.90	427,163.00
Collection of settlement of disallowances	680,528.40	1,022,699.40
Refund/Transfer of funds from Restricted to General Fund	322,873.11	798,386.70
Total Cash Inflows:	<u>60,668,726.99</u>	<u>57,435,019.67</u>

Cash Outflows:

Payment of Salaries and Wages	10,217,560.98	6,898,360.80
Payment of operating expenses	20,733,879.41	14,039,306.34
Payment of Materials and Supplies Inventory	2,055,956.12	3,918,562.11
Receivables from Officers and Employees	2,596,031.42	2,559,150.67
Payment of Payables	13,948,242.88	7,301,837.66
Remittance of Franchise Tax	1,092,155.93	1,010,593.88
Remittances of GSIS/Pag-Ibig/Philhealth, Withholding Taxes	7,584,303.19	5,872,765.03
Other cash Disbursements	49.09	3,000.00
Total Cash Outflows:	<u>58,228,179.02</u>	<u>41,603,576.49</u>

Total Cash Provided (Used in) by Operating Activities

<u>2,440,547.97</u>	<u>15,831,443.18</u>
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Cash Flows from Investing Activities

Cash Outflows:

Purchase/Construction of:		
Land/Buildings	62,000.00	427,875.00
Machinery & Equipment and Other Machinery Tools	1,566,150.00	677,000.00
Other Equipment/Furniture & Fixtures	410,118.17	56,983.00
Motor Vehicles	168,500.00	258,500.00
Information and comm. Technology Equipment	677,548.50	762,094.00
Communication Equipment	72,000.00	-
Other Property, Plant & Equipment	23,147,903.26	2,120,393.01

Total Cash Provided (Used in) by Investing Activities:

<u>(26,104,219.93)</u>	<u>(4,302,845.01)</u>
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Cash Outflows from Financing Activities

Cash Outflows:

Decrease in Net Assets	253,397.49	546,383.34
Cash Payment of Interest on Loans Payable	85,721.00	352,616.00
Payment of Domestic Loans	4,306,144.53	1,185,194.00
Total Cash Outflows:	<u>4,645,263.02</u>	<u>2,084,193.34</u>
Total Cash Provided (Used in) by Financing Activities:	<u>(4,645,263.02)</u>	<u>(2,084,193.34)</u>
NET CASH INFLOW (OUTFLOW)	(28,308,934.98)	9,444,404.83
PROVIDED BY OPERATING, INVESTING &		
Add: Cash & Cash Equivalent - Beginning	67,873,355.29	58,428,950.46
Adjustments	-	-
CASH & CASH EQUIVALENT- ENDING	<u>39,564,420.31</u>	<u>67,873,355.29</u>



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

Office of the Audit Team Leader- Team 5

MEMORANDUM

FOR : **TERESITA A. PAJARA**
Regional Director
Commission on Audit
Regional Office No. I

THRU : **ATTY. ROBERT V. OCAMPO, SR.**
Supervising Auditor

DATE : **March 15, 2023**

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, 2022.

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

Our report consists of three parts. Part I is the audited financial statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference, Part III presents the Status of Implementation by the Auditee of Prior Year's Audit Recommendations.


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 Bases 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 of December 31, 2022, 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 held on March 8, 2023. 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
REGIONAL OFFICE NO. I
City of San Fernando, la Union

April 3, 2023

MS. LOURDES B. VELORIA
Chairman of the Board of Directors

MS. FLORDELIZA N. TEJANO
General Manager

Both of Manaoag Water District
Manaoag, Pangasinan

Dear **Director Veloria** and **Manager Tejano**,

We are pleased to transmit the Annual Audit Report on the Manaoag Water District for the Calendar Year 2022 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

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

The audit observations together with the recommended courses of action, which were discussed with the concerned management officials and staff during the exit conference held on March 8, 2023, are presented in detail in Part II of the report.

We request that the recommendations contained in the report be immediately implemented and we appreciate being informed of the action taken thereon within 60 days from receipt hereof pursuant to Section 97 of the General Provisions of the General Appropriations Act of Fiscal Year 2022 (Republic Act No. 11639), using the Agency Action Plan and Status of Implementation (AAPSI) Form to be submitted to the Audit Team.

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

Very truly yours,


TERESITA A. PAJARA
Regional Director

Copy furnished:

President of the Republic of the Philippines
Vice-President of the Republic of the Philippines
President of the Senate
Speaker of the House of Representatives
Chairperson – Senate Finance Committee
Chairperson – Appropriations Committee
Secretary of the Department of Budget and Management
Governance Commission of the Government-Owned and Controlled Corporations
Presidential Management Staff, Office of the President
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MANAOAG WATER DISTRICT
 Manaoag, Pangasinan

**AGENCY ACTION PLAN and
 STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
 For the Calendar Year 2022
 As of _____

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

Agency Sign-off

 Name and Position of Accountable Officer

 Date

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



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

ANNUAL AUDIT REPORT

on the

**MANAOAG WATER DISTRICT
Manaoag, Pangasinan**

For The Year Ended December 31, 2022

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 53 composed of 37 permanent employees, 15 casual, and one 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, 2026
Mr. Patricio D. Bautista Jr.	Vice-Chairman	Civic	January 1, 2017 to December 31, 2022
Ms. Erlinda C. Tambaoan	Secretary	Professional	January 3, 2019 to December 31, 2022
Ms. Glady G. Giron	Treasurer	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 (CY) 2022 under the District's Performance Target and Accomplishment:

Programs/Projects/ Activities	Budget (₱)	Actual Cost (₱)	Percentage of Completion
Design and supply of labor and materials for the construction of 100,000 gallons (380 cu.meters) glass fused to steel bolted reservoir with complete appurtenance and tank fittings/accessories, pipelaying of transmission pipelines at Brgy. Pugaro, Manaoag, Pangasinan	12,500,000.00	11,710,400.00	35.78
Labor and Materials for the Pipelaying and Interconnection at Brgy. Baritao, Manaoag	9,800,000.00	9,500,210.48	100
Labor and Materials for the Pipelaying and Water Supply Expansion Projects at Brgy. San Ramon and Brgy. Mermer, Manaoag	7,500,000.00	7,402,443.55	100
Exploratory Drilling of one (1) Production Well with 150m depth and 200mm diameter at Brgy Baritao, Manaoag, Pangasinan	6,500,000.00	5,019,036.75	100

C. Financial Highlights

Presented below is the summary of financial highlights of the District as of December 31, 2022:

Comparative Financial Position and Results of Operations

Particulars	Calendar Year		Increase /(Decrease)	
	2022	2021	Amount	Percentage
Assets	175,301,780.68	170,965,345.49	4,336,435.19	2.54
Liabilities	8,813,900.96	11,157,123.17	(2,343,222.21)	(21.00)
Government Equity	166,487,879.72	159,808,222.32	6,679,657.40	4.18
Total Income	57,693,538.79	53,996,843.37	3,696,695.42	6.85
Total Expenses	49,812,598.78	40,582,015.72	9,230,583.06	22.74
Net Income (Loss)	7,880,940.01	13,414,827.65	(5,533,887.64)	(41.25)

Budget and Actual Expenditures

Particulars	2022		2021	
	Budget	Actual Expenditures	Budget	Actual Expenditures
Personnel Services	30,055,723.66	26,012,426.50	30,452,219.64	21,409,351.39
Maintenance and Other Operating Expenses	31,183,047.53	19,859,117.42	26,426,675.88	15,238,306.62
Financial Expenses	297,433.00	88,021.00	417,924.00	418,474.00
Capital Expenditures	59,650,900.00	26,104,219.93	36,571,604.00	4,302,845.01

D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of MANWAD for the year ended December 31, 2022. 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, 2022 for the following reasons:

- a. Missing Property, Plant, and Equipment-Machinery amounting to ₱333,500.00 for over three years now.
- b. The Semi-Expendable properties amounting to ₱1,492,830.28 already issued to end-users were recorded under Inventory Accounts.
- c. Misclassification of various accounts and the unreconciled guaranty deposits with the Guaranty Deposits Payable in the total amount of ₱8,139,567.73.

F. Summary of Significant Observations and Recommendations

Management was able to increase its revenue from waterworks system fees from ₱51,510,436.16 to ₱55,049,983.31, net of discounts, an increase of ₱3,539,547.15 or 6.9% of last year's income. It's net income from operations, however, decreased by ₱5,533,887.64 or 41.25% of last year's net income of ₱13,414,827.65.

Also, the Management was able to fully pay its loan obligations with the Local Water Utilities Administration (LWUA) in the amount of ₱4,306,144.53 during the year.

The following are the other significant observations and recommendations that affected the performance and operations of MANWAD. 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 regularity and validity of the payment of Night Shift Differential Pay to the personnel of the District amounting to ₱110,937.93 could not be determined due to the inaccuracies of the supporting documents as well as the computation of claims, thereby, may result to the improper use of government funds.

We recommended that the General Manager strictly adhere to the guidelines in granting the 20% night-shift differential pay to employees whose regular working hours are covered under the guidelines wherein actual hour of work performed should be based on the hourly basic salary of an employee. We further recommended that the General Manager direct the Division Manager of the Production Division to determine the nature of the services to be performed by employees who are required to work from 6:00 o'clock in the evening to 6:00 o'clock in the morning.

2. The procurement of various supplies and materials and the implementation of programs and activities in the development and maintenance of the water system facilities of the District, under Capital Outlay, in the total amount of ₱21,636,934.68 were undertaken based only on the projects listed in the improvised Annual Procurement Plan (APP) form. Further, no Project Procurement Management Plans (PPMP) were prepared and submitted by the different end-users to support the APP, thus, a piecemeal procurement was resorted to. In effect, the optimized use of the financial resources of the District was not achieved.

We recommended that Management require and oblige the heads of the different sections to prepare their respective PPMP as reference and guide by the BAC in the preparation of the APP using the prescribed GPPB form, including the approved changes thereto, that must be consistent with the duly approved budget of the Procuring Entity.

We also recommend that Management oblige the BAC to comply with the preparation and submission of the PMR by following the specific guidelines and the prescribed format of the GPPB. These procurement reports must be duly approved and signed by the head of the PE or his/her duly designated second- ranking official.

3. The NRW of the District of 21.32% was beyond the maximum acceptable level rate of 20% prescribed by LWUA, thus, resulting in a production loss equivalent to ₱124,775.03 based on the 1.32% excess of the acceptable level. Further, the District could have earned additional potential revenue of ₱766,773.92 had the District complied with the prescribed acceptable level rate prescribed by LWUA.

We recommended that Management direct the personnel of the Production and Water Quality Division to conduct a periodic inspection of water meters and pipelines to detect leakages and to undertake massive rehabilitation of transmission or distribution lines.

Further, we recommended that Management conduct a periodic calibration or replacement of the water meters being used by customers to enhance its operational efficiency to address or minimize the NRW to the allowable level of 20%.

The audit team had discussed the observations and recommendations with the Management and that comments were incorporated in the report where appropriate. The exit conference was conducted on March 8, 2023.

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

Of the 25 prior year's audit recommendations, 16 were implemented and nine were not implemented, thus, were reiterated in Part II of this report.

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

As of December 31, 2022, the District has unsettled disallowances amounting to ₱5,656,555.04 and no outstanding suspensions and charges as shown in detail below:

Nature of Transaction	Balance January 1, 2022 (₱)	Issuance during the Year (₱)	Settlement during the Year (₱)	Balance December 31, 2022 (₱)
Beginning Balance	6,349,121.19			
Disallowance on the Payment of Meals to Employees under Notice of Disallowance Nos. 2022-01 to 06, all dated January 21, 2022		14,850.00		
Refunds thru payroll deduction			602,983.53	
Refunds not yet reported to COA			104,432.62	
Total	6,349,121.19	14,850.00	707,416.15	5,656,555.04

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	26
III	STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS	51

PART I

AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Manaoag Water District which comprise the statement of financial position as at December 31, 2022, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Manaoag Water District as at December 31, 2022, and its financial performance, its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified 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, 2022 for the following reasons:

- a. The Property, Plant, and Equipment-Machinery amounting to ₱333,500.00 remained not located for over three years now.
- b. The Semi-Expendable properties amounting to ₱1,492,830.28 already issued to end-users were recorded under Inventory Accounts.
- c. Various Accounts amounting to ₱7,829,676.37 were misclassified.
- d. Guaranty Deposits and the Guaranty Deposits Payable were not reconciled by ₱309,891.36.

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.

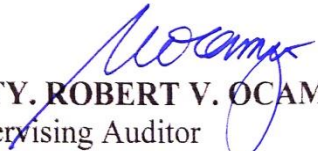
Those charged with governance are responsible for overseeing the Manaoag Water District financial reporting process.

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.
Supervising Auditor

March 15, 2023




**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, 2022, 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

February 14, 2023
Date Signed


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

February 14, 2023
Date Signed


FLORDELIZA N. TEJANO
General Manager C

February 14, 2023
Date Signed

NOTES TO FINANCIAL STATEMENTS

1. Agency Profile

MANWAD, 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 53 composed of 37 permanent employees, 15 casual, and one Job Order personnel.

As of December 31, 2022, the District has active water service connections of 7,981 from last year's 7,668, or an increase of 313 connections spread all over the 23 barangays of the Municipality of Manaoag, two barangays in the Municipality of Pozorrubio and two barangays 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.

3.3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits and investments with an original maturity of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value. For the

purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4. Inventories

Inventory is measured at cost upon initial recognition and 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 separately as materials held for consumption for operation and merchandise inventory which were sold 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 on PPE for tangible items below the threshold of ₱50,000.00 are applied retrospectively.

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.

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 officers for remittance to the Cashier as of December 31, 2022.

Account	2022	2021
Cash - Collecting Officers	118,212.22	25,045.70

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	2022	2021
Petty Cash	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	2022	2021
Cash in Bank – LCA, CA	39,426,208.09	67,848,309.59

Total Cash and Other Cash Equivalents	39,564,420.31	67,873,355.29
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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	2022	2021
Sinking Fund	2,143,259.58	2,142,390.60

6. Receivables

a. Accounts Receivable

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

Account	2022	2021
Accounts Receivable	3,271,037.61	3,516,406.08

b. Allowance for Impairment - Accounts Receivable

The District's Allowance for Impairment on Accounts Receivable computed for the year 2022 was in accordance with BOD Resolution No. 58 s. 2020.

Account	2022	2021
Allowance for Impairment - AR	(102,119.37)	(158,266.22)

c. Receivable - Disallowances/Charges

This account is used to recognize the amount of disallowances in audit due from Manaoag Water District employees which have become final and executory.

Account	2022	2021
Receivable - Disallowances/ Charges	5,656,555.04	6,349,121.19

d. Due from Officers and Employees

Represent the amount of the personal telephone bills and other dues from officers and employees.

Account	2022	2021
Unrecovered Deposits from Kaunlaran Bank	556,779.92	556,779.92
Personal Telephone Bills	32,839.29	46,385.98
Total Due from Officers and Employees	589,619.21	603,165.90

e. Other Receivables

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

Account	2022	2021
Unremitted collection of Danny Saplan (CY 2005)	40,541.96	40,541.96
Unliquidated Cash Advances by Engr. Renato J. Espejo, Jr. (CY 2007)	242,695.04	242,695.04
Materials billed to Customers	62,438.32	103,738.61
Total Other Receivables	345,675.32	386,975.61
Total Receivables	9,760,767.81	10,697,402.56

7. Inventory

a. Office Supplies Inventory

This represents the cost of office supplies in the custody of the Property Custodian.

Account	2022	2021
Office Supplies Inventory	381,694.08	438,458.25

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	2022	2021
Inventory Held for Consumption - Construction materials inventory	3,775,918.02	2,388,181.20
Merchandise Inventory	529,720.94	1,394,686.74
Semi-Expendable-Other Machinery & Equipment	1,113,219.38	649,258.13
Semi-Expendable-Furniture and Fixtures	379,610.80	243,964.30
Total Supplies & Materials Inventory/Semi-Expendable Equipment	5,798,469.14	4,676,090.37

Total Inventory	6,180,163.22	5,114,548.62
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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	2022	2021
Land		
Aquino St. Poblacion	2,505,810.00	2,505,810.00
Pugaro	925,000.00	925,000.00
Leleman	570,500.00	570,500.00
Other Land Improvements	3,816,457.67	3,136,015.68
Buildings	8,740,790.37	7,546,792.37
Office Equipment	1,005,062.00	1,304,733.83
Information and Communications Technology Equipment	3,930,342.50	4,709,086.00
Communication Equipment	899,841.74	1,047,547.70
Sports Equipment	-	49,500.00
Motor Vehicles	2,647,869.00	2,777,649.00
Machinery	13,388,818.92	11,309,185.92

Account	2022	2021
Other Machinery and Equipment	65,000.00	371,784.50
Furniture and Fixtures	136,973.17	219,972.10
Power Supply System	1,925,297.18	1,730,192.28
Plant – Utility Plant in Services (UPIS)	15,364,094.01	15,742,625.78
Water Supply Systems	64,620,016.99	46,652,464.38
Water Plant, Structures and Improvement	17,296,101.25	11,612,994.66
Other Infrastructure Assets	198,579.40	146,380.76
Construction in Progress - Infrastructure Assets	4,893,126.70	-
Sub-total	142,929,680.90	112,358,234.96
Less: Total Accumulated Depreciation	33,244,082.20	33,191,439.91
Property, Plant and Equipment, net	109,685,598.70	79,166,795.05

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.

b. Prepayments

This consists of the following:

Particulars	2022	2021
Prepaid Rent	180,750.00	-
Deposit to DECORP for PS	393,525.94	102,025.94
Excavation Permit for San Ramon/Mermer	17,038.00	-
Mobilization - Construction of Reservoir	1,128,062.83	-
BIP Steadfast Ground, Inc.-Soil Testing	.	64,960.00
Clothing/Uniform allowance (2023)	100,825.00	38,610.00
Total Prepayments	1,820,201.77	205,595.94

c. Guaranty Deposits and Restricted Funds

Deposit in bank where withdrawal is restricted which are reserved for the customers deposit payable account.

Account	2022	2021
Guaranty Deposits	5,872,524.09	5,490,412.23

d. Other Assets

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

Account	2022	2021
Materials and equipment	274,845.20	274,845.20
Total Other Assets	7,967,571.06	5,970,853.37

10. Financial Liabilities

a. Accounts Payable

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

Account	2022	2021
Accounts Payable	1,502,214.53	468,081.18

11. Inter-Agency Payables

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

Particulars	2022	2021
Due to BIR	476,292.48	103,233.36
Due to GSIS	466,734.26	377,600.65
Due to PagIBIG	93,386.62	57,910.78
Due to PhilHealth	52,392.28	27,509.13
Other payables	8,000.00	34,888.00
Total Inter-Agency Payables	1,096,805.64	601,141.92

12. Financial Liabilities

Loans payable-Domestic

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

Particulars	2022	2021
3-584-R	-	296,390.46
4-2108-A	-	4,009,754.07
Total Loans Payable	-	4,306,144.53

13. Trust Liabilities

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	2022	2021
Guaranty/ Security Deposits Payable	6,182,415.45	5,758,622.25

14. Deferred Credits

This account is used to recognize the cost of paid and uninstalled construction materials available for release to customers.

Account	2022	2021
Deferred Credits	32,465.34	23,133.29

15. Government Equity

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

Account	2022	2021
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	2022	2021
Balance at beginning of period	159,641,580.07	142,387,608.87
Prior period adjustment	(1,201,282.61)	3,839,143.55
Net Income/loss for the period	7,880,940.01	13,414,827.65
Balance at end of period	166,321,237.47	159,641,580.07

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	2022	2021
Waterworks System Fees (Gross)	55,179,578.05	51,565,719.70
Adjustments	(42,560.99)	30,866.16
Total Waterworks System Fees, net	55,137,017.06	51,596,585.86

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	2022	2021
Fines and Penalties – Service Income	2,112,745.95	1,979,516.48

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	2022	2021
Other Business Income	153,300.00	139,700.00
Interest Income	26,927.23	29,796.23
Total Other Business Income	180,227.23	169,496.23

Total Business Income	57,429,990.24	53,745,598.57
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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	2022	2021
Miscellaneous Income	263,548.55	251,244.80

Total Revenue/ Income	57,693,538.79	53,996,843.37
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Expenses

19. Personnel Services

a. Salaries and Wages

Accounts	2022	2021
Salaries, Wages-Regular	12,238,123.62	9,394,642.27
Salaries, Wages-Casual/Contractual	3,027,001.60	2,771,540.56
Total Salaries and Wages	15,265,125.22	12,166,182.83

b. Other Compensation

Personnel Economic Relief Allowance (PERA)	1,179,727.29	1,067,000.00
Representation Allowance (RA)	282,000.00	284,125.00
Transportation Allowance (TA)	282,000.00	284,125.00
Clothing Allowance	306,000.00	246,000.00
Honoraria	428,400.00	421,200.00
Year-End Bonus	1,275,775.00	1,000,522.10
Other Bonuses & Allowances	4,153,490.00	3,120,589.00
Total Other Compensation	7,907,392.29	6,423,561.10

c. Personnel Benefit contributions

Retirement Life and Insurance Contribution	1,824,035.99	1,477,090.19
Pag-Ibig Contribution	58,900.00	53,400.00
PhilHealth Insurance	300,736.98	171,867.19
Total Personnel Benefit contributions	2,183,672.97	1,702,357.38

d. Other Personnel Benefits

Other Personnel Benefits	615,570.90	716,478.62
Terminal Leave Benefits	40,665.12	400,771.46
Total Other Personnel Benefits	656,236.02	1,117,250.08

Total Personnel Services	26,012,426.50	21,409,351.39
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20. Maintenance and Other Operating Expenses

a. Maintenance and Other Operating Expenses

Accounts	2022	2021
Travelling Expense - Local	770,193.25	147,300.00
Training Expense	267,207.35	67,800.00
Office Supplies	635,667.48	574,197.19
Fuel, Oil and Lubricants	647,021.47	323,868.31
Semi-Expendable Furniture and Fixtures	29,255.28	2,145.00
Semi-Expendable Other Machinery & Equipment	77,695.05	40,987.00
Office supplies & Other Materials	346,300.00	230,400.00
Electricity	9,242,356.01	6,196,828.42
Postage and Deliveries	10,712.50	12,519.50
Telephone Expense	333,946.86	273,797.72
Internet Subscription Expense	119,240.00	114,240.00
Legal Services	62,950.00	60,100.00
Security Services	495,000.00	495,000.00
Repair & Maintenance-Infrastructure Assets	1,590,410.15	1,926,370.25
Repair & Maintenance-Buildings & Structures	75,480.50	4,030.00
Repair & Maintenance-Transportation Equipment	151,945.35	114,868.31
Repair & Maintenance-Machinery & Equipment	408,510.70	228,290.00
Repair & Maintenance-Furniture & Fixtures	23,482.00	-
Total Maintenance and Operating Expenses	15,287,373.95	10,812,741.70

b. Other Maintenance and Operating Expenses

Advertising, Promotion & Marketing Expense	5,000.00	-
Taxes, Duties & Licenses	1,195,317.99	1,086,149.30
Insurance Expense	236,535.97	268,987.14
Representation Expense	2,066,696.11	1,619,236.32

Rent/Lease Expense	94,743.72	58,593.72
Generation, Transmission and Distribution Expenses	5,050.00	14,320.00
Extraordinary and Miscellaneous Expenses	116,392.92	22,000.00
Membership Dues & Cont. To Organization	-	7,380.00
Donations	15,100.00	20,040.00
Other Maintenance & Operating Expenses	836,906.76	1,328,858.44
Total Other Maintenance and Other Operating Expenses	4,571,743.47	4,425,564.92

Total Maintenance and Other Operating Expenses	19,859,117.42	15,238,306.62
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21. Non-Cash Expenses

Accounts	2022	2021
Depreciation Expense –Land Improvements	94,080.48	94,080.48
Depreciation Expense – Buildings & Structures	272,106.97	227,066.26
Depreciation Expense – Transportation Equipment	272,629.47	281,522.93
Depreciation Expense - Furniture & Fixtures	23,566.62	7,604.16
Depreciation Expense - Other Property, Plant and Equipment	3,103,616.57	2,819,460.18
Total Non-Cash Expenses	3,766,000.11	3,429,734.01

22. Financial Expenses

Accounts	2022	2021
Bank Charges	2,300.00	1,150.00
Interest Expense	85,721.00	417,324.00
Total Financial Expenses	88,021.00	418,474.00

Total Operating Expenses	49,725,565.03	40,495,866.02
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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	2022	2021
Other Discounts	87,033.75	86,149.70

TOTAL EXPENSES	49,812,598.78	40,582,015.72
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24 Retained Earnings

Prior Period Adjustments

Particulars	Debit	Credit
Payment of Security Services, Feb. 16-29, 2020	19,593.75	
Overtime pay by the production Division, Nov-Dec., 2021	18,658.02	
Soil Testing	64,960.00	
Write-Off of Dormant Accounts (Decision No. 2021-157 to 174; 176-180;2022-366 to 375	101,020.42	
Receivables-Disallowances/Charges		14,850.00
Cost of Issued Semi-Expendable properties used in operations as of July, 2022.	1,188,371.17	
Audit Fee, CY 2021 (Bureau of Treasury)	184,900.69	
Audit Fee, CY 2021 (COA RO 1)	30,245.03	
Disposed Properties still in the books	207,300.00	
Correcting Journal Entries #22-10-1141/ 1140		372,924.15
Cost of repair and maintenance, Dec., 2022	262,168.45	
Adjusting entry on the Other PPE that was recorded twice		432,013.92
Reversal of the allowance for Impairment Receivables, CY 2022		56,146.85
Total	2,077,217.53	875,934.92
Net Adjustment	1,201,282.61	

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Misclassification of Semi-Expendable Properties to Inventory Accounts

1. Semi-Expendable Properties reclassified from the Property, Plant and Equipment (PPE) Accounts pursuant to Section 23 of the General Provisions of Republic Act No. (RA) No. 11639 that were already issued to end-users in the total amount of ₱1,492,830.18, were recorded under the Inventory Accounts instead of adjusting the carrying amount to the expense accounts charged against the Retained Earnings contrary to COA Circular No. 2022-004 dated May 31, 2022, thereby overstating the Inventory Accounts and understating the Retained Earnings with the same amount.

1.1 Section 23 of the General Provisions of RA No. 11639 of the FY 2022 GAA provides that, “Tangible items below ₱50,000.00 shall be accounted as semi-expendable property. The increase in the capitalization threshold was envisioned to lead to a more efficient utilization of funds in the procurement of goods.”

1.2 Sections 4.3 and 4.4 of COA Circular No. 2022-004 dated May 31, 2022, on the Implementing Guidelines of the above provisions states that:

4.3 For issued tangible items acquired prior to CY 2022 with amounts from ₱15,000.00 to below ₱50,000.00 previously classified as PPE:

- a. The carrying amount shall be expensed/charged to the following accounts, as applicable;
 - i. Accumulated Surplus/(Deficit) for NGAs and GCs classified as Non-Commercial Public Sector Entities;
 - ii. Retained Earnings/(Deficit) for GCs classified as Commercial Public Sector Entities; or
 - iii. Prior Period Adjustment and Government Equity for LGUs.

4.4 For tangible items acquired prior to CY 2022 with amounts from ₱15,000.00 to below ₱50,000.00 previously classified as PPE which are still in the custody of the Supply and/or Property Division/Unit:

- a. These items shall be reclassified to the appropriate semi-expendable property account.

1.3 Review of the Financial Statements and the Schedule of the Semi-Expendable Properties as of December 31, 2022, showed that the semi-expendable properties

previously classified as PPE, whose amounts are below the capitalization threshold of ₱50,000.00 with a total carrying amount of ₱1,492,830.18, were recorded as Inventory Accounts summarized as follows:

Particulars	Carrying Amount (₱)
Semi-Expendable Furniture and Fixtures	379,610.80
Semi-Expendable Other Machinery & Equipment	
a. Information and Communications	
Technology Equipment - 333,653.00	
b. Office Equipment - 175,916.45	
c. Other Machinery & Equipment - 603,649.93	1,113,219.38
Total Semi-Expendable Properties recorded in the Inventory Account	1,492,830.18

- 1.4 In an inquiry with the Storekeeper B of the District, it was noted that the subject semi-expendable items were already issued to the end-users, thus, their carrying amount must be adjusted to expense accounts charged against the Retained Earnings by following Section 4.3.a(ii) of the same COA Circular on the accounting of semi-expendable properties.
- 1.5 Further review and verification of documents disclosed that there were already Journal Entry Vouchers (JEVs) issued in July and October 2022 for PPEs acquired in prior years (CY 1990s) with amounts from ₱15,000.00 to below ₱50,000.00 charged against Retained Earnings in the total amount of ₱3,954,693.34. Those that are still in the inventory accounts are PPEs acquired in CYs 2017 to 2022.
- 1.6 **We recommended that Management direct the Division Manager of the Finance and Commercial Divisions to make the necessary adjusting entries in order to properly charge the Semi-Expendable Properties already issued amounting to ₱1,492,830.18 to Retained Earnings Account and to derecognize the accounts accordingly from the Inventory Accounts.**
- 1.7 **We further recommended that Management direct the Division Manager of the Finance and Commercial Divisions and the Property Officer (PO) to properly account and monitor succeeding procurement/ acquisition of semi-expendable properties.**
- 1.8 The Management assured the audit team to comply with the audit recommendations.

Missing/Unlocated Property after several years

2. The missing or unlocated One Set Submersible Deep-well Pump with a carrying cost of ₱333,500.00 is included in the PPP-Machinery account in the total amount of ₱6,961,500.08, thus, rendering PPE accounts of the District overstated contrary to Section 1 of the Philippine Accounting Standards (PAS) and Section 73.a of the Government Accounting Manual, Volume I.

2.1 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.”

2.2 Section 73.a of the Government Accounting Manual, Volume I also states that:

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

2.3 This is a reiteration of our previous reports wherein of the total amount of ₱1,292,689.77 only ₱959,189.77 was verified and validated. The one set of submersible deep-well pump costing ₱333,500.00 remained not located.

2.4 The missing property is under the accountability of the former Property Officer (PO) who was transferred to the production division of the District. Section 105 of 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.

2.5 We recommended that Management require the former PO to settle the carrying cost of the property considering that a number of years had lapsed and the same remained not located despite the efforts undertaken by the former accountable officer.

2.6 We recommended further that the Division Manager of the Finance and Commercial Division to determine the net carrying amount of the missing property and record the same as Other Receivables – Due from Officers and Employees. Thereafter, submit the Official Receipt (OR) to the Audit Team upon receipt of payment for validation.

2.7 The former PO informed the audit team that the property was brought to a repair shop by the LWUA officer. Since then, the property was not returned to the District. He further asked if a replacement of similar item is possible.

Rejoinder:

2.8 The Audit Team together with the Supervising Auditor denied the request of replacing the item and maintained that the PO should pay the net carrying amount of the property.

Misclassified Accounts

3. Various accounts in the Financial Statements of the District amounting to **₱7,829,676.37** were not properly classified contrary to Philippine Accounting Standard (PAS) No. 1 and COA Circular No. 2020-002, dated January 28, 2020 on the Revised Chart of Accounts (RCA) for Government Corporations (GC), thus, affecting the fair presentation of the FS of the District.

Further, the guaranty deposits and the guaranty deposits payable showed a difference of **₱309,891.36**, thereby, the Other Asset and the Trust Liabilities accounts were not fairly presented in the books of the District.

3.1 PAS No. 1 states that “the Financial Statements must present fairly the financial position, financial performance and cash flows of an entity. Faithful representation seeks to maximize the underlying characteristics of completeness, neutrality and freedom from error.”

3.2 Review and analysis of the FS of the District showed that various accounts were not properly classified contrary to the RCA for GC. Details of the misclassified accounts and the particular account description as well as the suggested accounts to be used as defined under COA Circular No. 2020-002 are summarized as follows:

Account Used	Transaction	Amount (₱)	Recommended Accounts
Guaranty Deposits Payable			Customer’s Deposit Payable
This account is credited to recognize the incurrence of	Consumers’ deposits upon	6,182,415.45	This account is credited to recognize the receipt of cash deposits from customers for

Account Used	Transaction	Amount (₱)	Recommended Accounts
liability arising from the receipt/withholding of cash or cash equivalents to guaranty (a) that the winning bidder shall enter into contract with the procuring entity; (b) performance by the contractor of the terms of the contract; and (c) that the contractor shall correct all discovered defects and clear/settle all third party liabilities.	application of water service connection as guarantee for payment of water bills.		goods/services to be delivered and property to be leased.
<p>Other Assets</p> <p>This account is debited to recognize assets not falling under any of the specific asset accounts.</p>	The amount represents the costs of unserviceable properties	274,845.20	<p>Other Property, Plant and Equipment or specific identified PPE accounts</p> <p>This account is debited to recognize the cost of acquisition or fair value, if acquired through donation or transfers without cost, of other property, plant and equipment not falling under any of the specific Property, Plant and Equipment account.</p>
<p>Other Bonuses and Allowances</p> <p>This account is debited to recognize other authorized bonuses and allowances granted to government officials/employees not falling under any of the specific other compensation accounts.</p>	Payment of Mid-Year Bonus of employees	1,139,990.00	<p>Mid-Year Bonus</p> <p>This account is debited to recognize the amount of mid-year bonus granted annually to government officials and employees as authorized by law.</p>

Account Used	Transaction	Amount (₱)	Recommended Accounts
Other Maintenance and Operating Expenses This account is debited to recognize other operating expenses not falling under any of the specific maintenance and other operating expense accounts.	Payment of 20% as additional per diem to the Chairman of the Board of Directors.	17,280.00	Director's and Committee Members Fees. This account is debited to recognize the per diems and allowances paid to the Board of Directors and Committee members.
Retained Earnings This account represents the cumulative results of normal and continuous operations of a GBE including prior period effects of changes in accounting policy and errors and other capital adjustments.	Payment of audit fees for CY 2021 made during the current year.	215,145.72	Audit Fees This account is debited to recognize the cost of operating expenses provided by auditees for auditing services rendered by the Commission on Audit.
Total of the Misclassified Accounts		7,829,676.37	
Other Discrepancy			
Guaranty Deposits Payable The Guaranty Deposits Payable of ₱6,182,415.45 is not reconciled with the Guaranty Deposits of ₱5,872,524.09 or a discrepancy of ₱309,891.36.		309,891.36	Fund transfers from the general fund were made to the guaranty deposits account to cover the trust liability to the active and inactive consumers of ₱5,808,039.85 and ₱374,375.60, respectively, or a total of ₱6,182,415.45. The fund transferred, however, is not sufficient to reconcile the liability account.
Total Other Discrepancy		309,891.36	
Total Discrepancies		8,139,567.73	

3.3 We recommended that Management require the Division Manager of the Finance and Commercial Division reclassify and prepare the necessary adjusting entries using Journal entry Voucher (JEV) to correct the misclassified accounts in accordance with the RCA for GC.

- 3.4 **We recommended further that Management require the Division Manager of the Finance and Commercial Division to review and analyze the individual subsidiary ledger of consumers who have deposits and determine the correct and actual liability, particularly from the deposits of inactive concessionaires.**
- 3.5 The Division Manager assured the audit team to correct the misclassified accounts to their proper RCA accounts. It was also clarified that the non-reconciliation of the guaranty deposits with the guaranty deposits payable was due to the delayed transfer of fund from the General Fund to the Guaranty Fund Deposit account that was made only in June, 2022 instead of transferring the fund monthly, thus, the discrepancy.
- 3.6 The team was notified, however, that the practice of accumulating the fund was already stopped and will observe the strict and regular transfer of fund in CY 2023.

Irregular Payment of Night Shift Differential Pay

- 4. The regularity and validity of the payment of Night Shift Differential Pay to the personnel of the District amounting to ₱110,937.93 could not be determined due to the inaccuracies of the supporting documents as well as the computation of claims, thereby, may result to improper use of government funds contrary to the fundamental principles governing financial transactions of a government agency as provided under Section 4 of Presidential Decree (PD) No. 1445 and Department of Budget and Management (DBM) Budget Circular (DBM) No. 8, series of 1995, in relation to Republic Act (RA) No. 11701.**

- 4.1 Section 4 of PD No. 1445 provides the fundamental principles governing financial transactions which states that:
 1. No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.
 2. Government funds or property shall be spent or used solely for public purposes.
 3. Trust Funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.
 4. Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.
 5. Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.
 6. Claims against government funds shall be supported with complete documentation.

7. All laws and regulations applicable to financial transactions shall be faithfully adhered to.
8. Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.

4.2 While Section 5 of DBM BC No. 8, series of 1995, in relation to RA No. 11701, an Act granting night-shift differential pay to government employees, prescribes the guidelines and procedures for the grant of the pay as follows:

5.1 Night-shift differential pay may be granted to government personnel at a rate not exceeding 20% of the hourly basic rate of the employee.

5.2 When the schedule of working hours fall partly within 6:00 PM to 6:00 AM, the night shift differential pay shall be paid only for the hours within 6:00 PM to 6:00 AM of the following day.

5.3 When an employee working in a regular night shift falling within the 6:00 PM to 6:00 AM period renders services in excess of the regular 8-hour night shift, the excess hours shall be compensated in accordance with the rules and regulations on overtime compensation.

5.4 To qualify for the night-shift differential pay, the official working hours shall be prescribed by the head of office taking into consideration the nature of the services of the Office concerned and the necessity for an official shift outside the ordinary working hours prescribed by the Civil Service Commission, provided that such official working hours is observed for a period of at least 10 working days.

5.5 Payment of night-shift differential pay may be authorized by the head of Office without the need of prior approval from the DBM.

4.3 During the year, the District paid the total amount of ₱110,937.93 as night shift differential pay to the six personnel assigned at the production division doing the regular flushing of blow-offs. This is done at night time only to avoid water disruption and the maintenance on the flow of water and other related activities thus, requires a 24-hour operation of the District. Details of the payments are shown on the next page:

Date	DV No.	Check No.	Particulars	Amount (₱)
April 08, 2022	24557	56425	Payment of night differential (Production Division Personnel) (January-March, 2022)	29,116.03
April 12, 2022	24567	56435	Payment of night differential (Production-regular flushing, February-March, 2022)	6,885.64
July 07, 2022	24742	65110	Payment of night differential (Production Division Personnel) (April-June, 2022)	37,173.48
October 06, 2022	24961	70033	Payment of night differential (Production Division Personnel) (July-September, 2022)	37,762.78
Total				110,937.93

4.4 Review of documents includes the comparison of data from the monthly schedule of operators; the summary of the inclusive hours of night-shift duty; and, the daily time records (DTR) of employees. Among the six employees that claimed the night-shift pay, only two personnel were reviewed due to the tedious tracing of the hours' worked from the said documents. The schedules assigned to each employee are from 6:00 am to 2:00 pm, 2:00 pm to 10:00 pm, and 10:00 pm to 6:00 am of the following day. These schedules, however, were sometimes not strictly followed in the following instances:

- a) An employee reported working either ahead or after the assigned inclusive hours of duty.
- b) Reported to work not on his scheduled time.
- c) No documents showing duly approved changes of schedule of personnel.
- d) Two personnel, in some instances, reported at the same time without indicating the number of hours each is required.
- e) Employee did not report to work as per schedule.

4.5 Further review of documents revealed that entries on the DTRs were not properly filled out on the times of arrival and departure particularly those who left the office on the following day. This document is vital in reflecting the hours of work of an employee, the time of arrival/time-in and departure/time-out from work station/office, hence, should be carefully and correctly documented. Despite the discrepancies, however, the District paid the night shift pay to its

personnel contrary to the fundamental principles governing financial transactions of a government agency.

- 4.6 Moreover, the computation of 20% of the hourly basic rate of the employee provided under the guidelines for government workers was not correctly applied by the District. The computation was based on the total number of hours of work covered by the night-shift instead of computing based on the 20% of the hourly basic rate of an employee.
- 4.7 **We recommended that the General Manager strictly adhere to the guidelines in granting the 20% night-shift differential pay to employees whose regular working hours are covered under the guidelines wherein actual hour of work performed should be based on the hourly basic salary of an employee.**
- 4.8 **We further recommended that the General Manager direct the Division Manager of the Production Division to determine the nature of the services to be performed by employees who are required to work from 6:00 o'clock in the evening to 6:00 o'clock in the morning.**
- 4.9 **Finally, we recommended that the General Manager instruct the Division Managers of the Administrative and Finance Divisions to strictly monitor the personnel assigned on night shift duty to avoid unnecessary claims of government funds. Likewise, any changes of schedule should be with the prior approval of the head of Office.**
- 4.10 The Division Manager of the Administrative Division admitted that there were problems encountered in the computation of night shift differential of employees. However, the audit team was informed that effective February 2023, any changes of schedule of the night shift personnel are already monitored and with prior approval by the head of office.

B. COMPLIANCE AUDIT

No Annual Procurement Plan for the MOOE and no PPMP in all procured properties

5. **The procurement of various supplies and materials and the implementation of programs and activities in the development and maintenance of the water system facilities of the District, under Capital Outlay, in the total amount of ₱21,636,934.68 were undertaken based only on the projects listed in the improvised Annual Procurement Plan (APP) form contrary to Sections 7.2 and 7.3.2, Rule II of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, hence, procurement activities may not have been effectively and efficiently implemented.**

Further, no Project Procurement Management Plans (PPMP) were prepared and submitted by the different end-users to support the APP, thus, a piecemeal procurement was resorted to. In effect, the optimized use of the financial resources of the District was not achieved.

5.1 Section 7.2, Rule II of the 2016 Revised IRR of RA No. 9184 provides that, “No procurement shall be undertaken unless it is in accordance with the approved APP, including approved changes thereto. The APP must be consistent with the duly approved yearly budget of the Procuring Entity and shall bear the approval of the HoPE or second-ranking official designated by the HoPE to act on his behalf.”

5.2 Also, Section 7.3.2 of the 2016 Revised IRR provides that, “In the preparation of the indicative APP, the end-user or implementing units of the Procuring Entity (PE) shall formulate their respective Project Procurement Management Plans (PPMPs) for their different programs, activities, and projects (PAPs). The PPMP shall include the following:

- a. Information on whether PAPs will be contracted out, implemented by administration in accordance with the guidelines issued by the Government Procurement Policy Board (GPPB), or consigned;
- b. The type and objective of contract to be employed;
- c. The extent/size of contract scopes/packages;
- d. The procurement methods to be adopted, and indicating if the procurement tasks are to be outsourced;
- e. The time schedule for each procurement activity and for the contract implementation; and
- f. The estimated budget for the general components of the contract.

5.3 During the year, the District procured various construction and plumbing supplies and materials and implemented several programs and activities like repairs and maintenance of the water system facilities, drilling of new exploratory well, pipelaying, construction of reservoir and other improvements, development and maintenance of its water system facilities in the total amount of ₱21,636,934.68. A summary of procurements, however, disclosed several deficiencies as follows:

- a. The APP of the District was for the Capital Expenditures (CAPEX) only. No APP was prepared for the procurement of goods and services and other related procurements that the District implemented during the year.
- b. The APP format used in the CAPEX was not in accordance with the prescribed form of the Government Procurement Policy Board (GPPB). It contains only the particular items, quantity, unit cost and the amount, thus, not an effective guide for the management to decide what specific project or activity to implement in a particular period. The basic information like the

modes of procurement, the schedule for each procurement activity, such as, advertisement, submission/opening of bids, notice of award, contract signing and the estimated budget whether under the operating maintenance or under the capital outlay were not indicated.

- c. No detailed list of the construction materials and supplies was included in the CAPEX amounting to ₱6,331,800.00.
 - d. No PPMP was prepared to support the APP of CAPEX amounting to ₱56,650,900.00.
 - e. All other procurements of goods and services cannot be reconciled with the items listed in the APP for CAPEX.
- 5.4 Further review disclosed that procurement of construction supplies and materials and other materials like G.I. pipes, coupling, water meter and other fittings for the water system were procured on a piecemeal basis or as when the need arises resulting to voluminous documents as well as waste of resources due to repeated activities. These could have been avoided if the PPMP and the correct APP form were prepared in accordance with the guidelines under the Procurement Law.
- 5.5 The PPMP is a vital document which serves as a guide in the procurement process, as well as a reference in procurement monitoring. It also serves as an important tool in resources and financial management by allowing the Procuring Entity (PE) the flexibility to optimize the utilization of scarce resources.
- 5.6 Also, the APP is the document that consolidates the various PPMP submitted by the various end-user units. It reflects the entirety of the procurement activities that will be undertaken by the PE within the calendar year. Thus, the APP is not responsive to the programs, projects and activities of the District's end-users or implementing units.
- 5.7 Furthermore, the Bids and Awards Committee (BAC) did not prepare and comply with the required Procurement Monitoring Review (PMR) of the GPPB. Section 12.2 of the 2016 IRR of RA No. 9184, as amended, provides that:

The BAC shall be responsible for ensuring that the Procuring Entity abides by the standards and set forth by the Act and this IRR, and it shall prepare a PMR in the form prescribed by the GPPB. The PMR shall cover all procurement activities specified in the APP, whether ongoing and completed, from the holding of the pre-procurement conference to the issuance of notice of award and the approval of the contract, including the standard and actual time for each major procurement activity. The PMR shall be approved and submitted by the Head of the Procuring Entity (HOPE0 to the GPPB in electronic

format within 14 calendar days after the end of each semester in accordance with Executive Order No. 662, s. 2007, as amended.

- 5.8 **We recommended that Management require and oblige the heads of the different sections to prepare their respective PPMP as reference and guide by the BAC in the preparation of the APP using the prescribed GPPB form, including the approved changes thereto. It must be consistent with the duly approved budget of the Procuring Entity pursuant to the provisions of the 2016 Revised IRR of RA No. 9184 and the GPPB issuances. All procurement shall be based on the properly prepared PPMP and the APP approved by responsible officials of the District.**
- 5.9 **We also recommended that Management oblige the BAC to comply with the preparation and submission of the PMR by following the specific guidelines and the prescribed format of the GPPB. The procurement report must be duly approved and signed by the head of the PE or his/her duly designated second- ranking official.**
- 5.10 Management admitted the non-preparation of APP on MOOE and the PPMP for all procurements undertaken in CY 2022. The audit team was, however, informed that APP and PPMP for CY 2023 have already been prepared and ready for posting in the GPPB.

Extraordinary and Miscellaneous Expenses

6. The reimbursements of the Extraordinary and Miscellaneous Expenses (EME) of General Manager (GM) of the District authorized under Section 50 of Republic Act (RA) No. 11639, the General Appropriations Act (GAA) of Calendar Year 2022, were made on occasional bases resulting in the overlapping of claims, thus, the regularity and validity on the reimbursement of the EME remained doubtful contrary to COA Circular No. 2012-003, dated October 29, 2012.

6.1 Section 50 of RA No. 11639 states that:

Appropriations authorized in this Act may be used for the annual extraordinary expenses of the following officials with the following ranks and their equivalent, as may be determined by the DBM or by the GCG for GOCCs/GFls covered by R.A. No. 10149, not exceeding the amounts indicated:

- f. ₱26,400.00 for each head of a Bureau Regional Office or organization of equivalent rank including General Manager of Local Water District in Categories C and D”.

6.2 In addition, annual miscellaneous expenses not exceeding Ninety Thousand Pesos (₱90,000.00) for each of the offices under the above-named officials and their equivalent are authorized herein.

For the purpose of this Section, extraordinary and miscellaneous expenses include, but not be limited to, expenses incurred for:

- (a) Meetings, seminars and conferences;
- (b) Official entertainment;
- (c) Public relations;
- (d) Educational, athletic and cultural activities;
- (e) Contributions to civic or charitable institutions;
- (f) Membership in government associations;
- (g) Membership in national professional organizations duly accredited by the Professional Regulation Commission;
- (h) Membership in the Integrated Bar of the Philippines;
- (I) Subscription to professional technical journals and informative magazines, library books and materials;
- (j) Office equipment and supplies; and
- (k) Other similar expenses not supported by the regular budget allocation.

6.3 The District is under Category C, thus, the GM is entitled to an annual Extraordinary Expenses of ₱26,400.00 and Miscellaneous Expenses of ₱90,000.00 or a total annual EME of ₱116,400.00. The law provides an annual EME, so, to avoid difficulty in computing the ceiling of the reimbursable expenses would be to compute and allocate the expenses on a “monthly basis”, thereby the GM is allowed a monthly EME of ₱9,700.00. This procedure would allow management for an easy monitoring to avoid the overlapping in the reimbursement of expenses.

6.4 During the year, the GM claimed a total EME of ₱116,392.92, all for meal expenses, as shown under the following transactions:

No.	Date	Disbursement Voucher (DV) No.	Period Covered	Amount (₱)
1	04/01/2022	04-22-24539	January-March, 2022	16,942.81
2	06/06/2022	06-22-24672	April-June, 2022	36,532.83
3	09/7/2022	09/22-24893	May-September, 2022	23,250.16
4	11/14/2022	11-22-25051	May-November, 2022	33,562.12
5	12/29/2022	12-22-25152	November, 2022	6,105.00
Total				116,392.92

6.5 Gleaned from the table above, the reimbursement of EME was doubtful on their regularity and validity. It was noted that the reimbursements were overlapping

for the months of May and November 2022. Correspondingly, the amounts were irregular if the monthly allowable rate of ₱9,700.00 is strictly observed. Under COA Circular No. 2006-001, dated January 3, 2006, the guidelines prescribed on the disbursement of EME and other similar expenses in Government-Owned and Controlled Corporations/Government Financial Institutions and their subsidiaries states that “the payment of these expenditures shall be strictly on a non-commutable or reimbursement basis.” In addition, it was provided that rules and regulations are prescribed to “regulate the incurrence of the expenses and to ensure the prevention or disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable (IUEEU) expenditures or uses of government funds.”

- 6.6 Also, Section 2.1 of COA Circular No. 2012-003 states that “The COA adheres to the policy that government funds and property should be fully protected and conserved and that IUEEU expenditures or uses of such funds and property should be prevented.”
- 6.7 Further review revealed that all reimbursements pertain only to meal expenses contrary to the above guidelines. Moreover, no details were provided as to the specific purpose of whether the reimbursement of meals was incurred in the discharge of official duties and functions of General Manager.
- 6.8 **We recommended that the General Manager strictly adhere to the guidelines in the reimbursement of extraordinary and miscellaneous expenses in the discharge of official functions in the District. Likewise, the reimbursements of the EME should be on a regular basis and within the rates prescribed to avoid overlapping of claims.**
- 6.9 **We further recommended that the Division Manager of the Finance Division strictly monitor the regularity and validity of claims to prevent the irregular use of government funds.**
- 6.10 The Division Manager assured the audit team to make the reimbursements of the EME of the General Manager on a monthly basis for easy monitoring of the account.

PERFORMANCE AUDIT

Non-Revenue Water (NRW) Beyond the Acceptable level

7. **The NRW of the District of 21.32% was beyond the maximum acceptable level rate of 20% prescribed by LWUA under Memorandum Circular No. 004-10, dated February 23, 2010, thus, resulting in a production loss equivalent to ₱124,775.03 based on the 1.32% excess of the acceptable level. Further, the District could have earned additional potential revenue of ₱766,773.92 had the District complied with the prescribed acceptable level rate prescribed by LWUA.**

- 7.1 LWUA Memorandum Circular No. 004-10, dated February 23, 2010 on the Acceptable NRW Percentage provides the reduction of the maximum acceptable NRW from the existing 25% to 20%, which applies to all Water Districts.
- 7.2 A review of the Monthly Data Sheets (MDS) for the year 2022 disclosed that the NRW of the District was 21.32% or 1.32% beyond the allowable rate prescribed by LWUA as shown in detail below:

Month	Water Produced	Metered Billed	Metered Unbilled	Water Accounted	Water Unaccounted	NRW Rate
January	235,935.90	182,461.00	230.00	182,691.00	53,244.90	0.226
February	205,709.90	169,238.00	219.00	169,457.00	36,252.90	0.176
March	229,668.90	150,772.00	189.00	150,961.00	78,707.90	0.343
April	211,349.00	177,264.00	231.00	177,495.00	33,854.00	0.160
May	222,085.00	186,786.00	214.00	187,000.00	35,085.00	0.158
June	216,208.00	173,227.00	202.00	173,429.00	42,779.00	0.198
July	215,310.00	175,146.00	198.00	175,344.00	39,966.00	0.186
August	228,962.00	169,296.00	245.00	169,541.00	59,421.00	0.260
September	223,754.00	171,675.00	242.00	171,917.00	51,837.00	0.232
October	203,403.00	174,122.00	183.00	174,305.00	29,098.00	0.143
November	227,824.00	173,166.00	204.00	173,370.00	54,454.00	0.239
December	224,097.00	174,849.00	233.00	175,082.00	49,015.00	0.219
Total	2,644,306.70	2,078,002.00	2,590.00	2,080,592.00	563,714.70	0.2132

- 7.3 Moreover, of the total water production of 2,644,306.70 m³ during the year, the District incurred pumping production costs of ₱9,456,656.01 from the following related expenses:

Particulars	Amount (₱)
a) Pumping Cost (power consumption for 5 wells)	8,852,320.13
b) Energy cost for pumping	390,035.88
c) Chemicals (chlorine)	214,300.00
Total	9,456,656.01

or

$$\text{Cost per m}^3 = \frac{9,456,656.01}{2,644,306.70 \text{ m}^3} = \underline{\underline{₱3.58}}$$

7.4 Thus, the cost of production of the 1.32% excess of the allowable rate of 20% amounted to ₱124,775.03. This is considered as the production loss of the District computed as follows:

Total Unaccounted Water	-	563,714.70 m ³
Less: Allowable Rate (2,644,306.70 m ³ x 20%)	-	<u>528,861.34 m³</u>
Excess of the 20% allowable rate	-	34,853.36 m ³
Production cost per m ³	-	<u>3.58</u>
Actual production loss	-	<u>₱ 124,775.03</u>

7.5 In addition, the District could have earned additional potential revenue of ₱766,773.92 from water sales had it complied with the acceptable level rate of 20% by using the District's domestic minimum charge of ₱22.00 per cubic meter as follows:

Excess of the 20% Unaccounted Water	34,853.36 m ³
Domestic minimum water charge per cu.m	<u>22.00</u>
Additional Potential Revenue	<u>₱766,773.92</u>

7.6 **We recommended that Management direct the personnel of the Production and Water Quality Division to conduct a periodic inspection of water meters and pipelines to detect leakages and to undertake massive rehabilitation of transmission or distribution lines.**

7.7 **Further, we recommended that Management conduct a periodic calibration or replacement of the water meters being used by customers to enhance its operational efficiency to address or minimize the NRW to the allowable level of 20% pursuant to LWUA Memorandum Circular No. 004-10, dated February 23, 2010.**

7.8 The Division Manager of the Production Division informed the audit team that regular inspections of water meters were conducted, by zone, to easily determine the areas that need rehabilitation of pipelines, repairs and re-piping of water lines. With the procedures done, the NRW of 25.05% last year was already reduced to 21.32% for CY 2022.

7.9 The General Manager likewise assured the audit team that the District will continuously work to reduce the NRW to its acceptable level to comply with the LWUA guidelines.

D. OTHER AREAS

GENDER AND DEVELOPMENT

- 8. The District allocated a GAD budget of ₱46,891,252.62 or 40.54% of the total agency budget of ₱115,648,030.03 in compliance with Section 6.a of the Joint Circular (JC) No. 2012-01 of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA), and the Department of Budget and Management (DBM); and, Section 34, second paragraph, of the General Appropriations Act (GAA) of 2022 under Republic Act (RA) No. 11639, however, no timelines were set in the supply of water in terrain areas, hence, the plans and programs were not fully implemented during the year.**

Further, only ₱27,832,102.23 or 59.35% of the GAD budget was utilized in the implementation of its gender-related activities in addressing gender issues towards the realization of the objectives of the country's commitments provided under PCW Memorandum Circular (MC) No. 2015-03 dated May 19, 2015.

- 8.1 Section 6(a) of the JC No. 2012-01 of PCW, NEDA, and DBM provides that, "At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations".

- 8.2 Section 34, second paragraph of the 2022 GAA provides that:

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement.

- 8.3 The GAD Focal Point Person prepared the annual GPB for 2022 with an allocation of ₱46,891,252.62 or 40.54% of the agency budget of ₱115,648,030.03 drawn from the agency's Personal Services (PS), Maintenance and Other Operating Expenses (MOOE), and Capital Outlay (CO). The activities were focused on its client and organization's gender issues by adopting mainstreaming as a strategy to promote women's rights and eliminate gender discrimination in their structure. Details of the District's GPB and accomplishments are presented on the next page:

GAD Activity	GAD Budget (₱)	Amount Utilized (₱)	Variance	Output
Organization-Focused				
1. Send male and female employees to different GAD and work-related trainings, seminars and conventions.	100,000.00	198,537.20	(98,537.20)	Sent 96% of the employees to 22 different trainings.
2. a. Involvement in sportsfest and other sponsored sports activities. b. Installation of sports equipment facilities. c. Provides first aid medicines for employees.	80,000.00	51,745.00	28,255.00	Employees participated in four (4) different sports activities like bowling, badminton, table tennis and volleyball.
3. a. Team building b. Participation in PAWD (Pangasinan Association of Water Districts) and LGU yearly activities.	350,000.00	396,965.37	(46,965.37)	More than 90% of the employees participated in the team building activity and various LGUS activities.
Sub-total	530,000.00	647,247.57	(117,247.57)	
Client-Focused				
4. a. Install a gender and development corner in the conspicuous place in the District. b. Posting and uploading of	187,422.80	177,758.00	9,664.80	Renovation of concessionaire's waiting area at the MANWAD's Office.

<p>RA No. 9710 (Magna Carta for Women) as well as updates on GAD-related programs and activities on the agency website.</p> <p>c. Printing and distribution of flyers, and leaflets to the concessionaires containing information on RA No. 9710</p>				
<p>5. a. Observance of women's month.</p>	25,000.00	15,315.00	9,685.00	Implemented in the first quarter of the year.
<p>6. a. Observance of Philippine Civil Service Month. b. Reach out to communities through feeding programs, linis kapaligiran and tree planting.</p>	150,000.00	75,062.75	74,937.25	Implemented in the third quarter of the year.
<p>7. a. Anti-violence against Women and their Children Act of 2004 (Anti-VAWC Law, RA No. 9262).</p>	5,000.00	-	5,000.00	Implemented in the fourth quarter of the year.
<p>8. To provide adequate water</p>	45,993,829.82	26,916,718.91	19,077,110.91	Five Infrastructure

supply, particularly on the elevated terrain areas of Manaoag.				projects were implemented such as: <ul style="list-style-type: none"> • Well-drilling at Baritao; • Installation of distribution lines along Barangays San Ramon and Mermer. • Extension lines at San Ramon • On-going construction of water reservoir • Post Implementation of GAD survey.
Sub-total	46,361,252.62	27,184,854.66	19,176,397.96	
TOTAL	46,891,252.62	27,832,102.23	19,059,150.39	
Percentage of the total amount used against GAD Budget		59.35%		

8.4 Gleaned from the foregoing GAD activities, the focus was on client activities having a budget of ₱46,361,252.62 or 98.87% of the total GAD budget of ₱46,891,252.62.

8.5 Paragraph 1 of PCW MC No. 2015-03 provides that: “In the formulation of their GPBs, water districts shall prioritize the institutionalization of the essential elements for GAD planning and budgeting. These shall include (1) the creation and/or strengthening of the GFPS in accordance with PCW MC No. 2011-01, (2) the establishment of GAD database containing sex-disaggregated data and/or gender statistics, (3) capacity building on GAD and (4) conduct of gender audit.”

8.6 **We recommended that Management:**

- a. **Direct the GFPS implement the GAD activities in accordance with the Plans and Programs in compliance with PCW-NEDA-DBM Joint Circular No. 2012-01 and PCW MC No. 2015-03 dated May 19, 2015;**

- b. Provide timelines on the client-prioritized projects to fully address gender issues towards the realization of the District’s commitments to contribute to poverty alleviation, and economic empowerment especially of marginalized women; and,**
- c. Instruct the GFPS conduct a gender analysis by using tools such as gender further mainstreaming evaluation framework, harmonized gender and development guidelines and the analysis of sex-disaggregated data and other relevant information to arrive at a gender-related issues aligned with the agency’s mandate that will focus on client and organization gender-related issues.**

8.7 Management assured the audit team to comply with the recommendations of preparing timelines on various GAD activities.

8.8 The audit team was also informed that the non-completion of one infrastructure project, glass-fused reservoir, was due to the late delivery of materials from the supplier overseas.

DISASTER RISK AND REDUCTION MANAGEMENT (DRRM)

Non-preparation of DRRM

9. The District did not prepare and develop its DRRM Plans and Programs for the current year, contrary to Sections 40 and 41 of the General Provisions of the General Appropriations Act (GAA) of Fiscal Year (FY) 2022, thus exposing the agency’s resources to possible loss in case of disaster/ calamity.

9.1 Section 40 of the General Provisions of the GAA for FY 2022 provides the Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures in All Agencies Projects. That all agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.

9.2 Section 41 also provides the Climate Budget Tagging. It states that, “All national government agencies, SUCs and GOCCs shall tag their budgets for the climate change adaptation and mitigation in accordance with the DBM-CCC J.M.C. No. 2015-01 dated March 24, 2015, and LGUs shall tag their climate budget in their Annual Investment Plans pursuant to DBM-CCCDILG J.M.C. No. 2015-01 dated July 23, 2015. The results of the budget tagging shall guide the formulation of subsequent budgets to mainstream climate change adaptation and mitigation strategies in the national and local development process.

9.3 Inquiries with the District personnel revealed that no DRRM Plan was prepared for the current year. However, the General Manager informed the audit team that

personnel are immediately assigned in times of emergencies and or during calamities, just like in previous years.

9.4 This is a reiteration of prior year audit observation.

9.5 **We recommended that Management require the personnel at the Engineering Division prepare its DRRM Plans and Programs 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.**

9.6 The General Manager required the Division Manager of the Engineering Division to prepare the risk reduction program of the District and to submit the same to the audit team.

WATER SAFETY PLAN

Water Safety Plan Not Updated

10. The District has not prepared an updated 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 exposing risk to the health of the consumers.

10.1 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.

10.2 Upon inquiry and verification, the audit team noted that the District prepared a water safety plan sometime in 2018, however, it was not updated to comprise 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.

10.3 Further, 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.

10.4 This is a reiteration of prior year audit observation.

10.5 **We recommended that Management require the Division Manager of the Production Division (PD) update its Water Safety Plan 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.

10.6 We further recommended that Management direct the Engineering Division personnel to assess its water safety plan whether it was able to address the needs of the concessionaires for a safe water consumption.

10.7 The Division Manager of the PD assured the audit team to submit an updated report on the water safety plan by incorporating the result of the seminar he attended in Samal Island, Davao City.

E. COMPLIANCE WITH TAX LAWS

The District is compliant to tax laws

11. The District 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 2022 and 2021, the following taxes were remitted to the BIR:

Taxes	2022	2021
Franchise Tax	1,092,155.93	1,010,593.88
Income Tax Withheld on Compensation	898,296.20	640,349.98
Income Tax Withheld – Expanded (EWT)	880,644.06	323,960.91
Value Added Tax Withheld	2,064,840.20	709,288.18
Total	4,935,936.39	2,684,192.95

F. REMITTANCES TO GSIS, PHILHEALTH AND PAG-IBIG

12. The District dutifully and timely remitted its mandatory contributions to GSIS, PhilHealth and PAG-IBIG, both the employer’s and employees’ share, and the loan repayments for 2022 and 2021.

Particulars	2022	2021
GSIS	5,274,537.71	2,559,414.17
PhilHealth	576,590.81	342,904.95
Pag-IBIG	841,422.03	679,962.79
Total	6,692,550.55	3,582,281.91

G. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

13. As of CY 2022, the District has unsettled disallowances amounting to ₱5,656,555.04 and no outstanding suspensions and charges. The details of the disallowances are the following:

Disallowance, January 1, 2022	-	₱6,349,121.19
Add: Issued during the year	-	<u>14,850.00</u>
Total	-	6,363,971.19
Less: Settlement during the year	-	<u>707,416.15</u>
Balance of Disallowance, December 31, 2022	-	<u>₱5,656,555.04</u>

PART III

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

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 25 prior year's recommendations, 16 were implemented and nine were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. The accuracy, reliability, and existence of the property of MANWAD in the total amount of ₱33,288,242.72 are doubtful due to the unaccounted or missing properties amounting to ₱1,292,689.77 recorded in the books of accounts of the District, 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, Volume I.</p> <p>Further, unserviceable properties amounting to ₱3,336,351.00 which are no longer capable of providing the District with the expected benefits or service, remained not disposed of as of year-end contrary to Section 79 of Presidential Decree (PD) No. 1445, thereby causing its further deterioration and reduction of economic value.</p> <p><i>Recommendation:</i></p> <p>a. We recommended that Management require the former PO, to immediately identify and locate the</p>	<p>2021 AAR Finding No. 1</p>		<p>Not Implemented. One property amounting to ₱333,500.00</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>missing properties which were held under his responsibility and accountability.</p> <p>b. We further recommended that Management require the property custodian/storekeeper to prepare an Inspection Report of the Unserviceable Properties and submit it to the Auditor for audit action.</p>			<p>remained not located. Located properties below the threshold of ₱50,000.00 were transferred to semi-expendable properties.</p> <p>(Reiterated in Observation No. 2 page 28)</p> <p>Implemented. An Inventory and Appraisal Report of Unserviceable Properties was prepared and forwarded it to the Audit Team on December 21, 2022.</p>
<p>2. The personnel of the Finance Division processed and allowed the disbursement of government funds despite the lack of proper supporting documents in the total amount of ₱11,144,421.17 contrary to Section 4 of Presidential Decree (PD) No. 1445 and Commission on Audit (COA) Circular No. 2012-001, dated June 14, 2012, thus, affecting the validity and propriety of the financial transactions of the District.</p> <p><i>Recommendation:</i></p> <p>We recommended that</p>	<p>2021 AAR Finding No. 2</p>		<p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Management require the accounting personnel to ensure that all transactions are properly documented before payment to establish the validity and propriety of claims. All succeeding transactions without proper documentation will be properly issued with the Notice of Suspensions in accordance with the 2009 Revised Rules on Procedures of the Commission on Audit.</p> <p>We recommended further that henceforth, the accounting personnel exercise diligence in recording transactions to the proper accounts in accordance with the Revised Chart of Accounts for GOCCs since adjustment is no longer possible.</p>			<p>The submitted lacking documents have been verified.</p> <p>Not Implemented. (Reiterated under Observation No. 3 page 29)</p>
<p>3. Past due Receivables or inactive accounts of ₱120,386.82, representing 3.42% of the total outstanding receivables of ₱3,516,406.08, remained uncollected for over 10 years due to the lack of intensive collection efforts, thus, restraining the District from recovering its investment resources on water production and other costs of water services. The receivables are considered dormant pursuant to COA Circular No. 2016-005 dated December 19, 2016.</p>	<p>2021 AAR Finding No. 3.</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p><i>Recommendation:</i></p> <p>We recommended that Management require the Division Manager of the Finance and Commercial Division to verify the status of delinquent concessionaires and validate the present conditions for the non-settlement of dormant accounts to provide the necessary documents needed for the request for write-off following the guidelines of the above-mentioned COA Circular.</p> <p>We recommended further that Management require the Commercial Division personnel to exhaust all possible remedies to collect the past due receivables of the District.</p>		<p>The management filed requests for write-off of dormant accounts in CY 2020 and 2021.</p> <p>Granted 9 request for write-off of Dormant AR under Decision Nos. 2022-366 to 2022-375</p>	<p>Implemented. Management is, however, advised, to continuously determine and validate the present conditions of uncollected water bills. As of December 31, 2022, Accounts Receivable aged 10 years and above amounted to ₱20,633.00.</p> <p>Implemented.</p>
<p>4. Procurement of materials and fittings for water service connection were split into smaller quantity, contrary to Section 54.1 of 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and COA Circular No. 76-41 dated July 30, 1976, hence, transparency and competitive bidding to obtain the most advantageous price were not attained as required under the Procurement Law.</p>	<p>2021 AAR Finding No. 4.</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p><i>Recommendation:</i></p> <p>We recommended that Management direct the Property Supply Assistant B or the Storekeeper to refrain from splitting the purchase requests in the procurement of materials and fittings for water service connection to obtain the most advantageous price for the District, consistent with the policy of the government under the Procurement Law.</p> <p>We also recommended that Management require the Division Managers to prepare their respective Project Procurement Management Plan (PPMP), in detail, with specific information on the procurement methods to be adopted, time schedule for each procurement activity and contract implementation as a guide on the entire procurement activity that the District may undertake. The PPMP is consolidated in the Annual Procurement Plan (APP).</p> <p>Moreover, we recommended that Management require the BAC Secretariat to review comprehensively the APP prior to the procurement of materials and supplies, to faithfully enforce and adhere to laws, rules and regulations prescribed under RA No.</p>		<p>Procured the required supplies and materials in bulk.</p>	<p>Implemented.</p> <p>Not Implemented. (Reiterated under Observation No. 4, page 32).</p> <p>Not Implemented. Only APP for Capital Outlay. (Reiterated under Observation No. 4, page 32).</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
9184, the Government Procurement Law, to ensure economy and efficiency in the use of the MAWAD's resources.			
<p>5. The District paid the overtime services of employees in the Production Division who rendered works similar to the assigned duties contrary to the policies and guidelines prescribed under Civil Service Commission (CSC) and Department of Budget and Management (DBM) Joint Circular (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, thus, the continued cash payment of the overtime services instead of applying the non-monetary remuneration encourages the employees to render unnecessary overtime services.</p> <p><i>Recommendation:</i></p> <p>We recommended that Management strictly enforce and implement the provisions of CSC-DBM Joint Circular No. 2, s. 2015, dated November 25, 2015, on the remuneration for overtime services which shall be through CTO upon careful</p>	2021 AAR Finding No. 5.	Stopped the payment of overtime services. Instead paid the night shift pay of employees.	Implemented.

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
assessment and evaluation of the works to be undertaken whether the rendition of overtime services are extremely necessary in the operation of water services.			
<p>6. The APP of the District, which served as a tool and a link with the budget of the agency, was defective and unreliable for the reason that this was not prepared in accordance with the prescribed form and substance required by the Government Procurement Policy Board (GPPB), thus, its procurement activities were not effectively and efficiently achieved resulting in a piecemeal procurement contrary to Section 7.1, Rule II of the 2016 Implementing Rules and Regulations (IRR) of Republic Act No. 9184.</p> <p>Further, no Procurement Monitoring Report (PMR), as well as the Agency Procurement Compliance and Performance Indicator (APCPI), results were prepared and submitted in defiance with GPPB Resolution No. 11-2020 dated May 20, 2020.</p> <p><i>Recommendation:</i></p> <p>We recommended that Management require and oblige the heads of the different sections to prepare their respective PPMP as</p>	2021 AAR Finding No. 6.		<p>Not Implemented. (Reiterated under Observation No.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>reference and guide by the BAC in the preparation of the APP using the prescribed form, including the approved changes thereto, that must be consistent with the duly approved budget of the Procuring Entity pursuant to the provisions of the Implementing Rules and Regulations of RA No. 9184 and the GPPB.</p> <p>We also recommended that Management require the BAC to comply with the preparation and submission of the PMR and the APCPI results by following the specific guidelines and the prescribed format of the GPPB. These procurement reports must be duly approved and signed by the head of the PE or his/her duly designated second- ranking official.</p>			<p>4, page 32).</p> <p>Not Implemented. (Reiterated under Observation No. 4, page 32).</p>
<p>7. Five (5) days Forced Leave (FL) or mandatory leave of the 11 personnel of the District were not properly deducted from their accumulated vacation leave (VL) in violation of Section 25 (a & b) of the Civil Service Commission (CSC) Omnibus Rules on Leave (ORL), Rule XVI, Book V of Executive Order (EO) 292, hence, the economic measures of the government being the main purpose in allowing the mandatory leave of absence for all government</p>	<p>2020 AAR Finding No. 7.</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p><i>Recommendation:</i></p> <p>We recommended that Management direct the personnel of the Water Production and the Engineering Division to look into the treatment that will provide a drinking water that must be clean, safe, and clear, and, must be free from all harmful organisms and chemical substances which may include total rehabilitation of old pipes, filtration and purification of all water lines.</p> <p>We also recommended that Management direct 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 substance present in the water system. Regular application of chlorine must be conducted.</p>		<p>Regular flushing of blow-offs have been conducted.</p>	<p>Implemented.</p> <p>Implemented.</p>
<p>9. NRW of the District of 25.05% was beyond the maximum acceptable level rate of 20% prescribed by LWUA under Memorandum Circular No. 004-10, dated February 23, 2010, thus, resulting in a production loss equivalent to ₱324,203.87 based on the 5.05% excess of the acceptable level. Further, the District could have earned additional potential revenue of</p>	<p>2021 AAR Finding No. 9</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>₱2,923,149.68 had the District complied with the prescribed acceptable level rate prescribed by LWUA.</p> <p><i>Recommendation:</i></p> <p>We recommended that Management direct the personnel of the Production and Water Quality Division to conduct a periodic inspection of water meters and pipelines to detect leakages and to undertake massive rehabilitation of transmission or distribution lines.</p> <p>Further, we recommended that Management conduct a periodic calibration or replacement of the water meters being used by customers to enhance its operational efficiency to address or minimize the NRW to the allowable level of 20% pursuant to LWUA Memorandum Circular No. 004-10, dated February 23, 2010.</p>		<p>Repairs of pipelines were undertaken.</p> <p>Defective water meters were replaced/calibrated as part of the LWUA guidelines.</p>	<p>Implemented.</p> <p>Implemented.</p>
<p>10. The Gender and Development (GAD) budget of the District of ₱931,000.00 was 1.62% only of the total agency budget of ₱57,296,819.52, or ₱1,933,840.95 lower than the required allocation of at least 5% of the total budget contrary to Section 6.a of the Joint Circular (JC) No. 2012-01 of the Philippine</p>	<p>2020 AAR Finding No. 10</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Commission on Women (PCW), National Economic and Development authority (NEDA), and the Department of Budget and Management (DBM) and Section 32, paragraph 2, of the General Appropriations Act (GAA) of 2020 under Republic Act (RA) No. 11518.</p> <p>Further, only ₱160,719.00 or 17.26% of the GAD budget was utilized in the implementation of its gender related activities, thus, the efficiency and effectiveness in addressing gender issues towards the realization of the objectives of the country's commitments have not been achieved contrary to PCW Memorandum Circular (MC) No. 2015-03 dated May 19, 2015.</p> <p><i>Recommendation:</i></p> <p>We recommended that Management direct the GAD focal person 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 since most of the activities were not implemented showing a minimal 28.5% accomplishment.</p>		<p>Allocated ₱46,891,252.62 or 40.54% of the total agency budget of ₱115,648,030.03 for CY 2022.</p>	<p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<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>Not Implemented. (Reiterated under Observation No. 7, page 40)</p>
<p>11. The District did not prepare and develop its DRRM Plans and Programs for the current year, contrary to Section 37 of the General Provisions of the General Appropriations Act (GAA) of Fiscal Year (FY) 2021, thus exposing the agency's resources to possible loss in case of disaster/ calamity.</p> <p><i>Recommendation:</i></p> <p>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.</p>	<p>2021 AAR Finding No. 11</p>		<p>Not Implemented. (Reiterated under Observation No. 8, page 43)</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>12. 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.</p> <p><i>Recommendation:</i></p> <p>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.</p>	<p>2021 AAR Finding No. 12</p>	<p>Attended seminar on water safety plan for implementation in CY 2023.</p>	<p>Not Implemented. (Reiterated under Observation No. 9, page 47)</p>
<p>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.</p> <p>We recommended that Management instruct the ED personnel provide drinking water that must be clean, safe,</p>	<p>2021 AAR Finding No. 13</p>		<p>Implemented.</p>

