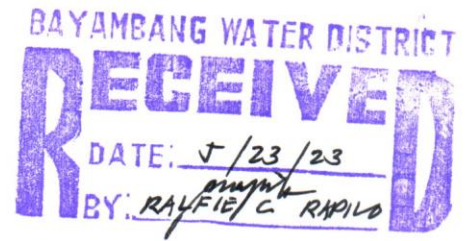




REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
City of San Fernando, La Union



April 13, 2023

**MR. MARLON T. NONATO**  
Chairman of the Board of Directors

**MR. FRANCIS J. FERNANDEZ**  
General Manager

Both of Bayambang Water District  
Bayambang, Pangasinan

**Dear Director Nonato and General Manager Fernandez:**

We are pleased to transmit the Annual Audit Report on the Bayambang Water District for the Calendar Year 2022, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

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

The audit observations together with the recommended courses of action, which were discussed with the concerned management officials and staff during the exit conference on March 21, 2023, are presented in detail in Part II of the report.

We request that the recommendations contained in the report be immediately implemented and we appreciate being informed of the action taken thereon within 60 days from receipt hereof pursuant to Section 97 of the General Provisions of the General Appropriations Act of Fiscal Year 2022 (Republic Act No. 11639), using the Agency

Action Plan and Status of Implementation (AAPSI) Form to be submitted to the Audit Team.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus, facilitating the submission of this report.

Very truly yours,

  
**TERESITA ALPAJARA**  
Regional Director

*Copy furnished:*

*President of the Republic of the Philippines*  
*Vice-President of the Republic of the Philippines*  
*President of the Senate*  
*Speaker of the House of Representatives*  
*Chairperson-Senate Finance Committee*  
*Chairperson-Appropriations Committee*  
*Secretary of the Department of Budget and Management*  
*Governance Commission of the Government-Owned and Controlled Corporations*  
*Presidential Management Staff, Office of the President*  
*National Library (soft copy)*  
*University of the Philippines (UP) Law Center (soft copy)*  
*COA Commission Central Library (soft copy)*

**BAYAMBANG WATER DISTRICT**  
**Bayambang, Pangasinan**

**AGENCY ACTION PLAN and**  
**STATUS of IMPLEMENTATION**  
**Audit Observations and Recommendations**  
**For the Calendar Year 2022**  
**As of \_\_\_\_\_**

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			

Agency Sign-off

\_\_\_\_\_  
 Name and Position of Accountable Officer

\_\_\_\_\_  
 Date

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



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
CORPORATE GOVERNMENT SECTOR  
WATER DISTRICTS AND OTHER STAND-ALONE AGENCIES  
Dagupan City

**Office of the Auditor – Audit Team No. 4**

**MEMORANDUM**

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

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

**DATE** : April 4, 2023

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Bayambang Water District (BAYWAD), Bayambang, Pangasinan for the year ended December 31, 2022.

The audit was conducted to ascertain the fairness of presentation of the financial statements and the propriety of financial transactions. We conducted the audit in accordance with generally accepted auditing standards and we believe that it provides a reasonable basis for the results of the audit. The audit was likewise aimed at determining whether the desired objectives were attained in an effective, efficient, and economical manner.

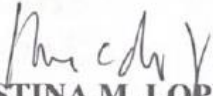
Our report consists of three parts. Part I is the audited financial statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference, and Part III presents the Status of Implementation by the Auditee of Prior Years' Audit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

There is a reason to believe that the financial statements are free from material misstatement/s and are prepared in accordance with generally accepted accounting principles.

In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of BAYWAD as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference on March 21, 2023. We are pleased to note their favorable reactions to our recommendations.

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

  
**CRISTINA M. LOPEZ**  
Audit Team Leader



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

# **ANNUAL AUDIT REPORT**

on the

**BAYAMBANG WATER DISTRICT**  
Bayambang, Pangasinan

**For the Year Ended December 31, 2022**

## EXECUTIVE SUMMARY

### A. INTRODUCTION

Bayambang Water District (BAYWAD) was created by virtue of Sangguniang Bayan Resolution No. 10 dated March 8, 1980 pursuant to Presidential Decree (PD) No. 198. It was then issued with Conditional Certificate of Conformance No. 119 on June 30, 1980 making it eligible to avail comprehensive assistance program from the Local Water Utilities Administration (LWUA).

Classified by LWUA as Category “C” effective March 2012, BAYWAD has a total of 14,109 active service connections which is composed of 12,291 concessionaires in the Municipality of Bayambang, 1,705 in the Municipality of Bautista, 87 in the Municipality of Malasiqui, and 26 in the Municipality of Basista. The Water District has 10 pumping stations located at the following:

- Zone V, Poblacion
- Sapang
- Beldet, Tamaro
- Mangayao
- Bacnono
- Tambac
- Nalsian Norte
- Tamaro
- Buenlag 2<sup>nd</sup>
- Buenlag 2<sup>nd</sup> Phase 2

BAYWAD is being led by General Manager (GM) Francis J. Fernandez who is duly assisted by 57 permanent and 2 Job-Order employees. Its policy-making body is its Board of Directors (BOD) headed by Dr. Francisco B. Zaragoza.

### B. OPERATIONAL HIGHLIGHTS

Consistent with its mission to deliver safe, adequate and affordable drinking water in every home and in any part of the Municipality of Bayambang, through a sustainable water resources development, the Water District reported the following accomplishments for Calendar Year (CY) 2022:

<b>Performance Indicator</b>	<b>2022</b>	<b>2021</b>
No. of total service connections	15,552	14,712
No. of active service connections	14,109	13,235
No. of service reconnections	1,904	2,333

### C. FINANCIAL HIGHLIGHTS

The financial position and the results of operation of BAYWAD for the year ended December 31, 2022, with the comparative figures for CY 2021 are presented as follows:

### C.1. Comparative Financial Position

For CY 2022, there was an increase of 1.22% in assets, an increase of 3.72% in liabilities and a decrease of 1.68% in equity, summarized as follows:

Particulars	Amount (₱)			Percentage Change
	2022	2021	Increase (Decrease)	
Assets	262,365,361.50	259,213,875.93	3,151,485.57	1.22
Liabilities	144,081,611.30	138,913,481.88	5,168,129.42	3.72
Equity	118,283,750.20	120,300,394.05	(2,016,643.85)	(1.68)

### C.2. Comparative Financial Performance

For CY 2022, the Water District posted an 81.67% decrease of net income tabulated as follows:

Particulars	Amount (₱)			Percentage Change
	2022	2021	Increase (Decrease)	
Income	100,114,368.36	97,194,681.12	2,919,687.24	3.00
Expenses	96,941,426.37	79,883,571.73	17,057,854.64	21.35
<b>Net Income</b>	<b>3,172,941.99</b>	<b>17,311,109.39</b>	<b>(14,138,167.40)</b>	<b>(81.67)</b>

### C.3. Summary of Total Budget and Disbursements

The Water District expended 30.88% of the total budget for CY 2022 presented as follows:

Particulars	Amount (₱)		Percentage of Utilization
	Budget	Utilization	
Personnel Services	39,887,633.21	26,155,629.83	65.57
Maintenance and Other Operating Expenses	82,678,103.79	54,092,104.92	65.42
Financial Expenses	13,112,613.66	11,496,015.13	87.67
Capital Expenditures	180,721,900.24	5,976,171.02	3.31
Total	316,400,250.90	97,719,920.90	30.88

## D. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of BAYWAD for the year ended December 31, 2022. The audit consisted of review of



the operating procedures, inspection of programs and projects, interview with concerned officials and employees, verification, reconciliation and analysis of accounts and such other procedures deemed necessary.

#### **E. INDEPENDENT AUDITOR'S OPINION**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2022 because of the following observations:

- Inadequate and incomplete details of subsidiary ledgers, absence of property records, and non-conduct of physical count of Property, Plant and Equipment (PPE) resulted in the difficulty in determining the accuracy and existence of several PPE accounts that only ₱263,615,494.60 were identified from the ₱325,739,531.66 total cost of PPE or a difference of ₱62,124,037.06, thus rendered the fair presentation of the financial statements doubtful; and
- The accuracy of the reported balance of Supplies and Materials for Water Systems Operations account amounting to ₱1,558,477.90 is doubtful due to the discrepancy of ₱1,855,534.12 between the accounting records and inventory report, hence affected the fair presentation of the financial statements.

#### **F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

Presented below are the observations with corresponding recommendations which were discussed with the concerned agency officials during the exit conference on March 21, 2023. Corresponding comments thereof are incorporated in Part II of the report, where appropriate:

1. Unserviceable properties and waste materials with undetermined amount remained undisposed for several years thus, these properties were exposed to deterioration due to wear and tear and may reduce their saleable values to the disadvantage of the Water District.

We recommended that the Management instruct the Appraisal and Disposal Committee to (a) conduct inventory, inspection and appraisal of unserviceable Semi-Expendable and PPE items, and waste materials; (b) prepare the Inventory and Inspection Report of Unserviceable Properties for Semi-Expendable and PPE items, and Inventory and Inspection Report of Waste Materials for waste materials and worn-out and obsolete spare parts; (c) request an inspection from COA; and (d) cause the immediate disposal of the unserviceable properties and waste materials through public auction or other appropriate modes of disposal in

accordance with the guidelines on divestment or disposal of assets of government-owned and/or controlled corporations, and their subsidiaries.

2. The Water District, despite exemption, paid permit fees to the National Water Resources Board (NWRB) in the total amount of ₱24,600.00, hence rendering the payment unauthorized.

We recommended that Management stop the payment of water permits and other fees to the NWRB.

3. The Water District did not continuously implement measures to collect receivables from inactive accounts which amounted to ₱3,759,217.11 as of December 31, 2022, thus increasing the risk of bad debts.

We recommended that Management continuously implement efforts to collect past due accounts receivables such as service of demand letters to all inactive accounts and constant visits to concessionaires.

4. The Water District's Non-Revenue Water (NRW) for CY 2022 is 23.60% which is above the maximum acceptable rate of 20%, hence, affected its operating and revenue generation efficiency, and a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the Water District.

We recommended that members of the BOD revisit the existing policies in reducing water losses and evaluate its efficiency and effectiveness; and that Management intensify NRW reduction strategies, such as replacement of old water meters and service lines and the conduct of a regular investigation of engineering aides on possible leakages to manage water losses.

Details of other observations and recommendations were discussed in Part II of the Report.

## **G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

The status of implementation of prior years' audit recommendations is presented below:

<b>Status</b>	<b>Prior Years' Audit Recommendations</b>	<b>Percentage of Implementation</b>
Implemented	5	23.81
Not Implemented	16	76.19
<b>Total</b>	<b>21</b>	<b>100.00</b>

## H. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The summary of audit suspensions, disallowances and charges of the Water District as of December 31, 2022 is presented as follows:

Particulars	Amount (₱)			
	Beginning Balance (12/31/2021)	CY 2022 Issuances		Ending Balance (12/31/2022)
		NS/ND/NC	NSSDC	
Suspensions	-	415,714.32	415,714.32	-
Disallowances	3,107,119.96	-	47,431.00	3,059,688.96
Charges	-	-	-	-
<b>Total</b>	<b>3,107,119.96</b>	<b>415,714.32</b>	<b>463,145.32</b>	<b>3,059,688.96</b>

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**PART I**

**AUDITED FINANCIAL STATEMENTS**



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

**Office of the Supervising Auditor**

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
**The General Manager**  
Bayambang Water District  
Bayambang, Pangasinan

**Qualified Opinion**

We have audited the financial statements of Bayambang Water District, Bayambang, Pangasinan which comprise the statement of financial position as of December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Bases for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Bayambang Water District as at December 31, 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Bases for Qualified Opinion**

As discussed in Part II of the report, the Auditor rendered a qualified opinion on the fairness of presentation of financial statements because of the following:

- Inadequate and incomplete details of subsidiary ledgers, absence of property records, and non-conduct of physical count of Property, Plant and Equipment (PPE) resulted in the difficulty in determining the accuracy and existence of several PPE accounts that only ₱263,615,494.60 were identified from the ₱325,739,531.66 total cost of PPE or a difference of ₱62,124,037.06, thus rendered the fair presentation of the financial statements doubtful; and
- The accuracy of the reported balance of Supplies and Materials for Water Systems Operations account amounting to ₱1,558,477.90 is doubtful due to the

discrepancy of ₱1,855,534.12 between the accounting records and inventory report, hence affected the fair presentation of the financial statements.

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

### **Key Audit Matters**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

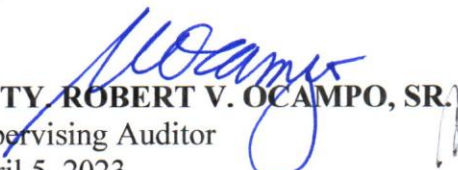
Those charged with governance are responsible for overseeing the Bayambang Water District financial reporting process.

### **Auditor's Responsibility**

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

### **COMMISSION ON AUDIT**

By:

  
**ATTY. ROBERT V. OCAMPO, SR.**  
Supervising Auditor  
April 5, 2023



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

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

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

  
**MARLON T. NONATO**  
*Chairman of the Board*

January 30, 2023  
Date Signed

  
**RALFIE C. RAPILO**  
*Sr. Corporate Accountant-A*

January 30, 2023  
Date Signed

  
**FRANCIS J. FERNANDEZ**  
*General Manager*

January 30, 2023  
Date Signed



## NOTES TO FINANCIAL STATEMENTS

### 1. Agency Profile

The water supply system of the Municipality of Bayambang was initially managed and operated by the Local Government of Bayambang. On March 8, 1980, through Sangguniang Bayan Resolution No. 10 authored by the former Municipal Councilor Calixto B. Camacho, BAYWAD was created.

The operations of the Water District started on October 5, 1979, pursuant to the provisions of the PD No. 198. The Water District is responsible for (a) acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such district, (b) providing, maintaining, and operating wastewater collection, treatment and disposal facilities, and (c) conducting such other functions and operations and incidental to water resource development, utilization and disposal within such district.

Classified by LWUA as Category “C” effective March 2012, the Water District has 14,109 active service connections as of December 31, 2022. BAYWAD has 57 performing employees under the stewardship of GM Francis J. Fernandez.

The policy-making body of BAYWAD is composed of the following representing the sector opposite their names:

Name	Position	Sector	Term of Office
Dr. Francisco B. Zaragoza	Chairman	Education	January 1, 2021 to December 31, 2026
Mr. Marlon T. Nonato	Vice-Chairman	Civic	January 1, 2019 to December 31, 2024
Dr. Nicolas O. Miguel	Board Secretary	Business	January 1, 2019 to December 31, 2022
Mrs. Agustina B. Bautista	Member	Women	August 23, 2021 to December 31, 2024
Mr. Bernardo C. Jimenez	Member	Professional	August 5, 2019 to December 31, 2022

The BAYWAD’s registered office is located at Ernesto J. Fernandez Building, Rizal Avenue corner Juan Luna, Zone II, Bayambang, Pangasinan.

### 2. Basis of Preparation of Financial Statements

The financial statements of the Water District for the year ended December 31, 2022 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The financial statements are presented in pesos, which is the functional and reporting currency of the Water District, except when otherwise stated.

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

#### **Basis of Accounting**

The financial statements were prepared on an accrual basis in accordance with the PFRS. Accounts were classified to conform to the Revised Chart of Accounts prescribed under COA Circular No. 2020-002 dated January 28, 2020.

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

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

#### **Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

The Water District uses the first in first out (FIFO) method for inventory costing. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Water District.

#### **Property, Plant and Equipment (PPE)**

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE. The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

The capitalization threshold is P50,000 as prescribed by COA Circular No. 2022-004 dated May 31, 2022.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition. The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the Water District recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

The straight-line method of depreciation is adopted and begins when the asset is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The residual value is equivalent to at least five percent (5%) of the cost of the PPE.

The Water District uses the Schedule on the Estimated Useful Life of PPE by classification prescribed by COA.

At each reporting date, the Water District assesses whether there is an indication that PPE may be impaired. In assessing whether there is any indication that an asset may be impaired, the Water District considers external and internal sources of information.

### **Intangible Assets**

Intangible asset is an identifiable non-monetary asset without physical substance.

An item is recognized as intangible asset, whether purchased or self-created (at cost) if, and only if it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Intangible assets are measured at cost.

Amortization begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management of the Water District.

The amortization method to be applied shall be the Straight-Line Method unless a pattern in which the asset's future economic benefits are expected to be consumed by the entity can be determined reliably.

**Income from Government Grants**

Government grants are recognized only when there is reasonable assurance that (a) the Water District will comply with any conditions attached to the grant and (b) the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Water District recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income.

**Changes in Accounting Policies and Estimates**

The Water District recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The Water District recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The Water District corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**Related Parties**

The Water District regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Water District or vice versa. Members of key management are regarded as related parties and comprise the BOD and General Manager.

**4. Cash and Cash Equivalent**

Account	2022	2021
<b>Cash on Hand</b>		
Cash-Collecting Officers	223,801.74	12,660.10
Petty Cash	6,854.60	7,931.80

Account	2022	2021
<b>Cash in Bank-Local Currency</b>		
Cash in Bank-Local Currency, Current	2,869,986.88	510,320.02
Cash in Bank-Local Currency, Savings	2,094,776.50	3,418,568.65
<b>Total Cash and Cash Equivalents</b>	<b>5,195,419.72</b>	<b>3,949,480.57</b>

**Cash on Hand** pertains to Petty Cash Fund in the amount of ₱10,000.00 that is operated under Imprest Fund System, and Cash Collecting Officer account, which refers to the collections of Accountable Officers that will be deposited on the following working day.

#### **Cash in Bank- Local Currency**

**Current Account** pertains to the current accounts maintained with the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) that are earning interest based on the prevailing bank deposit rates.

**Savings Account** pertains to the savings accounts in LBP and Rural Bank of Bayambang (RBB) that are earning interest based on the prevailing bank deposit rates. In a letter dated October 23, 2019, pursuant to Department of Finance (DOF) Circular No. 1-2017, the Water District was given authority by the DOF to maintain an account with the RBB.

#### **5. Receivables**

Account	2022	2021
<b>Loans and Receivable Accounts</b>		
Accounts Receivable	14,932,000.95	14,232,619.36
<i>Allowance for Impairment-Accounts Receivable</i>	(1,196,763.68)	(1,206,885.32)
<b>Net Value-Accounts Receivable</b>	<b>13,735,237.27</b>	<b>13,025,734.04</b>
<b>Other Receivables</b>		
Receivables-Disallowances/Charges	1,716,972.18	1,994,068.61
Due from Officers and Employees	11,918.77	46,125.68
<b>Total Receivables</b>	<b>15,464,128.22</b>	<b>15,065,928.33</b>

**Accounts Receivable (AR)** represents the amount due from customers arising from the water sales services.

**Allowance for Impairment - AR** account is credited upon recognition of impairment which may arise from non-collection of receivables. Basis on the computation is a policy approved by the BOD. Details of which are as follows:

Age	Amount of AR (₱)	% of Allowance	Allowance for Impairment Loss
0-60 days	10,813,919.16	-	-
61 days - 1 year	616,315.56	1	6,163.16
1 year up	3,501,766.23	34	1,190,600.52
		<b>Required Allowance</b>	<b><u>1,196,763.68</u></b>

**Receivables- Disallowances/Charges** pertains to expenses disallowed by COA supported with Notice of Finality of Decision or those Notices of Disallowance that were not appealed within 180 days.

**Due from Officers and Employees** pertains to receivables from employees other than those in Receivables-Disallowances/Charges.

## 6. Inventories

Account	2022	2021
<b>Inventory Held for Sale</b>		
Merchandise Inventory	-	839,633.92
<b>Inventory Held for Consumption</b>		
Office Supplies Inventory	53,888.38	75,647.93
Accountable Forms, Plates and Stickers Inventory	273,106.00	-
Medical, Dental and Laboratory Supplies Inventory	1,700.00	15,480.00
Chemical and Filtering Supplies Inventory	128,680.00	104,220.00
Supplies and Materials for Water Systems Operations	1,558,477.90	1,823,207.18
Housekeeping/Cleaning Supplies	8,698.50	-
<b>Total Inventory Held for Consumption</b>	<b><u>2,024,550.78</u></b>	<b><u>2,018,555.11</u></b>
<b>Total Inventories</b>	<b><u>2,024,550.78</u></b>	<b><u>2,858,189.03</u></b>

**Merchandise Inventory** represents the balance of inventories intended for sale to customers.

**Inventories Held for Consumption** represents the balance of inventories for consumption which includes materials for repairs and rehabilitation of transmission and distribution lines, supplies for pumping stations, and supplies for office use that remains with BAYWAD as of balance sheet date.

## 7. Prepayments

Account	2022	2021
Prepaid Insurance	47,694.63	11,459.27
Withholding Tax at Source	31,633.84	38,819.22
<b>Total Prepayments</b>	<b><u>79,328.47</u></b>	<b><u>50,278.49</u></b>

**Prepaid Insurance** represents the amount of insurance premiums paid but has not been expired as of balance sheet date.

**Withholding Tax at Source** represents creditable withholding taxes made by government agencies and top taxpayers on water bills that are evidenced by Form 2307 and deductible to Franchise Tax liability.

## 8. Other Investments

Account	2022	2021
Sinking Fund	<u>2,531,260.60</u>	<u>2,401,328.65</u>

**Sinking Fund** represents the amount of money reserved for future payment of loans and is maintained at the LBP.

## 9. Property, Plant and Equipment

Account	2022	2021
<b>Land</b>	<b>5,742,181.36</b>	<b>5,710,681.36</b>
<b>Land Improvements</b>		
Other Land Improvements	1,376,669.25	1,133,358.25
<i>Accumulated Depreciation-Other Land Improvements</i>	(364,795.47)	(235,717.35)
Net Value-Other Land Improvements	<u>1,011,873.78</u>	<u>897,640.90</u>
<b>Infrastructure Assets</b>		
Plant-Utility Plant in Service (UPIS)	252,662,343.05	246,682,584.85
<i>Accumulated Depreciation-Plant (UPIS)</i>	(65,610,857.03)	(60,992,698.38)
Net Value-Plant-Utility Plant in Service (UPIS)	<u>187,051,486.02</u>	<u>185,689,886.47</u>
<b>Buildings and Other Structures</b>		
Buildings	2,030,000.00	2,030,000.00
<i>Accumulated Depreciation-Buildings</i>	(707,863.75)	(655,736.94)
Net Value-Buildings	<u>1,322,136.25</u>	<u>1,374,263.06</u>
Water Plant, Structure and Improvements	12,570,057.85	12,567,577.85
<i>Accumulated Depreciation-Water Plant, Structure and Improvements</i>	(2,442,629.54)	(2,167,099.92)
Net Value-Water Plant, Structure and Improvements	<u>10,127,428.31</u>	<u>10,400,477.93</u>
<b>Machinery and Equipment</b>		
Office Equipment	165,626.00	656,838.76
<i>Accumulated Depreciation-Office Equipment</i>	(50,839.40)	(275,897.88)
Net Value-Office Equipment	<u>114,786.60</u>	<u>380,940.88</u>
Information and Communication Technology Equipment	-	898,347.40

<b>Account</b>	<b>2022</b>	<b>2021</b>
<i>Accumulated Depreciation-Information and Communication Technology Equipment</i>	-	(492,595.18)
Net Value-Information and Communication Technology Equipment	-	<b>405,752.22</b>
Other Machinery and Equipment	39,731,771.36	42,042,855.92
<i>Accumulated Depreciation-Other Machinery and Equipment</i>	(16,468,549.28)	(16,063,135.43)
Net Value-Other Machinery and Equipment	<b>23,263,222.08</b>	<b>25,979,720.49</b>
<b>Transportation Equipment</b>		
Motor Vehicles	6,700,902.79	6,700,902.79
<i>Accumulated Depreciation-Motor Vehicles</i>	(3,902,590.27)	(3,662,167.17)
Net Value-Motor Vehicles	<b>2,798,312.52</b>	<b>3,038,735.62</b>
<b>Furniture, Fixtures and Books</b>		
Furniture and Fixtures	-	96,195.20
<i>Accumulated Depreciation-Furniture and Fixtures</i>	-	(39,820.94)
Net Value-Furniture and Fixtures	-	<b>56,374.26</b>
<b>Construction in Progress</b>		
Construction in Progress-Infrastructure Assets	4,698,280.00	-
Construction in Progress-Furniture and Fixtures	61,700.00	-
Total Construction in Progress	<b>4,759,980.00</b>	-
<b>Property, Plant and Equipment-Net</b>	<b>236,191,406.92</b>	<b>233,934,473.19</b>

Previously recorded properties which met the definition and recognition criteria of PPE but cost is below ₱50,000.00 were reclassified to semi-expendable expense.

After considering both external and internal sources of information, the Water District assessed that no impairment shall be recognized because there was no indication that the assets were impaired.

**Land** represents the costs incurred by the Water District in the acquisition of land and other related initial costs spent to put the asset into use. Addition for CY 2022 pertains to recognition of zonal value of 300 square meter donated lot at Barangay Pantol, Bayambang, Pangasinan. Details of the Land Account are as follows:

<b>Lot No.</b>	<b>Location at Bayambang</b>	<b>Area (m<sup>2</sup>)</b>	<b>Cost per FS (₱)</b>
1	Zone II Rizal	198	3,271,627.38
2	Amancosiling Norte	150	97,500.00
3	Buenlag	6,352	530,000.00



Lot No.	Location at Bayambang	Area (m <sup>2</sup> )	Cost per FS (₱)
4	Sapang & Tococ	14,451	150,000.00
5	Tococ	10,153	100,000.00
6	Mangayao	100	100,000.00
7	Buenlag 2 <sup>nd</sup>	100	135,000.00
8	Bacnono	100	100,000.00
9	Tampog	350	350,000.00
10	Bongato East	200	200,000.00
11	Nalsian Norte	50	95,000.00
12	Warding	200	220,000.00
13	Pantol	300	63,500.00
14	Buenlag Phase II	100	164,553.98
15	Nalsian Norte	100	165,000.00
<b>Total</b>			<b>5,742,181.36</b>

Lot Nos. 1 to 5 are supported with Certificates of Title in the name of BAYWAD while the Management is still in the process of completing the titling documents for the remaining ten.

Details of the **Plant-Utility Plant in Service (UPIS)** account are as follows:

Subsidiary Account	Amount (₱)			
	2021	Addition this year	Reclassification/ Prior period Adjustment	2022
Wells	27,677,353.70	66,278.20	-	27,743,631.90
Supply Mains	340,071.60	-	-	340,071.60
Other Source of Supply-Plant	1,416,650.90	-	-	1,416,650.90
Reservoir and Tanks	32,649,913.65	-	-	32,649,913.65
Transmission and Distribution Mains	183,129,335.11	9,281,180.00	(3,367,700.00)	189,042,815.11
Service Connection	546,380.77	-	-	546,380.77
Meter Installation	153,665.90	-	-	153,665.90
Hydrants	769,213.22	-	-	769,213.22
<b>Total</b>	<b>246,682,584.85</b>	<b>9,347,458.20</b>	<b>(3,367,700.00)</b>	<b>252,662,343.05</b>

**Accumulated Depreciation - UPIS** - Depreciation expenses were accumulated in this account for Plant-Utility Plant in Service (UPIS).

Particulars	2022	2021
Beginning Balance	60,992,698.38	56,148,535.74
Prior period adjustment	(225,125.35)	338.10
Depreciation for the period	4,843,284.00	4,843,824.54
<b>Ending Balance</b>	<b>65,610,857.03</b>	<b>60,992,698.38</b>

Details of other PPE items are as follows:

Account	Amount (₱)			
	2021	Addition this year	Reclassification/ Prior period Adjustment	2022
Other Land Improvement	1,133,358.25	63,311.00	180,000.00	1,376,669.25
Buildings	2,030,000.00	-	-	2,030,000.00
Water Plant, Structures and Improvement	12,567,577.85	182,480.00	(180,000.00)	12,570,057.85
Office Equipment	656,838.76	-	(491,212.76)	165,626.00
ICT Equipment	898,347.40	-	(898,347.40)	-
Other Machinery and Equipment	42,042,855.92	1,042,338.80	(3,353,423.36)	39,731,771.36
Motor Vehicles	6,700,902.79	-	-	6,700,902.79
Furniture and Fixtures	96,195.20	-	(96,195.20)	-
Construction in Progress- Infrastructure Assets	-	4,698,280.00		4,698,280.00
Construction in Progress- Furniture and Fixtures	-	61,700.00		61,700.00
<b>Total</b>	<b>66,126,076.17</b>	<b>6,048,109.80</b>	<b>(4,839,178.72)</b>	<b>67,335,007.25</b>

While the Accumulated Depreciation of the above PPE items is presented as follows:

Item	Amount (₱)			
	2021	Depreciation this year	Prior period Adjustment	2022
Other Land Improvement	235,717.35	76,956.48	52,121.64	364,795.47
Buildings	655,736.94	52,126.81	-	707,863.75
Water Plant, Structures and Improvement	2,167,099.92	269,726.42	5,803.20	2,442,629.54
Office Equipment	275,897.88	9,467.59	(234,526.07)	50,839.40
ICT Equipment	492,595.18		(492,595.18)	-
Other Machinery and Equipment	16,063,135.43	2,265,537.38	(1,860,123.53)	16,468,549.28
Motor Vehicles	3,662,167.17	240,423.10	-	3,902,590.27

Item	Amount (₱)			
	2021	Depreciation this year	Prior period Adjustment	2022
Furniture and Fixtures	39,820.94	-	(39,820.94)	-
<b>Total</b>	<b>23,592,170.81</b>	<b>2,914,237.78</b>	<b>(2,569,140.88)</b>	<b>23,937,267.71</b>

#### 10. Intangible Assets

Account	2022	2021
Computer Software	1,539,000.00	1,539,000.00
<i>Accumulated Amortization-Computer Software</i>	(659,733.21)	(584,802.33)
<b>Net Value-Computer Software</b>	<b>879,266.79</b>	<b>954,197.67</b>

**Computer Software** represents the costs of software that run the Water District's billing and collection, accounting, and property and supply management system.

#### 11. Financial Liabilities

Account	2022	2021
<b>Payables</b>		
Accounts Payable	18,412,633.28	5,808,497.57
Due to Officers and Employees	75,276.61	684,904.32
<b>Bills/Bonds/Loans Payable</b>		
Loans Payable – Domestic	7,598,714.49	7,742,711.76
<b>Total Financial Liabilities</b>	<b>26,086,624.38</b>	<b>14,236,113.65</b>

**Due to Officers and Employees** pertains to the expenses such as representation and transportation allowance, overtime pay, salaries of job orders and per diem which are unpaid as of balance sheet date.

**Loans Payable - Domestic** represents the unpaid balance of loans from LWUA and LBP, detailed as follows:

Particulars	Amount (₱)			
	2022		2021	
	Current	Non-Current	Current	Non-Current
LWUA	745,884.00	12,679,919.06	745,884.00	13,425,803.06
LBP - Loan 1	1,574,324.37	-	1,718,321.64	1,574,324.37
- Loan 2	5,278,506.12	45,746,521.76	5,278,506.12	51,025,027.88
<b>Total</b>	<b>7,598,714.49</b>	<b>58,426,440.82</b>	<b>7,742,711.76</b>	<b>66,025,155.31</b>

The loans were used to finance various expansion projects such as but not limited to drilling of wells, construction of pump houses, laying of transmission and distribution pipelines, construction of reservoir and installation of hydrants, and service connections.

## 12. Inter-Agency Payables

Account	2022	2021
Due to BIR	249,185.45	223,069.14
Due to GSIS	516,500.21	429,893.62
Due to Pag-IBIG	69,874.54	77,471.75
Due to PhilHealth	34,671.77	16,462.76
Due to Other Government Corporations	103,918.79	-
<b>Total Inter-Agency Payables</b>	<b>974,150.76</b>	<b>746,897.27</b>

**Due to BIR** pertains to transactions relative to withholding taxes by the Water District.

**Due to GSIS** pertains to withheld premium payments of Water District employees and other payables for remittance to GSIS.

**Due to Pag-IBIG** pertains to withheld premium payments of Water District employees and other payables for remittance to Housing Development Mutual Fund.

**Due to Philhealth** pertains to withheld premium payments of Water District employees for remittance to Philhealth.

**Due to Other Government Corporations** pertains to the salary deducted for employee loan to be remitted to Landbank of the Philippines. This account was previously included in Due to Officers and Employees.

## 13. Trust Liabilities

Account	2022	2021
Customers' Deposits Payable	11,233,333.99	10,395,333.99

**Customer's Deposit Payable** represents the total amount paid for by customers as guarantee for non-payment of water bills.

## 14. Deferred Credits/Unearned Income

Account	2022	2021
<b>Deferred Credits</b>		
Deferred Revenue from Grants and Donations	1,240,659.13	1,240,659.13
<b>Unearned Revenue/Income</b>		
Other Unearned Revenue/Income	46,343.40	32,449.60
<b>Total Deferred Credits/Unearned Income</b>	<b>1,287,002.53</b>	<b>1,273,108.73</b>

**Deferred Revenue from Grants and Donations** pertains to the current unearned revenue arising from the grant of the Department of Public Works and Highways (DPWH) relating to the 1,000 cubic meter reservoir at Barangay Sapang and the drilling of well and construction of pumping station at Barangay Buenlag 1<sup>st</sup> with the following breakdown:

<b>Amount of Deferred Revenue (₱)</b>			
<b>2022</b>		<b>2021</b>	
<b>Current</b>	<b>Non-Current</b>	<b>Current</b>	<b>Non-Current</b>
1,240,659.13	39,807,123.76	1,240,659.13	41,047,782.89

**Other Unearned Revenue/Income** pertains to the balance of advance payments on materials for new connection that remains unreleased as of the balance sheet date.

#### 15. Provisions

<b>Account</b>	<b>2022</b>	<b>2021</b>
Leave Benefits Payable	5,763,900.66	4,715,820.88
Other Provisions	15,750.00	-
<b>Total Provisions</b>	<b>5,779,650.66</b>	<b>4,715,820.88</b>

**Leave Benefits Payable** pertains to the accrued monetary value of earned leave credits of BAYWAD employees.

**Other Provisions** pertains to projected COA audit fee for CY 2022.

#### 16. Other Payables

<b>Account</b>	<b>2022</b>	<b>2021</b>
Other Payables	487,284.40	473,269.16

**Other Payables** represents the quarterly franchise tax payable on or before 25<sup>th</sup> of the following month after taxable quarter.

#### 17. Government Equity

<b>Account</b>	<b>2022</b>	<b>2021</b>
Government Equity	2,535,061.15	2,535,061.15

**Government Equity** refers to the assessed value of assets turned over by the local government and grants from the national government. No additional relative to this account was made this year.

18. **Retained Earnings/ (Deficit)** - Prior period errors on nominal accounts are credited/debited to this account. Also, the performance of the Water District, which is either an income or loss, is closed to this account.

Particulars	Amount
Retained Earnings, January 1, 2022	117,765,332.90
Correction of Prior Period Errors	(3,045,375.47)
Other Adjustments	(2,144,210.37)
Comprehensive Income for 2022	3,172,941.99
<b>Retained Earnings, Dec. 31, 2022</b>	<b>115,748,689.05</b>

Details of the **Correction of Prior Period Errors** totaling ₱ (3,045,375.47) are as follows:

Particulars	Amount
Understatement on Accumulated Depreciation-Other Machinery and Other Equipment	(95,794.14)
Unrecorded other supplies and materials expense for 2021	8,680.00
Overstatement on Accumulated Depreciation-UPIS	49,506.63
Understatement on Accumulated Depreciation- Water Plant, Structure and Improvements	(5,803.20)
Overstatement on Impairment Loss for 2021	34,329.88
Understatement on Accumulated Depreciation- Other Land Improvement	(52,121.64)
Unrecorded Office Supplies as of December 31, 2021	3,920.00
Unrecorded accountable forms as of December 31, 2021	170,120.00
Water expense for December 2021 Consumption	(3,184.00)
Prior year repairs and maintenance of service vehicle	(8,115.00)
Prior year adjustment for the 2020 Drilled Well in Warding	(3,192,081.28)
Donated land located at Brgy. Pantol, Bayambang, Pangasinan	31,500.00
Other Machinery and Equipment reclassified to Repairs and Maintenance.	13,667.28
<b>Total Prior Period Errors</b>	<b>(3,045,375.47)</b>

The **Other Adjustments** totaling ₱ (2,144,210.37) are detailed as follows:

Particulars	Amount
Refund to customer - December 2021	(2,377.80)
Gratuity Pay 2021 for two Job Orders employee	(10,000.00)
Prior Year Collection - Bid Docs	5,000.00
Disallowed Legal Services for 2020	8,903.57
Furniture and Fixtures reclassified to Semi-Expendable Furniture and Fixtures	(56,374.26)
Office Equipment reclassified to Semi-Expendable Machinery and Equipment	(256,686.69)

Particulars	Amount
Information Communication and Technology Equipment reclassified to Semi-Expendable Machinery and Equipment	(405,752.22)
Other Machinery and Equipment reclassified to Semi-Expendable Machinery and Equipment	(1,411,172.97)
Cost of COA audit fee for 2021	(15,750.00)
<b>Total Other Adjustments</b>	<b>(2,144,210.37)</b>

## 19. Service and Business Income

Account	2022	2021
<b>Business Income</b>		
Waterworks System Fees	89,253,683.64	85,675,703.59
Sales Revenue	3,693,721.76	3,842,697.50
Interest Income	15,590.78	15,803.06
Fines and Penalties-Business Income	3,689,978.49	3,975,221.84
Other Business Income	2,220,400.00	2,444,200.00
<b>Total Service and Business Income</b>	<b><u>98,873,374.67</u></b>	<b><u>95,953,625.99</u></b>

**Water Work System Fees** represents amount of Water Sales billed to customers.

**Sales Revenue** pertains to sale of materials for new connections.

**Interest Income** represents interest on deposits.

**Fines and Penalties-Business Income** includes fines for illegal connections and penalties billed collections.

**Other Business Income** includes sale of bid documents. This account also includes registration fees, tapping fees, and inspection fees which were previously recorded as other service income.

## 20. Shares, Grants and Donations

Account	2022	2021
Grants in Kind	<u>1,240,659.13</u>	<u>1,240,659.13</u>

**Grants in Kind** refers to the portion of the DPWH grant recognized as income to match the related costs of the 1,000 cubic meter reservoir at Barangay Sapang and drilling of well and construction of pumping station at Barangay Buenlag, for which the grant was intended to compensate.

## 21. Personnel Services

**Personnel Services** are expenses with monetary value relative to salaries, allowances and other benefits received by the employees of the Water District.

Account	2022	2021
<b>Salaries and Wages</b>		
Salaries and Wages-Regular	15,172,878.39	11,913,041.03
Salaries and Wages-Casual/Contractual	468,818.74	1,910,746.28
<b>Other Compensation</b>		
Personnel Economic Relief Allowance (PERA)	1,380,000.00	1,386,000.00
Representation Allowance (RA)	162,000.00	119,500.00
Transportation Allowance (TA)	162,000.00	119,500.00
Clothing/Uniform Allowance	348,000.00	348,000.00
Productivity Incentive Allowance	285,000.00	286,500.00
Honoraria	90,000.00	-
Overtime and Night Pay	607,294.28	364,712.75
Year End Bonus	1,347,419.20	1,169,952.40
Cash Gift	288,000.00	288,500.00
Directors and Committee Members' Fees	500,101.00	456,540.65
Other Bonuses and Allowances	2,490,469.00	1,766,333.00
<b>Personnel Benefit Contributions</b>		
Retirement and Life Insurance Premiums	1,886,209.76	1,646,754.23
Pag- IBIG Contributions	68,900.00	136,843.92
PhilHealth Contributions	302,890.56	195,654.99
Employees Compensation Insurance Premiums	56,183.70	69,400.00
<b>Other Personnel Benefits</b>		
Terminal Leave Benefits	1,141,999.26	729,101.98
Other Personnel Benefits	621,069.74	544,916.62
<b>Total Personnel Benefits</b>	<b><u>27,379,233.63</u></b>	<b><u>23,451,997.85</u></b>

## 22. Maintenance and Other Operating Expenses

**Maintenance and Other Operating Expenses** represents those expenses incurred by the Water District necessary for its operations other than those in Personnel Expenses.

Account	2022	2021
<b>Traveling Expenses</b>		
Traveling Expenses - Local	376,525.00	152,142.00
<b>Training and Scholarship Expenses</b>		
Training Expenses	518,440.00	93,250.00
<b>Supplies and Materials Expenses</b>		
Office Supplies Expenses	151,474.85	175,355.45
Accountable Forms Expenses	232,764.00	246,600.00
Medical, Dental and Laboratory Supplies Expenses	21,380.00	58,290.00
Fuel, Oil and Lubricants Expenses	1,112,087.20	680,255.98
Chemical and Filtering Supplies Expenses	422,240.00	348,970.00
Semi-Expendable Machinery and Equipment Expenses	1,007,236.72	291,776.76
Semi-Expendable Furniture, Fixtures and Books Expenses	23,798.00	16,100.00



<b>Account</b>	<b>2022</b>	<b>2021</b>
Housekeeping/Cleaning Supplies Expense	5,813.50	-
Supplies and Materials for Water System Operations Expenses	679,828.07	531,729.54
Other Supplies and Materials Expenses	26,976.80	24,684.35
<b>Utility Expenses</b>		
Water Expenses	28,107.95	23,651.15
Electricity Expenses	267,670.03	196,375.68
<b>Communication Expenses</b>		
Postage and Courier Services	1,910.00	1,623.00
Telephone Expenses	81,603.05	93,340.45
<b>Survey, Research, Exploration and Development Expenses</b>		
Research, Exploration and Development Expenses	55,200.00	693,130.00
<b>Generation, Transmission and Distribution Expenses</b>		
Generation, Transmission and Distribution Expenses	41,763,223.77	30,108,668.23
<b>Confidential, Intelligence and Extraordinary Expenses</b>		
Extraordinary and Miscellaneous Expenses	116,400.00	116,379.03
<b>Professional Services</b>		
Legal Services	17,600.00	12,910.00
Auditing Services	15,750.00	-
Consultancy Services	480,000.00	480,000.00
Other Professional Services	314,484.48	195,465.00
<b>Repairs and Maintenance</b>		
Repairs and Maintenance-Infrastructure Assets	3,271,074.85	3,483,217.34
Repairs and Maintenance-Buildings and Other Structures	301,974.75	34,912.25
Repairs and Maintenance-Machinery and Equipment	319,452.76	167,142.00
Repairs and Maintenance-Transportation Equipment	266,151.48	503,676.87
Repairs and Maintenance- Furniture and Fixtures	8,622.39	2,678.00
<b>Taxes, Insurance Premiums and Other Fees</b>		
Taxes, Duties and Licenses	2,066,551.96	1,982,596.12
Fidelity Bond Premiums	14,625.00	16,125.00
Insurance Expenses	69,160.20	18,182.66
<b>Other Maintenance and Operating Expenses</b>		
Advertising, Promotional and Marketing Expenses	215,100.00	186,080.00
Printing and Publication Expenses	10,165.00	14,035.00
Representation Expenses	27,738.00	3,175.00
Membership Dues and Contributions to Organizations	13,468.00	
Other Maintenance and Operating Expenses	34,490.50	49,043.55
<b>Total Maintenance and Other Operating Expenses</b>	<b><u>54,339,088.31</u></b>	<b><u>41,001,560.41</u></b>

### 23. Financial Expenses

Account	2022	2021
Interest Expenses	3,753,303.37	4,012,275.59
Other Financial Charges	-	317,268.06
<b>Total Financial Expenses</b>	<b>3,753,303.37</b>	<b>4,329,543.65</b>

**Interest Expenses** pertains to the interest charges imposed by LWUA and LBP for the loans of the Water District.

**Other Financial Charges** represents the amount of review fee imposed by LWUA for clearance to borrow money from other financial institution.

### 24. Direct Cost

Account	2022	2021
Cost of Sales	3,613,140.16	3,191,382.82

**Cost of Sales** represents the cost of merchandise inventories sold to customers.

### 25. Non- Cash Expenses

Account	2022	2021
<b>Depreciation</b>		
Depreciation - Land Improvements	76,956.48	64,219.92
Depreciation - Infrastructure Assets	4,843,284.00	4,843,824.54
Depreciation - Buildings and Other Structures	321,853.23	309,782.33
Depreciation - Machinery and Equipment	2,275,004.97	2,297,516.98
Depreciation - Transportation Equipment	240,423.10	246,598.25
Depreciation - Furniture, Fixtures and Books	-	4,573.92
<b>Amortization</b>		
Amortization - Intangible Assets	74,930.88	74,930.88
<b>Impairment Loss</b>		
Impairment Loss - Loans and Receivables	24,208.24	67,640.18
<b>Total Non-Cash Expenses</b>	<b>7,856,660.90</b>	<b>7,909,087.00</b>

### 26. Adjustments (Investing Activities)

Particulars	Amount
Transfer of Cash to Sinking Fund Account	120,000.00
Interest Earned from Sinking Fund Account	9,931.95
<b>Total</b>	<b>129,931.95</b>

## **PART II**

# **OBSERVATIONS AND RECOMMENDATIONS**

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AUDIT

#### *Unaccounted Property, Plant and Equipment (PPE)*

**1. Inadequate and incomplete details of subsidiary ledgers, absence of property records, and non-conduct of physical count of PPE resulted in the difficulty in determining the accuracy and existence of several PPE accounts that only ₱263,615,494.60 were identified from the ₱325,739,531.66 total cost of PPE or a difference of ₱62,124,037.06, thus rendered the fair presentation of the financial statements doubtful.**

- 1.1 Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements provides that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires 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.
- 1.2 Accuracy is an assertion that all information disclosed is in the correct amounts, and that all the information contained within the financial statements has been accurately recorded, while existence is an assertion that all account balances really do exist.
- 1.3 The 2022 year-end financial statements of the Water District showed that PPE has a total cost of ₱325,739,531.66. However, only PPE items with an aggregate cost of ₱263,615,494.60 were identified in the accounting records resulting in unidentified cost of ₱62,124,037.06. Summary of which is as follows:

PPE Account	Amount (₱)		
	Reported Cost	Identified Cost Per PPE Schedule	Unidentified Cost
Land	5,742,181.36	5,697,181.36	45,000.00
Other Land Improvements	1,376,669.25	1,254,809.25	121,860.00
Plant-Utility Plant in Service (UPIS)	252,662,343.05	202,292,534.58	50,369,808.47
Buildings	2,030,000.00	2,030,000.00	-
Water Plant, Structure and Improvements	12,570,057.85	10,013,654.07	2,556,403.78
Office Equipment	165,626.00	165,626.00	-

PPE Account	Amount (₱)		
	Reported Cost	Identified Cost Per PPE Schedule	Unidentified Cost
Other Machinery and Equipment	39,731,771.36	30,700,806.55	9,030,964.81
Motor Vehicles	6,700,902.79	6,700,902.79	-
Construction in Progress-Infrastructure Assets	4,698,280.00	4,698,280.00	-
Construction in Progress-Furniture and Fixtures	61,700.00	61,700.00	-
<b>Total</b>	<b>325,739,531.66</b>	<b>263,615,494.60</b>	<b>62,124,037.06</b>

- 1.4 The above unidentified balances can be attributed to the inadequate and incomplete recording of PPE transactions in the PPE subsidiary ledgers such that specific details to adequately furnish the information needed to support the PPE balances are not available.
- 1.5 Our review of records revealed that there were entries in the ledgers which were merely labeled as “forwarded balance”, “reclassification”, “adjustment”, “capital expenditure” and recorded using generic descriptions that the Accountant could no longer identify the specific item. These unidentified balances have already existed for more than 15 years.
- 1.6 Property records for each class of PPE which could have provided property description, location, acquisition cost, addition, and disposal, were not also maintained by the Property Section, hence control and monitoring were not facilitated and the accountability in case of loss or fraudulent use is not established. It was also noted that Property Acknowledgement Receipts (PAR) were not issued in prior years thus accountability/responsibility over the unaccounted PPEs could not be pinpointed.
- 1.7 It could also be noted that the Inventory Committee did not perform the required physical count of PPE.
- 1.8 The foregoing observations were also noted in the prior years’ audit. The inadequate and incomplete details from subsidiary ledgers and the absence of property records hindered the Water District from accounting all of its PPE.
- 1.9 The total unidentified balance of ₱62,124,037.06 rendered the accuracy and existence of PPE uncertain, thereby affecting the fair presentation of the financial statements as required under PAS 1.

**1.10 We reiterated our recommendation and the Management agreed to:**

- a) **direct the Accountant and Property Officer to maintain complete and updated subsidiary ledgers and property records, respectively;**
- b) **instruct the Accounting Section to exert exhaustive efforts to locate PPE records in prior years; and**
- c) **instruct the Inventory Committee to conduct complete physical count of PPE.**

***Inaccurate Balance of Inventories***

**2. The accuracy of the reported balance of Supplies and Materials for Water Systems Operations account amounting to ₱1,558,477.90 is doubtful due to the discrepancy of ₱1,855,534.12 between the accounting records and inventory report, hence affected the fair presentation of the financial statements.**

2.1 The 2022 financial statements of the Water District showed a balance of Supplies and Materials for Water Systems Operations account amounting to ₱1,558,477.90. Comparison of the balance of the account per book and per physical count disclosed a total discrepancy of ₱1,855,534.12 computed as follows:

Balance Per Book	₱1,558,477.90
Balance Per Report on Physical Count	<u>3,414,012.02</u>
<b>Discrepancy</b>	<b><u>₱1,855,534.12</u></b>

2.2 Analysis of Materials and Supplies Issuance (MSI) Journal revealed that the Accountant recorded unnecessary entries in cases when PPE items were issued from the warehouse of the Water District. The Team noted that a total amount of ₱1,042,065.00 has been incorrectly credited to Supplies and Materials for Water Systems Operations account. Details are as follows:

<b>MSI Journal</b>		<b>Cost of PPE Item Issued (₱)</b>	<b>Remarks</b>
<b>Entry No.</b>	<b>Date</b>		
2021-03-138	3/17/2021	89,700.00	Recorded as Plant-UPIS when purchased but erroneously credited to Supplies and Materials for Water Systems Operations when issued.
2021-03-148	3/18/2021	89,700.00	
2021-03-149	3/18/2021	22,425.00	
2021-03-168	3/19/2021	179,400.00	
2021-03-183	3/22/2021	89,700.00	
2021-03-216	3/25/2021	13,455.00	

MSI Journal		Cost of PPE Item Issued (₱)	Remarks
Entry No.	Date		
2021-04-084	4/15/2021	557,685.00	The total amount of ₱562,685.00 was credited to Supplies and Materials for Water Systems Operations but only the amount ₱5,000.00 pertains to issued inventories; the remaining balance of ₱557,685.00 represents the total costs of submersible pump and motor which were recorded as Other Machinery and Equipment account when purchased.
<b>Total</b>		1,042,065.00	

- 2.3 As per the Accountant, it is the practice of the Accounting Section to credit the Supplies and Materials for Water Systems Operations account whenever there is an issuance of materials, supplies, and equipment from the Water District's warehouse. It bears emphasizing however that the issuance of the above PPE items was irrelevant to the Supplies and Materials for Water Systems Operations account. These items were already booked as PPE upon purchase thus, needless to record an entry recognizing expense and crediting the subject account upon issuance.
- 2.4 Moreover, review of the submitted Report on the Physical Count of Inventories showed that there are four (4) items of materials that have no assigned costs hence a reconciling item that the Accounting Section may consider. Details are tabulated below:

No.	Particulars	Quantity
1	Coupling running thread 1"	12
2	Flow meter 4"	2
3	Gate Valve 6" F/F	2
4	PVC Pipe 10"	56

- 2.5 The Management reasoned out that due to lost purchase orders and other relevant records, costs for such are not available.
- 2.6 The Team also noted that aside from the non-reconciliation of the accounting records with the inventory report, there is also a discrepancy between the bin

card as maintained by the Property and Supplies Section and the actual count of supplies and materials. Summary of which is presented as follows:

No.	Particulars	Quantity			Unit Cost (₱)	Total Costs (₱)
		Per Bin Card	Per Count	Difference		
1	PVC Pipe 3"	410	16	(6)	74.75	1,196.00
2			400		85.00	34,000.00
3	PVC Pipe 4"	568	392	(24)	349.05	136,827.60
4			200		135.00	27,000.00
5	PVC Pipe 6"	279	260	19	216.30	56,238.00
6	Saddle clamp	151	39	2	367.00	14,313.00
7	3x1 Cast Iron		110		347.00	38,170.00
8	Saddle clamp	535	227	(2)	444.00	100,788.00
9	4x1 Cast Iron		310		418.00	129,580.00
	<b>Total</b>	<b>2,015</b>	<b>2,026</b>	<b>(11)</b>		<b>538,112.60</b>

- 2.7 It could also be noted that for the above items, a net quantity difference of 11 units between the bin cards and on hand units was found during the audit.
- 2.8 PAS 1 – Presentation of Financial Statements provides that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires 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 Conceptual Framework.
- 2.9 While accuracy is an assertion that all information disclosed is in the correct amounts, and that all the information contained within the financial statements has been accurately recorded.
- 2.10 The above-noted deficiencies made the accuracy of Supplies and Materials for Water Systems Operations account doubtful, hence affected the fair presentation of the financial statements.
- 2.11 We recommended that Management require the Accountant to:**

- a) **prepare the following entry to correct the erroneous entries made on the Supplies and Materials for Water Systems Operations account totaling ₱1,042,065.00;**

<i>Supplies and Materials for Water</i>	<b>₱1,042,065.00</b>
<i>Systems Operations</i>	
<i>Retained Earnings</i>	<b>₱1,042,065.00</b>

- b) **review and scrutinize accounting records to identify the cause/s of the remaining undetected discrepancy of ₱813,469.12 and immediately prepare the necessary correcting entries; and**



c) **perform regular reconciliation of inventory records for control, monitoring and financial reporting purposes.**

2.12 **We further recommended that Management instruct the Property and Supplies Officer to update bin cards regularly.**

2.13 The Management informed the Team that the Accountant will review records and prepare the necessary entries to adjust the balance of the Supplies and Materials for Water System Operations. The Management committed that the reconciliation of bin cards and records per books will be regularly implemented after the physical count of supplies and materials.

## **B. COMPLIANCE AUDIT**

### *Consultancy Services through Contract-of-Service*

**3. The engagement of services of a technical consultant of the Water District was not in accordance with Item V.D.7(b) and Appendix A of Annex H and Section 53.7 of the Updated 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thus defeated the purpose of transparency and full compliance with the procurement law.**

3.1 Negotiated procurement is a method of procurement of goods, infrastructure projects and consulting services, whereby the procuring entity directly negotiates a contract with a technically, legally and financially capable supplier, contractor or consultant. Section 53 of the Updated 2016 Revised IRR of RA 9184 enumerates and describes the different forms of a negotiated procurement, one of which is the hiring of a highly technical consultant.

3.2 Section 53.7 of the IRR provides that:

53.7 Highly Technical Consultants. In the case of individual consultants hired to do work that is (i) highly technical or proprietary; or (ii) primarily confidential or policy determining, where trust and confidence are the primary consideration for the hiring of the consultant: Provided, however, That the term of the individual consultants shall, at the most, be on a six-month basis, renewable at the option of the appointing Head of the Procuring Entity (HoPE), but in no case shall exceed the term of the latter.

3.3 While Item V.D.7 (b) of Annex H of the IRR provides the following procedures for hiring highly technical consultants:

i. The end-user unit shall justify to the Bids and Awards Committee (BAC) the engagement of the individual in accordance with the conditions set forth in the IRR.

ii. The BAC shall undertake the negotiation with the individual consultant based on the Terms of Reference prepared by the end-user. Considering the nature of the consultancy work, the negotiations need not be elaborate, it is enough that the BAC has validated that the individual is legally, technically and financially capable to undertake and fulfill the consultancy work based on the Terms of Reference.

iii. The BAC shall recommend to the HoPE the award of contract to the individual consultant.

3.4 Appendix A of the same Annex also provided the documentary requirements that must be submitted by the applicant before issuance of Notice of Award. The said requirements include Mayor's/Business Permit, Professional License/Curriculum Vitae, and PhilGEPS Registration Number. The IRR allowed submission of a Bureau of Internal Revenue (BIR) Certificate of Registration in lieu of the Mayor's/Business Permit.

3.5 It bears emphasizing that the PhilGEPS registration requirement is further provided under Section 54.6 of the IRR, to wit:

Manufacturers, suppliers, distributors, contractors, and/or consultants are mandated to register with PhilGEPS and provide a PhilGEPS Registration Number in the following alternative methods of procurement as condition for award of the contract:

- a. Section 50 - Direct Contracting
- b. Section 52.1 (b) - Shopping for Ordinary Office Supplies and Equipment not available in DBM-PS
- c. Section 53.3 - Take Over of Contracts (Only for New Bidders, if any.)
- d. Section 53.6 - Scientific, Scholarly, or Artistic Work, Exclusive Technology and Media Services
- e. Section 53.7 - Highly Technical Consultants
- f. Section 53.9 - Small Value Procurement (SVP)

g. Section 53.10 - Lease of Real Property and Venue

h. Section 53.11 - NGO Participation

- 3.6 Audit of disbursements disclosed a total payment of ₱480,000.00 as consultancy fee for CY 2022. The contract dated February 9, 2022, provided that the consultant shall render technical and professional assistance and advice and shall be required to attend personally on-board meetings whenever necessary in exchange for a compensation of ₱40,000.00 per month, valid from January 1, 2022 to December 31, 2022.
- 3.7 Review of the related disbursement vouchers and attachments revealed that the process of selecting the technical consultant was not in accordance with the pertinent provisions of RA No. 9184.
- 3.8 It could be noted that the transaction with the technical consultant was only supported by an approved contract and a board resolution authorizing the General Manager to acquire the professional services of an expert. Consequently, the engagement of the consultant did not go through the procurement process because it was made without the involvement of the BAC of the Water District. The responsibility to ensure that the procuring entity abides by the standards set forth by the Government Procurement Reform Act and its IRR should have been undertaken by the BAC.
- 3.9 Moreover, the term of the contract is for one year which is contrary to the prescribed at most six months, with a renewal option. Also, there were no documents to prove that the consultant submitted the required documents such as Permit/BIR Certificate of Registration, Professional License/Curriculum Vitae, and PhilGEPS Registration Number. Inquiry from the Management revealed that the practice of consultancy services of the technical consultant hired by the Water District is unregistered. Notwithstanding the absence of the documentary requirements, the Water District still awarded the contract to the consultant.
- 3.10 Without going through the prescribed procedures, it was not ensured whether the consultant is legally, technically, and financially capable to carry out the consultancy services needed by the Water District.
- 3.11 We recommended that Management direct the BAC to undertake the future procurement of consultancy services and to ensure that the procedures and the documentary requirements set forth in the Updated 2016 Revised IRR of RA No. 9184 pertaining to the hiring of technical consultants are strictly followed and submitted.**
- 3.12 The Management informed the Team that the Water District has no existing consultancy services availed for CY 2023 and that the BAC was directed to

strictly follow the procedures and submit the documentary requirements, set forth in the Updated 2016 Revised IRR of RA No. 9184 for future procurement of services of a technical consultant.

*Award of Contract not in accordance with the Procurement Procedures*

- 4. The Water District awarded the contract for the procurement of chlorinator mixer through SVP with an Approved Budget for the Contract (ABC) of ₱200,000.00 to the supplier who was not the Lowest Calculated and Responsive Quotation without sufficient basis contrary to Item V.D.8(b), Annex H of the Updated 2016 Revised IRR of RA No. 9184, thus defeated the purpose of transparency and full compliance with the procurement law.**

4.1 Item V.D.8(b), Annex H of the IRR provides the following procedures for SVP:

- i. The End-User shall submit a request for Small Value Procurement to the BAC, which indicates the technical specifications, scope of work, terms of reference, ABC and other terms and conditions.
- ii. The BAC shall prepare and send the RFQs/RFPs to at least three (3) suppliers, contractors or consultants of known qualifications. This, notwithstanding, those who responded through any of the required postings shall be allowed to participate. Receipt of at least one (1) quotation is sufficient to proceed with the evaluation thereof.
- iii. Except for those with ABCs equal to Fifty Thousand Pesos (₱50,000.00) and below, RFQs shall be posted for a period of three (3) calendar days in the PhilGEPS website, website of the Procuring Entity, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity.
- iv. Pre-bid conference may be conducted at the discretion of the BAC, in order to clarify and/or explain any of the requirements, terms, conditions, and specifications stipulated in the RFQ/RFP.
- v. After the deadline for submission of quotations/proposals, an Abstract of Quotations/Ratings shall be prepared setting forth the names of those who responded to the RFQ/RFP, their corresponding price quotations/ratings.

vi. The BAC shall recommend to the HoPE the award of contract in favor of the supplier or contractor with the Single or Lowest Calculated and Responsive Quotation (for goods or infrastructure projects), or consultant with the Single or Highest Rated and Responsive Proposal (for consulting services). In case of approval, the HOPE shall immediately enter into contract with the said supplier, contractor or consultant.

4.2 It bears stressing that the award of contract shall be made to the lowest quotation (for goods or infrastructure projects) or, after successful negotiations, the highest rated offer (for consulting services) which complies with the specifications and other terms and conditions stated in the RFQ.

4.3 Audit disclosed that the Water District awarded the contract for the procurement of five units chlorinator mixer with an ABC of ₱200,000.00 to the supplier who was not the Lowest Calculated and Responsive Quotation. The Abstract of Quotations of the procurement showed the following:

<b>Participating Suppliers</b>	<b>Quotations (₱)</b>
JLine Industries Inc.	155,000.00
Andritech Industrial Sales Co.	197,500.00
Pall Roces Corporation	309,120.00

4.4 It could be noted that the award was given to the second lowest quotation of ₱197,500.00 despite having the lowest quotation which amounted to ₱155,000.00.

4.5 Although stated in paragraph 6 of BAC Resolution No. RFQ 14-2022 dated June 8, 2022, that ANDRITECH is rated as the best proposal on the specifications of the project hence, most advantageous to the Water District, there was no document to prove the same. There must have been valid grounds for the disqualification, such as failure to comply with the specifications and other terms and conditions, before initiating the evaluation process on the second lowest quotation.

4.6 Moreover, it bears emphasizing that in cases where the lowest bidder did not pass the evaluation, the BAC shall immediately notify the said bidder in writing of its disqualification and the grounds for it. However, inquiry with BAC disclosed that JLINE was not notified, thus deprived of its right to request reconsideration.

4.7 The above-noted deficiencies defeated the purpose of transparency and full compliance with the procurement law.

- 4.8 **We recommended that Management instruct the BAC to:**
- a) **recommend the award of contract only to the lowest calculated quotation/bid unless the lowest bidder did not comply with the specifications and other terms of the project; and**
  - b) **notify the supplier with the lowest quotation/bid in writing of its disqualification and the grounds for it, if the contract will be awarded to the next lowest bidder who complies with the specifications and other terms of the project.**
- 4.9 The BAC explained that they awarded the contract to the second lowest bidder based on the quality of the product presented in the brochure.
- 4.10 Though the basis for the award of contract may be justifiable, the Secretariat did not inform in writing the supplier with the Lowest Calculated Quotation. Nevertheless, the BAC, committed to comply with the recommendations, on future procurements.

*Absence of BAC Resolution Recommending the Use of Alternative Mode of Procurement*

**5. The BAC of the Water District did not issue resolutions recommending to the HoPE the use of Alternative Mode of Procurement on instances when the SVP and shopping modes of procurement were adopted contrary to Section 48.1 of the 2016 Revised IRR of RA No. 9184, thus defeated the full compliance with the procurement law.**

- 5.1 Section 12.1 of the 2016 Revised IRR of RA No. 9184 provides that the functions of the BAC include, among others, the recommendation to the HoPE the use of Alternative Methods of Procurement as provided in Rule XVI of the 2016 Revised IRR of RA No. 9184.
- 5.2 While Section 48.1 of the same IRR of RA No. 9184 provides that:
- Subject to the prior approval of the HoPE, and whenever justified by the conditions provided in this Act, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in this Rule. In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained.
- 5.3 Audit, however, revealed that all procurements of the Water District adopting the SVP and shopping methods were not supported with the BAC resolutions

recommending the adoption of the given alternative modes. It was also noted that the 2022 Annual Procurement Plan (APP) was not properly filled out as to the method of procurement to be adopted such that the specific alternative mode for each applicable item was not provided although indicated that the Water District will resort to the alternative methods of procurement.

- 5.4 While it is already indicated in the APP, as approved by the HoPE, that the alternative method will be adopted, the specific mode must be provided and that the issuance of a BAC resolution recommending the use of the alternative methods of procurement is still necessary to ensure that the chosen alternative method when the APP was prepared, is still the proper mode, as approved, at the time of procurement. It bears emphasizing that the use of alternative modes of procurement may be resorted to, only in highly exceptional cases and should be properly justified and recommended through BAC resolution.
- 5.5 Moreover, Item No. 9.2 of COA Circular No. 2012-001 dated June 14, 2012 or the Revised Documentary Requirements for Common Government Transactions specifically enumerated the basic requirements common to all purchases under Alternative Mode of Procurement, which include, among others, the following:
- BAC Resolution recommending and justifying to the HoPE the use of alternative mode of procurement
  - Approval by the HoPE or his duly authorized representative on the use of the alternative methods of procurement, as recommended by the BAC
- 5.6 As it is always emphasized, in resorting to any of the alternative methods of procurement, the Procuring Entity must ensure that the method chosen promotes economy and efficiency, and that the most advantageous price for the government is obtained.
- 5.7 We recommended and the BAC agreed to ensure that all alternative modes of procurement are supported with a resolution recommending the adoption of the chosen method, duly approved by the HoPE.**

#### *Unauthorized Payment of Water Permit Fees*

- 6. The Water District paid permit fees to the National Water Resources Board (NWRB) in the total amount of ₱24,600.00 contrary to Sections 27, 46, and 62 of Presidential Decree (PD) No. 198, hence rendering the payment unauthorized.**

- 6.1 Examination of disbursement vouchers disclosed that payments made by the Water District to NWRB representing water permit fees and other charges amounted to ₱24,600.00 for CY 2022 as follows:

Disbursement Voucher		Amount (₱)	Particulars
No.	Date		
0920220015	9/6/2022	21,600.00	Water Permit Application No. 2022-08-199 to 201
0920220016	9/6/2022	3,000.00	Penalty for late payment of water permit
<b>Total</b>		<b>24,600.00</b>	

- 6.2 The NWRB derives its authority to collect water charges and fees from Local Water Districts (LWDs) pursuant to PD No. 1067 or Water Code of the Philippines. Article 83 of which states that:

The Council is hereby authorized to impose and collect reasonable fees or charges for water resources development from water appropriators, except when it is for purely domestic purposes.

- 6.3 Further, Section 8 of the IRR of the same Decree also assigns to NWRB, the government’s authority to control and regulate the state’s water resources.
- 6.4 However, Section 27 of PD No. 198, as amended, provides that any district holding a valid Certificate of Conformance or a Conditional Certificate of Conformance from the Administration shall be exempt from the regulation by the Public Service Commission or its successor.
- 6.5 In 1977, the Board of Power and Waterworks (BPW) was abolished pursuant to PD No. 1206. The functions of the BPW that were inherited from the Public Service Commission as regards waterworks systems, were later transferred to the NWRB, instituting the NWRB as an “economic regulator” of waterworks systems.
- 6.6 Also, Section 46 of PD No. 198, as amended, provides protection to Water Districts from such charges and fees, thusly:

Section 46. Exemption from Taxes. A district shall (1) be exempt from paying income taxes, and (2) shall be exempt from the payment of (a) all National Government, local government and municipal taxes and fees, including any franchise, filing, recordation, license or permit fees or taxes and fees, charges or costs involved in any court of administrative proceeding in which it may be a party and (b)



all duties or imposts on imported machinery, equipment and materials required for its operations. (As amended by Section 20, PD No. 768)

- 6.7 The irreconcilable inconsistency of the pertinent provisions of the aforementioned laws involving the questions of law was already settled in Metro Cebu Water District (MCWD) vs. NWRB, OSJ Case No. 01-2010. The Secretary of Justice ruled that (1) MCWD is exempt from payment of annual water charges and fees pursuant to Section 46 of PD No. 198, as amended, (2) that PD No. 1067 did not expressly or impliedly repeal PD No. 198, as amended or any of the provisions thereof; and (3) that LWDs are exempt from the administrative regulation by the NWRB.
- 6.8 Department of Justice (DOJ) stated that Section 27 of PD No. 198, as amended, exempts any LWD from the administrative regulation of the NWRB as long as they are holding a valid Certificate of Conformance or a Conditional Certificate of Conformance issued by the Local Water Utilities Administration (LWUA) and also emphasized that under Section 62 of PD No. 198, as amended, LWUA and not NWRB, has the power and duty to establish standards and adopt rules and regulations for LWDs.
- 6.9 Moreover, as mentioned in the DOJ ruling, it is reiterated that PD No. 1067 did not expressly repeal PD No. 198 or any of its provisions. In a related case cited, Barcellano vs Bañas, G.R. No. 165287 dated September 14, 2011, the Supreme Court pronounced:
- Time and time again, it has been repeatedly declared by this Court that where the law speaks in clear and categorical language, there is no room for interpretation. There is only room for application. Where the language of a statute is clear and unambiguous, the law is applied according to its express terms, and interpretation should be resorted to only where a literal interpretation would be either impossible or absurd or would lead to an injustice.
- 6.10 In addition, Government Corporate Counsel Elpidio J. Vega, wrote the Executive Director Seville D. David, Jr. of NWRB on September 3, 2019, in the case of Calumpit Water District, reiterating that the mentioned DOJ decision is conclusive and binding and has become final and executory hence, the assessment of annual water charges and fees on water districts by the NWRB should be discontinued. Said letter was furnished to this Commission and was cascaded to all COA Regional Directors/Officers-in-Charge in an unnumbered memorandum dated October 11, 2019.

- 6.11 Furthermore, the above interpretation of the DOJ was affirmed by the Office of the President (OP) under OP Case No. 12-I-224 dated May 27, 2022, to wit:

For resolution is the Motion for Reconsideration dated 16 May 2022 filed by appellant NWRB from the Decision dated 28 April 2022 of this Office, which denied its appeal and affirmed the findings of the DOJ that appellee MCWD is exempt from payment of annual water charges and fees pursuant to Section 45 of PD 198, and that PD 1067 did not expressly or impliedly repeal PD 198, thereby making LWDs exempt from the administrative regulation by the NWRB.

- 6.12 The OP further noted that PD No. 198 is a special law applicable only to the different water districts created pursuant thereto, while PD No. 1067 is a general law that establishes the basic principle and framework relating to the appropriation, control, and conservation of water resources within the Philippines.
- 6.13 In conclusion, the Water District's payments of permit fees to NWRB were unauthorized and are considered irregular transactions as delineated under COA Circular No. 2012-003 dated October 29, 2012.
- 6.14 We recommended that Management stop the payment of water permits and other fees to the NWRB.**
- 6.15 The Management provided the following comments:

The Water District has secured a loan from Development Bank of the Philippines (DBP) for its expansion and improvement of water supply system. Requirements of DBP for the release of loan includes drilling permit and water permit from NWRB, hence, the Water District applied and paid the necessary fees. The Management will inform the DBP regarding the pertinent provisions of the law that exempt LWDs from the administrative regulation of the NWRB and the exemption from payment of annual water permit fees.

#### *Non-Disposal of Unserviceable Properties and Waste Materials*

- 7. Unserviceable properties and waste materials with undetermined amount remained undisposed for several years contrary to Section 79 of PD No. 1445, thus, these properties were exposed to deterioration due to wear and tear and may reduce their saleable values to the disadvantage of the Water District.**

7.1 Section 79 of PD No. 1445 provides that:

Destruction or sale of unserviceable property. When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.

7.2 While Section 4 of COA Circular No. 86-264 dated October 16, 1986 provides the general procedures and responsibilities of management on the divestment or disposal of assets of government-owned and/or controlled corporations, and their subsidiaries, to wit:

4.0 General Procedures & Responsibilities in Public Auction

4.1 Management Responsibilities

4.1.1 Constitute the Disposal Committee, the composition of which shall be determined by the proper authority in the corporation. Among others, the duties of the Committee shall be as follows:

- a. Require the submission by the concerned offices/departments of the corporation the assets to be disposed of, and all the necessary documents pertaining thereto, which shall include the following:

- i. Program for disposal, with time schedules;
  - ii. Inventory Report showing the itemized list and complete description of the assets;
  - iii. Appraisal documents which may either be in-house or by an independent appraiser, or both; and
  - iv. Specific assets disposal procedures, if any.
- b. Inspect the assets to be disposed of, and verify the justification for its disposal.
  - c. Establish, either by itself or thru an independent appraiser, the floor price for each asset item, considering the in-house or independent appraisal submitted, as well other relevant factors ...

4.1.2 Furnish the COA Auditor at least twenty (20) days before the advertisement of call to public auction/bidding, with a copy each of the following: (a) the program for disposal of assets, with time schedules; (b) Inventory Report showing the itemized list and complete description of the assets to be disposed; (c) Appraisal Report showing the appraised values of the assets for sale; and (d) disposal procedures adopted.

4.1.3 Advertise by printed notice for not less than 3 consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three (3) prominent public places in the locality where the property is to be sold, including the terms and conditions of the sale and the prequalifications of bidders, if necessary like, the posting of 10% bidders bond, latest financial statements and income tax return.

4.1.4 Constitute the Bids Committee and Awards Committee which shall:

- a. Conduct the opening of bids in the presence of a COA representative at the designated time and place.
- b. If the first bidding fails, readvertise and conduct second bidding.
- c. If the second bidding still fails, a negotiated sale may be resorted to subject to the approval of the Commission on Audit.
- d. Approve and issue the award to the winning bidder.

7.3 Verification disclosed that there has been no disposal of unserviceable properties and waste materials of the Water District for several years. These properties include one unit of unserviceable motor vehicle, two sidecars, three computer monitors, various computer parts like printer and cpu casing, three air conditioning units, three generator sets, one unit of jackhammer, unusable cabinets and chairs, and various waste materials such as obsolete tires, chlorinator tanks, water meters and meter boxes, and unworkable batteries, all stored in the Water District's warehouse located at Barangay Sapang, Bayambang, Pangasinan. The Team was also informed that two computer sets and one air conditioning unit, all unserviceable, are kept in the Water District's office.

7.4 Audit revealed that from the presented unserviceable properties, only the following items are with identified cost from the property records:

Item	Quantity	Cost (₱)
<b>PPE</b>		
Motor Vehicle	1	212,000.00
<b>Semi-expendable</b>		
Air Conditioning Unit	3	58,496.00
Central Processing Unit	2	47,250.00
Computer set	3	74,348.00
<b>Total</b>	<b>9</b>	<b>392,094.00</b>

7.5 The above PPE item is still recorded in the books of accounts of the Water District.

7.6 Although these unserviceable properties and waste materials are safeguarded and are available for disposal, and despite that the Water District has already created its Appraisal and Disposal Committee, it could be noted that the conduct of pre-disposal activities such as inventory and inspection of

disposable properties and waste materials, and initiation of disposal procedures are not yet started. As a result, these items remained stocked up for years, thus reducing their saleable values.

7.7 The current state of deterioration of the properties due to wear and tear could have been prevented had the Water District practiced regular disposal of such. Additional cash flow will be generated by the Water District if the Management will opt to sell these unserviceable properties and waste materials in accordance with COA Circular No. 86-264 dated October 16, 1986.

7.8 This is a prior year's observation as embodied in the 2021 Annual Audit Report but was not fully addressed by the Management, thus this reiteration.

**7.9 We recommended and the Management agreed to instruct the Appraisal and Disposal Committee on the following:**

- a) conduct inventory, inspection and appraisal of unserviceable Semi-Expendable and PPE items, and waste materials;**
- b) prepare the Inventory and Inspection Report of Unserviceable Properties for Semi-Expendable and PPE items, and Inventory and Inspection Report of Waste Materials for waste materials and worn-out and obsolete spare parts;**
- c) request an inspection from COA; and**
- d) cause the immediate disposal of the unserviceable properties and waste materials through public auction or other appropriate modes of disposal in accordance with the guidelines on divestment or disposal of assets of government-owned and/or controlled corporations, and their subsidiaries.**

***Non-Preparation of Waste Materials Report (WMR)***

**8. The Water District did not implement the preparation of the WMR for waste materials and worn-out and obsolete spare parts that were replaced during repairs and maintenance of properties contrary to COA Circular No. 2012-001 dated June 14, 2012, thus control and monitoring on these items were not ensured.**

8.1 COA Circular No. 2012-001 dated June 14, 2012, also known as the Revised Documentary Requirements for Common Government Transactions provides that the WMR be prepared, among other documentary requirements, in case of repairs and maintenance of properties

where waste materials and worn-out and obsolete spare parts are obtainable for disposal.

- 8.2 Audit however revealed that the WMR is not being prepared and that waste materials and worn-out and obsolete spare parts that were accumulated for several years were only being stacked and stored in the Water District's warehouse located at Barangay Sapang, Bayambang, Pangasinan. While the disposal of these items has not been initiated as noted under AOM No. 2023-004 dated February 27, 2023, it bears stressing that the Water District has no available records on these properties.
- 8.3 Though it was emphasized by the Management that the subject items are nevertheless safeguarded and anytime available for proper disposal, there was no available inventory listing, thus control and monitoring thereof were not ensured.
- 8.4 Although the waste materials and worn-out and obsolete spare parts may have no further use in the Water District's day-to-day operations, the amount of proceeds when these items are sold are collectively significant considering their quantities and scrap values.
- 8.5 **We recommended that Management direct the Property and Supply Officer prepare a WMR whenever waste materials and worn-out and obsolete spare parts are obtainable for disposal and that records or listings be maintained for future disposal.**
- 8.6 **We further recommended that Management instruct the Accountant ensure that the corresponding WMR is attached to the disbursement voucher whenever waste materials are obtainable and worn-out and obsolete spare parts are replaced.**
- 8.7 The Management agreed to comply with the recommendations.

## C. VALUE FOR MONEY

### *Non-Revenue Water (NRW)*

9. **The Water District's NRW for CY 2022 is 23.60% which is above the maximum acceptable rate of 20% as prescribed under LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, and a manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the Water District.**

- 9.1 LWUA, in its Resolution No. 444, series of 2009 (adopted on September 15, 2009) has prescribed the immediate implementation in the reduction of

the maximum NRW from 25% to 20% applicable to all Water Districts to accelerate further improvement in the efficiency level of the Water Districts.

9.2 Furthermore, LWUA Memorandum Circular No. 014-10 dated December 2, 2010, states that:

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

9.3 Review of the Monthly Data Sheets for CY 2022 disclosed that the Water District's actual NRW rate of 23.60% exceeded the 20% maximum rate as prescribed by LWUA, shown as follows:

Month	Volume of Water (m <sup>3</sup> )			Percentage Rate of NRW
	Produced	Billed	NRW	
January	384,397	302,007	82,390	21.43
February	338,545	280,887	57,658	17.03
March	382,834	262,489	120,345	31.44
April	390,493	312,833	77,660	19.89
May	403,758	308,683	95,075	23.55
June	383,346	300,184	83,162	21.69
July	396,255	307,928	88,327	22.29
August	388,215	292,574	95,641	24.64
September	382,453	299,243	83,210	21.76
October	393,983	300,158	93,825	23.81
November	393,885	305,479	88,406	22.44
December	414,760	282,393	132,367	31.91
<b>Total/Average</b>	<b>4,652,924</b>	<b>3,554,858</b>	<b>1,098,066</b>	<b>23.60</b>

9.4 The above NRW is considered an opportunity lost for potential profit since no income was realized from producing it. Consequently, the Water District incurred an estimated cost of water loss of ₱1,527,428.54, computed as follows:

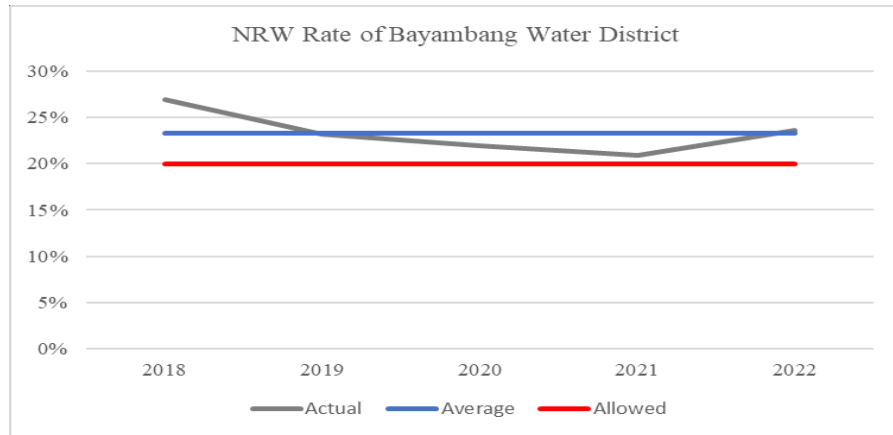
Production costs	₱21,519,312.80
Bulk water purchase costs	<u>20,924,894.40</u>
Total Costs	42,444,207.20
Divide by: Total water produced (in m <sup>3</sup> )	<u>4,652,924.00</u>
<b>Average cost per cubic meter</b>	<b><u>₱ 9.12</u></b>



Actual NRW (in cubic meters)	1,098,066.00
Maximum NRW as prescribed (20% of total water produced)	930,584.80
Excess NRW over prescribed maximum	167,481.20
Multiply by: Average cost per cubic meter	<u>₱ 9.12</u>
<b>Estimated costs of water loss</b>	<b><u>₱ 1,527,428.54</u></b>

9.5 Expenses incurred to produce the NRW did not yield cash inflow, thus, viewed as wasted resources. These resources could have been used for other undertakings that are beneficial to the Water District.

9.6 For the past five (5) years, the Water District registered an average NRW rate of 23.33%, presented as follows:



9.7 Despite yearly audit observation on the matter, the Water District was still unable to reduce its NRW to the maximum allowable rate of 20%, thus this reiteration.

9.8 **We reiterated our recommendations that:**

- a) **members of the Board of Directors revisit the existing policies in reducing water losses and evaluate its efficiency and effectiveness; and**
- b) **Management intensify NRW reduction strategies, such as replacement of old water meters and service lines and the conduct of a regular investigation of engineering aides on possible leakages to manage water losses.**

9.9 The Management informed that the Water District will continue to replace old water meters and regularly investigate the possible leakages in transmission and distribution lines.

*Long Overdue Inactive Accounts*

**10. The Water District did not continuously implement measures to collect receivables from inactive accounts which amounted to ₱3,759,217.11 as of December 31, 2022 contrary to the principles of cash management and Section 2 of PD No. 1445, thus increasing the risk of bad debts.**

10.1 The strategic management of cash plays a critical role in an organization's short-term survival and long-term success. The purpose of cash management policies and procedures is to ensure the use of the most economical and effective cash flow techniques to improve the financial performance of the business. This is achieved through a commitment to certain basic cash management principles, such as those stated in the following:

- a. The aggregate total of uncollected receivables shall be kept to the minimum amount possible.
- b. Collection systems shall include procedures, which provide for prompt and continuing action to collect outstanding receivables, with particular attention to delinquent receivables.

10.2 While Section 2 of PD No. 1445 provides that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

10.3 Audit disclosed that of the total Accounts Receivables of ₱14,932,000.95 as of December 31, 2022, the amount of ₱3,759,217.11 or 25.18% are from inactive accounts, aged as follows:

<b>Age Group</b>	<b>Amount (₱)</b>
1 – 60 days	18,119.70
61 – 180 days	114,233.93
181 days – 1 year	126,455.95
1 – 2 years	238,907.60

Age Group	Amount (₱)
2 – 3 years	217,069.90
3 – 4 years	120,773.35
above 4 years	2,923,656.68
<b>Total</b>	<b>3,759,217.11</b>

- 10.4 It was also noted that such balances have grown over the years which showed the Water District’s current measures to collect these receivables were not continuously implemented. The amount of collectibles from inactive accounts for the past four years is as follows:

Year	Amount of Receivables from Inactive Accounts (₱)
2019	3,304,636.98
2020	3,599,112.88
2021	3,756,108.47
2022	3,759,217.11

- 10.5 While we commend the Water District for exerting efforts such as the serving of demand letters to inactive accounts which are aged above four (4) years that enabled the collection of ₱103,793.41 from 48 customers, implementing a new collection policy, resolved under Board Resolution No. 54 s. 2021, and disconnection and reconnection policy, resolved under Board Resolution No. 23 s. 2021, the increasing balance, as can be gleaned above, is an indication of lack of continuous implementation of the collection strategies.
- 10.6 The longer the accounts remain outstanding, the greater the probability that these would become uncollectible, thus increasing the risk of bad debts. Management must institute systematic actions to remind and encourage customers to pay their accounts.
- 10.7 **We recommended that Management continuously implement efforts to collect past due accounts receivables such as service of demand letters to all inactive accounts and a constant visit to concessionaires.**
- 10.8 The Management informed that the Water District will continue to exert efforts and conduct regular monitoring of receivables to ensure collection and establish procedures in reconciling and cleaning the book of dormant receivable accounts.

#### **D. GENDER AND DEVELOPMENT (GAD)**

- 11. The Management had allocated ₱16,450,000.00 or 5.20% of the ₱316,400,250.90, Corporate Operating Budget for 2022, to defray GAD expenditures of the Water District. GAD Plan and Budget for 2022 was submitted to LWUA on February**

28, 2022. Reported GAD Accomplishments for the year 2022 are presented below:

Gender Issue and GAD Mandate	Accomplishment	Amount (₱)	
		Approved Budget	Actual Expenditure
<b>Organizational Focused</b>			
GAD Focal Point System members have low level of skills to perform their work	Attendance to seminar on Gender Analysis and Gender Responsive Planning and Budgeting	200,000.00	12,500.00
Continuous observance of International Women's Month	Posting of information, education, and communication (IEC) materials	150,000.00	400.00
18- Day Campaign to End Violence Against Women	Conduct of film viewing and posting of IEC materials	120,000.00	36,200.00
Need to booster team collaboration and coordination among BAYWAD employees to boost camaraderie, cooperation, and work efficiency	Conduct of gender responsive team building activities	200,000.00	198,880.00
Adoption of "The Great Filipino Workout" as an integral part of National Physical Fitness and Sports Development Program to promote health and wellness of employees	Conduct of zumba activities and basketball games for all employees	200,000.00	52,000.00
<b>Client Focused</b>			
18-Day Campaign to End Violence Against Women	Posting of IEC materials	80,000.00	400.00
Observance of RA No. 9262 (Anti-Violence Against Women and their Children Act of 2004)		60,000.00	400.00
<b>Total</b>		<b>1,010,000.00</b>	<b>300,780.00</b>

## E. COMPLIANCE WITH TAX LAWS

12. The Water District had remitted an aggregate amount of **₱4,998,769.05** to the BIR for CY 2022. Details are as follows:

<b>Tax Type</b>	<b>Amount (₱)</b>
Franchise Tax	1,808,924.85
Withholding Tax on Compensation	754,569.50
Withholding Tax on Government Money Payments	1,870,037.26
Creditable Income Taxes Withheld (Expanded)	548,085.44
Annual Registration Fee	500.00
Documentary Stamp Tax	16,652.00
<b>Total</b>	<b>4,998,769.05</b>

## F. DISASTER RISK REDUCTION AND MANAGEMENT (DRRM)

13. In compliance with the General Provisions of the General Appropriations Act (GAA), the Water District had prepared and developed its DRRM Plan. The same was submitted to LWUA for review and approval on October 21, 2020.

## G. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

14. Summary of outstanding audit suspensions, disallowances and charges of the Water District as of December 31, 2022 is presented as follows:

<b>Particulars</b>	<b>Amount (₱)</b>			
	<b>Beginning Balance (1/1/2022)</b>	<b>CY 2022 Issuances</b>		<b>Ending Balance (12/31/2022)</b>
		<b>NS/ND/NC</b>	<b>NSSDC</b>	
Suspensions	-	415,714.32	415,714.32	-
Disallowances	3,107,119.96	-	47,431.00	3,059,688.96
Charges	-	-	-	-
<b>Total</b>	<b>3,107,119.96</b>	<b>415,714.32</b>	<b>463,145.32</b>	<b>3,059,688.96</b>

14.1 The above amount of **₱415,714.32** pertains to the aggregate consultancy fees for CY 2021 that were suspended in audit in 2022 due to absence of the consultant's monthly accomplishment reports to support the transaction as required under COA Circular No. 2012-001 dated June 14, 2012. The same was settled in 2022 through submission of the required supporting documents, detailed as follows:

Reference Notice of Suspension (NS)		Notice of Settlement of Suspension, Disallowance and Charge (NSSDC) No.	Amount Settled (₱)
Date	No.		
2/11/2022	2022-001 (21)	2022-025	34,642.86
	2022-002 (21)	2022-026	34,642.86
	2022-003 (21)	2022-027	34,642.86
	2022-004 (21)	2022-028	34,642.86
	2022-005 (21)	2022-029	34,642.86
	2022-006 (21)	2022-030	34,642.86
	2022-007 (21)	2022-031	34,642.86
	2022-008 (21)	2022-032	34,642.86
	2022-009 (21)	2022-033	34,642.86
	2022-010 (21)	2022-034	34,642.86
	2022-011 (21)	2022-035	34,642.86
	2022-012 (21)	2022-036	34,642.86
<b>Total</b>			<b>415,714.32</b>

14.2 Moreover, of the total amount of ₱3,107,119.96 outstanding disallowances as of 1/1/2022, ₱47,431.00 was settled during 2022 leaving an ending balance of ₱3,059,688.96. The Audit Team issued the following NSSDCs for the said settlements:

Reference Notice of Disallowance (ND)		NSSDC No.	Amount Settled (₱)
Date	No.		
2/2/2015	2015-005(14)	2022-013	22,957.00
12/21/2021	2021-003	2022-041	5,000.00
2/2/2015	2015-005(14)	2022-042	14,567.00
	2015-005(14)	2022-082	4,907.00
<b>Total</b>			<b>47,431.00</b>

## **PART III**

# **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 21 prior years' audit recommendations, five (5) were implemented and 16 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. Inadequate and Inadequate and incomplete details of PPE transactions from accounting records, and absence of property records resulted in the difficulty in the determination of their existence, completeness, conditions and whereabouts, hence only ₱260,046,553.25 were properly identified and validated compared to ₱318,519,342.38 PPE account balance or a difference of ₱58,472,789.13. These rendered the existence and accuracy of PPE account uncertain, thus, affected the fair presentation of the financial statements.</p> <p>We reiterated our recommendation and Management agreed to:</p> <p style="padding-left: 40px;">a) Direct the Property Officer and Accountant to maintain complete and updated property records and PPELCs, respectively; and</p>	2021 AAR	Newly acquired properties are properly recorded in PPE ledger.	Not Implemented and Reiterated in Observation No. 1



Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>b) Instruct the Accounting Section to exert exhaustive efforts to locate prior years' PPE records.</p> <p>For the unaccounted balances, we recommended that the General Manager (GM) direct the members of the Inventory Committee to:</p> <p>a) Conduct another complete physical count of PPE;</p> <p>b) Assign values to PPE items found at station but were not reflected in accounting records,</p> <p>c) Issue demand letters for missing items with PAR; and</p> <p>d) Conduct an investigation and determine the persons responsible and circumstances of the loss for the remaining unaccounted PPE items which accountability could not be properly established.</p>			<p>Not Implemented and Reiterated in Observation No. 1</p> <p>Not Implemented and Reiterated in Observation No. 1</p> <p>Not Implemented and Reiterated in Observation No. 1</p> <p>Not Implemented and Reiterated in Observation No. 1</p>
<p>2. Consultancy Service amounting to ₱480,000.00 did not go through the</p>	<p>2021 AAR</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>procurement process and do not have sufficient and complete documentation contrary to Section 6.2 of CSC – COA – DBM Joint Circular No. 1 s. 2017 and RA No. 9184 and its Revised IRR, thus, depriving the Water District of the opportunity to obtain such services through a competitive and transparent process and exposing management to legal risks and incurrence of unnecessary expenses.</p> <p>We recommended that Management direct the BAC to procure consultancy services pursuant to the provisions of RA No. 9184.</p> <p>We further recommended that the Accountant ensure sufficient and complete documentation of consultancy payments.</p>		<p>Accomplishment reports for every payment were attached to Disbursement Vouchers.</p>	<p>Not Implemented and Reiterated in Observation No. 3</p> <p>Implemented</p>
<p>3. Unserviceable properties of undetermined amount remained undisposed for several years contrary to Section 79 of PD No. 1445, thus, these properties were exposed to deterioration due to wear and tear and may reduce their saleable values to the disadvantage of the Water District.</p> <p>We recommended that the</p>	<p>2021 AAR</p>		<p>Not Implemented</p>

<b>Observation and Recommendation</b>	<b>Reference</b>	<b>Action Taken by Management</b>	<b>Result of Auditor's Validation</b>
<p>GM create an Appraisal and Disposal Committee which shall prepare the IIRUP, request an inspection from COA and cause the immediate disposal of said items including the waste materials through public auction.</p>			<p>and Reiterated in Observation No. 7</p>
<p>4. Twelve parcels of land were not supported with a Certificates of Title in the name of BAYWAD contrary to Section 39 (2) of PD No. 1445, thus posing risk of third-party claims. Moreover, the cost of lot acquired through donation was not recognized in the financial statements.</p> <p>We reiterated our recommendation that Management continue to exhaust all efforts in securing the Certificates of Title of the lots to support claims of ownership.</p> <p>We recommended that Management instruct the Accountant to locate records to support the entries recorded in the Land account in the financial statements.</p>	<p>2019 &amp; 2021 AARs</p>	<p>The Water District is currently in the process of securing titles, however, it might be obtained in future years due to the lengthy process of transferring land titles.</p> <p>There is an on-going investigation for the history and issues of the recorded land.</p>	<p>Not Implemented</p> <p>Not Implemented</p>

<b>Observation and Recommendation</b>	<b>Reference</b>	<b>Action Taken by Management</b>	<b>Result of Auditor's Validation</b>
Likewise, we recommended that the Accountant recognize in the books the fair values of the donated lots using the BIR zonal values of the parcels of land at the date of donation.		The Accountant recorded the fair value of the donated lots using the BIR zonal value under JEV No. 12202220068 dated December 31, 2022.	Implemented
<p>5. Purchase Orders (POs) were not properly accomplished contrary to Item B of COA Circular No. 96-010 dated August 15, 1996, thus, it cannot be ascertained whether the delivery of goods conforms to the terms and conditions of the agreement.</p> <p>We recommended that Management require the Accountant and officials concerned to fill out the relevant and required information on the PO and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.</p>	2021 AAR	Office Order No. 10-12 dated April 18, 2022 was created and implemented to ensure that relevant and required information on the PO form are properly filled out.	Implemented
6. The District's NRW for CY 2021 is 20.92% which is above the maximum acceptable rate of 20% as prescribed under LWUA Resolution No. 444 series of 2009, hence, affected its operating and revenue generation efficiency, and a	2021 AAR		

<b>Observation and Recommendation</b>	<b>Reference</b>	<b>Action Taken by Management</b>	<b>Result of Auditor's Validation</b>
<p>manifestation of inadequacies in the control, monitoring of water production, distribution and water billing to the disadvantage of the District.</p> <p>We reiterated our recommendation that Management require the BOD to revisit the existing policies in reducing water losses and evaluate their efficiency and effectiveness.</p> <p>We further recommended that Management intensify NRW reduction strategies, such as replacement of old water meters and service lines and the conduct of a regular investigation of engineering aides on possible leakages to manage water losses to significantly reduce the high level of NRW to the maximum rate of 20%.</p>		<p>Replacement of old water meters is ongoing to ensure the accuracy of billed water.</p>	<p>Not Implemented and Reiterated in Observation No. 9</p> <p>Not Implemented and Reiterated in Observation No. 9</p>
<p>7. The District's absence of effective collection policies and procedures resulted in uncollected receivables from inactive accounts of ₱3,756,108.47 which does not align with principles of cash management and Section 2 of PD No. 1445, thus deprived the District of the use of said funds to finance its operation and investment projects.</p>	<p>2021 AAR</p>		

<b>Observation and Recommendation</b>	<b>Reference</b>	<b>Action Taken by Management</b>	<b>Result of Auditor's Validation</b>
<p>We reiterated our recommendation that Management require the Billing Personnel to implement efforts to collect the accounts receivables such as service of demand letters and follow-up visits, if necessary.</p>		<p>Request letters for status of residency for unserved demand letters which is due above 10 years have been sent to different barangays.</p>	<p>Not Implemented and Reiterated in Observation No. 10</p>
<p>8. Taxes in the total amount of ₱58,660.71 on purchases from a supplier was not withheld by the District despite its obligation as a withholding agent contrary to Section II of BIR RMO No. 23-2014 dated June 20, 2014, and BIR RR No. 11-2018 dated January 31, 2018, thus the District may be held liable to penalties.</p> <p>We recommended that Management require the Accountant to withhold taxes on future transactions with the supplier if there is no valid proof of tax exemption submitted.</p>	<p>2021 AAR</p>	<p>There were two (2) purchase transactions with the supplier during 2022. Related taxes have been withheld and remitted to BIR.</p>	<p>Implemented</p>
<p>9. Several properties of the District were not insured with the GIF administered by the Government Service Insurance System (GSIS) contrary to Section 5 of RA No. 656 and COA Circular No. 2018-002 dated May 31, 2018, thus, affecting the interest of the District against insurable risks over the properties in case of</p>	<p>2021 AAR</p>		

<b>Observation and Recommendation</b>	<b>Reference</b>	<b>Action Taken by Management</b>	<b>Result of Auditor's Validation</b>
<p>loss or damages.</p> <p>We recommended that Management instruct the Accountant, with the assistance of the Property Officer, to prepare the PIF and submit the same to the Audit Team for monitoring purposes and to the GSIS for proper assessment of insurance premiums.</p>		<p>List of motor vehicles and the building including its contents has been submitted to GSIS and paid the related insurance premiums. However, preparation of list of other properties is still on-going.</p>	<p>Not Implemented</p>
<p>10. Inadequate inventory planning and control of stocks resulted in over supply of inventories for local water systems operations amounting to ₱6,496,740.55 contrary to Section 2 of PD No. 1445 and Section 25 of the GAA of FY 2020 General Provisions thus may expose the inventories to risk of possible loss, spoilage, obsolescence, and material degradation.</p> <p>We recommended that the GM:</p> <p>a) Instruct the Property Officer to conduct proper inventory planning and monitoring on the movement of supplies and materials to determine when to order considering</p>	<p>2020 AAR</p>	<p>Additional Admin employee was tasked to monitor the movement of supplies and materials.</p>	<p>Implemented</p>

<b>Observation and Recommendation</b>	<b>Reference</b>	<b>Action Taken by Management</b>	<b>Result of Auditor's Validation</b>
<p>the lead time and quantity needed to procure for each item;</p> <p>b) Require the Inventory Custodian to update bin cards regularly; and</p> <p>c) Require the Accountant to perform regular reconciliation of inventory records for control and monitoring purposes.</p>			<p>Not Implemented and Reiterated in Observation No. 2</p> <p>Not Implemented and Reiterated in Observation No. 2</p>