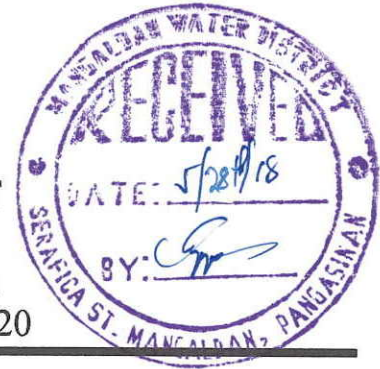




Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
San Fernando City, La Union
Tel No. (072) 888-5780/888-1320



March 20, 2018

The Board of Directors
Mangaldan Water District
Mangaldan, Pangasinan

Dear Mesdames/Sirs:

We transmit herewith the report on the financial and compliance audit of the accounts and operations of Mangaldan Water District, Mangaldan, Pangasinan, for the year ended December 31, 2017, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree 1445.

The audit was conducted to ascertain the propriety of financial transactions and compliance with prescribed rules and regulations as well as the efficiency and effectiveness of operations. 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.

We rendered an unqualified opinion on the fair presentation of the Financial Statements as to the financial position of Mangaldan Water District as of December 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards.

The report consists of four parts: Part I – Audited Financial Statements, Part II – Detailed Observations and Recommendations, Part III – Status of Prior Year’s Audit Recommendations and Part IV – Annex. The observations and recommendations were discussed with the concerned management officials and staff in an exit conference held on March 15, 2018. Management’s comments are included in the report, where appropriate.

Presented below is the summary of significant observations and recommendations of the District:

1. Out of the ₱2,825,056.56 total balance of accounts receivable, ₱ 720,725.26 or 25.5% remained uncollected for more than 181 days to 20 years, which is a manifestation of the management’s weak and inadequate collection system. This deprived the District from recovering of investment resources on water production and other costs of water services consequently affecting its over-all operations.

Further, ₱223,132.96 or 7.9% was determined to be dormant or outstanding for more than ten years, casting doubts on its collectability which could affect its existence and validity as an asset in the Financial Statements which contravenes the asset recognition principle as prescribed under Philippine Financial Reporting Standards.

We recommended that Management intensify its collection efforts by sending demand letters to delinquent customers and review its disconnection policy. We also recommended that Management expedite the evaluation of all overdue accounts to determine its proper disposition or write-off pursuant to Circular 2016-005 dated December 9, 2016.

2. Procurement of various water connection supplies and materials of the District were made through alternative mode of procurement contrary to Section 48 and Section 52.1 of the Revised IRR of RA 9184, which resulted to splitting as defined under COA Circular No.76-41 and casting doubt on whether management was able to obtain the most advantageous price and best quality of goods that is most beneficial to the government.

We recommended that Management, particularly the Bids and Award Committee, strictly observe the procurement procedures, rules and regulations provided under the Revised IRR of RA 9184 to ensure proper competition among suppliers and to obtain the most economical cost of goods without sacrificing its quality. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.

We also recommended that proper sanctions against erring personnel be enforced, if circumstances so warrant, for their disregard of implementing rules and regulations on procurement.

3. The District continued to grant Year End Financial Assistance to its officials and employees in a total amount of ₱813,128.00 for CY 2017 despite the Audit Team's previous findings and recommendations pertaining to the same. The grant of the incentive is considered irregular as enumerated under the provision of COA Circular No.2013-003 dated January 30, 2013, hence shall be grounds for disallowance in audit.

We recommended that Management require all officers and employees of the District to refund the amount of ₱813,128.00 Year-End Financial Assistance disbursed without legal basis and to stop the granting of the same so as to avoid the filing of appropriate case against the erring officials.

4. The District continued to grant Rice allowance of ₱1,500.00 per month to each officer/employee. The grant is considered unauthorized and illegal as embodied in Section 9.6 of COA Circular No. 2012-003 dated October 29, 2012 and as enumerated under Section 3.6 and 3.12 of Annex B of same Circular, hence not allowed in audit.


We recommended that Management stop the practice of paying the monthly rice allowance to each officer/employee, pursuant to COA Circular No. 2012-003 dated October 29, 2012.

Details of other observations and recommendations were discussed in Part II – Audit Observations and Recommendations of the report.

We request that the comments and observations and recommendations contained in the said report be fully addressed and we would appreciate being informed of the action taken in this regard within sixty (60) days from receipt hereof, pursuant to Section 88 of the General Provisions of Republic Act No. 10924, otherwise known as the General Appropriations Act of 2017, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

We acknowledge the support and cooperation extended to the audit team by the officials and staff of that Water District.

Very truly yours,


MICHAEL R. BACANI
(OIC) Regional Director



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. I
San Fernando City, La Union
Tel No. (072) 888-5780/888-1320



March 20, 2018

ENGR. MARCELO M. PETONIO
General Manager
Mangaldan Water District
Mangaldan, Pangasinan

Dear Engr. Petonio:

We transmit herewith the report on the financial and compliance audit of the accounts and operations of Mangaldan Water District, Mangaldan, Pangasinan, for the year ended December 31, 2017, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree 1445.

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Further, ₱223,132.96 or 7.9% was determined to be dormant or outstanding for more than ten years, casting doubts on its collectability which could affect its existence and validity as an asset in the Financial Statements which contravenes the asset recognition principle as prescribed under Philippine Financial Reporting Standards.

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We acknowledge the support and cooperation extended to the audit team by the officials and staff of that Water District.

Very truly yours,


MICHAEL R. BACANI
(OIC) Regional Director



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

ANNUAL AUDIT REPORT

ON THE

MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan

For The Year Ended December 31, 2017

EXECUTIVE SUMMARY

A. Introduction

Pursuant to the provisions of Presidential Decree 198, as amended, the Mangaldan Water District was formed by virtue of Resolution No. 28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979. The Mangaldan Water District was first operated under the administration of the Municipality of Mangaldan under the name "Mangaldan Water Works Authority."

On October 6, 1980, the Conditional Certificate of Conformance (CCC No. 139) was issued by the Local Water Utilities Administration (LWUA). On March 12, 1992, in the Entry of Final Judgment, the Supreme Court ruling declared all Local Water Districts as government-owned and/or controlled corporation. It became a medium water district on February 15, 1999, re-categorized as Big Water District on September 1, 2004, and eventually as Category C on March 16, 2012. Again, on March 1, 2015, the Water District was re-categorized to Category B.

B. Highlights of Financial Operation

Presented below is the summary of financial highlights of the District for the period ending December 31, 2017.

	2017	2016
Total Income	₱55,507,360.92	₱52,527,006.50
Appropriations	54,324,762.00	51,192,326.00
Expenditures	39,755,979.95	38,139,825.89
Assets	124,941,993.09	109,207,497.58
Liabilities	5,460,553.82	5,553,886.77
Government Equity	119,481,439.27	103,653,610.81

C. Highlights of Operations

Presented below is the summary of operational highlights of the District for the period ending December 31, 2017:

Program/Projects	Budget	Actual	Variance
Supply and delivery of two (2) units submersible pump SP773	₱500,000.00	₱407,670.00	₱95,330.00
Supply and Delivery of two (2) sets computer desktop: 2 units Epson printer, 2 sets of CPU and 1 unit Epson L13000 printer	150,000.00	137,192.00	12,808.00
Supply and delivery of 1 unit transformer 15 kva variable frequency drive control; 2 units	300,000.00	243,267.84	56,732.16

chlorinator metering pump			
Supply and delivery of Digital video recorder, cctv HD camera, I unit machine printer, 2 units CCTV camera, 1 high back chair, 5 Junior Executive Chair & 50 pcs. Monoblock chairs	200,000.00	110,939.20	89,060.80
Purchase of 1 parcel of Residential Lot at Brgy. Amansabina-565 sqm	2,000,000.00	847,500.00	1,152,500.00
Refurbishing of MAWAD Storeroom	500,000.00	495,401.39	4,598.61
Expansion at Brgys. Bateng West, Inlambo and Sitio Guantang	3,000,000.00	588,857.98	2,411,142.02

D. Scope of Audit and Methodology

A financial and compliance audit was conducted on the accounts and operations of the Mangaldan Water District for the year ended December 31, 2017. The audit consisted of review of operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary.

E. Auditor's Opinion on the Financial Statements

The Auditor rendered an unqualified opinion on the fair presentation of the Financial Statements as to the financial position of Mangaldan Water District as of December 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards.

F. Significant Audit Observations and Recommendations

The District was able to maintain its Non-Revenue Water at 21%, just 1% higher than the acceptable level of 20% as a result of conscientiously monitoring and fixing leakages, always on guard for any illegal tapping and connections, etc. We commended management on this.

However, the following are the significant audit observations and recommendations that affected the performance and operations of the District. These were discussed with the Agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate:

1. Out of the ₱2,825,056.56 total balance of accounts receivable, ₱ 720,725.26 or 25.5% remained uncollected for more than 181 days to 20 years, which is a manifestation of the management's weak and inadequate collection system. This

deprived the District from recovering of investment resources on water production and other costs of water services consequently affecting its over-all operations.

Further, ₱223,132.96 or 7.9% was determined to be dormant or outstanding for more than ten years, casting doubts on its collectability which could affect its existence and validity as an asset in the Financial Statements which contravenes the asset recognition principle as prescribed under Philippine Financial Reporting Standards.

We recommended that Management intensify its collection efforts by sending demand letters to delinquent customers and review its disconnection policy. We also recommended that Management expedite the evaluation of all overdue accounts to determine its proper disposition or write-off pursuant to Circular 2016-005 dated December 9, 2016.

2. Procurement of various water connection supplies and materials of the District were made through alternative mode of procurement contrary to Section 48 and Section 52.1 of the Revised IRR of RA 9184, which resulted to splitting as defined under COA Circular No.76-41 and casting doubt on whether management was able to obtain the most advantageous price and best quality of goods that is most beneficial to the government.

We recommended that Management, particularly the Bids and Award Committee, strictly observe the procurement procedures, rules and regulations provided under the Revised IRR of RA 9184 to ensure proper competition among suppliers and to obtain the most economical cost of goods without sacrificing its quality. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.

We also recommended that proper sanctions against erring personnel be enforced, if circumstances so warrant, for their disregard of implementing rules and regulations on procurement.

3. The District continued to grant Year End Financial Assistance to its officials and employees in a total amount of ₱813,128.00 for CY 2017 despite the Audit Team's previous findings and recommendations pertaining to the same. The grant of the incentive is considered irregular as enumerated under the provision of COA Circular No.2013-003 dated January 30, 2013, hence shall be grounds for disallowance in audit.

We recommended that Management require all officers and employees of the District to refund the amount of ₱813,128.00 Year-End Financial Assistance disbursed without legal basis and to stop the granting of the same so as to avoid the filing of appropriate case against the erring officials.

4. The District continued to grant Rice allowance of ₱1,500.00 per month to each officer/employee. The grant is considered unauthorized and illegal as embodied in Section 9.6 of COA Circular No. 2012-003 dated October 29, 2012 and as

enumerated under Section 3.6 and 3.12 of Annex B of same Circular, hence not allowed in audit.

We recommended that Management stop the practice of paying the monthly rice allowance to each officer/employee, pursuant to COA Circular No.2012-003 dated October 29, 2012.

G. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2017, unsettled disallowances amounted to ₱8,171,957.50, of which ₱7,831,957.50 were already decided by COA Regional Office No. I and are now under petition for review in the COA Central Office, while ₱340,000.00 are under appeal. There was no outstanding suspension and charge as at year-end.

H. Status of Prior Year's Audit Recommendations

Out of ten prior year's audit recommendations; three were fully implemented; five were partially implemented and two not implemented as of December 31, 2017, which are reiterated in Part II of the Report.

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	• Statement of Comprehensive Income	7
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PART I

AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
City of San Fernando, La Union
**CGS 7-A – Water Districts and
Other Stand Alone Agencies**

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Mangaldan Water District
Mangaldan, Pangasinan**

Report on the Financial Statements

We have audited the accompanying financial statements of Mangaldan Water District, which comprise the statement of financial position as of December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with applicable Philippine Public Sector Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Mangaldan Water District as of December 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

By:


MARIA CRISTINA N. POSERIO
Supervising Auditor
Audit Group CGS 7-A

March 17, 2017



Republic of the Philippines
MANGALDAN WATER DISTRICT
Serafica St., Mangaldan, 2432 Pangasinan
Tel. Nos: (075) 523-5884; (075) 653-0574

STATEMENT OF MANagements RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **MANGALDAN WATER DISTRICT** is responsible for all information and representations contained in the accompanying Statement of Financial positions as of December 31, 2017 and the related Statement of Comprehensive Income for the year ended. The Financial Statements have been prepared in conformity Philippine Financial Reporting Standards (PFRS) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that all transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The **MANGALDAN WATER DISTRICT** Board of Directors review the financial statements before such statements are approved and submitted to the Office of the Local Water Utilities Administration, Balara, Diliman, Quezon City.

The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has audited the financial statements of the Water District in accordance with laws, COA and INTOSAI standards and applicable generally accepted auditing standards and has expressed its opinion on the fairness of the presentation upon completion of such examination in its report to Creditors.

FORMER MAYOR TITO B. SARZABA, JR.
Chairman of the Board

ENGR. MARCELO M. PETONIO
General Manager

MS. VIOLETA B. GAYAGA
Div. Manager B- Finance

“Water is life..... Use it Wisely”

**MANGALDAN WATER DISTRICT
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2017

(With comparative figures for 2016)

	ASSETS	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash		
Cash on Hand (Note 1)	₱ 0.00	₱ 144,938.25
Petty Cash Fund (Note 2)	5,000.00	5,000.00
Cash in Bank - Local Currency (Note 3)		
Cash in Bank - Current Account DBP	54,407,133.33	42,564,951.11
Cash in Bank - Current Account Landbank-EBCS	1,039,348.21	267,586.50
Cash in Bank - Time Deposit CD- DBP	3,669,264.42	3,634,005.86
Cash in Bank - Time Deposit LB -MSF	3,989,303.58	3,957,175.49
	<u>63,110,049.54</u>	<u>50,573,657.21</u>
Receivables		
Accounts Receivable - General Customers (Note 4)	2,825,077.01	2,574,791.61
Allowance for Doubtful Accounts (Note 12)	496,814.49	272,213.16
Accounts Receivable - Net	2,328,262.52	2,302,578.45
Other Receivables (Note 5)	377,296.03	550,782.05
	<u>2,705,558.55</u>	<u>2,853,360.50</u>
Inventories (Note 6)		
Office Supplies Inventory	29,426.36	26,954.73
Accountable forms inventory	159,439.65	143,833.70
Fuel, Oil & Lubricants	48,999.67	13,467.91
Other Supplies Inventory-Chemicals	18,300.00	18,300.00
Construction Materials & Supplies	843,755.57	1,168,774.76
	<u>1,099,921.25</u>	<u>1,371,331.10</u>
Prepayments		
Prepaid Insurance (Note 7)	127,341.79	96,803.37
Other current assets (Note 8)	401,434.35	401,434.35
Other Deferred Debits (Note 9)	0.00	84,051.26
	<u>528,776.14</u>	<u>582,288.98</u>
Total Current Assets	<u>₱ 67,444,305.48</u>	<u>₱ 55,380,637.79</u>
Non-Current Assets		
Sinking Fund (Note 10)	₱ 8,418,149.54	₱ 7,355,988.71
	<u>8,418,149.54</u>	<u>7,355,988.71</u>

Property Plant & Equipment (Note 11)

Land	<u>2,535,535.00</u>	<u>1,688,035.00</u>
Land Improvements, net	<u>140,115.24</u>	<u>155,724.36</u>
Land Improvements	178,435.00	178,435.00
Accumulated Depreciation	38,319.76	22,710.64
Accumulated Impairment Losses	0.00	0.00
Infrastructure Assets, net	<u>31,709,420.21</u>	<u>32,073,222.55</u>
Infrastructure Assets	53,986,725.79	52,629,045.23
Accumulated Depreciation	22,277,305.58	20,555,822.68
Accumulated Impairment Losses	0.00	0.00
Buildings & Other Structures, net	<u>6,002,582.53</u>	<u>5,779,838.89</u>
Buildings & Other Structures	9,225,279.62	8,729,878.23
Accumulated Depreciation	3,222,697.09	2,950,039.34
Accumulated Impairment Losses	0.00	0.00
Machinery & Equipment, net	<u>2,418,732.91</u>	<u>2,684,932.03</u>
Machinery & Equipment	8,282,944.23	8,072,252.23
Accumulated Depreciation	5,864,211.32	5,387,320.20
Accumulated Impairment Losses	0.00	0.00
Furnitures & Fixtures, net	<u>231,607.36</u>	<u>227,448.43</u>
Furnitures & Fixtures	684,568.11	628,137.96
Accumulated Depreciation	452,960.75	400,689.53
Accumulated Impairment Losses	0.00	0.00
Library Books, net	<u>70.00</u>	<u>70.00</u>
Library Books	3,400.00	3,400.00
Accumulated Depreciation	3,330.00	3,330.00
Accumulated Impairment Losses	0.00	0.00
Transportation Equipment, net	<u>1,247,781.85</u>	<u>1,410,893.50</u>
Transportation Equipment	3,318,108.67	3,318,108.67
Accumulated Depreciation	2,070,326.82	1,907,215.17
Accumulated Impairment Losses	0.00	0.00
Other Property Plant & Equipment, net	<u>1,941,283.97</u>	<u>2,090,938.26</u>
Other PPE	7,991,262.03	7,552,960.03
Accumulated Depreciation	6,049,978.06	5,432,021.77
Accumulated Impairment Losses	0.00	0.00
Total Property Plant & Equipment	<u>46,227,129.07</u>	<u>46,111,103.02</u>
Construction Work in Progress- Infrastructure Assets	<u>2,852,409.00</u>	<u>359,768.06</u>
Total Non-Current Assets	₱ <u>57,497,687.61</u>	₱ <u>53,826,859.79</u>
TOTAL ASSETS	₱ <u>124,941,993.09</u>	₱ <u>109,207,497.58</u>

LIABILITIES AND EQUITY

Current Liabilities

Inter Agency Payables:

Due to BIR (Note 14)	₱	442,045.45	₱	169,797.83
Due to GSIS (Note 15)		295,804.40		277,740.52
Due to Pag-ibig (Note 16)		0.00		2.60
Due to Phil. Health (Note 17)		18,575.00		16,725.00
		756,424.85		464,265.95

Other Liabilities

Accts. Payable (Note 13)		680,773.08		297,000.00
Guarranty Deposits Payable (Note 18)		3,393,757.90		3,380,668.30
Bail Bonds Payable (Note 19)		566,505.71		278,125.75
Other Deferred Credits (Note 20)		63,092.28		66,359.66
Total Current Liabilities	₱	4,704,128.97	₱	4,950,685.61

Non-Current Liabilities

Loans Payable (Domestic) (Note 21)		0.00		1,067,467.11
Total Non-Current Liabilities	₱	0.00	₱	1,067,467.11
TOTAL LIABILITIES	₱	5,460,553.82	₱	6,482,418.67

Equity

Donated Capital (Note 22)		615,720.00		615,720.00
Retained Earnings (Note 23)		118,865,719.27		103,037,890.81
TOTAL EQUITY		119,481,439.27		103,653,610.81
TOTAL LIABILITIES & EQUITY	₱	124,941,993.09	₱	109,671,763.53

(See Accompanying Notes to Financial Statements)

MANGALDAN WATER DISTRICT
DETAILED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017
(With Comparative Figures for 2016)

	<u>2017</u>	<u>2016</u>
Waterworks System Fees	₱ 52,497,122.90 ₱	49,729,940.95
Other Business Income	1,138,616.02	952,596.65
Fines and Penalties	<u>1,871,622.00</u>	<u>1,844,468.90</u>
GROSS INCOME	₱ <u>55,507,360.92</u> ₱	<u>52,527,006.50</u>
 Less: EXPENSES		
Personal Services		
Salaries, Wages-Regular	9,783,977.37	8,983,457.75
Labor & Wages	343,480.67	282,554.30
Personnel Economic Relief Allowance (PERA)	909,556.80	891,000.00
Representation Allowance (RA)	305,328.00	305,328.00
Transportation Allowance (TA)	282,000.00	282,000.00
Clothing Allowance	190,000.00	175,000.00
Productivity Incentive Allowances	0.00	85,000.00
Other Bonuses & Allowances	3,738,979.51	5,420,139.50
Honoraria	716,850.00	679,530.00
Overtime	75,930.06	96,367.38
Cash Gift	190,000.00	186,500.00
Year end bonus	833,090.00	767,156.00
Life, Retirement & Insurance Contribution	1,201,293.12	1,103,635.89
Pag-Ibig Contribution	45,600.00	44,600.00
Phil. Health Insurance	104,300.00	98,437.50
ECC Contribution	45,611.63	44,574.72
Terminal Leave Benefits	<u>316,973.41</u>	<u>402,115.85</u>
Total Personal Services	₱ <u>19,082,970.57</u> ₱	<u>19,847,396.89</u>
Maintenance & Other Operating Expenses		
Travelling Expense - Local	171,060.00	188,735.52
Training Expense	160,900.00	65,600.00
Office Supplies	154,660.09	158,911.47
Accountable Forms	351,494.05	329,194.44
Medical,Dental,Laboratory Expenses	160,400.00	103,680.00
Fuel, Oil and Lubricants	488,469.82	437,959.86
Chemical & Filtering Supplies	713,200.00	792,850.00
Electricity	10,401,547.19	9,145,048.98

Other Supplies & Materials (Cooking Gas)	5,358.00	3,757.00
Postage and Courier Services	3,406.00	2,723.00
Telephone Expense - Landline/ Mobile	302,803.97	303,932.61
Internet Subscription	25,478.00	21,989.00
Cable, Satellite, Telegraph & Radio	4,950.00	5,850.00
Membership dues & Contribution to Organization	11,662.00	21,938.00
Advertising Expense	6,000.00	924.00
Printing & Publication Expense	192,322.00	125,969.00
Rent/ Lease Expense	9,600.00	11,754.00
Representation Expense	286,803.66	251,516.71
Transportation & Delivery expense	10.00	8,040.00
Subscription Expense	13,441.00	13,820.00
Survey Expense	14,000.00	0.00
Awards/ Rewards Expense	71,121.81	101,592.73
Legal Services	32,250.00	28,500.00
Auditing Services	161,079.40	88,002.75
Consultancy Services	312,480.00	0.00
Other General Services	28,713.60	37,298.81
Security Services	700,375.00	667,801.72
Repair & Maintenance-Infrastructure Assets	545,527.08	343,217.31
Repair & Maintenance- Building & other Structures	38,929.97	5,200.00
Repair & Maintenance-Machinery Equipment	78,167.00	121,271.35
Repair & Maintenance - Furnitures & Fixtures	1,800.00	0.00
Repair & Maintenance-Transportation Equipt.	32,192.00	56,762.96
Repair & Maintenance-Other PPE	56,589.10	62,906.16
Donations	38,450.00	40,644.07
Extra Ordinary Expense (EME)	98,400.00	98,400.00
Miscellaneous Expense (GAD)	90,853.36	63,427.85
Taxes, Duties & Licenses	1,111,589.77	957,676.40
Fidelity Bonds Premium	13,481.25	13,481.25
Insurance Expense	126,232.08	132,435.88
Impairment Loss- Loans and Receivables	0.00	1,921.12
Impairment Loss-Infrastructure Assets	289,226.33	0.00
Depreciation Expense - Land Improvements	15,609.12	15,946.62
Depreciation Expense - Infrastructure Assets	1,721,482.90	1,665,334.20
Depreciation Expense - Building & Other Structure:	272,657.72	261,511.22
Depreciation Expense - Machinery & Equipment	476,891.15	500,356.77
Depreciation Expense - Furnitures & Fixtures	52,271.22	51,087.57
Depreciation Expense - Transportation Equipment	163,111.45	156,159.18
Depreciation Expense - Other PPE	617,956.29	694,716.47
Total	₱ 20,625,003.38	₱ 18,159,845.98

Financial Expenses		
Bank Charges	0.00	0.00
Other Financial Charges (Documentary Stamps)	0.00	813.02
Interest Expense (Interest on Long Term Debts)	48,006.00	131,770.00
Total Financial Expenses	48,006.00	132,583.02
TOTAL EXPENSES	₱ 39,755,979.95 ₱	38,139,825.89
Income(Loss) from Operations	₱ 15,751,380.97 ₱	14,387,180.61
ADD: Other Income		
Interest from Savings Account	212,535.77	202,128.72
NET INCOME(LOSS) BEFORE INCOME TAX	15,963,916.74 ₱	14,589,309.33

**MANGALDAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY**

As of December 31, 2017

(With Comparative Figures for 2016)

	<u>2017</u>	<u>2016</u>
Government Equity		
Balance at beginning of period	₱ 615,720.00 ₱	615,720.00
Reclassifications of capital accounts	0.00	0.00
Additions/Deductions	0.00	0.00
Balance at end of period	<u>615,720.00</u>	<u>615,720.00</u>
Retained Earnings		
Balance at beginning of period	103,037,890.81	88,573,163.69
Prior period adjustment	(136,088.28)	(124,582.21)
Net income/loss for the period	15,963,916.74	14,589,309.33
Balance at end of period	<u>₱ 118,865,719.27 ₱</u>	<u>103,037,890.81</u>
 TOTAL EQUITY	 <u>₱ 119,481,439.27 ₱</u>	 <u>103,653,610.81</u>

MANGALDAN WATER DISTRICT
STATEMENT OF CASHFLOWS
as of December 31, 2017
(with comparative figures for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash Inflows:		
Collection of Water Bills	₱ 54,118,459.50	₱ 51,508,236.25
Collection of Other Business Income	872,260.02	753,602.42
Interest Income (Net)	150,374.94	144,706.62
Guaranty Deposits	34,868.60	41,247.30
Sale of Materials, Other Fittings	2,679,995.87	2,569,574.85
Refund of Advances	56,923.25	62,868.65
Other Miscellaneous	214,629.81	256,452.73
Total Cash Inflows	<u>58,127,511.99</u>	<u>55,336,688.82</u>
Cash Outflows:		
Payment of Personal Services	12,767,202.55	13,990,378.01
Payment of Operating Expenses	14,886,531.24	12,823,876.33
Payment of Advances	275,000.00	824,514.42
Refund of Customer's Deposit	20,156.30	0.00
Payment of Office Supplies/Materials	1,025,996.98	1,301,084.18
Prepayments	136,376.31	105,716.56
Payment of Payables	4,409,298.90	4,916,984.50
Remittances of GSIS/Pag-Ibig/W.tax & Others	5,614,679.79	5,128,029.76
Total Cash Outflows	<u>39,135,242.07</u>	<u>39,090,583.76</u>
Total Cash Provided (Used) by Operating Ac	<u>₱ 18,992,269.92</u>	<u>₱ 16,246,105.06</u>

CASH FLOW FROM INVESTING ACTIVITIES

Cash Inflow:		
Collection of Bid Document	33,000.00	0.00
Total Cash Inflow	<u>33,000.00</u>	<u>0.00</u>
Cash outflow		
Property Plant & Equipment	1,729,968.39	549,242.80
Const. Work in Progress	2,643,436.09	464,336.96
Total Cash Outflow	<u>4,373,404.48</u>	<u>1,013,579.76</u>
Total Cash Provided (Used) by Investing Act.	<u>(4,340,404.48)</u>	<u>(1,013,579.76)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Payment of interest on loan	48,006.00	202,161.00
Payment of domestic loan	1,067,467.11	913,299.00
Total Cash provided (used) by financing act. ₱	<u>(1,115,473.11) ₱</u>	<u>(1,115,460.00)</u>
Transfer for Reserve	1,000,000.00	500,000.00
Total	<u>(1,000,000.00)</u>	<u>(500,000.00)</u>
Net Cash Inflow (Outflow) used by operating, investing & financing activities	12,536,392.33	13,617,065.30
ADD: CASH AND CASH EQUIVALENTS-BEG.	<u>50,573,657.21</u>	<u>36,956,591.91</u>
CASH & CASH EQUIVALENTS, END	<u>63,110,049.54</u>	<u>50,573,657.21</u>

Notes to Financial Statements

I. General Information

a. Agency Background

Pursuant to the provisions of Presidential Decree 198, as amended, the Mangaldan Water District was formed by virtue of Resolution No. 28, series of 1979 which was passed by the Sangguniang Bayan of the Municipality of Mangaldan on May 12, 1979. The Mangaldan Water District was first operated under the administration of the Municipality of Mangaldan under the name "Mangaldan Water Works Authority."

On October 6, 1980, the Conditional Certificate of Conformance (CCC No. 139) was issued by the Local Water Utilities Administration (LWUA). On March 12, 1992, in the Entry of Final Judgment, the Supreme Court ruling declared all Local Water Districts as government-owned and/or controlled corporation. It became a medium water district on February 15, 1999 re-categorized as Big Water District on September 1, 2004, Category C on March 16, 2012 and finally, Category B on March 1, 2015.

b. Objectives

1. Acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
2. Provide, maintain and operate water collections, treatment and disposal facilities;
3. Conduct such other functions and operations incidental to water resources development, utilization and disposal within the district, as are necessary and incidental to said purpose.

c. Organizational Set-up

The Water District is headed by Engr. Marcelo M. Petonio as General Manager. He is assisted by Ms. Violeta B. Gayaga, Finance Division Manager, Ms. Violeta O. Garcia, Commercial Division Manager and Ms. Marlyn C. de Guzman, Administrative Division Manager. It has 36 regular employees, 2 co-terminus employees and 4 casual employees.

Basis of Financial Statements Presentation

The Financial Statements of the Mangaldan Water District as of December 31, 2017 has been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Summary of Significant Accounting Policies

- a. Mangaldan Water District converted its Financial statements for the years 2016 and 2015 and prepared its first PFRS Financial Statements to comply with the provisions of COA Circular No. 2016-006 dated December 29, 2016. With the shifting from the adoption of the Revised Chart of Accounts for National Government Agencies as per COA Circular No. 2013-002 dated January 30, 2013 to the Revised Chart of Accounts for Government Government Corporations under COA Circular No. 2015-010 dated December 1, 2015, all account titles and account codes were changed and reclassified.
- b. Revenue and Expenses – the accrual method of accounting for income and expense is used which means that income is recognized when earned regardless of when received and expenses are recognized when incurred regardless of when paid.
- c. Depreciation – Provision for depreciation is computed based on the straight line method with partial implementation of COA Circular No. 2003-07 dated December 11, 2003.

II. BALANCE SHEET

Note 1 Cash on Hand

This account represents undeposited collection by the Cashier.

2017	2016
₱0.00	₱ 144,938.25

Note 2 Petty Cash Fund

This fund is intended to defray petty expenses and is operated on an imprest fund basis.

2017	2016
₱ 5,000.00	₱ 5,000.00

Note 3 Cash in Bank

This pertains to the bank deposits maintained by the Water District broken down as follows:

	2017	2016
<i>Current Account:</i>		
DBP (CA-0535004056-030)	₱54,407,133.33	₱42,564,951.11
LB-EBCS (CA)	<u>1,039,348.21</u>	<u>267,586.50</u>
Total (Current Account)	55,446,481.54	42,832,537.60
<i>Time Deposit for guaranty payment:</i>		
DBP (0535-004056-160)	3,669,264.42	3,634,005.86
<i>Time Deposit for Retirement Fund:</i>		
Landbank (0495-09)	<u>3,989,303.58</u>	<u>3,957,175.49</u>
Total (Time Deposits)	7,658,568.00	3,957,175.49
GRAND TOTAL	₱63,105,049.54	₱50,423,718.96

Note 4 Accounts Receivable

This includes all amounts arising from water bills rendered to the customers.

2017	2016
₱2,825,077.01	₱2,574,791.61

Note 5 Other Receivable

This amount represents collectible from CENPELCO and settlement of the outstanding premium arrears to the GSIS covering May 1981 to March 1992 including interest as of July 31, 2016 of eight employees as stated in the Memorandum of Agreement.

2017	2016
₱377,296.03	₱550,782.05

Note 6 Inventories

This account represents amount inventories that are not yet issued as of year-end, details shown below:

	2017	2016
Office Supplies	₱29,426.36	₱26,954.73

Accountable Forms Inventory	159,439.65	143,833.70
Fuel, Oil & Lubricants	48,999.67	13,467.91
Other Supplies Inventory-Chemicals	18,300.00	18,300.00
Construction Materials Inventory	<u>843,755.57</u>	<u>1,168,774.76</u>
Total	₱1,099,921.25	₱1,371,331.10

Note 7 Prepaid Insurance

Amount of advanced for insurance premiums of insurable government property.

	2017	2016
	₱127,341.79	₱96,803.37

Note 8 Other Current Assets

The account composed of some other current assets such as equipments considered unserviceable but not totally scrap.

	2017	2016
	₱401,434.35	₱401,434.35

Note 9 Other Deferred Debits

The account composed of book entries due to unreconciled recording of materials received.

	2017	2016
	<u>2016</u> ₱0.00	<u>2016</u> ₱84,051.26

Note 10 Sinking Funds

The fund is intended for specific long term purposes. It includes, among other debt service reserve, which will be used for loan repayments and operation and maintenance reserve for repairs of damaged WD's facilities.

	2017	2016
	₱8,418,149.54	₱7,355,988.71

Note 11 Property, Plant and Equipment (net)

This pertains to the assets of the Water District which are used or expected to be used in its normal business operations and have expected useful lives of more than one (1) year, broken down on next page:

	2017	2016
Land	₱2,535,535.00	₱1,688,035.00
Land Improvement	178,435.00	178,435.00
Infrastructure Assets:		
Elec., Power & Energy Structures	2,517,540.84	2,330,273.00
Wells, Reservoir & Pump.Station	22,863,947.98	22,766,947.64
Waterways, Aqueducts	28,605,236.97	27,531,824.59
Buildings & Other Structures		
Office Building	8,933,066.02	8,437,664.63
Other Structures	292,213.60	292,213.60
Machinery & Equipment:		
Machinery	5,668,294.00	5,668,294.00
Office Equipment	1,676,510.54	1,603,101.54
IT Equipment & Software	749,093.94	611,901.94
Communication Equipment	189,045.75	189,045.75
Furnitures & Fixtures	684,568.11	628,137.96
Library Books	3,400.00	3,400.00
Transportation Equipment:		
Motor Vehicles	3,272,085.67	3,272,085.67
Transportation Equipment	46,023.00	46,023.00
Other Property, Plant and Equipment	7,991,262.03	7,522,960.03
TOTAL	86,206,258.45	82,770,252.35
Less: Accumulated Depreciation	39,979,129.38	36,659,149.33
Net Property, Plant and Equipment	₱46,227,129.07	₱46,111,103.02

Note 12 Allowance for Doubtful Accounts

Represents the estimated amount of Accounts Receivables which is probable to become uncollectible.

	2017	2016
	₱496,814.49	₱272,213.16

Note 13 Accounts Payable

Amount of indebtedness from suppliers and others.

	2017	2016
	₱680,773.08	₱297,000.00

Note 14 Due to BIR

Amount of taxes due for the period including Documentary stamp tax, withheld tax on compensation and others.

2017	2016
₱442,045.45	₱169,797.83

Note 15 Due to GSIS

This amount represents employee-employer share contributions and other amount withheld for remittance to the GSIS.

2017	2016
₱295,804.40	₱277,740.52

Note 16 Due to Pag-ibig

The amount represents employee-employer share contributions and other amount withheld for remittance to Pag-ibig.

2017	2016
₱0.00	₱2.60

Note 17 Due to Philhealth

Employer/employee contributions withheld to be remitted to Phil health Insurance.

2017	2016
₱18,575.00	₱16,725.00

Note 18 Guaranty Deposit Payable

This comprises the deposit made by the customers before the extension of any service connections as security for the payment of subsequent bill.

2017	2016
₱3,393,757.90	₱3,380,668.30

Note 19 Performance Bonds Payable

Receipts of cash bond to guarantee the performance of the contract.

2017	2016
₱566,505.71	₱278,125.75

Note 20 Other Deferred Credits

Refunded by SSS for employer-employee contribution.

	2017	2016
	₱63,092.28	₱66,359.66

Note 21 Loans Payable

This comprises the amount of Loans contracted by the Water District with the Local Water Utilities Administration (LWUA) used to finance various properties.

	2017	2016
Loans Payable-3-554 RL	₱0.00	₱1,067,467.11

Note 22 Donated Capital

This account represents the cost of lot donated by private citizens.

	2017	2016
	₱615,720.00	₱615,720.00

Note 23 Retained Earnings

This represents the accumulated earnings or losses of the Water District.

	2017	2016
	₱118,865,719.27	₱103,037,890.81

PART II

**AUDITED OBSERVATIONS AND
RECOMMENDATIONS**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

I. FINANCIAL AND COMPLIANCE AUDIT

1. Out of the **₱2,825,056.56** total balance of accounts receivable, **₱ 720,725.26** or **25.5%** remained uncollected for more than 181 days to 20 years, which is a manifestation of the management's weak and inadequate collection system. This deprived the District from recovering of investment resources on water production and other costs of water services consequently affecting its over-all operations.

Further, **₱223,132.96** or **7.9%** was determined to be dormant or outstanding for more than ten years, casting doubts on its collectability which could affect its existence and validity as an asset in the Financial Statements which contravenes the asset recognition principle as prescribed under Philippine Financial Reporting Standards.

Verification of Accounts Receivable per Aging Schedule showed that a balance of **P2,825,056.56** remained uncollected as of December 31, 2017. Details as to its amount and percentage are shown as follows:

Age	Active Accounts	Percentage (Active)	Inactive Accounts	Percentage (Inactive)	Total Amount
1-60 days	₱2,039,149.05	72.18%	₱6,432.00	0.23%	2,045,581.77
61-180 days	24,702.00	0.87%	34,048.25	1.21%	58,750.26
181-365 days	11,851.50	0.42%	84,644.80	3%	96,496.30
1-2 years	0.00	-	120,081.45	4.25%	120,081.45
3-4 years	0.00	-	81,334.30	2.88%	81,334.30
5-6 years	0.00	-	73,652.45	2.61%	73,652.45
7-8 years	0.00	-	22,536.10	0.80%	22,536.10
9-10 years	0.00	-	103,491.70	3.66%	103,491.70
11-14 years	0.00	-	116,287.71	4.12%	116,287.71
15-20 years	0.00	-	106,845.25	3.78%	106,845.25
Total	₱2,075,702.55	73.47%	₱749,354.01	26.54%	₱2,825,056.56

As can be gleaned from the above Schedule of Accounts Receivable, it can be noted that:

1. Accounts Receivables that were over due for more than 181 days to 20 years totaled **₱720,725.25** or **25.5%** of the total account balance of **₱2,825,056.56**.

2. Out of the ₱2,825,056.56, 26.54% or ₱749,354.01 are from inactive accounts, or accounts of which service lines were disconnected due to non-payment of water bills for more than three (3) months. Thus, collections of Account Receivables from inactive accounts are less likely to be collected.

The non-collection of the substantial amount of Receivables is an indication of management's weak and inadequate collection policy non-implementation of its existing policy. Worst, the selective application of the policy to favored concessionaires. Considering the amount of the uncollected Receivables, this could have helped the District finance for its operations and additional expenses had this been collected.

3. Out of the total amount ₱749,354.01 from inactive accounts, ₱223,132.96 of which is determined to be dormant or outstanding for more than ten (10) years casting doubts on the existence and validity of the Accounts Receivable presented in the Financial Statements.

Section 5.4 of COA Circular 2016-005 dated December 9, 2016 defines Dormant Accounts Receivable as:

“accounts of which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.”

Moreover, to be recognized as an asset in the Financial Statements, the inflow of economic benefits to the District must be probable. Since Accounts Receivable are assets which originates from unpaid Water Bills, any amount which were not collected for more than ten (10) years should no longer be recognized as an asset as its collection ceases to provide an inflow of economic benefits. These accounts may also be subjected for write-off. The following are make the necessary adjusting entries relative on the writing off of dormant accounts in the books:

Writing off of Receivable Accounts:

Accumulated Surplus/ Deficit	xxx	
Allowance for Impairment –AR	xxx	
Accounts Receivable		xxx

Recovery of Accounts Receivable:

Accounts Receivable	xxx	
Miscellaneous Income		xxx
(to recognize restoration of Accounts Receivable)		
Cash-Collecting Officer	xxx	
Accounts Receivable		xxx
(to recognize collection of recovered Accounts Receivable)		

In order to support the request for write-off, indicate in the remarks column the existence of the applicable conditions as follows:

- a) Absence of records or documents to validate;
- b) Death of the accountable officer/ debtor (concessionaire);
- c) Unknown whereabouts of the debtor and that he/she could not be located despite diligent efforts to find him/her;
- d) Incapacity to pay/ Insolvency;
- e) Exhaustion of all possible remedies by the Management to collect the receivables;
- f) No pending case in court involving the subject dormant account.

Chapter 3 of the Philippine Financial Reporting Standards which details the Qualitative characteristics of useful financial information which are relevance and faithful representation:

*“The PFRS make clear that to be a perfectly faithful representation, these should have three characteristics. The FS should be **complete, neutral and free from error.**”*

Based on the foregoing, the Financial Statements of the District did not meet the qualitative characteristics required under Chapter 3 of the Philippine Financial Reporting Standards which includes among others the faithful representation of the same.

We recommended that Management intensify its collection efforts by sending demand letters to delinquent customers and review its disconnection policy. We also recommended that Management expedite the evaluation of all overdue accounts to determine its proper disposition or write-off pursuant to Circular 2016-005 dated December 9, 2016.

Management commented that the amount of P720,725.26 of the Accounts Receivable are collectible from consumers that have been disconnected. Moreover, they have informed the Audit Team that collection letters are sent to the concessionaires their accounts d not been settled within the required period or not reconnected within one year. Final demand letters have also been sent to consumers that have been disconnected for accounts receivables aging 16 years and up. In the exit conference, it was further commented that Management will prioritize the write-off of Accounts Receivable aging more than 15 years and which remained to be unsettled after sending three (3) demand letters.

- 2. Procurement of various water connection supplies and materials of the District were made through alternative mode of procurement contrary to Section 48 and Section 52.1 of the Revised IRR of RA 9184, which resulted to splitting as defined under COA Circular No.76-41 and casting doubt on whether management was able to obtain the most advantageous price and best quality of goods that is most beneficial to the government.**

Generally, procurement of goods and services must be made through public bidding to extend equal opportunity for qualified participants. However, the law allows the use of alternative methods of procurement in some exceptional instances. In resorting to any of the alternative methods of procurement, the Procuring Entity must ensure that the method chosen promotes economy and efficiency, and that the most advantageous price for the government is obtained.

Section 48. Alternative Methods of the Revised IRR of RA 9184:

48.1 *“Subject to the prior approval of the Head of the Procuring Entity, and whatever justified by the conditions provided in this Act, the procuring entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in this Rule, In all instances, procuring entity shall ensure that the most advantageous price for the Government is obtained.”*

Under Section 52.1 of the Revised IRR of RA 9184 defines Shopping as:

“A method of procurement of goods whereby the procuring entity simply requests for the submission of the price quotations for readily available off-the shelf goods or ordinary/regular equipment to be procured directly from suppliers of known qualifications. This method of procurement shall be employed in any of the following cases:

a) When there is unforeseen contingency requiring immediate purchase. Provided, however, that the amount shall not exceed the thresholds prescribed in Annex “H” of this IRR.

In the post audit of Disbursement Vouchers of the District for CY 2017, it has been observed that several purchases of supplies and materials such as connection materials and water meter fittings were procured through alternative mode of procurement. Sample of procurement transactions are shown in details as follows:

DV No.	Date of DV	Date of PR	Date of RFQ	Date of PO	Payee	Amount (Inclusive of VAT)
<i>Payment of Water Meter Ace-C ½” w/ NTP</i>						
<i>January</i>						
044	1/17/2017	12/9/2016	12/12/2016	12/12/2016	JB Sachi Marketing Corp.	47,500.00
		12/27/2016	12/28/2016	1/3/2017		47,500.00
<i>February</i>						
093	2/9/2017	1/5/2017	1/9/2017	1/11/2017	JB Sachi	11,250.00

					Marketing Corp	
<i>March</i>						
158	3/9/2017	2/6/2017	2/7/2017	2/9/2017	JB Sachi Marketing Corp	47,500.00
<i>April</i>						
220	4/6/2017	2/20/2017	2/22/2017	2/24/2017	JB Sachi Marketing Corp	47,500.00
		3/20/2017	3/23/2017	3/27/2017		18,500.00
257	4/26/2017	3/20/2017	3/23/2017	3/24/2017		47,500.00
<i>June</i>						
356	6/14/2017	3/29/2017	3/30/2017	04/01/2017	JB Sachi Marketing Corp.	49,750.00
<i>August</i>						
468	8/01/2017	4/10/2017	4/12/2017	4/19/2017	JB Sachi Marketing Corp.	49,750.00
		5/3/2017	5/4/2017	5/5/2017		49,750.00
500	8/17/2017	5/29/2017	5/30/2017	6/1/2017		49,750.00
		6/13/2017	6/14/2017	6/15/2017		49,750.00
<i>Payment of P.E. Tubing</i>						
<i>August</i>						
508	8/23/2017	3/24/2017	3/28/2017	4/3/2017	Key Systems Trading	48,375.00
		4/7/2017	4/10/2017	4/11/2017		31,500.00
		5/9/2017	5/15/2017	5/26/2017		31,500.00
<i>September</i>						
582	9/26/2017	6/14/2017	6/15/2017	6/16/2017	Key Systems Trading	48,375.00
		7/17/2017	7/18/2017	7/20/2017		31,500.00
<i>October</i>						
666	10/25/2017	8/7/2017	8/18/2017	8/23/2017	Key Systems Trading	31,500.00
		8/14/2017	8/22/2017	8/24/2017		33,750.00

As can be gleaned from the above data, the frequency of procurement of connection materials and supplies were made three to four times in a span of one quarter which could have been consolidated or have been purchased in bulk on a quarterly basis to take advantage of lower costs and bulk discounts that can be availed of through posting to PhilGEPs or through competitive public bidding.

Open competition is the basis for efficient public procurement. The practice of the District of purchasing through alternative mode by merely requesting the submission of Request for Quotations raises doubts that it chooses to procure only with its favored suppliers. This practice may be regarded as splitting/ breaking up of requisitions into smaller quantities and amount in order to avoid posting to PhilGEPs or to circumvent the process of competitive bidding provided under COA Circular No.76-41 dodging its compliance with Section 54.1 of the Revised IRR.

COA Circular No. 76-41, dated July 30, 1976 on *Prohibition against splitting of requisitions, purchase orders, vouchers and others*, hereby quotes:

“Splitting”, in its literal sense, means dividing or breaking up into separate parts or portions, or an act resulting in a fissure, rupture, breach. Within the sphere of government procurement, splitting is associated with requisitions, purchase orders, deliveries and payments.

Forms of Splitting:

- 1) Splitting of Requisitions consists in the non-consolidation of requisitions for one or more items needed at or about the same time by the requisitioner;*
- 2) Splitting of Purchase Orders consists in the issuance of two or more purchase orders based on two or more requisitions for the same or at about the same time by different requisitioners; and*
- 3) Splitting of Payments consists in making two or more payments for one or more items involving one purchase order.*

The above-enumerated forms of splitting are usually resorted to in the following cases:

- 1) Splitting of requisitions and purchase orders to avoid inspection of deliveries;*
- 2) Splitting of requisitions and purchase orders to avoid action, review or approval by higher authorities; and*
- 3) Splitting of requisitions to avoid public bidding.*

Moreover, Section 54. Terms and Conditions for the use of Alternative Methods

54.1 Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GOP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR, especially the necessity of public bidding

Further review and examination of other relevant documents of the procurement transactions also disclosed the following deficiencies:

1. The purpose for which the connections materials were procured is for new service connections which is generally intended for the regular operations of the District, hence, there is no unforeseen contingency requiring the District to use the alternative mode of procurement for its immediate/ emergency purchase.

2. Time schedules for the above procurement activity were not clearly identified/ indicated in the 2017 Annual Procurement Plan, which would somehow serve as a guide in forecasting the needs of the District in a specific time/ date preventing the District to procure on a staggered basis.

Management disregard of the aforesaid procurement procedures, laws and regulations as prescribed and embodied in RA 9184 as revised would warrant enforcement of proper sanctions against erring/ responsible officials/ personnel as provided by the said Procurement Law.

We recommended that Management, particularly the Bids and Award Committee, strictly observe the procurement procedures, rules and regulations provided under the Revised IRR of RA 9184 to ensure proper competition among suppliers and to obtain the most economical cost of goods without sacrificing its quality. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.

We also recommended that proper sanctions against erring personnel be enforced, if circumstances so warranted, for their disregard of implementing rules and regulations on procurement.

Management commented that there are instances wherein procurement were made through repeat order due to the reason that the District needs to procure from known suppliers who provide uniform quality and performance of goods such as water meter and PE tubing which are vital in the operation of the District.

Moreover, Management commented that some materials were not procured in bulk due to their inimitable nature such as the water meters and PE Tubing. It was emphasized by Management that water meters are normally calibrated before these are installed to consumer and stocking these for a long period would affect the rates rotation of that meter resulting to inaccurate registration of consumption. In addition, they commented that water meter has limited warranty that commences immediately after it was purchased from the supplier. On the other hand, they commented that stocking of PE Tubing is not advisable because it might be contaminated and may become brittle.

Management justifications are well taken. However, the Audit Team remains firm on its observations on some procurement deficiencies and violations of the procedures. The Audit team also stands firm on its recommendations as to the District's compliance with rules and regulation of the Revised IRR of R.A. 9184. Management can still obtain the most economical cost, yet without sacrificing the quality of goods and services required by the District thru procurement means still in accordance with the law.

It was also added that water meters are just one among the construction materials and fittings, hence could be used to rationalize the non-compliance of Management in relation to their compliance with the IRR of RA 9184.

- 3. The District continued to grant Year End Financial Assistance to its officials and employees in a total amount of ₱813,128.00 for CY 2017 despite the Audit Team's previous findings and recommendations pertaining to the same. The grant of the incentive is considered irregular as enumerated under the provision of COA Circular No.2013-003 dated January 30, 2013, hence shall be grounds for disallowance in audit.**

Under COA Circular No.2013-003 dated January 30, 2013, it enumerates the allowances, incentives, and other benefits commonly granted to official and employees of Agencies covered by the SSL, together with the legal authority for the payment thereof. The Year End Financial Assistance received by the District are not included in the list and are not recognized.

The grant thereof of Year End Financial Assistance (YEFA) partakes of the nature of a Year-End-Benefit(YEB) which is being regulated under Memorandum Order(MO) No.324 dated October 5, 1990 of the Office of the President. Section 3 of said MO prohibits the employees from receiving YEBs from any and all sources in excess of one basic salary and ₱1,000.00 cash gift. Moreover, DBM Budget Circular No.2005-6 dated October 28, 2005, updating the rules and regulations on the grant of year-end bonus and cash gift, prohibits the grant of other benefits which partake the nature of YEBs unless otherwise authorized by the President, as follows:

7.0 Prohibition against Payment of Additional Benefits

“Agencies are hereby prohibited from granting additional benefits other than those authorized under this Circular. Consequently, all administrative authorizations to grant any or other forms of benefits and other similar benefits in 2005 and thereafter which partake of the nature of the YEB that are inconsistent with the declared policy on the matter shall be rendered nugatory and unenforceable, unless other authorized by the President.

For the CY 2017, the District granted Year End Financial Assistance equivalent to one month salary to its officers and employees in the total amount of ₱813,128.00 (See Annex A) despite of the lack of legal basis. The payment was based on the Resolution passed and approved by the Board in a Board Resolution No. 34, series of 2017.

Despite the Audit Team's previous recommendations and the commitment of the Management to discontinue the granting of the said benefits prospectively for the CY 2017, the District still granted Year-End Financial Assistant to its officials and employees.

Management being obstinate in refusing to comply with the recommendation that the grant of the said benefits is an indication of the District's blatant disregard of pertinent/existing laws and regulations which could warrant the filing of appropriate case against the erring officials.

We recommended that Management require all officers and employees of the District to refund the amount of ₱813,128.00 Year-End Financial Assistance disbursed without legal basis and to stop the granting of the same so as to avoid the filing of appropriate case against the erring officials.

Management commented that they have examined the provisions of COA Circular No.2013-003, particularly the list of allowances and benefits that are generally applicable to agencies covered by Republic Act No.6758. Based on the said circular, Year End Financial Assistance is not among those enumerated. They also commented that it appears that the list is merely a general enumeration and not exclusive. In fact, said circular likewise states as follows:

Other allowances not listed above whether granted government-wide or specific to certain government agencies are likewise recognized provided there is a sufficient legal basis thereof.

Management also noted that "Year End Financial Assistance" granted by the MAWAD is a benefit that is specific to the local water districts and that it is a benefit that has been enjoyed by the employees of the District prior to its becoming a GOCC. Accordingly, they noted that the continued grant thereof is based on the pronouncements of the DBM which have been reiterated now and again authorizing the continued grant thereof on the basis of "non diminution of benefits".

At any rate, they commented that in order to avoid legal complication, the District shall accede to the recommendation of the Audit Team to stop the grant of Year End Financial Assistance and to cause the return of the amount received.

Auditor's Rejoinder:

The benefits and allowances pertaining to COA Resolution No. 2004-006 dated September 14, 2004 and the letter of DBM Secretary Emilia T. Boncod in her letter to PAWD dated April 27, 2001 refer to those benefits deemed integrated to the basic salary upon effectivity of RA 6758 as follows:

- a. Meal allowance;
- b. Rice subsidy;
- c. Sugar subsidy;
- d. Children's allowances;
- e. Dental/optional/outpatients benefits;
- f. Consolidated/Medical Plans for dependents;
- g. Commutation of Basic Hospitalization Benefits;

- h. Benefits under the Revised PNB Medical Plan;
- i. Death Benefits other than those granted under GSIS.

It does not pertain to year end benefits which is being regulated under Memorandum Order (MO) No. 324 dated October 5, 1990 of the Office of the President as discussed in the preceding paragraphs. To reiterate DBM Budget Circular No. 2005-6 dated October 28, 2005:

7.0 Prohibition Against Payment of Additional Benefits

“Agencies are hereby prohibited from granting additional benefits other than those authorized under this Circular. Consequently, all administrative authorizations to grant any or other forms of benefits and other similar benefits in 2005 and thereafter which partake of the nature of the YEB that are inconsistent with the declared policy on the matter shall be rendered nugatory and unenforceable, unless other authorized by the President.”

The said benefits, which lack of legal basis to support the payment, will be disallowed in audit.

4. **The District continued to grant Rice allowance of ₱1,500.00 per month to each officer/employee. The grant is considered unauthorized and illegal as embodied in Section 9.6 of COA Circular No. 2012-003 dated October 29, 2012 and as enumerated under Section 3.6 and 3.12 of Annex B of same Circular, hence not allowed in audit.**

Section 9.6 of COA Circular No. 2012-003 dated October 29, 2012 provides the Supreme Court affirmation on the decision of the Commission on Audit in the issuance of disallowances on the grant of food allowances, to wit:

“Grant of food allowance, rice subsidy and health care allowance as there is no law authorizing the grant of such allowance (BFAR Employees Union, R.O. VII vs. COA, G.R. No. 169637 dated June 8, 2007) except xxxxxxxx”

Also, illegal expenditures were enumerated in Annex “B” of the same Circular of which the grant of rice allowance are among them, to wit:

Sections 3.6 – Additional benefits paid to officials and employees of GOCCs based on Governing Board resolutions whose power to fix compensation and benefits were revoked under RA No.6758 effective July 1, 1989 unless subsequently restored (SSS, GR No.149240 dated July 11, 2002).

Further, it bears emphasizing that the issue on the grant of allowances and benefit to government officials and employees outside those allowed under R.A. No. 6758, have already been settled in the case of De Jesus, et.al.vs. Commission on Audit, G.R. No. 127515 and De Vera vs. Commission on Audit, G.R. No. 127544, May 10, 2005, where the Supreme Court held, thus:

“xxx the rice allowance subject of the instant dispute is one of such benefits that may be given separately to LWUA officials and employees as long as it has been granted to incumbents as of July 1, 1989 and not been integrated into the standardized salary rates. The second sentence of Section 12 thereof, which is quoted again below for easy reference, expressly to recognizes its continuous grant in accordance with the principle of non-diminution of pay;

Section 12. Consolidation of Allowance and Compensation. Such other additional Compensation whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized.”

The Supreme Court further ruled that:

“Finally xxx. As explained before, under Section 12 of R.A. No.6758, the only requirement for the continuous grant of allowance and fringe benefits on top of the standardized salary rates are as follows: (1) the employee must be an incumbent as of July 1, 1989; and (2) the allowance or benefit was not consolidated in the standardized salary rate as prescribed by R.A. No.6758.”

For the CY 2017, the Mangaldan Water District paid rice allowance of ₱1,500.00 each month for each officer/employee or ₱54,000.00 for 36 recipient officers/ employee/s.

Based on the above stated decisions made by the Commission on Audit and affirmed by the Supreme Court, the said rice allowance is not allowed, except to those incumbent granted of the allowance as of July 1, 1989 and if the rice allowance was not consolidated in the standardized salary rate as prescribed by R.A. No.6758.

We recommended that Management stop the practice of paying the monthly rice allowance to each officer/employee, pursuant to COA Circular No. 2012-003 dated October 29, 2012.

Management commented that on December 2016 they stated that they are going to continue receiving the said allowances until the end of 2017. Accordingly, they have promised to stop receiving Rice Allowance effective January 2018.

II. GENDER AND DEVELOPMENT

5. The activities for the Gender and Development for CY 2017 did not address the goals and objectives of the District's GAD Program and were not in consonance with the original GAD budget and plans submitted to the Local Water Utilities Administration (LWUA). Moreover, Accomplishment Report as to its implementation was not prepared by the District not in conformity with Section 10 of Joint Circular 2012-01 of PCW-NEDA-DBM.

Section 10 of Joint Circular 2012-01 of PCW-NEDA-DBM states that

“Attached agencies, attached government-owned and controlled corporations (GOCCs), bureaus and regional offices and all other concerned shall submit their annual GAD Accomplishment Reports (ARs) to their respective line departments or central offices. The agency GAD Focal Point System (FPS) shall prepare the annual GAD AR based on the PCW- endorsed GAD Plans and Budget (GPB) adjusted to the approved General Appropriations Act (GAA) following the form prescribed in Annex B. Activities completed until the end of the year may be included in the final GAD AR of agency submitted to PCW in January.”

Examination/ verification of submitted GAD plans and budget for the year 2017, analysis as to extent of implementation as well as compliance with the pertinent laws and regulations disclosed the following deficiencies:

1. The activities and expenses incurred by the District for its Gender and Development for the CY 2017 were not in consonance with GAD budget and plan originally submitted to the Local Water Utilities Administration (LWUA).

The budget of P2,700,000.00 was allotted to accomplish the following GAD Activities as incorporated in the District's GAD Plan, details shown as follows:

Identified GAD Activity	Gender Objective	GAD Budget
1. Development of GAD corner in the District, distribution of fliers of RA 9710 to consumers and uploading a copy of RA 9710 to the website of the District	To provide consumers knowledge and awareness on Gender and Development (GAD).	₱500,000.00
2. Drilling of one production well in the farther areas without water service lines and expansion of projects to the areas of the municipality that are not yet covered by the District's Service	To provide potable and safe water supply to farther and remote areas of the municipality to alleviate the difficulties of housekeepers of the need	1,000,000.00

Lines	to fetch water from distant source.	
3. Attendance to trainings on GAD and continuous and attendance to workshops in enhancing GAD programs, activities and projects.	To establish the District's Gender and Development Focal Point System	200,000.00
4. Supply of dedicated storage device and other necessary equipments/ materials for SDD and Gender Statistics.	To train employees who will perform the collection of Sex Disaggregated Data and Gender Statistics and maintain/update the same.	1,000,000.00
TOTAL GAD BUDGET for CY 2017		₱2,700,000.00

However, the District incurred a total amount of P88,068.17 under DV No. 2017-12-785 and DV No.2017-12-817 dated December 13, 2017 and December 21, 2017 which is not in consonance with the District's GAD Plan, expenses incurred are shown in details as follows:

Date	DV No.	Particular/ Activity	GAD Expense
12/13/2017	2017-12-785	1. Payment of the supply of medicines to be used for the Medical and Dental Mission on December 16, 2017 held at Macario Ydia Development Center approved per Board Resolution No.29, s.2017	₱75,200.07
12/21/2017	2017-12-817	2. Reimbursement of Expenses incurred during the Medical and Dental Mission on December 16, 2017.	12,868.10
Total			₱88,068.17

It can be gleaned from the preceding table that the District was able to accomplish 3.26% of its GAD Budget which were charged against the Miscellaneous Expense-GAD of the District. It can also be noted that expenditures such as the purchase of medicine supplies as well as reimbursement of various expenses for meals, etc. incurred for the Mental and Dental Mission are for physical and health fitness, therefore did not address gender issues and not within the purpose and objectives intended for GAD activities contrary to Section 7 of Joint Circular 2012-01.

The GAD is designed to address gender issues which are problems and concerns that arise from the unequal status of women and men including the differential characteristics, roles and expectations attributed by society to women and men. These gender issues like economic marginalization, disempowerment, discrimination, violence against women and personal dehumanization.

Moreover, Section 7 of Joint Circular 2012-01 hereby quotes that:

The following expenses may not be charged to GAD Budget UNLESS they are justified as clearly addressing a specific gender issue:

7.1 Physical, mental & health fitness including purchase of equipment and information dissemination materials.

7.2 Social, rest, recreation activities

7.3 Religious activities and implementation of cultural projects

7.4 Construction expenses

2. Non-preparation and non-submission of GAD Accomplishment Report prescribed in Annex B of Joint Circular 2012-01 of PCW-NEDA-DBM despite the preparation and availability of the District GAD plans and program for CY 2017.

We recommended that Management:

- a. **Utilize the GAD budget for the year in accordance with the GAD plan to significantly address gender issues while improving the mandates of the District; and**
- b. **Coordinate with the Budget Officer and prepare the accomplishment report for the year containing actual accomplishments as well as the corresponding financial resources utilized in compliance with par.2 of Memorandum Circular No. 2015-03 of Philippine Commission on Women (PCW).**

Management commented that since the District have allotted a budget appropriation for its GAD Plan 2017 wherein an expansion project of water service line is included in order to provide water supply to more number of residents in Mangaldan, Management have decided to use a portion of GAD Budget for the same purpose but of different kind. In addition, they noted that the "Medical Mission 2017" may not be included in their 2017 GAD Plan but the purpose is the same which is to use the budget in an activity that is focused on a "Social-Oriented"

nature. Accordingly, they assured that GAD Budget for 2018 will be carefully appropriated.

III. STATEMENT OF AUDIT OF SUSPENSIONS DISALLOWANCES AND CHARGES

As of December 31, 2017, unsettled disallowances amounted to ₱8,171,957.50, of which ₱7,831,957.50 were already decided by COA Regional Office No. I and are now under petition for review in the COA Central Office, while ₱340,000.00 are under appeal. There was no outstanding suspension and charge as at year-end.

PART III

**STATUS OF PRIOR YEARS'
AUDIT RECOMMENDATIONS**

**PART III - STATUS OF PRIOR YEAR'S
AUDIT RECOMMENDATIONS**

Presented below is the summary of status of prior year's audit recommendations of the District for the period ending December 31, 2017.

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p align="center">2016 AAR</p> <p>1. Aging of Accounts Receivables aged more than 181 days and up was not classified to their nearest age, such being the basis of setting up the allowance for doubtful accounts does not provide the best estimate to reduce the accounts receivables to its net realizable values contrary to Section 36 of Philippine Accounting Standards 37, thereby affecting the fair presentation of the receivable account in the financial statements.</p> <p>We have recommended that management:</p> <p>➤ Require the Commercial Division to classify down those accounts aged 181 days and up into group of accounts nearest their age belonging to say 1 year, 2 years, 3 years and so on or 1 to 2 years, 3 to 4 years, 5 to 6 years, and so on and provide a certain bracket that will have different provision/allowance rate for uncollected accounts based on the age groups identified.</p>	<p>Management already classified down the accounts receivable aged more than 181 days.</p>	X			

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>➤ Formulate accounting policies to arrive at a reasonable estimate of the allowance for doubtful accounts revising the relatively low rate for provision for doubtful accounts considering factors such as 1) accurate aging of Accounts Receivables; 2) account status; 3) account collectibility; 4) account address/ location 5) result of client calls and field.</p> <p>➤ An extensive review and evaluation of the accounts receivables as aged should be undertaken considering all other factors above mentioned before arriving at a reasonable estimate. Improve or increase the provision rate to as high as 50% to 100% particularly to accounts for write off. Policy on the Provision for Doubtful Accounts including policy on Write Off should be initiated/formulated for the approval of the Board and or an oversight body such as LWUA and COA.</p>					
<p>2.The grant of Year End Financial Assistance to officials and employees of Mangaldan Water District in a total amount of ₱1,465,024.00 was irregular contrary to the herein stated regulations under COA Circular</p>	<p>Management committed that they will stop receiving the said benefits until 2016. They requested for the</p>			X	<p>Reiterated in the 2017 Annual Audit Report, under Audit Observation No.3, Page 28 because</p>

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>No. 2013-003 dated January 30, 2013.</p> <p>We have recommended that Management require all officers and employees of the District to refund the amount of ₱1,465,024.00 Year-End Financial Assistance disbursed without legal basis.</p>	<p>non-issuance of ND pending the receipt of the COA Central Office.</p>				<p>Management continued to grant the same allowances.</p>
<p>3. The grant of anniversary bonus to the District personnel including the Board of Directors in the total amount of ₱122,000.00 on September 2016 was deemed irregular for lack of legal basis, hence not allowed.</p> <p>We have recommended that management cause the refund of the anniversary bonus received by the District personnel including Board of Directors for lack of legal basis.</p>	<p>In the Matrix of Audit Observation for the year ended December 31, 2016, Management committed that by Year 2020, the amount shall be deducted from the total Anniversary bonus to be received in the next milestone of the District.</p>		X		
<p>4. The grant of rice allowance of ₱1,500.00 per month to each officer/employee.</p> <p>We have recommended that Management stop the practice of paying the monthly rice allowance to each officer/employee, pursuant to COA Circular No. 2012-003 dated October 29, 2012.</p>	<p>Under Matrix of Audit Observations for the Year ended December 31, 2016, Management commented that they will continue receiving the said allowances until the end of 2017 and promised to stop receiving the said allowance</p>	X			<p>Reiterated in the 2017 Annual Audit Report, under Audit Observation No. 4, Page 30.</p>

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
	effective January 2018.				
<p>5. Expenditures of the District covered/supported by various Board Resolutions were found in conflict with existing government laws and rules, hence unauthorized and irregular.</p> <p>We have recommended that Board Resolutions being approved should be aligned and harmonized with the prevailing government laws and rules in order to avoid accumulation of suspensions and/or disallowances.</p>			X		Some irregular expenditures were still supported by various Board Resolutions, series 2017.
<p>6. The lack of information and awareness of Management on Gender and Development (GAD), non-preparation of GAD plans and program, and non-reporting of accomplishments and expenses relative thereto were not in accordance with Section 10.1 of Joint Circular 2012-01 of the PCW-NEDA-DBM and Memorandum Circular No. 2015-03 of Philippine Commission on Women (PCW), thus resulting in the non-attainment of the objectives of the GAD.</p> <p>We have recommended that Management:</p>	Management already appointed a focal person to implement the audit recommendation.		X		Reiterated in the 2017 Annual Audit Report under Audit Observation No.5, Page 32

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>➤ Assign a GAD Focal Point System that shall prepare the agency's GAD plan and budget (GPB) designed to address certain gender issues strictly adhering to the provisions of Section 10 of Joint Circular 2012-01.</p> <p>➤ Direct the concerned Agency Head to require their GAD Focal Point System to :</p> <p>a.) Ensure the implementation of Annual GAD Plan and the utilization of the GAD Budget of the Agency and submit the corresponding report to the LWUA for review.</p> <p>b.) Coordinate with the Budget Officer and prepare the accomplishment report for the year containing actual accomplishments as well as the corresponding financial resources utilized in compliance with par.2 of Memorandum Circular No. 2015-03 of Philippine Commission on Women (PCW).</p> <p>➤ Regularly undertake orientations that will develop their employees in relation to GAD related laws and commitments.</p>					
7. The District prior year's tax liabilities assessed by Bureau of Internal Revenue totaling				X	Letter Request for consideration relative to our tax

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>₱9,075,248.40 which have not been settled as of this date may result to legal repercussions if these will not be properly acted upon.</p> <p>However, it was favorably noted that in addition to payment of real property tax and franchise tax amounting to ₱957,676.40, the District withheld tax on compensation of employees, suppliers and contractors in accordance with BIR tax laws the total amount of ₱2,137,190.32, ₱169,797.83 of which remain unremitted as of year-end.</p> <p>We have recommended that Management:</p> <p>➤ In reiteration to our previous year's recommendation, be vigilant always and act immediately on the settlement of the remaining delinquent accounts (60%) after paying the (40%) compromise settlement invoking pertinent provision/s of Revenue Regulations No. 30-2002 dated December 16, 2002 to avoid the BIR from garnishment of the District's deposit accounts and or other legal repercussions.</p> <p>➤ Continue with the prompt and regular remittance of withholding taxes and franchise tax within the period prescribed by the BIR Regulation.</p>					<p>liabilities for the Year 2001-2002 has no Action yet by the BIR Calasiao, Pangasinan. We are dependent on the BIR Action</p>

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p align="center">2015 AAR</p> <p>8. Reconciliation of the discrepancy of ₱ 10,191.35 between the Aging Schedule and the General Ledger is remote due to the billing and collection system's lack of facility to generate an Aging Schedule showing concessionaire's individual receivable balances exclusive of penalties, casting doubt on the accuracy and reliability of accounts receivable balances in violation of Section 12 of the Manual on NGAS, Volume II.</p> <p>We have recommended that management:</p> <p>a. Contract an Information Technology (IT) expert or a programmer to install a facility in the District's billing and collection system that will generate an Aging Schedule of Concessionaires' individual receivable balances excluding penalties.</p> <p>b. Once the required facility is installed, reconcile the discrepancy between the Aging Schedule and the General Ledger. Henceforth, any unlocated discrepancy shall be maintained to assure records of future receivable transactions on water meter bills are reconciled.</p>	<p>The discrepancy of P10, 191.35 was reconciled and adjusted per JEV No. 6-140 dated June 10, 2016..</p>		X		<p>Pending installation of a facility in the Districts' billing and collection system to segregate penalties from Accounts Receivable.</p>

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p align="center">2014 AAR</p> <p>9. Procurement of common-use goods or ordinary and office supplies of the District were not in accordance with Sections 48, 51 and 54.2 of the Revised Implementing Rules and Regulations of RA 9184.</p> <p>We have recommended that management particularly the Bids and Award Committee strictly observe the procurement procedures, rules and regulations provided under Sections 48.1, 51, 52.1(b) and 54.2 of the Revised IRR of RA 9184. Failure therefore would render the official directly or indirectly involved in the procurement process, and where circumstances warrant would held them liable for their actions relative thereto. For repeat orders, the first or the original purchase order should be indicated in the subsequent purchase order/s as the basis for the procurement. To avoid the aforesaid violations, procurement of the District's common-use goods should be made on one time in bulk for at least per quarter.</p>	<p>Management committed that they will procure their supplies from PS-DBM.</p>		X		<p>Reiterated in the 2017 Annual Audit Report, under Audit Observation No.2, Page 24</p>
<p>10. The District could have saved the amount of P 1,000,734.89 if management consider the option to fully pay its outstanding loan No. LA No. 3-554 RL to Local</p>	<p>The loan is fully paid.</p>	X			

Observations and Recommendations	Management Action/s	Status of Implementation			Reason for Non Implementation
		FI	PI	NI	
<p>Water Utilities Administration (LWUA) earlier on January, 2014, instead of paying the loan amortizations for the rest of the loan term in 4 years.</p> <p>We have recommended management to consider the option to advance the full payment of the loan No. LA 3-554 RL before its term expires because cost benefits analysis showed that it is more beneficial to the District.</p>					

PART IV
ANNEX

MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan
Schedule of Grant of Year End Financial Assistance
of Employees for the Year 2017
per Board Resolution No.34 Series of 2017

No.	NAME	POSITION	AMOUNT
1	Agbanlog, Bernardo M.	WRFO B	₱ 13,851.00
2	Aquino, Arabela R.	U/CSA-B	18,217.00
3	Baltazar, Renato C.	U/CSA-B	18,896.00
4	Bauzon, Juan B.	W/SM Foreman	26,441.00
5	Carbonel, Demme G	U/ CSA D	13,851.00
6	Carino, Arnold M.	Cashier A	31,474.00
7	Cendana, Jr. Modesto S.	H.S Assistant	13,851.00
8	Cerezo, Lito Q.	Admin Services Aide	12,155.00
9	Clores, Marnie B.	U/ CSA D	13,851.00
10	Cuison, Rodel F.	W/SMM A	15,818.00
11	De Guzman, Jose dV.	W/SMM A	16,744.00
12	De Guzman, Marlyn C.	Division Manager B	58,310.00
13	De Vera, Jullius L.	W/ SMM B	14,602.00
14	De Vera, Leonardo M.	WRFO B	13,851.00
15	Dizon, Bernadeth D.	Amin.Service Assistant A	21,387.00
16	Embuido, Artchie V.	WRFO-C-Temp	12,155.00
17	Fabia, Cecille A.	U/CSA-A	21,387.00
18	Fabia, Edross Ian P.	WSMM C	12,591.00
19	Garcia, Violeta O.	Division Manager B	58,310.00
20	Gayaga, Violeta B.	Division Manager B	58,310.00
21	Laluan, Jr. Amdres D.	U/CSA-A	22,361.00
22	Magalong, Lea V.	U/CSA-A	22,864.00
23	Magalong, Mario T.	WRFO A	16,744.00
24	Malanum, Ermie V.	W/SMM C	12,262.00
25	Marticio, Terry S.	Executive Assistant B	32,747.00
26	Meneses, Conrado P.	WRFO B	14,347.00
27	Noe, Pepe V.	Driver	12,155.00
28	Ocay, Darwin P.	WRFO C	12,371.00
29	Petonio, Marcelo M. Engr.	General Manager B	87,229.00
30	Pinlac, Marcos Z.	WSMM B	14,347.00
31	Ramos, Anna Liza G.	Senior Accounting Processor A	21,626.00
32	Relleve, Donald M.	Storekeeper B	17,299.00
33	Serafica, Jr. Rodolfo P.	U/CSA D	14,347.00

34	Soriano, Augusto M.	HR Assistant	13,851.00
35	Tandingan, Karen S.	Accounting Processor B	13,973.00
36	Torio, Liverino A.	Sr. Auto Mechanic	18,553.00
	TOTAL		<u>₱ 813,128.00</u>

Prepared by:



ELMA F. SENDAYDIEGO
SA IV / ATL