



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

# **ANNUAL AUDIT REPORT**

on the

**BALAOAN WATER DISTRICT**  
**Balaoan, La Union**

**For the Year Ended December 31, 2021**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
CORPORATE GOVERNMENT SECTOR 7  
WATER DISTRICTS AND OTHER CGS STAND ALONE AGENCIES  
City of San Fernando, La Union

**Office of the Auditor – Audit Team No. R1-03**

**MEMORANDUM**

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

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

**DATE : May 27, 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 Balaoan Water District, Balaoan, La Union 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.

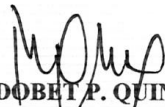
Our report consists of three parts. Part I is the audited financial statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference and Part III presents the Status of Implementation by the Auditee of Prior Years' Audit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

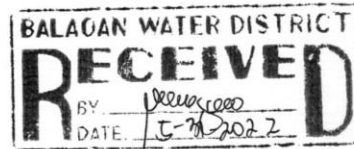
We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last May 27, 2022. We are pleased to note their favorable reactions to our recommendations.

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

  
**MC DOBET P. QUINAGON**  
State Auditor IV  
Audit Team Leader



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
City of San Fernando, La Union



May 27, 2022

**HERMOGENES M. ANCHETA**  
Chairman of the Board of Directors  
Balaoan Water District  
Balaoan, La Union

**ENGR. VICTOR R. OBILLO**  
General Manager  
Balaoan Water District  
Balaoan, La Union

**Dear Director Ancheta and General Manager Obillo:**

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 Balaoan Water District, Balaoan, La Union, 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.

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

We request that the 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**  
Regional Director

Copy furnished:

The President of the Republic of the Philippines  
Malacañang 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**  
Commonwealth Ave., Quezon City

# **ANNUAL AUDIT REPORT**

on the

**BALAOAN WATER DISTRICT**  
**Balaoan, La Union**

**For the Year Ended December 31, 2021**

## EXECUTIVE SUMMARY

### A. Introduction

On February 4, 1978, the Sangguniang Bayan of Balaoan, La Union passed Resolution No. 02 forming the Balaoan Water District (BWD). Following its formation, the BWD acquired ownership and management of the entire system in accordance with Presidential Decree (PD) No. 198 known as the Provincial Water Utilities Act of 1973. On August 5, 1978, all the facilities of the defunct Balaoan Water System were officially turned over to the District.

On July 28, 1978, the Conditional Certificate of Conformance (CCC) No. 059 was awarded to the District which entitled the latter to all the rights and privileges authorized under PD No. 198. BWD was established for the purpose of acquiring, installing, improving, maintaining and operating the water supply, including the waste water collection, treatment and disposal facilities. To be able to do these functions, BWD obtained technical and financial assistance from the Local Water Utilities Administration (LWUA).

The District is composed of a Board of Directors (BOD) with 5 members, a General Manager (GM), assisted by 13 permanent employees. It is now serving 2,273 water and sewer concessionaires covering 26 barangays of this municipality.

### B. Financial Highlights

The following comparative financial highlights of the District are shown below:

Particulars	Amount (P)		Increase/ (Decrease)	Percentage of Change
	2021	2020		
Total Assets	49,503,284.88	36,701,629.02	12,801,655.86	34.88
Total Liabilities	49,057,419.20	35,394,257.35	13,663,161.85	38.60
Total Equity	445,865.68	1,307,371.67	(861,505.99)	(65.90)
Total Income	13,923,393.40	14,707,522.71	(784,129.31)	(5.33)
Total Expenses	14,778,299.39	14,524,641.65	253,657.74	1.75

Particulars	Amount (P)		Increase/ (Decrease)	Percentage of Change
	2021	2020		
Budget	22,125,554.00	21,429,594.00	695,960	3.25
Actual Expenditures	14,778,299.39	14,524,641.65	253,657.74	1.75



### C. Operational Highlights

Results of comparative operational highlights of the District are shown below:

Key Result Area	Amount (P)		Increase/ (Decrease)	Percentage of Change
	2021	2020		
Billing (Water Sales)	13,228,846.97	13,870,870.85	(642,023.88)	(4.63)
Collection (Water Sales)	13,343,429.78	13,561,613.88	(218,184.10)	(1.61)
Water Production (cu. m.)	465,226	468,673	(3,447)	(0.74)
Number of New Connections	115	211	(96)	(45.50)

### D. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of BWD, Balaoan, La Union for the year ended December 31, 2021. The audit was conducted to ascertain the propriety of financial transactions and 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). It was also aimed at determining the compliance by the District with applicable laws, rules and regulations, and determine the extent of implementation of prior years' audit recommendations.

### E. Auditor's Opinion on the Financial Statements

A qualified opinion on the fairness of presentation of the Financial Statements (FS) of Balaoan Water District, Balaoan, La Union as at December 31, 2021 for the reason that the existence and accuracy of the balances of the Property Plant and Equipment accounts with net book value of P41,866,881.72 as of December 31, 2021 could not be ascertained due to a) absence of physical inventory report as at year end, b) non-maintenance of complete and accurate property ledger cards, property cards and c) non-preparation of lapsing schedule for depreciation expenses contrary to Chapter 10 Volume I of the Government Accounting Manual. Hence, PPE accounts may not be fairly presented.

### F. Summary of Significant Observations and Recommendations

Presented below are the summary of other significant observations and recommendations for Calendar Year (CY) 2021. These were discussed with the agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate.

1. The accuracy, validity, existence and collectability of the Receivable account totalling P1,206,329.96 cannot be ascertained due to absence of supporting schedules/reports, unrecorded other income and various dormant accounts, thus,

affecting the fairness of presentation of the balances in the financial statements and depriving the District of additional funds to finance its activities or settle its obligations.

We recommended that Management direct the Accountant to:

- a. Prepare a Subsidiary Ledgers and schedules to support the reported amounts of account receivables;
  - b. Prepare a report showing the cost of unpaid cost of fittings/services and connection materials sold to consumers on account as a basis in recognizing receivable and other income accounts,
  - c. Send a demand letter to the concerned water districts and officials/employees to enforce collection of the amounts due from them; and
  - d. Take appropriate action and have the accounts written-off pursuant to the existing laws, rules and regulations for the amount with remote or nil recovery.
2. The correctness, validity and reliability of the reported balance of the Accounts Payable amounting to P175,935.73 as of December 31, 2021 could not be determined due to unsubstantiated long outstanding payables for more than five years contrary to the Conceptual Framework for Financial Reporting requiring the faithful representation of the accounts in the Financial Statements thereby affecting the total liabilities as well as the equity accounts.

We recommended that Management direct the Accountant to:

- a. Ensure that recording of liabilities is based on valid sources of obligations or valid claims evidence by actual delivery of goods and rendition of services. Likewise, review of the long outstanding payables should be made and effect necessary management actions thereon.
  - b. Submit to the Audit Team the details and proof of existence of accounts payables; and
  - c. Revert the corresponding amounts to the appropriate equity account in accordance with existing rules and regulations, if deemed necessary.
3. Due to the absence of flow meters from the main water sources of the District, the reliability and accuracy of the reported Non-Revenue Water (NRW) rate of 15% for CY 2021 is not accurate, thus compliance with LWUA Resolution No. 444 series 2009 on tolerable NRW of 20% could not be assured.

We recommended that Management allocate funds for the procurement and installation of flow meters at source to generate an accurate water production report and to determine the actual NRW rate.

4. It is worthy to note that District's 2021 GAD Plan and Budget (GPB) and 2021 GAD Accomplishment Report (GAD AR) were submitted to the Local Water Utilities Administration for preliminary review as required under PCW Memorandum Circular No. 2015-03.

We commended the District for submitting its 2021 GAD Plan and Budget (GPB) and 2021 GAD Accomplishment Report to the Local Water Utilities Administration.

5. The District was able to withhold and remit taxes amounting to P1,508,934.22 and P1,223,486.82 as of December 31, 2021, respectively which is composed of various taxes on compensation, purchases from suppliers and franchise taxes. Hence the District was found compliant to their tax obligations.

We commended the District for dutifully compliant on their tax obligations.

#### **G. Status of Implementation of Prior Years' Audit Recommendations**

Of the 12 prior years' audit recommendations, three were implemented and nine were not implemented, which are reiterated in Part II of the report.

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

For CY 2021, the District had no outstanding suspension, disallowance and charge.

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## PART I

### AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
CORPORATE GOVERNMENT SECTOR 7  
WATER DISTRICTS AND OTHER STAND ALONE AGENCIES  
City of San Fernando, La Union

## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
**The General Manager**  
Balaoan Water District  
Balaoan, La Union

### **Qualified Opinion**

We have audited the financial statements of Balaoan Water District, Balaoan, La Union, which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Balaoan Water District as at December 31, 2021, its comprehensive income and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Qualified Opinion**

The existence and accuracy of the balances of the Property Plant and Equipment accounts with net book value of P41,866,881.72 as of December 31, 2021 could not be ascertained due to a) absence of physical inventory report as at year end, b) non-maintenance of complete and accurate property ledger cards, property cards and c) non-preparation of lapsing schedule for depreciation expenses contrary to Chapter 10 Volume I of the Government Accounting Manual. Hence, PPE accounts may not be fairly presented.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Except for the matter described in the Bases for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

#### **Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

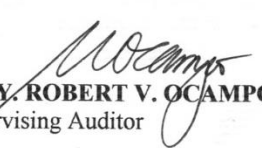
Those charged with governance are responsible for overseeing the District's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### **COMMISSION ON AUDIT**

By:

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

May 27, 2022



**BALAOAN (LU) WATER DISTRICT**

**Viloria St., Brgy. Antonino**

**Balaoan, La Union**

Email address: [balaoanwaterdistrict66@yahoo.com](mailto:balaoanwaterdistrict66@yahoo.com)

Tel. No. (072) – 607-0360

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

The management of the Balaoan Water District, Balaoan, La Union is responsible for the preparation of the financial statement as at 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 misstatements whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

**HERMOGENES M. ANCHETA**

Chairman of the Board

January 27, 2022

**ALORNA L. CASTILLO**

Cashier B/Acting Accounting Processor

January 27, 2022

Date Signed

**ENGR. VICTOR R. OBILLO**

General Manager

January 27, 2022

Date Signed



**BALAOAN WATER DISTRICT**

Balaoan, La Union

**STATEMENT OF FINANCIAL POSITION**

All Funds

As at December 31, 2021

	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	2	6,133,915.54	1,983,534.22
Receivables	3	991,659.18	1,164,926.41
Inventories	4	438,303.42	398,794.61
Other Assets	5	13,648.44	17,061.54
<b>Total Current Assets</b>		<b>7,577,526.58</b>	<b>3,564,316.78</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	6	41,866,881.72	33,078,435.66
Other Assets	7	58,876.58	58,876.58
<b>Total Non-Current Assets</b>		<b>41,925,758.30</b>	<b>33,137,312.24</b>
<b>TOTAL ASSETS</b>		<b>49,503,284.88</b>	<b>36,701,629.02</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	8	1,419,877.00	79,200.00
Inter-Agency Payables	9	694,150.25	578,751.75
Trust Liabilities	10	2,339,171.47	1,276,530.53
Other Payables	11	96,735.73	60,510.73
<b>Total Current Liabilities</b>		<b>4,549,934.45</b>	<b>1,994,993.01</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	12	42,855,401.22	31,422,180.85
Deferred Credits	13	1,652,083.53	1,977,083.49
<b>Total Non-Current Liabilities</b>		<b>44,507,484.75</b>	<b>33,399,264.34</b>
<b>TOTAL LIABILITIES</b>		<b>49,057,419.20</b>	<b>35,394,257.35</b>
<b>EQUITY</b>			
Government Equity	14	157,905.75	157,905.75
Retained Earnings/(Deficit)		287,959.93	1,149,465.92
<b>Total Equity</b>		<b>445,865.68</b>	<b>1,307,371.67</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>49,503,284.88</b>	<b>36,701,629.02</b>

*See Accompanying Notes to Financial Statements*

**BALAOAN WATER DISTRICT**

Balaoan, La Union

**STATEMENT OF COMPREHENSIVE INCOME**

All funds

For the Year Ended December 31, 2021

	Note	2021	2020
<b>INCOME</b>			
<b>Business Income</b>	15	<b>13,923,393.40</b>	<b>14,707,522.71</b>
<b>EXPENSES</b>			
Personnel Services	16	6,389,684.01	6,217,941.45
Maintenance and Other Operating Expenses	17	3,943,003.38	3,714,278.25
Financial Expenses	18	1,846,101.00	1,897,096.00
Non-Cash Expenses	19	2,599,511.00	2,695,325.95
<b>TOTAL EXPENSES</b>		<b>14,778,299.39</b>	<b>14,524,641.65</b>
<b>NET INCOME/(LOSS)</b>		<b>(854,905.99)</b>	<b>182,881.06</b>

*See Accompanying Notes to Financial Statements*

**BALAOAN WATER DISTRICT**

Balaoan, La Union

**STATEMENT F CHANGES IN EQUITY**

All Funds

For the year ended December 31, 2021

	2021	2020
<b>Government Equity</b>		
Balance at Beginning of Period	157,905.75	157,905.75
<b>Balance at End of the Period</b>	<b>157,905.75</b>	<b>157,905.75</b>
<b>Retained Earnings</b>		
Beginning Balance	1,149,465.92	1,163,660.27
Add: Income and Expense Summary	(854,905.99)	182,881.06
Prior Period Adjustments	(6,600.00)	(197,075.41)
<b>Ending Balance:</b>	<b>287,959.93</b>	<b>1,149,465.92</b>
<b>TOTAL EQUITY</b>	<b>445,865.68</b>	<b>1,307,371.67</b>

**BALAOAN WATER DISTRICT**

Balaoan, La Union

**STATEMENT OF CASH FLOWS**

All Funds

For the year ended December 31, 2021

	2021	2020
Cash Inflows		
Collection of Income from water sales	13,349,340.08	13,561,613.78
Collection of Income from penalty charges	291,338.96	257,174.03
Collection of Income from Misc. Service Revenues	365,193.87	923,322.90
Interest from various bank deposits	988.26	1,606.79
Loan Funds	13,105,132.51	2,049,021.50
Others	326,620.76	171,852.75
Total Cash Inflow	<u>27,438,614.44</u>	<u>16,964,591.75</u>
Cash Outflows		
Payment of operating expenses	4,791,973.10	4,265,559.24
Payment of Payables	6,506,818.49	6,830,614.48
Total Cash Outflow	<u>11,298,791.59</u>	<u>11,096,173.72</u>
Net Cash from (used in) operating activities	<u>16,139,822.85</u>	<u>5,868,418.03</u>
Cash Flow from Investing Activities		
Cash Inflows	-	-
Cash Outflows		
Construction of Other Structure	8,630,718.42	2,223,527.03
Purchase of Equipment	272,888.11	-
Net cash from (used in) investing activities	<u>(8,903,606.53)</u>	<u>(2,223,527.03)</u>
Cash Flow From Financing Activities		
Cash Inflows	-	-
Cash Outflows		
Payment of Loan	3,085,835.00	3,090,210.00
Net cash from (used in) financing activities	<u>(3,085,835.00)</u>	<u>(3,090,210.00)</u>
Net increase in Cash and Cash Equivalents	4,150,381.32	554,681.00
Add: Cash and Equivalent, Beginning	1,983,534.22	1,428,853.22
Cash & Cash Equivalents, Ending	<u>6,133,915.54</u>	<u>1,983,534.22</u>

**NOTES TO FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2021**

**A. GENERAL**

**a. Historical Background**

BWD was originally known as the Balaoan Waterworks System. The Municipal Government of Balaoan operated and managed the waterworks until the Water District was formed in 1978. On February 4, 1978, the Sangguniang Bayan of Balaoan passed Resolution No. 02 forming the BWD. Following its formation, the BWD acquired ownership and management of the entire system in accordance with PD No. 198 known as the Provincial Water Utilities Act of 1973. On August 5, 1978, all the facilities of the defunct Balaoan Waterworks System were officially turned to the District. The District is located at Brgy. Antonino, Balaoan, La Union.

BWD was established for the purpose of acquiring, installing, improving, maintaining and operating the water supply, including the wastewater collection, treatment and disposal facilities. To be able to perform these functions, BWD obtained technical and financial assistance from the LWUA.

On July 28, 1978, the CCC No. 059 was awarded to the District after it had complied with the LWUA minimum requirements for the certificate program. This certificate entitled the district to all the rights and privileges authorized under PD No. 198.

At present, BWD falls under Category D based on the Revised Local Water District Manual on Categorized, Re-categorized and Other Related Matters (LWW-MaCRO) effective September 1, 2012. It is now serving 2,273 water and sewer concessionaires covering 26 barangays of the Municipality of Balaoan.

**b. Organizational Set-Up**

The BOD is the policy-making body of the District. It is composed of five members appointed by the Mayor as provided in PD No. 198.

The following are the members of the Board as of December 31, 2021, with the respective sector they represent, namely:

<b>Names</b>	<b>Position</b>	<b>Sector</b>
Hermogenes M. Ancheta	Chairman	Professional
Joel O. Obar	Vice-Chairman	Business
Benjamin P. Onido	Secretary	Civic
Afra L. Monis	Treasurer	Educational
Felicitima N. Ordono	Member	Women

## **B. ACCOUNTING POLICIES AND EXPLANATIONS NOTES**

### **1. Summary of Significant Accounting Policies**

#### **1.1 Basis of Financial Statements Presentation**

The FS of the District have been prepared using historical cost basis. The financial statements are presented in Philippine peso, which is the District's functional and presentation currency. All values are rounded off to two decimal places, except when otherwise indicated.

For the year ended December 31, 2021, the District prepared FS in accordance with generally accepted accounting principle in the Philippines and PFRS.

#### **1.2 Statement of Compliance**

FS were prepared in compliance with PFRS, which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council. Accounts were classified to conform to the Revised Chart of Accounts (RCA) for Government Corporations prescribed under COA Circular No. 2020-002 dated January 28, 2020.

#### **1.3 Summary of Significant Accounting Policies**

The significant accounting policies that have been used in the preparation of the District's FS are summarized as follows:

##### **1.3.1 Current versus Noncurrent Classification**

The District presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;

All other assets are classified as noncurrent. A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;

- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The District classifies all other liabilities as noncurrent.

### **1.3.2 Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

### **1.3.3 Inventories**

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method.

Inventories are recognized as an expense when deployed for the utilization or consumption in the ordinary course of operations of the District.

### **1.3.4 Prepaid expenses**

Prepaid expenses are carried at cost less the amortized portion. These typically include prepayments for insurance, registration fees and guaranty deposits.

### **1.3.5 Property, Plant and Equipment**

#### *Recognition*

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

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; 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;
- the cost or fair value of the item can be measured reliably; and
- the cost is at least ₱15,000.00.

PPE, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of PPE comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the PPE to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of PPE beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related PPE.

Depreciation of PPE commences once the PPE are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the PPE.

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of PPE. There were no changes in the estimated useful lives of PPE in 2020.

Fully depreciated PPE are retained in the accounts until they are no longer in use and no further depreciation are charged to current operations.

When PPE is retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.



#### **1.4 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the District and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

##### **1.4.1 Water Work System Fees**

This represents income derived from billed water sales.

##### **1.4.2 Other Business Income**

Income related to the bacteriological tests performed by the District's Water Testing Laboratory for other water districts and other commercial businesses.

##### **1.4.3 Fines and Penalties – Business Income**

This account comprises income derived from delayed payments of overdue billed water sales.

##### **1.4.4 Interest Income**

Interest income is recognized as it accrues, taking into account the effective yield of the asset

#### **2. Cash and Cash Equivalents**

This account consists of the following:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Cash on Hand		
Cash Collecting Officer	15,214.89	59,802.75
Cash In Bank-Local Currency		
Local Currency CA	5,034,918.52	860,386.75
Local Currency SA	1,083,782.13	1,063,344.72
Total Cash in Bank	6,118,700.65	1,923,731.47
<b>Total Cash and Cash Equivalents</b>	<b>6,133,915.54</b>	<b>1,983,534.22</b>

##### **Cash Collecting Officer**

It represents un-deposited collections on December 31, 2021, which were deposited on January 3, 2022. Deposit of

collections is done twice a day by the District, one in the morning for yesterday's afternoon collections and another in the afternoon for the morning's collections.

#### **Cash in Bank**

This account is composed of the following as presented below:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Local Currency, CA-LBP EFPS	382,510.34	134,864.77
Local Currency, CA-RB	159,340.29	239,098.93
Local Currency, CA-LBP KFW	4,206,068.74	204,950.64
Local Currency, CA-LBP GF	286,999.15	281,472.41
Local Currency, SA_LBP Reserve	245,949.80	235,851.08
Local Currency, SA-LBP Customer Deposit	837,832.33	827,493.64
<b>Total</b>	<b>6,118,700.65</b>	<b>1,923,731.47</b>

#### **Local Currency, CA-LBP**

The account is the former disbursement checking account of the District and is now solely for BIR purposes under the Electronic Filing and Payment System.

#### **Local Currency, Rang-ay Bank**

Opened on May 17, 2010, it represents the disbursement checking account of the District up to the present.

#### **Local Currency, CA-LBP Reserve**

The above represents the LWUA required compensating balance as security in case of non-payment to LWUA loan.

#### **Local Currency, CA-LBP Customers Deposit**

The above consists of two months deposits of concessionaires.

#### **Local Currency, CA - LBP Special Project**

This account represents financial assistance for the improvement and expansion of Water supply system of BWD.

### 3. Receivables

Particulars	2021	2020
Loans and Receivables		
Accounts receivables	907,305.75	1,036,344.75
Allowance for impairment loss –AR	(214,670.78)	(182,442.55)
Inter-Agency Receivables		
Due from Government Corporation	64,089.45	64,089.45
Other Receivables		
Receivable Disallowances/Charges	162,249.60	162,249.60
Due from Officers and Employees	18,586.66	30,586.66
Other Receivables	54,098.50	54,098.50
<b>Total Receivables</b>	<b>991,659.18</b>	<b>1,164,926.41</b>

#### Accounts Receivable

The account includes all amount due from customers from water sales including fines and penalties charged to past due water bills.

#### Allowance for Impairment – Accounts Receivable

The amount is determined and computed based on percentages and aging of accounts receivable

#### Due from Government Corporation

This is composed of unpaid materials and fittings borrowed by other Water District as presented below:

Name of GOCC	2021	2020
Sta. Lucia Water District	6,555.55	6,555.55
Tagudin Water District	57,533.90	57,533.90
<b>Total</b>	<b>64,089.45</b>	<b>64,089.45</b>

#### Receivable Disallowances/Charges

This consists of disallowances as per CSB No. 999-001-00 dated September 8, 1999, representing Director's Fees and Remunerations.

<b>Names</b>	<b>2021</b>	<b>2020</b>
Amor Benigno	31,926.00	31,926.00
Darren Fernandez	14,542.00	14,542.00
Edgar Orallo	19,786.00	19,786.00
Jesus Ostrea Jr.	1,452.00	1,452.00
Presentacion Ostrea	32,743.00	32,743.00
Delfina Sebastian	31,258.60	31,258.60
Andrea Ledda	30,542.00	30,542.00
<b>Total</b>	<b>162,249.60</b>	<b>162,249.60</b>

#### **Due from Officers and Employees**

This consists of receivables from employees and the GM of the District as shown below:

<b>Names</b>	<b>2021</b>	<b>2020</b>
GM V. Obillo/Marlinda Obille	18,586.66	30,586.66
<b>Total</b>	<b>18,586.66</b>	<b>30,586.66</b>

#### **Other Receivables**

This account represents fittings/services connection materials sold to consumers on account and receivables from the former employee.

#### **4. Inventories**

The account consists of unissued supplies and material carried in the stock for use by the District in its operations.

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Inventory Held for Consumption		
Accountable Forms, Plates and Stickers Inventory	115,361.28	73,815.28
Inventory Held for Distribution		
Chemical and Filtering Material Inventory	322,942.14	324,979.33
<b>Total Inventories</b>	<b>438,303.42</b>	<b>398,794.61</b>

**5. Other Assets**

This account is composed of the following:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Prepayments		
Prepaid Rent	4,150.00	4,150.00
Other Prepayments	9,498.44	12,911.54
<b>Total Other Assets</b>	<b>13,648.44</b>	<b>398,794.61</b>

**6. Property, Plant and Equipment**

This account includes assets of the District that are used or are expected to be used in the normal operations and have expected lives of more than one year.

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Land		
Land	199,500.00	199,500.00
Building and Other Structure		
Buildings	2,199,718.00	2,199,718.00
Accumulated Depreciation – Buildings	(62,692.02)	(20,897.34)
Other Structures	1,404,819.90	1,404,819.90
Accumulated Depreciation – Other Structures	(255,946.08)	(189,216.96)
Infrastructure Assets		
Water Supply Systems	47,003,529.22	46,663,059.87
Accumulated Depreciation – Water Supply	(21,988,139.72)	(19,638,202.98)
Machineries and Equipment		
Office Equipment	49,130.50	49,130.50
Accumulated Depreciation – Office Equipment	(42,931.00)	(41,021.44)
Information and Communication		
Technical Equipment	411,873.00	385,513.00
Accumulated Depreciation – Information and Communication Technical Equipment	(340,202.96)	(317,375.54)
Other Machineries and Equipment	429,393.60	387,443.60
Accumulated Depreciation – Other Machineries and Equipment	(279,853.24)	(242,949.12)

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Communication Equipment	6,600.00	6,600.00
Accumulated Depreciation - Communication Equipment	(6,237.00)	(6,237.00)
Furniture, Fixture and Books		
Furniture and Fixtures	426,525.42	399,950.42
Accumulation Depreciation Furniture and Fixtures	(241,157.44)	(199,682.63)
Transportation Equipment		
Motor Vehicles	152,400.00	62,300.00
Accumulated Depreciation - Motor Vehicles	(62,944.44)	(57,238.12)
Other Transportation Equipment	570,000.00	570,000.00
Accumulated Depreciation - Other Transportation Equipment	(535,800.00)	(535,800.00)
<b>Total</b>	<b>29,037,585.74</b>	<b>31,079,414.16</b>
Construction-in-Progress		
Construction in Progress – Infrastructure	12,829,295.98	1,999,021.50
<b>Total Property, Plant and Equipment</b>	<b>41,866,881.72</b>	<b>33,078,435.66</b>

#### **Construction Work in Progress**

This account represents the well drilling and on-going expansion project at Brgy Calliat, Balaoan, La Union.

#### **7. Other Assets**

This account is composed of fully depreciated assets that are ready for disposal.

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Other Assets	58,876.58	58,876.58
<b>Total Other Assets</b>	<b>58,876.58</b>	<b>58,876.58</b>

#### **8. Financial Liabilities**

This account is composed of Loans Payable and Due to officers and employees.

Particulars	2021	2020
Loans Payable – Current	1,340,677.00	-
Due to Officers and Employees	79,200.00	79,200.00
<b>Total</b>	<b>1,419,877.00</b>	<b>79,200.00</b>

#### **Due to Officers and Employees**

This account sets up the liability account of the District to the members of the BOD representing the approved Performance Based Bonus (PBB) for the Year 2017 as per EO 65.

#### **9. Inter-Agency Payables**

This account consists of the following:

Particulars	2021	2020
Due to BIR	370,688.90	234,650.87
Due to GSIS	156,601.69	106,764.79
Due to Pag-ibig	14,331.05	26,010.95
Due to Philhealth	4,289.82	4,186.35
Due to NGAs	132,633.34	191,533.34
Due to Other Government Corporations	15,605.45	15,605.45
<b>Total Inter-Agency Payables</b>	<b>694,150.25</b>	<b>578,751.75</b>

#### **Due to BIR**

This includes taxes withheld from salaries, government purchases of goods and services, government work contracts and franchises which are due for remittance.

#### **Due to GSIS**

This includes GSIS premiums and loans of employees which were withheld and due for remittance to GSIS.

#### **Due to Pag-ibig**

This includes Pag-ibig employees' share which were withheld and due for remittance to Pag-ibig.

**Due to Philhealth**

This includes Philhealth employees' share which were withheld and paid due for remittance to Philhealth.

**Due to NGAs**

This represents the liability account of the District with COA on audit fees for CYs 2018 to 2019.

**Due to Other Government Corporations**

This account includes unpaid accounts from other Water Districts for service connection materials.

**10. Trust Liabilities**

This is composed of the following:

Particulars	2021	2020
Trust Liabilities	1,256,616.69	1,182,907.69
Guaranty/Security Deposits Payable	1,082,554.78	93,622.84
<b>Total Trust Liabilities</b>	<b>2,339,171.47</b>	<b>1,276,530.53</b>

**Trust Liabilities**

This account represents deposit made by consumers before the installation of any service connections as security for non-payment of future water bills computed based on 2 months minimum water charges.

**Guaranty/Security Deposits Payable**

This account represents retention fees withheld to guarantee the performance of a contract and refundable upon completion of work.

**11. Other Payable**

This account represents liabilities of the district with suppliers and private entities.

Particulars	2021	2020
<b>Other Payables</b>	<b>96,735.73</b>	<b>60,510.73</b>



## 12. Financial Liabilities

It consists of Loans Payable – Domestic of the District.

Loan Account No.	Particulars	Amount
3 – 590	Construction of Water District level III which includes the Drilling of 1 test/production well at Brgy. Bulbulala, Balaoan, La Union.	867,931.92
9 – 0357	Formerly a Non – LWUA Initiated Fund (NLIF) – PFS which is originally a grant and later was classified as ICG Soft loan at 2% per annum as per LWUA Board of Trustee's Resolution No. 001 series 2012.	3,956,027.00
9 – 0607	Financial assistance under the Salintubig program for water supply development project consisting of 50% loan and 50% grant effective February 2016.	2,480,857.00
4 – 2689	Financial assistance for water supply improvement and expansion project under the Third German assisted Provincial Towns Water Supply and Sanitation Program III (KFW PTWSSP III).	20,827,859.43
4 – 2966	Financial assistance for the improvement and expansion of water supply	16,063,402.87
	<b>Total</b>	44,196,078.22
	<b>Less Current Portion</b>	1,340,677.00
	<b>Total Loans Payable - Noncurrent</b>	<b>42,855,401.22</b>

## 13. Deferred Credits

This account consists of Other Deferred Credits.

Particulars	2021	2020
Deferred Credits		
<b>Other Deferred Credits</b>	<b>1,652,083.53</b>	<b>1,977,083.49</b>

#### **Other Deferred Credits**

This account pertains to the Salintubig Fund received by the District from LWUA which is amortized over the periods and in proportions in which depreciation expense on the constructed asset is recognized. The amortized portion of the grant is presented as Income from Grants and Donations in the Statement of Comprehensive Income.

#### **14. Government Equity**

This account comprises the contribution for the operation of the District from the Municipality of Balaoan and donated capital from other sources.

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Government Equity		
<b>Government Equity</b>	<b>157,905.75</b>	<b>157,905.75</b>

#### **15. Business Income**

This major revenue group is composed of the following income of the District:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Business Income		
Waterworks Systems Fees	12,940,881.35	13,645,551.85
Other Business Income	365,193.87	478,190.08
Fines and penalties - Business Income	291,338.96	257,174.03
Interest Income	979.26	1,606.79
Income from Grants and Donations In Cash	324,999.96	324,999.96
<b>Total Business Income</b>	<b>13,923,393.40</b>	<b>14,707,522.71</b>

#### **Waterworks System Fees**

This represents income from billed water sales.

### Other Business and Income

The account arose from fees collected from installation of services and sale of materials and fittings for new connections and reconnections.

### Income from Grants and Donations in Cash

Represents the amortized portion of the Other Deferred Credits account.

### 16. Personnel Services

The PS includes the following expenses as enumerated:

Particulars	2021	2020
Salaries and Wages		
Salaries and Wages-Regular	3,951,328.00	3,783,348.00
Salaries and Wages-Casual	8,550.00	
Other Compensations		
Personnel Economic Relief Allowance	336,000.00	336,000.00
Representation Allowance	60,000.00	60,000.00
Transportation Allowance	60,000.00	60,000.00
Clothing/Uniform Allowance	84,000.00	84,000.00
Honoraria	194,144.00	172,608.00
Overtime and Night Pay	40,482.61	65,075.39
Cash Gift	70,000.00	70,000.00
Personnel Benefit Contributions		
Retirement and Life Insurance Premium	470,905.98	452,516.16
Pag-ibig Contributions	16,800.00	16,800.00
Philhealth Contributions	53,512.88	51,087.36
Employees Compensation Insurance Premium	16,800.00	16,800.00
Other Personnel Benefits		
Other Personnel Benefits	1,027,160.54	1,049,706.54
<b>Total Personal Services</b>	<b>6,389,684.01</b>	<b>6,217,941.45</b>

### Other Personnel Benefits

These include SRI, PEI and other bonuses and monetization of leave credits received by employees.

### 17. Maintenance and Other Operating Expenses

Details of the major expense are as follows:

Particulars	2021	2020
Traveling Expenses		
Traveling Expense-Local	34,800.00	39,760.00
Training and Scholarship Expense		
Training Expense	4,500.00	-
Supplies And Materials Expenses		
Office Supplies Expense	55,826.52	120,282.65
Accountable Form Expense	162,044.00	144,454.90
Fuel, Oil And Lubricants Expenses	142,367.25	286,899.45
Chemical & Filtering Supplies Expenses	-	218,256.35
Utilities Expense		
Electricity Expense	81,580.98	1,643,225.76
Communication Expenses		
Postage and Courier Services	2,950.00	2,640.00
Telephone Expenses	25,520.84	29,066.34
Generation, Transmission and Distribution Expenses		
Generation, Transmission and Distribution Expenses	2,163,243.52	-
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	466,865.90	307,176.00
Professional Services		
Legal Services	900.00	3,300.00
Auditing Services	38,640.00	16,450.00
Other Professional Services	16,000.00	7,000.00
Repair and Maintenance		
Repairs and Main-Buildings and Other Structure	23,530.00	-
Repairs and Main-Machinery and Equipment	41,328.00	22,400.50

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Repairs and Main-Semi-Expendable Machinery and Equipment	10,500.00	10,699.00
Repairs and Main-Transportation Equipment	50,990.00	101,000.00
Repairs and Main-Infrastructure Assets	222,510.77	295,596.44
Taxes, Insurance Premium and Other Fees		
Taxes, Duties and Licenses	299,975.71	316,065.55
Fidelity Bond Premium	3,000.00	3,000.00
Insurance Expenses	4,703.79	2,431.71
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	23,174.00	86,666.00
Printing and Publication Expenses	2,514.00	2,135.00
Representation Expense	46,214.50	8,784.60
Rent/Lease Expenses	8,784.60	44,035.00
Member. Dues & Contribution to Organization	10,539.00	2,953.00
<b>Total Maintenance And Other Operating Expenses</b>	<b>3,943,003.38</b>	<b>3,714,278.25</b>

**18. Financial Expenses**

This account is composed of the following:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Financial Expenses		
Bank Charges	750.00	2,250.00
Interest Expenses	1,845,351.00	1,894,846.00
<b>Total Financial Expense</b>	<b>1,846,101.00</b>	<b>1,897,096.00</b>

**19. Non-Cash Expenses**

This consists of Depreciation Expense and Impairment Loss-Loans and Receivables.

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Depreciation		
Depreciation - Buildings	41,794.68	20,897.34
Depreciation - Other Structure	66,729.12	62,742.61
Depreciation - Office Equipment	1,909.56	1,909.56
Depreciation - IT Equipment	22,827.42	40,641.20
Depreciation - Communication Equipment		
Depreciation - Machinery and Equipment	36,904.12	34,250.28
Depreciation - Furniture, Fixture and Books	5,706.32	108,300.00
Depreciation - Transportation Equipment	41,474.81	36,541.72
Depreciation - Other PPE	2,349,936.74	2,359,310.55
<b>Impairment Loss - Loans and Receivables</b>		
Impairment Loss-loans & Receivables	32,228.23	30,732.69
<b>Total Non-Cash Expenses</b>	<b>2,599,511.00</b>	<b>2,695,325.95</b>

**PART II**

**OBSERVATIONS  
AND RECOMMENDATIONS**

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

*Unreliable amount of Property, Plant and Equipment amounting to P41,866,881.72*

1. The existence and accuracy of the balances of the Property Plant and Equipment accounts with net book value of P41,866,881.72 as of December 31, 2021 could not be ascertained due to a) absence of physical inventory report as at year end, b) non-maintenance of complete and accurate property ledger cards, property cards and c) non-preparation of lapsing schedule for depreciation expenses contrary to Chapter 10 Volume I of the Government Accounting Manual. Hence, PPE accounts may not be fairly presented.

#### a. Non-submission of Report on the Physical Count of Property, Plant and Equipment (RPCPPE)

- 1.1 Section 38, Chapter 10 Volume I of GAM regarding Physical Count of PPE states that:
- 1.2 The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.
- 1.3 Moreover, Section 43, Chapter 10 of the same Manual mandates that physical count/inventory, which is required annually for PPE, is an indispensable procedure for checking the integrity of property custodianship.
- 1.4 One of the key significant assertions for PPE account is existence, thus the need for complete physical inventory. This is a necessary procedure to ascertain that PPE balances reported in the financial statements actually exist and reflect actual economic value.
- 1.5 Verification of financial reports revealed that Management was not able to submit a report on the physical count of inventory to the Audit Team as of December 31, 2021.
- 1.6 Management failed to conduct a complete physical inventory taking, which raises doubts on the existence and accuracy of the reported balance in the FS as of December 31, 2021.



**b. Non-maintenance of property ledger cards and property cards**

- 1.7 Section 42 of the GAM for NGAs requires that:
- 1.8 The Chief Accountant shall maintain the Property Plant and Equipment Ledger Card (PPELC) for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain Property Card (PC) for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like Property Acknowledgment Receipt (PAR).
- 1.9 Verification of records revealed that Property. Plant and Equipment Ledger Cards (PPELCs) for each class of PPE were not prepared by the Accountant. Also, verifications made on the records maintained by the Property Officer revealed that they failed to maintain the required Property Record/Cards (PC).
- 1.10 In other words, the PPELC and PC for each class of PPE were not prepared for each class of PPE to record the description, acquisition, transfer/disposal and other information about the asset.
- 1.11 During the interview with the accountant and property custodian, they acknowledged that the District is not maintaining any PPELC and Property Cards for all of its PPE accounts.
- 1.12 Likewise, the Property Acknowledgment Receipt (PAR) which serves as a significant tool and is indispensable in the establishment of accountability among the employees of the agency when it comes to government properties as those who issued the same recognizes their accountability were not updated.
- 1.13 Further, the Audit Team required the accountant to submit the necessary reports/schedules to support the amount of PPE as reflected in the Statement of Financial Position, however, no financial reports/schedules were submitted to date.
- 1.14 These deficiencies are indications that the District failed to set-up the required policies to control, monitor and safeguard its assets. Likewise, these lapses rendered the balance of the PPE account doubtful as to its accuracy and reliability since no reconciliation can be made between the property and accounting records due to non-maintenance of the PPELC and Property Records/Card.

1.15 Similarly, no reconciliation was made between the accounting and property records and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE). Thus, existence of the assets as of a given period could not be determined.

1.16 Further, provisions of depreciation as reflected supposedly in the PPE Lapsing Schedule cannot be verified since this is not regularly submitted by the accountant to the Audit Team, hence verification as to the proper depreciation and book value of the PPE accounts could not be readily ascertained.

1.17 Relative to the foregoing, we recommended that Management:

- a. Create an Inventory Committee which shall conduct a complete physical count of all PPEs and results of such inventory-taking shall be reconciled with the books of accounts and adjustment(s), if any, shall be immediately effected. Correspondingly, to prepare and submit to the Audit Team the duly certified and approved Report on the Physical Count of PPE (RPCPPE);
- b. Direct the Accountant to maintain complete and updated GLs/SLs for all PPE accounts and provide the necessary details such as source documents which were the bases in recording thereof;
- c. Maintain PPELC for each class of PPE account, Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and ensure that all ledger cards contain complete details/description of the property to facilitate reconciliation with the RCPPE;
- d. Maintain complete property cards with complete information to be reconciled with the PAR; and
- e. Prepare complete lapsing schedules for all depreciable assets and ensure that monthly depreciation is recognized in the books so that cost of all the PPE are allocated over the useful life of the assets.

1.18 Management commented that they will comply with the recommendations.

***Unreliable amount of the Receivable Account***

2. The accuracy, validity, existence and collectability of the Receivable account totalling P1,206,329.96 cannot be ascertained due to absence of supporting schedules/reports, unrecorded other income and various dormant accounts, thus, affecting the fairness of presentation of the balances in the financial statements and depriving the District of additional funds to finance its activities or settle its obligations.

- 2.1 Section 111 of Presidential Decree (PD) No. 1445 states that, “(1) The accounts of the agency shall be kept in such detail as is necessary to meet its needs and at the same time to 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.”
- 2.2 COA Circular No. 2016-005 dated December 19, 2016, provides that, among others, when the accounts in the trial balance of a fund or funds are non-moving for five consecutive years, the Chief Accountant or other officials concerned shall conduct a review/analysis and determine their existence and validity; and if the review/analysis of the accounts/funds is not possible due to the absence of records and documents, the agency head concerned should request for write-off and/or adjustment of account balances from COA, supported by a list of available records and extent of validation made on the accounts; and Certification and reasons why the books of accounts/records, financial statement/schedules and supporting vouchers/documents cannot be located.
- 2.3 A review of the schedule of the Receivable account and Notes to Financial Statements disclosed a total balance of P1,206,329.96 as of December 31, 2021. This represents various receivables from concessionaires, due from other water districts and due from former and present personnel of the District. Details are presented below:

Accounts Receivable	P 907,305.75
Due from Government Corporation	64,089.45
Due from Officers and Employees	<u>234,934.76</u>
Total	<u>P1,206,329.96</u>

- 2.4 It must be emphasized that subsidiary ledgers should be prepared to support a general ledger control account. The subsidiary ledger for accounts receivables contains the information for each of the District's billings to customers and their payments.
- 2.5 Verification of the accounting records disclosed that the accounts receivables amounting to P907,305.75 is not supported with any schedules or subsidiary ledgers except for the aging report with incomplete details such as the name of customers/concessionaires hence, the accuracy and existence of the account balance could not be ascertained.
- 2.6 Further, the accountant and personnel from billing division admitted in an interview that the amount recognized as accounts receivables were derived only from the income from water sales. The cost of fittings/services and connection materials sold to consumers on account were not recognized as

receivables, thus, understating the receivable and income account with undetermined amount since no report was prepared as a basis for accounting entries.

- 2.7 On the other hand, the Due from Government Corporation and Due from Officers and Employees amounting to P64,089.45 and P234,934.76, respectively remained outstanding for more than 5 years, thus, the possibility of their collection is very remote depriving the District of additional resources for its operations.
- 2.8 Interview with the management disclosed that the District will be sending demand letters to collect the unpaid materials and fittings borrowed by other water districts. Similarly, demand letters will also be issued to customers, officers and employees to settle their outstanding balance with the District.
- 2.9 Accordingly, amounts that remained dormant and outstanding in the books for many years cast doubt on the collectability and existence of the receivables, as well as the accuracy and reliability of the balances.
- 2.10 Consequently, if not given proper remedies, this could be an indication of inefficiency in the collection policy, thus rendering the collectability of account doubtful and depriving the District of additional funds to finance its activities.
- 2.11 **We recommended that Management direct the Accountant to:**
  - a. **Prepare a Subsidiary Ledgers and schedules to support the reported amounts of account receivables;**
  - b. **Prepare a report showing the cost of unpaid cost of fittings/services and connection materials sold to consumers on account as a basis in recognizing receivable and other income accounts,**
  - c. **Send a demand letter to the concerned water districts and officials/employees to enforce collection of the amounts due from them; and**
  - d. **Take appropriate action and have the accounts written-off pursuant to the existing laws, rules and regulations for the amount with remote or nil recovery.**
- 2.12 Management committed to comply with the audit recommendations.

***Unreliable amount of Accounts Payable amounting to P175,935.73***

**3. The correctness, validity and reliability of the reported balance of the Accounts Payable amounting to P175,935.73 as of December 31, 2021 could not be determined due to unsubstantiated long outstanding payables for more than five years contrary to the Conceptual Framework for Financial Reporting requiring the faithful representation of the accounts in the Financial Statements thereby affecting the total liabilities as well as the equity accounts.**

- 3.1 The International Accounting Standards I provides that “The 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, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.”
- 3.2 On the other hand, Chapter 4 of the Conceptual Framework for Financial Reporting mentions liabilities as one of the elements of financial statements. A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.
- 3.3 An essential characteristic of a liability is that the entity has present obligation. An obligation is a duty to or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement.
- 3.4 Review of the Accounts Payable account showed a total balance amounting to P175,935.73 as of December 31, 2021. This account pertains to liabilities to various suppliers and payable to the members of the Board of Directors representing the approved Performance Based Bonus (PBB).
- 3.5 Verification of the account disclosed that out of P175,935.73, P137,710.00 pertains to the liabilities to a certain contractor and unpaid PBB, which remained in the books for quite a long time and the Accountant could not provide supporting schedules or any documents to support the said accounts.
- 3.6 Further interview with the accountant revealed that the remaining amount of P38,225.73 represents liabilities to various creditor/suppliers. However, no report or list of bonafide creditors/suppliers and aging schedules were prepared to support the balance of the accounts and confirm whether these are valid obligations.

3.7 Consequently, the presence of these long outstanding payables in the books is an indication of the questionable validity of the reported balances considering that the liabilities remained dormant and unpaid for several years. Likewise, the corresponding expenses pertaining to these accounts may have been misstated.

**3.8 We recommended that Management direct the Accountant to:**

- a. **Ensure that recording of liabilities is based on valid sources of obligations or valid claims evidence by actual delivery of goods and rendition of services. Likewise, review of the long outstanding payables should be made and effect necessary management actions thereon.**
- b. **Submit to the Audit Team the details and proof of existence of accounts payables; and**
- c. **Revert the corresponding amounts to the appropriate equity account in accordance with existing rules and regulations, if deemed necessary.**

3.9 Management commented that they will comply with the audit recommendations.

#### **B. COMPLIANCE AUDIT**

*Properties with a book value of P2,826,274.31 were not insured*

**4. Several PPE owned by the District with a total book value of P2,826,274.31 were not insured under the Property Insurance Fund of the GSIS, contrary to pertinent provisions of RA No. 656 or the Property Insurance Law, thus it may result in non-indemnification in case of damage or loss of these properties.**

4.1 Pertinent provisions of RA No. 656 or the Property Insurance Law dated June 16, 1951 provides the following:

Section 2. In order to indemnify or compensate the Government as defined in this Act for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty there is hereby established the "Property Insurance Fund", Xxx

Section 4. Definitions.— For the purposes of this Act—

(c) "Property" includes vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein, or in buildings rented by the Government, or properties in transit.

(d) The word "Government" as used in this Act refers to the National, provincial, city, or municipal government, agency, commission, board or enterprises owned or controlled by the Government.

- 4.2 Section 5. Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies Xxx
- 4.3 Verification of records revealed that the following buildings and other permanent structures were not yet insured under the Property Insurance Fund of GSIS and may result in non-indemnification in case of loss or damage:

Particulars	Cost (P)	Accumulated Depreciation (P)	Book Value (P)
Building (Pump House 2) with perimeter fence	150,000.00	85,874.34	64,125.66
Steel Reservoir	350,000.00	67,929.47	282,070.53
Pump Station No. 3 - Baracbac Oeste	214,010.00	44,585.50	169,424.50
Pump Station No. 4 (Pumphouse)	344,470.00	60,856.46	283,613.54
BWD Admin. Building	2,199,718.00	172,677.92	2,027,040.08
Total	<b>3,258,198.00</b>	<b>431,923.69</b>	<b>2,826,274.31</b>

- 4.4 An insurance is a form of protection against a possible loss or damage. The purpose of the insurance is to reduce the agency's exposure to the effects of particular risks. Thus, the inability of management to insure their properties is an indication that it has a weak internal control with respect to the custodianship, safeguarding and issuance/utilization of the District's properties.
- 4.5 **We reiterated the prior year's recommendation that Management, in compliance with RA No. 656, insure all permanent structures under the Property Insurance Fund of the GSIS in order to be indemnified in case of any loss or damage of its property.**
- 4.6 Management commented that pertinent documents for the insurance of Pumping Station No. 4 was already submitted to GSIS and management is anticipating the latter for the prompt action for inspection and assessment of the property. Also, management mentioned that they had already a request to GSIS relative to the insurance of the District's administration building.

*Designated Property Officer not Bonded*

**5. The designated property officer remained not bonded, contrary to Section 4.8 of Treasury Circular No. 02-2009, thus, may result in non-restitution in case of any possible defalcation, shortage and unrelieved loss.**

5.1 Section 4.8 of Treasury Circular No. 02-2009 dated August 6, 2009, provides that:

A public officer whose fidelity is insured in the Fidelity Fund shall, from the moment he assumes the duties of the office, is considered bonded to the government for the faithful performance of all duties imposed upon him by law, and for the faithful accounting of all funds, and public properties coming into his possession, custody or control, Xxx. The Fidelity Fund shall be available for the purpose of replacing defalcations, shortages, unrelieved losses in the accounts of bonded public officers, for the payment of fees and costs incident to civil proceedings brought against them to recover sums paid on their account from said Fund.

5.2 Based on the Bureau of Treasury Confirmation Letter and Authority to Accept Payment of the District, only the GM and designated Disbursing Officer were bonded. Thus, the non-application of the fidelity bond of the designated Property Officer will result in non-restitution in case of any possible defalcation, shortage and unrelieved loss, hence, deemed reiterated.

**5.3 We reiterated the prior year's recommendation that Management include the designated Property Officer in the application of Fidelity Bond from the Bureau of Treasury.**

5.4 Management assured that they will include the designated Property Officer in the next renewal of Fidelity Bond of the District, however the same was not bonded. Management further commented that the Property Officer is only on a designated status but will include the former to be bonded in the next budgeting period of the District.

*Unreliable Rate of Reported Non-Revenue Water*

**6. Due to the absence of flow meters from the main water sources of the District, the reliability and accuracy of the reported Non-Revenue Water (NRW) rate of 15% for CY 2021 is not accurate, thus compliance with LWUA Resolution No. 444 series 2009 on tolerable NRW of 20% could not be assured.**

6.1 In order to improve the efficiency level of water district (WDs), the LWUA, under Resolution No. 444 dated September 15, 2009, approved the reduction of



maximum acceptable NRW from existing 25 percent to 20 percent applicable to all WDs, effective upon its approval.

- 6.2 Likewise, LWUA Memorandum Circular No. 014-10 dated December 2, 2010, provides that:

There is a need for Water Districts to reduce the NRW in order to enhance its operational efficiency and improve its financial viability. All WDs are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy. Depending on the condition of operation, the water meters should be tested for its accuracy after five (5) years of utilization.

- 6.3 On the other hand, LWUA Memorandum Circular 011-18 dated June 1, 2018, sets the Key Performance Indicators to Monitor Water District Performance which includes the monitoring of NRW which must be equal to or less than 20%.
- 6.4 NRW is water that has been produced and "lost" before it reaches the customer. Losses can either be real losses that occur from overflowing of water source and/or leakages in the pipes, or apparent losses which are caused by metering inaccuracies. NRW is expressed as the difference between the volume of water entering the distribution system and the volume of water billed to the customers.
- 6.5 Review of monthly water production and billing reports showed that for CY 2021, the District's total water production reached 465,226 cubic meters, 395,836 cubic meters or 85% were billed to the concessionaires, hence registering unaccounted water or NRW of 69,390 cubic meters or 15% of the total water production.
- 6.6 Inspection and interview with Management revealed that the District has defective or no existing flow meters from the main water sources, thus water production is computed by collecting water from the source noting the amount of water collected within a certain period. The result will be the basis for computing for the monthly water production of the District.
- 6.7 It is worth noting that this volumetric method, as termed by Management, of computing the water production output is considered an estimate and cannot reasonably provide accurate and reliable data of actual water produced.
- 6.8 Accordingly, while the average NRW of the District of 15% for CY 2021 was within the maximum allowable rate of 20%, the computation of NRW cannot be relied upon since the reported volume of water production is only based on estimate. The NRW rate of the District could be higher than the reported rate of 15% because the volume of water that overflows and leakages from all parts of

the water system were not included in the computation. Therefore, due to the absence of flow meters, the reliability and accuracy of the reported NRW rate of 11% for CY 2020 could not be ascertained.

- 6.9 It is worthy to note that flow meters or precision flow meters are used to accurately account for the volume of water to determine accuracy of water production and consumption. The flow meter is a static meter without movable parts, which makes it very resistant to sediments and particles in the water ensuring high accuracy and precision.
- 6.10 Management commented that they use volumetric method in lieu of the conventional flow meters to determine water production in some pumping stations because the former is more accurate since billing is higher than production.
- 6.11 While the management claimed that the flow meters used in some of the pumping stations were defective despite new acquisitions being installed, the Audit Team noted that flow meters were being used in some of the District's pumping stations. In fact, management claimed that these flow meters yield an accurate measure of water production and consumption.
- 6.12 As a rejoinder, the Audit Team maintains its position and reiterated its prior audit recommendations to procure and replaced the defective flow meters to properly measure water production and consumption and monitor its NRW. The Audit Team believes that Management should find a reputable provider or supplier of flow meters to address the issue.
- 6.13 We recommended Management to allocate funds for the procurement and installation of flow meters at the source to generate an accurate water production report and to determine the actual NRW rate.**

## **C. GENDER AND DEVELOPMENT ACTIVITY**

### *Deficiencies relative to Gender and Development Activity*

- 7. Several deficiencies were noted in the Gender and Development (GAD) activities of the District, contrary to pertinent provisions of Joint Circular No. 2012-01 of PCW, NEDA and DBM, hence, mainstreaming on gender awareness, gender issues through programs, activities and projects were not achieved.**
  - 7.1 Gender and Development (GAD) mainstreaming is the main strategy for ensuring that the government pursues gender equality in all aspects of the development process to achieve the vision of a gender-responsive society where women and men equally contribute to and benefit from development.

7.2 One important mechanism for gender mainstreaming is the annual gender and development (GAD) planning and budgeting process. The GAD plan seeks to address identified women and gender issues through specific activities and the GAD budget is the amount required to implement the GAD plan, which is the agency's overall annual work plan and budget.

7.3 In the audit of GAD plan and budget, the following deficiencies were noted:

**a. 2021 GAD Budget is below the five percent of the 2021 Corporate Budget.**

7.4 Section 6.1 of Joint Circular 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).”

7.5 Verification of the 2021 Corporate Budget disclosed that the District budgeted P4,088,842.00 for personal services, P 8,764,806.00 for maintenance and other operating expenses, P9,271,906.00 for capital outlay or a total of P22,125,554.00.

7.6 The 5% of the total budget is P1,106,277.70, which must be budgeted for 2021 GAD activities. However, only P1,043,000.00 was budgeted in the 2021 GPB which is only 4.71% of the total budget. Consequently, the GPB is under-budgeted by P63,277.70.

**b. Under-utilization of GAD Budget**

7.7 Verification of the District's GAD Accomplishment Report (AR) disclosed that the District spent only P206,615.00 out of P1,043,000.00 budgeted as per GPB amount, thus, under-utilized by P836,385.00.

7.8 GAD AR shows that the District utilized their GAD Budget for the celebration of women's month, team building, mother's and father's day celebration, and year-end conference. However, the Audit Team noted that various activities were not implemented such as GAD trainings and seminars, medical and dental check-up, family day, lakbay-aral/team building, adoption of community projects, livelihood training programs in partnership with women in the public sector and conservation of environment programs and tree planting.

7.9 Viewed from the foregoing, we recommended that Management:

- a. Prepare a GAD Budget in accordance with Section 6.1 of Joint Circular No. 2012-01 of PCW, NEDA And DBM; and
- b. Implement GAD activities pursuant to the approved GAD Plan and Budget.

7.10 Management commented that they will comply with the given recommendations.

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

For CY 2021, the District had no outstanding disallowance, suspension and charge.

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATION

Of the 12 prior years' audit recommendations, 3 were implemented, and 9 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. Trust Liabilities accounts totaling P1,276,530.53 that remained dormant for more than 2 to 10 years could not be ascertained, due to the absence of necessary supporting documents, contrary to Conceptual Framework for Financial Reporting and Section 4(6) of PD No. 1445, thus affecting the reliability, validity, and accuracy of the accounts in the financial statements.</p> <p>We recommended that Management instruct the Accounting Officer to:</p> <p>a. Review, analyze and validate the dormant customers' deposits account for possible offsetting against outstanding receivables of inactive concessionaires; and</p> <p>b. Exert extra effort to secure the supporting documents to facilitate the review and validation of the long outstanding performance security/guaranty payable.</p>	AAR 2020 (Page 25)	<p>Management is still in the process of analyzing and validating available records for offsetting against outstanding receivables of inactive concessionaires</p> <p>Management is still securing supporting documents to facilitate the review and validation of the amount of the guaranty payable</p>	<p><b>Not Implemented</b></p> <p><b>Not Implemented</b></p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>2. Loans Payable - Domestic account totaling P31,422,180.85 could not be ascertained, due to the absence of necessary supporting documents, contrary to Sections 4(6) and 111 of PD No. 1445, thus affecting the reliability, validity, and accuracy of the account in the financial statements.</p> <p>We recommended that Management instruct the Accounting Officer to:</p> <p>a. Submit the necessary supporting documents such as a copy of the contract of loans including financial and accounting reports, showing the age of the account and payment schedule of loan principal and interest.</p>	<p>AAR 2020 (Page 26)</p>	<p>Management had already submitted the necessary supporting documents to the Audit Team</p>	<p><b>Implemented</b></p>
<p>3. Several PPE owned by the District with a total book value of P2,826,274.31 were not insured under the Property Insurance Fund of the GSIS, contrary to pertinent provisions of RA No. 656 or the Property Insurance Law, thus it may result in non-indemnification in case of damage or loss of these properties.</p> <p>We reiterated the prior year's recommendation</p>	<p>AAR 2020 (Page 28)</p>	<p>Management is still in the process of insuring</p>	<p><b>Not Implemented</b></p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
that Management, in compliance with RA No. 656, insure all permanent structures under the Property Insurance Fund of the GSIS in order to be indemnified in case of any loss or damage of its property.		its pumping stations.	This is reiterated in Part II of the Report under finding no. 4.
<p>4. The designated property officer remained not bonded, contrary to Section 4.8 of Treasury Circular No. 02-2009, thus, may result in non-restitution in case of any possible defalcation, shortage and unrelieved loss.</p> <p>We reiterated the prior year's recommendation that Management include the designated Property Officer in the application of Fidelity Bond from the Bureau of Treasury.</p>	AAR 2020 (Page 29)	Management had no action yet for CY 2021	<p><b>Not Implemented</b></p> <p>This is reiterated in Part II of the Report under finding no. 5.</p>
<p>5. Due to the absence of flow meters from the main water sources of the District, the reliability and accuracy of the reported Non-Revenue Water (NRW) rate of 15% for CY 2021 is not accurate, thus compliance with LWUA Resolution No. 444 series 2009 on tolerable NRW of 20% could not be assured.</p> <p>We recommended that Management direct the BOD and GM to allocate</p>	AAR 2020 (Page 30)		<p><b>Not Implemented</b></p> <p>This is reiterated in</p>



Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
funds for the procurement and installation of flow meters at the source to generate an accurate water production report and to determine the actual NRW rate.			Part II of the Report under finding no. 6.
<p>1. A discrepancy amounting to ₱32, 226.53 was noted between the balance per book and the actual physical count of PPE as of December 31, 2018, contrary to Section 58 of PD No. 1445, thus, casting doubt on the accuracy and reliability of the PPE account.</p> <p>We reiterated the prior year's recommendation that Management retrieve all records in order to establish where those water meters were installed or located, thus, the existence of these property can be ascertained.</p>	AAR 2019 (Page 31)	<p>Management made subsequent follow-ups whenever there are feedbacks from concessionaires about missing properties or water meters. As of date, properties could not be traced for recovery or retrieval due to the absence of reliable sources of information.</p> <p>Management was hindered by the pandemic but will create an inventory and disposal committee and conduct a one time inventory and reconciliation of those missing items if health and safety measures already permit.</p>	<b>Not Implemented</b>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>2. Unserviceable properties with a book value of P23,374.80 as of December 31, 2018 were not yet disposed contrary to Section 79 of PD No. 1445, hence, these were exposed to deterioration due to wear and tear and may reduce their saleable values to the disadvantage of the government.</p> <p>We reiterated the prior year's recommendation that Management conduct appraisal of the unserviceable properties to be further evaluated by the COA Regional Technical Service, Regional Office, in order to expedite its disposal.</p>	<p>AAR 2019 (Page 33)</p>	<p>Management was not able to dispose those properties due to absence of interested buyers. Management's inventory and disposal committee will conduct a one time inventory and reconciliation of those unserviceable properties. Management will request an inspection to COA for the appraisal of those unserviceable properties.</p>	<p><b>Not Implemented</b></p>
<p>3. A Water Safety Plan (WSP) which aims to develop and implement a plan for drinking-water quality management required under LWUA Memo and DOH was not prepared, thus the District may not be able to maintain and address issues concerning water quality.</p> <p>We recommended that</p>	<p>AAR 2019 (Page 35)</p>	<p>Management had already complied with the given recommendation.</p>	<p><b>Implemented</b></p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Management seek assistance from other water districts and fast track the formulation of a Water Safety Plan based on DOH guidelines and submit the same to LWUA for approval that will serve as a guideline in ensuring maintenance of the drinking-water quality from generation to distribution.</p>			
<p>10. Absence of Transfer Certificates of Title in favor of the District for parcels of land valued at P159,500.00 as well as the three unrecorded land properties rendered the ownership doubtful, contrary to Section 39(2) of the PD No. 1445. In addition, a discrepancy amounting to P18,000.00 was noted between books and per deeds of sale.</p> <p>We reiterated the prior year's recommendation that Management exhaust all possible legal means in securing the Transfer Certificates of Title to establish ownership of lots valued at P159,000.00. we also recommend that the donated lots be recorded in the books based on the market value or appraised value of the property as reflected in the Tax</p>	<p>2018 AAR</p>	<p>Management is currently applying for the Transfer Certificate of Title at a one lot at a time basis due to financial constraints. The application of titles of the District's lots situated in Brgys. Pagleddegan and Baracbac are in process. Transfer Certificate of Title for PS No. 1 and Administration</p>	<p><b>Not Implemented</b></p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
Declaration.		Building lot are completed.	
<p>11. Electric generators used in the operation of the District do not have Permit to Operate, which is contrary to Section 1, Part VI, Rule XIX of Department of Environment and Natural Resources (DENR) Administrative Order No. 2000-81 Series of 2000, known as the "Philippine Clean Air Act of 1999". Therefore, these may cause harm to the environment and community due to emission of air pollution from generator sets that were not verified by the DENR.</p> <p>We reiterated the prior year's recommendation that Management secure Permit to Operate Air Pollution Installation for all stationary sources of air pollution pursuant to Section 1, Part VI, Rule XIX of the DENR Administrative Order No. 2000-81 Series of 2000.</p>	2018 AAR (Page 27)	<p>Management committed to secure first an Environmental Compliance Certificate (ECC) as a requirement before securing a permit to operate air pollution installation.</p>	Not Implemented
12. Disaster Risk Reduction Management (DRRM) Plan of the District was not prepared in compliance with Section 35 of the General Provisions of the General Appropriations Act (GAA)	2018 AAR (Page 29)		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>of FY 2018, which aims to establish responsiveness of the agency in times of disaster or calamities, thus, the District may not be able to respond in times of calamities relative to their operation.</p> <p>We recommended that Management develop DRRM Plan and submit the same to LWUA for approval to ensure responsiveness of the agency in times of calamities/disaster especially in ensuring the uninterrupted supply of safe quality of water to concessionaires even during calamities/disasters.</p>		<p>Management had formulated its DRRM Plan.</p>	<p><b>Implemented</b></p>