



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

# **ANNUAL AUDIT REPORT**

on the

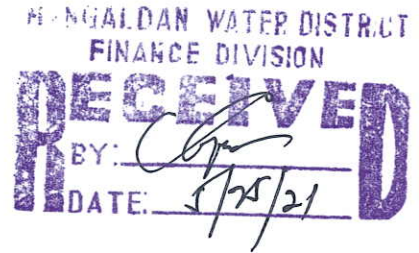
**MANGALDAN WATER DISTRICT**  
**Mangaldan, Pangasinan**

**For The Year Ended December 31, 2020**





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



May 10, 2021

**Mr. TITO B. SARZABA**  
Chairman of the Board of Directors  
Mangaldan Water District  
Mangaldan, Pangasinan

**Engr. MARCELO M. PETONIO**  
General Manager  
Mangaldan Water District  
Mangaldan, Pangasinan

**Dear Director Sarzaba and Manager Petonio:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines," and in line with this Commission's efforts towards informing Management on how fiscal responsibility had been discharged, we are pleased to transmit the report of our auditors on the audit of the accounts and operations of the Mangaldan Water District, Mangaldan, Pangasinan, for the year ended December 31, 2020.

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

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

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

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

For the Commission on Audit:

By:

  
ATTY. CHITO C. JANABAN  
Regional Director

Copy furnished:

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

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

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

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

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

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

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

The Administrator  
Local Water Utilities Administration  
MWSS-LWUA Complex, Katipunan Avenue  
Balara, Quezon City

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

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

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





**Republic of the Philippines**  
**COMMISSION ON AUDIT**  
Regional Office No. I  
Corporate Government Sector 7  
Water Districts and Other CGS Stand Alone Agencies  
Mangaldan, Pangasinan  
Team R1-05

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**MEMORANDUM**

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

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

**DATE** : **May 10, 2021**

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Mangaldan Water District, Mangaldan, Pangasinan for the year ended December 31, 2020.

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

Our report consists of 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, and Part III presents the Status of Implementation by the Auditee of Prior Years' 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 Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Mangaldan Water District as at

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

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last May 4, 2021. We are pleased to note their favorable reactions to our recommendations.

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

  
**OFELIA T. CELI**  
State Auditor IV  
Audit Team Leader





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

# **ANNUAL AUDIT REPORT**

**on the**

**MANGALDAN WATER DISTRICT  
Mangaldan, Pangasinan**

**For The Year Ended December 31, 2020**

## EXECUTIVE SUMMARY

### A. Introduction

Mangaldan Water District (MAWAD) was first operated under the administration of the Municipality of Mangaldan under the name “Mangaldan Waterworks Authority”. It was formed through Resolution No. 38, series f 1979, passed by the Sangguniang Bayan of Mangaldan, Pangasinan on May 12, 1979 pursuant to the provisions of Presidential Decree (PD) No. 198, as amended by PD No., 768 and Republic Act (RA) No. 9286 also known as the “PROVINCIAL WATER UTILITIES ACT OF 1973”.

On October 6, 1980, the Conditional Certificate of Conformance (CCC) No. 139, was issued by the Local Water Utilities Administration (LWUA) to the District entitling it to have access to LWUA technical, financial and institutional assistance to improve and develop the water supply system in the area. MAWAD, a Government Owned and/or Controlled Corporation (GOCC), was re-categorized as Category B on February 23, 2015.

The policy-making body of MAWAD is composed of the following representing the sector opposite their names:

Name/Position	Sector	Term of Office
Mr. Tito B. Sarzaba – Chairman	Business	January 1, 2019 to December 31, 2024
Dr. Teresita G. Cera. – Vice-Chairman	Education	January 1, 2017 to December 31, 2022
Engr. Francisco M. Evangelista, Jr.– Board Secretary/Member	Civic	January 1, 2017 to December 31, 2022
Engr. Cesar C. Dizon – Treasurer/Member	Professional	January 1, 2019 to December 31, 2024
Mrs. Linda S. Ang – Board Member	Women	April 3, 2017 to December 31, 2020

MAWAD is headed by its General Manager (GM), Engr. Marcelo M. Petonio, assisted by three Division Managers, Ms. Violeta B. Gayaga of Finance Division, Ms. Violeta O. Garcia of Commercial Division, and, Ms. Marlyn C. de Guzman of the Administrative Division. It has 36 regular employees, 2 co-terminus, 1 casual, and 7 job-order personnel as of December 31, 2020. MAWAD serves all the 30 barangays of the Municipality with total active concessionaires of 14,132.

### B. Operational Highlights

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



Programs/Projects/ Activities	Actual Cost	Completion date	Percentage
a. Installation of PVC parallel lines from Macayug Pumping Station to National Road at Barangay Embarcadero, Mangaldan, Pangasinan and from Guiguilonen to Nibaliw, Mangaldan, Pangasinan	1,994,639.20	April 9, 2020	100
b. Construction of Pumping Station with backfilling and Perimeter fence with steel gate at Brgy. Osiem, Mangaldan, Pangasinan	1,630,582.14	July 14, 2020	100
c. Drilling of one (1) exploratory with Production Well	2,417,460.00	January 7, 2020	100
d. Expansion of Water Lines	2,820,051.00	November 23, 2020	100

### C. Financial Highlights

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

	2020	2019	Inc./ (Dec.)
Total Income	60,385,520.13	59,160,336.58	1,225,183.55
Total Expenses	45,899,197.12	46,427,378.97	(528,181.85)
Assets	164,287,945.39	150,000,756.68	14,287,188.71
Liabilities	9,854,151.97	5,354,124.59	4,500,027.38
Government Equity	154,433,793.42	144,646,632.09	9,787,161.33

### D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of MAWAD for the year ended December 31, 2020. The audit was conducted to ascertain the propriety of financial transactions and compliance of MAWAD 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. Auditor's Opinion on the Financial Statements**

A qualified opinion was rendered on the fairness of presentation of the financial statements of MAWAD for the year ended December 31, 2020 for the reason that the fully depreciated and serviceable PPE in the amount of ₱19,189,267.70 and the unserviceable properties that were not disposed yet, amounting to ₱1,147,003.81, or a total of ₱20,336,271.51 were derecognized from the PPE accounts. Also, the Accounts Receivable (AR) balance amounting to ₱2,935,883.30 could not be ascertained due to non-reconciliation between the General Ledger (GL) and the Subsidiary Ledger (SL) ) resulting in a discrepancy of ₱147,555.50, thus, affecting the reliability and fair presentation of the accounts in the Financial Statements (FS) of the District as prescribed under the Philippine Accounting Standards (PAS) No. 1.

## **F. Summary of Significant Observations and Recommendations**

Management was able to increase its revenue from waterworks system fees from ₱56,235,689.23 to ₱58,088,930.85, an increase of ₱1,853,241.62 or 3.3% of last year's income. Consequently, its net income from operation increased by ₱1,753,365.40 or 13.8% of last year's income of ₱12,732,957.61.

Also, the Management was compliant with the Tax Reform for Acceleration and Inclusion (TRAIN) Law under RA No. 10963. All taxes withheld have been fully remitted within the prescribed period set by the Bureau of Internal Revenue.

The following are the other significant observations and recommendations that affected the performance and operations of MAWAD. 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. Purchase Requests (PR) in the 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 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.

We recommended that Management direct the Property Supply Officer (PSO) to refrain from splitting the PR 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 Procurement Law.

2. Payment of the labor and wages of Job Order (JO) Employees and Caretakers assigned at the pumping stations of the District in the total amount of ₱1,069,687.52 was charged against the Personnel Services (PS) – Salaries and Wages-Casual/Contractual (SWCC) Account contrary to COA-DBM Joint Circular (JC) No. 2, s. 2020 dated October 20, 2020, thereby overstating the PS-SWCC Account. Also, the salaries and wages of casual employees amounting to ₱491,542.35 were erroneously recorded



under the PS-Salaries and Wages-Regular (PS-SWR), contrary to the Revised Chart of Accounts for Government Corporations, thus PS-SWR is overstated while PS-SWCC is understated by the same amount.

We recommended that Management require the Division Manager (DM) of Finance and the designated Budget Officer to stop charging and recording the payment of services of the JO and the COS against the PS-SWCC account. We also recommended that Management instruct the DM-Finance to charge the expenses against the MOOE in compliance with COA-DBM JC No. 1 s. 2020 dated October 20, 2020.

3. Of the 220 water samples tested for microbial tests, 12 or 5.45%, were found below the standard parameters and framework for clean and safe water for drinking, thus the MAWAD's social responsibility in providing potable water services to the public is affected.

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

4. The ratio of employees with the number of active concessionaires, MAWAD being a Category B Local Water District, did not comply with the required ratio prescribed in Section VII.A of the Revised Local Water District Manual on Categorization, Recategorization and Other Related Matters (LWD-MaCRO), thereby affecting the overall performance of MAWAD.

We recommended that Management comply with the ratio requirement of employee against its active concessionaires as required under the Revised Local Water District MaCRO by increasing the number of support personnel based on the available and vacant positions indicated in the approved Plantilla. The increase of personnel would certainly match the services MAWAD could offer to its concessionaires in order to attain more productive and efficient performance as a quality water service provider.

The audit team has discussed the observations and recommendations with the Management and that comments were incorporated in the report where appropriate. The exit conference was conducted on May 4, 2021.

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

Of the 13 prior year's audit recommendations, 7 were implemented and 6 were not implemented.

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

As of December 31, 2020, MAWAD has unsettled disallowances amounting to ₱6,990,511.97, all under petitions for review and no outstanding suspensions and charges, summarized as follows:

Nature of Transaction	Balance January 1, 2020 (₱)	Issuance during the Year (₱)	Settlement during the Year (₱)	Balance December 31, 2020 (₱)
Beginning Balance	7,310,804.82			
BOD Expenses		162,777.97		
Payment thru payroll deduction			449,545.82	
Lifted Disallowance (COA RO1 Decision No. 2020-040 dated August 20, 2020)			33,525.00	
Ending Balance				6,990,511.97



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**PART I**

**AUDITED FINANCIAL STATEMENTS**





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

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the financial statements of Mangaldan Water District (MAWAD) which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the Financial Position as at December 31, 2020, its Comprehensive Income and its Cash Flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Qualified Opinion**

As discussed in detail in Part II of the report, fully depreciated and serviceable Property, Plant and Equipment (PPE) in the amount of ₱19,189,267.70 and the unserviceable properties that were not disposed yet, amounting to ₱1,147,003.81, or a total of ₱20,336,271.51 were derecognized from the PPE accounts. Also, the Accounts Receivable (AR) balance amounting to ₱2,935,883.30 could not be ascertained due to non-reconciliation between the General Ledger (GL) and the Subsidiary Ledger (SL) ) resulting in a discrepancy of ₱147,555.50, thus, affecting the reliability and fair presentation of the accounts in the Financial Statements (FS) of the District contrary to Section 1 of the Philippine Accounting Standards (PAS) No. 1.

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..

**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.

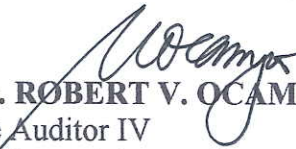
Those charged with governance are responsible for overseeing the MAWAD's financial reporting process.

**Auditor's Responsibility**

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

**COMMISSION ON AUDIT**

**BY:**

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

May 8, 2021





Republic of the Philippines  
**MANGALDAN WATER DISTRICT**

Serafica St., Mangaldan, 2432 Pangasinan  
Tel. Nos. (075) 523-5884; (075)653-0574



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

The Management of the MANGALDAN WATER DISTRICT is responsible for the preparation of the Financial Statements as of December 31, 2020, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement 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.

**FORMER MAYOR TITO B. SARZABA, JR.**

*Chairman of the Board*

February 15, 2021

Date Signed

**MS. VIOLETA B. GAYAGA**

*Division Manager B - Finance*

February 15, 2021

Date Signed

**ENGR. MARCELO M. PETONIO**

*General Manager*

February 15, 2021

Date Signed

*"Water is life..... Use it Wisely"*

Republic of the Philippines  
MANGALDAN WATER DISTRICT  
Mangaldan, Pangasinan  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	81,792,041.27	75,693,206.19
Investment-Local Currency	5	11,041,638.48	10,867,992.98
Receivables, Net	6	2,991,032.72	2,716,495.80
Inventories	7	2,279,893.51	3,213,587.44
<b>Total Current Assets</b>		<b><u>98,104,605.98</u></b>	<b><u>92,491,282.41</u></b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment, Net	8	66,090,937.83	56,752,915.54
Other Assets		92,401.58	756,558.73
<b>Total Non-Current Assets</b>		<b><u>66,183,339.41</u></b>	<b><u>57,509,474.27</u></b>
<b>TOTAL ASSETS</b>		<b><u>164,287,945.39</u></b>	<b><u>150,000,756.68</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	9	3,732,959.69	394,768.00
Inter-Agency Payables	10	980,638.10	904,897.99
<b>Total Current Liabilities</b>		<b><u>4,713,597.79</u></b>	<b><u>1,299,665.99</u></b>
<b>Non-Current Liabilities</b>			
Trust Liabilities	11	1,347,498.50	-
Guaranty/Security Deposits Payable		382,555.23	640,073.95
Customers Deposits Payable		3,410,500.45	3,414,384.65
<b>Total Non-Current Liabilities</b>		<b><u>5,140,554.18</u></b>	<b><u>4,054,458.60</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>9,854,151.97</u></b>	<b><u>5,354,124.59</u></b>
<b>EQUITY</b>			
Government Equity, Beginning		615,720.00	615,720.00
Retained Earnings	12	153,818,073.42	144,030,912.09
<b>TOTAL EQUITY</b>		<b><u>154,433,793.42</u></b>	<b><u>144,646,632.09</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>164,287,945.39</u></b>	<b><u>150,000,756.68</u></b>

*(See the Accompanying Notes to Financial Statements)*



Republic of the Philippines  
**MANGALDAN WATER DISTRICT**  
Mangaldan, Pangasinan  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended December 31, 2020

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>REVENUE/INCOME</b>			
Business Income	13	58,088,930.85	56,235,689.23
Interest Income		198,558.11	207,950.49
Fines and Penalties-Business Income		773,970.78	2,032,887.70
Other Non-Operating Income		152,261.5	891,759.65
<b>TOTAL INCOME</b>		<u><u>60,584,078.24</u></u>	<u><u>59,368,287.07</u></u>
<b>EXPENSES</b>			
Personal Services	14	21,385,454.39	21,597,802.38
Maintenance and Other Operating Expenses	15	20,278,544.62	20,986,776.45
Non-Cash Expenses	16	4,235,013.11	3,842,600.14
Financial Expenses	17	185.00	200.00
<b>TOTAL EXPENSES</b>		<u><u>45,899,197.12</u></u>	<u><u>46,427,378.97</u></u>
<b>NET INCOME</b>		<u><u>14,684,881.12</u></u>	<u><u>12,940,908.10</u></u>

*(See the Accompanying Notes to Financial Statements)*

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

	2020	2019
<b>Government Equity</b>		
Balance at beginning of period	615,720.00	615,720.00
<b>Balance at end of period</b>	<b>615,720.00</b>	<b>615,720.00</b>
 <b>Retained Earnings</b>		
Balance at beginning of period	144,030,912.09	132,670,880.33
Prior period adjustment	(3,889,614.29)	-
Restated Balance	140,141,297.80	132,670,880.33
Adjustments	(1,008,105.50)	(1,580,876.34)
Net Income/loss for the period	14,684,881.12	12,940,908.10
<b>Balance at end of period</b>	<b>153,818,073.42</b>	<b>144,030,912.09</b>
<b>TOTAL EQUITY</b>	<b>154,433,793.42</b>	<b>144,646,632.09</b>



Republic of the Philippines  
**MANGALDAN WATER DISTRICT**  
Mangaldan, Pangasinan  
**STATEMENT OF CASH FLOWS**  
For the year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
<b>Cash Inflows:</b>		
Collection of Water Bills	59,062,687.21	58,200,880.81
Collection of Other Business and Income	570,897.48	699,887.67
Interest Income (Net)	124,912.61	127,210.89
Guaranty Deposit	21,920.70	26,041.85
Sale of Materials, Other Fittings	2,007,943.81	2,255,207.11
Other Miscellaneous (GSIS reimbursement & others)	444,599.28	868,553.81
<b>Total Cash Inflows</b>	<u><b>62,278,392.31</b></u>	<u><b>62,290,607.18</b></u>
<b>Cash Outflows:</b>		
Payment of Personal Services	16,800,192.86	14,618,230.49
Payment of Operating & Maintenance Expenses	16,141,170.35	17,952,037.80
Payment of Advances	378,500.00	714,850.00
Payment of Customers' Deposit	-	27,500.00
Purchases of Office Supplies/Materials	1,190,526.32	1,139,675.42
Prepayments	25,125.78	150,559.04
Payment of Payables	10,948,719.27	10,156,974.53
Remittances of GSIS/Pag-Ibig/BIR	5,836,967.75	6,218,901.26
<b>Total Cash Outflows</b>	<u><b>51,321,202.33</b></u>	<u><b>50,978,728.54</b></u>
<b>Total Cash Provided by Operating Activities</b>	<u><b>10,957,189.98</b></u>	<u><b>11,311,878.64</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflow:</b>		
Collection of Bid Document/Registration	13,000.00	19,500.00
<b>Total Cash Inflow</b>	<u><b>13,000.00</b></u>	<u><b>19,500.00</b></u>
<b>Cash Outflows:</b>		
Payment for Construction Work in Progress	4,252,779.98	1,336,100.86
Purchase of Property, Plant, & Equipment	518,574.92	2,448,982.72
Transfer for Reserve (Sinking Fund)	100,000.00	1,200,000.00
<b>Total Cash Outflows</b>	<u><b>4,871,354.90</b></u>	<u><b>4,985,083.58</b></u>
<b>Total Cash Used in Investing Activities</b>	<u><b>(4,858,354.90)</b></u>	<u><b>(4,965,583.58)</b></u>
<b>Net Cash Inflow provided by operating, investing, and financing activities</b>	<u><b>6,098,835.08</b></u>	<u><b>6346295.06</b></u>
<b>ADD: Cash and Cash Equivalents - Beginning</b>	<u><b>75,693,206.19</b></u>	<u><b>69346911.13</b></u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u><b>81,792,041.27</b></u></u>	<u><u><b>75,693,206.19</b></u></u>

## NOTES TO FINANCIAL STATEMENTS

### 1. Agency Profile

MAWAD is located at Serafica Street, Poblacion, Mangaldan, Pangasinan. It was organized by virtue of Sangguniang Bayan Resolution No. 38, dated May 12, 1979. It acquired autonomy of management from the municipal government of Mangaldan when CCC No. 139 dated October 6, 1980, was issued by the LWUA entitling it to have access to its technical, financial and institutional assistance to improve and develop the water supply system in the area. MAWAD, a GOCC, was re-categorized as Category B on February 23, 2015.

MAWAD is headed by its GM, Engr. Marcelo M. Petonio, and has a total manpower complement of 46 composed of 35 permanent, 2 co-terminus, 1 casual and 7 job-order personnel. MAWAD serves all the 30 barangays in the municipality with 14,132 active service connections. Under PD No. 198, MAWAD 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 MAWAD 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 MAWAD.

### 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 and receivables. MAWAD determines the classification of its financial assets at initial recognition. It also includes cash and short-term deposits, trade, and, other receivables.

### *Derecognition*

MAWAD 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 waived.
- b. MAWAD 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) MAWAD has transferred substantially all the risks and rewards of the asset; or (b) MAWAD 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*

MAWAD 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.

### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, MAWAD 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 MAWAD 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. 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. MAWAD determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification.

#### *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.

### **3.4. Inventories**

Inventory is measured at cost upon initial recognition.

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

Procurement of materials were treated and recorded as materials held for consumption and for sale. The materials for sale are with a minimum mark-up to cover the cost of handling.

### **3.5. Property, Plant and Equipment**

#### *Recognition*

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

The characteristics of PPE are as follows:

- tangible items;
- 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, MAWAD 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.

### *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 10% of the cost of the PPE.

### *Derecognition*

MAWAD 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*

MAWAD 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. Employee benefits**

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

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

## **3.8. Related parties**

MAWAD 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 GM.



#### 4. Cash and other Cash Equivalents

##### a. Cash - Collecting Officers

This pertains to cash collections in the custody of the collecting officer for remittance to the Cashier.

Account	2020	2019
Cash - Collecting Officers	-	140,228.62

##### b. Petty Cash

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

Account	2020	2019
Petty Cash	5,000.00	5,000.00

##### c. Cash in Bank - Local Currency, Current Account (LCCA)

Cash in Banks earn interest based on the prevailing bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirement of MAWAD and earn interest at the respective short term deposit rate. MAWAD Cash balance of ₱81,792,041.27 is broken down as follows:

Particulars	2020	2019
Cash-Collecting Officer	-	140,228.62
Petty Cash	5,000.00	5,000.00
Cash in Bank- CA DBP	70,397,798.68	65,907,521.14
Cash in Bank- CA LBP-EBCS	1,022,753.80	1,339,741.34
Cash in Bank- TD Customer's Deposit (DBP)	3,774,618.45	3,739,751.50
Cash in Bank- TD LBP-MSF	6,591,870.34	4,560,963.59
<b>Total Cash in Bank – LCCA</b>	<b>81,792,041.27</b>	<b>75,693,206.19</b>

#### 5. Investment

##### a. Sinking Fund

This account is reserved for repairs/rehabilitation of the water supply connection in cases during emergency.

Account	2020	2019
Sinking Fund	11,041,638.48	10,867,992.98

## 6. Receivables

### a. Accounts Receivable

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

Account	2020	2019
Accounts Receivable	2,935,883.30	2,691,332.11

### b. Allowance for Impairment - Accounts Receivable

This account is credited upon recognition of impairment which may arise from non-collection of receivables. Basis on the computation of said account is a policy approved by MAWAD Board under Resolution No. 02.S.2018.

Account	2020	2019
Allowance for Impairment - AR	134,850.58	136,336.31

The Percentages are as follows:

Age / Years	Percentage
1-60 days	3
61-180 days	5
181-365 days	10
1-2 years	12
3-4 years	14
5-6 years	16
7-8 years	18
9-10 years	20
11-14 years	30
15-20 years	50

### c. Other Receivables

This account refers to the energy deposit with the Central Pangasinan Electric Company (CENPELCO).

Account	2020	2019
Other Receivables	190,000.00	190,000.00

## 7. Inventory

This account represents the balance of inventories as of the balance sheet date.



**a. Inventory Held for Sale**

Account	2020	2019
Merchandise Inventory	948,675.53	-

**b. Inventory Held for Consumption**

Account	2020	2019
Office Supplies Inventory	83,105.88	75,360.51
Accountable Forms Inventory	474,264.73	380,021.08
Fuel, Oil and Lubricants Inventory	41,181.15	40,761.30
Chemical & Filtering Supplies Inventory	57,765.00	12,700.00
Construction Materials Inventory	492,573.57	929,785.55
Other Supplies and Materials Inventory	-	1,774,959.00
<b>Total</b>	<b>1,148,890.32</b>	<b>3,213,587.44</b>

**c. Semi-Expendable Machinery and Equipment**

Account	2020	2019
Semi-Expendable Office Equipment	59,484.00	-
Semi-Expendable ICT Equipment	54,190.00	-
<b>Total</b>	<b>113,674.00</b>	<b>-</b>

**d. Semi-Expendable Furniture, Fixtures and Books**

Account	2020	2019
Semi-Expendable Furniture and Fixtures	68,653.65	-

<b>Total Inventory</b>	<b>2,279,893.51</b>	<b>3,213,587.44</b>
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**8. Property, Plant and Equipment**

This account pertains to assets used in the normal utility operation with expected lives of more than one year as follows:

Account	2020	2019
Land	3,268,735.00	3,268,735.00
Land Improvements	173,435.00	178,435.00
Infrastructure Assets	71,291,206.11	66,349,029.68
Building and Other Structures	9,101,133.72	9,307,254.72
Machinery and Equipment	3,713,139.00	9,865,155.23
Transportation Equipment	3,226,927.00	4,863,308.67
Furniture, Fixtures and Books	135,812.20	713,759.11
Construction in Progress - Infrastructure Assets	2,783,591.20	-



Intangible Assets	463,000.00	-
Other Property, Plant and Equipment	4,808,768.00	9,159,471.17
<b>Subtotal</b>	<b>98,965,747.23</b>	<b>103,705,148.58</b>
Less: Accumulated Amortization	145,845.00	-
Less: Total Accumulated Depreciation	32,728,964.40	46,952,233.04
<b>Property, Plant and Equipment, net</b>	<b>65,627,937.83</b>	<b>56,752,915.54</b>

## 9. Financial Liabilities

### a. Accounts Payable

This includes the unpaid expenses and obligations incurred by MAWAD.

Account	2020	2019
Accounts Payable	3,732,959.69	394,768.00

## 10. Inter-Agency Payables

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

Particulars	2020	2019
Due to BIR	446,408.99	487,174.36
Due to GSIS	217,991.30	333,625.37
Due to PagIBIG	39,217.66	38,232.51
Due to PhilHealth	28,558.05	23,865.75
Due to Other Funds	248,462.10	22,000.00
<b>Total Inter-Agency Payables</b>	<b>980,638.10</b>	<b>904,897.99</b>

## 11. Trust Liabilities

a. **Trust Liabilities** - This account represents the refund of Disallowance made by employees pending the decision of the petition for review filed with COA.

Particulars	2020	2019
Trust Liabilities	1,347,498.50	-
<b>Total Trust Liabilities</b>	<b>1,347,948.50</b>	<b>-</b>

b. **Guaranty/Security Deposits Payable** – This account represents receipts of cash bond which guarantee the performance of the contract.

Particulars	2020	2019
Bail Bonds Payable	382,555.23	640,073.95
<b>Total Bail Bonds Payable</b>	<b>382,555.23</b>	<b>640,073.95</b>

c. **Customer's Deposit Payable** – This comprises the deposits made by customers as security for the payment of subsequent bill.

Particulars	2020	2019
Customer's Deposit Payable	3,410,500.45	3,414,384.65
<b>Total Customer's Deposit Payable</b>	<b>3,410,500.45</b>	<b>3,414,384.65</b>

## 12. Retained Earnings

This account comprises of:

Particulars	2020	2019
Retained Earnings, beginning balance	144,030,912.09	132,670,880.33
Prior Period Adjustments:	(3,889,614.29)	-
Restated Balance	140,141,297.80	132,670,880.33
Other Adjustments	(1,008,105.50)	(1,580,876.34)
Net Income	14,684,881.12	12,940,908.10
<b>Balance at end of period</b>	<b>153,818,073.42</b>	<b>144,030,912.09</b>

### Adjustments

Adjustments	Debit	Credit	Balance
Prior Period Errors	(3,996,219.36)	106,605.07	(3,889,614.29)
Other Adjustments	1,300,961.50	292,856.00	(1,008,105.50)

Details of Adjustments are as follows:

### *Prior Period Errors*

Particulars	Debit	Credit	Balance
Reclassification of Audit Services from Accounts Payable to Due to NGAs		22,000.00	
Refund of overpayment per DV # 102		13,160.00	
To reverse the entries made for Partial refund of YEFA which should be Trust Liabilities	(1,245,698.50)		
Adjustment in Prior Year Depreciation due to reclassification	(611,594.09)		
Adjustment in PY Net Income due to erroneously	(228,453.50)		



recording of penalty in Accounts Receivable			
Adjustment due to derecognition of Other Current Assets	(401,434.35)		
Adjustment due to derecognition of fully depreciated properties	(1,509,038.92)		
Adjustment due to reclassification from PPE to Semi-Expendable Assets		71,432.57	
Adjustment due to discrepancy of deposit made in Aug 2019		12.50	
<b>Total</b>	<b>(3,996,219.36)</b>	<b>106,605.07</b>	<b>(3,889,614.29)</b>

*Other Adjustments*

<b>Particulars</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
Payment for One-Time Gratuity Pay of Job Order	( 12,000.00)		
Partial refund of YEFA		292,856.00	
Payment of Terminal Leave Benefit	( 688,434.14)		
Grant of PBB for year 2019	(600,527.36)		
<b>Total</b>	<b>(1,300,961.50)</b>	<b>292,856.00</b>	<b>(1,008,105.50)</b>

**Revenue/Income**

**13. Business Income**

**a. Waterworks System Fees**

This pertains to revenue earned from the generation, transmission and distribution of water service connection to customers.

<b>Particulars</b>	<b>2020</b>	<b>2019</b>
Waterworks System Fees	58,088,930.85	56,235,689.23

**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.



<b>Account</b>	<b>2020</b>	<b>2019</b>
Fines and Penalties –Business Income	773,970.78	2,032,887.70

**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.

<b>Account</b>	<b>2020</b>	<b>2019</b>
Other Business Income	1,522,618.50	891,759.65
Interest Income	198,558.11	207,950.49
<b>Total</b>	<b>1,721,176.61</b>	<b>1,099,710.14</b>
<b>Total Revenue/Income</b>	<b>60,584,078.24</b>	<b>59,368,287.07</b>

**Expenses**

**14. Personnel Services**

**a. Salaries and Wages**

<b>Accounts</b>	<b>2020</b>	<b>2019</b>
Salaries, Wages-Regular	12,645,691.03	12,035,939.11
Salaries, Wages-Casual/Contractual	1,126,940.25	1,195,030.53
<b>Total Salaries and Wages</b>	<b>13,772,631.28</b>	<b>13,230,969.64</b>

**b. Other Compensation**

Personnel Economic Relief Allowance (PERA)	908,612.61	947,772.74
Representation Allowance (RA)	301,578.91	305,328.00
Transportation Allowance (TA)	283,363.63	282,000.00
Clothing Allowance	222,000.00	234,000.00
Honoraria	928,800.00	583,200.00
Overtime Pay	69,183.63	51,348.01
Year-End Bonus	1,990,825.80	2,099,539.80
Cash Gift	179,000.00	200,500.00
Other Bonuses & Allowances	560,000.00	1,533,750.00
<b>Total Other Compensation</b>	<b>5,443,364.58</b>	<b>6,237,438.55</b>

**c. Personnel Benefit contributions**

Retirement Life and Insurance Contribution	1,495,356.07	1,496,893.68
Pag-Ibig Contribution	45,700.00	47,500.00
PhilHealth Insurance	166,471.98	140,212.37
Employees Compensation Insurance Premium	45,732.39	47,500.00
<b>Total Personnel Benefit contributions</b>	<b>1,753,260.44</b>	<b>1,732,106.05</b>

**d. Other Personnel Benefits**

Other Personnel Benefits	416,198.09	397,288.14
<b>Total Other Personnel Benefits</b>	<b>416,198.09</b>	<b>397,288.14</b>

<b>Total Personnel Services</b>	<b>21,385,454.39</b>	<b>21,597,802.38</b>
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**15. Maintenance and Other Operating Expenses****a. Maintenance and Other Operating Expenses**

<b>Accounts</b>	<b>2020</b>	<b>2019</b>
Travelling Expenses – Local	59,403.00	360,221.68
Training Expenses	9,214.60	150,990.00
Office Supplies	272,750.18	225,723.53
Accountable Forms	418,226.35	411,744.34
Medical, Dental and Laboratory Supplies Expenses	135,360.00	157,660.00
Fuel, Oil and Lubricants	564,159.70	557,526.29
Chemical and filtering Supplies Expenses	823,667.50	819,437.50
Electricity Expenses	14,072,251.17	13,687,665.92
Other Utility Expenses	5,362.00	5,812.00
Postage and Courier Services	6,783.00	4,371.00
Telephone Expenses	365,107.16	370,188.46
Internet Subscription Expenses	16,159.98	21,688.00
Cable, Satellite, Telegraph and Radio Expenses	5,400.00	5,409.00



Awards/Rewards Expenses	50,000.00	48,673.23
Extraordinary and Miscellaneous Expenses	117,600.00	330,781.30
Legal Services	20,600.00	24,600.00
Auditing Services	464,786.01	204,488.21
Security Services	540,000.00	480,000.00
Other General Services	94,521.45	30,682.35
Repair & Maintenance-Land Improvements	-	1,800.00
Repair & Maintenance-Infrastructure Assets	290,322.93	454,951.62
Repair & Maintenance-Buildings and Other Structures	761.50	5,650.75
Repair & Maintenance-Machinery and Equipment	86,248.49	75,464.60
Repair & Maintenance-Transportation Equipment	-	10,350.00
Repair & Maintenance-Furniture and Fixtures	39,531.83	135,113.75
Repair & Maintenance-Other Property, Plant and Equipment	33,770.00	30,022.82
Taxes, Duties and Licenses	907,595.70	1,559,578.09
Fidelity Bonds Premium	12,000.00	11,212.50
Insurance/Reinsurance Expenses	172,404.27	141,391.87
<b>Total Maintenance and Operating Expenses</b>	<b>19,583,986.82</b>	<b>20,323,198.81</b>

**b. Other Maintenance and Operating Expenses**

Printing and Publication Expenses	233,830.00	251,602.00
Representation Expense	408,577.80	335,491.64
Rent/Lease Expenses	9,600.00	10,020.00
Membership Dues & Cont. To Organization	13,627.00	13,020.00
Subscription Expenses	3,146.00	6,344.00
Donations	25,777.00	47,100.00
<b>Total Other Maintenance and Other Operating Expenses</b>	<b>694,557.80</b>	<b>663,577.64</b>

<b>Total Maintenance and Other Operating Expenses</b>	<b>20,278,544.62</b>	<b>20,986,776.45</b>
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**16. Non-Cash Expenses**

<b>Accounts</b>	<b>2020</b>	<b>2019</b>
Depreciation Expense –Land Improvements	15,609.15	15,609.15
Depreciation Expense-Infrastructure Assets	2,298,091.53	2,152,974.12
Depreciation Expense – Buildings and Other Structures	279,466.26	278,832.54
Depreciation Expense –Machinery and Equipment	385,326.86	490,096.85
Depreciation Expense –Transportation Equipment	291,921.66	201,074.46
Depreciation Expense – Furniture, Fixtures and Books	24,035.03	56,753.09
Depreciation Expense - Other Property, Plant and Equipment	690,227.22	480,092.73
Amortization-Intangible Assets	83,340.00	-
Impairment Loss- Loans and Receivables	25,365.68	167,167.20
Loss of Assets	141,629.72	-
<b>Total Non-Cash Expenses</b>	<b>4,235,013.11</b>	<b>3,842,600.14</b>

**17. Financial Expenses**

<b>Accounts</b>	<b>2020</b>	<b>2019</b>
Bank Charges	185.00	200.00
<b>Total Financial Expenses</b>	<b>185.00</b>	<b>200.00</b>

<b>Total Expenses</b>	<b>45,899,197.12</b>	<b>46,427,378.97</b>
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## **PART II**

# **OBSERVATIONS AND RECOMMENDATIONS**

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

#### *Derecognized Property, Plant and Equipment*

1. Fully depreciated and serviceable PPE in the amount of ₱19,189,267.70 and the unserviceable properties that were not disposed yet, amounting to ₱1,147,003.81, or a total of ₱20,336,271.51 were derecognized from the PPE accounts contrary to PAS 16 prescribing the accounting treatment for PPE, thereby, affecting the reliability and fair presentation of the accounts in the FS of the District as prescribed under PAS No. 1. Further, the non-disposal of the unserviceable properties is contrary to Section 79 of PD No. 1445, thus causing further deterioration that may deprive the District of an additional income from the sale thereof.

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.

Paragraph 79 of PAS 16 states that users of financial statements may also find the following information relevant to their needs:

- a. The carrying amount of temporarily idle PPE;
- b. The gross carrying amount of any fully depreciated PPE that is still in use;
- c. The carrying amount of PPE retired from active use and not classified as held for sale in accordance with PFRS 5;
- d. When the cost model is used, the fair value of PPE when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

Section 79 of PD No. 1445 further states that “When government property has become unserviceable for any cause or is no longer needed, it shall, upon application of the officer accountable therefor; be inspected by the head of the agency or his duly authorized representative...”



Review and analysis of the FS and the schedule of the PPE accounts disclosed that fully depreciated and unserviceable assets in the total amount of ₱20,336,271.51 were derecognized in the books of accounts. Details are shown as follows:

Account	Fully Depreciated - Serviceable		Fully Depreciated – Unserviceable (PY) (₱)	Total
	Current Year(CY) (₱)	Prior Year (PY) (₱)		
Land Improvements	-	5,000.00		5,000.00
Electrification, Power Energy Structures	323,881.36	795,917.93		1,119,799.29
Buildings		103,400.00		103,400.00
Other Structures		102,721.00		102,721.00
Office Equipment	245,077.75	1,325,134.79		1,570,212.54
Furniture & Fixtures	115,704.71	408,394.55		524,099.26
IT Equipment & Software	97,540.00	492,731.94		590,271.94
Library Books		3,400.00		3,400.00
Machinery		3,499,396.00		3,499,396.00
Communication Equipment		189,045.75		189,045.75
Motor Vehicles		1,590,358.67		1,590,358.67
Transportation Equipment	10,360.00	35,663.00		46,023.00
Other PPE	468,072.00	6,670,716.17		7,138,788.17
Water Supply Systems	155,661.34	2,551,090.74	1,147,003.81	3,853,755.89
<b>Total</b>	<b>1,416,297.16</b>	<b>17,772,970.54</b>	<b>1,147,003.81</b>	<b>20,336,271.51</b>

Of the total PPE that were derecognized from the PPE accounts, the amount of ₱1,416,297.16 was fully depreciated on the current year while the amount of ₱18,919,974.35 (17,772,970.54 + 1,147,003.81) pertained to the fully depreciated PPE in prior years. The derecognition was recorded by drawing a Journal Entry Voucher (JEV) with the following entries:

- a) For fully depreciated PPE – CY
- |                                    |              |
|------------------------------------|--------------|
| Accumulated Depreciation (per PPE) | 1,274,667.44 |
| Loss of Assets                     | 141,629.72   |
| PPE (in detail)                    | 1,416,297.16 |
- b) For fully depreciated PPE – Prior Year (PY)
- |                                    |               |
|------------------------------------|---------------|
| Accumulated Depreciation (per PPE) | 17,410,935.43 |
| Accumulated Surplus                | 1,509,038.92  |
| PPE (in detail)                    | 18,919,974.35 |

As can be gleaned from the entries, the income was understated due to the recognition of loss of assets and their related accumulated depreciation due to the dropping of the PPE accounts. Retained earnings beginning was likewise restated due to the derecognized fully depreciated PPE in PY. The properties should have been still carried under the PPE including the unserviceable properties with disclosure in the notes to FS in accordance with PAS 16.

**We recommended that Management direct the Division Manager of the Finance Division to prepare the necessary adjusting entries by drawing a JEV reverting the properties to their specific PPE accounts and the accumulated depreciation as well as recognition of the retained earnings. Submit to the audit team copy of the JEV for review and verification.**

**We recommended further that Management create a disposal and appraisal committee to facilitate the disposal of the unserviceable properties in accordance with Section 79 of PD No. 1445, to prevent further deterioration of the assets.**

Management assured the audit team to comply with the recommendation by reverting the fully depreciated PPE as well as the unserviceable items to their PPE specific accounts. The Division Manager of the Finance Division, however, explained that the unserviceable and the fully depreciated properties were dropped from the books of accounts based on the prior year audit recommendation to transfer them to the Other Assets Account.

The audit team explained the standards under PAS 16 that derecognition of an item of PPE shall be: a) on disposal; b) when no future economic benefits are expected from its use or disposal.

### ***Non-reconciliation of the General Ledger and Subsidiary Ledger***

- 2. Reliability and accuracy of the Accounts Receivable (AR) account amounting to ₱2,935,883.30, could not be ascertained due to non-reconciliation between the General Ledger (GL) and the Subsidiary Ledgers (SL) resulting in a discrepancy of ₱147,555.50, contrary to Section 114 of PD No. 1445, pertaining to the keeping of accounts. Also, the Allowance for Impairment (AI) – AR with a balance of ₱134,850.58 was not accurate, hence, the AR was not presented to its net realizable value affecting the fair presentation of the AR reflected in the FS.**

Section 114 (2) of PD No. 1445 provides that the subsidiary records shall be kept where necessary.

MAWAD's transactions of the AR account have been recorded in the GL and presumed accurate and complete since details of the customers' receivable balances can be easily obtained to support the GL control account. Reconciliation of the GL with the SL is an internal control procedure to ensure that the transactions are being accurately



and completely recorded in the books of accounts. Differences of balances between the GL and the SL should be promptly reconciled.

Review of the AR account disclosed that the GL for AR amounting to ₱2,935,883.30 did not tally with the SL balance of ₱3,083,438.80 maintained at the Commercial Division (CD), resulting in a difference of ₱147,555.50, thus the reliability and accuracy of the AR balance at the end of the year could not be ascertained affecting the fair presentation of the account in the FS.

Details of the AR maintained at the CD are as follows:

Age	Active Accounts (₱)	Inactive Accounts (₱)	Total (₱)
1-60 days	2,428,502.60	9,399.00	2,437,901.60
61-180 days	69,830.55	84,107.25	153,937.80
181 days-1 year	9,451.50	120,448.30	129,899.80
1-2 years	-	139,906.80	139,906.8
3-4 years	-	82,546.60	82,546.60
5-6 years	-	54,009.00	54,009.00
7-8 years	-	39,104.50	39,104.50
9-10 years	-	35,630.30	35,630.30
11-15 years	-	5,800.40	5800.40
16-20 years	-	4,702.00	4,702.00
<b>Total</b>	<b>2,507,784.65</b>	<b>575,654.15</b>	<b>3,083,438.80</b>
GL balance as of December 31, 2020			2,935,883.30
<b>Difference</b>			<b>147,555.50</b>

The SL has the details of the AR account which should have been periodically reconciled with the GL. The difference of ₱147,555.50 or 4.8% of the total AR is significant amount that affected the fair presentation of the AR account in the FS.

Moreover, the AI for AR with a balance of ₱134,850.58 was likewise inaccurate resulting in a discrepancy of ₱14,216.11 as shown below:

Age	AI Rate (%) (a)	Total AR (₱) (b)	AI on AR (₱) c= ( a x b)
1-60 days	3	2,437,901.60	73,137.05
61-180 days	5	153,937.80	7,696.89
181 days-1 year	10	129,899.80	12,989.98
1-2 years	12	139,906.8	16,788.82
3-4 years	14	82,546.60	11,556.52
5-6 years	16	54,009.00	8,641.44
7-8 years	18	39,104.50	7,038.81
9-10 years	20	35,630.30	7,126.06
11-15 years	30	5,800.40	1,740.12



16-20 years	50	4,702.00	2,351.00
Total		3,083,438.80	149,066.69
GL balance as of December 31, 2020			134,850.58
Difference			14,216.11

We recommended that Management direct the Division Manager of Finance (DMF) to reconcile the GL and SL balances of AR Account by tracing the discrepancy from the records maintained at the CD. We also recommended that Management require the CD personnel to submit regularly and on time the SL of AR account to the accounting for the latter's review and recording in the books of accounts. We recommended that Management require the DMF to prepare an adjustment thru a JEV, effecting the discrepancy of the AR and the AI and submit the same to the audit team for review and verification.

The DMF explained that the GL balance was the result after deducting the collections from the amounts of billing. She further explained that the SL from the commercial division was received very late in the accounting office but she, however, assured the audit team to immediately comply with the recommendations.

## B. COMPLIANCE AUDIT

### *Splitting in the Procurement of materials*

3. PR in the procurement of materials and fittings for water service connection were split into smaller quantity, contrary to Section 54.1 of 2016 Revised IRR of 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.

Section 54.1 of 2016 Revised IRR of RA No. 9184, provides that "Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of 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, particularly the necessity of competitive bidding and the requirements for the alternative methods of procurement."

While COA Circular No. 76-41 dated July 30, 1976, provides the prohibition against splitting of requisitions, purchase orders, vouchers and others. It states that:

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 in three forms as follows:

- 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 (PO) 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 Payment consist in making two or more payments for one or more items involving one purchase order.

Audit of transactions of MAWAD disclosed that requisitions and purchase orders of materials and fittings for water service connections were split into smaller quantity as shown below:

Disbursement Voucher (DV) No.	Date	Amount (₱)	PR (Date)	Quantity (pc)	Type of Materials / Fittings
2020-02-102	2/18/2020	92,120.00	12/27/2019	40	Water Meter, ½"
			1-20-2020	40	
2020-03-141	3/5/2020	39,800.00	2/20/2020	100	Brass ball valve w/ lockwing, ¾"
2020-03-160	3/16/2020	20,205.00	8/30/2019	10	GI gibault, 4"
			10/16/2019	2	Saddle Clamp
			1/13/2020	1	
2020-06-292	6/4/2020	90,050.00	2/3/2020	100	Adaptor, ½";
				50	Adaptor, 1"
			2/10/2020	100	Adaptor, ¾"
			12/20/2019	200	Adaptor, ¾"
2020-06-330	6/29/2020	78,634.61	1/15/2020 PO only (1/8/2020)	2	Handwheel
				2	Gate valve
				1	D.I. swing check valve
				8	Steel ring flange
2020-08-452	8/24/2020	45,400.00	5/14/2020	200	Adaptor, ¾"
				100	Adaptor, ½"
2020-09-482	9/1/2020	*48,195.00	5/15/2020	1	Flow meter, 4"
2020-09-504	9/14/2020	62,965.00	3/2/2020	2	Sleeve type coupling, 4"
			3/5/2020	10	Saddle Clamp, 4x3x 4"
				5	Saddle Clamp 4x1"
7/13/2020	250	Saddle Clamp, 2x3x4"			
2020-10-567	10/8/2020	25,700.00	8/14/2020	2	Butterfly valve, 4"
2020-10-571	10/14/2020	*24,000.00	9/1/2020	10	Water Meter, ¾"
2020-11-619	13/3/2020	33,200.00	7/29/2020	200	Adaptor,, ¾"
2020-12-690	12/11/2020	19,940.00	7/29/2020	1	Pipe wrench, 6"
				1	Pipe wrench, 8"
2020-12-692	12/11/2020	66,900.00	PO only (9/9/2020)	100	Adaptor, ½"
				100	Adaptor, 1"



			9/10/2020	200	Adaptor, ¾"
				25	Saddle Clamp,, 6x3x4"
			2/10/2020	10	Saddle Clamp,, 4x1"
				10	Saddle Clamp,, 2x1"
			6/19/2020	12	Gibault,2"
				6	Sleeve type coupling, 2"
				20	PVC pipe, 2"
				1	Tee reducer
				1	Sleeve type coupling, 2"
				1	CI gate valve, 2"
				2	PVC elbow 90x2
			7/17/2020	1	GI pipe. 2" s 40
				3	GI elbow
				2	GI cap 2"
			8/17/2020	75	Saddle Clamp, 3x3x4"
				10 kgs	Lead seal
				1,500	Rubber gasket, ½"
				100	Rubber gasket, ¾"
				100	Rubber gasket, 1"
			8/1/2020	100	Ball valve w/ lockwing, ¾"
			8/24/2020	100	Ball valve w/ lockwing, ¾"
			10/20/20	100	Ball valve w/ lockwing, ¾"
			12/7/2020	200	Ball valve w/ lockwing, ½"
2020-12-695	12/14/2020	101,751.00			
2020-12-711	12/15/2020	10,940.00	PO only (11/19/2020)		
2020-12-720	12/18/2020	163,000.00			

As gleaned from the above table, the PRs were split into smaller quantities in the procurement of materials and fittings for water service connections. Since the amount per PR was within the benchmark of the Alternative Mode of Procurement (AMP) under Section 52, Rule XVI of 2016 Revised IRR, RFQs were served to suppliers thus, the DVs were supported with RFQ, aside from the regular documentary requirements like purchase orders, delivery receipts, and, inspection and acknowledgment receipts, to comply with the requirements which state that:

52.1 Shopping is a method of procurement of Goods whereby the Procuring Entity simply requests for the submission of 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 an unforeseen contingency requiring immediate purchase: Provided, however, that the amount shall not exceed the thresholds prescribed in Annex "H" of this IRR.



b) Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding the thresholds prescribed in Annex "H" of this IRR.

The above data and practice of a piecemeal requisition was a clear indication of non-compliance to existing rules and regulations, therefore, vulnerable to irregularities. Such practice is contrary to the above-cited provisions of the Procurement Law, thus the most advantageous price may not have been obtained compared with competitive bidding, which is open to the participation by any interested party

Further review disclosed that the Annual Procurement Plan (APP) for water service connections materials and supplies amounted to ₱4,456,080.76 where procurement under AMP either through shopping or small value procurement should have not been applied but instead through competitive bidding as a matter of policy under RA No. 9184. Consequently, splitting of requisition which is prohibited under the law on procurement was resorted to by MAWAD.

**We recommended that Management direct the Property Supply Officer (PSO) to refrain from splitting the PR in the procurement of materials and fittings for water service connection to obtain the most advantageous price for MAWAD, consistent with the policy of the government under the Procurement Law.**

**We also 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. 9184, the Government Procurement Law, to ensure economy and efficiency in the use of the MAWAD's resources.**

The GM justified that MAWAD has not enough space in storing or keeping the materials if the purchases are done in volume. He justified further that it was more economical and less paperwork if the procurement is limited to what is only required for the water service connection and also to avoid corrugation of materials like for water meters. The GM assured the team, however, to comply with the provisions on public bidding and asked the BAC Chairman to review the APP for the procurement of materials.

The audit team explained that the schedule of deliveries of materials may be discussed during the pre-procurement conference, if the space in storing the materials is the reason for the piecemeal procurement. It was also explained that same observation was noted in our previous year audit.

**4. Payment of the labor and wages of JO Employees and Caretakers assigned at the pumping stations of MAWAD in the total amount of ₱1,069,687.52 was charged against the PS – SWCC Account contrary to COA-DBM JC No. 2, s. 2020 dated October 20, 2020, thereby overstating the PS-SWCC Account. Also, the salaries and wages of casual employees amounting to ₱491,542.35 were erroneously recorded under the PS-SWR, contrary to the Revised Chart of Accounts for**



**Government Corporations, thus PS-SWR is overstated while PS-SWCC is understated by the same amount.**

COA-DBM JC No. 2, s. 2020 dated October 20, 2020, provides the following:

**8.0 Payment of Services under individual Contract of Service (COS)**

Individuals hired through COS shall be paid the prevailing market rates, subject to the provisions of RA No. 9184 and its Implementing Rules and Regulations.

The payment of services shall be charged against MOOE in the approved agency budget.

**9.0 Payment of Services under JO**

Individuals hired through JO shall be paid wages equivalent to the daily wage/salary of comparable positions in government and a premium of up to 20% of such wages/salary, subject to the availability of funds.

The payment of services shall be charged against the MOOE in the approved agency budget.

MAWAD engaged the services of eight JO and eight COS as support workers on the daily operations of the agency to ensure the smooth, effective, and efficient delivery of services to the public. The JO employees were assigned at the different divisions of MAWAD, like Engineering, Commercial, Finance, and, Administrative Divisions while the COS were caretakers of the pumping stations paid from as low as ₱1,500.00 to ₱10,000.00 monthly.

Audit of payrolls disclosed that the services rendered by the JO and the COS in the total amount ₱1,069,687.52 were charged against the PS - SWCC Account contrary to the above-cited JC detailed as follows:

Month	JO (₱)	COS (₱)	Total
January	40,780.96	32,300.00	73,080.96
February	48,617.96	33,058.62	81,676.58
March	52,020.00	34,300.00	86,320.00
April	59,280.00	34,300.00	93,580.00
May	35,870.00	35,300.00	71,170.00
June	46,910.82	35,300.00	82,210.82
July	48,216.42	35,300.00	83,516.42
August	43,169.80	35,562.50	78,732.30
September	61,008.92	40,025.00	101,033.92
October	64,144.74	40,025.00	104,169.74
November	50,595.74	40,025.00	90,620.74



December	67,551.04	56,025.00	123,576.04
Total	618,166.40	451,521.12	1,069,687.52

Under CSC-COA-DBM JC No. 1 s. 2017 dated June 15, 2017, the CSC clarified that workers under COS or JO are not covered by Civil Service law, rules, and regulations; and that services rendered are not considered as government service, thus, the charges against the PS-SWCC account erroneously affected the reliability of the account presented in the FS of MAWAD overstating the PS-SWCC and understating the MOOE accounts.

Further review of payrolls and the corresponding JEV on the payment of salaries and wages of casual employees amounting to ₱491,542.35 disclosed that these were recorded under PS-Salaries and Wages-Regular, contrary to the RCA for Government Corporations. This should have been recorded under PS-SWCC to recognize the services rendered by employees contracted/hired to perform regular entity functions and specific vital activities or services of MAWAD.

**We recommended that Management require the designated Budget Officer to stop charging and recording the payment of services of the JO and the COS against the PS-SWCC account.**

**We also recommended that Management instruct the DM-Finance to charge the expenses against the MOOE in compliance with COA-DBM JC No. 1 s. 2020 dated October 20, 2020**

**Lastly, we recommended that Management require the DM-Finance to record the payment of the salaries and wages of casual employees to its proper PS-SWR account pursuant to the RCA for Government Corporations.**

The DMF explained that the wages of JO was recorded under the PS-SWCC because it was also budgeted on the same expense category. The DMF assured the audit team, however, to correct the charges and record the same to the right account expense.

*Payment of overtime services*

**5. MAWAD paid the overtime services of four employees amounting to ₱63,410.50, contrary to the policies and guidelines prescribed under CSC and DBM JC No. 02, s. 2015, dated November 25, 2015, and Section 1(d) of Administrative Order (AO) No. 103, directing the continued adoption of austerity measures in the government, thereby the practice of continued cash payment of the overtime services instead of applying the non-monetary remuneration encourages the employees to render unnecessary overtime services.**

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

- 3.1 The rendition of overtime services shall be authorized only when extremely necessary, such as when a particular work or activity cannot be completed within the regular work hours and that non-completion of the same will: a) cause financial loss to the government or its instrumentalities; b) embarrass the government due to its inability to meet its commitments; or c) negate the purposes for which the work or activity was conceived.
- 3.2 As a general rule, the remuneration for overtime services shall be through compensatory time-off (CTO), in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2, s. 2004 and No. 2-A, s. 2005.
- 3.3 The payment in cash of overtime services through Overtime Pay may be authorized only in exceptional cases when the application of CTO for all overtime hours would adversely affect the operations of the agency.

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

In the review of transactions pertaining to the payment of overtime services, it was noted that four pump operators were authorized to render overtime, regularly, on the works that are routinary, purportedly due to the exigency of service and lack of personnel to render the work at the pumping stations. Section 4 of the CSC-DBM Joint Circular specifically enumerated the priority activities that may warrant the rendition of overtime services such as:

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

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



The detail of the total number of hours rendered by each pump operator as well as the corresponding payment in the total amount of ₱63,410.50 is shown in Annex A.

Section 3.2 of the CSC-DBM JC No. 02, s. 2015 provides that the remuneration for overtime services shall be through CTO in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2, s. 2004 and No. 2-A, s. 2005. The District did not observe the non-monetary remuneration for overtime services rendered. As defined in item 4.0 of the CSC-DBM JC No. 2, s. 2004, CTO refers to the accrued number of hours, and/or those rendered on Saturdays, Sundays, holidays or scheduled days off without the benefit of Overtime Pay.

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

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

The Management through the DM assured the audit team to comply with the audit recommendation.

### **C. PERFORMANCE AUDIT**

#### *Quality of drinking water*

- 6. Of the 220 water samples tested for microbial tests, 12 or 5.45%, were found below the standard parameters and framework for clean and safe water for drinking, thus the District's social responsibility in providing potable water services to the public is affected.**

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

The standard values as per PNSDW 2017 are as follows:



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

MPN – Most Probable Number  
HPC – Heterotrophic Plate Count  
CFU – Colony Forming Units

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

While the HPC is a procedure for estimating the number of live heterotrophic bacteria in water and or during water treatment and distribution. Colonies may arise from pairs, chains, clusters, or single cells—all of which are included in the term colony-forming units (CFU). The final count also depends on the interaction among developing colonies.

During the year, MAWAD has collected a total of 220 product water samples from among its active concessionaires for microbiological analysis by using a multiple tube fermentation technique and by pour plate done by an accredited laboratory. From the total samples, 12 or 5.45% were found below the standard values or were marked FAILED either in Coliform, E.coli or in HPC, thus, were not potable and safe for drinking. The contaminated water samples were taken directly from the water connection of concessionaires from 10 barangays or 33.3% of the 30 barangays under the jurisdiction of MAWAD.

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

The causes that may have contributed to the negative results of the water service may be traced to the ineffective approach in monitoring water quality; lack of water treatment with chemicals, like chlorine; and, irregular flushing from the mainline and other distribution lines of the water system. Lack of personnel under the Engineering, Construction, Production, and, Water Quality Division (ECPWQD) to monitor the quality of water may also be one of the factors that contributed to the not potable and safe water for drinking.

**We recommended that Management instruct the ECPWQD personnel to provide drinking water that must be clean, safe, and clear, free from all harmful organisms and chemical substances which constitute hazard to the health of the**



concessionaires and the general public by directing the personnel under the water quality division to effectively and efficiently conduct regular flushing of water pipes and blow-offs to remove any harmful organisms and chemical substances present in the water system.

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

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

The GM explained the procedures in taking the water samples especially during rainy season meaning it was unavoidable to get contaminated. It explained however, that if the result is in negative, an immediate follow-up test is done including from the nearby water concessionaires to be assured that MAWAD is serving safe and potable water.

#### *Cost of Water Production*

7. MAWAD incurred a loss of ₱3,005,350.27 or 20.44% of the total water production cost of ₱14,705,522.08 in producing the unaccounted water or the NRW of 930,449.00 m<sup>3</sup> thereby, affecting the efficiency and performance of the personnel involved in the production of water and MAWAD in general in its public service.

MAWAD produced a total of 4,551,149.00 cubic meters (m<sup>3</sup>) from 13 wells as sources of water in its water system operation. Of the total water produced during the year, 930,449.00 m<sup>3</sup> were unaccounted based on the Monthly Data Sheet (MDS) reports which contained various information of MAWAD, as shown below:

Period	Water Produced m <sup>3</sup>	Metered Billed m <sup>3</sup>	Metered Unbilled m <sup>3</sup>	Total Water Accounted m <sup>3</sup>	Total Water Unaccounted m <sup>3</sup>
	(a)	(b)	(c)	(d)	(e) = a-d
January	389,782.00	309,711.00	273.00	309,984.00	79,798.00
February	368,672.00	288,038.00	359.00	288,397.00	80,275.00
March	350,191.00	276,012.00	348.00	276,360.00	73,831.00
April	376,569.00	290,856.00	393.00	291,249.00	85,320.00
May	423,086.00	369,128.00	313.00	369,441.00	53,645.00
June	366,530.00	283,912.00	395.00	284,307.00	82,223.00
July	376,847.00	298,465.00	432.00	298,897.00	77,950.00
August	407,008.00	317,487.00	402.00	317,889.00	89,119.00
September	378,801.00	297,720.00	320.00	298,040.00	80,761.00

Period	Water Produced m <sup>3</sup>	Metered Billed m <sup>3</sup>	Metered Unbilled m <sup>3</sup>	Total Water Accounted m <sup>3</sup>	Total Water Unaccounted m <sup>3</sup>
	(a)	(b)	(c)	(d)	(e) = a-d
October	382,361.00	305,425.00	260.00	305,685.00	76,676.00
November	388,807.00	308,484.00	413.00	308,897.00	79,910.00
December	342,495.00	271,327.00	227.00	271,554.00	70,941.00
<b>Total</b>	<b>4,551,149.00</b>	<b>3,616,565.00</b>	<b>4,135.00</b>	<b>3,620,700.00</b>	<b>930,449.00</b>

The unaccounted water or the NRW of 930,449.00 m<sup>3</sup> could have earned a potential income of MAWAD.

In the production of water, corresponding costs in a total of ₱14,705,522.08 were incurred broken down as follows:

Particulars	Production Cost
a) Power	13,658,715.67
b) Other energy cost	223,138.91
c) Chlorine	82,3667.50
<b>Total</b>	<b>14,705,522.08</b>

Thus, the cost per cubic meter of the water produced was ₱3.23 (₱14,705,522.08/ 4,551,149.00 m<sup>3</sup>). Of the unaccounted water of 930,449.00 m<sup>3</sup>, MAWAD incurred a production loss of ₱3,005,350.27 (930,449.00 m<sup>3</sup> x 3.23) which is considerably material for MAWAD to incur.

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

#### *Incompatible number of personnel*

8. The ratio of employees with the number of active concessionaires, MAWAD being a Category B Local Water District, did not comply with the required ratio prescribed in Section VII.A of the Revised Local Water District Manual on Categorization, Re-categorization and Other Related Matters (LWD-MaCRO), thereby affecting the over-all performance of MAWAD.

The Revised Local Water District Manual defines and identifies the significance of Staff Productivity Index as:



This is the ratio of the total number of active service connections to the total number of permanent and casual employees as of December 31 of a given year.

This ratio indicates the manpower efficiency of the Water District.

Further, Section VII.A of the same Manual states that:

The Staff Productivity Index of one position for every 100 service connections for Category D, and 120 service connections for Categories A to C, shall be strictly observed in the determination of the total number of positions in a LWD.

In the review of the District's approved Plantilla of Personnel as required under Item 5 of DBM Budget Circular No. 23 dated January 24, 2020, it was noted that the District has a total of 80 positions for permanent and six for non-itemized positions or a total of 86 positions. Of which, 39 have been filled-up or 41.86% of the permanent and the non-itemized positions.

Further review disclosed that MAWAD has a total of 14,132 active concessionaires for the year 2020. Based on the aforementioned ratio requirement of employee, MAWAD, being classified as Category B, should have at least 118 employees (14,132 / 120) or deficient by 79 personnel to comply with the LWUA- MaCRO. With the ratio requirement, it showed that an employee was serving 362 concessionaires or 1:362 as compared with the 1:120 personnel-concessionaire ratio requirement. The District's lack of manpower complement affected the productivity, efficiency and health of the employees.

Some of the observations noted are the following:

1. Only one employee was assigned as Property/ Supply Officer who has the sole responsibility for the custodianship, receipt, issuance of the Inventory and PPE items as well as the preparation, and maintenance of the corresponding property records which caused him the difficulty in determining the balance of the inventories as well as the updating of the said inventory/PPE reports as of December 31, 2020. In effect, various unserviceable and damaged properties are piled in the District's stock room and were not yet disposed. No report of the itemized unserviceable properties had been prepared and submitted to the audit team for proper evaluation.
2. Only four employees were assigned as Water Resource Facility Operators (WRFO) whose functions are pump operators on the 13 Pumping Stations MAWAD which resulted rendering overtime services.
3. Several complaints from concessionaires were received such as delay of actions from MAWAD for new water supply connections, less water supplies and more.

This is a reiteration and an update of the prior year's audit observation and recommendation.

**We recommended that Management comply with the ratio requirement of employee against its active concessionaires as required under the Revised Local Water District MaCRO by increasing the number of support personnel based on the available and vacant positions indicated in the approved Plantilla.**

The GM averred that Management opted to have a leaner organization to maximize the competencies of personnel and to sustain the viability of MAWAD without sacrificing the quality of services being rendered to their consumers and the health of their employees.

#### **D. OTHER AREAS**

##### **GENDER AND DEVELOPMENT**

###### *Gender and Development (GAD) activities*

9. The GAD activities of MAWAD included the expansion of pipelines of water supply and the collection of gender data from its active concessionaires for ₱2,832,051.00 or 5.02% of the agency budget of ₱56,404,896.00. The accomplishment, however, was not aligned with the GAD Plans and Budget (GPB) of ₱2,200,000.00 due to the absence of procedures in the formulation, implementation, monitoring and evaluation of GPB as required in the revised guidelines prescribed under Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, in relation to PCW-NEDA-DBM Joint Circular (JC) No. 2012-01 and PCW MC 2015-03 dated May 19, 2015.

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

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

- a) Organizing the planning team
- b) Conducting gender analysis
- c) Setting the agency's GAD vision and Mission
- d) Formulating the GAD goals
- e) Prioritizing gender issues



- f) Outlining the GAD outcomes, indicators, baseline data and targets
- g) Translating the GAD outcomes into GAD programs, programs and activities.

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

Review and analysis of the MAWAD's GAD Accomplishment report showed that only two activities have been implemented or 22.2% of the nine PPAs and that it focused on the expansion program for ₱2,820,051.00 or 470% over the GPB on expansion projects of ₱660,000.00. The other activity implemented was the collection of gender data of ₱12,000.00 or 4.8% only of the allocated budget of ₱250,000.00. Also, one of the PPAs was the granting of financial assistance of ₱500,000.00 which is a non-GAD related issue. Below is the GPB vis-à-vis accomplishment:

No.	Gender Issue	Program/Project/Activity	GPB )) (₱)	Actual Cost (₱)	Remarks
A. Client-Focused					
1	A. Consumers have no access on information about GAD.	1. Fliers of RA No. 9710 (Magna Carta of Women) will be made available to consumers.	300,000.00	-	Not Implemented
	B. Absence of GAD corner at MAWAD.	2. Uploading a copy of RA No. 9710 to the website of the District.		-	Not Implemented
		3. Development of GAD corner in the District.		-	Not Implemented
2	Remote areas of the municipality are not covered yet by the District's water service line	4. At least two expansion projects of service lines to the areas with no water connections.	600,000.00	2,820,051.00	One expansion project at Brgy. Osiem. The cost was 470% over the GPB on the specific

					activity.
<b>B. Organization-Focused</b>					
3	Non establishment of GAD focal point system due to lack of knowledge on the role and function as focal point person.	5. Enhancing GAD programs, activities and projects by continually providing related updates to the personnel. 6. Identification of venue, topic to be discussed, service learning provider to be invited, workshop and related activities to be considered.	550,000.00	-	Not Implemented  Not Implemented
4	Absence of sex disaggregated data (SDD) and gender statistics in the District	7. Provide a dedicated storage device for storing the SDD and gender statistics complete with an appointed personnel who will maintain and update the data. 8. Provide necessary equipment / materials in gathering the necessary data.	250,000.00	12,000.00	Established the SDD and gender statistics following the template of LWUA. The cost involved was only .048% of the GPB on the activity.
5	Absence of medical allowance for the personnel (male and female employees with illness)	9. Conduct of check-up for employees of any medical in nature and providing financial assistance.	500,000.00	-	Not GAD related issue
	Total		2,200,000.00	2,832,051.00	(632,051.00)

It can be gleaned from the above-data that there was no procedures in the formulation, implementation, monitoring and evaluation of GAD plans and budgets (GPB) and in setting the GAD agenda.

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

**We further recommended that Management require the GFPS to conduct a gender analysis by using tools such as gender further mainstreaming evaluation framework, harmonized gender, and development guidelines, and the analysis of sex-disaggregated data and other relevant information to arrive at**



**gender-related issues aligned with the agency's mandate that will focus on client and organization gender-related issues.**

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

The GFPS justified that MAWAD was not able to implement the GPB due to pandemic wherein health protocols must always be observed. However, she added and hoped to attend GAD seminars to be further informed and apprised on GAD plans and programs that may be applied in the District.

## **DISASTER RISK AND REDUCTION MANAGEMENT PLAN (DRRMP)**

### ***Disaster Risk Reduction Management Plan of the District***

10. MAWAD prepared and developed its DRRM Plans and Programs pursuant to Section 36 of the General Provisions of the General Appropriations Act (GAA) of Fiscal Year (FY) 2020 and RA No. 10121 to ensure an immediate response to any disasters to avoid disruption of water supply.

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

Section 3 (o) of RA 10121 also provides that "Disaster Risk Reduction and Management is the systematic process of using administrative directives, organizations, and operational skills and capacities to implement strategies, policies and improved coping capacities in order to lessen the adverse impacts of hazards and the possibility of disaster. Prospective disaster risk reduction and management refers to risk reduction and management activities that address and seek to avoid the development of new or increased disaster risks, especially if risk reduction policies are not put in place."

In compliance with the above laws, MAWAD prepared a DRRMP which aims to ensure the least possible impact on water supply of MAWAD for disaster prevention and mitigation, disaster preparedness and for disaster response during and even after the disaster.

## WATER SAFETY PLAN

### *Water Safety Plan*

12. MAWAD 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.

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

Upon inquiry and verification, the audit team noted that MAWAD has prepared a water safety plan in June 2018 which comprised a comprehensive approach encompassing all steps in detail, from the water sources to consumers, the treatment process, and, the distribution networks to protect the health of consumers. A contingency plan in case of critical pumps failure and insufficient supply of water were put in place assigning the responsibility to the Engineering & Construction and Production & Water Quality Division (ECWD).

## E. COMPLIANCE WITH TAX LAWS

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

Taxes	2020	2019
Franchise Tax	1,115,692.79	1,082,454.34
Income Tax Withheld on Compensation, Income Tax Withheld – Expanded (EWT) and VAT Withheld	2,498,077.39	2,503,030.14
Total	3,613,770.18	3,585,484.48

## F. REMITTANCES TO GSIS, PHILHEALTH AND PAG-IBIG

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



<b>Particulars</b>	<b>2020</b>	<b>2019</b>
GSIS	3,488,147.02	4,137,242.13
PhilHealth	328,248.78	279,422.92
Pag-IBIG	447,942.46	485,431.63
<b>Total</b>	<b>4,264,338.26</b>	<b>4,902,096.68</b>

**G. STATUS OF SETTLEMENT AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of CY 2020, MAWAD has unsettled disallowances amounting to ₱6,990,511.97, all under petitions for review. No outstanding suspensions and charges the end of the year 2020.

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



<p>reclassify them to the Other Assets account and thereafter be disposed of and derecognized from the books to reflect the most accurate balances of the accounts in the Financial Statements.</p>		<p>properties were derecognized from the books. No disposal was made during the year</p>	<p>included under finding No. 1.</p>
<p>2. Accrued penalties from late payment of water bills amounting to ₱228,453.50 were recognized as Accounts Receivable and Income in the Financial Statements resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards, PAS 1 and Section 19 of the Manual on NGAS, Volume I, thus, affecting the fair presentation of the Accounts in the Financial Statements.</p> <p>We recommended that Management adopt the cash basis of recording penalties by recognizing income from penalties only upon collection and not upon billing pursuant to Philippine Accounting Standard PAS 1 and Section 19 of the Manual on NGAS, Volume I. We also recommended that Management prepare a journal entry to reverse the Accounts Receivable representing the recognized asset and income for accrued penalties amounting to ₱228,453.50 to Retained Earnings Account under the Proposed Entry:</p> <p>Retained Earnings                    ₱228,453.50</p>	<p>2019 AAR  Finding No. 2</p>	<p>Management complied with the recommendation. The proposed Adjusting entry has been made by drawing a JEV.</p>	<p><b>Implemented.</b> Collection of penalties due to late payment of water bills were separately recorded in the revenue accounts.</p>

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

Of the 13 prior year's recommendations, 7 were implemented and 6 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. Properties amounting to ₱2,925,164.56 were not properly classified as to their corresponding Property, Plant and Equipment (PPE) accounts, thereby understating the PPE account and overstating the Inventories account, contrary to Philippine Accounting Standards (PAS) 2 and 16 and COA Circular 2020-002, dated January 28, 2020 on the adoption of the Revised Chart of Accounts for Government Corporations, hence, the faithful presentation of the accounts in the Financial Statements was affected.</p> <p>We recommended that Management reclassify properly the properties totaling ₱2,925,164.56 to the specific Property, Plant and Equipment, semi-expendable PPE and Intangible Assets accounts in compliance with PAS 2 and PAS 16 using the account prescribed under COA Circular 2020-002, dated January 28, 2020 on the adoption of the Revised Chart of Accounts.</p> <p>We further recommended that Management identify the assets that are fully depreciated and are no longer serviceable and</p>	<p>2019 AAR Finding No. 1</p>	<p>Adopted the COA recommendation by reclassifying the properties into their specific PPE accounts, intangible assets and the semi-expendable assets.</p> <p>The fully depreciated PPE and the unserviceable</p>	<p><b>Implemented.</b> The JEVs were reviewed as to the amounts reclassified.</p> <p><b>Not Implemented.</b> The derecognition of PPE was</p>



Accounts Receivables ₱228,453.50			
<p>3. The Other Asset account amounting to ₱401,434.35 is of doubtful reliability due to the inclusion of disposed, destroyed and other properties, the status of which were not updated, contrary to the Asset Recognition Principle under Philippine Accounting Standards (PAS) No. 1. Further, unserviceable properties were not also disposed as of year-end, contrary to Section 79 of Presidential Decree No.79, causing further deterioration thereby depriving the District of additional income from the sale thereof.</p> <p>We recommended that Management:</p> <p>a. Update immediately the status of the properties included in the Other Asset Account and derecognize in the books of accounts the disposed, destroyed and unserviceable properties with a total of ₱60,149.50 (₱18,307.00, ₱4,050.00, and ₱37,792.50) to reflect the most accurate balance of the asset account in accordance with PAS No.1;</p> <p>b. Identify the properties in the remaining amount of ₱341,284.85 which shall then be appraised and disposed adhering Section 79 of PD 1445;</p>	2019 AAR Finding No. 3	<p>A JEV was prepared by derecognizing the disposed properties. However, the destroyed and unserviceable properties were likewise derecognized in the books of accounts.</p> <p>Not complied.</p>	<p><b>Not Implemented.</b> Included in Finding No. 1.</p> <p><b>Not Implemented.</b> Included in Finding No. 1.</p>

<p>c. Prepare an Inventory and Inspection Report of Unserviceable Properties (IIRUP) and submit the same to the audit team for its proper action.</p>		<p>Not complied.</p>	<p><b>Not Implemented.</b> Included in Finding No. 1.</p>
<p>4. The ratio of employees with the number of active concessionaires, the District being a Category B Local Water District, did not comply with the required ratio prescribed in Section VII.A of the Revised Local Water District Manual on Categorization, Recategorization and Other Related Matters (LWD-MaCRO), thereby affecting the over-all performance of the District.</p> <p>We recommended that Management comply with the ratio requirement of employee against its active concessionaires as required under the Revised Local Water District MaCRO by increasing the number of support personnel based on the available and vacant positions indicated in the approved Plantilla. The increase of personnel would certainly match the services the District could offer to its concessionaires in order to attain a more productive and efficient performance as a quality water service provider.</p>	<p>2019 AAR Finding No. 3</p>	<p>Not complied. Two casual employees were given permanent positions but still the LWUA ratio requirement has not been complied with.</p>	<p><b>Not Implemented.</b> Included under Finding No. 8.</p>
<p>5. Accountable forms and other high volume printing</p>	<p>2019 AAR Finding No. 5</p>		



<p>requirements of the District amounting to ₱534,950.00 were procured and printed from private printers contrary to Section 23 of the General Appropriation Act (GAA), Appendix 20 of the Implementing Rules and Regulations (IRR) of Republic Act 9184 and the Local Water Utilities Administration (LWUA) Memorandum Circular No. 010-17 dated June 19, 2017.</p> <p>We recommended that Management procure its accountable forms including Official Receipts with the Recognized Government printers in accordance with Section 23 of GAA 2019, RA 9184 and its IRR and LWUA Memorandum Circular No.010-17 dated June 19, 2017.</p>			
<p>6. Recording of financial transactions using the Journal Entry Voucher (JEV) and the General Journal (GJ) were not faithfully adhered to as prescribed under Sections 111 and 112 of Presidential Decree No. 1445 and Government Accounting Manual (GAM), Volume II, thus trail of transactions could not be relied upon casting doubts on the reliability and accuracy of the accounts presented in the Financial Statements, contrary to Chapter 3 of the Philippine Financial Reporting Standards.</p>	<p>2019 AAR Finding No. 6</p>		

<p>We recommended that Management strictly comply with Sections 111 and 112 of PD 1445 in recording financial transactions by using the forms prescribed under the General Accounting Manual (GAM), Vol. II, to provide a reasonable assurance in the fair presentation of accounts reflected in the Financial Statements pursuant to the Philippine Financial Reporting Standards.</p>		<p>Management has complied with the use of forms like the JEV and the GJ.</p>	<p><b>Implemented.</b> The accountable forms are now being used. The JEV and the GJ are submitted to the audit team for audit.</p>
<p>7. District allocated a total of ₱1,155,000.00 for its GAD programs and projects which is only 1.62% of its annual budget of ₱71,363,644.00, contrary to Section 6.1 of PCW-NEDA-DBM Joint Circular 2012-01 and PCW MC No. 2015-03 dated May 19, 2015. Of the total GAD allocation, only ₱329,701.30 or 28.5% has been spent to implement its GAD's programs and activities. Furthermore, an activity with allotted budget of ₱220,000.00 included in the GAD Plan did not address gender related issue contrary to the examples enumerated under Annex A of the same joint circular.</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</p>	<p>2019 AAR Finding No. 7</p>	<p>Complied by the GFPS</p>	<p><b>Implemented.</b> But still included under Other Areas being a mandatory observation.</p>



<p>were not implemented showing a minimal 28.5% accomplishment.</p> <p>We further recommended that Management, thru the GFPS, conduct a gender analysis by using tools such as gender further mainstreaming evaluation framework, harmonized gender and development guidelines and the analysis of sex-disaggregated data and other relevant information to arrive at a gender related issues aligned with the agency's mandate that will focus on client and organization gender related issues.</p>		<p>Complied by the GFPS</p>	<p><b>Implemented.</b> But still included under Other Areas being a mandatory observation.</p>
<p>8. The District has not prepared and developed its Disaster Risk Reduction Management (DRRM) Plans and Programs for the current year contrary to Section 37 of the General Provisions of the General Appropriations Act (GAA) of FY 2019, thus exposing the agency's resources to possible loss in case of disaster/calamity.</p> <p>COA recommended that Management prepare its DRRM Plan and Program in conformity with Section 37 of the General Provisions of the General Appropriations Act (GAA) of FY 2019 properly identifying the precautionary measures/activities that should be implemented in case of calamities/disasters and taking into consideration the necessary</p>	<p>2019 AAR Finding No. 8</p>	<p>Complied with the audit recommendation.</p>	<p><b>Implemented.</b> But still included under Other Areas being a mandatory observation.</p>

actions to adapt and mitigate climate change.			
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