



**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, 2021



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

Office of the Auditor – Audit Team No. 5



MEMORANDUM

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

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

DATE : **March 2, 2022**

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, 2021.

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, the financial statements present fairly, in all material respects, the financial position of the Mangaldan Water District as at December 31, 2021, and its

financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last February 10, 2022. 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
REGIONAL OFFICE NO. I
City of San Fernando, La Union

April 26, 2022

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, 2021.

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.

An unmodified opinion was rendered on the fairness of the presentation of the financial statements of the District.

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:


TERESITA A. PAJARA
OIC-Regional Director

Copy furnished:

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

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

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

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

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

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

The Secretary of the Department of Budget and Management
General Solano Street, San Miguel, Manila
The Administrator
Local Water Utilities Administration
MWSS-LWUA Complex, Katipunan Avenue
Balara, Quezon City

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

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

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



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

ANNUAL AUDIT REPORT

on the

**MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan**

For The Year Ended December 31, 2021

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 Board of Director (BOD) Chairman	Business	January 1, 2019 to December 31, 2024
Dr. Teresita G. Cera. BOD Vice-Chairman	Education	January 1, 2017 to December 31, 2022
Engr. Francisco M. Evangelista, Jr. BOD Secretary/ Member	Civic	January 1, 2017 to December 31, 2022
Engr. Cesar C. Dizon BOD Treasurer/ Member	Professional	January 1, 2019 to December 31, 2024
Mrs. Nelda A. Cabrera BOD Member	Women	January 1, 2021 to December 31, 2026

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. Cecille A. Fabia, OIC of Commercial Division, and, Ms. Marlyn C. de Guzman of the Administrative Division. It has 34 regular employees, 2 co-terminus, 3 casual, and 7 job-order personnel as of December 31, 2021. MAWAD serves all the 30 barangays of the Municipality with total active concessionaires of 14,652.

B. Operational Highlights

On the next page were the targets vis-à-vis accomplishments of MAWAD for the calendar year 2021:

Programs/ Projects/ Activities	Actual Cost	Completion date	Percentage
a. Supply of labor and materials for the expansion of distribution lines for water supply at Barangay Tebang.	2,905,633.92	August 25, 2021	100
b. Drilling of one (1) exploratory/ production well at Barangay Guesang.	2,875,162.50	December 10, 2021	88.84

C. Financial Highlights

Presented below is the summary of financial highlights of MAWAD as of December 31, 2021:

Particulars	2021	2020	Increase/ (Decrease)	
			Amount	Percentage
Assets	185,021,341.14	164,287,945.39	20,733,395.75	12.62
Liabilities	13,278,481.41	9,854,151.97	3,424,329.44	34.75
Government Equity	171,742,859.73	154,433,793.42	17,309,066.31	11.21
Gross Income	66,143,099.30	60,584,078.24	5,559,021.06	9.18
Expenses	49,476,530.73	45,899,197.12	3,577,333.61	7.79
Net Income	16,666,568.57	14,684,881.12	1,981,687.45	13.49

D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of MAWAD for the year ended December 31, 2021. 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 were undertaken.

E. Auditor's Opinion on the Financial Statements

An unmodified opinion was rendered on the fairness of presentation of the financial statements of MAWAD for the year ended December 31, 2021.

F. Summary of Significant Observations and Recommendations

Management was able to increase its revenue from waterworks system fees from ₱58,088,930.85 to ₱62,254,714.33, an increase of ₱4,165,783.48 or 7.2% of last year's

income. Consequently, its net income from operation increased by ₱1,981,687.45 or 13.49% of last year's income of ₱14,684,881.12.

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. The existence of obligations under Guaranty/Security Deposits Payable accounts amounting to ₱115,977.89 aged two to fourteen years and for which no claim has been filed as of December 31, 2021, was doubtful. Likewise, these accounts were not reverted to the Unappropriated Surplus or Retained Earnings, pursuant to COA Circular No.99-004 dated August 17, 1999, thus it overstates the liabilities and affects the fair presentation of said accounts in the financial statements.

We recommended that Management require the Division Manager of Finance to review the validity of the Guaranty/ Security Deposits Payable which are outstanding for more than two to fourteen years and if found no valid claims against Mangaldan Water District (MAWAD), revert these payables to the Unappropriated Surplus/ Retained Earnings, in accordance with COA Circular No. 99-004.

2. Of the total amount of ₱131,202,598.63 Property, Plant and Equipment (PPE), properties amounting to ₱127,755,428.63 was not inventoried as of December 31, 2021 thus, the RPCPPE was not prepared, contrary to Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I and Section 6.3 of COA Circular No. 2020-006. Consequently, the existence and condition of the PPE and the accuracy of the reported balances in the financial statements cannot be ascertained since reconciliation cannot be made between the Accounting and Property's records.

We recommended that Management require the Property Officer to conduct a complete physical inventory-taking of PPE amounting to ₱127,755,428.63 in adherence to Section 490 of GAAM, Volume I; and create an Inventory Committee and direct the same to conduct physical count of all PPE at least once a year, and to prepare and submit the RPCPPE, to ascertain the PPE's existence and valuation.

3. The accuracy of the GL Balance of the PPE account amounting to ₱131,202,598.63 as of December 31, 2021 could not be ascertained due to the absence of their corresponding Subsidiary Ledgers (SL) contrary to Sections 111 and 114 of Presidential Decree (PD) No. 1445.

We recommended that Management direct the Accountant to prepare the SL for PPE amounting to ₱131,202,598.63 to ensure the accuracy and reliability of the account balances in the GL.

4. The District failed to maintain Property Card (PC) for Property, Plant and Equipment (PPE). Also, the Property Acknowledgement Receipts (PAR) were not issued or updated when there were transfers of accountability contrary to Annexes A-7 and F-8 of the Manual on New Government Accounting System (NGAS) for Corporate, thus, the existence and accountability of the PPE cannot be determined and verified.

We recommended that Management require the Property Officer to maintain Property Card on the PPE of the District. We recommended further that the General Manager require the Property Officer to issue or update the corresponding PAR to all end-users.

The audit team has discussed the observations and recommendations with the Management and that comments were incorporated in the report where appropriate. The exit conference was conducted on February 10, 2022.

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

Of the 15 prior year's audit recommendations, 12 were implemented and 3 were not implemented.

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

As of December 31, 2021, MAWAD has unsettled disallowances amounting to ₱6,234,909.87, all under petitions for review and no outstanding suspensions and charges, summarized as follows:

Nature of Transaction	Balance January 1, 2021 (₱)	Issuance during the Year (₱)	Settlement during the Year (₱)	Balance December 31, 2021 (₱)
Beginning Balance	6,990,511.97			
Less: Payment thru payroll deduction			755,602.10	
Ending Balance				6,234,909.87

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PART I

AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

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

Unmodified Opinion

We have audited the financial statements of Mangaldan Water District (MAWAD) which comprise the statement of financial position as at December 31, 2021, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MAWAD as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Unmodified Opinion

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.

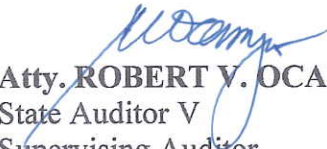
Those charged with governance are responsible for overseeing the MAWAD financial reporting process.

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 V
Supervising Auditor

March 2, 2022



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, 2021, 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 21, 2022

Date Signed

MS. VIOLETA B. GAYAGA

Division Manager B – Finance

February 21, 2022

Date Signed

ENGR. MARCELO M. PETONIO

General Manager

February 21, 2022

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, 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	91,523,663.46	81,792,041.27
Investment-Local Currency	5	11,587,338.81	11,041,638.48
Receivables, Net	6	3,417,809.05	2,991,032.72
Inventories	7	2,983,983.57	2,279,893.51
Total Current Assets		<u>109,512,794.89</u>	<u>98,104,605.98</u>
Non-Current Assets			
Property, Plant and Equipment, Net	8	75,167,685.21	66,090,937.83
Other Assets		340,861.04	92,401.58
Total Non-Current Assets		<u>75,508,546.25</u>	<u>66,183,339.41</u>
TOTAL ASSETS		<u>185,021,341.14</u>	<u>164,287,945.39</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	9	6,192,646.76	3,732,959.69
Inter-Agency Payables	10	935,886.36	980,638.10
Total Current Liabilities		<u>7,128,533.12</u>	<u>4,713,597.79</u>
Non-Current Liabilities			
Trust Liabilities	11	6,149,948.29	5,140,554.18
Total Non-Current Liabilities		<u>6,149,948.29</u>	<u>5,140,554.18</u>
TOTAL LIABILITIES		<u>13,278,481.41</u>	<u>9,854,151.97</u>
EQUITY			
Government Equity, Beginning		615,720.00	615,720.00
Retained Earnings	12	171,127,139.73	153,818,073.42
TOTAL EQUITY		<u>171,742,859.73</u>	<u>154,433,793.42</u>
TOTAL LIABILITIES AND EQUITY		<u>185,021,341.14</u>	<u>164,287,945.39</u>

(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, 2021

	<u>Note</u>	<u>2021</u>	<u>2020</u>
REVENUE/INCOME			
Business Income	13	66,143,099.30	60,584,078.24
TOTAL INCOME		<u>66,143,099.30</u>	<u>60,584,078.24</u>
EXPENSES			
Personal Services	14	22,108,758.00	21,385,454.39
Maintenance and Other Operating Expenses	15	22,859,475.09	20,278,544.62
Non-Cash Expenses	16	4,508,147.64	4,235,013.11
Financial Expenses	17	150.00	185.00
TOTAL EXPENSES		<u>49,476,530.73</u>	<u>45,899,197.12</u>
NET INCOME		<u>16,666,568.57</u>	<u>14,684,881.12</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, 2021

	2021	2020
Government Equity		
Balance at beginning of period	615,720.00	615,720.00
Balance at end of period	615,720.00	615,720.00
 Retained Earnings		
Balance at beginning of period	153,818,073.42	144,030,912.09
Prior period adjustment	1,610,476.48	(3,889,614.29)
Restated Balance	155,428,549.90	140,141,297.80
Adjustments	(967,978.74)	(1,008,105.50)
Net Income/loss for the period	16,666,568.57	14,684,881.12
Balance at end of period	171,127,139.73	153,818,073.42
TOTAL EQUITY	171,742,859.73	154,433,793.42

Republic of the Philippines
MANGALDAN WATER DISTRICT
Mangaldan, Pangasinan

STATEMENT OF CASH FLOWS

For the year Ended December 31, 2021

	<u>2021</u>	<u>2020</u>
Cash Flow from Operating Activities		
Cash Inflows:		
Collection of Water Bills	64,582,889.76	59,062,687.21
Collection of Other Business and Income	747,464.26	570,897.48
Interest Income (Net)	115,737.15	124,912.61
Guaranty Deposit	28,747.85	21,920.70
Sale of Materials, Other Fittings	2,563,286.96	2,007,943.81
Refund of Advances & Others	11,442.90	45,431.22
Other Miscellaneous (GSIS reimbursement & others)	713,642.30	444,599.28
Total Cash Inflows	<u>68,763,211.18</u>	<u>62,278,392.31</u>
Cash Outflows:		
Payment of Personal Services	15,491,905.24	16,800,192.86
Payment of Operating & Maintenance Expenses	19,440,546.86	16,141,170.35
Payment of Advances	385,000.00	378,500.00
Payment of Customers' Deposit	27,500.00	-
Purchases of Office Supplies/Materials	2,449,657.67	1,190,526.32
Prepayments	390,569.24	25,125.78
Payment of Payables	4,653,687.04	10,948,719.27
Remittances of GSIS/Pag-Ibig/BIR	7,007,520.06	5,836,967.75
Total Cash Outflows	<u>49,846,386.11</u>	<u>51,321,202.33</u>
Total Cash Provided by Operating Activities	<u>18,916,825.07</u>	<u>10,957,189.98</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
Cash Inflow:		
Collection of Bid Document/Registration	63,500.00	13,000.00
Total Cash Inflow	<u>63,500.00</u>	<u>13,000.00</u>
Cash Outflows:		
Payment for Construction Work in Progress	7,089,911.93	4,252,779.98
Purchase of Property, Plant, & Equipment	1,658,790.95	518,574.92
Transfer for Reserve (Sinking Fund)	500,000.00	100,000.00
Total Cash Outflows	<u>9,248,702.88</u>	<u>4,871,354.90</u>
Total Cash Used in Investing Activities	<u>(9,185,202.88)</u>	<u>(4,858,354.90)</u>
 Net Cash Inflow provided by operating, investing, and financing activities	<u>9,731,622.19</u>	<u>6,098,835.08</u>
ADD: Cash and Cash Equivalents - Beginning	81,792,041.27	75,693,206.19
CASH AND CASH EQUIVALENTS - ENDING	<u>91,523,663.46</u>	<u>81,792,041.27</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 34 permanent, 2 co-terminus, 3 casuals, and 7 job-order personnel. MAWAD serves all the 30 barangays in the municipality with 14,652 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, specific identification cost method is used which attaches the actual cost to the identified unit of product.

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

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 ₱ 91,523,663.46 is broken down as follows:

Particulars	2021	2020
Cash-Collecting Officer	35,091.95	-
Petty Cash	5,000.00	5,000.00
Cash in Bank- CA DBP	77,839,945.48	70,397,798.68
Cash in Bank- CA LBP-EBCS	1,224,682.70	1,022,753.80
Cash in Bank- TD Customer's Deposit (DBP)	3,798,617.50	3,774,618.45
Cash in Bank- TD LBP-MSF	8,620,325.83	6,591,870.34
Total Cash in Bank – LCCA	91,523,663.46	81,792,041.27

5. Investment

a. Sinking Fund

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

Account	2021	2020
Sinking Fund	11,587,338.81	11,041,638.48

6. Receivables

a. Accounts Receivable

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

Account	2021	2020
Accounts Receivable	3,359,711.03	2,935,883.30

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	2021	2020
Allowance for Impairment - AR	158,401.98	134,850.58

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	2021	2020
Other Receivables	216,500.00	190,000.00

Total Receivables	3,417,809.05	2,991,032.72
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7. Inventory

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

a. Inventory Held for Sale

Account	2021	2020
Merchandise Inventory	1,598,852.36	948,675.53

b. Inventory Held for Consumption

Account	2021	2020
Office Supplies Inventory	61,836.82	83,105.88
Accountable Forms Inventory	759,304.81	474,264.73
Fuel, Oil and Lubricants Inventory	28,288.65	41,181.15
Chemical & Filtering Supplies Inventory	76,050.00	57,765.00
Construction Materials Inventory	459,650.93	492,573.57
Total	1,385,131.21	1,148,890.33

c. Semi-Expendable Machinery and Equipment

Account	2021	2020
Semi-Expendable Office Equipment	-	59,484.00
Semi-Expendable ICT Equipment	-	54,190.00
Total	-	113,674.00

d. Semi-Expendable Furniture, Fixtures and Books

Account	2021	2020
Semi-Expendable Furniture and Fixtures	-	68,653.65

Total Inventories	2,983,983.57	2,279,893.51
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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	2021	2020
Land	3,268,735.00	3,268,735.00
Land Improvements	178,435.00	173,435.00
Infrastructure Assets	86,050,098.34	71,291,206.11
Building and Other Structures	10,205,803.30	9,101,133.72
Machinery and Equipment	9,692,360.23	3,713,139.00
Transportation Equipment	4,845,308.67	3,226,927.00
Furniture, Fixtures and Books	740,805.46	135,812.20
Construction in Progress - Infrastructure Assets	2,875,162.50	2,783,591.20
Information and Communications Technology Equipment	463,000.00	463,000.00
Other Property, Plant and Equipment	12,882,890.13	4,808,768.00
Subtotal	131,202,598.63	98,965,747.23
Less: Total Accumulated Depreciation	56,034,913.42	32,874,809.40
Property, Plant and Equipment, net	75,167,685.21	66,090,937.83

Of these amounts, fully depreciated properties are identified as follows:

Account	2021
Land Improvements	5,000.00
Infrastructure Assets	5,577,691.06
Building and Other Structures	242,985.63
Machinery and Equipment	5,851,686.23
Transportation Equipment	1,653,028.67
Furniture, Fixtures and Books	534,339.26
Other Property, Plant and Equipment	7,517,308.03
Total Fully Depreciated PPE	21,382,038.88

9. Financial Liabilities

a. Accounts Payable

This includes the unpaid expenses and obligations incurred by MAWAD.

Account	2021	2020
Accounts Payable	6,192,646.76	3,732,959.69

10. Inter-Agency Payables

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

Particulars	2021	2020
Due to BIR	224,982.48	446,408.99
Due to GSIS	388,315.97	217,991.30
Due to PagIBIG	37,534.15	39,217.66
Due to PhilHealth	31,406.13	28,558.05
Due to NGAs	253,647.63	248,462.10
Total Inter-Agency Payables	935,886.36	980,638.10

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	2021	2020
Trust Liabilities	2,056,892.50	1,347,498.50

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

Particulars	2021	2020
Bail Bonds Payable	677,109.24	382,555.23

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

Particulars	2021	2020
Customer's Deposit Payable	3,415,946.55	3,410,500.45

Total Trust Liabilities	6,149,948.29	5,140,554.18
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12. Retained Earnings

This account comprises of:

Particulars	2021	2020
Retained Earnings, beginning balance	153,818,073.42	144,030,912.09
Prior Period Adjustments:	1,610,476.48	(3,889,614.29)
Restated Balance	155,428,549.90	140,141,297.80
Other Adjustments	(967,978.74)	(1,008,105.50)
Net Income	16,666,568.57	14,684,881.12
Balance at end of period	171,127,139.73	153,818,073.42

Details of Adjustments are as follows:

Prior Period Adjustments

Particulars	Debit	Credit	Balance
Adjustment on Other Receivables	(1,000.00)		
Adjustment on Prepaid Insurance	(2,860.43)		
Adjustment on Property, Plant, and Equipment		1,156.50	
Adjustment on Allowance for Impairment, per AOM 2021-09	(14,216.11)		
Adjustment on Accounts Receivable, per AOM 2021-09		147,555.50	
Adjustment on PPE, per AOM 2021-08		1,650,668.64	
Adjustment on Prepaid Insurance*	(4,445.85)		
*To revert the erroneous adjustment made on		4,445.88	

Prepaid Insurance			
Adjustment on PPE (Identified Serviceable Properties)		11,500.00	
Semi-expendable PPE issued from the previous years	(182,327.65)		
Total	204,850.04	1,815,326.52	1,610,476.48

Other Adjustments

Particulars	Debit	Credit	Balance
Payment of Terminal Leave Benefits (V. Sales)	(24,203.07)		
Grant of PBB for year 2020	(612,323.67)		
Grant of PBI for year 2020	(331,452.00)		
Total	(967,978.7)	-	(967,978.74)

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.

Particulars	2021	2020
Waterworks System Fees	62,254,714.33	58,088,930.85

b. Interest Income

This pertains to interests earned on bank deposits.

Particulars	2021	2020
Interest Income	161,437.48	198,558.11

c. Fines and Penalties - Business Income

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

Account	2021	2020
Fines and Penalties –Business Income	2,680,537.66	773,970.78

d. Other Business Income

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

Account	2021	2020
Other Business Income	1,046,409.83	1,522,618.50
Total Business Income	66,143,099.30	60,584,078.24

Expenses

14. Personnel Services

a. Salaries and Wages

Accounts	2021	2020
Salaries, Wages-Regular	13,478,748.87	12,645,691.03
Salaries, Wages-Casual/Contractual	389,868.99	1,126,940.25
Total Salaries and Wages	13,868,617.86	13,772,631.28

b. Other Compensation

Accounts	2021	2020
Personnel Economic Relief Allowance (PERA)	950,481.96	908,612.61
Representation Allowance (RA)	307,920.00	301,578.91
Transportation Allowance (TA)	282,000.00	283,363.63
Clothing Allowance	228,000.00	222,000.00
Honoraria	648,000.00	928,800.00
Overtime Pay	42,392.89	69,183.63
Year-End Bonus	1,175,302.00	1,990,825.80
Cash Gift	200,000.00	179,000.00
Mid-Year Bonus	1,132,085.00	-
Other Bonuses & Allowances	871,000.00	560,000.00
Total Other Compensation	5,837,181.85	5,443,364.58

c. Personnel Benefit contributions

Accounts	2021	2020
Retirement Life and Insurance Contribution	1,660,609.89	1,495,356.07
Pag-Ibig Contribution	47,600.00	45,700.00
PhilHealth Insurance	186,490.81	166,471.98
Employees Compensation Insurance Premium	47,900.00	45,732.39
Total Personnel Benefit contributions	1,942,600.70	1,753,260.44

d. Other Personnel Benefits

Accounts	2021	2020
Other Personnel Benefits	460,357.59	416,198.09
Total Other Personnel Benefits	460,357.59	416,198.09

Total Personnel Services	22,108,758.00	21,385,454.39
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15. Maintenance and Other Operating Expenses

Accounts	2021	2020
Travelling Expenses – Local	6,820.00	59,403.00
Training Expenses	25,100.00	9,214.60
Office Supplies	272,009.08	272,750.18
Accountable Forms	571,684.92	418,226.35
Medical, Dental and Laboratory Supplies Expenses	144,360.00	135,360.00
Fuel, Oil and Lubricants	723,556.48	564,159.70
Chemical and filtering Supplies Expenses	559,655.00	823,667.50
Semi-Expendable Machinery and Equipment Expenses	67,741.00	-
Semi-Expendable Furniture and Fixtures Expenses	39,534.00	-
Water Expenses	4,730.50	-
Electricity Expenses	15,177,335.13	14,072,251.17
Other Utility Expenses	5,223.00	5,362.00

Accounts	2021	2020
Postage and Courier Services	7,754.00	6,783.00
Telephone Expenses	382,092.54	365,107.16
Internet Subscription Expenses	14,300.00	16,159.98
Cable, Satellite, Telegraph and Radio Expenses	5,600.00	5,400.00
Awards/Rewards Expenses	35,000.00	50,000.00
Extraordinary and Miscellaneous Expenses	135,600.00	117,600.00
Legal Services	8,900.00	20,600.00
Auditing Services	253,647.63	464,786.01
Security Services	570,000.00	540,000.00
Other General Services	72,867.45	94,521.45
Repair & Maintenance-Land Improvements	-	-
Repair & Maintenance-Infrastructure Assets	383,000.79	290,322.93
Repair & Maintenance-Buildings and Other Structures	22,958.00	761.50
Repair & Maintenance-Machinery and Equipment	30,217.15	86,248.49
Repair & Maintenance-Transportation Equipment	30,474.51	-
Repair & Maintenance-Furniture and Fixtures	4,111.00	39,531.83
Repair & Maintenance-Other Property, Plant and Equipment	16,560.00	33,770.00
Taxes, Duties and Licenses	1,244,949.45	907,595.70
Fidelity Bonds Premium	19,275.00	12,000.00
Insurance/Reinsurance Expenses	188,438.10	172,404.27
Labor and Wages	973,243.66	-
Printing and Publication Expenses	270,245.00	233,830.00
Representation Expense	454,217.20	408,577.80
Transportation and Delivery Expenses	76.00	-
Rent/Lease Expenses	93,862.50	9,600.00
Membership Dues & Cont. To Organization	15,326.00	13,627.00
Subscription Expenses	6,710.00	3,146.00

Accounts	2021	2020
Donations	22,300	25,777.00
Total Maintenance and Other Operating Expenses	22,859,475.09	20,278,544.62

16. Non-Cash Expenses

Accounts	2021	2020
Depreciation Expense –Land Improvements	15,609.15	15,609.15
Depreciation Expense-Infrastructure Assets	2,582,441.48	2,298,091.53
Depreciation Expense – Buildings and Other Structures	285,958.77	279,466.26
Depreciation Expense –Machinery and Equipment	413,687.18	385,326.86
Depreciation Expense –Transportation Equipment	290,301.66	291,921.66
Depreciation Expense – Furniture, Fixtures and Books	20,450.07	24,035.03
Depreciation Expense - Other Property, Plant and Equipment	783,869.34	690,227.22
Amortization-Intangible Assets	83,340.00	83,340.00
Impairment Loss- Loans and Receivables	32,489.99	25,365.68
Loss of Assets	-	141,629.72
Total Non-Cash Expenses	4,508,147.64	4,235,013.11

17. Financial Expenses

Accounts	2021	2020
Bank Charges	150.00	185.00
Total Financial Expenses	150.00	185.00

Total Expenses	49,476,530.73	45,899,197.12
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PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Guaranty/ Security Deposits Payable

1. The existence of obligations under Guaranty/Security Deposits Payable accounts amounting to ₱115,977.89 aged two to fourteen years and for which no claim has been filed as of December 31, 2021, was doubtful. Likewise, these accounts were not reverted to the Unappropriated Surplus or Retained Earnings, pursuant to COA Circular No.99-004 dated August 17, 1999, thus it tends to overstate the liabilities and affects the fair presentation of said accounts in the financial statements.

1.1. Items 3.2 of COA Circular No. 99-004 dated August 17, 1999, provides:

- a. All obligations shall be supported by valid claims
- b. Payable – Unliquidated Obligations which has been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts on record should be reverted to the Cumulative Results of Operations Unappropriated (CROU).

1.2. Review of the schedule of Guaranty/Security Deposits Payable disclosed that several payables recorded in the books as early as CY 2007 remained outstanding for two to fourteen years, as below:

Supplier	Particulars	Amount (₱)	Date	No. of Years
SC2 Trading	Delivery of goods.	1,817.00	3/2007	15 yrs.
MEP Construction	Expansion in Buenlag, Alitaya & Pogo.	13,650.00	12/2008	14 yrs.
HP Drilling	Drilling of well, Salay.	11,136.75	6/2009	13 yrs.
Aldana Construction	2 nd phase MAWAD bldg.	35,000.00	9/2010	12 yrs.
Jemma Multi Trading	Delivery of goods- PVC pipes.	3,139.00	12/2017	5 yrs.
Mirex	Upgrading of Billing Collection System (1 st Payment).	23,150.00	7/2018	4 yrs.
Rondex	Delivery of goods- PVC PIPES.	1,140.48	9/2018	4 yrs.

Supplier	Particulars	Amount (₱)	Date	No. of Years
Mirex	Upgrading of Billing Collection System (2nd Payment).	11,575.00	7/2018	4 yrs.
Mirex	Upgrading of Billing Collection System (Final Payment).	11,575.00	7/2018	3 yrs.
Jemma Multi Trading	Delivery of goods- PVC pipes.	3,794.66	8/2019	3 yrs.
Total Amount		115,977.89		

- 1.3. Interview with the Division Manager – Finance disclosed that transactions recorded under Guaranty/ Security Deposits Payables are charges imposed to suppliers and contractors who entered into contract with MAWAD as cash bond which guarantees the performance of the contract. Per observation, there are Guaranty/Security Deposits of the suppliers/contractors which are still with the District for two years and more and have a slim chance of being refunded or claimed to result in long outstanding payables. Considering that no claim was filed for the payables mentioned as of December 31, 2021, the existence of these payables is questionable. Likewise, payables that remained outstanding for as long as two years and more create doubt as to the existence of valid claims, thus affecting the fair presentation of liabilities in the financial statements.
- 1.4. We recommended that Management review the validity of the Guaranty/Security Deposits Payable which are outstanding for more than two to fourteen years and if found no valid claims against MAWAD, revert these payables to the Unappropriated Surplus/ Retained Earnings, in accordance with COA Circular No. 99-004.
- 1.5. The Management through the Finance Division agreed to review the outstanding guaranty/deposits payable and will cause the reversion to the retained earnings if found no existing claimants.

B. COMPLIANCE AUDIT

Incomplete Inventory-Taking of Property, Plant and Equipment (PPE)

2. Of the total amount of ₱131,202,598.63 Property, Plant and Equipment (PPE), properties amounting to ₱127,755,428.63 was not inventoried as of December 31, 2021 thus, the Report on Physical Count of PPE (RPCPPE) was not prepared, contrary to Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I and Section 6.3 of COA Circular No. 2020-006. Consequently, the existence and condition of the PPE and the accuracy of the

reported balances in the financial statements cannot be ascertained since reconciliation cannot be made between the Accounting and Property’s records.

- 2.1. Section 490 of GAAM, Volume I states that, “Inventories of supplies, materials and equipment – Physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory-taking which is required semi-annually or annually should be regarded with importance.”
- 2.2. Additionally, Section 6.3 of COA Circular No. 2020-006 dated January 31, 2020 states that: The property and Accounting Units shall undertake collaborative procedures to ensure that all PPEs included in the Report on Physical Count of PPE (RPCPPE) are duly recorded in their respective records and that the Property Cards (PCs) maintained by the Property Unit and the PPELCs maintained by the Accounting Unit are reconciled. The reconciliation shall be completed within ten (10) days from rendition of the RPCPPE by the Inventory Committee.
- 2.3. The Audit Team noted that MAWAD was unable to fully conduct the physical count of PPE amounting to ₱127,755,428.60 required under Section 490 of GAAM, Volume I, as shown below:

Property, Plant and Equipment	Amount (₱)
Infrastructure Assets	86,050,098.34
Building and Other Structures	10,205,803.30
Machinery and Equipment	9,692,360.23
Transportation Equipment	4,845,308.67
Furniture and Fixtures	740,805.46
Construction in Progress – Infrastructure Assets	2,875,162.50
Information and Communications Technology Equipment	463,000.00
Other Property, Plant and Equipment	12,882,890.13
TOTAL	127,755,428.63

- 2.4. The inventory is necessary to check on the existence and condition of properties in the custody of MAWAD. Consequently, due to not thoroughly performing the inventory taking, the RPCPPE was not prepared, contrary to Section 490 of GAAM, Volume I. Thus, the existence of the PPE and the accuracy of the reported balances in the financial statements cannot be ascertained since reconciliation cannot be made between the Accounting and the Property’s records as required under Section 6.3 of COA Circular No.2020-006.
- 2.5. We recommended that Management create an inventory committee to conduct a complete physical inventory-taking of PPE amounting to

₱127,755,428.63. Henceforth, conduct physical count of all PPE semi-annually or annually in adherence to Section 490 of GAAM, Volume I.

2.6. Management assured the audit team to complete the conduct of physical inventory of their PPE end of the first semester of CY 2022.

Non-preparation of Subsidiary Ledger for PPE account

3. The accuracy of the General Ledger (GL) Balance of the Property, Plant and Equipment (PPE) amounting to ₱131,202,598.63 as of December 31, 2021 could not be ascertained due to the absence of their corresponding Subsidiary Ledgers (SL) contrary to Sections 111 and 114 of Presidential Decree (PD) No. 1445.

3.1. Sections 111 and 114 of PD No. 1445 provide:

111. Keeping of Accounts

1. The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.
2. The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

114. The General Ledger

2. Subsidiary records shall be kept where necessary.

3.2. The GL is a book of final entry containing groups of accounts arranged in the same sequence as chart of accounts and which total of the amount columns of special journals and individual entries of the General Journal are directly posted. Each account is footed at the end of each month. At the end of the fiscal year, the accounts are totaled, ruled and closed and the individual account balances are carried forward to the GL of the new fiscal year.

3.3. Verification and review of the PPE account disclosed that there is no SL being maintained by the Accounting Section of the properties amounting to ₱131,202,598.63, thus, raised doubts as to the accuracy of the amount posted in the GL.

3.4. We recommended that Management direct the Accountant to prepare the SL for PPE amounting to ₱131,202,598.63 to ensure the accuracy and reliability of the account balance in the GL.

- 3.5. Management assured the audit team to comply with the recommendation. It also emphasized that a separate monitoring of each PPE account was being reconciled monthly to the corresponding GL Balance.

Non-maintenance of Property Card (PC) for PPE and Non-issuance of Property Acknowledgement Receipt (PAR) to end-users

4. **The District failed to maintain Property Card (PC) for Property, Plant and Equipment (PPE). Also, the Property Acknowledgement Receipts (PAR) were not issued or updated when there were transfers of accountability contrary to Annexes A-7 and F-8 of the Manual on New Government Accounting System (NGAS) for Corporate, thus, the existence and accountability of the PPE cannot be determined and verified.**

- 4.1. Pertinent provision of the Manual on NGAS for Corporate provides:

Annex A-7 pertains to Property Acknowledgment Receipt (PAR) which states that “this form shall be signed and dated by the designated Property Officer under “Received from” portion and the recipient or user of the property shall acknowledge receipt by signing under “Received by” portion.”

Annex F-8 pertains to Property Card (PC) which states that “the PC shall be kept for each item of PPE to record description, acquisition, transfer/disposal/issuance and other information about the asset.”

- 4.2. One of the internal control standards over the fixed assets of the District of its existence is maintaining PC, likewise, issuance of PAR to all end-users of the PPE. But upon inquiry and verification, the Property Officer does not maintain PC for the fixed assets and also does not issue PAR to the end-users of the PPE, thus, the property accountabilities cannot be determined and monitoring/or verifying the existence of these properties is difficult.
- 4.3. **We recommended that Management require the Property Officer to maintain Property Card on the PPE of the District. We recommended further that the General Manager require the Property Officer to issue or update the corresponding PAR to all end-users.**
- 4.4. The Property Officer commented that the Property Card and the Property Acknowledgement Receipts are now being prepared.

Lack of Basis on the Provision of Allowance for Impairment of Account Receivables (AR)

5. The rates provided for the Allowance for Impairment of Accounts Receivable (AR) are doubtful due to the lack of basis or study performed to support the adopted percentages of the inactive accounts, contrary to PAS No. 36, Paragraph 4 and 5 of the SFAS No. 3 and Paragraph 37 of the Framework for the Preparation and Presentation of Financial Statements.

5.1. PAS No. 36 on Impairment of Assets states:

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss, unless the asset is carried at re-valued amount in accordance with another Standard.

5.2. Paragraphs 4 and 5 of SFAS No. 3, states that:

4. Receivables balances should be valued at their face amounts minus, if appropriate, allowance set up for doubtful accounts (bad debts).
5. Allowance for doubtful accounts should be provided in the amount determined after a study of the collectability of the receivables.

5.3. Paragraph 37 of the Framework for the Preparation and Presentation of Financial Statements provides:

“The preparers of financial statements do, however, have to contend with the uncertainties that inevitably surround many events and circumstances, such as the collectability of doubtful receivables...Such uncertainties are recognized by the disclosure of their nature and extent and by the exercise of prudence (conservatism) in the preparation of the financial statements. Prudence (conservatism) is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets and income are not overstated and liabilities or expenses are not understated.”

- 5.4. Likewise, Section 6.1 of COA Circular No. 2016-005 dated December 19, 2016, states that, “All government agencies shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon their nature and purpose.”
- 5.5. As observed in the audit of CY 2021 accounts, the MAWAD did not show any bases/criteria for the rates used on the impairment of inactive accounts. MAWAD based only the allowance for impairment on the Board of Resolution No. 2, s. 2018 dated January 18, 2018, approving the proposed classification of aging of accounts the proposed rate of the Allowance for Doubtful Accounts presented by the Commercial Division are as follows:

Age of Accounts	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%

- 5.6. Per review of the Board of Resolution No. 1, s. 2018, the rates used were not supported by facts or studies based on collection experience per account age group to justify the deviation on the prescribed percentages of Impairment Loss.
- 5.7. In view of the noted observations, the accuracy of the net AR balance could not be ascertained thus affecting the fair presentation of the net realizable value of the Accounts Receivable in the financial statements at year-end.
- 5.8. We recommended that the General Manager require the Commercial Division to submit documents supporting the Board Resolution No. 2, S. 2018 dated January 12, 2018, with computation reflecting at least the average collection ratio of the inactive/ dormant accounts as a basis for the allowance made and its imposition on the inactive accounts receivable.**
- 5.9. The OIC of the Commercial Division (CD) justified that the rates used in the computation of the Allowance for Impairment were those approved by the BOD. The rates were recommended by the then Division Manager of the CD duly supported with computation and analysis of collection of the AR. However, the Management assured the audit team to review the present rates being applied on the long outstanding AR.

C. PERFORMANCE AUDIT

Policy on the Disconnection of the Water Service not strictly implemented

6. The District's policy on the disconnection of the water service of concessionaires embodied under Board Resolution No. 27, s. 2013 for water service connection was not strictly implemented, thus, depriving the District of the funds for use in its operation.

6.1. BOD Resolution No. 27 S. 2013, amending Board Resolution No. 6, S. 2007, provides that, "Non-payment of water bill for two consecutive months service connection shall be disconnected by the authorized representative of MAWAD without prior notice".

6.2. Review of the Individual Ledger Card (ILC) of concessionaires showed that 14 water service connections were still in the active list of concessionaires despite having unpaid accounts for more than two months contrary to the policy of the District as shown below:

No.	Account No.	Name of Concessionaire	No. of Months Not Paid	Total Amount (₱)
1	241-12-0141-02	Veronica Caluza	3 mos.	412.50
2	141-72-0002	Felipe Ribu	3 mos.	11,472.50
3	141-12-1304-02	Daisy Penullar	3 mos.	412.50
4	131-12-6404-03	Michael Cayabyab	3 mos.	537.50
5	111-12-0513	Floro Dela Cruz	3 mos.	537.50
6	211-12-0412-155	Sharee Ritualo	3 mos.	412.50
7	141-12-1574-01	Sheila Caballero	3 mos.	412.50
8	151-72-2154-07	Rosalinda Urbano I	3 mos.	721.95
9	161-12-1848	Marcelino Bautista	3 mos.	412.50
10	171-12-1741	Rhea U. Bartolome	3 mos.	2,542.05
11	171-12-1749-03	Armando Maure	3 mos.	537.50
12	111-12-0859	Natividad Datuin	5 mos.	3,908.95
13	081-72-0714	Romeo Aquino	4 mos.	3,325.60
14	091-12-1265	Wennie Soriano	4 mos.	2,026.50
Total Amount				27,672.55

6.3. Gleaned from the above table, the continued supply of water to the 14 concessionaires whose accounts have been past due for more than sixty (60) days have a total uncollected water bill of ₱27,672.55 as summarized on next page as follows:

No. of Days Past Due	No. of Concessionaires	Total Amount Past Due (₱)
60-90 days	11	8,411.50

No. of Days Past Due	No. of Concessionaires	Total Amount Past Due (P)
91-120 days	3	9,261.05
Total	14	27,672.55

6.4. Failure of the District to strictly implement the policy on the disconnection of water service to concessionaires that have unpaid/delinquent accounts for more than two consecutive months deprived the District of the funds that may be used for its other obligations.

6.5. We recommended that Management thru the General Manager strictly enforce its policy on the disconnection of water service to delinquent concessionaires with accounts not paid after 60 days.

6.6. The Management through the General Manager commented that the disconnection policy of water service connection to delinquent concessionaires is being implemented. However, there are instances to consider few consumers especially those who were economically challenged for humanitarian reasons.

Delay on the Timely Completion of Work

7. The Management failed to rescind the contract on the drilling of one exploratory/ production well at Barangay Guesang with a project completion of 88.84% as of the target date, and 35% delay on the timely completion of the work which exceeds 10% as of December 31, 2021, contrary to Section 8.4 of Annex E of the 2016 RIRR of RA No. 9184.

7.1. Section 8.4, Annex E, of the 2016 RIRR of RA No. 9184 provides that, "In case that the delay in the completion of the work exceeds a time duration equivalent to ten percent (10%) of the specified contract time plus any time extension duly granted to the contractor, the procuring entity concerned may rescind the contract, forfeit the contractor's performance security and takeover the prosecution of the project or award the same to a qualified contractor through negotiated contract."

7.2. Review and verification of the contract on the drilling of one exploratory/production well project at Barangay Guesang, Mangaldan, Pangasinan, with a contract cost of ₱2,875,162.50 and a 60-day contract time, showed that the project was only 88.84% completed as of December 10, 2021, the target date of completion. This shows that as of the audit period of December 31, 2021, the delay was already 21 days or 35% of the contract time as shown on next page as follows:

Name of Project	: One exploratory/production well
Contract Time	: 60 days
Target date of Completion	: December 10, 2021

Number of days delayed of
as of December 31, 2021 : 21 days
Percentage of time delay : 35% (21 days / 60 days)

7.3. Based on the foregoing, the project exceeds 10% of the time duration of the specified contract time, thus, the Management should have opted to rescind the contract, forfeit the contractor's performance security and award the said project to another contractor through negotiated contract. Further evaluation disclosed that there was a request for the extension of time filed by the contractor before the expected date of completion. The Management, likewise, did not demand and monitor the early completion of the project. It allowed the contractor to complete the contract until January 8, 2022.

7.4. **We recommended that the General Manager strictly monitor the status of implementation of infrastructure projects and impose sanctions against the contractor whenever found not in compliance with the terms and conditions of the contract in accordance with the rules and regulations of the 2016 RIRR of RA No. 9184.**

7.5. Management through the GM justified that it opted to continue the project with the same contractor to avoid further delay of the project. It added, however, that the corresponding liquidated damages of the number of days of delay was computed and it will be deducted upon the final claim of payment by the contractor. Management assured the team to comply with the recommendations on succeeding projects pursuant to Section 8.4, Annex E of the 2016 Revised Implementing Rules and Regulation of R.A. 9184.

D. OTHER AREAS

GENDER AND DEVELOPMENT

Non allocation of 5% Budget on Gender and Development (GAD)

8. **The GAD Budget for the year of ₱2,200,000.00 was only 3.5% of the District's approved budget of ₱63,663,756.00, or 1.5% lower of the required allocation of at least 5% of the total agency budget contrary to Section 32 of the General Appropriations Act (GAA) for CY 2021 and Item No. 6.a of the Joint Circular (JC) No. 2012-01 of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM).**

8.1. Section 6 (a) of the JC No. 2012-01 of PCW, NEDA, and DBM provides that, "At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's Maintenance and Other Operating Expenses (MOOE), Capital Outlay (CO), and Personal Services

(PS). It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations."

- 8.2. Also, Section 32, paragraph 2, of the GAA of 2021, RA No. 11518, provides that "The GAD plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budget. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies."
- 8.3. Review of the MAWAD GAD Plans and Budget (GPB) and Accomplishment Report (AR) for CY 2021 disclosed the following deficiencies:
- a) The MAWAD allocated a GAD Budget amounting to ₱2,200,000.00 or 3.5% only of the total approved budget of ₱63,663,756.00, or 1.5%, ₱983,187.80, lower of the five percent (5%) requirement on budget allocation.
 - b) The amount of ₱5,792,796.42 was utilized in the implementation of the District's GAD activities, or ₱3,592,796.42, beyond the allotted GAD Budget of ₱2,200,000.00 as shown in detail as follows:

Program/Activity/ Project	Budget (₱)	Actual (₱)	Variance (₱)	Remarks
1. Development of GAD corner in the District where a copy of RA No. 9710 (Magna Carta of Women) is posted.				Not Implemented
2. Fliers of RA No. 9710 (Magna Carta of Women) will be made available for distribution to consumers.	200,000.00	0.00	200,000.00	Not Implemented
3. Uploading a copy of RA No. 9710 (MCW) to the				Not Implemented

Program/Activity/ Project	Budget (₱)	Actual (₱)	Variance (₱)	Remarks
website of the District and updating the same with GAD related activities.				
4. Expansion projects to the areas of the municipality that are not yet covered by the District's service lines.	1,800,000.00	5,780,796.42	(3,980,796.42)	Implemented
5. Identification of venue, topic to be discussed, service learning provider to be invited, workshop and related activities to be considered. Enhancing GAD programs, activities and projects by continually providing related updates to the personnel.	180,000.00	0.00	180,000.00	Not Implemented
6. Provide a dedicated storage device for storing the SDD and Gender Statistics complete with an appointed personnel who will maintain and update.	20,000.00	12,000.00	8,000.00	Implemented
TOTAL	2,200,000.00	5,792,796.42	(3,592,796.42)	

8.4. As gleaned from the above data, the Management formulated GAD projects that were aligned with the guidelines prescribed under the PCW. The District, however, implemented only two out of six of its GAD planned activities in a total amount of ₱5,792,796.42 or ₱3,592,796.42 over the allotted budget for its GAD activities.

- 8.5. We recommended that Management direct the GAD Focal Point to allocate at least 5% of the total budget of the District in accordance with Section 32 of the GAA for CY 2021 and Item No. 6.a of the Joint Circular No. 2012-01 of PCW, NEDA and DBM to properly fund its GAD planned activities.
- 8.6. We also recommended that Management direct the GAD Focal Point monitor the implementation of the District's GAD activities and ensure that these were utilized within the District's GAD budget.
- 8.7. During the exit conference, Management expressed to comply with the recommendation.

DISASTER RISK AND REDUCTION MANAGEMENT PLAN (DRRMP)

Prepared Disaster Risk Reduction Management Plan (DRRMP) of the District

9. MAWAD prepared and developed its DRRM Plans and Programs pursuant to Section 36 of the General Provisions of the General Appropriations Act (GAA) of FY 2021 and RA No. 10121 to ensure an immediate response to any disasters to avoid disruption of water supply.
 - 9.1. Section 36 of the General Provisions of the GAA for FY 2021 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.
 - 9.2. 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."
 - 9.3. 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

Prepared Water Safety Plan (WSP)

10. The MAWAD was able to secure an approval of its Water Safety Plan (WSP) from the Local Water Utilities Administration (LWUA) and forwarded the same to the Department of Health (DOH) for the issuance of the Certificate of WSP Acceptance in line with DOH Administrative Order (AO) Nos. 2014-0027 and 2017-0006 dated September 4, 2014 and April 20, 2017, respectively, thus ensuring the drinking-water quality to protect concessionaires' health.

10.1. The DOH hereby declares the development and implementation of WSP by all drinking-water service providers as a national policy for drinking-water quality management per AO No. 2014-0027 dated September 4, 2014. Likewise, this Order aims to increase the awareness of stakeholders on WSP and eventually strengthen the capacity of drinking-water service providers and partners in the development and implementation of WSP. As part of the general guidelines of the same AO, all drinking-water service providers shall develop WSP for their water supply systems within three years after the issuance of this Order and ensure its implementation after its approval.

10.2. Basically, WSP includes the use of comprehensive risk assessment and risk management approach that encompasses all steps in water supply from catchment to consumer to consistency ensure the safety of drinking water.

10.3. Further, the DOH issued AO No. 2017-0006 dated April 20, 2017 which sets the guidelines on the review and approval of the WSP. It explicitly provides in the general guidelines that:

“All drinking-water service providers operating without approved WSP during the three-year grace period from September 4, 2014 to August 4, 2017 shall be allowed to operate subject to regular water quality testing as prescribed in the Philippine National Standards for Drinking Water by concerned local health offices and/or deputized agencies. A drinking-water service provider who failed to secure a Certificate of WSP Acceptance at the end of the three-year grace period shall be considered a violation of these rules and regulations.”

10.4. We commended Management on its compliance with the DOH requirement on the Water Safety Plan to ensure the quality of the drinking water of its concessionaires.

E. COMPLIANCE WITH TAX LAWS

11. 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.

11.1. For the years 2021 and 2020, the following taxes were remitted to BIR:

Tax	2021	2020
Franchise Tax	1,196,285.36	1,115,692.79
Income Tax Withheld on Compensation, Income Tax Withheld – Expanded (EWT) and VAT Withheld	2,899,619.75	2,498,077.39
Total	4,095,905.11	3,613,770.18

F. REMITTANCES TO GSIS, PHILHEALTH AND PAG-IBIG

12. MANWAD dutifully and timely remitted its mandatory contributions to GSIS, PhilHealth and PAG-IBIG comprising employer’s and employees’ share and loan repayments for 2021 and 2020 as follows:

Particulars	2021	2020
GSIS	4,774,410.96	3,488,147.02
PhilHealth	372,979.74	328,248.78
Pag-IBIG	509,792.69	447,942.46
Total	5,657,183.39	4,264,338.26

G. STATUS OF SETTLEMENT AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2021, MAWAD has unsettled disallowances amounting to ₱6,234,909.87, all under petitions for review and no outstanding suspensions and charges, summarized as follows:

Nature of Transaction	Balance January 1, 2021 (₱)	Issuance during the Year (₱)	Settlement during the Year (₱)	Balance December 31, 2020 (₱)
Beginning Balance	6,990,511.97			
Payment thru payroll deduction			755,602.21	
Ending Balance				6,234,909.87

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 15 prior year's audit recommendations, 12 were implemented and 3 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p> <p>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</p>	<p>2020 AAR Finding No. 1</p>	<p>JEV No. 2021-04-087(April 2021) was prepared reverting the properties to their specific PPE accounts and the accumulated depreciation as well as recognition of the retained</p>	<p>Implemented. The JEVs were prepared reverting the fully depreciated properties to their specific PPE accounts.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>earnings. Submit to the audit team copy of the JEV for review and verification.</p> <p>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.</p>		<p>earnings.</p> <p>The disposal of the unserviceable properties amounting to ₱1,147,003.81. is still in progress.</p> <p>On going identification of unserviceable assets to be disposed, then be derecognized.</p> <p>The Board of Directors and the Management to facilitate the disposal of unserviceable properties on November 12, 2021 per Board Resolution No.31, S.2021.</p>	<p>Not Implemented. Management is still on the process of identifying the unserviceable assets to be disposed.</p>
<p>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</p>	<p>2020 AAR Finding No. 2</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p> <p>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.</p>		<p>The discrepancy was adjusted by preparing JEV No. 2021-04-088 (April 2021) to reconcile with the records maintained at the Commercial Division.</p> <p>Advised the DM-CD to submit regularly and on time the SL of accounts receivable.</p> <p>Prepared an adjustment thru JEV No. 2021-04-089 (April 2021) and effecting the discrepancy in the AI.</p>	<p>Implemented. The GL and SL of the accounts receivable was reconciled.</p>
<p>3. Purchase Requests 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</p>	<p>2020 AAR Finding No. 3</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>dated July 30, 1976, hence transparency and competitive bidding to obtain the most advantageous price were not attained as required under the Procurement Law.</p> <p>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.</p> <p>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.</p>		<p>Strict monitoring of the 2021 APP prior to the procurement of materials and fittings for water service connections.</p> <p>To implement COA's recommendations on 2022 to start with the Agency's PPMP and APP-CSE and non-CSE 2022.</p>	<p>Not Implemented. For strict monitoring of compliance in CY 2022 as explained by the General Manager on the lack of storage facility if voluminous supplies and materials are being procured.</p> <p>Not Implemented. For strict monitoring of compliance in CY 2022. The preparation and planning of the Annual Procurement Plan will be likewise reviewed.</p>
<p>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 –</p>	<p>2020 AAR Finding No. 4</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p> <p>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.</p> <p>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</p> <p>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.</p>		<p>Complied starting May 2021 FS.</p> <p>Adjustments were made by drawing the JEV Nos. 2021-04-095 and 2021-04-096 (April 2021).</p>	<p>Implemented. Management stopped charging and recording the payment of services of the JO and the COS against the PS-SWCC account.</p> <p>Implemented.</p> <p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p> <p>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.</p> <p>We further recommended that Management instruct the DM to implement the non-monetary remuneration</p>	<p>2020 AAR Finding No. 5</p>	<p>The MAWAD is continuously adhering to the austerity measure as far as overtime expenses is concerned.</p>	<p>Implemented. Verified thru the disbursement vouchers post-audited.</p> <p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p>			
<p>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.</p> <p>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.</p> <p>Further, we recommended that Management direct the</p>	<p>2020 AAR Finding No. 6</p>	<p>Flushing is regularly done and cleaning the surroundings of all the distribution lines including blow-offs to ensure that pollutants are removed from the source and water system.</p> <p>Monthly submission of water for bacteriological test to ensure that supply of water to our end-users in safe and potable to drink.</p> <p>The Management directed the</p>	<p>Implemented. Verified thru the disbursement vouchers post-audited.</p> <p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p> <p>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.</p>		<p>Engineering Division to closely monitor the leakages of old and busted pipes where pollutants could contaminate the water, and made their recommendation of immediate replacement.</p>	<p>Implemented.</p>
<p>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 m³ thereby, affecting the efficiency and performance of the personnel involved in the production of water and MAWAD in general in its public service.</p> <p>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</p>	<p>2020 AAR Finding No. 7</p>	<p>Management complied with recommendation.</p>	<p>Implemented. Verified thru the disbursement vouchers post-audited.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>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.</p>			
<p>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.</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.</p>	<p>2020 AAR Finding No. 8</p>	<p>The Management hired 8 additional employees for the period January to October 2021. Another set of additional employees for the CY 2022 are already included in the budget 2022.</p>	<p>Implemented.</p>

