



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10

J.V. Serina Street, Carmen, Cagayan de Oro City

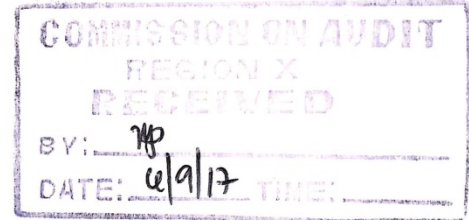
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OFFICE OF THE REGIONAL DIRECTOR

February 27, 2017

Mr. GEOVANNI A. HERA
General Manager
Tubod-Baroy Water District
Tubod, Lanao del Norte



Dear Manager Hera:

We are pleased to transmit the Annual Audit Report on the **Tubod-Baroy Water District**, Tubod, Lanao del Norte, for the year ended December 31, 2016, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

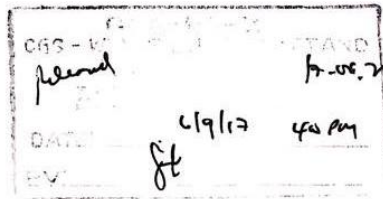
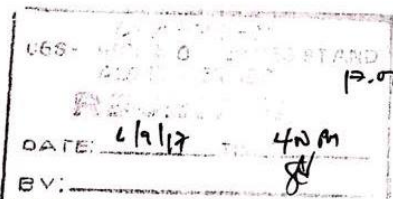
The audit was conducted to: (a) ascertain the degree of reliance that may be placed on the Management's assertion on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

The attached report consists of Part I – Audited Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Year's Audit Recommendations, which were discussed with the officials and staff concerned, and Part IV – Appendices.

We conducted the audit in accordance with the applicable Philippine Public Sector Standards on Auditing (PPSSAs) and we believe these standards provide a reasonable basis for our opinion.

We rendered a qualified opinion on the fairness of the presentation of the financial statements for the year then ended because the effect of the deviations from prescribed procedures materially affected the account balances.

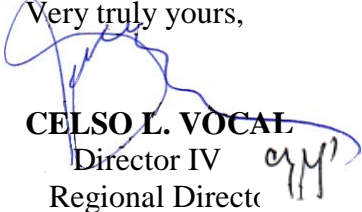
Among the significant findings and observations contained in the report which was discussed with concerned officials and employees of the District during the exit conference conducted on February 8, 2017 is the net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,371,174.98 and P622,143.84, respectively, are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory



count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1. The details of these significant findings and observations as well as other findings are discussed in the Observations and Recommendations portion of this report.

We appreciate the invaluable support and cooperation extended by the officials of that Agency to the Audit Team during the audit engagement.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 96 of the General Provisions of the General Appropriations Act FY 2016.

Very truly yours,

CELSO L. VOCAL
Director IV
Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
Coconut Palace, F. Maria Guerrero St.
CCP Complex, Pasay City*

*The President of the Senate
Senate of the Philippines
Roxas Boulevard, Pasay City*

*The Chairman-Senate Fiance Committee
Senate of the Philippines
Roxas Boulevard, Pasay City*

*The Speaker of the House of Representatives
HOR Complex, Constitution Hills, Quezon City*

*The Chairman-Appropriations Committee
House of Representatives
HOR Complex, Constitution Hills, Quezon City
The Secretary of the Budget and Management
Department of Budget and Management
Ge. Solano St., San Miguel, Manila*

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

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

*The Chief of Office
UP Law Center, UP, Diliman, Quezon City*

File



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10

J.V. Serina Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

February 27, 2017

Ms. AURORA A. ZORILLA

Chairman, Board of Directors
Tubod-Baroy Water District
Tubod, Lanao del Norte

Dear Board Chairman Zorilla:

We are pleased to transmit the Annual Audit Report on the **Tubod-Baroy Water District**, Tubod, Lanao del Norte, for the year ended December 31, 2016, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the degree of reliance that may be placed on the Management's assertion on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

The attached report consists of Part I – Audited Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Year's Audit Recommendations, which were discussed with the officials and staff concerned, and Part IV – Appendices.

We conducted the audit in accordance with the applicable Philippine Public Sector Standards on Auditing (PPSSAs) and we believe these standards provide a reasonable basis for our opinion.

We rendered a qualified opinion on the fairness of the presentation of the financial statements for the year then ended because the effect of the deviations from prescribed procedures materially affected the account balances.

Among the significant findings and observations contained in the report which was discussed with concerned officials and employees of the District during the exit conference conducted on February 8, 2017 is the net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,371,174.98 and P622,143.84, respectively, are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory

count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1. The details of these significant findings and observations as well as other findings are discussed in the Observations and Recommendations portion of this report.

We appreciate the invaluable support and cooperation extended by the officials of the Agency to the Audit Team during the audit engagement.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 96 of the General Provisions of the General Appropriations Act FY 2016.

Very truly yours,


CELSO L. VOCAL
Director IV
Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
Coconut Palace, F. Maria Guerrero St.
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File



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serina Street, Carmen, Cagayan de Oro City

OFFICE OF THE ACTING SUPERVISING AUDITOR
Water Districts and Other CGS Stand Alone Agencies

February 24, 2017

ATTY. CELSO L. VOCAL

Regional Director
Commission on Audit
Regional Office No. 10
Cagayan de Oro City

Sir:

In compliance with Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Tubod-Baroy Water District** for the year ended December 31, 2016.



The audit was conducted to ascertain the propriety of the agency's financial transactions; its compliance with laws, rules and regulations; and the efficiency of its operations. It was also conducted to ascertain the accuracy of the financial records and reports and the fairness of presentation of the financial statements.

Our report consists of four parts, namely, Part I – Audited Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Years' Audit Recommendations and Part IV - Appendices. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with Management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe that the audit evidence we have obtained provides a reasonable basis for our audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor 



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serina Street, Carmen, Cagayan de Oro City

OFFICE OF THE ACTING AUDIT TEAM LEADER
CGS Team R10-05, Water Districts

February 24, 2017

Ms. CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor
Water Districts & Other CGS Stand Alone Agencies

Madam:

In compliance with Section 43 of Presidential Decree No. 1445, we audited the accounts and operations of the **Tubod-Baroy Water District**, Tubod, Lanao del Norte, for the year ended December 31, 2016.


The audit was conducted on a test basis to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports and the fairness of the presentation of the financial statements.

Our attached report consists of four parts, Part I – Audited Financial Statements, Part II – Observations and Recommendations which were discussed with concerned Management officials and staff during the exit conference conducted on February 10, 2017, Part III – Status of Implementation of Prior Years’ Recommendations, and Part IV – Appendices.

Except for the effects of the matters discussed in Part II of this report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe that the audit evidence we have obtained provides a reasonable basis for our audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,


AMADO PETER A. GARBANZOS
State Auditor III
Acting Team Leader



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue
Quezon City

ANNUAL AUDIT REPORT

ON THE

TUBOD-BAROY WATER DISTRICT

Tubod, Lanao del Norte
Province of Lanao del Norte

For the Year Ended December 31, 2016

EXECUTIVE SUMMARY

A. INTRODUCTION

The Tubod-Baroy Water District (TBWD) was created under a special law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the “Provincial Water Utilities Act of 1973.” TBWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

The TBWD is presently categorized as “Category D” Water District serving a total population of 33,219 as of December 31, 2016 with 3,308 total service connections.

As of December 31, 2016, the governing board is composed of directors representing the different sectors and organizations within the municipality of Tubod-Baroy who were appointed by the Provincial Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

Chairperson: Aurora A. Zorilla
Members: Vicoria O. Gorecho
Celesina V. Macalam
Cesa S. Abe

All local water districts were declared as Government-Owned and Controlled Corporations (GOCC) by the Supreme Court on September 13, 1991 in the case docketed as GR Nos. 95237-38.

B. HIGHLIGHTS OF FINANCIAL OPERATIONS

As of December 31, 2016, there was an increase of 4.27% in assets, decrease of 10.42% in liabilities and increase of 62.43% in government equity, summarized as follows:

Financial Condition

		Calendar Year 2016		Calendar Year 2015	Increase/ (Decrease)
Assets	P	22,609,103.73	P	19,025,000.08	P 3,584,103.65
Liabilities		10,271,223.82		11,071,484.74	(800,260.92)
Government Equity	P	12,337,879.91	P	7,953,515.34	P 4,384,364.57

Results of Operations

	Calendar Year 2016		Calendar Year 2015		Increase/ (Decrease)	
Income	P	21,641,286.82	P	16,886,204.73	P	4,755,082.09
Expenditures		16,743,904.21		14,875,866.48		1,868,037.73
Net Operating Income	P	4,897,382.61	P	2,010,338.25	P	2,887,044.36

C. SCOPE OF AUDIT

An audit was conducted on the accounts and operations of Tubod-Baroy Water District, Tubod, Lanao del Norte, for the Calendar Year 2016.

The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances.

It was also made to determine whether the district's financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently and effectively in the implementation of its programs, projects and activities.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,378,885.63 and P784,205.29, respectively, are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

- 1. The net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,371,174.98 and P622,143.84, respectively, are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.**

We recommended that the Management conduct physical inventory-taking of all properties of the District and prepare a report thereon using the prescribed format, and require the Property Custodian to properly fill out the Inventory Report indicating therein the complete description of the items counted i.e. serial no., brand/model, type, make, capacity, size, color, volume, etc.. Also, indicate the unit cost ; and require the Property Custodian and the Accounting Unit to reconcile both their records. Likewise, necessary adjustments or corrections should be effected in the books, where appropriate.

2. The book balance of Property, Plant and Equipment as of August 31, 2016 was overstated by P3,003.00 due to inclusion of small items, contrary to COA Circular No. 2005-002.

We recommended that the Management require the Accounting to adjust the PPE account by proper reclassification of the stickers into the Inventory account.

3. The accrued liability account for earned leave benefits of employees is understated in the books as it was not updated to its current balance contrary to PAS 19 on the accounting for employee benefits.

We recommended that the Management require the Human Resource Officer to furnish the Accounting Section with a copy of the schedule of earned leave credits of District personnel with the corresponding money value as basis in accounting of the accrued liability.

4. The District has allocated 570 liters of fuel or for a total amount of P25,053.20 to 13 motor vehicles that were not included in the inventory of vehicles of the District giving the impression that these were privately-owned vehicles allocated with fuel at the expense of the government.

We recommended that the Management stop the practice of issuing monthly fuel allowances to motor vehicles not owned by the District pursuant to COA Circular 96-004, and consider acquiring new motor vehicles to be used by fieldwork employees.

5. Reimbursements and liquidations of travels totaling P140,117.66 by officials and employees of the District were not duly supported with Certificates of Travel Completed as required under COA Circular 2012-001.

We recommended that the Management strictly adhere to COA Circular 2012-001 relative to the required set of documentary requirements on the liquidation/reimbursement of travel claims; and to require that Itinerary of Travels of the BODs should be prepared by the Accounting Unit and ensure that it should be in the prescribed format.

6. Notices of Award (NOA) were not issued to winning bidders in all of the procurement of goods and infrastructure projects undertaken by the District through competitive bidding or executed thru alternative mode of procurement as required under 37.1.3 of the Revised Implementing Rules and Regulations of Republic Act (RA) No. 9184.

We recommended that the Management issue the Notice of Award to winning bidders in compliance with Section 37.1.3 Likewise, enjoin the BAC Secretariat to post the Notice of Award in the PhilGEPS, the website of the District and at any conspicuous place in the premises of the District within three (3) calendar days from its issuance as required under Section 37.1.6 of the Revised IRR of RA 9184, and to post the Award of Notice Abstract with the BAC Resolution and Notice of Award as supporting attachments.

7. The Bids and Awards Committee (BAC) did not submit the Annual Procurement Plan for Common Use Supplies and Equipment (APP- CSE) for FY 2016 to PS-DBM as mandated in DBM Circular Letters No. 2013-14 dated November 29, 2013 and No. 2011-6A dated September 28, 2011.

We recommended that the Management strictly comply with DBM Circular Letters No. 2013-14 dated and No. 2011-6A dated and ensure the submission of the APP-CSE within the prescribed period to the DBM Regional Office.

8. Duplicate copies of checks issued amounting to P12,534,157.47 were not attached to the Disbursement Vouchers (DVs) submitted to the Audit Team for post-audit, contrary to Section 4 of Presidential Decree No. 1445 and COA Circular No. 95-006 dated May 18, 1995, thus, validity, propriety and accuracy of recorded transactions could not be ascertained.

We recommended that the Management require the Accountant and Cashier to attach to the pertinent DVs the duplicate copies of all checks issued.

9. The District granted Performance-Based Incentive (PBI) amounting to P72,576.00 to its BODs without complying with all the requirements and conditions set forth under Local Water Utilities Administration (LWUA) Memorandum Circulars 001-2016 and 002-2016 dated January 18, 2016.

We recommended that the Management require the BODs to refund the amount of PBI received and ensure strict compliance with existing laws, rules and regulations on the grant of PBI pursuant to LWUA Memorandum Circular Nos. 001-16 and 002-16 prior to payment to prevent incurrence of irregular expenditures.

10. Purchase Orders were not properly accomplished, contrary to Section B of COA Circular No. 96-010 dated August, 15, 1996, thus, it cannot be ascertained whether the delivery of materials and supplies conform to the terms and conditions of the agreement.

We recommended that the Management require the Accountant and officials concerned to fill-up the relevant and required information on the Purchase Order and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.

F. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES, AND CHARGES AS OF YEAR-END

The table below shows the status of suspensions, disallowances, and charges as of December 31, 2016 recorded after the effectivity of the COA Circular 2009-006 dated September 15, 2009 prescribing the use of the Rules and Regulations on the Settlement of Accounts.

Particulars	Balance as of Dec. 31, 2015	Issued in CY 2016	Settled in CY 2016	Balance as of Dec. 31, 2016
Notice of Suspensions	-	-	-	-
Notice of Disallowances	226,693.70	-	-	226,693.70
Notice of Charges	-	-	-	-
Total	226,693.70	-	-	226,693.70

Other Notices of Suspensions and Disallowances will be issued in CY 2017 pertaining to CY 2016 transactions, including those still for verification.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 11 audit recommendations presented in prior year's Annual Audit Report, five were fully implemented and the remaining six were partially implemented.

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PART – I

**AUDITED FINANCIAL
STATEMENTS**



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

INDEPENDENT AUDITOR'S REPORT

Ms. AURORA A. ZORILLA
Chairman, Board of Directors
Tubod-Baroy Water District
Tubod, Lanao del Norte

We have audited the accompanying financial statements of Tubod-Baroy Water District which comprise the Statement of Financial Position as of December 31, 2016, and the Statements of Profit or Loss and Other Comprehensive Income and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and 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.

Auditor's Responsibility

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

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. The audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis of our audit opinion.

Basis for Qualified Opinion

As discussed in detail in Part II of this report, the net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,371,174.98 and P622,143.84, respectively are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.

Qualified Opinion



In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Tubod-Baroy Water District as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles.

Other Matters

The exit conference for the results of the financial and compliance audit of the CY 2016 operations was conducted on February 8, 2017.

COMMISSION ON AUDIT

By:


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor 

February 24, 2017



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

INDEPENDENT AUDITOR'S REPORT

Mr. GEOVANNI A. HERRA
General Manager
Tubod-Baroy Water District
Tubod, Lanao del Norte

We have audited the accompanying financial statements of Tubod-Baroy Water District which comprise the Statement of Financial Position as of December 31, 2016, and the Statements of Profit or Loss and Other Comprehensive Income and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis of our audit opinion.

Basis for Qualified Opinion

As discussed in detail in Part II of this report, the net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,371,174.98 and P622,143.84, respectively are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.

Qualified Opinion



In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Tubod-Baroy Water District as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with state accounting principles.

Other Matters

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COMMISSION ON AUDIT

By:


CECILIA A. PONTILLAS
State Auditor IV ¹⁰⁰
Acting Supervising Auditor 

February 24, 2017



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Tubod-Baroy Water District, Tubod, Lanao del Norte** is responsible for all information and representation contained in the Statement of Financial Position as of **December 31, 2016** and the related Statements of Profit or Loss and Other Comprehensive Income, Cash Flows, and Changes in Equity for the year then ended. The financial statements referred to have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgement of Management with an appropriate consideration to materiality.

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


JACKY LOU H. LAMDAGAN
Sr. Accounting Processor B


GEOVANNI A. HERA
General Manager

February 23, 2017



TUBOD-BAROY WATER DISTRICT

Statement of Financial Position

As of Year-Ended December 31, 2016

With Comparative Figures of Calendar Year 2015

(In Philippine Peso)

	Notes	2016	2015
A S S E T S			
Current Assets			
Cash and cash equivalents	1	5,942,925.41	3,418,373.13
Receivables	2	774,775.10	909,847.87
Inventories	3	622,143.84	399,546.88
Total current assets		7,339,844.35	4,727,767.88
Non-current Assets			
Property, plant, and equipment, net	4	14,371,174.98	13,399,147.80
Other non-current assets		898,084.40	898,084.40
Total non-current assets		15,269,259.38	14,297,232.20
Total Assets		22,609,103.73	19,025,000.08
LIABILITIES AND EQUITY			
Current Liabilities			
Financial liabilities	5	638,019.22	498,846.44
Inter-agency payables	6	221,987.24	272,072.40
Trust liabilities		-	159,740.00
Total current liabilities		860,006.46	930,658.84
Non-current Liabilities			
Loans payable	7	8,980,442.89	9,845,089.89
Provisions	8	430,774.47	295,736.01
Total Liabilities		10,271,223.82	11,071,484.74
Equity			
Government equity		232,000.00	32,000.00
Retained earnings		12,105,879.91	7,921,515.34
Total equity		12,337,879.91	7,953,515.34
Total Liabilities and Equity		22,609,103.73	19,025,000.08
<i>(See accompanying notes to Financial Statements)</i>			



TUBOD-BAROY WATER DISTRICT

Statement of Profit or Loss and Other Comprehensive Income

For the Year-Ended December 31, 2016

With Comparative Figures of Calendar Year 2015

(In Philippine Peso)

	Notes	2016	2015
Income			
Service and business income	9	21,597,934.74	16,853,907.72
Total Income		21,597,934.74	16,853,907.72
Expenses			
Personnel services	10	7,527,946.76	6,965,502.08
Maintenance and other operating expense	11	7,604,762.64	6,272,714.75
Financial expenses	12	776,395.00	843,870.00
Non-cash expenses	13	791,447.73	761,482.64
Total Expenses		16,700,552.13	14,843,569.47
Net Income/(Loss)		4,897,382.61	2,010,338.25
Other Comprehensive Income/(Loss) for the Period		-	-
Comprehensive Income/(Loss)		4,897,382.61	2,010,338.25
<i>(See accompanying notes to Financial Statements)</i>			



TUBOD-BAROY WATER DISTRICT

Statement of Cash Flows

For the Year-Ended December 31, 2016

With Comparative Figures of Calendar Year 2015

(In Philippine Peso)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows:		
Proceeds from sale of goods and services	1,883,734.27	1,218,473.12
Collection of Income/Revenue	20,097,233.46	16,146,856.15
Other receipts	439,274.45	468,648.29
Total cash inflows	22,420,242.18	17,833,977.56
Cash outflows:		
Payment of expenses	7,527,946.76	6,965,502.08
Purchase of inventories	222,596.96	124,385.75
Remittance of taxes withheld	1,124,593.38	580,613.32
Payments of accounts payable	20,567.22	174,285.12
Remittance of contributions	2,047,443.20	1,886,931.13
Other disbursements	4,865,583.38	4,850,372.43
Total cash outflows	15,808,730.90	14,582,089.83
Net cash Provided by (Used in) Operating Activities	6,611,511.28	3,251,887.73
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows:	-	-
Receipt of interest earned	17,304.94	7,996.64
Total cash inflows	17,304.94	7,996.64
Cash outflows:		
Purchase/Construction of PPE	2,463,221.94	670,925.17
Total cash outflows	2,463,221.94	670,925.17
Net cash Provided by (Used in) Investing Activities	(2,445,917.00)	(662,928.53)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows:	-	-
Total cash inflows	-	-
Cash outflows:		
Payment of loans payable	864,647.00	796,802.00
Payment of interests and charges	776,395.00	843,870.00
Total cash outflows	1,641,042.00	1,640,672.00
Net cash Provided by (Used in) Financing Activities	(1,641,042.00)	(1,640,672.00)
INCREASE/(DECREASE) IN CASH & CASH EQU	2,524,552.28	948,287.20
CASH & CASH EQUIVALENTS, JANUARY 1	3,418,373.13	2,470,085.93
CASH AND & EQUIVALENTS, DECEMBER 31	5,942,925.41	3,418,373.13
<i>(See accompanying notes to Financial Statements)</i>		



TUBOD-BAROY WATER DISTRICT

Statement of Changes in Equity

For the Year-Ended December 31, 2016

With Comparative Figures of Calendar Year 2015

(In Philippine Peso)

	Contributed Capital	Retained Earnings/ (Deficit)	TOTAL
Balance at January 1, 2015	32,000.00	5,854,811.90	5,886,811.90
Adjustments			
Add/(Deduct):			
Prior period errors	-	55,365.19	55,365.19
Restated Balance at January 1, 2015	32,000.00	5,910,177.09	5,942,177.09
Changes in Equity for 2015			
Add/(Deduct):			
Comprehensive Income for the year	-	2,010,338.25	2,010,338.25
Other adjustments	-	1,000.00	1,000.00
Balance at December 31, 2015	32,000.00	7,921,515.34	7,953,515.34
Changes in Equity for 2016			
Add/(Deduct):			
Donated capital	200,000.00	-	200,000.00
Comprehensive Income for the year	-	4,897,382.61	4,897,382.61
Other Adjustments	-	(713,018.04)	(713,018.04)
Balance at December 31, 2016	232,000.00	12,105,879.91	12,337,879.91

(See accompanying notes to Financial Statements)



TUBOD-BAROY WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

I. Brief Historical Background

The Tubod-Baroy Water District (TBWD) was created under a Special Law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the “Provincial Water Utilities Act of 1973.” TBWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

All Local Water districts were declared as Government-Owned and Controlled Corporations (GOCC) by the Supreme Court on September 13, 1991 in the case docketed as GR Nos. 95237-38.

The District has the following Objectives:

- a. To acquire, install, improve, maintain and operate water supply and distribution systems for domestic, industrial and agricultural uses for residents and land within the Municipalities of Tubod and Baroy, all of the Province of Lanao del Norte.
- b. To contribute to the economic growth and public health throughout as orderly and effective system of local utilities.

The powers, privileges and duties of the District are exercised and performed by the through the Board of Directors, as the *policy-making body* composed of the following:

Chairman	-Ms. Aurora a. Zorilla
Vice-Chairman	-Mr. Cesar S. Abe
Secretary	-Ms. Victoria O. Gorecho
Treasurer	-Ms. Celestina V. Macalam
Member	-Mr. Demosthenes G. Secuya

II. Basis of Financial Statement Presentation

Financial Statements were prepared using the historical cost basis in accordance with Generally Accepted Statement Accounting principles and Standards. Accounts were classified to conform with the Commercial Practices System (CPS) prescribed by Commercial Practices Manual for Water Districts by LWUA. At year-end, these accounts were converted or reclassified to conform to the Revised Chart of Accounts prescribed and in accordance with the Philippine Financial Reporting Standards (PFRSs) of the Commission on Audit (COA).

III. Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of Generally Accepted Accounting Principles and pertinent provisions contained in the Commercial Practices Manual for Local Water Utilities Administration and the New Government Accounting system (NGAS).

The accrual method of accounting is adopted for both income and expenses.

Property, Plant and Equipment is carried at cost minus salvage at 10% of the cost of the property. Depreciation is computed on a straight line method based on the estimated useful life ranging from five (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003.

IV. Financial and Operational Highlights

As of December 31, 2016, TBWD has reached Php 22.6 million, total liabilities of

	2016	2015	2016 vs. 2015 Increase (Decrease)	
			Amount	Percentage
Assets	22,609,103.73	19,025,000.08	3,584,103.65	18.84%
Liabilities	10,271,233.82	11,071,484.74	(800,250.92)	7.23%
Equities	12,337,879.91	7,953,515.34	4,384,364.57	55.12%

Php10.27 million and Equities that amounted to Php12.3 million:

	2016	2015	2016 vs. 2015 Increase (Decrease)	
			Amount	Percentage
Sales	21,641,286.82	16,886,204.73	4,755,082.09	28.16%
Expenses	16,743,904.21	14,875,866.48	1,868,037.73	12.56%
Net Income	4,897,382.61	2,010,338.25	2,887,044.36	143.61%

Note 1 – Cash and Cash Equivalents

Cash and cash equivalents include cash in bank deposits to be used in the operation of the water district, Trust Fund created for the employees' Retirement Benefits, Reserve fund of TBWD & LWUA as per MOU for loans availed and cash on hand in the possession of the district cashier that showed negative balance due to Employees' water bill deducted from payroll but was issued official receipt on January 9, 2017.

Bank balance as of December 31, 2016 was verified per bank statements and the cash accounts consist of the following:

	2016	2015
Cash- Collecting Officer	₱ (734.35)	₱ -
Cash in Bank - LCCA	4,739,585.77	2,081,926.53
Cash in Bank – LCSA (Trust Fund)	327,909.86	207,168.30
Cash in Bank - LCSA (JSA)	876,164.13	1,129,278.30
TOTAL	₱5,942,925.41	₱3,418,373.13

Note 2 – Receivables

Account Receivable – this account includes all amounts due on open accounts arising from the services rendered to customers for water sales and other incidental services.

As of December 31, 2016, this account is composed of receivable from customers as listed below.

	2016	2015
Accounts Receivable- Customer	₱ 1,398,542.96	₱1,487,681.16
Accounts Receivable- WMF	49,252.23	31,262.50
Accounts Receivable –Others	149,922.67	151,792.93
Total Current Receivable	1,597,717.86	1,670,736.59
Less: Allow. for impairment- A/R	(822,942.76)	(760,888.72)
Net Accounts Receivable	₱774,775.10	₱909,847.87

Note 3 – Inventories

This account consists of unissued materials and supplies which are kept in stock for future use in the operations of the district. Inventory accounts are carried in the books at cost net of spoilage, obsolescence and damaged items.

	2016	2015
Merchandise Inventory	₱558,073.45	₱361,166.88
Accountable Forms Inventory	17,250.00	12,000.00
Office Supplies Inventory	32,035.39	26,380.00
Fuel, Oil & Lub. Inventory	14,785.00	-
Total	₱622,143.84	₱399,546.88

Note 4 – Property, Plant and Equipment

Properties relatively permanent in character are included under this account. It includes intangible plants, landed capital, source of supply plant, pumping plant, water treatment plant, transmission and distribution plant, general plant and other tangible assets.

Property, Plant and Equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the properties pursuant to Commission on Audit Circular No. 2003-007 dated December 11, 2003.

The district's office space is currently on a rental basis since they do not have their own building for the purpose.

PROPERTY, PLANT & EQUIPMENT	2016			2015		
	Acquisition Cost	Accu. Dep	Net Book Value	Acquisition Cost	Accu. Dep	Net Book Value
Land:						
Land	54,000.00		54,000.00	47,000.00		47,000.00
Construction In Progress			-	351,999.99		
Buildings:						
Wells	7,677,696.10	1,941,669.64	5,736,026.46	7,058,236.68	1,728,337.97	5,329,898.71
Structures & Improvements	95,000.00	64,125.00	30,875.00	95,000.00	65,787.50	29,212.50
Reservoir & Tanks	2,221,327.18	993,537.81	1,227,789.37	2,078,882.15	929,069.30	1,221,048.88
Trans. and Distribution Main:	8,908,660.52	3,358,791.74	5,549,868.78	8,055,017.53	3,071,367.21	5,335,650.31
Services	2,420,060.78	2,420,006.78	54.00	2,420,060.78	2,419,412.78	648.00
	<u>21,322,744.58</u>	<u>8,778,130.97</u>	<u>12,544,613.61</u>	<u>19,707,197.14</u>	<u>8,213,974.76</u>	<u>11,916,458.40</u>
Machineries & Eqpt (Other Equipment):						
Power Production Equipmen	73,243.00	73,018.15	224.85	73,243.00	71,165.64	2,077.36
Pumping Equipment	3,886,549.52	2,977,402.64	909,146.88	3,846,014.80	2,862,763.49	1,023,786.03
Water Treatment Equipment	177,770.03	48,573.54	129,196.49	76,624.00	27,297.30	49,326.70
	<u>4,137,562.55</u>	<u>3,098,994.33</u>	<u>1,038,568.22</u>	<u>3,995,881.80</u>	<u>2,961,226.43</u>	<u>1,075,190.09</u>
Motor Vehicle:						
Transportation Equipment	450,629.00	108,922.53	341,706.47	124,569.00	70,644.62	53,924.38
Office Eqpt, Fur/Fix:						
Furniture & Fixtures	738,680.28	365,152.95	373,527.33	601,952.82	317,996.87	283,956.95
Other Depreciable Prop:						
Hydrants	112,680.75	112,680.75	-	112,680.75	112,680.75	
Other Plants	37,910.71	25,576.61	12,334.10	149,681.46	22,826.50	15,084.21
Tools, Shop and Garage Eqpt.	11,940.00	5,514.75	6,425.25	11,710.00	4,175.23	7,534.77
	<u>162,531.46</u>	<u>143,772.11</u>	<u>18,759.35</u>	<u>274,072.21</u>	<u>139,682.48</u>	<u>22,618.98</u>
Total	<u>26,866,147.87</u>	<u>12,494,972.89</u>	<u>14,371,174.98</u>	<u>25,102,672.96</u>	<u>11,703,525.16</u>	<u>13,399,147.80</u>

Note 5 – Current Financial Liabilities

	2016	2015
Accounts Payable	₱638,019.22	₱498,846.44
Due to Officers and Employees	-	-
Total Current Financial Liab.	₱638,019.22	₱498,846.44

The Accounts Payable consists of TBWD's liabilities to suppliers in the amount of Php638,019.22. These are transmission and distribution pipelines purchased for the clustering of water meters, except for MCC Hotel, TMSI, Kwan Shell Station and Crown Paper which are accrual for rental, Utilities, Fuel and Office supplies purchases, respectively.

Note 6 – Inter-Agency Payables

	2016	2015
Due to BIR	₱53,819.61	₱91,789.17
Due to GSIS	128,632.95	132,135.44
Due to Pag-ibig	32,447.18	40,722.79
Due to Philhealth	7,087.50	7,425.00
Total	₱221,987.24	₱272,072.40

The Statutory deductions withheld from government employees and government shares are current obligation of the District which will be remitted to the BIR, GSIS, Pag-ibig, and Philhealth on or before 10th day of the ensuing month.

Note 7 – Non-current Financial Liabilities

	Interest Rates		New Mo. Amortization	Outstanding Balance	
	<i>Old</i>			2016	2015
<i>New</i>					
3-732 RL	10.5%	8.2%	₱15,970.00	₱ 1,193,886.99	₱ 1,283,593.99
3-305 SL	10.5%	8.2%	38,149.00	2,432,078.92	2,679,317.92
3-305 RL	10.5%	8.2%	40,921.00	2,608,753.37	2,873,960.37
4-2374 RL	12.5%	8.2%	41,621.00	2,745,720.61	3,008,217.61
Adjustment				3.00	
Total			₱136,661.00	₱8,980,442.89	₱ 9,845,089.89

The District availed a long term loan with LWUA. The principal and interest of the regular loan portion have monthly amortization of ₱136,661.00. Loan Account No. 3-305 RL will end amortization on December 2023, LA#3-305 SL will be amortized until December 2023, LA#3-732 RL will be amortized until September 2025, and LA#4-2374 RL will end amortization on April 2024. As of December 31, 2016, the outstanding LWUA loan balance is ₱8,980,442.89. The loan was paid in accordance with the amortization schedule, thus, no penalties were imposed for delayed or non-payment.

Note 8 – Provisions

	2016	2015
Leave Benefits Payable	₱430,774.47	₱295,736.01
Other Provisions	-	-
Total Provisions	₱430,774.47	₱295,736.01

Note 9 – Service and Business Income

BUSINESS INCOME	2016	2015
Water works system fees	₱ 19,678,310.47	₱15,607,613.66
Sales Revenue	1,539,352.65	926,137.59
Fines and Penalties	409,029.10	344,456.84
Interest Income	14,594.60	7,996.64
Less: <i>Sales Discounts</i>	(43,352.08)	(32,297.01)
Total	₱ 21,597,934.74	₱ 16,853,907.72

Note 10 – Personnel Services

Salaries & Wages- Regular	₱3,297,064.74	₱3,267,013.79
Sal & Wages-Casual	1,284,573.82	1,193,161.41
Personnel Econ. Relief Allow.	484,000.00	461,000.00
Representation Allowance	60,000.00	60,000.00
Transportation Allowance TA	60,000.00	60,000.00
Clothing Allowance	125,000.00	115,000.00
Honoraria	200,357.01	184,565.62
Overtime & Night Pay	257,731.49	166,181.83
Year End Bonus	348,839.00	310,138.00
Cash Gift	98,400.00	95,000.00
Retirement and Life Insurance	468,487.92	451,798.88
Pag-ibig Contributions	24,600.00	23,400.00
Philhealth Contributions	44,175.00	43,687.50
Emp. Compensation Insurance Cont.	24,000.00	19,200.00
Other Bonuses and Allowances	750,717.78	515,355.05
Total Personnel Services	₱7,527,946.76	₱6,965,502.08

Note 11 – Maintenance and Other Operating Expense

Travelling Expenses-Local	₱190,260.15	₱130,863.87
Training Expenses	169,894.06	66,440.00
Electricity Expenses	5,498,293.08	4,624,173.72
Telephone and Internet sub Expense	30,864.00	40,087.58
Postage and courier Services	15,468.90	21,552.00
Subscriptions Expense	660.00	270.00
Advertising Expense	2,400.00	1,000.00
Rent Expense	32,800.00	37,600.00
Insurance Expense	3,501.45	
Fidelity Bond Premiums	16,980.00	16,980.00
Office Supplies Expense	187,526.09	141,651.20

Fuel, Oil, and Lubricants	86,225.88	62,205.13
Legal and Professional Expense	57,280.00	21,760.00
General Services	18,860.00	44,690.00
Taxes, Duties & Licenses Exp	422,055.74	347,595.40
Maint. of Structures & Impvt.	14,983.00	77,587.92
Maint of Pumping Eqpt	61,764.17	59,029.89
Maint of Reservoir & Tanks	2,474.00	2,669.50
Maint. of Trans & Dist. Mains	393,817.68	282,675.25
Other Structures Maintenance	7,233.80	2,836.00
Maint. of Motor vehicle	19,322.00	
Furniture & Fixture Maint.	1,430.00	9,221.97
Maint of Water Treatment Eqpt.		7,073.00
Maint. of Meters		2,813.75
Chemicals & Filtering	32,609.85	55,477.20
Rewards and other Claims		210.00
Representation Expense	236,098.75	44,350.43
Bad Debts Expense	62,504.04	109,273.04
Extraordinary & Misc. Expenses	39,906.00	62,627.90
Total	₱7,604,762.64	₱6,272,714.75

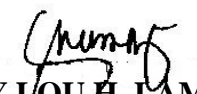
Note 12 – Financial Expenses

Interest Expenses	₱775,285.00	₱843,130.00
Bank charges	1,110.00	740.00
Total	₱776,395.00	₱843,870.00

Note 13. Non-cash Expenses

Depreciation - Wells, Reservoir	₱546,397.17	₱525,573.75
Depreciation - Motor Vehicles	40,054.08	21,314.04
Depreciation - Other Eqpt	149,076.39	168,754.72
Depreciation - F/F	50,677.47	39,151.49
Depreciation - Other PPE	5,242.62	6,688.64
Total	₱791,447.73	₱761,482.64

Prepared by:


JACKY LOU H. LAMDAGAN
 Sr. Accounting Processor B

Noted by:


GEOVANNI A. HERA
 General Manager

PART – II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART II - DETAILED OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AND COMPLIANCE

Unreliable balance of Property, Plant, and Equipment account due to unreconciled balance between the accounting and property records

- 1. The net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,371,174.98 and P622,143.84, respectively are unreliable due to (a) unreconciled balance between the accounting records and the property records, and (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.**

Philippine Accounting Standards (PAS) 1 prescribed that financial statements shall present fairly the financial position, financial performance and cash flows of the entity.

Section 490 of the Government Accounting and Auditing Manual (GAAM) also provides that physical inventory or 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. For effective control of government property, the COA prescribes that chiefs of agencies are required to take a physical inventory of all the equipment and supplies belonging to their respective offices at least once a year, unless otherwise determined by the COA Chairman in specific cases.

Accordingly, Section 65, Chapter 3, Volume II of NGAS, provides that the Report on the Physical Count of Inventories (RPCI) shall be used to report the physical count of supplies by type of inventory as of a given date (per semester). It shows the balance of inventory items per cards and per count and shortage/overage, if any. This form shall be used to report on the physical count of inventory items by type such Inventory as Office Supplies, Accountable Forms, Medical, Dental and Laboratory Supplies, Food/Non-food Inventory, etc. which were owned by the agency.

Section 66 of the same Manual provides that the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) shall be used to report the physical count of property, plant and equipment by type as of a given date (annually). It shows the balance of property and equipment per cards and per count and shortage/overage, if any.

The District regularly conducts a physical count of its materials, supplies and properties. However, it was noted that several properties owned and or operated by the District, particularly those located in the field, were not included in the regular inventory-taking. It was further noted that the Report on the Physical Count of Inventories (RPCI) prepared by the Property Custodian did not reflect the cost/value of the items counted.

Review of the lapsing schedule of PPE in the records of the Accounting Unit which serves as the basis of coming up with the book value of the properties after recognizing the depreciation expense for the period further disclosed that there were properties in the schedule that were not listed in the Property Custodian's records. There are significant discrepancies between the Accounting Unit's records and the Property Custodian's records. Moreover, the RPCPPE and the Lapsing Schedule for PPE did not carry a Property Number which has not been considered in the current internal control system for PPE, thus causing delay in the reconciliation between the accounting and property records. Some of the properties owned by the District which are not included in the property custodian's report based on the lapsing schedule are shown in the **APPENDIX – A** attached.

Viewed from the foregoing, the balances of the PPE accounts as shown in the financial statements could not be reconciled to the Report on Physical Count of Property, Plant and Equipment maintained by the Property Custodian because their records rendered differing balances and number of properties recorded, thus casting doubt on the validity and propriety of the balances of the said account and the actual existence of the properties. Furthermore, not all items as listed in the lapsing schedule were counted during the physical count and included in the property custodian's reports. As a result, the records of some PPE sub-accounts could not be relied upon.

We recommended that the Management conduct physical inventory-taking of all properties of the District and prepare a report thereon using the prescribed format, and require the Property Custodian to properly fill out the Inventory Report indicating therein the complete description of the items counted, i.e. serial no., brand/model, type, make, capacity, size, color, volume, etc.. Also, indicate the unit cost and require the Property Custodian and the Accounting Unit to reconcile both their records. Likewise, necessary adjustments or corrections should be effected in the books, where appropriate.

The Management commented and we quote:

“The property custodian initially made reconciliation thru conducting physical inventory of materials from pumping stations and making ledger cards for the properties of the District. As of the moment, she is still on the process of making list of all materials in the pumping stations and other properties. The Management decided to enforce the physical inventory and come out with proper listing within one month time.”

Overstated book balance of Property, Plant and Equipment account

- 2. The book balance of Property, Plant and Equipment as of August 31, 2016 was overstated by P3,003.00 due to inclusion of small items, contrary to COA Circular No. 2005-002.**

Paragraph 2.2.1 of COA Circular No. 2005-02 dated April 14, 2005 provides the accounting policy on items with serviceable life of more than one year but small enough to be considered as property, plant and equipment which states that:

“Small items with estimated useful life of more than one year shall be recorded as inventories upon acquisition and as expense upon issuance. xxx”

Proper recording of financial accounts and transactions is vital to ascertain the accuracy and correctness of the account balances shown in the financial statements.

As of August 30, 2016, the General Ledger (GL) of the PPE account posted a balance of P26,211,743.03 to include the small items amounting to P3,003.00 representing the purchase of stickers bearing the official logo of the District for their vehicles.

The accounting treatment for the capitalization of the said disbursement is contrary to COA Circular No. 2005-02, which requires that the amount should be recorded as Inventory of Materials and recorded as expense when issued covered by Requisition Issue Slip or Store Requisition Slip (SRS). The unissued balance remains under the custody and accountability of the Property and Supply Officer.

In the instant case, Management assertions on the correctness and accuracy of the PPE account could not be ascertained, resulting to overstatement of the PPE account and income during the year.

We recommended that the Management require the Accounting to adjust the PPE account by proper reclassification of the stickers into the Inventory account.

The Management commented and we quote:

“The amount was part of the overall repair and reconditioning of the donated L300 van that was capitalized by the District but as per COAs recommendation, it has been adjusted and was reflected in FS of 2016 already.”

Not updated balance of the accrued liability account for earned leave benefits

- 3. The accrued liability account for earned leave benefits of employees is understated in the books as it was not updated to its current balance contrary to PAS 19 on the accounting for employee benefits.**

Philippine Accounting Standards (PAS) No. 19 states in its objective to prescribe the accounting and disclosure for employee benefits. The standard requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future.

The Manual on the New Government Accounting System provides that in view of the preparation of the Statement of Income and Expenses, there is a need for a proper matching of revenues and expenses. Under the matching principle, adjustment should be made for economic activities that have taken place but are not yet recorded at the time the financial statements are prepared. Adjustments are of two main types: accrued items and deferred items.

Verification and review of the financial statements disclosed that the total accrued liability for earned leave credits was not regularly updated to reflect additional accumulated earned leaves. Based on the balances of accumulated leave credits as of June 30, 2016, the estimated accrued payable for terminal leave benefits that should have been recorded amounts to P2,135,113.40(**APPENDIX-B**) but verification and review of the financial statements disclosed that the estimated accrued payable on terminal leave benefits recorded in the Retirement Benefits Payable account as of June 30, 2016 was recorded only at P295,736.01, showing a difference of P1,839,377.39.

Interview with the Accounting personnel confirmed that additional accumulated earned leave credits for each employee were not yet booked up in the accrued payable on terminal leave benefits account since 2015. Thus, the corresponding accrued expense was not also recognized.

As a result, the total liabilities and expense accounts are both understated, and consequently the retained earnings, income and government equity accounts are overstated.

We recommended that the Management require the Human Resource Officer to furnish the Accounting Section with a copy of the schedule of earned leave credits of District personnel with the corresponding money value as basis in accounting of the accrued liability.

The Management commented and we quote:

“The previous Management, upon the instruction of the BODs stopped monetization of leave credits to all employees due to irregular monetization (procedural lapses) as per Audit findings in 2006 and the Management failed on obligating the benefits thereon. It was only when GM Hera assumed as GM in 2014 that monetization was allowed and provisions for retirement benefits were accrued gradually. In 2016, the total leave credits monetized and provided for is ₱469,568.22 (₱334,529.76 was monetized and ₱135,038.46 was added to provision). As of December 2016, the total Retirement Benefits Payable amounted to ₱430,774.47.”

Privately-owned vehicles allocated with fuel at the expense of the government

- 4. The District has allocated 570 liters of fuel or for a total amount of P25,053.20 to 13 motor vehicles that were not included in the inventory of vehicles of the District giving the impression that these were privately-owned vehicles allocated with fuel at the expense of the government.**

Section 3.1.1.8 of COA Circular No. 96-004 states, among others, that:

*“To ensure that government funds and property are used only for officials purposes, no reimbursement of the cost of gasoline and oil shall be allowed when a private vehicle is used. However, the officials and employees concerned shall be entitled to the reimbursement of the equivalent cost of the customary mode of transportation. **Under no circumstances should fuel be issued to privately owned motor vehicles.**”*

Our audit of the disbursements of the District for the period covering January to June 2016 disclosed that privately-owned motor vehicles owned by employees in the field were issued monthly fuel allowances totaling P25,053.20, contrary to the abovementioned Circular, details of which are shown in **APPENDIX- C**. It was further noted that the motor vehicles were not included in the inventory of vehicles per records by the District.

Clarification with Management confirmed that the motor vehicles in question are privately owned by fieldwork employees. Management allowed this type of arrangement for convenience on the part of the employees assigned in the field and of the District because it has significantly reduced the travel time for employees in responding to fieldwork. Furthermore, Management justified that there were no maintenance expenses incurred or any monetary consideration given to the owners for the use of their vehicles.

Although the District may have benefited from the use of the motor vehicles without any monetary consideration given to the owners, still the practice of providing monthly fuel expenses to privately owned vehicles lacks a valid legal basis, hence, such expenditures shall be disallowable in audit.

We recommended that the Management stop the practice of issuing monthly fuel allowances to motor vehicles not owned by the District pursuant to COA Circular 96-004, and consider acquiring new motor vehicles to be used by fieldwork employees.

The Management commented and we quote:

“Since the District doesn’t have motor/service vehicle, it was practiced in the District that meter readers were given 4 Ltrs every month during household meter reading period, and maintenance fieldmen were allocated 4Ltrs per week instead of transportation/fare. The District did not pay for any tire/repair maintenance for the use of their privately-owned motorcycles. When TBWD was able to acquire motorcycle in September 2016 and the donated L300 van from DCWD

became usable, the District allocated fuel expenses only to TBWD's service vehicles. Thus, such practice was stopped already in adherence to COA's recommendation."

Non-submission of Certificates of Travel Completed

5. Reimbursements and liquidations of travels totaling P140,117.66 by officials and employees of the District were not duly supported with Certificates of Travel Completed as required under COA Circular 2012-001.

COA Circular No. 2012-001 prescribes the revised guidelines and documentary requirements for common government transactions. Item 1.2.4.1 of the same Circular on the liquidation of cash advances for travels provides, among others, the submission of the Certificate of Travel completed as one of the documentary requirements.

Audit of disbursement vouchers disclosed that reimbursements and liquidation for travels totaling P140,117.66 were not duly supported with the required Certificate of Travel Completed as detailed in the **APPENDIX – D** attached.

It was noted that the Itinerary of Travels of some BODs were not prepared in the prescribed format, failing to include the details of the time of departure and arrival, hence, audit of claims for per diems could not be properly carried out. It was also found out that it was the BODs who prepared their itinerary of travels when this duty or responsibility rests with the accounting unit since the BODs are not organic and permanent employees of the District.

Management explained that the said Certificate was not included in the liquidation as this was not introduced as one of the documentary requirements. In addition, Management confirmed that with regard to the Itinerary of travels not prepared in the prescribed form, it was the BODs who prepared their own ITs which failed to include the necessary details for the time of departure and arrival.

We recommended that the Management strictly adhere to COA Circular 2012-001 relative to the required set of documentary requirements on the liquidation/reimbursement of travel claims; and to require that Itinerary of Travels of the BODs should be prepared by the Accounting Unit and ensure that it should be in the prescribed format.

The Management commented and we quote:

"The Management was only aware about the additional COA requirements when liquidating CA during actual audit of CY2016 transactions only. The Management will adhere to COA's recommendation."

Non-issuance of Notices of Award to winning bidders

- 6. Notices of Award (NOA) were not issued to winning bidders in all of the procurement of goods and infrastructure projects undertaken by the District through competitive bidding or executed thru alternative mode of procurement as required under 37.1.3 of the Revised Implementing Rules and Regulations of Republic Act (RA) No. 9184.**

Republic Act 9184 provides that all procurement of the government agencies, shall, in all cases, be governed by the principles of: transparency, competitiveness, streamlined procurement process, system of accountability, and public monitoring of the procurement process and the implementation of awarded contracts with the end view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications.

It is provided in Section 37.1.3 of the Revised Implementing Rules and Regulations (IRR) of RA 9184 that in case of approval of the recommendation of the BAC, the Head of the Procuring Entity shall immediately issue the Notice of Award to the bidder with the Lowest Calculated Responsive Bid/Highest Rated Responsive Bid.

Further, it is required under Section 37.1.6 that the BAC, through the Secretariat, shall post, within three (3) calendar days from its issuance, the Notice of Award in the PhilGEPS, the website of the procuring entity, if any, and any conspicuous place in the premises of the procuring entity.

In line with this, Section 54.3 thereof, also provides that in all instances of alternative methods of procurement, the BAC, through the Secretariat, shall post, for information purposes, the notice of award in the PhilGEPS website, the website of the procuring entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity.

Audit disclosed that the winning bidders for procurement of supplies, materials and infrastructure projects undertaken through public bidding or executed thru other modes of procurement were not issued with the required Notice of Award as mandated in the abovementioned rules and regulations. The winning bidders were notified only by the Purchase Order sent to them without any receipt of the Notice of Award on their end. It was noted that only printouts of electronic postings of an Award Notice Abstract in the PhilGEPS website were attached to the disbursement vouchers in lieu of the Notice of Award duly received by the winning bidder. Review further disclosed that the electronic posting of the Award Notice by the District was supported only by a BAC Resolution Declaring the Lowest Responsive Calculated Bid (LRCB) and the Purchase Order. As detailed in the downloadable procedures in the PhilGEPS website, proper posting of Award Notice in the PhilGEPs should be supported by a BAC Resolution Declaring the LRCB and the Notice of Award duly received by the winning bidder.

Inquiry from Management confirmed the observation and further explained that they were not properly informed that a Notice of Award should be issued to the winning bidder, and that the electronic posting of the Award Notice in the PhilGEPS website will suffice as Notice of Award.

As a result, the prescribed procurement timelines and deadlines for the issuance of the Notice of Award and the maximum periods and earliest possible time for action on specific procurement activities from the time the Notice of Award have been issued were not strictly observed.

We recommended that the Management issue the Notice of Award to winning bidders in compliance with Section 37.1.3 Likewise, enjoin the BAC Secretariat to post the Notice of Award in the PhilGEPS, the website of the District and at any conspicuous place in the premises of the Municipality within three (3) calendar days from its issuance as required under Section 37.1.6 of the Revised IRR of RA 9184, and to post the Award of Notice Abstract with the BAC Resolution and Notice of Award as supporting attachments.

The Management commented and we quote:

“BAC was used to attach only the Award Notice and RFQ generated and posted at PhilGEPS website. After the initial audit findings by COA, the BAC started attaching NOA to purchases on the 4th quarter of 2016 and will continue to abide to COA’s recommendation.”

Failure to prepare Annual Procurement Plan for Common Use Supplies and Equipment (APP- CSE)

- 7. The Bids and Awards Committee (BAC) did not submit the Annual Procurement Plan for Common Use Supplies and Equipment (APP- CSE) for FY 2016 to PS-DBM as mandated in DBM Circular Letters No. 2013-14 dated November 29, 2013 and No. 2011-6A dated September 28, 2011.**

DBM Circular letter No. 2013-14 dated November 29, 2013 provides that:

4.1 As a general rule, all procurements shall be undertaken within the approved budget of the procuring agency. Given the one –year validity period of appropriations, agencies should be ready with their budget execution plans and targets before the start of the year to ensure timely implementation of procurement activities.

4.2 All government instrumentalities covered by this Circular shall submit their APP-CSE to DBM-PS, prescribed in DBM Circular Letter Nos. 2011-6/2011-6A using modified format prescribed herein.

4.2.1. *For procurements covered by the FY 2014 GAA/COB, the APP-CSE shall be submit on or before December 15, 2013 in view of the modification of the APP-CSE format.*

4.2.2. *For the subsequent years, the submission deadline shall be November 30, instead of November 15 as prescribed in the DBM CL Nos. 2011-6/2011-6A.*

4.3 *A separate APP- CSE shall be prepared for procurements chargeable against prior year's appropriation, using the same format.*

DBM Circular letter No. 2011-6A dated September 28, 2011 also provides that:

4.2 *The accomplished APP-CSE shall be submitted to the DBM on the following due dates:*

- *FY 2011 APP-CSE, on or before October 7, 2011*
- *FY 2012 APP-CSE, on or before November 15, 2011; and*
- *The APP-CSE for the ensuing years thereafter, on or before November 15 of each year.*

4. 2.1 *Procuring entities of the NGAs including SUCs, LGUs and GOCCs/ GFIs shall email their APP- CSE at app@procurementservice.org or click the provided link (“click here to submit APP”) in the Procurement Service Website and shall submit one (1) hardcopy to the following.*

- *Procuring entities in the Central Office (CO)- to the concerned Budget and Management Bureau (BMB) of DBM- CO; and*
- *Procuring entities in the Regions – to the concerned DBM Regional Office (RO).*

The PS shall consolidate the APP-CSE submitted by procuring entities. These shall then be the basis of the PS in its projection of inventory requirements, scheduling or procurement activities, and overall Management of the central procurement of common – use supplies.

Our audit of the Annual Procurement Plan (APP) disclosed that the District has prepared and accomplished the APP-CSE as downloaded from the PS-DBM website but the same were not submitted to the DBM Regional Office on November 30, 2015 as required in the afore-cited provisions of the DBM Circulars. It was further noted that the accomplished APP-CS were submitted to the Budget Management Bureau (BMB) DBM –CO as an attachment to the District's Corporate Operating Budget (COB), but were not forwarded to the concerned DBM office in-charge in the DBM Regional Office as prescribed in the abovementioned DBM Circulars.

Hence, the non-submission could eventually result in the non-inclusion of the agency's actual and projected procurement of common-use supplies and equipment in the Consolidated APP-CSE for government, and in effect preventing the PS-DBM from accomplishing its mandated function of projecting inventory requirements and the overall Management of the government's central procurement of common-use supplies.

We recommended that the Management strictly comply with DBM Circular Letters No. 2013-14 dated and No. 2011-6A dated and ensure the submission of the APP-CSE within the prescribed period to the DBM Regional Office.

The Management commented and we quote:

“The BAC submitted electronically the APP-CSE for FY2016 to DBM but not on the email address prescribed under DBM Circulars and the hard copy of APP was submitted only to the regional office (Rx) as per attached “APPENDIX A” acknowledgement receipt from DBM dated March 16 2016 but failed to forward it to the central office. Rest assured that such issue will be corrected upon submission of 2017 APP-CSE. ”

Non-submission of Duplicate copies of checks in the Disbursement Vouchers (DVs)

- 8. Duplicate copies of checks amounting to P12,534,157.47 were not attached to the Disbursement Vouchers (DVs) submitted to the Audit Team for post-audit contrary to Section 4 of Presidential Decree No. 1445 and COA Circular No. 95-006 dated May 18, 1995, thus, validity, propriety and accuracy of recorded transactions could not be ascertained.**

Section 6 of COA Circular No. 95-006 states that accountable officers shall submit the records of receipts, disbursements, expenditures, operations, and all others transactions, together with the supporting documents, to the Chief Accountant in the manner and within the timeframe prescribed in existing rules and regulations.

In addition, Section 4 of Presidential Decree No. 1445, states, among others, that: *“Claims against government funds shall be supported with complete documentation.”*

Review of disbursement vouchers and financial reports from January to August 31, 2016 revealed that duplicate copies of all the checks issued amounting to P12,534,157.47 were not attached and submitted to the Audit Team for post-audit purposes. Said non-submission renders the transactions lacking in supporting documents.

Upon inquiry, Management averred that previously they have been attaching the duplicates but since the check number and amount of the check are already indicated in the DV voucher form, the Cashier no longer produces duplicates of the paid checks.

Hence, the non-submission of the duplicate copies of the checks to support the DVs may cast doubt as to the actual amount of each undertaken payment. Moreover, the continuous monitoring of checks issued could not be efficiently done for post-audit purposes.

We recommended that the Management require the Accountant and Cashier to attach to the pertinent DVs the duplicate copies of all checks issued.

The Management commented and we quote:

“The Cashier explained that since she assumed the cashiering position, nobody told her about attaching the copy of the check at the DVs, it was only after she read the SAOR for CY2016. The Management will follow COA’s recommendation.”

Grant of Performance-Based Incentive (PBI) without legal bases

- 9. The District granted Performance-Based Incentive (PBI) amounting to P72,576.00 to its BODs without complying with all the requirements and conditions set forth under Local Water Utilities Administration (LWUA) Memorandum Circulars 001-2016 and 002-2016 dated January 18, 2016.**

LWUA Memorandum Circular 001-2016 provides for the Implementing Guidelines for the grant of Performance-Based Incentive (PBI) for Board of Directors of Local Water Districts, provides, among others, that:

***“4. CONDITIONS PRECEDENT TO ENTITLEMENT** – In order for a LWD to be entitled to PBI, the following conditions must be fulfilled for the applicable year:*

4.1 LWD Level – the LWD where the Appointive Director serves was eligible and granted the Performance-Based Bonus (PBB) to its Officers and employees pursuant to the requirements prescribed under DBM-LWUA M.C. No. 2014-02, xxx.

4.2 Additional Good Governance Condition for Individual Appointive Director.

4.2.1. Attendance – xxx.

*For LWDs under **Category B, C, and D**, no Appointive Director shall be entitled to the PBI unless he/she shall have attended at least 90% of all authorized and duly called for Board and Committee meetings (to which he/she is officially designated) for the applicable calendar year.*

xxx.

*4.2.2. **Board Vacancy** – There should be no vacancy in the Board for more than three (3) months, unless the vacancy has remained unfilled due to extraneous factors beyond the control of the LWD Board of Directors.*

*4.2.3 **Length of Service** – xxx.”*

Moreover, LWUA Memorandum Circular No. 002-16 dated January 18, 2016 provides that the release of the PBI shall be subject to LWUA’s validation and approval upon submission of the required documents mentioned in LWUA Memorandum Circular No. 001-16.

Review of disbursement records disclosed that the District granted Performance-Based Incentive to the Board of Directors in the aggregate amount of P72,576.00 for CY 2015 as shown in the **APPENDIX – E**attached. Verification of the transaction disclosed that the District authorized the payments of the PBI despite the fact that per LWUA’s assessment and validation, the Board of Directors are not entitled to receive such incentive. Based on the assessment and validation by the LWUA on the submitted documentary requirements, the District was not able to comply with all the conditions of entitlement for two reasons: (1) due to the board vacancy in the Business Sector for more than three months and for which the reason cited by the District does not qualify as extraneous per LWUA guidelines, and (2) for failure to meet the requirements for the Annual Procurement Plan, the Board, being the HOPE of the agency, shall also not be entitled to receive the 2015 PBB. Thus, the pre-conditions for the grant of the PBI stipulated in Items 4.1 and 4.2.2 of the above-cited Circular were not complied with by the District.

Management explained that their basis for the release of the PBI despite LWUA’s disapproval was the Board Resolution issued and duly approved by the Board instructing the GM the release of the PBI and citing that based on the exemplary performance of the District in 2015, it would be unfair for LWUA to unauthorize the BODs for the grant of PBI as it would indicate their negative performance, when in fact it is not.

The release of the PBI without the approval of the LWUA is without merit and shall be disallowable in audit. The requirement that the District shall seek the validation and approval of the LWUA set forth under LWUA Memorandum Circular No. 002-16 should be complied first before the release of the PBI. Needless to say, the validity of the claims for PBI cannot be established due to the failure of the District to comply with all the conditions of entitlement set forth under the aforementioned Circulars.

We recommended that the Management require the BODs to refund the amount of PBI received and ensure strict compliance with existing laws, rules and regulations on the grant of PBI pursuant to LWUA Memorandum Circular Nos. 001-16 and 002-16 prior to payment to prevent incurrence of irregular expenditures.

The Management commented and we quote:

“The Board of Directors will appeal to COA.”

Improperly accomplished Purchase Orders

10. Purchase Orders were not properly accomplished contrary to Section B of COA Circular No. 96-010 dated August, 15, 1996, thus, it cannot be ascertained whether the delivery of materials and supplies conform to the terms and conditions of the agreement.

Item B of COA Circular No. 96-010 provides the basic data which should invariably appear in the Purchase Order, as enumerated below:

- (a) Purchase Order Number*
- (b) Date of Purchase Order*
- (c) Complete name of supplier*
- (d) Complete address of supplier*
- (e) Information whether the supplier is a manufacturer or exclusive distributor; registered with SEC, DTI or both.*
- (f) Telephone and fax number of supplier, if any*
- (g) Date of delivery*
- (h) Complete item name*
- (i) Complete detailed item specification, including accessories i.e., narrative description, size/dimension/volume, model, use of item, color, capacity, horsepower, voltage, watts, gauge, kind of equipment where sparepart is to be used whether replacement or original (for spare parts), part number of spareparts, type and classification of material, brand new or second hand, etc.*
- (j) Price (individual unit price; if lot price any document showing the detailed breakdown of the cost should likewise be submitted)*
- (k) Unit of measure when it is not universally accepted indicate numbers or weight, or lineal measure, i.e., if stated as per "roll", indicate the number of yards/meter per roll; if per "box", state number/pcs. contents; if per bag how many pounds or kilos*
- (l) Quantity or number of units*
- (m) Brand name. If no brand, state "none"*
- (n) Country of manufacture or origin of item; i.e., local (or RP), or if foreign origin, specify country.*
- (o) Terms; i.e., COD, n/30 days, etc.*
- (p) Mode of procurement; i.e., public bidding, canvass, negotiated sale, and such other authorized modes. If "repeat order" indicate previous Purchase Order and date which was used as basis.*
- (q) Taxes paid by agency; i.e., VAT, etc. If taxes are paid by supplier, do not Indicate.*

Review of Purchase Orders (POs) on various procurement of materials and supplies disclosed that these lack the necessary information as required to be reflected in every PO, thus defeating the purpose for which these were prescribed. The following deficiencies were noted:

1. Date of delivery, delivery term and payment term (*i.e.*, *COD, n/30 days, etc.*) in the POs were not properly filled up;
2. Complete address of supplier was not properly indicated;
3. Information whether the supplier is a manufacturer or exclusive distributor; registered with SEC, DTI or both was not indicated in the POs; and
4. Taxes paid by agency; *i.e.*, VAT, etc. were not also shown in the POs.

The above-noted deficiencies render the Purchase Orders/contracts of the District incomplete as they do not clearly indicate the responsibility of the supplier for the faithful performance and compliance of the terms and conditions of the contract with respect to the delivery of the goods. Moreover, due to lack of information, it may also have affected the timely review and evaluation of the POs and corresponding disbursements.

We recommended that the Management require the Accountant and officials concerned to fill-up the relevant and required information on the Purchase Order and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.

The Management commented and we quote:

“The Management adhered to COA’s recommendation and starting January 2017, it was implemented already.”

COMPLIANCE WITH TAX LAWS AND REGULATIONS

The Management as a withholding agent of the Bureau of Internal Revenue fully complied with BIR Regulations on withholding of taxes. They remitted the value added and expanded withholding tax for the supplies and materials, equipment and services it procured and taxes withheld on compensation for calendar year 2016 to the government agency in accordance with the BIR Regulations.

STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

Prior to the effectivity of COA Circular No. 2009-006 dated September 15, 2009, prescribing the Rules and Regulations on Settlement of Accounts (RRSA), total Suspensions, Disallowances, and Charges incurred by the Agency amounted to P226,693.70.

Other Notices of Suspensions and Disallowances will be issued in CY 2017 pertaining to CY 2016 transactions, including those still for verification.

PART – III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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

Audit Observations	Recommendations	Reference	Status of Implementation	Results of Auditor's Validation
<p>1.The validity and uncertainty in the collection of long overdue accounts receivable totaling P2,093,652.13 aged ranging from 120 days to 10 years, misrepresented the real valuation of current assets as at year end.</p>	<p>We recommended and Management agreed to:</p> <ul style="list-style-type: none"> • Intensify the collections of long overdue accounts and make the proper disclosure in the Notes to Financial Statements regarding inactive accounts. • Creat a committee that will focus on the investigation of the location and whereabouts of concessionaires to ascertain extent of their recovery. • If the committee's findings conclude that collection for those accounts which prove to be beyond collectability, request for authority to write-off the accounts pursuant to COA Circular 97-001 dated February 5, 1997. 	<p>AAR 2015 Part 2</p>	<p>Fully Implemented</p>	<p>Fully Implemented. Management complied to transfer the inactive accounts to the non-current asset account.</p>
<p>2.Accounting records for Supplies and Materials did not reconcile with the Property Inventory Report, showing a variance of P48,638.54, casting doubt as to the reliability and accuracy of balance of both records contrary to Sections 43 and 62 of the NGAS Manual, Volumes I and II, respectively.</p>	<p>We recommended that the Management:</p> <ul style="list-style-type: none"> • Require the accounting personnel and property section to reconcile regularly as required under Sections 43 and 62 of the NGAS Manual, Volumes I and II, respectively. • Instruct the accountant to conduct a periodic reconciliation of their records with actual inventory at the supply section to avoid unreconciled balances. • Effect necessary adjustments either in 	<p>AAR 2015 Part 2</p>	<p>Fully Implemented</p>	<p>Fully Implemented. Management complied to regularly reconcile between the accounting records and the Property Inventory Report and to conduct periodic reconciliation of records for supplies and materials inventory account.</p>

	the books or physical inventory report to obtain a fair presentation of account balance.			
3. Contributions and remittances to Home Development Mutual Fund (HDMF) for the period January 1, 2013 to December 31, 2015 were paid in excess by P91,083.20 due to Management's non compliance to the provision of IRR of Home Development Fund Law of 2009 on the maximum limit of employer's contribution. This excess payment unnecessarily increased the expenditures incurred for the period to the disadvantage of the District.	We recommended that the Management make representation with the HDMF to recover the excess contribution or at least to offset on TBWD future PAG-IBIG remittances until this is diminished; and the Accounting Section to strictly comply with the provisions of RA 9679 on the maximum limit of PAG-IBIG Contributions-employer share at P100 per month for each employee.	AAR 2015 Part 2	Fully Implemented	Fully Implemented. The District complied with the maximum limit of the employer's share in the PAG-IBIG Contributions remittance which should be at P100 per month for each employee.
4. The District's physical assets with net book value of P 11,251,696.29 were not insured with the General Insurance Fund of the Government Service Insurance System (GSIS), contrary to Section 5 of R.A. 656, as amended by PD No. 245, thus exposing the District to risk of non-indemnification in case of natural or man-made calamity.	We recommended that the Management insure all its insurable property and equipment with the General Insurance Fund of the GSIS to protect its interest.	AAR 2015 Part 2	Partially Implemented	Partially Implemented. The District is currently processing the certificate of title of the assets, since the GSIS requires title to such properties before they have to be insured in their system.
5. No funds were appropriated for the Disaster Risk Reduction and Management (DRRM) System, contrary to RA 10121.	We recommended that the Management to appropriate funds relative to DRRM and strictly adhered to the implementation of relevant activities for knowledge building, awareness raising and disaster preparedness under the applicable provisions of RA 10121.	AAR 2015 Part 2	Partially Implemented	Partially Implemented. The District allocated funds for the DRRM. However, no DRRM related activities were implemented in 2016.

<p>6. The District Corporate Operating Budget (COB) for FY 2015 was not submitted to the DBM for review and approval contrary with DBM Corporate Budget Memorandum No. 34 dated December 28, 2012, thus, compliance to the Philippine Development Plan (PDP) for FYs 2011-2017 is not assured.</p>	<p>We recommended that the Management submit the COB to the DBM pursuant to DBM Corporate Budget Memorandum No. 34 reiterating the Policy Guidelines and Procedures in the Preparation and Submission of the FY 2015 Budget Proposals, and require the Budget Officer to furnish COA the Annual Budget supported with complete documents every year thereafter. To allow COA to monitor and evaluate the accuracy of the agency's reported performance against its approved targets aligned with MFOs, KRAs, and sector outcomes in the PDP Results Matrices.</p>	<p>AAR 2015 Part 2</p>	<p>Fully Implemented</p>	<p>Fully Implemented. The COB for FY 2016 was forwarded to the Department of Budget Management pursuant to the DBM Corporate Budget Memorandum.</p>
<p>7. The District did not prepare a GAD plan and its related activities and no funds was allocated in the agency's budget as mandated under Section 33 of CY 2015 GAA and PCW-NEDA-DBM Joint Circular No. 2012-01.</p>	<p>We recommended that the Management prepare GAD Plan at the beginning of the year that is designed to address gender issues in compliance with the provisions of Section 33 of GAA and PCW-NEDA-DBM Joint Circular No. 2012-01; appropriate funds equivalent to 5% budgetary appropriation for GAD as mandated in the GAA; and create/designate a GAD focal person who serves as the technical working group whose task is to facilitate the preparation of District GAD plan, catalyze, coordinate, provide directions and monitor the program/projects on GAD concerns of the District.</p>	<p>AAR 2015 Part 2</p>	<p>Partially Implemented</p>	<p>Partially Implemented. The District allocated funds for GAD but no plan has been drafted for CY 2016. But the GAD Plan for 2017 has already been drafted.</p>

<p>8. The District's Collecting Officer/Teller were not properly bonded as required under Section 4.1 of Treasury Circular No. 02-2009 dated August 6, 2009.</p>	<p>We recommended that the Management properly designate collecting officer/teller who is duly bonded; and consider the Districts' organizational structure, evaluate the performance and potential of this current JO employee-teller for possible permanent position and implement the government bond requirement.</p>	<p>AAR 2015 Part 2</p>	<p>Partially Implemented</p>	<p>Partially Implemented. Not all of the Collecting Officers were bonded.</p>
<p>9. The Petty Cash Fund (PCF) was not sufficient for the petty expenses of the District for one month due to non-adherence of Section 4.3.1 of COA Circular No. 97-002 dated February 10, 1997 and Section 15 of NGAs Manual, Volume 3.</p>	<p>We recommended and Management agreed to replenish PCF upon reaching 75% utilization so that sufficient cash balance is available to cover expenses of small payments for maintenance and operating expenses of the District; the Petty Cash Custodian update the daily disbursements in the PCF record; and may make the option to appoint another personnel to handle the PCF.</p>	<p>AAR 2015 Part 2</p>	<p>Fully Implemented</p>	<p>Fully Implemented. The District complied with the audit recommendations per per our verification.</p>
<p>10. The District Non-Revenue Water (NRW) of 398,321 cubic meter equivalent to 37.58% (average) of the total water production was far beyond the tolerable allowance of 20% water loss of LWUA based on Memorandum Circular No. 004-10 dated February 23, 2010, thus, the operational efficiency level for CY 2015 of the district was consequently affected.</p>	<p>We recommended that the Management properly address the problem on unaccounted water losses to mitigate the revenue losses, improve the bottom line, increase efficiency and delivery of water services.</p>	<p>AAR 2015 Part 2</p>	<p>Partially Implemented</p>	<p>Partially Implemented. To mitigate water revenue losses, new water meters were set in in place to replace old meters. In addition, clustering of water distribution was implemented. New measures of accounting water losses were also implemented to accurately determine the causes and amount of water losses.</p>

<p>11. Receivables-Customers inactive/closed accounts amounting to P1,675,790.03 aging 2 to 10 years were classified as current assets and the inadequacy of records in the subsidiary ledger accounts distorting the accuracy and fair presentation of the financial statements (FS).</p>	<ul style="list-style-type: none"> • Reclassify inactive/closed accounts to other assets in compliance to Paragraph 57 of PAS 1 for proper presentation of the receivables account in the FS. • Strengthen the district strategies to maximize collections of Account Receivable and implement policy of disconnection in case of failure of payment of water bills in more than two months. • Create a committee to investigate the location and whereabouts of debtors to ascertain extent of their recovery. 	<p>AAR 2015 Part 2</p>	<p>Partially Implemented</p>	<p>Partially Implemented. Not all of the inactive accounts were classified to other assets.</p>
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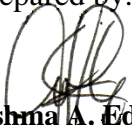
PART – IV
APPENDICES

List of Properties not included in the Property Custodian's Report
As of September 30, 2016

<i>Date Acquired</i>	<i>Acct. Code</i>	<i>PPE</i>	<i>Acquisition Cost</i>
August 2005	306	Land - Bernadette Santillan Ella Ilagan	15,000.00
1995	306	Buctuan - Limot Village, Tubod	32,000.00
	306	Monding - Pigcarangan	7,000.00
May 2009	311	Structure Improvement	95,000.00
2014	315	Benjamin Cabatis - Niño Well, Baroy	1,660,472.00
Nov. 2014	315	Bulod Well, Tubod	2,602,882.65
July 2016	315	Bulod Well, Tubod Primary	73,737.72
		Flow Meters (P1 & P2)	35,998.00
June 2016	324	Other Pumping	85,000.00
2007	373	Vehicle - Multicab	12,316.00
		General Repair	112,253.00
2016	373	Vehicle - L300	257,563.00
2016	373	Honda TMX	-
June 2016	343	Transmission/Distribution Looc Expansion	18,357.76
		Looc Expansion	38,425.10
Jan. 1998	345	Looc Expansion/Kalipay Services	1,276,873.00
June 2005	345	Looc Expansion/Kalipay Services	1,136,707.78
Dec. 2005	345	Looc Expansion/Kalipay Services	6,480.00
July 2005	322	Power Production	50,788.00
Nov. 2005	322	Power Production	22,455.00
June 2005	323	Pumping Equipment	478,298.25
June 2005	323	Pumping Equipment	501,339.00
Jan. 1998	323	Pumping Equipment	933,167.00
Aug. 5, 2004	323	Pumping Equipment	5,400.00
Nov. 2004	323	Pumping Equipment	9,792.00
May 2004	323	Pumping Equipment	19,000.00
June 2004	323	Pumping Equipment	218,133.00
Sept. 2005	323	Pumping Equipment	10,998.00
May 2009	323	Pumping Equipment	901,112.66
July 2009	323	Pumping Equipment	425,580.61
Nov. 2012	324	Other Pumping - Acacia	9,406.79
2012	324	Dawis	36,917.24
2012	324	Agora	3,427.00
Dec. 2015	342	Fence Limot	5,196.50

Dec. 2015	342	Fence Limot	15,536.50
Mar. 2016	342	Fence Limot	71,209.00
July 2004	343	Transmission & distribution Maints.	1,600.00
Sept. 2004	343	Transmission & distribution Maints.	1,200.00
Dec. 2004	343	Transmission & distribution Maints.	82,587.59
May 2009	343	Transmission & distribution Maints.	1,687,683.99
Dec. 2010	343	Transmission & distribution Maints.	46,375.90
5/1/2011	343	Transmission & distribution - Taguigiron	10,934.70
Dec. 2013	343	Transmission & distribution - Baroy to Sagadan	184,770.30
2015	343	Transmission & distribution - clustering aloha, lamac	278,093.50
Grand Total			13,477,068.54

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Schedule of Accumulated Leave Credits
TUBOD-BAROY WATER DISTRICT
Leave Credits Computation
As of June 30, 2016

Employee	Leave Credits	Salary	Constant Factor	Amount
1. Aballe, Bernardo A.	267.348	10,883	0.0478087	139,101.72
2. Alfon, Andrew M.	89.04	13,378	0.0478087	56,948.63
3. Apao, Concordio T.	231.34	11,089	0.0478087	122,645.06
4. Ates, Francisco L.	227.67	13,378	0.0478087	145,614.27
5. Balatero, Marlou D.	285.33	11,878	0.0478087	162,030.84
6. Balugo, Joevie E.	177.377	11,658	0.0478087	98,861.75
7. Bete, Eduardo D.	180.508	24,655	0.0478087	212,769.02
8. Buctuan, Estelito Jr. L.	182.567	11,658	0.0478087	101,754.42
9. Buctuan, Fernando L.	336.66	13,378	0.0478087	215,322.61
10. Buhawe, Gremie M.	15	10,883	0.0478087	7,804.53
11. Dayak, Novavilla E.	151.288	20,651	0.0478087	149,366.26
12. Galda, Anna Lysel Y.	65.584	13,378	0.0478087	41,946.53
13. Garganta, Ranier C.	114.497	24,141	0.0478087	132,146.69
14. Hambre, Richard C.	22.234	11,658	0.0478087	12,392.20
15. Hera, Geovanni A.	40.385	56,610	0.0478087	109,300.00
16. Ilagan, Bryan Emerson C	159	11,767	0.0478087	89,447.83
17. Lamdagan, Jacky Lou H.	97.997	26,192	0.0478087	122,712.38
18. Paclipan, Jessie G.	111.749	10,883	0.0478087	58,143.24
19. Policarpio, Romeo A.	146.156	11,767	0.0478087	82,222.25
20. Quipit, Ariel B.	89.765	11,181	0.0478087	47,983.80
21. Rebucas, Carlito Jr. M.	14.873	10,883	0.0478087	7,738.45
22. Tamboboy, Alicia A.	21.831	18,071	0.0478087	18,860.91
TOTAL				2,135,113.40

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Meriam S. Decierdo
 State Auditor II
 Audit Team Member


Macrina M. Gentiles
 State Auditor III
 OIC- Audit Team Leader

TUBOD-BAROY WATER DISTRICT
 Summary of Monthly Fuel Allocation to Privately-Owned Motor Vehicles

No.	Type of Vehicle	Owner	Fuel Issued (in Liters)		Amount
1	XRM White Motorcycle	Romeo Policarpio	65	P	2,877.95
2	Honda CB 125	Andrew Alfon	111		4,837.40
3	XRM Red/XRM Black (1) Motorcycle	Richard Hambre	39		1,746.30
4	XRM Black Motorcycle (2)	Joevie Balugo	59		2,579.35
5	XRM Blue Motorcycle (1)	Estelito Buctuan Jr.	53		2,331.30
6	XRM Blue Motorcycle (2)	Bryan Ilagan	15		665.65
7	Honda Bravo	Carlito Rebucas	76		3,332.25
8	Honda Wave (1)	Gremie Buhawe	66		2,933.30
9	Honda Wave (2)	Ariel Quipit	20		868.80
10	Yamaha Mio	Janry Gorecho	41		1,790.95
11	Kawasaki Aura Classic	Francis Ates	2		84.90
12	XRM Black & White Motorcycle	Jessa Alfon	21		913.25
13	IDOL 110 Motorstar	Fernando Buctuan	2		91.80
			570	P	25,053.20

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TUBOD-BAROY WATER DISTRICT
Schedule of Travel Claims without the Supporting Certificate of Travel Completed

Date	Check No	DV No.	Name	Amount
1/5/2016	1020696	2016.01.4851	Ranier C. Garganta	440.00
1/6/2016	1020705	2016.01.4861	Geovanni A. Hera	4,810.00
1/11/2016	1020715	2016.01.4872	Jacky Lou H. Lamdagan	440.00
1/11/2016	1020716	2016.01.4873	Joevie E. Balugo	2,000.00
1/21/2016	1020746	2016.01.4902	Geovanni A. Hera	1,750.00
1/21/2016	1020747	2016.01.4903	Jacky Lou H. Lamdagan	440.00
1/22/2016	1020749	2016.01.4905	Geovanni A. Hera	22,700.00
1/22/2016	1020750	2016.01.4906	Geovanni A. Hera	1,697.60
2/2/2016	1020760	2016.02.4916	K. Buenconsejo	345.00
2/5/2016	1020767	2016.02.4924	Joevie E. Balugo	2,000.00
2/5/2016	1020770	2016.02.4927	Novavilla E. Dayak	320.00
2/5/2016	1020772	2016.02.4928	Ranier C. Garganta	880.00
2/5/2016	1020773	2016.02.4929	Alicia A. Tamboboy	320.00
2/5/2016	1020774	2016.02.4930	Romeo A. Policarpio	320.00
2/18/2016	1020786	2016.02.4924	K. Buenconsejo	335.00
2/18/2016	1020787	2016.02.4943	Geovanni A. Hera	810.00
3/2/2016	1020799	2016.03.4955	Ranier C. Garganta	520.00
3/7/2016	1020804	2016.03.4960	Joevie E. Balugo	2,000.00
3/7/2016	1020805	2016.03.4961	Andrew M. Alfon	535.00
3/7/2016	1020806	2016.03.4962	Novavilla E. Dayak	440.00
3/10/2016	1020810	2016.03.4966	Geovanni A. Hera	380.00
3/10/2016	1020811	2016.03.4967	Romeo A. Policarpio	380.00
3/15/2016	1020824	2016.03.4979	Romeo A. Policarpio	480.00
3/15/2016	1020828	2016.03.4983	Romeo A. Policarpio	400.00
3/15/2016	1020829	2016.03.4984	Ranier C. Garganta	400.00
3/17/2016	1020831	2016.03.4986	Geovanni A. Hera	530.00
3/18/2016	1020832	2016.03.4987	Ranier C. Garganta	380.00
3/18/2016	1020833	2016.03.4988	Romeo A. Policarpio	380.00
3/28/2016	1020837	2016.03.4992	Novavilla E. Dayak	440.00
3/31/2016	1020845	2016.03.4999	Geovanni A. Hera	705.00

3/31/2016	1020846	2016.03.5000	Ranier C. Garganta	440.00
4/7/2016	1020850	2016.04.5004	Ranier C. Garganta	560.00
4/7/2016	1020851	2016.04.5005	A. Zorilla	9,914.00
4/7/2016	1020852	2016.04.5007	Novavilla E. Dayak	440.00
4/7/2016	1020856	2016.04.5010	A. Zorilla	5,080.00
4/7/2016	1020859	2016.04.5013	Geovanni A. Hera	580.00
4/11/2016	1020864	2016.04.5018	Joevie E. Balugo	2,000.00
4/12/2016	1020867	2016.04.5201	Alicia A. Tamboboy	340.00
4/12/2016	1020868	2016.04.5202	Jacky Lou H. Lamdagan	810.00
4/19/2016	1020876	2016.04.5209	Geovanni A. Hera	440.00
4/21/2016	1020882	2016.04.5035	Ranier C. Garganta	6,230.00
5/3/2016	1020895	2016.05.5048	Andrew M. Alfon	495.00
5/4/2016	1020898	2016.05.5051	Geovanni A. Hera	360.00
5/4/2016	1020899	2016.05.5052	Novavilla E. Dayak	440.00
5/6/2016	1020900	2016.05.5054	Joevie E. Balugo	2,000.00
5/19/2016	1020917	2016.05.5071	Novavilla E. Dayak	440.00
5/19/2016	1020919	2016.05.5073	Ranier C. Garganta	4,255.00
5/25/2016	1020921	2016.05.5075	K. Buenconsejo	335.00
5/30/2016	1020928	2016.05.5082	Geovanni A. Hera	3,005.74
5/30/2016	1020929	2016.05.5083	Ranier C. Garganta	630.00
6/6/2016	1020932	2016.06.5086	Joevie E. Balugo	2,000.00
6/8/2016	1020939	2016.06.5094	Ranier C. Garganta	640.00
6/8/2016	1020940	2016.06.5095	Geovanni A. Hera	11,040.00
6/8/2016	1020941	2016.06.5096	Richard C. Hambre	11,040.00
6/8/2016	1020942	2016.06.5097	Geovanni A. Hera	17,539.04
6/21/2016	1020950	2016.06.5105	Ranier C. Garganta	640.00
6/21/2016	1020951	2016.06.5106	Alicia A. Tamboboy	360.00
6/21/2016	1020953	2016.06.5108	Geovanni A. Hera	8,717.00
6/27/2016	1020958	2016.06.5113	Richard C. Hambre	260.00
6/27/2016	1020962	2016.06.5117	Geovanni A. Hera	1,209.28
6/30/2016	1020972	2016.06.5127	Romeo A. Policarpio	300.00
				140,117.66

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TUBOD-BAROY WATER DISTRICT
Schedule of Payments for the BODs' Performance-based Incentives for 2015

Name	Designation	Particulars	Amount
Abe, Cesar	Vice-Chairman	Payments for 2015 PBI	17,280.00
Gorecho, Victoria	Secretary	Payments for 2015 PBI	17,280.00
Zorilla, Aurora	Chairman	Payments for 2015 PBI	20,736.00
Macalam, Celestina	Member	Payments for 2015 PBI	17,280.00
TOTAL			<u><u>72,576.00</u></u>

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