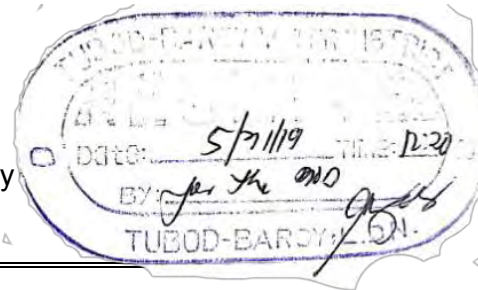




Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. 10  
J.V. Serifa Street, Carmen, Cagayan de Oro City

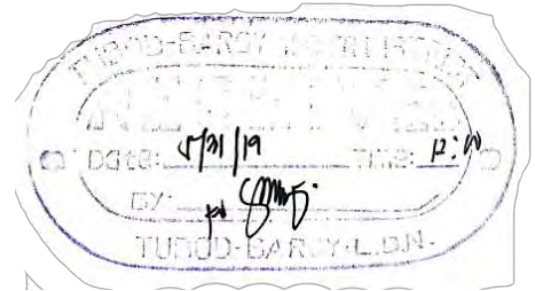


**OFFICE OF THE REGIONAL DIRECTOR**

February 22, 2019

**Ms. AURORA A. ZORILLA**  
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



Dear Chairperson A. Zorilla and Manager G. Hera:

We are pleased to transmit the Annual Audit Report on the audit of **Tubod-Baroy Water District (TBWD)**, Tubod, Lanao del Norte as of December 31, 2018, 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' audits 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 and we believe that these standards provided a reasonable basis for the audit results.

A Modified Opinion was rendered on the Financial Position of the Tubod-Baroy Water District as of December 31, 2018, and the results of operations and cash flows for the year then ended, as presented in the financial statements accompanying this report.

We expressed Modified Opinion on the fairness of the presentation of the financial statements of Tubod-Baroy Water District for the year 2018 due to the following exceptions :

1. Guidelines in Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not followed thus the existence and veracity of Property, Plant and Equipment Account as of September 31, 2018 in the amount of Php 33,112,593.90 cannot be ascertained.

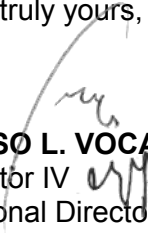
2. The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.

The above and other observations, together with the recommended courses of action which were discussed by the Audit Team with you and other officials of the agency in the exit conference, are discussed in detail on Part II of the Report.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act FY 2018.

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

Very truly yours,



**CELSO L. VOCAL**  
Director IV  
Regional Director

*Copy furnished*

*The President of the Philippines  
Malacañang Palace, Manila*

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

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

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

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

*File*



Republic of the Philippines  
**COMMISSION ON AUDIT**  
 Provincial Satellite Auditing Office  
 Iligan City  
 R10-05, Water Districts

**TUBOD-BAROY WATER DISTRICT**  
 For Calendar Year 2018  
 Agency Action Plan and Status of Implementation  
 (AAPSI)

| 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 |                          |   |                    |
| 2019-003<br>(TBWD) | Guidelines in Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not followed thus the existence and veracity of Property, Plant and Equipment Account as of September 31, 2018 in the amount of Php 33,112,593.90 cannot be ascertained. | Reconciliation between accounting and property custodian should be performed to ascertain the accuracy of the District records. Management should prepare Memorandum Receipt for the personnel who receive and in possession of the said District property. Property number should be assigned to the District's PPE items. This property number should be indicated in the inventory report and Memorandum Receipt. Property tags should be used whenever possible for easy inventory-taking. An invitation to the Office of the Auditor should be |                    |                            |                            |    |                          |   |                    |

| 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 |                          |   |                    |
|                 |   | sent so that he or a representative can be present during inventory-taking.   |                    |                            |                            |    |                          |   |                    |
| 2019-002 (TBWD) | The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.   | We recommend that (a) the Inventories be valued using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment.   |                    |                            |                            |    |                          |   |                    |
| 2019-001(TBWD)  | Procurement of Supplies and Materials for the District's Clustering Project is not in accordance with the District's Annual Procurement Plan (APP) due to its incorrect preparation reflecting the use of Shopping when the conditions for it does not exist in violation of Section 7 and Section 10 of the Implementing Rules and Regulation (IRR) of Republic Act (RA) 9184 in the amount of Php 1,167,990.00. | Management should prepare its Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met. |                    |                            |                            |    |                          |   |                    |
| 2018-           | Fidelity Bond was not   | 1. Require the  |                    |                            |                            |    |                          |   |                    |

| 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 |                          |   |                    |
| 011<br>(TBWD)      | posted for Accountable officers with fund accountabilities as required by Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006. | accountable officers handling government funds and property to post bond in the amount corresponding to their total cash and property accountability to afford adequate protection to the government in case when the risk insured against actually occurs.<br>2. Submit a copy of the Fidelity Bonds to the Auditor's Office for information and filing |                    |                            |                            |    |                          |   |                    |
| 2018-009<br>(TBWD) | Bank Reconciliations Statements were not regularly prepared and submitted to the COA Auditor in violation of Section 74 of PD 1445 and Section 2.1.4 of COA Circular No. 92-125a dated March 4, 1992.   | Prepare regularly Bank Reconciliation Statements for all bank accounts maintained by the District and submit them to the Office of the COA Auditor fifteen (15) days after the end of each month.  |                    |                            |                            |    |                          |   |                    |
| 2018-010<br>(TBWD) | Long-standing and current reconciling items in the amount of Php 15, 295.38 were not taken up in the books of the agency thus affecting the accuracy of the Cash in Bank account contravening the provision                                   | 1. Prepare accounting entries to reflect income earned and expenses incurred through the maintenance of current accounts in government accredited depository banks.  |                    |                            |                            |    |                          |   |                    |

| 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 |                          |   |                    |
|      | of Section 111 of PD 1445. | 2. Regularly prepare the monthly Bank Reconciliation Statements (BRS) in all savings/current accounts maintained by the district in the government accredited depository banks. |                    |                            |                            |    |                          |   |                    |

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

Prepared by:

**Mr. GEOVANNI A. HERA**  
General Manager



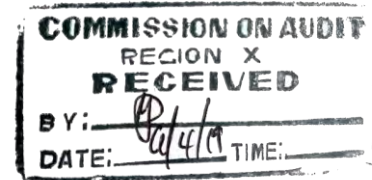
Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. 10  
Cagayan de Oro City

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

---

February 22, 2019

**ATTY. CELSO L. VOCAL**  
Regional Director  
COA - Regional Office No. X  
Cagayan de Oro City



Sir:

We are submitting the Annual Audit Report on the Tubod-Baroy Water District for the year ended December 31, 2018 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445.

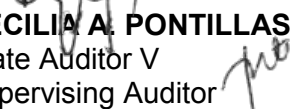
The audit was conducted to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of three parts, namely: 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 (ISSAI) and we believe these standards provide reasonable basis for the results of the audit.

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**

R10-05, CGS – Water Districts and Other CGS Stand-Alone Agencies

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February 22, 2019

**Ms. CECILIA A. PONTILLAS**

Supervising Auditor  
CGS – Water Districts and Other CGS 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 a financial & compliance audit of **Tubod-Baroy Water District**, Tubod, Lanao del Norte, as of December 31, 2018.


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

The audit report consists of three parts, Part I - Audited Financial Statements, Part II - details of our significant Observations and Recommendations which were discussed with concerned management officials and staff during the exit conference held on February 20, 2019, and Part III - Status of Implementation of Prior Year's Audit Recommendations.

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 (ISSAI) and we believe these standards provide reasonable basis for the results of the audit.

Very truly yours,

  
**AMADO PETER A. GARBANZOS**  
State Auditor III  
Acting 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, 2018**

## EXECUTIVE SUMMARY

### A. Introduction

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

The TBWD is presently categorized as "Category D" Water District with 3,931 total service connections as of December 31, 2018.

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

Chairperson: Aurora A. Zorilla  
Members: Demosthenes G. Secuya  
Victoria O. Gorecho  
Evangeline M. Codilla  
Andrial C. Kwan

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.

A financial and compliance audit was conducted on the accounts and operations of Tubod-Baroy Water District, Tubod, Lanao del Norte, for the Calendar Year 2018.

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

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

### B. Financial Highlights

As of December 31, 2018, there was an increase of 24.67% in assets, increase of 27.14% in liabilities and increase of 22.68% in government equity, summarized as follows:

#### *Financial Condition*

|        | <b>2018</b>     | <b>2017</b>     | <b>Increase/(Decrease)</b> |
|--------|-----------------|-----------------|----------------------------|
| Assets | P 33,844,417.61 | P 25,496,147.75 | P 8,348,269.86             |

|                   |                 |                 |                |
|-------------------|-----------------|-----------------|----------------|
| Liabilities       | 15,029,898.18   | 10,950,336.64   | 4,079,561.54   |
| Government Equity | P 18,814,519.43 | P 14,545,811.11 | P 4,268,708.32 |

### *Results of Operations*

The operation of TBWD for CY2018 yielded an overall net income of Php4.7 million pesos as net of sales revenue of Php25.8 million and expenses of Php21.1 million pesos.

|                      | <b>2018</b>    | <b>2017</b>     | <b>Increase/(Decrease)</b> |
|----------------------|----------------|-----------------|----------------------------|
| Income               | P25,824,997.82 | P 23,134,211.06 | P 2,690,786.76             |
| Expenditures         | 21,107,427.60  | 19,308,663.82   | 1,798,763.78               |
| Net Operating Income | P 4,717,570.22 | P 3,825,547.24  | P 892,022.98               |

### **C. Independent Auditor's Report on the Financial Statements**

A Modified Opinion was rendered on the fairness of presentation of the financial statements due to:

- a) Guidelines in Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not followed thus the existence and veracity of Property, Plant and Equipment Account as of September 31, 2018 in the amount of Php 33,112,593.90 cannot be ascertained.
- b) The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.

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

- 1. Procurement of Supplies and Materials for the District's Clustering Project is not in accordance with the District's Annual Procurement Plan (APP) due to its incorrect preparation reflecting the use of Shopping when the conditions for it does not exist in violation of Section 7 and Section 10 of the Implementing Rules and Regulation (IRR) of Republic Act (RA) 9184 in the amount of Php 1,167,990.00.**

We recommended that Management should prepare its Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met.

- 2. Fidelity Bond was not posted for Accountable officers with fund accountabilities as required by Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.**

We recommended that Management (1) Require the accountable officers handling government funds and property to post bond in the amount corresponding to their total cash and property accountability to afford adequate protection to the government in case when

the risk insured against actually occurs and (2) Submit a copy of the Fidelity Bonds to the Auditor's Office for information and filing.

**3. Bank Reconciliations Statements were not regularly prepared and submitted to the COA Auditor in violation of Section 74 of PD 1445 and Section 2.1.4 of COA Circular No. 92-125a dated March 4, 1992.**

We recommended that Management prepare regularly Bank Reconciliation Statements for all bank accounts maintained by the District and submit them to the Office of the COA Auditor fifteen (15) days after the end of each month.

**4. Long-standing and current reconciling items in the amount of Php 15, 295.38 were not taken up in the books of the agency thus affecting the accuracy of the Cash in Bank account contravening the provision of Section 111 of PD 1445.**

We recommended that Management (1) Prepare accounting entries to reflect income earned and expenses incurred through the maintenance of current accounts in government accredited depository banks, and (2) Regularly prepare the monthly Bank Reconciliation Statements (BRS) in all savings/current accounts maintained by the district in the government accredited depository banks.

**E. Summary of Total Suspension, Disallowance and Charges as of Year-End**

| <b>Particulars</b> | <b>Balance,<br/>12/31/2017</b> | <b>CY 2018<br/>Issuances</b> | <b>Settlement</b> | <b>Balance,<br/>12/31/2018</b> |
|--------------------|--------------------------------|------------------------------|-------------------|--------------------------------|
| Suspensions        | 81,814.00                      |                              | 51,062.00         | 30,752.00                      |
| Disallowances      | 310,164.40                     | 6,314.00                     |                   | 316,478.40                     |
| Charges            | -                              | -                            | -                 | -                              |

**F. Status of Implementation of Prior Year's Audit Recommendations**

Of the 12 audit recommendations presented in prior year's Annual Audit Report, 8 were fully implemented, 3 were partially implemented and 1 remained unimplement

## TABLE OF CONTENTS

| <b><u>PART</u></b> | <b><u>PARTICULAR</u></b>  | <b><u>PAGE/S</u></b> |
|--------------------|---|----------------------|
| <b>I</b>           | <b>AUDITED FINANCIAL STATEMENTS</b>                                   |                      |
|                    | • Independent Auditor's Reports                                       | 1-2                  |
|                    | • Financial Statements  |                      |
|                    | ○ Statement of Management Responsibility                              | 3                    |
|                    | ○ Comparative Statement of Financial Position                         | 4                    |
|                    | ○ Comparative Statement of Comprehensive Income                       | 5                    |
|                    | ○ Statement of Changes in Government Equity                           | 6                    |
|                    | ○ Comparative Statement of Cash Flows                                 | 7-8                  |
|                    | ○ Notes to Financial Statements                                       | 9-17                 |
| <b>II</b>          | <b>OBSERVATIONS AND RECOMMENDATIONS</b>                               |                      |
|                    | • Detailed Observations and Recommendations                           | 18-28                |
| <b>III</b>         | <b>STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS</b> | 29-34                |

**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**  
Audit Group CGS - Water Districts and Other CGS Stand-Alone Agencies

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**INDEPENDENT AUDITOR'S REPORT**

**Ms. AURORA A. ZORILLA**

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 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, 2018 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity 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 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, 2018 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards. (IFRS).

*Bases for Modified Opinion*

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered due to the non-compliance with the guidelines Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not followed thus the existence and veracity of Property, Plant, and Equipment Account as of September 31, 2018 in the amount of Php 33,112,593.90 cannot be ascertained and due to the use of FIFO Costing Method hence the accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained.

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 opinion.

### *Key Audit Matters*

Except for the matter described in the *Bases for Modified 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 ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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**  
State Auditor V  
Supervising Auditor

February 22, 2019





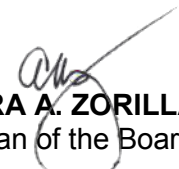
Republic of the Philippines  
**TUBOD-BAROY WATER DISTRICT**  
Tubod, Lanao del Norte

**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

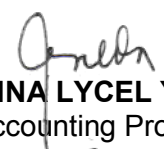
The management of the **Tubod-Baroy Water District, Kolambugan, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. 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.

  
**AURORA A. ZORILLA**  
Chairman of the Board

Date: 2-20-19

  
**ANNA LYCEL Y. GALDA**  
Accounting Processor A

Date: 2-20-19

  
**GIOVANNI A. HERA**  
General Manager

Date: 2-20-19



**TUBOD-BAROY WATER DISTRICT  
CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018**

|                                      | <u>NOTE</u> | <u>2018</u>            | <u>2017</u>          |
|--------------------------------------|-------------|------------------------|----------------------|
| <b>ASSETS</b>                        |             |                        |                      |
| <b>Current Assets</b>                |             |                        |                      |
| Cash and Cash Equivalents            | 1           | ₱ 7,423,306.65         | 5,546,023.40         |
| Receivables                          | 2           | 1,129,238.54           | 887,135.88           |
| Inventories                          | 3           | 1,640,410.55           | 696,678.94           |
| <b>Total Current Assets</b>          |             | <b>10,192,955.74</b>   | <b>7,129,838.22</b>  |
| <b>Non-Current Assets</b>            |             |                        |                      |
| Receivables                          |             | 898,084.40             | 898,084.40           |
| Property, Plant and Equipment        | 4           | 22,579,331.64          | 17,414,429.63        |
| Other Non-Current Assets             |             | 79,312.50              | 53,795.50            |
| Intangible Assets                    | 4           | 94,733.33              | 0.00                 |
| <b>Total Non-Current Assets</b>      |             | <b>23,651,461.87</b>   | <b>18,366,309.53</b> |
| <b>Total Assets</b>                  |             | <b>₱ 33,844,417.61</b> | <b>25,496,147.75</b> |
| <b>LIABILITIES</b>                   |             |                        |                      |
| <b>Current Liabilities</b>           |             |                        |                      |
| Financial Liabilities                | 5           | 1,972,554.57           | 804,444.07           |
| Inter-Agency Payables                | 6           | 557,587.87             | 346,524.76           |
| <b>Total Current Liabilities</b>     |             | <b>2,530,142.44</b>    | <b>1,150,968.83</b>  |
| <b>Non-Current Liabilities</b>       |             |                        |                      |
| Financial Liabilities                | 7           | 10,797,561.39          | 8,042,164.89         |
| Provisions                           | 8           | 1,702,194.35           | 1,757,202.92         |
| <b>Total Non-Current Liabilities</b> |             | <b>12,499,755.74</b>   | <b>9,799,367.81</b>  |
| <b>Total Liabilities</b>             |             | <b>₱15,029,898.18</b>  | <b>10,950,336.64</b> |
| <b>EQUITY</b>                        |             |                        |                      |
| <b>Government Equity</b>             |             |                        |                      |
| Government Equity                    |             |                        | 0.00                 |
| Retained Earnings/(Deficit)          |             | 18,814,519.43          | 14,545,811.11        |
| <b>Total Equity</b>                  |             | <b>18,814,519.43</b>   | <b>14,545,811.11</b> |
| <b>Total Liabilities and Equity</b>  |             | <b>₱33,844,417.61</b>  | <b>25,496,147.75</b> |



**TUBOD-BAROY WATER DISTRICT  
CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2018**

|   | <u>NOTE</u> | <u>2018</u>           | <u>2017</u>          |
|---|-------------|-----------------------|----------------------|
| <b>Income</b>   |             |                       |                      |
| Service and Business Income   | 9           | ₱25,824,997.82        | 23,097,521.06        |
| Other Non-Operating Income  |             |                       | 36,690.00            |
| <b>Total Income</b>   |             | <b>₱25,824,997.82</b> | <b>23,134,211.06</b> |
| <b>Expenses</b>   |             |                       |                      |
| Personnel Services  | 10          | 8,794,157.77          | 8,136,851.88         |
| Maintenance and Other Operating Expenses                                  | 11          | 9,467,180.79          | 8,885,932.50         |
| Financial Expenses  | 12          | 653,148.56            | 702,434.00           |
| Direct Costs  |             | 1,101,034.93          | 670,050.46           |
| Non-Cash Expenses   | 13          | 1,091,905.55          | 913,394.98           |
| <b>Total Expenses</b>   |             | <b>21,107,427.60</b>  | <b>19,308,663.82</b> |
| <b>Profit/(Loss) Before Tax</b>   |             | <b>4,717,570.22</b>   | <b>3,825,547.24</b>  |
| <b>Income Tax Expense/(Benefit)</b>                                       |             | 0.00                  | 0.00                 |
| <b>Profit/(Loss) After Tax</b>  |             |                       | <b>3,825,547.24</b>  |
| <b>Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)</b> |             | 0.00                  | 0.00                 |
| <b>Net Income/(Loss)</b>  |             | <b>4,717,570.22</b>   | <b>3,825,547.24</b>  |
| <b>Other Comprehensive Income/(Loss) for the Period</b>                   |             | 0.00                  | 0.00                 |
| <b>Comprehensive Income/(Loss)</b>  |             | <b>4,717,570.22</b>   | <b>3,825,547.24</b>  |



**TUBOD-BAROY WATER DISTRICT  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2018**

|  | Retained<br>Earnings/<br>(Deficit) | Contributed<br>Capital | TOTAL                |
|--|------------------------------------|------------------------|----------------------|
| <b>BALANCE AT JANUARY 1, 2017</b>              | <b>12,105,879.91</b>               | <b>232,000.00</b>      | <b>12,337,879.91</b> |
| <b>ADJUSTMENTS:</b>                            |                                    |                        |                      |
| Add/(Deduct):                                  |                                    |                        |                      |
| Prior Period Errors                            | 0.00                               | 0.00                   | 0.00                 |
| Other Adjustments                              | (1,617,616.04)                     | 0.00                   | (1,617,616.04)       |
| <b>RESTATED BALANCE AT<br/>JANUARY 1, 2017</b> | <b>10,488,263.87</b>               | <b>232,000.00</b>      | <b>10,720,263.87</b> |
| <b>CHANGES IN EQUITY FOR 2017</b>              |                                    |                        |                      |
| Add/(Deduct):                                  |                                    |                        |                      |
| Comprehensive Income for the<br>year           | 3,825,547.24                       | 0.00                   | 3,825,547.24         |
| <b>BALANCE AT DECEMBER 31, 2017</b>            | <b>14,313,811.11</b>               | <b>232,000.00</b>      | <b>14,313,811.11</b> |
| <b>CHANGES IN EQUITY FOR 2018</b>              |                                    |                        |                      |
| Add/(Deduct):                                  |                                    |                        |                      |
| Donated Income                                 |                                    | 4,659.00               | 4,659.00             |
| Comprehensive Income for the<br>year           | 4,717,570.22                       | 0.00                   | 4,717,570.22         |
| Other Adjustments                              | (453,520.90)                       | 0.00                   | (453,520.90)         |
| <b>BALANCE AT DECEMBER 31, 2018</b>            | <b>18,577,860.43</b>               | <b>236,659.00</b>      | <b>18,577,860.43</b> |



**TUBOD-BAROY WATER DISTRICT  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

|  | <u>2018</u>            | <u>2017</u>          |
|--|------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |                        |                      |
| <b>Cash Inflows</b>  |                        |                      |
| Proceeds from Sale of Goods and Services                   | 24,362,937.20          | 21,409,857.11        |
| Collection of Income/Revenue                               | 1,100,404.11           | 1,393,334.14         |
| Collection of Receivables                                  | 38,261.00              | 430,669.73           |
| Other Receipts   | 3,901,151.68           | 27,868.68            |
| <b>Total Cash Inflows</b>                                  | <b>29,402,753.99</b>   | <b>23,261,729.66</b> |
| Adjustments  | 0.00                   | 0.00                 |
| <b>Adjusted Cash Inflows</b>                               | <b>29,402,753.99</b>   | <b>23,261,729.66</b> |
| <b>Cash Outflows</b>                                       |                        |                      |
| Payment of Expenses  | 19,054,609.09          | 17,022,784.38        |
| Purchase of Inventories                                    | 586,684.86             | 524,967.52           |
| Payments of Accounts Payable                               | 2,037,232.82           | 483,745.94           |
| Other Disbursements  | 1,467,651.48           | 1,528,326.57         |
| <b>Total Cash Outflows</b>                                 | <b>(23,146,178.25)</b> | <b>19,559,824.41</b> |
| Adjustments  | 0.00                   | 0.00                 |
| <b>Adjusted Cash Outflows</b>                              | <b>(23,146,178.25)</b> | <b>19,559,824.41</b> |
| <b>Net Cash Provided by/(Used in) Operating Activities</b> | <b>(23,146,178.25)</b> | <b>3,701,905.25</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |                        |                      |
| <b>Cash Inflows</b>  |                        |                      |
| Receipt of Interest Earned                                 | 5,327.22               | 12,035.56            |
| <b>Total Cash Inflows</b>                                  | <b>5,327.22</b>        | <b>12,035.56</b>     |
| Adjustments  | 0.00                   | 0.00                 |
| <b>Adjusted Cash Inflows</b>                               | <b>5,327.22</b>        | <b>12,035.56</b>     |
| <b>Cash Outflows</b>                                       |                        |                      |
| Purchase/Construction of Property, Plant and Equipment     | 2,713,813.15           | 2,470,910.82         |
| <b>Total Cash Outflows</b>                                 | <b>2,713,813.15</b>    | <b>2,470,910.82</b>  |
| Adjustments  | 0.00                   | 0.00                 |
| <b>Adjusted Cash Outflows</b>                              | <b>2,713,813.15</b>    | <b>2,470,910.82</b>  |

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>Net Cash Provided By/(Used In) Investing Activities</b> | <b>(2,708,485.93)</b> | <b>(2,458,875.26)</b> |
|--|-----------------------|-----------------------|

**CASH FLOWS FROM FINANCING ACTIVITIES**

|                              |             |             |
|------------------------------|-------------|-------------|
| <b>Cash Inflows</b>          |             |             |
| <b>Total Cash Inflows</b>    | <b>0.00</b> | <b>0.00</b> |
| Adjustments                  | 0.00        | 0.00        |
| <b>Adjusted Cash Inflows</b> | <b>0.00</b> | <b>0.00</b> |

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Cash Outflows</b>                                     |                     |                     |
| Payment of Long-Term Liabilities                         | 1,018,953.00        | 938,278.00          |
| Payment of Interest on Loans and Other Financial Charges | 651,853.56          | 701,654.00          |
| <b>Total Cash Outflows</b>                               | <b>1,670,806.56</b> | <b>1,639,932.00</b> |
| Adjustments  | 0.00                | 0.00                |
| <b>Adjusted Cash Outflows</b>                            | <b>1,670,806.56</b> | <b>1,639,932.00</b> |

|  |                       |                       |
|--|-----------------------|-----------------------|
| <b>Net Cash Provided By/(Used In) Financing Activities</b> | <b>(1,670,806.56)</b> | <b>(1,639,932.00)</b> |
|--|-----------------------|-----------------------|

|   |                     |                     |
|---|---------------------|---------------------|
| <b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>1,877,283.25</b> | <b>(396,902.01)</b> |
|---|---------------------|---------------------|

|  |             |             |
|--|-------------|-------------|
| <b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b> | <b>0.00</b> | <b>0.00</b> |
|--|-------------|-------------|

|   |                     |                     |
|---|---------------------|---------------------|
| <b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>   | <b>5,546,023.40</b> | <b>5,942,925.41</b> |
| <b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b> | <b>7,423,306.65</b> | <b>5,546,023.40</b> |



**TUBOD-BAROY WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**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, Lanaodel Norte. It is located at Provincial Trade Center, Sagadan, Poblacion, Tubod, Lanaodel 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 on April 2013.

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 4,191 households served as of December 31, 2018.

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      | -Ms. Aurora a. Zorilla     |
| Vice-Chairman | -Mr. Demothenes G. Secuya  |
| Secretary     | -Ms. Victoria O. Gorecho   |
| Treasurer     | -Ms. Evangeline M. Codilla |

### I. Financial and Operational & Highlights for CY2018

As of December 31, 2018, TBWD has reached Php 33.8 million, total liabilities of Php15.02 million and Equities that amounted to Php 18.8 million:

|             | 2018            | 2017           | 2018 vs. 2017                    |            |
|-------------|-----------------|----------------|----------------------------------|------------|
|             |                 |                | Increase<br>(Decrease)<br>Amount | Percentage |
| Assets      | ₱ 33,844,417.61 | ₱25,496,147.75 | ₱ 8,348,269.86                   | 24.67%     |
| Liabilities | 15,029,898.18   | 10,950,336.64  | 4,079,561.54                     | 27.14%     |
| Equities    | ₱18,814,519.43  | ₱14,545,811.11 | ₱4,268,708.32                    | 22.68%     |

### Results of Operation

The operation of TBWD for CY2018 yielded to overall net income of Php4.7 million pesos as a net of sales revenue of Php25.8 million and expenses of Php21.1 million pesos.

|            | 2018           | 2017           | 2018 vs. 2017                    |            |
|------------|----------------|----------------|----------------------------------|------------|
|            |                |                | Increase<br>(Decrease)<br>Amount | Percentage |
| Sales      | ₱25,824,997.82 | ₱23,134,211.06 | ₱2,690,786.76                    | 10.41%     |
| Expenses   | 21,107,427.60  | 19,308,663.82  | 1,798,763.78                     | 8.52%      |
| Net Income | ₱4,717,570.22  | ₱ 3,825,547.24 | ₱ 892,022.98                     | 18.95%     |

### Cash Flows

Comparative **net cash outflow** of the District for CY2018 amounted to **Php1,877,283.25**. With the cash beginning of Php 5,546,023.40 the 2018 year-end cash in bank resulted to a net balance of Php 7,423,306.65.

Summary of Cash in Bank:

|  |              |
|--|--------------|
| <b>Cash –C.O.</b>                                | ₱ 754.43     |
| <b>Cash in Bank – 0802-1185-62(Project Fund)</b> | 1,863,829.99 |
| <b>Cash in Bank - 0802-1037-86(General Fund)</b> | 3,739,622.46 |
| <b>Cash in Bank - 0801-0300-41(JSA)</b>          | 1,240,416.07 |



|  |                       |
|--|-----------------------|
| <b>Cash in Bank - 0801-1157-21(Trust fund)</b> | ₱ 578,683.70          |
| <b>TOTAL</b>                                   | <b>₱ 7,423,306.65</b> |

**II. 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 on January 2018.

Bank balance as of December 31, 2018 was verified per bank statements and the cash accounts consist of the following:

|                                 | <b>2018</b>                 | <b>2017</b>                 |
|---------------------------------|-----------------------------|-----------------------------|
|                                 | ₱                           | ₱                           |
| Cash- Collecting Officer        | 754.43                      | 3,513.00                    |
| Cash in Bank- (Project Fund)    | 1,863,829.99                | -                           |
| Cash in Bank - LCCA             | 3,739,622.46                | 3,957,263.10                |
| Cash in Bank –LCSA (Trust Fund) | 578,683.70                  | 1,116,761.64                |
| Cash in Bank - LCSA (JSA)       | <u>1,240,416.07</u>         | <u>468,485.66</u>           |
| <b>TOTAL</b>                    | <b><u>₱7,423,306.65</u></b> | <b><u>₱5,546,023.40</u></b> |

## 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, 2018, this account is composed of receivables from customers as listed below.

|                                  | <b>2018</b>                  | <b>2017</b>                |
|----------------------------------|------------------------------|----------------------------|
| Accounts Receivable- Customer    | ₱ 1,442,976.16               | ₱ 1,233,126.25             |
| Accounts Receivable- WMF         | 158,489.36                   | 129,351.06                 |
| Receivables- Disallowances       | 280,189.70                   | 280,989.70                 |
| Accounts Receivable –Others      | 188,082.00                   | 126,632.85                 |
| Due from Officers and Employees  | 200.00                       | -                          |
| Total Current Receivable         | ₱ 2,069,937.22               | ₱ 1,770,099.86             |
| Less: Allow. for impairment- A/R | <u>(940,698.68)</u>          | <u>(882,963.98)</u>        |
| <b>Net Accounts Receivable</b>   | <b><u>₱ 1,129,238.54</u></b> | <b><u>₱ 887,135.88</u></b> |

## 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.

|                             | <b>2018</b>  | <b>2017</b>  |
|-----------------------------|--------------|--------------|
| Merchandise Inventory       | ₱ 626,945.97 | ₱ 388,290.09 |
| Accountable Forms Inventory | 9,317.00     | 8,187.00     |
| Office Supplies Inventory   | 41,188.57    | 40,517.55    |
| Fuel, Oil &Lub. Inventory   | 108,021.84   | 51,897.80    |

|                              |                              |                            |
|------------------------------|------------------------------|----------------------------|
| Chemical & Filtering Supplnv | 41,419.53                    | 35,811.50                  |
| Plant Inventory              | <u>813,517.64</u>            | <u>171,975.00</u>          |
| <b>TOTAL</b>                 | <b><u>₱ 1,640,410.55</u></b> | <b><u>₱ 696,678.94</u></b> |

#### Note 4. Property, Plant and Equipment

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

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

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

|   | Cost                 | Accumulated Depreciation | Balance              |
|---|----------------------|--------------------------|----------------------|
| 1 06 Property, Plant and Equipment          | <b>37,042,283.50</b> | <b>14,368,218.53</b>     | <b>22,674,064.97</b> |
| 1 06 01 Land                                | 386,659.00           |                          | 386,659.00           |
| 1 06 02 Land Improvements                   | -                    |                          | -                    |
| 1 06 03 Infrastructure Assets               | 30,951,686.29        | 13,590,578.59            | 17,361,107.70        |
| 1 06 04 Buildings and Other Structures      |                      |                          | -                    |
| 1 06 05 Machinery and Equipment             |                      |                          | -                    |
| 1 06 06 Transportation Equipment            | 753,498.13           | 195,961.33               | 557,536.80           |
| 1 06 07 Furniture, Fixtures and Books       | 1,020,750.48         | 532,911.94               | 487,838.54           |
| 1 06 08 Leased Assets                       |                      |                          | -                    |
| 1 06 09 Leased Assets Improvements          |                      |                          | -                    |
| 1 06 10 Heritage Assets                     |                      |                          | -                    |
| 1 06 11 Service Concession-Tangible Assets  |                      |                          | -                    |
| 1 06 12 Exploration and Evaluation Assets   |                      |                          | -                    |
| 1 06 13 Bearer Trees, Plants and Crops      |                      |                          | -                    |
| 1 06 98 Other Property, Plant and Equipment |                      |                          | -                    |
| 1 06 99 Construction in Progress            | 3,786,189.60         |                          | 3,786,189.60         |
| 1 08 01 Computer Software                   | 110,000.00           | 48,766.67                | 61,233.33            |
| 1 08 01 Websites                            | 33,500.00            |                          | 33,500.00            |

#### Note 5. Current Financial Liabilities

The Accounts Payable consists of TBWD's liabilities to suppliers in the amount of Php1,972,554.57.

| Name                          | Date Granted | Particulars | Reference No.  | Amount       | Amount Due        |            |             |             |
|-------------------------------|--------------|-------------|----------------|--------------|-------------------|------------|-------------|-------------|
|                               |              |             |                |              | Less than 30 days | 31-60 days | 61-365 days | Over 1 year |
| CAMLAN CORPORATION            | 12/28/2018   |             | JV.18.12.409   | 25,706.99    | 25,706.99         |            |             |             |
| CHARLOTTE JABAGAT             | 12/27/2018   |             |                | 335,000.00   | 335,000.00        |            |             |             |
| COMMISSION ON AUDIT           | 6/30/2017    |             |                | 244,438.80   |                   |            |             | 244,438.80  |
| FMV DRILLING IND SALES & SERV | 12/28/2018   |             | JV.18.12.417   | 7,900.00     | 7,900.00          |            |             |             |
| GREMIE M. BUHAWE              | 12/28/2018   |             |                | 12,371.80    | 12,371.80         |            |             |             |
| JESSEL & JOJO TRADING         | 6/30/2018    |             |                | 15,000.00    |                   | 15,000.00  |             |             |
| JOJO CABATIC                  | 12/28/2018   |             |                | 8,100.00     | 8,100.00          |            |             |             |
| MIE ORO PLAST CORPORATION     | 12/4/2018    |             | PO#2018.11.185 | 48,270.00    | 48,270.00         |            |             |             |
| MINDANAO LAB. SERVICES        | 11/16/2018   |             | OR 0418        | 25,000.00    |                   | 25,000.00  |             |             |
| PINCHE ENTERPRISES            | 12/28/2018   |             | SI 0022        | 48,279.00    | 48,279.00         |            |             |             |
| RIANAS CATERING SERVICES      | 12/28/2018   |             |                | 4,500.00     | 4,500.00          |            |             |             |
| SUMMIT DEEP WELL DRILLING     | 12/28/2018   |             | JV.18.12.424   | 1,003,000.00 | 1,003,000.00      |            |             |             |
| TMSI                          | 12/28/2018   |             |                | 777.48       | 777.48            |            |             |             |
| UNIFIELD ENTERPRISES          | 7/18/2018    |             | JV07.204       | 185,000.00   |                   | 185,000.00 |             |             |
| VELDOSOLA SHOP                | 10/8/2018    |             | PO#2018.08.135 | 9,210.50     |                   | 9,210.50   |             |             |
|                               |              |             |                | -            |                   |            |             |             |
| <b>TOTALS:</b>                |              | -           | -              | 1,972,554.57 | 1,493,905.27      | 25,000.00  | 209,210.50  | 244,438.80  |

### 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 10<sup>th</sup> day of the ensuing month.

|                   | 2018                | 2017                |
|-------------------|---------------------|---------------------|
| Due to BIR        | 294,969.22          | 102,113.17          |
| Due to GSIS       | 217,642.02          | 189,875.80          |
| Due to Pag-ibig   | 33,444.55           | 45,610.79           |
| Due to Philhealth | 11,532.08           | 8,925.00            |
| Total             | <b>₱ 557,587.87</b> | <b>₱ 346,524.76</b> |

### 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 ₱141,806.76. 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. As of December 31, 2018, the outstanding LWUA loan balance is ₱10,797,561.39. The loan was paid in accordance with the amortization schedule, thus, no penalties were imposed for delayed or non-payment.

| Interest Rates     | Old   | New  | New Mo. Amortization | Outstanding Balance |                |
|--------------------|-------|------|----------------------|---------------------|----------------|
|                    |       |      |                      | 2018                | 2017           |
| 3-732 RL           | 10.5% | 8.2% | ₱15,970.00           | ₱ 990,905.99        | ₱ 1,096,544.99 |
| 3-305 SL           | 10.5% | 8.2% | 38,149.00            | 1,872,646.92        | 2,163,785.92   |
| 3-305 RL           | 10.5% | 8.2% | 40,921.00            | 2,008,667.37        | 2,320,963.37   |
| 4-2374 RL          | 12.5% | 8.2% | 41,621.00            | 2,151,763.61        | 2,460,870.61   |
| 4-2723 RL Interest |       |      | 5,145.76             | 3,773,577.50        | -              |

**Non-current financial liabilities**      **₱ 141,806,76**   **₱ 10,797,561.39**   **₱ 8,042,164.89**

**Note 8. Provisions**

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

|                         |          | <b>2018</b>         |          | <b>2017</b>         |
|-------------------------|----------|---------------------|----------|---------------------|
| Leave Benefits Payable  | ₱        | 1,702,194.35        | ₱        | 1,757,202.92        |
| Other Provisions        |          | -                   |          | -                   |
| <b>Total Provisions</b> | <b>₱</b> | <b>1,702,194.35</b> | <b>₱</b> | <b>1,757,202.92</b> |

**Note 9. Service and Business Income**

| BUSINESS INCOME              |          | <b>2018</b>          |   | <b>2017</b>          |
|------------------------------|----------|----------------------|---|----------------------|
| Registration Fees            | ₱        | 447,880.35           | ₱ | 495,250.00           |
| Water works system fees      |          | 23,728,034.91        |   | 21,306,720.70        |
| Income from Printing & Pub   |          | 20,000.00            |   | 10,000.00            |
| Sales Revenue                |          | 1,161,773.26         |   | 881,572.68           |
| Fines and Penalties          |          | 496,196.44           |   | 445,437.87           |
| Interest Income              |          | 5,327.22             |   | 12,035.56            |
| Other Business Income        |          | 18,347.79            |   | 1.14                 |
| Miscellaneous Income         |          |                      |   | 36,690.00            |
| Less: <i>Sales Discounts</i> |          | (52,562.15)          |   | (53,496.89)          |
| <b>TOTAL INCOME</b>          | <b>₱</b> | <b>25,824,997.82</b> |   | <b>23,134,211.06</b> |

**Note 10. Personnel Services**

|                               |   |              |  |              |
|-------------------------------|---|--------------|--|--------------|
| Salaries & Wages- Regular     | ₱ | 4,610,191.19 |  | 4,225,264.52 |
| Sal & Wages-Casual            |   | 999,841.82   |  | 878,040.30   |
| Personnel Econ. Relief Allow. |   | 593,363.64   |  | 532,000.00   |
| Representation Allowance      |   | 60,000.00    |  | 60,000.00    |
| Transportation Allowance TA   |   | 60,000.00    |  | 60,000.00    |
| Clothing Allowance            |   | 168,000.00   |  | 128,556.58   |
| Honoraria                     |   |              |  |              |
| Overtime & Night Pay          |   | 365,338.41   |  | 320,001.37   |
| Year End Bonus                |   | 907,399.80   |  | 743,126.15   |
| Cash Gift                     |   | 136,000.00   |  | 115,000.00   |
| Retirement and Life           |   | 644,413.46   |  | 562,110.08   |

|                                   |                       |                     |
|-----------------------------------|-----------------------|---------------------|
| Insurance                         |                       |                     |
| Pag-ibig Contributions            | 28,673.15             | 27,100.00           |
| Philhealth Contributions          | 64,836.30             | 51,362.50           |
| Emp. Compensation Insurance Cont. | 31,100.00             | 27,600.00           |
| Other Bonuses and Allowances      | 125,000.00            | 311,904.46          |
| Terminal Leave Benefits           | -                     | 94,785.92           |
| <b>Total Personnel Services</b>   | <b>₱ 8,794,157.77</b> | <b>8,136,851.88</b> |

**Note 11. Maintenance and Other Operating Expense**

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Travelling Expenses-Local          | 358,221.20   | 351,499.06   |
| Training Expenses                  | 291,100.00   | 163,790.00   |
| Office Supplies Expense            | 121,013.97   | 81,276.11    |
| Accountable Forms Inv              | 101,442.00   | 94,788.00    |
| Fuel, Oil, and Lubricants          | 60,367.03    | 11,596.84    |
| Chemicals & Filtering              | 108,760.93   | 51,379.01    |
| Electricity Expenses               | 6,792,984.84 | 6,259,229.51 |
| Other Utility Expense              | 4,469.25     | 9,068.21     |
| Postage and courier Services       | 10,091.50    | 15,958.00    |
| Telephone Expense                  | 22,993.08    | 24,937.19    |
| Internet Expense                   | 12,010.12    | 12,379.09    |
| Cable, Satt., Tele & Radio Expense | 4,788.00     | 1,763.26     |
| Survey Expense                     | 17,000.00    | 11,500.00    |
| Gen Trans & Dist Expenses          | 433,136.16   | 563,161.63   |
| Extraordinary & Misc. Expenses     | 15,075.70    | 24,327.00    |
| Legal Expense                      | 6,950.00     | 3,300.00     |
| Auditing Services                  | 13,300.00    | 20,389.00    |
| Other Professional Services        | -            | 7,800.00     |
| Other General Services             | 3,141.86     | 20,800.00    |
| Rep & Maint- Infra Asset           | 8,984.20     | 126,821.19   |
| Rep & Maint- Bldg & Other Struc    | 35,436.15    | 13,319.99    |
| Rep & Maint- TranspoEqpt.          | 15,028.01    | 21,363.47    |
| Rep & Maint- Furniture & Fix       | 4,421.90     | 2,100.00     |
| Rep & Maint- Other PPE             | 24,382.00    | 7,464.60     |
| Maint of Pumping Eqpt              | -            | -            |
| Maint of Reservoir & Tanks         | -            | -            |
| Taxes, Duties & Licenses Exp       | 500,973.93   | 409,430.02   |
| Fidelity Bond Premiums             | 21,000.00    | 19,005.00    |
| Insurance Expense                  | 6,870.36     | 8,438.95     |

|                                       |                       |                     |
|---------------------------------------|-----------------------|---------------------|
| Labor & Wages                         | 4,000.00              | 40,177.50           |
| Advertising,<br>Promo&MktgExpense     | 2,000.00              | 4,500.00            |
| Printing & Pub. Expense               | 2,000.00              | 4,868.00            |
| Representation Expense                | 204,133.60            | 144,321.45          |
| Transportation & Delivery<br>Expenses | 1,300.00              | -                   |
| Rent/Lease Expense                    | 50,090.00             | 51,400.00           |
| Membership Dues &Cont to<br>Org       | 8,838.00              | 20,899.60           |
| Subscriptions Expense                 | 750.00                | 720.00              |
| Directors & Comm. Member's<br>Fee     | 194,127.00            | 282,160.82          |
| Donations                             | 6,000.00              | -                   |
| <b>TOTAL MOOE</b>                     | <b>₱ 9,467,180.79</b> | <b>8,885,932.50</b> |

#### Note 12. Financial Expenses

|                            |                     |                   |
|----------------------------|---------------------|-------------------|
| Interest Expenses          | 652,628.56          | 701,654.00        |
| Bank charges               | 520.00              | 780.00            |
| <b>TOTAL FINANCIAL EXP</b> | <b>₱ 653,148.56</b> | <b>702,434.00</b> |

#### Note 13. Non-cash Expenses

|                                  |                       |                   |
|----------------------------------|-----------------------|-------------------|
| Depreciation –Infra Asset        | 834,750.70            | 732,727.31        |
| Depreciation –Transpoeqpt        | 51,092.96             | 48,468.64         |
| Depreciation - Other Eqpt        | -                     | -                 |
| Depreciation - F/F, books        | 146,578.59            | 71,362.79         |
| Depreciation - Other PPE         | 1,748.60              | 815.02            |
| Impairment Loss- Loans &<br>Rec. | 57,734.70             | 60,021.22         |
| <b>Total NON-CASH EXPENSES</b>   | <b>₱ 1,091,905.55</b> | <b>913,394.98</b> |

#### 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 –  
OBSERVATIONS AND  
RECOMMENDATIONS**



## **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

### **A.FINANCIAL AND COMPLIANCE AUDIT**

**1. Guidelines in Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not followed thus the existence and veracity of Property, Plant and Equipment Account as of September 31, 2018 in the amount of Php 33,112,593.90 cannot be ascertained.**

Section V of COA Circular 80-124 dated January 31, 1980 states:

#### *V.GUIDELINES FOR INVENTORY-TAKING:*

##### Creation of Inventory Committee

A committee shall be formed to take charge of the physical inventory-taking, consisting of two or more employees designated by the head of the agency including the property/administrative officer or custodian depending on the extent of his accountability. A representative of the Auditor shall witness the inventory-taking.

##### Property Identification and Coding

Government property shall be properly labelled and identified by the Inventory Committee. Inventory labels of special materials shall contain among others the individual property number to be provided by the corporation concerned. These numbers shall be uniformly printed in India Ink, to achieve permanence and best results, and shall be posted on a prominent but secure portion of the property for easy identification.

##### Memorandum Receipt

An officer or employee who receives and is in actual possession or physical control of the property shall sign a Memorandum Receipts (Gen. Form No. 32) for such property and shall be accountable therefor. Such Memorandum Receipts for property in the custody of an officer or employee shall be renewed every three years.

##### Inventory Reports

All inventory reports shall be prepared on the prescribed form (Gen. Form No. 41-A) and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The reports shall be properly reconciled with accounting and inventory records.

The District reported total Property, Plant and Equipment in the amount of Php 33,112,593.90 as shown below:

| <b>PPE Item</b>                       | <b>Amount</b>        |
|---------------------------------------|----------------------|
| Land                                  | 386,659.00           |
| Plant-Utility Plant in Service (UPIS) | 30,951,686.29        |
| Motor Vehicles                        | 753,498.13           |
| Furniture and Fixtures                | 1,020,750.48         |
| <b>Total*</b>                         | <b>33,112,593.90</b> |

Submitted inventory reports of property, plant and equipment account is short of the reported amount as shown below:

| <b>Inventory Item</b>           | <b>Per Inventory Submitted</b> |
|---------------------------------|--------------------------------|
| Generators                      | 1,562,000.00                   |
| Land                            | None Indicated                 |
| Pumping Stations                | None Indicated                 |
| Transportation (Motor Vehicles) | 173,869.65                     |
| <b>Total</b>                    | <b>1,735,869.65</b>            |

Inventory report was submitted to the office of the auditor during last year's exit conference but the existence of the items stated in the report cannot be verified as no invitation was given to the Auditor for the inventory taking. Inventory reports mostly did not indicate the acquisition cost of the land and pumping stations. It was also noted by that no TCT number, serial number or property number was indicated in the said reports. No property tags was put on the furniture and equipment, where applicable. Memorandum Receipts for the said property was also not indicated. No reconciliation between inventory reports and accounting records was also not prepared. Thus, there was a difference of Php 31,376,724.25.

The non-adherence of the District's Management to the guidelines laid down in COA Circular 80-124 dated January 31, 1980 makes the existence and the truthfulness of the Property, Plant and Equipment account in doubt.

**Recommendation:**

We recommend that management reconcile between accounting and property custodian should be performed to ascertain the accuracy of the District records. Management should prepare Memorandum Receipt for the personnel who receive and in possession of the said District property. Property number should be assigned to the District's PPE items. These property number should be indicated in the inventory report and Memorandum Receipt.

Property tags should be used whenever possible for easy inventory-taking. An invitation to the Office of the Auditor should be sent so that he or a representative can be present during inventory-taking

**Management Comment:**

Ms. Tamboboy has initially conducted property tagging and inventory of all Properties of the District. The lapsing copy has been given already for proper listing and costing of the properties. With the guidelines specifically noted from the AOM, rest assured the management will follow what is needed to be done. Before the quarter ends, the District will invite COA personnel for the proper physical inventory.

**2. The accuracy and correctness of Inventories account amounting to P827,231.02 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.**

Section 6, Chapter 8 of GAM provides for the use of Weighted Average Method for costing inventories. It states that:

*“This method calls for the re-calculation of the average cost of all items in stock after every purchase. Therefore, the weighted average cost is the total cost of all units subsequent to the latest purchase, divided by their total number of units available. The Accounting Division/Unit shall be responsible in computing the cost of inventory on a regular basis as shown in the following sample Supplies Ledger Card (SLC).”*

Inquiry with the District’s bookkeeper revealed that the agency employs First In, First Out (FIFO) method for costing inventories. This is due to the practice of the District of charging consumers based on the actual cost of the materials plus mark up contrary to that of other agencies of charging the households a fixed amount in their service connections.

The FIFO method has been used by the agency to compute their cost of inventories. They were aware of the application of Weighted Average Method in accordance with the GAM. The Bookkeeper, however, disclosed that it would be difficult for them to change the costing method of the agency.

The incorrect valuation of Inventory accounts questions the accuracy and correctness of the Current Assets as reflected in the Financial Statements.

**Recommendations:**

We recommended to management that (a) the Inventories be valued using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment.

**Management Comment:**

The District has been practicing First in First out (FIFO) method of costing of inventories to determine the accuracy of the amount to be charged to concessionaires upon selling the

materials. The actual purchase cost of the product has been used in charging to customers with an additional percentage mark-up for revenues. Unlike other water districts that doesn't sold materials to customers, weighted average would be favorable for them considering all their materials on hand is only for their own consumption or for maintenance purposes only of their District. If the District will use the WAM, prices of items charged to customers will change from time to time considering the District doesn't have a fix price for each item. Thus, creating lag on the flow of Service Connection taking into consideration that Commercial Section will have to refer for the prices of all items from the Records Section before they can charge every concessionaire who wishes to buy materials or avail new service connection.

Furthermore, the District doesn't follow the GAM ever since, but followed Commercial Practice System installed by LWUA since 2003 to the TBWD being the Supervising Agency of all LWDs. Upon adoption of the PFRS introduced by your good office in 2016, the method of costing of inventories follows IFRS which uses IAS 2, section 25 that states, "The Cost of Inventories, other than those dealt with paragraph 23, shall be assigned by using first-in, first out (FIFO) or Weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity."

The District then, base on the above paragraph continued in using FIFO/ actual costing for the materials held for sale.

**3. Procurement of Supplies and Materials for the District's Clustering Project is not in accordance with the District's Annual Procurement Plan (APP) due to its incorrect preparation reflecting the use of Shopping when the conditions for it does not exist in violation of Section 7 and Section 10 of the Implementing Rules and Regulation (IRR) of Republic Act (RA) 9184 in the amount of Php 1,167,990.00.**

All procurement shall be within the approved budget of the procuring entity and should be meticulously and judiciously planned by the procuring entity (Section 7.1 of RA 9184 IRR). No procurement shall be undertaken unless it is in accordance with the approved APP of the procuring entity (Section 7.2 of RA 9184 IRR). In addition, all procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR (Section 10, Rule IV of RA 9184 IRR). That is, competitive bidding is the default mode of procurement.

However, whenever justified by the conditions provided in R.A 9184 and its revised IRR, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in Rule XVI of the IRR of R.A. 9184.

The Alternative Methods of Procurement shall be resorted to only in the highly exceptional cases provided for in the IRR and subject to the prior approval of the Head of the Procuring Entity (HOPE) upon recommendation of the Bids and Awards Committee (BAC). In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained. That is, conditions for the utilization of the alternative methods of procurement should be present. Under the alternative method of procurement such as shopping, the following conditions stated under Section 52 of the IRR of RA 9184 should be present:

1. When there is an unforeseen contingency requiring immediate purchase, the amount shall not exceed Php 100,000.00 (as revised by Annex H of the IRR of RA 9184);
2. Shopping for ordinary office supplies and equipment not available in the Department of Budget and Management-Procurement Service (DBM-PS), for projects with Approved Budget for the Contract (ABC) above Php 500,000.00 (as revised by Annex H of the IRR of RA 9184).

The lack of meticulous and judicious planning is apparent when the District procured materials for their clustering project in the amount of Php 1,167,990.00 of which the approved APP showed shopping as the mode of procurement but resorted to public bidding when the actual procurement commenced. Making an APP with alternative mode of procurement, such as shopping, is not erroneous if it is supported by concrete evidences applicable to the calendar year for which it was prepared, such as incident reports of unforeseen contingencies, or that the items for procurement are not available at PS-DBM, such as certifications, reply to queries, screenshots of the electronic catalog, etc. at the beginning of preparation of the APP and not only by a board resolution stating that it is not available at the PS-DBM and that the amounts of the items to be procured is within allowable threshold.

Inquiry revealed that shopping was used as the default mode of procurement due to the experience of the District that said materials was usually not available at the PS-DBM.

The Government Procurement Act Reform Act or RA 9184 does not prohibit the revision of the APP when the default mode of public bidding cannot be adhered to but the conditions for alternative method of procurement must be present. The APP must be meticulously and judiciously prepared so that the principles of transparency, competitiveness, streamlined procurement, system monitoring, and public accountability can be adequately observed.

**Recommendation:**

We recommend that management prepare its Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met.

**Management Comment:**

All procurements for CY 2018 were included in the APP except for those projects that were not planned prior to the preparation of the 2018 APP. One of these projects was the Clustering Project of the district that was funded through a loan obtained from Local Water Utilities Administration (LWUA). The mode of procurement used for the purchase of fittings, pipes and water meters was Public Bidding, as per advice by LWUA.

In the approved 2018 APP, there was a Clustering Project in the amount of Php 817,975.00 under the mode of procurement Shopping. This project was part of the 5 year NRW

Reduction Project of the district that started last 2015. Budget of the said project was taken from the General Fund of the district and not from the loan from LWUA.

**4. Fidelity Bond was not posted for Accountable officers with fund account-abilities as required by Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.**

Fidelity Bond is an insurance of bond able public officer under the Fidelity Fund to assure faithfully performance all the duties imposed by law upon him and for faithful account of all funds and public property coming into his possession, custody of control.

Section 101 of Presidential Decree No. 1445 mandates that:

*“Section 101. Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law and shall be properly bonded in accordance with law.” (Underscoring supplied)*

In relation thereto, Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006 provides:

*“7.1. Each accountable officer whose total cash accountability is **not less than P5,000** shall be bonded. The amount of bond shall depend on the total accountability of the officer fixed by the Head of the Agency. An official or employee who has both money and property accountability shall be bonded only once to cover both accountabilities, but the amount of bond shall be in accordance with the Schedule issued by the Bureau of Treasury.”*

Verification disclosed that during the period, several TBWD personnel acted as alternate teller, taking over the function of Jessie G. Jumawan, the Designated Teller, in case she is absent on leave, or on a break. They also assist during due dates when there are voluminous number of concessionaires settling their accounts. The said personnel, the period that they acted as alternate tellers, and the amount of their collections during the period are as follows:

| <b>Period Covered</b> | <b>Anna Lysel Y. Galda</b>           | <b>Krystale C. Buenconsejo</b> | <b>Janry O. Gorecho</b> | <b>Jessa B. Alfon</b> | <b>Total</b> |
|-----------------------|--------------------------------------|--------------------------------|-------------------------|-----------------------|--------------|
| <b>2016</b>           | <b>Collections During the Period</b> |                                |                         |                       |              |
| June 28-30            | 26,090.70                            |                                |                         |                       | 26,090.70    |
| July 1-31             | 650,785.42                           |                                |                         |                       | 650,785.42   |
| Aug 1-31              | 563,672.94                           |                                |                         |                       | 563,672.94   |
| Sep 1-30              | 724,149.02                           |                                |                         |                       | 724,149.02   |

|              |                     |                     |                     |                     |                      |
|--------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Oct 1-31     | 587,838.85          |                     |                     |                     | 587,838.85           |
| Nov 1-30     | 527,128.90          |                     |                     |                     | 527,128.90           |
| Dec 1-31     | 905,777.76          |                     |                     |                     | 905,777.76           |
| <b>2017</b>  |                     |                     |                     |                     |                      |
| Jan 1-31     | 634,818.25          |                     |                     |                     | 634,818.25           |
| Feb 1-28     | 127,570.58          |                     | 478,262.52          |                     | 605,833.10           |
| Mar 1-31     |                     |                     | 769,668.20          |                     | 769,668.20           |
| Apr 1-30     | 19,467.50           |                     | 890,297.47          |                     | 909,764.97           |
| May 1-31     |                     | 778,752.74          | 21,538.75           |                     | 800,291.49           |
| June 1-30    |                     | 540,142.70          | 492,023.62          |                     | 1,032,166.32         |
| July 1-31    |                     | 504,114.10          | 225,229.10          |                     | 729,343.20           |
| Aug 1-31     |                     | 274,503.60          | 120,780.35          |                     | 395,283.95           |
| Sep 1-30     |                     | 382,304.57          | 156,983.50          |                     | 539,288.07           |
| Oct 1-31     |                     | 322,826.30          | 107,356.50          |                     | 430,182.80           |
| Nov 1-30     |                     | 54,252.50           | 33,564.50           | 610,734.10          | 698,551.10           |
| Dec 1-31     |                     |                     | 64,602.75           | 864,463.13          | 929,065.88           |
| <b>2018</b>  |                     |                     |                     |                     |                      |
| Jan 1-31     |                     |                     |                     | 1,034,818.53        | 1,034,818.53         |
| Feb 1-28     |                     |                     | 405,054.35          | 348,229.29          | 753,283.64           |
| Mar 1-31     |                     |                     | 859,130.35          |                     | 859,130.35           |
| Apr 1-30     |                     |                     | 886,389.65          | 627,220.30          | 1,513,609.95         |
| May 1-31     |                     |                     | 1,009,683.05        | 154,626.00          | 1,164,309.05         |
| June 1-26    |                     |                     | 224,318.60          | 481,635.25          | 705,953.85           |
| <b>TOTAL</b> | <b>4,767,299.92</b> | <b>2,856,896.51</b> | <b>6,744,883.26</b> | <b>4,121,726.60</b> | <b>18,490,806.29</b> |

It can be gleaned from the above table that collections of each alternate teller ranged from P885.00 to P47,000.00 in a single day, with most of the said collections averaging to P5,000.00+ per day range.

Of the four (4) alternate tellers, only two (2) are permanent employees of the district as of June 27, 2018, namely: Anna Lysel Y. Galda, with the position of Accounting Processor A and designated as the District's Accountant and Krystale C. Buenconsejo, with the position of Clerk Processor C and designated as the District's Supply Officer. Of the permanent employees designated as tellers, only Ms. Galda is bonded. Ms. Buenconsejo's bond is not on hand or is still on process.

Janry O. Gorecho and Jessa B. Alfon are casual employees of the District and no fidelity bond was taken out for them although they are performing tellering functions and are accountable for the district's collection amounting to at least P 5,000.00 per day.

Despite the significant amount of cash handled by the casual employees designated as alternate tellers, the bonding requirement of the law was not adhered to and the funds under the accountability of the above-mentioned officers, were not safeguarded against loss through defalcation, shortages, robbery and theft, by posting a fidelity bond for them to cover losses up to the extent insured by the bond. Hence, management runs the risk of incurring unindemnifiable losses.

#### **Recommendation/s:**

- 1. We recommended that management require the accountable officers handling government funds and property to post bond in the amount corresponding to their total cash and property accountability to afford adequate protection to the government in case when the risk insured against actually occurs.*
- 2. Submit a copy of the Fidelity Bonds to the Auditor's Office for information and filing*

#### **Management Comment:**

The matter has been addressed after there was a reshuffling made. All tellers have been officially bonded. The management will forward copies of Fidelity Bond on time to COA office.

#### **5. Bank Reconciliations Statements were not regularly prepared and submitted to the COA Auditor in violation of Section 74 of PD 1445 and Section 2.1.4 of COA Circular No. 92-125a dated March 4, 1992.**

Section 74 of Presidential Decree 1445 states:

“Section 74. Monthly reports of depositories to agency head. At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”



Furthermore, Section 2.1.4 of COA Circular No. 92-125a provides:

“2.1.4 Submit the original of the BRS for account 8-70-707 (now 10102020) within 15 days after the end of the month to the COA Resident Auditor, copy furnished the concerned Government Servicing Bank (GSB) and the Department of Budget and Management, Accounting Finance Bureau (DBM-AFB).”

The Tubod-Baroy Water District (TBWD) is maintaining the following accounts at the Landbank of the Philippines (LBP) four (4) accounts with the following purposes:

| <b>Landbank of the Philippines Account Numbers</b> | <b>Purpose</b>                                   |
|--|--|
| 0802-1037-86                                       | For Operations / Collections/ General Fund       |
| 0801-1157-21                                       | For Employees Benefits/Trust Fund                |
| 0801-0300-41                                       | For Joint Savings Account between LWUA and TBWD. |
| 0802-1185-62                                       | For Project Fund / LWUA Loan Proceeds            |

Verification revealed that of the four accounts kept by the agency, only the account for Operations/Collections or General Fund (LBP CA 0802-1037-86) Bank Reconciliation Statements covering the period of January to June 2018 was prepared and submitted to the COA Auditor. All other bank reconciliation statements covering the account for employees benefits (LBP CA 0801-1157-21), joint savings account between LWUA and TBWD (0801-0300)-41, and Project Fund/LWUA Loan Proceeds (0802-1185-62) were not prepared and submitted. Inquiry revealed that as funds were not regularly deposited in these accounts, preparation of bank reconciliation statements were not also regularly done.

Bank Reconciliation Statements are prepared to:

- (1) To ascertain that the cash reflected in an organization’s balance sheet is accurate or correct.
- (2) To ascertain that all income or expense is recorded in the agency’s books of accounts. As the double entry accounting system is mandated to be used, any input or output of cash also affects the income statements or nominal accounts. Therefore, non-preparation of bank reconciliation statement may result in the understatement of revenue or expense accounts.
- (3) As an internal control measure. Bank reconciliation statements should be done by personnel not handling cash to prevent manipulation of records. Having another person

reconciling the bank statement is known as the separation or segregation of duties and reduces the odds of dishonest acts involving the agency's cash.

Non-preparation of bank reconciliation statements affects the reliability of the cash and its related income and expense accounts, and non-adherence to a crucial internal control to the deterrence of fraud involving the agency's funds.

**Recommendation:**

Prepare regularly Bank Reconciliation Statements for all bank accounts maintained by the District and submit them to the Office of the COA Auditor fifteen (15) days after the end of each month.

**Management Comment:**

Monthly BRS has been prepared after the error on Accounting program used has been settled and we-access on LBP site has become fully functional.

**6. Long-standing and current reconciling items in the amount of Php 15, 295.38 were not taken up in the books of the agency thus affecting the accuracy of the Cash in Bank account contravening the provision of Section 111 of PD 1445.**

Section 111 of PD 1445 provides the manner in which a government agency should render its accounts, which states that:

*“Section 111. Keeping of accounts.*

*(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*

*(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information. (underscoring supplied)”*

Review of the Bank Reconciliation Statement for the month of June 2018 for the General Fund bank account of the district (LBP CA 0802-1037-86) revealed the following bank credit memos or reconciling items was not yet adjusted in its books:

| <b>Reconciling Items</b> | <b>Amount</b> |
|--------------------------|---------------|
| Credit Memos             |               |
| February 7, 2017         | 559.00        |
| February 15, 2017        | 1,007.00      |
| April 19, 2017           | 1,169.00      |
| October 19, 2017         | 3,154,40      |
| December 13, 2017        | 3,653.00      |

|                                |                  |
|--------------------------------|------------------|
| May 17, 2018                   | 2,546.00         |
| June 20, 2018                  | 1,479.15         |
| First Quarter Interest income  | 1,065.26         |
| Withholding Tax                | (213.05)         |
| Second Quarter Interest Income | 1,094.53         |
| Withholding Tax                | (218.91)         |
| <b>Total</b>                   | <b>15,295.38</b> |

One of the purposes of preparing bank reconciliation statements is to ascertain that any cash, income or expense accruing to the agency is recorded in the books of accounts. As no adjustments were made by the agency to recognize these reconciling items, the cash, income, and expense accounts especially those reflected the previous year's balance sheet and income statement, and the current trial balance, are understated.

The presence of these reconciling items also shows that bank reconciliation statements were not prepared regularly or monthly as mandated by Section 74 of PD 1445 (discussed in another Audit Observation Memorandum).

**Recommendations:**

1. *Prepare accounting entries to reflect income earned and expenses incurred through the maintenance of current accounts in government accredited depository banks.*
2. *Regularly prepare the monthly Bank Reconciliation Statements (BRS) in all savings/current accounts maintained by the district in the government accredited depository banks.*

**Management Comment:**

The Php15,295.38 was not taken right away since those are payables to customers, (Credit Memos) by bank that don't have attachments, thus awaiting for customers' claim. But before the 2018 ends, all of it were recorded in the book already.

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

## 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 2017 AAR and noted the following:

| Status of Implementation | No. of Recommendations |
|--------------------------|------------------------|
| Fully Implemented        | 8                      |
| Partially Implemented    | 3                      |
| Not Implemented          | 1                      |

| Ref.               | Audit Observations   | Audit Recommendations  | Status of Implementation   |
|--------------------|--|--|--|
| 2018-003<br>(TBWD) | The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P17,414,429.63 and P696,678.94 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end. | We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it. | Partially Implemented<br><br>This has been implemented in March 2019 |
| 2018-004<br>(TBWD) | The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2017 and submit it to the Department of Budget and Management within the prescribed deadline.  | We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.  | Fully Implemented  |
| 2017-001<br>(TBWD) | Payments for withholding tax, franchise tax and other fees to the Bureau of Internal Revenue (BIR) amounting to Php 683,802.52 were made without the covering voucher in violation of Section 91 of PD 1445.   | Refrain from disbursing funds without the necessary covering disbursement voucher showing that said disbursement is legal, necessary, has fund allocation and duly approved by the Agency Head.<br><br>Produce the Disbursement Vouchers covering BIR payments for the period of January to June 2018.   | Fully Implemented  |

|                             |   |  |   |
|-----------------------------|---|--|---|
| <p>2017<br/>-002 (TBWD)</p> | <p>Payments for Board of Directors Honoraria/Per Diems amounting to Php 73, 440.00 were without supporting documents contrary to Section 4 (6) of PD 1445 – State Audit Code of the Philippines and COA Circular 2012-001 dated June 14, 2012.</p>  | <p>Attach the required supporting documents as provided for by COA Circular 2012-001 date June 14, 2012 namely: (a) Appointment/designation as member of the Board, (b) Certification that the claimant is not an appointee to a regular position in the governing board of the collegial body who receives salaries, regular allowances and other benefits, (c) Minutes of meeting and Attendance Sheet as certified by the Board Secretary.</p> <p>Revise TBWD BOD Resolution No. 21, S. of 2018 to make it compatible with COA Circular 2012-001 dated June 14, 2012, otherwise payment of BOD Honorarium/Per Diems will be suspended each time. Notice of Disallowance will be issued if the required supporting documents will not be presented within 90 days as provided for in the 2009 Revised Rules of Procedure of the Commission on Audit.</p> | <p>Partially Implemented</p> <p>This has been fully implemented as discussed during the exit conference, all minutes were forwarded to COA by the BOD recording secretary</p> |
| <p>2018-002<br/>(TBWD)</p>  | <p>Travel of the Board of Directors and General Manager to attend the 38th Philippine Association of Water Districts (PAWD), Inc. Convention and Awarding Ceremonies held at Davao City amounting to Php 40,628.00 was not in accordance with Executive Order No. 248 (as amended by EO 248-A and 298) thus incurring unnecessary and excessive expenses.</p> | <p>We recommend the suspension of payments for seminar fees to PAWD Convention and its accompanying travel expenses pending submission of reasonable and convincing justification, accomplishment reports and other pertinent documents from each individual delegates, which we will evaluate. Prudence should be exercised in the utilization of the agency's resources.</p>   | <p>Fully Implemented</p>  |

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|--------------------|--|---|-------------------|
| 2017-003<br>(TBWD) | Reimbursable Expenses for Transportation amounting to Php 13,539.70 involves fuel for private vehicles in violation of Section 4(6) of PD 1445 and COA Circular No, 96-004 dated April 19, 1996. | We recommend that the amount of reimbursement of transportation expenses should be limited to the prevailing fare within the general area of the district where the board meeting was held and that only ordinary public conveyance or customary modes of transportation shall be used except in meritorious cases and justified by prevailing circumstances.<br>Management should discontinue reimbursing for the cost of fuel used on the private vehicles of the Board of Directors.   | Fully Implemented |
| 2018-001<br>(TBWD) | Payments of annual dues to non-government/private organizations amounting to Php 8,316.00 have no legal basis in violation of Section 4 of PD 1445.  | We recommended the suspension of payments of annual dues to the associations pending submission of legal basis or specific authority from the Government of the Philippines allowing PAWD and its sub-organizations to collect annual dues from water districts.  | Fully Implemented |
| 2017-004<br>(TBWD) | Reimbursement for Communication Expenses amounting to Php 2,924.00 lacks adequate supporting documents in violation of Section 4(6) of PD 1445 and COA Circular No. 2012-001 dated June 1, 2012. | We recommend the submission of documents supporting these disbursements to verify that these are wholly official and not personal in nature. It is also recommended that the BOD issue a resolution with regards to reimbursement of communication expenses to be approved by LWUA, in case none was yet in effect. Said Resolution should take into consideration the day-to-day activities of a board member, the existence of text, calls, and data promos of telecommunications networks, and the prevention of incurrence of irregular and excessive expenditures. | Fully Implemented |

|                    |   |   |                   |
|--------------------|---|---|-------------------|
| 2018-005<br>(TBWD) | The Agency did not procure common-use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.  | We recommended that Management start procuring common-use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly needed by the Agency should be done on a quarterly basis. | Fully Implemented |
| 2018-007<br>(TBWD) | The estimated 368,732.00 cu.m. of unaccounted water incurred by the District for CY 2018 is 10.03% more than the maximum acceptable level of NRW of 20% prescribed by LWUA thru Resolution No. 444, series of 2009.   | We recommend to the District to improve its efficiency level by significantly reducing water loss to the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.  | Fully Implemented |
| 2018-006<br>(TBWD) | The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2018 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation. | We recommend that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2018 General Appropriations Act.   | Fully Implemented |



|                                    |  |  |  |
|------------------------------------|--|--|--|
| <p>TBWD 2016-07 Finding No.7</p>   | <p>The District granted Performance-Based Incentive (PBI) amounting to P72,576.00 to its BODs without complying with all the requirements and conditions set forth under Local Water Utilities Administration (LWUA) Memorandum Circulars 001-2017 and 002-2017 dated January 18, 2017.</p>  | <p>Require the BODs to refund the amount of PBI received and ensure strict compliance with existing laws, rules and regulations on the grant of PBI pursuant to LWUA Memorandum Circular Nos. 001-16 and 002-16 prior to payment to prevent incurrence of irregular expenditures.</p>  | <p>Not Implemented</p> <p>Partially implemented. Ex-member of the Board Dir Macalam paid in full, One of the BOD died and Dir. Gorecho&amp;Zorilla partially paid in staggered basis despite of the appeal filed by the Board to COA</p> |
| <p>TBWD 2017-010 Finding No.10</p> | <p>The net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,378,885.63 and P784,205.29, respectively are unreliable due to (a) unreconciled balance between the accounting records and the property records (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.</p> | <p>Conduct physical inventory-taking of all properties of the District and prepare a report thereon using the prescribed format;</p> <ul style="list-style-type: none"> <li>• Require the Property Custodian to properly fill out the Inventory Report indicating therein the complete description of the items counted i.e. serial no., brand/model, type, make, capacity, size, color, volume, etc.. Also, indicate the unit cost ; and</li> <li>• Require the Property Custodian and the Accounting Unit to reconcile both their records. Likewise, necessary adjustments or corrections should be effected in the Books, where appropriate.</li> </ul> | <p>Partially Implemented</p> <p>This has been partially implemented as there is still on-going turn-over and labeling of the properties by the outgoing retireable Property Custodian</p>  |

|                                    |  |  |   |
|------------------------------------|--|--|---|
| <p>TBWD 2017-07 Finding No.7</p>   | <p>The District granted Performance-Based Incentive (PBI) amounting to P72,576.00 to its BODs without complying with all the requirements and conditions set forth under Local Water Utilities Administration (LWUA) Memorandum Circulars 001-2017 and 002-2017 dated January 18, 2017.</p>  | <ul style="list-style-type: none"> <li>• Require the BODs to refund the amount of PBI received and ensure strict compliance with existing laws, rules and regulations on the grant of PBI pursuant to LWUA Memorandum Circular Nos. 001-16 and 002-16 prior to payment to prevent incurrence of irregular expenditures.</li> </ul>   | <p>Not Implemented</p> <p>Same with the above AOM:</p> <p>TBWD 2016-07 Finding No.7</p>         |
| <p>TBWD 2017-010 Finding No.10</p> | <p>The net book value of Property, Plant and Equipment and total balance of Inventory account valued at P14,378,885.63 and P784,205.29, respectively are unreliable due to (a) unreconciled balance between the accounting records and the property records (b) failure to conduct physical inventory count of several properties and equipment owned by the District contrary to Philippine Accounting Standards (PAS) 1.</p> | <ul style="list-style-type: none"> <li>• Conduct physical inventory-taking of all properties of the District and prepare a report thereon using the prescribed format;</li> <li>• Require the Property Custodian to properly fill out the Inventory Report indicating therein the complete description of the items counted i.e. serial no., brand/model, type, make, capacity, size, color, volume, etc.. Also, indicate the unit cost ; and</li> <li>• Require the Property Custodian and the Accounting Unit to reconcile both their records. Likewise, necessary adjustments or corrections should be effected in the Books, where appropriate.</li> </ul> | <p>Partially Implemented</p> <p>Same with the above AOM:</p> <p>TBWD 2017-010 Finding No.10</p> |