



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 24, 2022

Mr. ANDRIAL C. KWAN
Chairperson, Board of Directors
Mr. GEOVANNI A. HERA
General Manager
Tubod-Baroy Water District
Tubod, Lanao del Norte



Sirs:

We are pleased to transmit the Annual Audit Report on the audit of **Tubod-Baroy Water District**, Tubod, Lanao del Norte as of December 31, 2021, 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; and (c) 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 (ISSAIs) and we believe that these standards provided a reasonable basis for the audit results.

A Modified-Qualified Opinion was rendered on the fairness of the presentation of the financial statements of the Tubod-Baroy Water District for the year ended December 31, 2021, as discussed in the Independent Auditor's Report in Part I hereof.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of Tubod-Baroy Water District for the year 2021 due to the following exceptions:

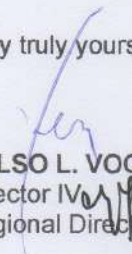
1. The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.
2. The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that adversely affected the assets' verifiability as to existence, condition, and accountability.

3. Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as Electricity Expenses (P8,537,961.83) and Fuel, Oil and Lubricants Expenses (P138,539.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expenses, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.

We request that the remedial measures be immediately implemented, and we will appreciate being informed of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form to the Audit Team within 60 days from receipt hereof, pursuant to Section 91 of the General Appropriations Act FY 2021.

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

Very truly yours,


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. Soiano 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

TUBOD-BAROY WATER DISTRICT
Tubod, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)
For Calendar Year 2021
As of _____

Sector: Corporate Sector
Auditee: Tubod-Baroy Water District
Audit Period: Calendar Year 2021

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			
AOM No. 2022-001(21) TBWD	The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121).	We recommend that the Management require the DRRM Officer to: <ul style="list-style-type: none"> • formulate and implement programs and activities intended to address Disaster Risk Reduction and Management that are doable even with the current pandemic; and • coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community. 							

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			
AOM No. 2022-002(21) TBWD	Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.	We recommend the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.							
AOM No. 2022-003(21) TBWD	The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74	We recommend that the management require its accounting personnel to prepare and submit the BRS not submitted to the Audit Team. Moreover, to submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to							

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 PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.	the COA Auditor for Auditor's verification.							
AOM No. 2022-004(21) TBWD	Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as Electricity Expenses (P8,537,961.83) and Fuel, Oil and Lubricants Expenses (P138,539.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expenses, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.	We recommend the Management to: <ul style="list-style-type: none"> • direct the Accounting Processor to prepare the necessary adjusting entries for the current year's erroneous recording of these expenses to reclassify them to their appropriate accounts; • instruct the Accounting Processor to prospectively record these transactions in the correct expense account classification; and • comply with and implement the provisions of COA Circular No. 2015-010 							

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			
		dated December 1, 2015 on the adoption of Revised Chart of Accounts for government corporations.							
AOM No. 2022-005(21) TBWD	The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that adversely affected the assets' verifiability as to existence, condition, and accountability.	<p>We recommend the management to:</p> <ul style="list-style-type: none"> • Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances. • If possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate 							

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			
		implementation of the physical count.							
AOM No. 2022-006(21) TBWD	Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified.	We recommend that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.							
AOM No. 2022-007(21) TBWD	Past Due and Dormant Accounts Receivable accounts aging two to more than ten years amounting P922,620.67 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.	We recommend that Management: <ul style="list-style-type: none"> • Exert efforts to collect the receivables thru demand letters; • Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and 							

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			
		<ul style="list-style-type: none"> File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016. 							

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

Agency Sign-off:

Mr. GEOVANNI A. HERA
General Manager

Date: _____



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

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

February 22, 2022

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

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of the **Tubod-Baroy Water District**, Tubod, Lanao del Norte for the year ended December 31, 2021.

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

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

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

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor



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

OFFICE OF THE AUDIT TEAM LEADER

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

February 21, 2022

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 an audit on the accounts and operations of **Tubod-Baroy Water District**, Tubod, Lanao del Norte, for the year ended December 31, 2021.

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

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

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

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,

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

FATIMAH SUZZANE A. DISAMBURUN

State Auditor III

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, 2021

EXECUTIVE SUMMARY

A. Introduction

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

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

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

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

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 5,135 households served as of December 31, 2021.

The District has the following Objectives:

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

The powers, privileges and duties of the District are exercised and performed by the through the Board of Directors but the executive, administrative and ministerial power is delegated to the management. It has five (5) members who are appointed by the Provincial Governor. The policy-making body composed of the following:

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

B. Financial Highlights

Financial Condition

As of December 31, 2021, TBWD has reached total Assets of ₱52.6 million, total liabilities of ₱13.4 million and total Equities of ₱39.1 million, details of which as follows:

	2021	2020	2021 vs. 2020 Increase/(Decrease)	
			Amount	Percentage
Assets	₱ 52,616,166.96	₱ 48,960,854.61	₱ 3,655,312.35	7.46%
Liabilities	₱ 13,438,993.83	₱ 16,309,065.62	₱ (2,870,071.79)	(17.59%)
Equities	₱ 39,177,173.13	₱ 32,651,788.99	₱ 6,525,384.14	19.98%

Results of Operation

The operation of TBWD for CY2021 yielded an overall net income of ₱7.01 million pesos as a net of sales revenue of ₱33.9 million and expenses of ₱26.9 million pesos.

	2021	2020	2021 vs. 2020 Increase/(Decrease)	
			Amount	Percentage
Sales	₱ 35,840,624.64	₱ 33,539,615.32	₱ 2,301,009.32	6.86%
Expenses	₱ 26,771,526.55	₱ 25,459,110.85	₱ 1,312,415.70	5.15%
Net Income	₱ 7,013,094.36	₱ 6,844,431.27	₱ 168,663.09	2.46%

C. Scope of Audit

The audit covered the examination of the accounts and operations of Tubod-Baroy Water District, Tubod, Lanao del Norte for the period January 1 to December 31, 2021. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

D. Independent Auditor's Report on the Financial Statements

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

1. The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.

2. The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that adversely affected the assets' verifiability as to existence, condition, and accountability.
3. Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as Electricity Expenses (P8,537,961.83) and Fuel, Oil and Lubricants Expenses (P138,539.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expenses, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.

E. Summary of Significant Observations and Recommendations

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

1. **The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121)**

We recommended that We recommend that the Management require the DRRM Officer to:

- a. formulate and implement programs and activities intended to address Disaster Risk Reduction and Management that are doable even with the current pandemic; and
- b. coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community

2. **Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.**

We recommended that We recommend the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001

3. **Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified.**

We recommended that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.

4. **Past Due and Dormant Accounts Receivable accounts aging two to more than ten years amounting P922,620.67 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.**

We recommended that Management:

- a. Exert efforts to collect the receivables thru demand letters;
- b. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and
- c. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.

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

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

G. Status of Implementation of Prior Years' Audit Recommendations

Of the eleven (11) audit recommendations presented in prior year's Annual Audit Report, three (3) were fully implemented, seven (7) were partially implemented, and one (1) was not implemented.

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**PART I –
AUDITED FINANCIAL STATEMENTS**



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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Modified-Qualified Opinion

We have audited the financial statements of the **Tubod-Baroy Water District**, Tubod Lanao del Norte which comprise the Statement of Financial Position as of December 31, 2021, 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 of December 31, 2021, and of its comprehensive income and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards. (PFRS).

Bases for Modified-Qualified Opinion

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered due to the following:

1. The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.
2. The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that adversely affected the assets' verifiability as to existence, condition, and accountability.
3. Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as Electricity Expenses (P8,537,961.83) and Fuel, Oil and Lubricants Expenses (P138,539.00) in the Statement of Comprehensive Income

instead of Generation, Transmission and Distribution Expenses, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.

We 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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of the financial statements.

COMMISSION ON AUDIT

BY:


CECILIA A. PONTILLAS
State Auditor
Supervising Auditor

February 22, 2022



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

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of the **Tubod-Baroy Water District, Tubod, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2021, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstance.

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

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

ANDRIAL C. KWAN
Chairman of the Board
Date: February 14, 2022

GAY L. BONTUYAN
Accounting Processor A
Date: February 14, 2022

GEOVANNI A. HERA
General Manager

Date: February 14, 2022



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021**

ASSETS	NOTE	2021	2020
Current Assets			
Cash and Cash Equivalents	1	₱ 7,945,001.95	₱ 6,541,796.41
Receivables	2	3,387,621.26	3,720,481.61
Inventories	3	3,532,066.29	3,951,593.81
Total Current Assets		₱ 14,864,689.50	₱ 14,213,871.83
Non-Current Assets			
Receivables		₱ 898,084.40	898,084.40
Property, Plant and Equipment	4	36,603,101.86	33,689,038.72
Other Non-Current Assets		177,823.21	78,303.21
Intangible Assets		72,467.99	81,556.45
Total Non-Current Assets		₱ 37,751,477.46	₱ 34,746,982.78
TOTAL ASSETS		₱ 52,616,166.96	₱ 48,960,854.61
LIABILITIES			
Current Liabilities			
Financial Liabilities	5	₱ 3,109,720.46	₱ 4,298,110.07
Inter-Agency Payables	6	91,159.80	626,957.96
Total Current Liabilities		₱ 3,200,880.26	₱ 4,925,068.03
Non-Current Liabilities			
Financial Liabilities	7	₱ 6,885,052.40	₱ 8,339,234.40
Provisions	8	3,353,061.17	3,044,763.19
Total Non-Current Liabilities		₱ 10,238,113.57	₱ 11,383,997.59
TOTAL LIABILITIES		₱ 13,438,993.83	₱ 16,309,065.62
EQUITY			
Government Equity			
Government Equity		₱	₱ 0.00
Retained Earnings/(Deficit)		39,177,173.13	32,651,788.99
TOTAL EQUITY		₱ 39,177,173.13	₱ 32,651,788.99
TOTAL LIABILITIES AND EQUITY		₱ 52,616,166.96	₱ 48,960,854.61

(See Accompanying Notes to Financial Statements)



TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
Income			
Service and Business Income	9	P 35,510,624.64	P 33,539,615.32
Shares, Donations and Grants		330,000.00	
Total Income		P 35,840,624.64	P 33,539,615.32
Expenses			
Personnel Services	10	P 11,060,044.46	P 12,223,764.54
Maintenance and Other Operating Expenses	11	13,414,334.28	10,817,676.23
Financial Expenses	12	452,708.00	548,853.00
Direct Costs		1,844,439.81	1,868,817.08
Non-Cash Expenses	13	2,056,003.73	1,236,073.20
Total Expenses		P 28,827,530.28	P 26,695,184.05
Profit/(Loss) Before Tax		P 7,013,094.36	P 6,844,431.27
Income Tax Expense/(Benefit)			0.00
Profit/(Loss) After Tax		P 7,013,094.36	P 6,844,431.27
Net Assistance/Subsidy/ (Financial Assistance/Subsidy /Contribution)		P 0.00	P 0.00
Net Income/(Loss)		P 7,013,094.36	P 6,844,431.27
Other Comprehensive Income/(Loss) for the Period		P 0.00	P 0.00
Comprehensive Income/(Loss)		P 7,013,094.36	P 6,844,431.27

(See Accompanying Notes to Financial Statements)



**TUBOD-BAROY WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
Balance at January 1, 2020	P 24,698,811.93	P 236,659.00	P 24,935,470.93
ADJUSTMENTS:			
Add/(Deduct):			
Prior Period Errors	P 0.00	P 0.00	P 0.00
Other Adjustments	0.00	0.00	0.00
RESTATED BAL. AT JANUARY 31, 2020	P 24,698,811.93	P 236,659.00	P 24,935,470.93
CHANGES IN EQUITY FOR 2020			
Add/(Deduct):	P 0.00	P 0.00	P 0.00
Comprehensive Income for the year	6,844,431.27	0.00	6,844,431.27
Other Adjustments	871,886.79	0.00	871,886.79
BALANCE AT DECEMBER 31, 2020	P 32,415,129.99	P 236,659.00	P 32,651,788.99
CHANGES IN EQUITY FOR 2021			
Add/(Deduct):			
Donated Income	P 0.00	P 0.00	P 0.00
Comprehensive Income for the year	7,013,094.36	0.00	7,013,094.36
Other Adjustments	(487,710.22)	0.00	(487,710.22)
BALANCE AT DECEMBER 31, 2021	P 38,940,514.13	P 236,659.00	P 39,177,173.13



**TUBOD-BAROY WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services		
Collection of Income/Revenue	P 33,648,894.23	P 30,679,296.31
Collection of Receivables	2,929,768.27 -	2,218,549.44
Other Receipts	76,059.54	33,528.00
Total Cash Inflows	P 36,654,722.04	P 32,931,373.75
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 36,654,722.04	P 32,931,373.75
Cash Outflows		
Payment of Expenses	P 23,940,443.79	P 21,370,820.82
Purchase of Inventories	5,471,648.68	5,934,461.72
Payments of Accounts Payable	2,293,620.91	599,694.65
Other Disbursements	-	270,153.15
Total Cash Outflows	P (31,705,713.38)	P (28,175,130.34)
Adjustments	0.00	0.00
Adjusted Cash Outflows	P (31,705,713.38)	P (28,175,130.34)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	P 4,949,008.66	P 4,756,243.41
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	P 0.00	P 0.00
Total Cash Inflows	P 0.00	P 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	P 1,639,663.12	P 4,363,666.91
Total Cash Outflows	P 1,639,663.12	P 4,363,666.91
Adjustments	P 0.00	P 0.00
Adjusted Cash Outflows	P 1,639,663.12	P 4,363,666.91

NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	P (1,639,663.12)	P (4,363,666.91)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Financing Activities	P 0.00	P 0.00
Total Cash Inflows	P 0.00	P 0.00
Adjustments	P 0.00	P 0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Payment of Long-Term Liabilities	P 1,454,182.00	P 1,348,195.00
Payment of Interest on Loans and Other Financial Charges	451,958.00	557,945.00
Total Cash Outflows	P 1,906,140.00	P 1,906,140.00
Adjustments	P	P 0.00
Adjusted Cash Outflows	P 1,906,140.00	P 1,906,140.00
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	P (1,906,140.00)	P (1,906,140.00)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	P 1,403,205.54	P 1,513,563.50
Effects of Exchange Rate Changes on Cash and Cash Equivalents	P 0.00	P 0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	P 6,541,796.41	P 8,055,359.91
CASH AND CASH EQUIVALENTS, DECEMBER 31	P 7,945,001.95	P 6,541,796.41



TUBOD-BAROY WATER DISTRICT NOTES TO FINANCIAL STATEMENTS

I. Brief Historical Background:

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

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

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

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

TBWD primarily provides adequate, safe, potable and affordable water to its concessionaires within Tubod and Baroy, LDN area with a total of 4,840 households served as of December 31, 2020.

The District has the following Objectives:

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

The powers, privileges and duties of the District are exercised and performed by the through the Board of Directors but the executive, administrative and ministerial power is delegated to the management. It has five (5) members who are appointed by the Provincial Governor.

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

Chairman	- Mr. Andrial C. Kwan
Vice-Chairman	- Ms. Aurora A. Zorilla
Secretary	- Ms. Evangeline M. Codilla
Member	- Mr. Roldan Jonathan R. Gayta
Member	- Mr. Demothenes G. Secuya

Financial and Operational & Highlights for CY 2021

As of December 31, 2021, TBWD has reached ₱52.6 million, total liabilities of ₱13.4 million and Equities that amounted to ₱39.1 million:

	2021	2020	2021 vs. 2020 Increase/(Decrease)	
			Amount	Percentage
Assets	₱ 52,616,166.96	₱ 48,960,854.61	₱ 3,655,312.35	7.47%
Liabilities	₱ 13,438,993.83	₱ 16,309,065.62	₱ (2,870,071.79)	(17.60%)
Equities	₱ 39,177,173.13	₱ 32,651,788.99	₱ 6,525,384.14	19.98%

Results of Operation

The operation of TBWD for CY2021 yielded to overall net income of ₱7.01 million pesos as a net of sales revenue of ₱33.9 million and expenses of ₱26.9 million pesos.

	2021	2020	2021 vs. 2020 Increase/(Decrease)	
			Amount	Percentage
Sales	₱ 33,996,184.83	₱ 31,640,491.09	₱ 2,355,693.74	7.45%
Expenses	₱ 26,983,090.47	₱ 24,796,059.82	₱ 2,187,030.65	8.82%
Net Income	₱ 7,013,094.36	₱ 6,844,431.27	₱ 168,663.09	2.46%

Cash Flows

Comparative **net cash outflow** of the District for CY2021 amounted to Php1,463,546.70. With the cash beginning of Php6,481,455.25 the 2021 year-end cash in bank resulted to a net balance of Php7,945,001.95.

Summary of Cash in Bank:

Cash –C.O.	₱	71,941.50
Cash in Bank - 0802-1037-86(General Fund)		5,526,757.30
Cash in Bank - 0801-0300-41(JSA)		1,446,111.14
Cash in Bank - 0801-1157-21(Trust fund)		900,192.01
TOTAL	₱	7,945,001.95

I. Summary of Significant Accounting Policies:

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

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

Property, Plant and Equipment is carried at cost minus salvage at 10% of the cost of the property. Capital Asset are depreciated using straight line method based on the estimated useful life ranging from five (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003, and depreciation starts on the second month after purchase of the property, plant and equipment. Donated asset is recorded at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the asset value or materially extend to the useful lives of an asset are not capitalized.

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

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

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

Note 1. Cash and Cash Equivalents

Cash and cash equivalents include cash in bank deposits to be used in the operation of the water district, Trust Fund created for the employees' Retirement Benefits, Reserve fund of TBWD & LWUA as per MOU for loans availed and cash on hand in the possession of the district Collecting Officer was due to closed Petty cash revolving fund and liquidation of Cashier that were issued official receipts in December 2021.

Bank balance as of December 31, 2021 was verified per bank statements and the cash accounts consist of the following:

Particulars	2021	2020
Cash- Collecting Officer	₱ 71,941.50	₱ 7.84
Cash in Bank- (Project Fund)	-	-
Cash in Bank - LCCA	5,526,757.30	4,356,394.06
Cash in Bank -LCSA (Trust Fund)	900,192.01	799,853.69
Cash in Bank - LCSA (JSA)	1,446,111.14	1,385,540.82
TOTAL	₱ 7,945,001.95	₱ 6,541,796.41

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, 2021, this account is composed of receivables from customers as listed below.

Particulars	2021	2020
Accounts Receivable- Customer	P 3,675,225.19	P 4,103,378.86
Accounts Receivable- WMF	305,695.33	259,609.40
Receivables- Disallowances	241,496.95	272,789.70
Accounts Receivable –Others	318,258.66	173,018.38
Due from Officers and Employees	1,010.00	(7,520.12)
Total Current Receivable	P 4,541,686.13	P 4,801,256.22
Less: Allow. for impairment- A/R	(1,154,064.87)	(1,080,794.61)
Net Accounts Receivable	P 3,387,621.26	P 3,720,481.61

Note 3. Inventories

This account consists of unissued materials and supplies which are kept in stock for future use in the operations of the district. Inventory accounts are carried in the books at cost net of spoilage, obsolescence and damaged items. Inventories consist of expendable supplies or materials held for consumption stated on a first-in, first out basis. They are reported at cost which is recorded as expenditure at the time individual inventory items are used. These are grouped into Office Supplies Inventory, Accountable Forms and Materials Inventory.

Particulars	2021	2020
Merchandise Inventory	P 1,626,954.05	P 1,916,300.50
Accountable Forms Inventory	32,125.00	26,425.00
Office Supplies Inventory	66,836.34	57,606.56
Fuel, Oil & Lubricant Inventory	10,708.20	10,708.20
Chemical & Filtering Supply Inv.	185,332.04	47,832.04
Plant Inventory	1,610,110.66	1,792,721.51
TOTAL	P 3,532,066.29	P 3,951,593.81

Note 4 - Property, Plant and Equipment

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

Particulars	Cost	Accumulated Depreciation	Balance
Property, Plant and Equipment	P55,149,504.46	P18,473,934.61	P36,675,569.85
1 06 01 Land	3,281,659		3,281,659
1 06 02 Land Improvement	-	-	-
1 06 03 Infrastructure Assets	48,951,855.72	17,083,724.88	31,868,130.84
1 06 04 Building and Other Structures			-
1 06 05 Machinery and Equipment			-
1 06 06 Transportation Equipment	1,302,007.73	445,157.95	856,849.78
1 06 07 Furniture, Fixtures and Books	1,465,482.01	869,019.77	596,462.24

Particulars		Cost	Accumulated Depreciation	Balance
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	3,845,199.60		3,845,199.60
1 08 01	Computer Software	110,000.00		40,333.08
1 08 01	Websites	38,500.00		32,134.91

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

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

Note 5. Current Financial Liabilities

The Accounts Payable consists of TBWD's liabilities to suppliers in the amount of Php3,109,720.46

Name	Date Granted	Amount	Amount Due (In Pesos)			
			Less than 30 days	31-60 days	61-365 days	Over 1 year
Arvin Rodrigo	12/29/2020	₱468,386.78	-	-		₱30,225.00
Bureau of Internal Revenue	12/29/2021	197,711.93	197,711.93			
COA	09/15/2020					455,096.59
CAMLAN Corporation	12/29/2021	170,358.10	170,358.10			
Constech Asia Corporation	11/20/2021	248,303.00		248,303.00		
FMV Drilling and Sales &	09/28/2021	830,000.00			830,000.00	
GLOBE TELECOM	12/29/2021	884.76	884.76			
GSIS	12/29/2021	289,483.19	289,483.19			
Jessel & Jojo Trading	12/01/2021	3,987.00	3,987.00			
LANECO	12/29/2021	169,430.93	169,430.93			
Mie Oro Plast Corp	11/16/2021	182,450.00		182,450.00		
Mie Oro Plast Corp	12/01/2021	81,306.00	81,306.00			
Mindanao Lab Services	12/01/2021	37,500.00	37,500.00			
PAG-IBIG	12/29/2021	20,647.46	20,647.46			

Name	Date Granted	Amount	Amount Due (In Pesos)			
			Less than 30 days	31-60 days	61-365 days	Over 1 year
PHILHEALTH	12/29/2021	14,385.24	14,385.24			
Provincial Gov't of LDN	12/29/2021	12,815.69	12,815.69			
Seam Tech Electronics	10/29/2021	54,300.00			54,300.00	
SSS	12/29/2021	17,075.38	17,075.38			
Summit Deepwell	12/29/2021	293,000.00				293,000.00
TBWD	03/30/2021	750.19				750.19
TOTALS		₱3,109,720.46	₱1,015,585.68	₱430,763.00	₱884,300.00	₱779,071.78

Note 6. Current Inter-Agency Payables

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

Particulars	2021	2020
Due to BIR	₱ 81,027.61	₱ 277,263.62
Due to GSIS	14,382.42	303,786.72
Due to Pag-ibig	(3,700.76)	20,043.15
Due to Philhealth	(429.47)	14,933.34
Due to SSS	(120.00)	10,931.13
Total	₱ 91,159.80	₱ 626,957.96

Note 7. Non-current Financial Liabilities

The District availed a long-term loan with LWUA. The principal and interest of the regular loan portion have monthly amortization of ₱158,845.00. Loan Account No. 3-305 RL will end amortization on December 2023, LA#3-305 SL will be amortized until December 2023, LA#3-732 RL will be amortized until September 2025, LA#4-2374 RL will end amortization on April 2024 and LA#4-2723 RL will end on December 2038, LA#4-2723 RL will end in November 2039. As of December 31, 2021, the outstanding LWUA loan balance is ₱7,105,163.39 with a difference of 220,110.49 compared to LWUA amortization schedules due to Engineering studies which was automatically deducted by LWUA from the net proceeds upon the release of loan account # LA 4-273RL. The loan was paid in accordance with the amortization schedule, thus, no penalties were imposed for delayed or non-payment.

Loan ID	Interest Rates		New Monthly Amortization	Outstanding Balance per LWUA	
	Old	New		2021	2020
3-732 RL	10.50%	8.20%	₱ 15,970.00	₱ 616,900.99	₱ 751,884.99
3-305 SL	10.50%	8.20%	38,149.00	841,861.92	1,213,886.92
3-305 RL	10.50%	8.20%	40,921.00	902,965.37	1,302,028.37

Loan ID	Interest Rates		New Monthly Amortization	Outstanding Balance per LWUA	
	Old	New		2021	2020
4-2374 RL	12.50%	8.20%	41,621.00	1,057,358.61	1,452,343.61
4-2723 RL	3%		22,184.00	3,686,076.50	3,987,807.50
Non-current financial liabilities			₱ 158,845.00	₱ 7,105,163.39	₱ 8,559,345.39

Note 8. Provisions

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

Particulars	2021	2020
Leave Benefits Payable	₱ 3,353,061.17	₱ 3,044,763.19
Other Provisions	-	671,000.00
Total Provisions	₱ 3,353,061.17	₱ 4,298,110.07

Note 9. Service and Business Income

Particulars	2021	2020
Registration Fees	₱ 802,152.05	₱ 734,304.48
Water works system fees	31,737,828.45	29,966,425.73
Income from Printing & Pub	-	15,000.00
Sales Revenue	2,158,446.50	2,116,324.00
Fines and Penalties	830,286.22	698,109.36
Interest Income	3,057.39	4,817.71
Other Business Income	2,337.75	3,634.04
Income from Donations in Kind	330,000.00	
Less: <i>Sales Discounts</i>	(23,483.72)	(30,307.15)
TOTAL INCOME	₱ 35,840,624.64	₱ 33,509,308.17

Note 10. Personnel Services

Particulars	2021	2020
Salaries & Wages- Regular	₱ 5,367,761.01	₱ 5,434,098.62
Sal & Wages-Casual	1,569,191.48	1,436,387.42
Personnel Econ. Relief Allow.	621,000.00	641,000.00
Representation Allowance	90,000.00	90,000.00
Transportation Allowance TA	105,447.00	103,184.00
Clothing Allowance	156,000.00	186,000.00
Overtime & Night Pay	269,029.68	284,488.02
Year End Bonus	726,080.00	1,033,600.00
Cash Gift	-	131,000.00

Particulars	2021	2020
Retirement and Life Insurance	749,422.56	752,307.84
Pag-ibig Contributions	30,900.00	32,300.00
Philhealth Contributions	84,677.95	88,200.09
Emp. Compensation Insurance Cont.	30,900.00	32,300.00
Hazard Pay	-	141,000.00
Terminal Leave Benefits	602,169.03	633,717.70
Other Bonuses and Allowances	657,465.75	1,204,180.85
Total Personnel Services	₱ 11,060,044.46	₱ 12,223,764.54

Note 11. Maintenance and Other Operating Expenses

Particulars	2021	2020
Travelling Expenses-Local	₱ 139,499.21	₱ 192,040.60
Training Expenses	9,100.00	6,200.00
Office Supplies Expense	151,141.70	139,770.91
Accountable Forms Expense	114,300.00	104,700.00
Fuel, Oil, and Lubricants	321,753.05	178,387.87
Chemicals & Filtering	383,882.00	525,117.00
Electricity Expenses	8,610,060.92	7,676,252.95
Other Utility Expense	150,043.30	67,787.71
Postage and courier Services	18,787.17	11,804.53
Telephone Expense	29,968.65	37,834.45
Internet Expense	15,095.82	12,987.13
Cable, Satellite, Telephone & Radio Expense	6,183.57	5,187.00
Survey Expense	-	10,684.21
Gen Trans & Distribution Expenses	1,915,123.41	561,025.24
Extraordinary & Misc. Expenses	44,364.98	27,051.25
Legal Expense	1,530.00	18,851.05
Auditing Services	-	15,375.00
Other Professional Services	-	26,250.00
Other General Services	-	500.00
Repairs & Maintenance- Infra Asset	43,749.33	27,422.00
Repairs & Maint. - Bldg. & Other Structure	160.00	3,317.00
Repairs & Maintenance- Transportation. Equip	71,426.00	53,971.56
Repairs & Maintenance- Furniture & Fixtures	6,454.00	25,272.75
Repairs & Maintenance - Other PPE	38,992.50	2,722.00
Taxes, Duties & Licenses Expense	677,768.09	497,635.84
Fidelity Bond Premiums	15,690.00	22,380.00
Insurance Expense	23,470.35	14,838.25
Labor & Wages	28,800.00	21,000.00
Advertising, Promo & Marketing Expense	-	-

Particulars	2021	2020
Printing & Pub. Expense	480.00	2,830.00
Representation Expense	207,082.23	153,462.00
Transportation & Delivery Expenses	-	-
Rent/Lease Expense	165,920.00	158,066.18
Membership Dues & Contribution to Org.	1,500.00	10,075.75
Subscriptions Expense	-	-
Directors & Comm. Member's Fee	199,008.00	201,876.00
Donations	5,000.00	5,000.00
TOTAL MOOE	P 13,414,334.28	P 10,817,676.23

Note 12. Financial Expenses

Particulars	2021	2020
Interest Expenses	P 451,958.00	P 548,633.00
Bank charges	750.00	220.00
TOTAL FINANCIAL EXP	P 452,708.00	P 548,853.00

Note 13. Non-cash Expenses

Particulars	2021	2020
Depreciation –Infra Asset	P 1,685,927.40	P 925,512.38
Depreciation –Transp. Equipment	92,659.20	76,878.36
Depreciation - F/F, books	120,282.12	110,093.39
Depreciation - Other PPE	23,678.04	9,986.46
Amortization-Intangible Asset	9,088.44	9,088.44
Impairment Loss- Loans & Rec.	73,270.26	74,207.02
Total NON-CASH EXPENSES	P 2,004,905.48	P 1,205,766.05

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. AUDIT QUALIFICATIONS/FINANCIAL AUDIT OBSERVATIONS

1. **The Cash in Bank in the amount of P7,873,060.45 could not be ascertained as to its accuracy and correctness due to the delayed submission of monthly Bank Reconciliation Statements (BRS) including supporting documents contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.**

Section 74 of P.D 1445 states that *"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 reconciliation is made between the balance shown in the reports and the balance found in the books of the agency."*

Similarly, Section 5, Chapter 21 of the GAM Volume I provides that: *"The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies."*

In addition, Section 7 thereof requires that the Chief Accountant shall submit the Bank Reconciliation Statement (BRS) within twenty days after the receipt of the monthly BS to the Head of the Agency and the COA Auditor, with all the supporting documents and journal entry vouchers.

Verification of Cash in Bank balance in the amount of P7,873,060.45 showed that the Accounting Processor has submitted BRS only up to September 2021. The agency maintains three (3) bank accounts serviced by Land Bank of the Philippines- Tubod Branch with Current Account Nos. 0802-1037-86 (General Fund), 0801-0300-41 (JSA), and 0801-1157-21 (Trust Fund).

Upon interview with the Accounting Processor, she stated that she has prepared BRS promptly but was not able to submit the same to the Audit Team promptly because it is their practice to submit reports quarterly.

BRS provides the necessary control mechanism to help protect cash from unauthorized transactions by uncovering irregularities. It helps management in identification of errors in the accounting records and the bank's records. It also helps in the regular monitoring of cash flows. The management was not able to attain these objectives and purposes primarily because there was no preparation of BRS on a regular monthly basis as required by COA Rules. It has also constrained our verification of the Cash in Bank- Local Currency balance as presented in the Financial Statement, thus casting doubt as to its accuracy.

Recommendation/s:

We recommended that the management require its accounting personnel to prepare and submit the BRS not submitted to the Audit Team. Moreover, to submit future BRS within

twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor for Auditor's verification.

Management Comment:

The Management adhered to the audit recommendations. The unsubmitted BRS for CY 2021 were already submitted. The personnel in charge also assured to regularly and promptly submit BRS.

2. **Past Due and Dormant Accounts Receivable accounts aging two to more than ten years amounting P922,620.67 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.**

Paragraph 15 of PAS 1 states that:

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

Also, paragraph 58 of PAS 39 provides that "[a]n entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss."

Paragraph 63 states that if there is objective evidence that an impairment on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss.

Moreover, Item 7.1 of COA Circular No. 2016-005 dated December 19, 2016, provides that "[t]he Accountant shall conduct regular and periodic verification, analysis and validation of the existence of the receivables, xxx and determine the concerned debtors, xxx.)

On the other hand, PAS 1 provides that an entity is permitted to present some of its assets and liabilities using a current/non-current classification, and others in order of liquidity, when this provides information that is reliable and is more relevant.

Paragraph 66 of PAS 1 likewise states that an entity shall classify an asset as current when:

- a. *it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;*
- b. *it holds the asset primarily for the purpose of trading;*

- c. *it expects to realize the asset within twelve months after the reporting period; or*
- d. *the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.*

All other assets shall be classified as non-current.

Aging of Accounts Receivable as of December 31, 2021 showed that P922,620.67 out of P2,079,763.59 Accounts Receivable which constitutes 44% are aged from two (2) to more than ten (10) years.

During the inquiry, the Accounting Processor proffered that they are in the preparing for the writing-off of these dormant accounts. However, they are having difficulties in the collection of supporting documents for the write-off.

Considering the amount involved, Management should seriously consider exploring ways and means of collecting these accounts. As fiscal responsibility rests directly with the chief or head of the agency, he or the governing board is obliged to prudently exercise this assigned or imputed authority in the management of the agency's financial resources emphasizing on economical, efficient, effective, and adequate monitoring of the Accounts Receivable.

Recommendation/s:

We recommended that Management:

- a. Exert efforts to collect the receivables thru demand letters;
- b. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and
- c. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016.

Management Comment:

The Management made certain to implement the audit recommendation. They said they would issue demand letters for those receivables that are long overdue. Furthermore, they also said they would improve their collection practices in order to collect all their receivables.

- 3. **The Water District was not able to complete procedures enumerated in COA Circular No. 2020-006 for the one-time cleansing of its Property, Plant and Equipment account balance in the amount of P36,603,101.36 that adversely affected the assets' verifiability as to existence, condition, and accountability.**

COA Circular No. 2020-006 dated January 31, 2020 provides the guidelines and procedures in the conduct of physical count of property, plant and equipment (PPE), recognition of PPE items found at station, and disposition for non-existing/missing PPE, items, for the one-time cleansing of PPE account balances of government agencies to establish PPE balances that are verifiable as to existence, condition and accountability. Thus:

1. Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station. (Section 5.1)
2. The Head of the Agency shall create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Units of the agency. (Section 5.2)
3. The members of the Inventory Committee shall be temporarily relieved of all their regular duties to devote their full time in the conduct of the physical inventory taking until, the same is completed. (Section 5.3)
4. The entire inventory taking shall be witnessed by the Commission on Audit (COA) Auditor. The Audit Team Leader and/or any of his/her audit team members may be assigned for the purpose. (Section 5.4)
5. The Inventory Committee shall be responsible for the actual count to ascertain the existence, completeness and condition of all PPEs owned by the government agency. (Section 5.8)
6. In coordination with the Property Division/Unit, the Inventory Committee shall plan/strategize on how to conduct and complete the physical inventory within the prescribed period. It shall prepare a Physical Inventory Plan (PIP) containing, at the least, the specific assignments/duties of the Committee members, the cut-off date and a schedule specifying the dates and locations of the inventory taking activities from start up to the targeted completion of the physical inventory. (Section 5.9)
7. The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory taking activities. (Section 5.11)
8. Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPE. (Section 5.12)

The Water District's Property, Plant and Equipment account comprises 60.5% of its assets with net carrying value of P36,603,101.36 as of December 31, 2021. On January 19, 2021, management conducted physical inventory of all its property, plant and equipment. However, it was not as prescribed in the COA Circular No. 2020-006, such as:

- No PIP was made which the Inventory Committee should have followed;
- The date of Inventory was not the date of the report made;
- The recognition of PPE items found at station, and
- The disposition for non-existing, missing, and unserviceable PPE.

Hence, management was not able to come up with the complete reconciled balances to be considered as the correct balances of the water district's PPE. It must be noted that this observation is a reiteration of prior year's audit observation but not fully implemented by the District.

Physical inventory taking is mandatory to prove the recorded PPE's existence, completeness, and valuation. Through this process the Inventory Committee will be able to determine the real condition of the District's properties. They will be able to identify unserviceable and

obsolete properties before finally disposing the same. Moreover, properties that were already missing will be noted to determine early on the persons responsible. Only after the complete physical inventory-taking of the District's reported PPE can one ascertain the correctness of its valuation.

In view of the failure of the District to comply with the guidelines and procedures in the conduct of physical count of PPE for the one-time cleansing of PPE account balances of government agencies, the existence, completeness, and valuation of the PPE accounts in the Financial Statements cannot be ascertained.

Recommendation/s:

We recommended the management to:

- a. immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances; and
- b. if possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate implementation of the physical count.

Management Comment:

The Management agreed to abide with the audit recommendation. The General Manager instructed the Supply Officer to revisit the stated COA Circular and make necessary steps to faithfully comply with it.

4. **Power costs incurred in pumping stations amounting to P8,676,500.83 were erroneously recorded as *Electricity Expenses* (P8,537,961.83) and *Fuel, Oil and Lubricants Expenses* (P138,539.00) in the Statement of Comprehensive Income instead of *Generation, Transmission and Distribution Expenses*, causing misstatements in both expense accounts, contrary to COA Circular No. 2015-010 dated December 1, 2015.**

COA Circular No. 2015-010 dated December 1, 2015 identifies the need to revise the existing chart of accounts of Government-Owned and Controlled Corporations (GOCCs) to provide new accounts for the adoption of the Philippine Public Sector Accounting Standards (PPSAS), Philippine Financial Reporting Standards (PFRS), and Philippine Accounting Standards (PAS) to enhance the accountability and transparency of the financial reports and ensure comparability of financial statements.

In prescribing this new chart of accounts, the Commission on Audit (COA) acknowledges that a uniform chart of accounts for government corporations is essential to align their reportorial requirements with COA and other oversight bodies.

Annex A of the Circular explains in detail the account titles and codes to be used as well as an exhaustive description of each account to guide accountants of government corporations in determining which account a certain transaction should belong.

For comparison and better understanding, the following are elaborately described:

03 Supplies and Materials Expenses*Account Title:* Fuel, Oil and Lubricants Expenses*Account Number:* 50203090*Normal Balance:* Debit*Description:* This account is used to recognize the costs of fuel, oil and lubricants issued for use of government vehicles and other equipment in connection with government operations/projects. This account shall be closed to the Revenue and Expense Summary account.**04 Utility Expenses***Account Title:* Electricity Expenses*Account Number:* 50204020*Normal Balance:* Debit*Description:* This account is used to recognize the cost of electricity consumed in government operations/projects. This account shall be closed to the Revenue and Expense Summary account.**09 Generation, Transmission and Distribution Expenses***Account Title:* Generation, Transmission and Distribution Expenses*Account Number:* 50209010*Normal Balance:* Debit*Description:* This account is used to recognize the costs of generation, transmission and distribution of water, electricity, information/communications, power and other related services intended for sale and/or redistribution. This account shall be closed to the Revenue and Expense Summary account.

Audit of the Water District's expense account and review of its subsidiary ledger for CY 2021 revealed that the pumping power costs, consisting of both electricity and fuel costs in the total amount of P 8,676,500.83 were erroneously recorded as follows:

Period	Electricity Expenses	Fuel Expenses	Total Costs
January	P 528,492.43	P 37,917.00	P 566,409.43
February	687,799.94	8,852.00	696,651.94
March	703,797.93	9,411.00	713,208.93
April	681,465.99	18,376.00	699,841.99
May	674,700.40	8,840.00	683,540.40
June	669,616.44	9,162.00	678,778.44
July	680,704.34	4,611.00	685,315.34
August	723,402.62	4,526.00	727,928.62
September	741,552.62	9,124.00	750,676.62
October	765,048.62	14,894.40	779,943.02
November	839,565.43	6,412.80	845,978.23
December	841,815.02	6,412.80	848,227.82
Total	P 8,537,961.83	P 138,539.00	P 8,676,500.83

These pertain to the year-long consumption of electric and fuel in water pumping stations. Although these are electric and fuel costs per se, the more appropriate classification for them

is *Generation, Transmission and Distribution Expenses* because these are costs of generating, transmitting and distributing water intended for sale and/or redistribution while *Electricity Expenses* and *Fuel, Oil and Lubricants Expenses* accounts refer to those incurred for use in government operations/projects.

Interview with the Accounting Processor disclosed that these accounts have been used in the past years since her assumption of duty and that she was not aware of the distinction between the accounts.

Proper classification of expenses contributes to the fair presentation of the financial statements at reporting date. Not using the proper account classification would bring about misstatements of the proper accounts. It also poses a risk of interpreting financial data inaccurately. The treatment of these pumping power costs as electricity and fuel expenses gives the notion that administrative costs in the form of utility expenses are extremely high in Water Districts. Whereas if the proper account *Generation, Transmission and Distribution Expenses* is used, these will be considered as variable costs of selling and distributing water for public consumption and are matched with the revenue account in the period these are earned.

Recommendation/s:

We recommended the Management to:

- a. direct the Accounting Processor to prepare the necessary adjusting entries for the current year's erroneous recording of these expenses to reclassify them to their appropriate accounts;
- b. instruct the Accounting Processor to prospectively record these transactions in the correct expense account classification; and
- c. comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of Revised Chart of Accounts for government corporations.

Management Comment:

The Management admitted their lapses and assured to adhere with the audit recommendations. They have adjusted the erroneous accounting entries made in the previous months and committed to prospectively use the correct expense accounts.

5. **Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified.**

COA Circular No. 2015-004 prescribes for the guidelines and procedures on the submission of Year-End Financial Statements and Other Financial Reports/Schedules of the GOCCs starting FY 2014.

Section 3.1 states that the Chief Accountant/Head of Accounting Unit shall submit directly to the Government Accountancy Office (GAO), GAS, and to the Supervising Auditor (SA)/Audit Team Leader (ATL) concerned, the following year-end financial statements and other related

financial reports/schedules in accordance with the existing format and in printed and digital copies on or before February 14 of each year:

- Pre-closing Trial Balance
- Post-closing Trial Balance
- Comparative Detailed Statement of Financial Position
- Comparative Detailed Statement of Financial Performance
- Comparative Statement of Changes in Equity
- Comparative Statement of Cash Flows (Direct Method)
- Notes to Financial Statements
- Statement/Aging of Accounts Payable
- Statement/Aging of Accounts Receivable
- Breakdown of Domestic/Foreign Loans (indicate if guaranteed by the National Government)
- Schedule of Income Taxes Paid
- Schedule of Dividends Paid
- Schedule of Subsidies Received from National Government and other GOCCs
- Schedule of Fund Transfer from one agency to another agency/agencies and its utilization
- Summary of Discretionary, Representation, Extraordinary, Promotional, Confidential and Consultancy Expenses
- Roster of Membership of Governing Board
- Statement of Management Responsibilities

The Water District has submitted on time their Financial Statements but is incomplete. Only the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Notes to Financial Statements were submitted to the Audit Team.

Inquiry with the concerned official stated that she was not aware of the complete year-end financial statements and other related financial reports/schedules in accordance with the existing format. She was unacquainted to submit the complete required reports to the Audit team.

As a result of the non-submission of the required reports to COA impeded the immediate verification of the transactions that may need further analysis. Furthermore, the required audit of financial transactions and necessary audit decisions on the subject transactions as well as the validation on the proprietary, validity and accuracy of the account balances recorded in the books could not be immediately ascertained.

Recommendation/s:

We recommended that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.

Management Comment:

The Management thru the Accounting Processor committed to comply with the audit recommendation. She undertook to submit the lacking reports for the calendar year and to do so in the incoming years.

B. OTHER AUDIT OBSERVATIONS

6. **Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.**

PCW-DBM-NEDA Joint Memorandum Circular No. 2012-01 or the Guidelines on the Preparation of Annual Gender and Development Plans and Budgets (GPB) and Accomplishment Reports to Implement the Magna Carta of Women states that:

- 2.3 *Pursuant to the MCW and the General Appropriations Act (GAA, all government departments, including their attached agencies, offices bureaus, state university and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.*
- 3.2 *GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The PAPs in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan (WFP) of concerned offices or units within the agency or department.*
- 3.3 *The GAD budget, which is the cost of implementing the GAD plan shall form part of and is not in addition to the agencies' approved budget.*

Additionally, COA Circular 2014-001 dated March 18, 2014, prescribes the audit of GAD, stating in Section V the responsibility of the audited agency as follows:

"The audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days; from the receipt of the approved plan from the DILG/ PCW. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year."

Contrary to the forgoing, the Water District did not submit the copy of the GAD Plan and Budget for CY 2021 which would supposedly present the GAD issues identified. Similarly, GAD Accomplishment Report was not submitted to this office.

Inquiry with the Management revealed that they prepared GAD Plan and Budget but was not able to furnish copy to this office because they were not aware of said requirement. Likewise,

they were not able to prepare GAD Accomplishment Report because they were not able to implement any program due to Covid-19 pandemic.

Non- submission of GAD Plan and Budget prevented the Audit Team from determining gender issues identified were approved by LWUA/PCW and whether the gender issues had been fully addressed. Also, non-implementation of GAD projects, programs, and activities would put in vain the objective of the regulation which is to address gender issues.

Recommendation/s:

We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.

Management Comment:

The Management particularly the GAD Focal person noted the audit observation and promised to comply with the recommendation. He also undertook to submit the unsubmitted required reports to the Audit Team as soon as possible.

7. **The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121)**

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

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

Furthermore, Section 5, Rule 19 of the Implementing Rules and Regulations of RA 10121, also known as Philippine Disaster Risk Reduction and Management Act of 2010 states that:

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

Verification of the status of the Agency's compliance with the above-stated provisions disclosed that a Disaster Risk Reduction and Management (DRRM) Plan and Budget was prepared but was not submitted to the Audit Team. Moreover, the programs and activities in the said DRRM Plan and Budget were not implemented.

Upon inquiry with the focal person, it was known that programs and activities were not implemented due to Covid-19 pandemic.

DRRM Plan and Budget must include programs and activities regarding preparedness, mitigation, prevention, response, and rehabilitation before, during and after a disaster. Non-implementation of these programs and activities, including climate change adaptation and mitigation programs, for CY 2021 is contrary to cited laws. The Water District's role and contribution to disaster-resilient community has not been achieved. Additionally, it casts doubt on the capacity of the agency to prepare for and respond to national disasters and calamities, thus, increasing the risk not only to the agency but also to the community.

Recommendation/s:

We recommended that the Management require the DRRM Officer to:

- a. formulate and implement programs and activities intended to address Disaster Risk Reduction and Management that are doable even with the current pandemic; and
- b. coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community.

Management Comment:

The audit recommendation was well taken by the Management, principally, by the DRRM Officer. They agreed to incorporate the recommendation in the incoming year's DRRM Plan and Budget. They also committed to submit the required reports in the prescribed period.

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

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

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

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

E. D. STATUS OF NOTICE OF DISALLOWANCE, NOTICE OF SUSPENSION AND NOTICE OF CHARGE

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

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

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 CYs 2020 and 2019 AAR and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	Three (3)
Partially Implemented	Seven (7)
Not Implemented	One (1)

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2020 Finding No. 1	Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱29,319,004.23 in of doubtful validity.	We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.	Partially Implemented The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this CY.
AAR 2020 Finding No. 2	Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱3,951,593.81.	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.	Partially Implemented The Water District failed to faithfully comply with the procedures stated in the COA Circular.
AAR 2020 Finding No. 3	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱	We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire,	Partially Implemented The Management already

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.</p>	<p>earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.</p>	<p>submitted required documents to the GSIS and is waiting for a reply.</p>
<p>AAR 2020 Finding No. 4</p>	<p>Notices of Awards, Purchase Orders, Notices to Proceed and Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 6,103,990.62 have blank date of receipt by the suppliers thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).</p>	<p>We recommend that the date of receipt of Notices of Award, Purchase Orders and Notices to Proceed including its Inspection and Acceptance Reports should be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Indicate a reasonable period of delivery for suppliers located outside the District's locality.</p>	<p>Fully Implemented</p>
<p>AAR 2020 Finding No. 5</p>	<p>Delayed submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies.</p>	<p>We recommend that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001.</p>	<p>Partially Implemented Copies of POs were submitted but copies of Contracts were not.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR 2020 Finding No. 6	Liquidated Damages amounting to ₱13,168.07 was not imposed on purchases of goods, materials and supplies in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184) despite of late delivery.	We recommend that strict adherence to Section 3.1 and 3.2 of Annex D - Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184). Justify why liquidated damages were not deducted on late deliveries of goods supplies, and materials and why Notices of Disallowance should not be issued for these purchases.	Fully Implemented
AAR 2019 Finding No. 1	Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as mandated by Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱23,219,239.90 in of doubtful validity.	We recommended that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the accounting unit's Property Plant and Equipment Ledger Card (PPELC) and the Property and Supply unit's Property Card (PC) be conducted, and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.	Partially Implemented The Water District failed to faithfully comply with the procedures stated in the COA Circular. This finding is reiterated this CY.
AAR 2019 Finding No. 2	Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the accounting unit and Stock Cards maintained by the	Partially Implemented The Water District failed to faithfully comply with the procedures stated in the COA Circular.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,875,514.26.	Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II.	
AAR 2019 Finding No. 3	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value ₱ 26,908,581.93 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30 th day of April.	Partially Implemented The Management already submitted required documents to the GSIS and is waiting for a reply.
AAR 2019 Finding No. 4	The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to ₱919,407.18 contravenes Sec. 7 of the District's Water District Water Service Contract and unfavorably affects the Water District operations.	We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.	Not Implemented This observation is reiterated this CY.
AAR 2019 Finding No. 5	Water sales for the month of December 2019 amounting to P74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.	Fully Implemented