



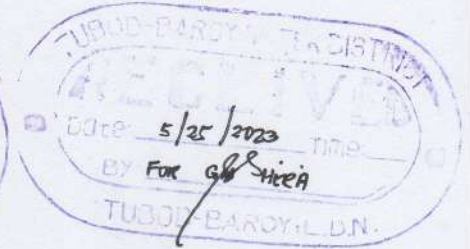
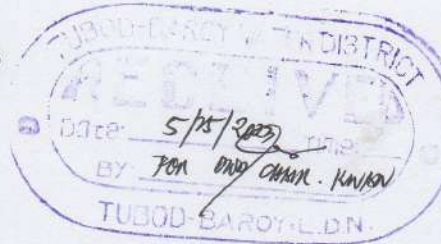
Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serifa Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

March 17, 2023

Mr. ANDRIAL C. KWAN
Chairperson, Board of Directors

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



Sirs:

We are pleased to transmit the Annual Audit Report on the audit of **Tubod-Baroy Water District**, Tubod, Lanao del Norte as of December 31, 2022, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with law, rules, and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements, Part II-Observations and Recommendations and Part III- Status of Implementation of Prior Years' Audit Recommendations, which were discussed with the officials and staff concerned.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that these standards provided a reasonable basis for the audit results.

A Modified-Qualified Opinion was rendered on the fairness of the presentation of the financial statements of the Tubod-Baroy Water District for the year ended December 31, 2022, as discussed in the Independent Auditor's Report in Part I hereof.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of Tubod-Baroy Water District for the year 2022 due to the existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P38,184,108.34 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.

We request that the remedial measures be immediately implemented, and we will appreciate being informed, through our Auditors, of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form to the Audit Team within 60 days from receipt hereof, pursuant to Section 97 of the General Provisions of the General Appropriations Act FY 2022.

We appreciate the invaluable support and cooperation extended by the officials and staff of the Agency to the Audit Team which facilitated the completion of the report.

Very truly yours,



MATHEW REY M. MAGNO
Director III
OIC- Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
Quezon City Reception House
Barangay Mariana, New Manila, Quezon City*

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

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

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

*The Chairman- Appropriations Committee
House of Representatives
HOR Complex, Constitutional Hills, Quezon City*

*The Secretary of the Budget and Management
Department of Budget and Management
G. Solano St., San Miguel, Manila*

*The Chairman
Governance Commission for Government-Owned or Controlled Corporations
Paseo de Roxas Avenue, Makati City*

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

*The Undersecretary (e-copy)
Presidential Management Staff
New Executive Building, J. P. Laurel St., San Miguel, Manila*

*The Director (e-copy)
National Library of the Philippines
T.M. Kalaw, Ermita, Manila*

*The Chief of Office (e-copy)
UP Law Center, UP, Diliman, Quezon City*

File

TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPS)

For Calendar Year 2022

As of _____

Sector: Corporate Sector
Auditee: Tubod-Baroy Water District
Audit Period: Calendar Year 2022

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
AAR 2022 Findings No. 1	The existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P38,184,108.34 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.	We recommended the Management to: a. Require the Accounting and Property Unit to conduct the required preliminary activities as provided in Section 6.1 of COA Circular No. 2020-006 and submit the documents or reports gathered to the Inventory Committee as basis in the preparation of Physical Inventory Plan; b. Require the Inventory Committee to prepare the Physical Inventory Plan and submit to							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
		COA the approved copy at least ten (10) calendar days before the scheduled start of inventory taking activities; c. Require the Inventory Committee to ensure strict compliance with the guidelines and procedures in the conduct of physical count of PPEs; and d. Submit the RPCPPE to the Audit Team.							
AAR 2022 Findings No. 2	Past due and dormant Receivables aging over a year amounting P1,058,578.62 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.	We recommended that Management: a. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; b. Exert efforts to collect the receivables thru demand letters; and							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
		c. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.							
AAR 2022 Findings No. 3	The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five per cent (5%) of the District's Corporate Operating Budget for the year.	<p>We recommended and management agreed that the agency:</p> <p>a. Assess and identify gender and development issues within the organization and those of the outside stakeholders;</p> <p>b. Establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization;</p> <p>c. Allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project</p>							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
		<p>and activities for every fiscal year either by specific appropriation or by attribution;</p> <p>d. Formulate annual GAD Plan and Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM;</p> <p>e. Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness;</p> <p>f. Establish performance indicators which will serve as bases for evaluating gender and development</p>							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
		<p>programs, project and activities; and</p> <p>g. Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.</p>							
AAR 2022 Findings No. 4	The District remains non-compliant with the requirement under Section 22 of the Philippine Disaster Risk Reduction and Management Act of 2010 (RA 10121) and Section 37 of General Appropriations Act of 2021 (RA 11518) to adopt and implement a Disaster Risk Reduction and Management Program.	<p>We recommended the management to:</p> <p>a. Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and</p> <p>b. Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2022.</p>							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
AAR 2022 Findings No. 5	The Non-Revenue Water (NRW) of the District is equivalent to 23.01 per cent which exceeded the 20 per cent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P400,128.96 to the District.	We recommend the management to: a. Conduct regular performance audit on all its water meters (i.e. flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and b. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.							

Note: Status of Implementation may either be (a) Fully Implemented, (b) On-going, (c) Not Implemented, (d) Partially implemented or (e) Delayed

Agency Sign-off:

Mr. GEOVANNI A. HERA
General Manager

Date: _____



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

OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

March 16, 2023

MATHEW REY M. MAGNO
Regional Director
COA Regional Office No. X
Cagayan de Oro City

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of the **Tubod-Baroy Water District**, Tubod, Lanao del Norte for the year ended December 31, 2022.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years' Audit Recommendations. 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 International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor



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

OFFICE OF THE AUDIT TEAM LEADER

R10 - CGAS Water Districts and Other Stand-Alone Agencies - Team 05

March 16, 2023

Ms. CECILIA A. PONTILLAS

Supervising Auditor
CGAS Water Districts and Other Stand-Alone Agencies
COA - Regional Office No. X
Cagayan de Oro City

Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted an audit on the accounts and operations of **Tubod-Baroy Water District**, Tubod, Lanao del Norte, for the year ended December 31, 2022.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years' Audit Recommendations. 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 International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fatimah Suzzane A. Disamburun".

FATIMAH SUZZANE A. DISAMBURUN
State Auditor III
OIC- Audit Team Leader



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

ANNUAL AUDIT REPORT

ON THE

TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

For the Year Ended December 31, 2022

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.

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.

TBWD operates as a Government Corporation with proprietary functions and is independent from the Local Government of Tubod and Baroy, Lanao del Norte. It is located at Provincial Trade Center, Sagadan, Poblacion, Tubod, Lanao del Norte.

In compliance with the guidelines provided in the DBM approved Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO), Tubod-Baroy Water District was categorized as a Category "D" Water District in March 2012.

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 5,418 active subscriptions served as of December 31, 2022.

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 but the executive, administrative and ministerial power is delegated to the management. It has five (5) members who are appointed by the Provincial Governor. The policy-making body composed of the following:

Chairman	- Mr. Andrial C. Kwan
Vice-Chairman	- Mr. Roldan Jonathan R. Gayta
Secretary	- Ms. Evangeline M. Codilla
Member	- Ms. Gemma A. Harun
Member	- Engr. Jene Joseph S. Serino

B. FINANCIAL HIGHLIGHTS

Financial Condition

As of December 31, 2022, TBWD has reached total Assets of ₱54.076 Million, total liabilities of ₱11.078 Million and total Equities of ₱42.997 M million, details of which as follows:

	2022	2021	2022 vs. 2021 Increase/(Decrease)	
			Amount	Percentage
Assets	₱ 54,076,632.71	₱ 52,616,166.96	₱ 1,460,465.75	2.78%
Liabilities	₱ 11,078,757.60	₱ 13,438,993.83	₱ (2,360,236.23)	(17.56%)
Equities	₱ 42,997,875.11	₱ 39,177,173.13	₱ 3,820,701.98	9.75%

Results of Operation

The operation of TBWD for CY2022 yielded an overall net income of ₱3.761 Million pesos as a net of sales revenue of ₱38.780 Million and expenses of ₱35.019 Million pesos.

	2022	2021	2021 vs. 2020 Increase/(Decrease)	
			Amount	Percentage
Sales	₱ 38,780,996.70	₱ 35,840,624.64	₱ 2,940,372.06	8.20%
Expenses	₱ 35,019,226.05	₱ 28,827,530.28	₱ 6,191,695.77	21.48%
Net Income	₱ 3,761,770.65	₱ 7,013,094.36	₱ (3,251,323.71)	(46.36%)

C. SCOPE OF AUDIT

The audit covered the examination of the accounts and operations of Tubod-Baroy Water District, Tubod, Lanao del Norte for the period January 1 to December 31, 2022. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A Modified-Qualified Opinion was rendered on the fairness of presentation of the financial statements due to the existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P38,184,108.34 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition to the forecited reasons for a Modified-Qualified Opinion, the following were noted:

1. Past due and dormant Receivables aging over a year amounting P1,058,578.62 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.

We recommended that Management:

- a. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;
 - b. Exert efforts to collect the receivables thru demand letters; and
 - c. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.
2. The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five percent (5%) of the District's Corporate Operating Budget for the year.

We recommended that the agency:

- a. Assess and identify gender and development issues within the organization and those of the outside stakeholders;
 - b. Establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization;
 - c. Allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution;
 - d. Formulate annual GAD Plan and Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM;
 - e. Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and
 - f. Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and
 - g. Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.
3. The District remains non-compliant with the requirement under Section 22 of the Philippine Disaster Risk Reduction and Management Act of 2010 (RA 10121) and Section 37 of General Appropriations Act of 2021 (RA 11518) to adopt and implement a Disaster Risk Reduction and Management Program

We recommended the management to:

- a. Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and
- b. Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2022.

4. The Non-Revenue Water (NRW) of the District is equivalent to 23.01 per cent which exceeded the 20 per cent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P400,128.96 to the District.

We recommended the management to:

- a. Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and
- b. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.

F. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE AND CHARGES AS OF YEAR-END

Particulars	Balance, 01/01/2022	CY 2022 Issuances	CY 2021 Settlements	Balance, 12/31/2022
Suspensions	P 30,752.00	0.00	0.00	P 30,752.00
Disallowances	P 316,478.40	0.00	0.00	P 316,478.40
Charges	P 0.00	0.00	0.00	P 0.00

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the twenty-five (25) prior years' audit recommendations embodied in the CY 2022 Annual Audit Report (AAR), thirteen (13) or 52 per cent were fully implemented, nine (9) or 36 per cent were partially implemented, and three (3) or 12 per cent were not 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

OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

Mr. ANDRIAL C. KWAN
Chairperson, Board of Directors
Tubod-Baroy Water District
Tubod, Lanao del Norte

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

Modified-Qualified Opinion

We have audited the financial statements of the **Tubod-Baroy Water District**, Tubod Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2022, and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Modified-Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Tubod-Baroy Water District as at December 31, 2022, and of its comprehensive income and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Modified-Qualified Opinion

As discussed in Part II- Observations and Recommendations of this report, a Modified-Qualified opinion was rendered due to the existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P38,184,108.34 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Modified-Qualified opinion.

Key Audit Matters

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

COMMISSION ON AUDIT

BY:


CECILIA A. PONTILLAS *CP*
State Auditor V
Supervising Auditor

March 16, 2023



Republic of the Philippines
TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of the **Tubod-Baroy Water District, Tubod, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2022, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstance.

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

The Commission on Audit had audited the financial statements of the Tubod-Baroy Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

ANDRIAL C. KWAN
Chairman of the Board
Date: February 14, 2023

GAY L. BONTUYAN
Accounting Processor A
Date: February 14, 2023

GEOVANNI A. HERA
General Manager
Date: February 14, 2023



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

	<u>NOTE</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	1	P 5,740,264.84	P 7,945,001.95
Receivables	2	4,323,063.08	3,387,621.26
Inventories	3	4,662,727.31	3,532,066.29
Total Current Assets		<u>P 14,726,055.23</u>	<u>P 14,864,689.50</u>
Non-Current Assets			
Receivables		P 898,084.40	898,084.40
Property, Plant and Equipment	4	38,184,108.34	36,603,101.86
Other Non-Current Assets		205,005.19	177,823.21
Intangible Assets		63,379.55	72,467.99
Total Non-Current Assets		<u>P 39,350,577.48</u>	<u>P 37,751,477.46</u>
TOTAL ASSETS		<u>P 54,076,632.71</u>	<u>P 52,616,166.96</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	5	P 1,760,358.90	P 3,109,720.46
Inter-Agency Payables	6	626,385.75	91,159.80
Total Current Liabilities		<u>P 2,386,744.65</u>	<u>P 3,200,880.26</u>
Non-Current Liabilities			
Financial Liabilities	7	P 5,297,180.37	P 6,885,052.40
Provisions	8	3,394,832.58	3,353,061.17
Total Non-Current Liabilities		<u>P 8,692,012.95</u>	<u>P 10,238,113.57</u>
TOTAL LIABILITIES		<u>P 11,078,757.60</u>	<u>P 13,438,993.83</u>
EQUITY			
Government Equity			
Government Equity		P 236,659.00	P 236,659.00
Retained Earnings/(Deficit)		42,761,216.11	38,940,514.13
TOTAL EQUITY		<u>P 42,997,875.11</u>	<u>P 39,177,173.13</u>
TOTAL LIABILITIES AND EQUITY		<u>P 54,076,632.71</u>	<u>P 52,616,166.96</u>

(See Accompanying Notes to Financial Statements)



TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>NOTE</u>	<u>2022</u>	<u>2021</u>
Income			
Service and Business Income	9	₱ 38,780,996.70	₱ 35,510,624.64
Shares, Donations and Grants		0.00	330,000.00
Total Income		₱ 38,780,996.70	₱ 35,840,624.64
Expenses			
Personnel Services	10	₱ 12,751,355.67	₱ 11,060,044.46
Maintenance and Other Operating Expenses	11	18,139,693.91	13,414,334.28
Financial Expenses	12	336,761.00	452,708.00
Direct Costs		1,745,490.61	1,844,439.81
Non-Cash Expenses	13	2,045,924.86	2,056,003.73
Total Expenses		₱ 35,019,226.05	₱ 28,827,530.28
Profit/(Loss) Before Tax		₱ 3,761,770.65	₱ 7,013,094.36
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		₱ 3,761,770.65	₱ 7,013,094.36
Net Assistance/Subsidy/ (Financial Assistance/Subsidy /Contribution)		₱ 0.00	₱ 0.00
Net Income/(Loss)		₱ 3,761,770.65	₱ 7,013,094.36
Other Comprehensive Income/(Loss) for the Period		₱ 0.00	₱ 0.00
Comprehensive Income/(Loss)		₱ 3,761,770.65	₱ 7,013,094.36

(See Accompanying Notes to Financial Statements)



**TUBOD-BAROY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
Balance at January 1, 2021	P 32,415,129.99	P 236,659.00	P 32,651,788.99
ADJUSTMENTS:			
Add/(Deduct):			
Prior Period Errors	P 0.00	P 0.00	P 0.00
Other Adjustments	0.00	0.00	0.00
RESTATED BAL. AT JANUARY 31, 2021	P 32,415,129.99	P 236,659.00	P 32,651,788.99
CHANGES IN EQUITY FOR 2020			
Add/(Deduct):	P 0.00	P 0.00	P 0.00
Comprehensive Income for the year	7,013,094.36	0.00	7,013,094.36
Other Adjustments	(487,710.22)	0.00	(487,710.22)
BALANCE AT DECEMBER 31, 2021	P 38,940,514.13	P 236,659.00	P 39,177,173.13
CHANGES IN EQUITY FOR 2021			
Add/(Deduct):			
Donated Income	P 0.00	P 0.00	P 0.00
Comprehensive Income for the year	3,761,770.65	0.00	3,761,770.65
Other Adjustments	58,931.33	0.00	58,931.33
BALANCE AT DECEMBER 31, 2022	P 42,761,216.11	P 236,659.00	P 42,997,875.11



TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services		
Collection of Income/Revenue	P 35,592,350.85	P 33,648,894.23
Collection of Receivables	2,126,884.28	2,929,768.27
Other Receipts	138,603.98	76,059.54
Total Cash Inflows	P 37,857,839.11	P 36,654,722.04
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 37,857,839.11	P 36,654,722.04
Cash Outflows		
Payment of Expenses	P 30,891,049.58	P 23,940,443.79
Purchase of Inventories	5,213,040.63	5,471,648.68
Payments of Accounts Payable	432,202.98	2,293,620.91
Other Disbursements	-	--
Total Cash Outflows	P (36,536,293.19)	P (31,705,713.38)
Adjustments	0.00	0.00
Adjusted Cash Outflows	P (36,536,293.19)	P (31,705,713.38)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	P 1,321,545.92	P 4,949,008.66
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	P 0.00	P 0.00
Total Cash Inflows	P 0.00	P 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	P 1,601,900.00	P 1,639,663.12
Total Cash Outflows	P 1,601,900.00	P 1,639,663.12
Adjustments	P 0.00	P 0.00
Adjusted Cash Outflows	P 1,601,900.00	P 1,639,663.12

NET CASH PROVIDED BY/ (USED IN) INVESTING ACTIVITIES	P (1,601,900.00)	P (1,639,663.12)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Financing Activities	P 0.00	P 0.00
Total Cash Inflows	P 0.00	P 0.00
Adjustments	P 0.00	P 0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Payment of Long-Term Liabilities	P 1,587,872.03	P 1,454,182.00
Payment of Interest on Loans and Other Financial Charges	336,511.00	451,958.00
Total Cash Outflows	P 1,924,383.03	P 1,906,140.00
Adjustments	P	P 0.00
Adjusted Cash Outflows	P 1,924,383.03	P 1,906,140.00
NET CASH PROVIDED BY/ (USED IN) FINANCING ACTIVITIES	P (1,924,383.03)	P (1,906,140.00)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	P (2,204,737.11)	P 1,403,205.54
Effects of Exchange Rate Changes on Cash and Cash Equivalents	P 0.00	P 0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	P 7,945,001.95	P 6,541,796.41
CASH AND CASH EQUIVALENTS, DECEMBER 31	P 5,740,264.84	P 7,945,001.95



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.

TBWD operates as a Government Corporation with proprietary functions and is independent from the Local Government of Tubod and Baroy, Lanao del Norte. It is located at Provincial Trade Center, Sagadan, Poblacion, Tubod, Lanao del Norte.

In compliance with the guidelines provided in the DBM approved Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters (LWD-MaCRO), Tubod-Baroy Water District was categorized as a Category "D" Water District in April 2013.

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 5,418 households served as of December 31, 2022.

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 but the executive, administrative and ministerial power is delegated to the management. It has five (5) members who are appointed by the Provincial Governor.

The **policy-making body** composed of the following:

Chairman	- Mr. Andrial C. Kwan
Vice-Chairman	- Mr. Roldan Jonathan R. Gayta
Secretary	- Ms. Evangeline M. Codilla
Member	- Ms. Gemma A. Harun
Member	- Engr. Jene Joseph S. Serino

Financial and Operational & Highlights for CY 2022

As of December 31, 2022, TBWD has reached ₱54.07 million in assets, total liabilities of ₱11.07 million and Equities that amounted to ₱42.9 million:

	2022	2021	2022 vs. 2021 Increase/(Decrease)	
			Amount	Percentage
Assets	₱ 54,076,632.71	₱ 52,616,166.96	₱ 1,460,465.75	2.78%
Liabilities	₱ 11,078,757.60	₱ 13,438,993.83	₱ (2,360,236.23)	17.56%
Equities	₱ 42,997,875.11	₱ 39,177,173.13	₱ 3,807,698.98	9.72%

Results of Operation

The operation of TBWD for CY2022 yielded to overall net income of ₱3.7 million pesos as a net of sales revenue of ₱37.03 million and expenses of ₱33.2 million pesos.

	2022	2021	2021 vs. 2020 Increase/(Decrease)	
			Amount	Percentage
Sales	₱ 38,780,996.70	₱ 35,840,624.64	₱ 2,940,372.06	8.20%
Expenses	₱ 35,019,226.05	₱ 28,827,530.28	₱ 6,191,695.77	21.48%
Net Income	₱ 3,761,770.65	₱ 7,013,094.36	₱ (3,251,323.71)	(46.36%)

Cash Flows

Comparative **net cash outflow** of the District for CY 2022 amounted to (Php2,204,737.11). With the cash beginning of Php7,945,001.95 the 2022 year-end cash in bank resulted to a net balance of Php5,740,264.84.

Summary of Cash in Bank:

Cash –C.O.	₱	159,107.75
Cash in Bank - 0802-1037-86(General Fund)		3,073,885.08
Cash in Bank - 0801-0300-41(JSA)		1,506,704.14
Cash in Bank - 0801-1157-21(Trust fund)		1,000,567.87
TOTAL	₱	5,740,264.84

I. Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and the revised Chart of Accounts (RCA) for Government Corporations (GCs) classified as Government Business Entities (GBEs) prescribed under COA Circular No. 2015-010. The District's accounting policy

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

Property, Plant and Equipment is carried at cost minus salvage at 10% of the cost of the property. Capital Asset are depreciated using 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, and depreciation starts on the second month after purchase of the property, plant and equipment. Donated asset is recorded at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the asset value or materially extend to the useful lives of an asset are not capitalized.

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to Maintenance and Other Operating Expenses (MOOE) in the period in which the costs are incurred.

Other Non-current assets are Malingao Cooperative (MAWASCO) receivables that remained uncollected for years. Liabilities are only recognized when goods are delivered and/or services rendered together with the supplier's invoice.

Correction of prior year errors were recorded using Prior Year's Adjustment account while errors affecting current year's operations were affected to the current year accounts.

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 Collecting Officer was due to closed Petty cash revolving fund and liquidation of Cashier that were issued official receipts in December 2022.

Bank balance as of December 31, 2022 was verified per bank statements and the cash accounts consist of the following:

Particulars	2022	2021
Cash- Collecting Officer	₱ 159,107.75	₱ 71,941.50
Cash in Bank- (Project Fund)	0.00	0.00
Cash in Bank - LCCA	3,073,885.08	5,526,757.30
Cash in Bank –LCSA (Trust Fund)	1,000,567.87	900,192.01
Cash in Bank - LCSA (JSA)	1,506,704.14	1,446,111.14
TOTAL	₱ 5,740,264.84	₱ 7,945,001.95

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, 2022, this account is composed of receivables from customers as listed below.

Particulars	2022	2021
Accounts Receivable- Customer	P 4,760,820.39	P 3,675,225.19
Accounts Receivable- WMF	359,170.24	305,695.33
Receivables- Disallowances	241,496.95	241,496.95
Accounts Receivable –Others	217,620.60	318,258.66
Due from Officers and Employees	(617.50)	1,010.00
Total Current Receivable	P 5,578,490.68	P 4,541,686.13
Less: Allow. for impairment- A/R	(1,154,064.87)	(1,154,064.87)
Net Accounts Receivable	P 4,323,063.08	P 3,387,621.26

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. Inventories consist of expendable supplies or materials held for consumption stated on a first-in, first out basis. They are reported at cost which is recorded as expenditure at the time individual inventory items are used. These are grouped into Office Supplies Inventory, Accountable Forms and Materials Inventory.

Particulars	2022	2021
Merchandise Inventory	P 2,755,777.78	P 1,626,954.05
Accountable Forms Inventory	61,125.00	32,125.00
Office Supplies Inventory	76,519.88	66,836.34
Fuel, Oil & Lubricant Inventory	10,708.20	10,708.20
Chemical & Filtering Supply Inv.	157,832.04	185,332.04
Plant Inventory	1,600,764.41	1,610,110.66
TOTAL	P 4,662,727.31	P 3,532,066.29

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.

Particulars	Cost	Accumulated Depreciation	Balance
Property, Plant and Equipment	58,656,680.58	20,472,572.24	38,184,108.34
1 06 01 Land	3,281,659.00	0.00	3,281,659.00
1 06 02 Land Improvement	0.00	0.00	0.00
1 06 03 Infrastructure Assets	52,215,417.07	18,935,109.67	33,280,307.40
1 06 04 Building and Other Structures	0.00	0.00	0.00
1 06 05 Machinery and Equipment	0.00	0.00	0.00
1 06 06 Transportation Equipment	1,302,007.73	551,189.95	750,817.78
1 06 07 Furniture, Fixtures and Books	1,857,596.78	986,272.62	871,324.16

1 06 08	Leased Assets	0.00	0.00	0.00
1 06 09	Leased Assets Improvements	0.00	0.00	0.00
1 06 10	Heritage Assets	0.00	0.00	0.00
1 06 11	Service Concession-Tangible Assets	0.00	0.00	0.00
1 06 12	Exploration and Evaluation Assets	0.00	0.00	0.00
1 06 13	Bearer Trees, Plants and Crops	0.00	0.00	0.00
1 06 98	Other Property, Plant and Equipment	0.00	0.00	0.00
1 06 99	Construction in Progress	0.00	0.00	0.00
Intangible Assets		148,500.00	85,120.45	63,379.55
1 08 01	Computer Software	110,000.00	76,633.76	33,366.24
1 08 01	Websites	38,500.00	8,486.69	30,013.31

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.

Note 5. Current Financial Liabilities

The Accounts Payable consists of TBWD's liabilities to suppliers in the amount of Php1,760,358.90.

Name	Date Granted	Amount	Amount Due (In Pesos)			
			Less than 30 days	31-60 days	61-365 days	Over 1 year
Arvin Rodrigo	12/29/2020	30,225.00				30,225.00
COA	05/17/2021	205,096.59				205,096.59
COA	12/28/2022	86,683.50	86,683.50			
CAMLAN Corporation	12/29/2022	340,220.22	340,220.22			
FMV Drilling and Sales &	09/29/2022	410,900.00		410,900.00		
FMV Drilling and Sales &	11/22/2022	31,500.00			31,500.00	
Jessel & Jojo Trading	09/29/2022	74,250.00			74,250.00	
Mie Oro Plast Corp	12/14/2022	172,813.20	172,813.20			
Mindanao Lab Services	12/21/2022	37,500.00	37,500.00			
SEAM Tech Electronics	11/29/2022	43,300.00		43,300.00		
Summit Deepwell	12/29/2022	293,000.00				293,000.00
TBWD	03/30/2021	796.39				796.39
Wizmaster Computer Sales	11/25/2022	34,074.00		34,074.00		
TOTALS		1,760,358.90	637,216.92	488,274.00	105,750.00	529,117.98

Note 6. Current Inter-Agency Payables

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.

Particulars	2022	2021
Due to BIR	₱ 165,061.34	₱ 81,027.61
Due to GSIS	412,062.28	14,382.42
Due to Pag-ibig	34,747.13	(3,700.76)
Due to Philhealth	6,296.78	(429.47)
Due to SSS	8,238.22	(120.00)
Total	₱ 626,385.75	₱ 91,159.80

The following amount was remitted to the respective agencies before January 10, 2023. These amounts remitted include the Employers shares and accruals.

Particulars	Amount
Due to BIR	218,934.80
Due to GSIS	390,259.80
Due to Pag-ibig	66,738.13
Due to Philhealth	23,903.92
Due to SSS	7,081.82
Total	699,836.65

Note 7. Non-current Financial Liabilities

The District availed a long term loan with LWUA. The principal and interest of the regular loan portion have monthly amortization of ₱158,845.00. 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, LA#4-2374 RL will end amortization on April 2024 and LA#4-2723 RL will end on December 2038, LA#4-2723 RL will end on November 2039. As of December 31, 2021, the outstanding LWUA loan balance is ₱5,535,534.39 with a difference of 238,354.02 compared to LWUA amortization schedules due to Engineering studies which was automatically deducted by LWUA from the net proceeds upon the release of loan account # LA 4-273RL. The loan was paid in accordance with the amortization schedule, thus, no penalties were imposed for delayed or non-payment.

Loan ID	Interest Rates		New Monthly Amortization	Outstanding Balance per LWUA	
	Old	New		2022	2021
3-732 RL	10.50%	8.20%	₱ 15,970.00	₱ 470,421.99	₱ 616,900.99
3-305 SL	10.50%	8.20%	38,149.00	438,158.92	841,861.92
3-305 RL	10.50%	8.20%	40,921.00	469,923.37	902,965.37
4-2374 RL	12.50%	8.20%	41,621.00	628,737.61	1,057,358.61
4-2723 RL	3%		22,184.00	3,528,292.50	3,686,076.50
Non-current financial liabilities			₱ 158,845.00	₱ 5,535,534.39	₱ 7,105,163.39

Note 8. Provisions

Accumulated leave credits of Employees are recorded to Leave Benefits Payable account gradually.

Particulars	2022	2021
Leave Benefits Payable	₱ 3,394,832.58	₱ 3,353,061.17

Note 9. Service and Business Income

Particulars	2022	2021
Registration Fees	₱ 797,412.00	₱ 802,152.05
Water works system fees	35,022,371.14	31,737,828.45
Income from Printing & Pub	30,000.00	-
Sales Revenue	2,026,969.22	2,158,446.50
Fines and Penalties	909,397.58	830,286.22
Interest Income	4,532.71	3,057.39
Other Business Income	520.50	2,337.75
Miscellaneous Income	10,218.62	-
Income from Donations in Kind	-	330,000.00
Less: Sales Discounts	(20,425.07)	(23,483.72)
TOTAL INCOME	₱ 38,780,996.70	₱ 35,840,624.64

Note 10. Personnel Services

Particulars	2022	2021
Salaries & Wages- Regular	₱ 5,632,048.28	₱ 5,367,761.01
Sal & Wages-Casual	1,839,479.67	1,569,191.48
Personnel Econ. Relief Allow.	692,000.00	621,000.00
Representation Allowance	90,000.00	90,000.00
Transportation Allowance TA	102,930.00	105,447.00
Clothing Allowance	186,000.00	156,000.00
Overtime & Night Pay	0.00	269,029.68
Year End Bonus	221,165.43	726,080.00
Cash Gift	1,146,607.00	0.00
Retirement and Life Insurance	0.00	749,422.56
Pag-ibig Contributions	877,840.40	30,900.00
Philhealth Contributions	31,700.00	84,677.95
Emp. Compensation Insurance Cont.	120,694.81	30,900.00
Hazard Pay	34,600.00	0.00
Terminal Leave Benefits	1,279,664.80	602,169.03
Other Bonuses and Allowances	496,625.28	657,465.75
Total Personnel Services	₱ 12,751,355.67	₱ 11,060,044.46

Note 11. Maintenance and Other Operating Expenses

Particulars	2022	2021
Travelling Expenses-Local	P 333,031.90	P 139,499.21
Training Expenses	11,750.00	9,100.00
Office Supplies Expense	245,746.66	151,141.70
Accountable Forms Expense	111,300.00	114,300.00
Fuel, Oil, and Lubricants	654,547.29	321,753.05
Chemicals & Filtering	1,007,309.29	383,882.00
Electricity Expenses	110,387.24	8,610,060.92
Other Utility Expense	76,819.92	150,043.30
Postage and courier Services	24,511.66	18,787.17
Telephone Expense	25,721.08	29,968.65
Internet Expense	17,675.34	15,095.82
Cable, Satellite, Telephone & Radio Expense	6,972.48	6,183.57
Survey Expense	0.00	0.00
Gen Trans & Distribution Expenses	13,562,002.97	1,915,123.41
Extraordinary & Misc. Expenses	183,058.07	44,364.98
Legal Expense	1,000.00	1,530.00
Auditing Services	86,683.50	0.00
Other Professional Services	12,000.00	0.00
Other General Services	700.00	0.00
Repairs & Maintenance- Infra Asset	64,891.45	43,749.33
Repairs & Maint. - Bldg. & Other Structure	80,083.25	160.00
Repairs & Maintenance- Transportation. Equip	93,804.71	71,426.00
Repairs & Maintenance- Furniture & Fixtures	82,073.50	6,454.00
Repairs & Maintenance - Other PPE	6,065.00	38,992.50
Maint of Pumping Eqpt	0.00	0.00
Maint of Reservoir & Tanks	0.00	0.00
Taxes, Duties & Licenses Expense	524,682.34	677,768.09
Fidelity Bond Premiums	22,440.00	15,690.00
Insurance Expense	46,313.62	23,470.35
Labor & Wages	97,265.00	28,800.00
Advertising, Promo & Marketing Expense	0.00	0.00
Printing & Pub. Expense	7,525.00	480.00
Representation Expense	326,627.64	207,082.23
Transportation & Delivery Expenses	0.00	0.00
Rent/Lease Expense	112,960.00	165,920.00
Membership Dues & Contribution to Org.	5,073.00	1,500.00
Subscriptions Expense	0.00	0.00
Directors & Comm. Member's Fee	198,672.00	199,008.00
Donations	0.00	5,000.00
TOTAL MOOE	P 18,139,693.91	P 13,414,334.28

Note 12. Financial Expenses

Particulars	2022	2021
Interest Expenses	P 336,511.00	P 451,958.00
Bank charges	250.00	750.00
TOTAL FINANCIAL EXP	P 336,761.00	P 452,708.00

Note 13. Non-cash Expenses

Particulars	2022	2021
Depreciation –Infra Asset	P 1,681,976.80	P 1,685,927.40
Depreciation –Transp. Equipment	106,032.00	92,659.20
Depreciation - F/F, books	117,252.85	120,282.12
Depreciation - Other PPE	30,212.04	23,678.04
Amortization-Intangible Asset	9,088.44	9,088.44
Impairment Loss- Loans & Rec.	101,362.73	73,270.26
Discount and Rebate - Other Discounts		51,098.25
Total NON-CASH EXPENSES	P 2,045,924.86	P 2,056,003.73

Events after Balance Sheet Date

Any post year-end events that provide additional information about the District's position at Balance Sheet date (adjusting events) are reflected in the financial statements. Any post year end event that is not adjusting event is disclosed in the notes to financial statements, when material.

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. AUDIT QUALIFICATIONS / FINANCIAL AUDIT OBSERVATION

Property, Plant and Equipment

1. **The existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P38,184,108.34 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.**

- 1.1. Section 111(2) of Presidential Decree (PD) 1445 states that *"The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information."*

- 1.2. Section 5 of COA Circular No. 2020-006 dated January 31, 2020 on Guidelines and Procedures in the Conduct of Physical Count of Property, Plant and Equipment (PPE), Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies provides that:

- 5.2 *The Head of the Agency shall create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Units of the agency.*

- 5.3 *The members of the Inventory Committee shall be temporarily relieved of all their regular duties to devote their full time in the conduct of the physical inventory taking until the same is completed.*

- 5.9 *In coordination with the Property Division/Unit, the Inventory Committee shall plan/strategize on how to conduct and complete the physical inventory within the prescribed period. It shall prepare a Physical Inventory Plan (PIP) containing, at the least, the specific assignments/duties of the Committee members, the cut-off date and a schedule specifying the dates and locations of the inventory taking activities from start up to the targeted completion of the physical inventory.*

- 5.10 *The PIP shall be approved by the Head of the Agency.*

- 5.11 *The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory activities.*

- 5.12 *Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs."*

- 1.3. Furthermore, Section 6.1 of the same Circular provides the preliminary activities to be taken by the Accounting and Property Unit such as, in coordination with all the other units/offices of the District, the preparation of the list of existing PPEs in each office; the updating of the PPE ledger cards (PPELCs) with balances that

tallies with controlling PPE accounts in the General Ledger by the Accounting Unit; preparation of the list by the Property Unit for PPE items which are recorded in the PPELCs but not included in the RPCPPE as well as PPE items which are included in the RPCPPE but not recorded in the PPELCs; and the submission of both lists and the latest RPCPPE to the Inventory Committee as basis in the preparation of PIP.

- 1.4. As of December 31, 2022, the net book value of the PPE accounts presented in the Statement of Financial Position amounted to P38,184,108.34 as shown below:

PPE Account	Gross Amount	Accumulated Depreciation	Net Value
Land	P 3,281,659.00	P 0.00	P 3,281,659.00
Infrastructure Assets	52,215,417.07	18,935,109.67	33,280,307.40
Transportation Equipment	1,302,007.73	551,189.95	750,817.78
Furnitures, Fixtures and Books	1,857,596.78	986,272.62	871,324.16
Computer Software	110,000.00	76,633.76	33,366.24
Websites	38,500.00	8,486.69	30,013.31
Total	P58,656,680.58	P20,472,572.24	P38,184,108.34

- 1.5. The management invited the Audit Team to witness their physical inventory taking in compliance with the Circular but we observed that the general and procedural guidelines in the one-time cleansing of PPE account balances as provided for in the Circular were not followed, such as:

- Non-preparation of the Physical Inventory Plan (PIP) which contains the activities from start to the targeted completion of the physical inventory and a copy of which shall be provided to the Audit Team;
- Non-adoption of the uniform property identification system;
- Non-utilization of the required formats such as Inventory Count Form, List of PPEs Found at the Station, List of Non-Existing/Missing PPEs and Registry of Derecognized PPEs
- The incomplete information in the RPCPPE; and
- The inclusion of semi-expendable assets in the PPE.

- 1.6. Inquiry with the Inventory Committee disclosed that they were not able to completely follow the general and procedural guidelines due to lack of material time as they have other workloads to do.

- 1.7. Nevertheless, the incomplete inventory count of the PPE renders the existence and accuracy of the PPE account balances in the FS doubtful.

- 1.8. **We recommended the Management to:**

- a. **Require the Accounting and Property Unit to conduct the required preliminary activities as provided in Section 6.1 of COA Circular No. 2020-006 and submit the documents or reports gathered to the Inventory Committee as basis in the preparation of Physical Inventory Plan;**
- b. **Require the Inventory Committee to prepare the Physical Inventory Plan and submit to COA the approved copy at least ten (10) calendar days before the scheduled start of inventory taking activities;**

- c. **Require the Inventory Committee to ensure strict compliance with the guidelines and procedures in the conduct of physical count of PPEs; and**
- d. **Submit the RPCPPE to the Audit Team.**

Management Comment/s:

- 1.9. The Management, specifically the persons in-charged, committed to conform with the audit recommendations. They will revisit the COA Circular for the step-by-step procedures stated therein.

Accounts Receivable

2. **Past due and dormant Receivables aging over a year amounting P1,058,578.62 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.**

- 2.1. Paragraph 15 of Philippine Accounting Standard (PAS) 1 states that:

"The financial statements must "present fairly" the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation."

- 2.2. Furthermore, Paragraph 66 of the same PAS states that an entity shall classify an asset as current when (a) it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realize the asset within twelve months after the reporting period; or (d) the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets shall be classified as non-current.
- 2.3. Also, paragraph 58 of PAS 39 provides that "[a]n entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss."
- 2.4. Paragraph 63 states that if there is objective evidence that an impairment on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss.

- 2.5. Moreover, Item 7.1 of COA Circular No. 2016-005 dated December 19, 2016 provides that "[t]he Accountant shall conduct regular and periodic verification, analysis and validation of the existence of the receivables, xxx and determine the concerned debtors, xxx."
- 2.6. The receivable accounts as of December 31, 2021 and its aging showed the following:

	Current (1-365 days)	Over 1 year	Over 2 years	Over 3 Years
Accounts Receivable	P 4,061,421.48	P 210,901.22	P 171,354.10	P 676,314.30
	79.33%	4.12%	3.35%	13.21%

- 2.7. The aging shows that of the total amount of the Receivables, P1,058,578.62 or 20.68 per cent of the total receivables are aged more than a year and that P1,180,291.69 of which are inactive accounts yet remained uncollected. Moreover, these were all classified as current accounts.
- 2.8. During the inquiry, the Accounting Processor said that they did not reclassify or separate the Receivable accounts with the hope that these will be collected within the ensuing year. It was also disclosed that they are preparing for the writing-off of these dormant accounts and that the delay is due to the difficulties in the gathering of supporting documents for the write-off.
- 2.9. With the foregoing observations, the incorrect presentation or the non-separation of current and non-current receivables of the District affects the fair presentation of the Financial Statements.
- 2.10. Additionally, considering the amount involved, Management should seriously consider exploring ways and means of collecting these accounts. As fiscal responsibility rests directly with the chief or head of the agency. He or the governing board is thus obliged to prudently exercise this assigned or imputed authority in the management of the agency's financial resources emphasizing on economical, efficient, effective, and adequate monitoring of the receivable accounts.
- 2.11. **We recommended that Management:**
- a. **Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1;**
 - b. **Exert efforts to collect the receivables thru demand letters; and**
 - c. **File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.**

Management Comment/s:

- 2.12. Management disclosed that part of the accounts due and demandable involves that from a Cooperative wherein there is already a court settlement. It appears to be uncollectible because of the implied reprieve made by the previous General Manager. They would gather documents necessary to support the corresponding request for write-off. As to the other accounts, they will comply with the audit recommendations.

B. OTHER AUDIT OBSERVATION

Gender and Development

3. **The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five per cent (5%) of the District's Corporate Operating Budget for the year.**

- 3.1. Section 1 of Executive Order (EO) 273 on Approving and Adopting the Philippine Plan for Gender-Responsive Development, 1995 To 2025 provides that:

"All government agencies, departments, bureaus, offices, and instrumentalities, including government-owned and -controlled corporations, at the national, sub-national and local levels, are directed:

1.2 To institutionalize Gender and Development (GAD) efforts in government by incorporating GAD concerns, as spelled out in the Plan, in their planning, programming and budgeting processes, but more specifically to:

1.2.1 Include/incorporate GAD concerns in the:

- a. *formulation, assessment and updating of their annual agency plans;*
- b. *formulation, assessment and updating of their inputs to the medium/long-term development plans; and*
- c. *preparation of their inputs to sectoral performance assessment reports, public investment plans and other similar documents.*

1.2.2 Incorporate and reflect GAD concerns in their:

- a. *agency performance commitment contracts indicating key result areas for GAD as well as in their annual performance report to the President; and*
- b. *annual agency budget proposals and work and financial plans.*

- 3.2. PCW-NEDA-DBM Joint Circular No. 2012-01 provides among others the following guidelines for the preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment Reports to implement the Magna Carta for Women, viz:

5.0 STEPS IN FORMULATING THE GAD PLAN

- 5.1 *Set the GAD agenda or identify priority gender issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term xxx. This GAD agenda shall be the basis for*

the annual formulation of programs, activities and projects (PAPs) to be included in the GAD Plan and Budget (GPB) xxx.

- 5.2 *Identify appropriate PAPs to address priority gender issues that are included in the GPB. PAPs may be client focused or those addressing gender mainstreaming in major programs and other GAD focused activities for agency clients. It may also be organization-focused or those addressing identified gender issues of the agency and its personnel.*
- 5.3 *Agencies are encouraged to assess the gender-responsiveness of their major programs and projects using the Harmonized Gender and Development Guidelines (HGDG) tool. The result of assessment will guide them in identifying areas for improvement.*
- 5.4 *Fill out the templates on GPB and GAD Accomplishment Reports (AR) xxx.*

6.0 **COSTING AND ALLOCATION OF THE GAD BUDGET**

- 6.1 *At least five percent (50/o) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. xxx*

8.0 **SUBMISS/ON, REVIEW AND ENDORSEMENT OF AGENCY GAD PLANS AND BUDGETS**

- 8.2 *The Gender Focal Point System (GFPS) of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. Agency review of GPBs sha// focus on the alignment of the GAD plan with the GAD agenda and the correctness and alignment of the entries in each column of the GPB template, xxx. The GFPS sha/ then submit the final GPBs and the corresponding GAD ARs to PCW for review and endorsement to DBM.*
- 8.7 *Agencies shall submit their PCW-endorsed GPB to DBM along with their annual GAD AR for the previous year in accordance with the budget call.*

- 3.3. In its effort to implement GAD, an amount of P871,577.00 was specifically allotted for gender and development programs by for the year 2022, thus is only 2.2 per cent of P39,575,135.00 Corporate Operating Budget for CY 2022 which is way off the 5 per cent GAD funding requirement. Programs and activities costing only P321,870.42 or 36.92 per cent of the total GAD budget were undertaken by the agency. Conversely, the amount of P549706.58 or 63.07 per cent of the GAD budget was unutilized as at reporting date.
- 3.4. The Audit Team observed that the current GAD planning can be further enhanced. GAD Planning and GAD Plan should be (1) structured and made to set policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization, (2) to establish performance indicators which will serve as basis for evaluating whether or not programs, project and activities for GAD are implemented effectively, (3) to attain synergy for the agency's mandate and objectives, as well as to clearly identify activities and programs which are attributed to gender and development. It was further observed

that evaluation was not done to ascertain whether or not implemented GAD programs and activities were effective.

- 3.5. The agency's current GAD implementation has gaps or areas of possible improvement that if not addressed would undermine the very purpose on why laws, rules and regulations, conventions, and standards for gender and development are made.
- 3.6. **We recommended that the agency:**
 - a. **Assess and identify gender and development issues within the organization and those of the outside stakeholders;**
 - b. **Establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization;**
 - c. **Allocate at least 5 per cent of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution;**
 - d. **Formulate annual GAD Plan and Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM;**
 - e. **Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and**
 - f. **Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and**
 - g. **Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.**

Management Comment/s:

- 3.7. The Management stated that they are still having a hard time identifying programs, projects and activities that are chargeable to GAD Funds. Nevertheless, they will comply with the audit recommendations. Furthermore, they committed to increase the GAD Budget Allocation.

Disaster Risk Reduction and Management Fund

4. **The District remains non-compliant with the requirement under Section 22 of the Philippine Disaster Risk Reduction and Management Act of 2010 (RA 10121) and Section 37 of General Appropriations Act of 2021 (RA 11518) to adopt and implement a Disaster Risk Reduction and Management Program.**
 - 4.1. Republic Act (RA) 10121, also known as Philippine Disaster Risk Reduction and Management Act of 2010, institutionalized arrangements and measures for reducing disaster risks and enhancing disaster preparedness and response capabilities at all levels. Consistent with the National Disaster Risk Reduction and Management Plan, the District is mandated to adopt and implement its own Disaster Risk Reduction and Management Plan (DRRMP).

4.2. Furthermore, Section 22 of the same Act states that:

"Section 5. Funding for DRRM Projects. All departments, bureaus, offices and agencies of the government are hereby authorized to use a portion of their appropriations to implement projects designed to address DRRM activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the DBM."

4.3. Correspondingly, Section 37 of the General Provisions of RA 11518 or the General Appropriations Act (GAA) of 2021 provides that:

"Section 37. Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures Incorporated in All Agencies Projects. All agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation. xxx"

4.4. As of report date, the District has not formulated a comprehensive DRRM Plan. Also, they have allotted P100,000.00 budget for DRRM Fund out of P39,575,135.00 Corporate Operating Budget or only 0.25 per cent and have utilized only P11,189.00 or 11.18 per cent.

4.5. The DRRM Officer reasoned that they were not able to prepare and submit a comprehensive Disaster Risk Reduction and Management Plan and Budget due to the lack of profound knowledge as to the programs, activities and projects ascribable to DRRMF.

4.6. In the course of business, the District will contend with natural and man-made or human induced disasters. With the absence of DRRMP, the District has no framework to institute preventive measures, as well as mitigating and control responses in the aftermath of any disaster. To ensure the general welfare of its concessionaires, the District is expected to be at the frontline of adopting emergency measures to avert water contamination, prevent prolonged disruption of water services, and avoid water loss through wastage due to lengthy repair response time, among others.

4.7. The achievement of the District's mandate is intertwined with ensuring that the casual factors of disasters are mitigated and that responses to disaster occurrences are planned. It cannot be overemphasized that there is a need to formulate and integrate a DRRM Program in the District's operations. Non-implementation of these programs and activities, including climate change adaptation and mitigation programs is contrary to cited laws. The Water District's role and contribution to disaster-resilient community has not been achieved.

4.8. **We recommended the management to:**

- a. **Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and**
- b. **Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2022.**

Management Comment/s:

- 4.9. The Management disclosed that they are eager and willing to attend to seminars or conferences regarding the subject matter. They attribute the audit finding to their lack of technical knowledge as to the DRRM Law, most specifically as to what are the possible programs, projects and activities. They also obliged to allocate the required budget for DRRM Fund.

Non-Revenue Water

5. **The Non-Revenue Water (NRW) of the District is equivalent to 23.01 per cent which exceeded the 20 per cent maximum acceptable NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting in monetary loss of P400,128.96 to the District.**

- 5.1. Section 32(d) of Presidential Decree No. 768, as amended, on the rights of Water Districts, states that a District shall have the right to safeguard and protect the use of its waters.
- 5.2. Likewise, LWUA Memorandum Circular No. 2014-10 dated December 2, 2010 provides that:

"There is a need for Water Districts to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy."

- 5.3. Also, LWUA Resolution No. 444, Series of 2009, states that:

"WHEREAS, in order to accelerate further improvement in the efficiency level of the Water Districts, there shall be a reduction in the maximum acceptable non-revenue water from the existing 25% to 20%;

NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to approve the immediate implementation in the reduction of the maximum acceptable non-revenue water from the existing 25% to 20% applicable to all Water Districts, effective upon its approval."

- 5.4. Review of the operations of the District for CY 2022 showed the following:

Total Water Production (cu.m)	Billed Water (cu.m)	NRW (cu.m)	NRW (%)	NRW in pesos (at P7.7/cu.m)
1,723,631.00	1,326,940.00	396,691.00	23.01%	P 3,054,520.70
	Allowed NRW	344,726.20	20.00%	2,654,391.74
	Difference/(Loss)		3.01%	P 400,128.96

- 5.5. Likewise, the table below shows the trend of the average NRW from CY 2019 to CY 2022.

2019	2020	2021	2022
24.30%	24.10%	25.20%	23.01%

- 5.6. Upon inquiry, the Management claimed that this is due to some leaks of their pipes due to the road construction and road widening projects in the national highway as well as differences in reading due to broken meters.
- 5.7. With this, the current and existing NRW reduction efforts do not comprehensively address the identified and other possible causes of the District's NRW. As a result, NRW as of year-end is at 23.01 percent and these have significant effects on the operational efficiency and financial viability of the District.
- 5.8. **We recommended the management to:**
- a. **Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and**
 - b. **Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.**

Management Comment/s:

- 5.9. The Management averred that the NRW is attributable to their 40-year-old pipes which they cannot rehabilitate as of the moment due to lack of budget and funding. They, however, sent resolutions to the different Local Government Units for Financial Assistance. As of the moment, what they can only do are minor rehabilitations. Nonetheless, they committed to exert effort to minimize, if not totally eradicate, the NRW.

C. REMITTANCE OF GSIS, PAG-IBIG AND PHILHEALTH PREMIUMS

6. The Water District has complied with the existing rules and regulations on the deductions and remittances of compulsory contributions to the GSIS, HDMF and Philhealth.

D. COMPLIANCE WITH TAX LAWS, RULES AND REGULATIONS INCLUDING REMITTANCES TO BIR

7. The Water District has complied with existing tax laws, rules and regulations by withholding taxes and promptly and regularly remits the same to the Bureau of Internal Revenue.

E. STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

Particulars	Balance, 01/01/2022	CY 2021 Issuances	CY 2021 Settlement	Balance, 12/31/2022
Suspensions	P 30,752.00	0.00	0.00	P 30,752.00
Disallowances	P 316,478.40	0.00	0.00	P 316,478.40
Charges	P 0.00	0.00	0.00	P 0.00

**PART III –
STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

**Part III- STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the District to implement the recommendations of CY 2021, 2020, and 2019 AARs and noted the following:

Status of Implementation	No. of Recommendations	Percentage
Fully Implemented	13	52%
Partially Implemented	9	36%
Not Implemented	3	12%

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2021 No. 1	The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.	We recommend that the management require its accounting personnel to prepare and submit the BRS not submitted to the Audit Team. Moreover, to submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor for Auditor's verification.	Fully Implemented ₁
AAR 2021 No. 2	Past Due and Dormant Accounts Receivable accounts aging two to more than ten years amounting P922,620.67 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.	We recommend that Management:	Partially Implemented ₁
		<ul style="list-style-type: none"> Exert efforts to collect the receivables thru demand letters; 	Management has sent few demand letters only.
		<ul style="list-style-type: none"> Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and 	Not Implemented ₁ The Management is yet to reclassify the account. This finding is reiterated in this report.
		<ul style="list-style-type: none"> File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular 	Not Implemented ₂ The Water District is in the process of gathering documents

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		No. 2016-005 dated December 19, 2016.	to support request for write-off.
AAR 2021 No. 3	The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that adversely affected the assets' verifiability as to existence, condition, and accountability.	We recommend the management to: <ul style="list-style-type: none"> • Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances. 	Partially Implemented ₂ The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this report.
		<ul style="list-style-type: none"> • If possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate implementation of the physical count. 	Partially Implemented ₃ The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this report.
AAR 2021 No. 4	Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as Electricity Expenses (P8,537,961.83) and Fuel, Oil and Lubricants Expenses (P138,539.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expenses, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.	We recommend the Management to: <ul style="list-style-type: none"> • direct the Accounting Processor to prepare the necessary adjusting entries for the current year's erroneous recording of these expenses to reclassify them to their appropriate accounts; 	Fully Implemented ₂
		<ul style="list-style-type: none"> • instruct the Accounting Processor to prospectively record these transactions in the correct expense account classification; and 	Fully Implemented ₃
		<ul style="list-style-type: none"> • comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of Revised Chart of Accounts for government corporations. 	Fully Implemented ₄

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2021 No. 5	Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified.	We recommend that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.	Fully Implemented ₅
AAR 2021 No. 6	Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.	We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.	Fully Implemented ₆
AAR 2021 No. 7	The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121)	We recommend that the Management require the DRRM Officer to: • formulate and implement programs and activities intended to address Disaster Risk Reduction and Management that are doable even with the current pandemic; and	Partially Implemented ₄ The Management has formulated plans and programs but were not able to fully implement them.
		• submit the Disaster Risk Reduction and Management Plan and Budget within the prescribed period.	Fully Implemented ₇
AAR 2020 Finding No. 1	Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in	We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.	Partially Implemented ₅ The Water District failed to faithfully comply with the procedures stated in

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	the financial statements in the amount of ₱29,319,004.23 in of doubtful validity.		the COA Circular. This finding is reiterated this report.
AAR 2020 Finding No. 2	Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱3,951,593.81.	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.	Partially Implemented The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this report.
AAR 2020 No. 3	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱ 26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.	Fully Implemented ₆
AAR 2020 No. 4	Notices of Awards, Purchase Orders, Notices to Proceed and Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 6,103,990.62 have blank date of receipt by the suppliers thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract	We recommend that the date of receipt of Notices of Award, Purchase Orders and Notices to Proceed including its Inspection and Acceptance Reports should be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Indicate a reasonable period of delivery for suppliers located outside the District's locality.	Fully Implemented ₉

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184)		
AAR 2020 No. 5	Delayed submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies.	We recommend that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001.	Partially Implemented ⁷ Copies of POs were submitted but copies of Contracts were not.
AAR 2020 No. 6	Liquidated Damages amounting to ₱13,168.07 was not imposed on purchases of goods, materials and supplies in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184) despite of late delivery.	We recommend that strict adherence to Section 3.1 and 3.2 of Annex D - Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184). Justify why liquidated damages were not deducted on late deliveries of goods supplies, and materials and why Notices of Disallowance should not be issued for these purchases.	Fully Implemented ¹⁰ Fully Implemented ¹¹
AAR 2019 No. 1	Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the	We recommended that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the Accounting unit's Property Plant and Equipment Ledger Card (PPELC) and the Property and Supply unit's Property Card (PC) be conducted and its results be submitted to be	Partially Implemented ⁸ The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding id reiterated in this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	fixed assets account balances reflected in the financial statements in the amount of Php 23,219,239.90 in of doubtful validity.	submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.	
AAR 2019 No. 2	Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱4,875,514.26.	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.	Partially Implemented ₉ The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding id reiterated in this report.
AAR 2019 No. 3	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.	Fully Implemented ₁₂
AAR 2019 No. 4	The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to ₱919,407.18 contravenes Sec. 7 of the District's Water District Water Service Contract and unfavorably affects the Water District operations.	We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.	Not Implemented ₃ This observation is reiterated in this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2019 No. 5	Water sales for the month of December 2019 amounting to P104,222.64 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.	Fully Implemented ₁₃