



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

ANNUAL AUDIT REPORT

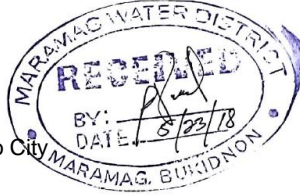
ON THE

MARAMAG WATER DISTRICT
Maramag, Bukidnon

For the Year Ended December 31, 2017



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



March 23, 2018

MR. BENEFORTE DY TAN MALACK

Chairman, Board of Directors
Maramag Water District
Maramag, Bukidnon

MS. ROSEMARIE D. AGUSTIN, MGA

General Manager
Maramag Water District
Maramag, Bukidnon

Sir, Madam:

We are pleased to transmit the Annual Audit Report (AAR) on the Maramag Water District, Maramag, Bukidnon, for the calendar year 2017 pursuant to Sec. 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Audit Code of the Philippines.

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

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

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

We rendered a qualified opinion on the fairness of presentation of the financial statements for the year then ended.

Among the significant findings and observations noted in audit are:

1. No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to P82,860,883.22 with a net book value of P47,299,946.64 net of land and inventories amounting to P3,689,483.58, contrary to Section 102 of PD 1445 and COA Circular No. 80-124 dated January 18, 1980, thus their existence and accuracy were not ascertained.
2. The District's Accounts Receivable with an amount of P4,791,532.09 as of year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of

Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, thus affecting the overall fairness and reliability of the financial statements presentation.

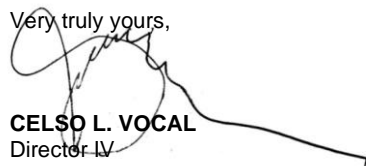
3. Various completed projects with a total budgeted cost of P1,792,911.68 were not transferred to its appropriate asset account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement.

These, and other audit findings, observations, and recommendations are discussed in detail under Part II of this report.

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

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act FY 2017.

Very truly yours,



CELSO L. VOCAL
Director IV
Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

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

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

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

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

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

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

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

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

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

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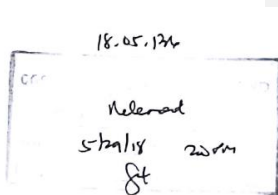
Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No 10
Cagayan de Oro City



OFFICE OF THE ACTING SUPERVISING AUDITOR
Audit Group, CGS – Water Districts & Other CGS Stand-Alone Agencies

February 27, 2018

ATTY. CELSO L. VOCAL
The Regional Director
Commission on Audit
Regional Office No. 10
Cagayan de Oro City



Sir:

We are pleased to submit the Annual Audit Report (AAR) on the Maramag Water District, Maramag, Bukidnon, for the calendar year 2017 pursuant to Sec. 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Audit Code of the Philippines.

In compliance with Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Maramag Water District**, Maramag, Bukidnon, for the year ended December 31, 2017.

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

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

We conducted our audit in accordance with the Philippine Public Sector Standards on Auditing and we believe that these standards provided a reasonable basis for the audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor



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



OFFICE OF THE AUDIT TEAM LEADER
R10-03 CGS Water Districts & Other CGS Stand-Alone Agencies

February 26, 2018

MS. CECILIA A. PONTILLAS

Acting Supervising Auditor
Water District and Other CGS Stand Alone Agencies Group
Commission on Audit
Regional Office No. 10
Cagayan de Oro City

Madam:

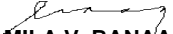
In compliance with Section 2, Article IX-D of The Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we conducted a comprehensive audit on the accounts and operations of Maramag Water District, Maramag, Bukidnon, for the year ended December 31, 2017.

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

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

We conducted our audit in accordance with the Philippine Public Sector Standards on Auditing and we believe that these standards provided a reasonable basis for the audit results.

Very truly yours,


MILA V. BANAAG
State Auditor IV
Audit Team Leader

**MARAMAG WATER DISTRICT
AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2017
As of _____

Ref	Audit Observation	Audit Recommendation	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			
2017									
1	No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to P82,860,883.22 with a net book value of P47,299,946.64 net of land and inventories amounting to P3,689,483.58, contrary to Section 102 of PD 1445 and COA Circular No. 80-124 dated January 18, 1980, thus their existence and accuracy were not ascertained.	Take immediate action on the conduct of COMPLETE physical inventory of all the property, plant, and equipment and inventories and on the reconciliation of the same with accounting records. Likewise, we reiterate the sanction provided in COA Circular No. 80-124 for non-compliance.							

Ref	Audit Observation	Audit Recommendation	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			
2	The District's Accounts Receivable with an amount of P4,791,532.09 as of year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, thus affecting the overall fairness and reliability of the financial statements presentation.	(1) Set up Allowance for Impairment for Accounts Receivable, and (2) to reconcile the balance per book and per aging schedule of Accounts Receivable-Customers to present the account fairly in the Financial Statements in compliance with the above provisions.							
3	Various completed projects with a total budgeted cost of P1,792,911.68 were not transferred to its appropriate asset	To (a) apprise the Engineering Division from which required documents and status reports emanate of the above provisions to remind them of the							

Ref	Audit Observation	Audit Recommendation	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			
	account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement.	significance of the timely transmittal of these documents to the Accounting Division for the capitalization of the completed projects and (b) require the immediate reconciliation of variances between Engineering and Accounting to effect the necessary adjustments.							
4	The District failed to impose the correct amount of liquidated damages from the billings of the suppliers for their failure to meet the delivery period, in violation of Section 68 of the 2016 Revised IRR of RA 9184.	Bids and Awards Committee, to be cautious in the computation of its liquidated damages from suppliers/contractors on the delay on their delivery of goods or in the execution of the terms of the approved contract for infrastructure projects.							
5	The procurement of Generator Set 80 KVA was done through shopping	Bids and Awards Committee to strictly comply with the provisions of 2016 Revised IRR of RA							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-implementation, if applicable	Action Taken / Action to be Taken
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					From	To			
	instead of competitive bidding in the total amount of P754,000.00 in violation to Rule XVI Section 52 and Annex H under Specific Guidelines of the 2016 Revised IRR of RA 9184.	9814 on procurement of supplies and materials through shopping. Procurement below the threshold but are not classified as ordinary or regular office supplies should follow the Small Value under Negotiated Mode of Procurement.							
6	The District registered a year-to-date (YTD) rate of 49% for its Non-Revenue Water (NRW) as of November 30, 2017, which is well above the maximum acceptable NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, thus affecting the District's efficiency level and could mean revenue lost.	Formulate more effective control measures or implement improvements to mitigate further revenue losses and promote operational efficiency in compliance with the standards set by the LWUA.							

Ref	Audit Observation	Audit Recommendation	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			
2016									
1	The validity and existence of other Receivables amounting to P 329,940.13 could not be ascertained due to the absence of supporting documents to prove the legality and propriety of the District's claims against various creditors.	<p>Require the management to carry out the following remedial measures in compliance to Section 111(1) of PD.1445.</p> <p>1. Direct the management to submit an explanation as to the efforts exerted towards reconstruction of the amounts recorded as Other Receivables, and to present all pertinent supporting documents.</p> <p>2. Conduct thorough evaluation if such accounts are uncollectible or not; and request for write-off, if proven uncollectible after submission of proof that these accounts are indeed uncollectible and needed to be written off.</p>							
2	Physical count of Property, Plant and Equipment (PPE) includes items not included in the list of	Instruct the accounting and property sections to update the list of PPE and its lapsing schedule to reflect the correct amounts to							

Ref	Audit Observation	Audit Recommendation	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			
	PPE showing significant differences of the amounts as presented in the books contrary to Philippine Accounting Standards (PAS) 1.	recognize those assets found during the physical count and recognize the related Depreciation expenses for depreciable assets which are not included in the said list and to present fairly the said accounts in accordance with PAS 1.							
3	Purchased of plane tickets for the travel of the District official and members of the Board of Directors (BOD) were from the travel agency owned and managed by one of the members of the BOD creating conflict of interest.	We recommend that management refrain from conducting business with establishment which creates a conflict of interest.							
4	The district incurred expenses in the total amount of P120,171.93 during its General Assembly and Christmas Party for CY 2016 despite insufficient allocation	We recommend to Management to: a. Strictly comply with Section 41, Title II of PD 198 in the disposition of revenue by allocating at least 50% of the income							

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			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			
	for mandatory restricted asset as required under Title II Section 41 of PD 198 and despite Administrative Order No. 103 dated August 31, 2004 on adoption of austerity measure in government.	after contractual & statutory deductions and current operating expenses; and b. Observe AO 103 series of 2004 by allocating and disbursing prudent amount for basic activities that do not fall under the core functions of the district.							
	CY 2015								
1	Accounts Receivable amounting to P 4,394,002.48 as at year-end was not stated at net realizable value due to non-provision for impairment contrary to Philippine Accounting Standards (PAS) I and Section 66 of the New Government Accounting System (NGAS) Manual Volume I.	We recommended and management agreed to provide allowance for impairment of the accounts receivables based on the percentage and ageing of accounts in order to present the account fairly in the financial statement in compliance with PAS I and Section 66 of the NGAS Manual Volume I.							
2	Accounts Receivable – customers	We recommended to management to instruct the							

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					From	To			
	amounting to P 4,394,002.48 as of December 2015 was doubtful due to unreconciled balance of P 100,670.70 between the Accounting and Commercial divisions, contrary to Philippine Accounting Standards (PAS) I.	Accounting/ Commercial Divisions to reconcile the difference of P 100,670.70 and adhere strictly to the provisions of (PAS) I.							
3	The District failed to conduct the annual physical count of the property, plant, equipment and inventories contrary to Philippine Accounting Standard (PAS) No. 2 and Section 490 of the Government Accounting and auditing Manual Volume 1.	We recommended and management agreed to strictly comply with PAS No. 2 and Section 490 of the GAAM Volume 1 to conduct physical count on all the District's PPE including Inventory of Supplies and Materials at least once a year. Prepare the RPCPPE and RPCI after conducting the year-end inventory and submit the same to the audit team. It is likewise recommended that the Inventory Accounts section be required to conduct							

Ref	Audit Observation	Audit Recommendation	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			
		immediate reconciliation for every variance noted during the physical inventory of PPE and Materials and Supplies.							
4	The District's Non - Revenue Water (NRW) representing the unaccounted water from January to December 2015 was registered at 49.98 percent is way above the 20 percent acceptable level prescribed by LWUA Memorandum Circular No. 004-10.	We recommended and management agreed to continue exerting effort through its programs and make it a priority to reduce its NRW to an acceptable level as provided for by LWUA Memorandum Circular No. 004-10.							
	CY 2014								
1	Construction in Progress (CIP) account includes various completed projects amounting to P1,232,484.10 thus, failing to account for the depreciation charges and affecting the income and expense account for	Record the completed projects and record the corresponding depreciation expenses one month after the final acceptance of the completed project; and the Engineering Division to maintain record for materials requisitioned and used for the project.							

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			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			
	CY 2014 contrary to Section 41 of the New Government Accounting System (NGAS).								
2	The Loans Payable account - Non-LWUA Initiated Fund (NLIF) of P13,261,625.00 was overstated due to the inclusion of the whole as payable despite one half or P 6,630,812.50 was in a form of grant and having been completed but not transferred to appropriate PPE account thus failing to account for the related accumulated depreciation resulting to understatement and overstatement of expense and income accounts respectively.	Make representation with LWUA to obtain relevant documents to validate the Loans Payable and related accounts pertaining to NLIF, including the certificate of work completion; and direct the Senior Corporate Accountant to make the necessary adjustments based on valid document in order to come up with fair presentation of the Loans Payable-NLIF and CIP Accounts in the FS.							
	CY 2013								
1	The book balance of Materials and	Require the personnel in the Accounting and							

Ref	Audit Observation	Audit Recommendation	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			
	Supplies Inventory (Account 131) remained unreconciled with the inventory report having a variance of ₱587,867.46 as of December 31, 2013 due to discrepancy in the recording of deliveries/receipts and issuances/withdrawals of materials and supplies inventory.	Property Sections to reconcile regularly the balance per book and that of the monthly stock status report taken into consideration the report on the actual physical count of materials and supplies inventory. Also, require monthly reconciliation on the recording of adjustments, deliveries/receipts and issuances/withdrawals affecting the said account. Effect necessary adjustments either in the books or physical inventory report to have a fair presentation of account balance.							
2	Various claims of foreign travel expenses totaling ₱219,906.00 incurred by the district officials to attend international seminar/conference in Jakarta, Indonesia in CY 2012 and	Require the concerned district officials to submit the required authority to travel. Strictly comply the conditions set as detailed in LWUA Memorandum Circular No. 010-10 and Memorandum Circular No. 7 series of 2010 of the Office of the President							

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	Tachikawa, Japan in CY 2013 organized by EROPA were not supported with the required authority to travel abroad and without complying other conditions as detailed in the Office of the President Memorandum Circular No. 7 series of 2010 and LWUA Memorandum Circular No. 010-10.	in sending participants to international conventions/conferences.							
3	Payments of financial assistance and cash gift to the board of directors totaling ₱52,875.00 for CY 2013 were made without legal basis.	Strictly observe the pertinent provisions of EO Nos. 24 and 65 and LWUA Memorandum Circular No. 015-12 in approving payments of incentives which should be supported with valid authority. Require the members of the board to refund the CNA received on or before May 31, 2014.							

Ref	Audit Observation	Audit Recommendation	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			
	CY 2012								
1	The district has an unliquidated cash advances totaling ₱135,855.26 as of December 31, 2012.	<p>a. Require the concerned officer and employees of the district to facilitate submission of liquidation reports and supporting documents on or before August 15, 2013.</p> <p>b. Submit a letter-request to the Commission on Audit for possible write off of cash advances of government employees who are already deceased or those that remained unliquidated for more than ten years subject to certain conditions as detailed in COA Resolution No. 80-122 dated April 23, 1980.</p>							
2	Land and land rights with a value of ₱485,000.00 were not supported with	Make representation with the DENR Regional Office to clarify the conditions set by certain							

Ref	Audit Observation	Audit Recommendation	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-implementation, if applicable	Action Taken / Action to be Taken
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					From	To			
	legal documents of ownership.	DENR personnel. The non-titling of purchased lots should be properly disclosed as part of the notes to the financial statements.							
3	₱1.929 million or 58% of the total balance per aging schedule of the accounts receivables- customers was considered inactive accounts and the same were included as part of the current assets	Conduct a thorough investigation on the whereabouts of concessionaires whose accounts were classified as dormant or inactive and determine as to its collectability of their respective accounts. Further, direct the Accounting Section to reclassify the inactive accounts as Other Assets. Also, submit a request for possible write-off of inactive accounts with nil probability of collection to the Commission on Audit.							



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

ANNUAL AUDIT REPORT

ON THE

MARAMAG WATER DISTRICT
Maramag, Bukidnon

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

1. Introduction

The Maramag Water District (MWD) was given the Conditional Certificate of Conformance No. 496 approved by the Local Water Utilities Administration (LWUA) on June 11, 1991 and was granted an approved Water Permit No. 15268 per National Water Resources Board Resolution No. 01-0796 on July 23, 1996.

All Local Water Districts in the Philippines were declared as government-owned or controlled corporations (GOCC) with original charter (PD No. 198) in a case decided by the Supreme Court on September 13, 1991 docketed as GR No. 95237-38 entitled "Davao City Water District, et al. vs. Civil Service Commission, et al."

As of December 31, 2017, the District served a total population of 37,080 and has total service connections of 8,937 and was classified as Category C - Average water district (WD) pursuant to Local Water District – Manual on Categorization, Re-Categorization and Other Related Matters (LWD – MaCRO).

An audit examination was conducted on the CY 2017 accounts and operations of MWD. The audit aimed to: ascertain propriety of financial transactions and compliance of the District as to existing laws, rules and regulations; ascertain the accuracy of financial records and reports of the District; ascertain the fairness of presentation of the financial statements for CY 2017; and determine whether the plans, programs and activities for the year were attained in an efficient, economical and effective manner.

2. Financial Highlights

The comparative figures for CY 2017 and 2016 financial data showed an increase of the District's total equity, operating expenses, and net income and a decrease in total assets, total liabilities and other deferred credits, gross income, other income and other expenses and charges as summarized below:

Particulars	2017	2016	Increase / (Decrease)
Total Assets	₱ 75,048,697.71	₱ 72,342,548.09	₱ 2,706,149.62
Total Liabilities	16,930,611.56	14,361,373.79	2,569,237.77
Total Equity	₱ 58,118,086.15	₱57,981,174.30	₱136,911.85

Total Income	₱ 34,485,078.62	₱ 33,572,568.34	₱ 912,510.28
Operating Expenses	31,343,692.47	29,766,012.80	1,577,679.67
Other Expenses/Charges	555,318.35	537,634.00	17,684.35
Net Income/(Loss)	₱2,586,067.80	₱3,268,921.54	₱ (682,853.74)

3. Independent Auditor's Report on the Financial Statement

A qualified opinion was rendered on the financial statements due to the following observations:

1. No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to ₱82,860,883.22 with a net book value of ₱47,299,946.64 net of land and inventories amounting to ₱3,689,483.58, contrary to Section 102 of PD 1445 and COA Circular No. 80-124 dated January 18, 1980, thus their existence and accuracy were not ascertained.
2. The District's Accounts Receivable with an amount of ₱4,791,532.09 as of year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, thus affecting the overall fairness and reliability of the financial statements presentation.
3. Various completed projects with a total budgeted cost of ₱1,792,911.68 were not transferred to its appropriate asset account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement.

4. Summary of Significant Audit Observations and Recommendations

Other than the basis for the modified opinion as stated above, the following are the other significant observations, with corresponding recommendations, which need immediate action:

- 1. The District failed to impose the correct amount of liquidated damages from the billings of the suppliers for their failure to meet the delivery period, in violation of Section 68 of the 2016 Revised IRR of RA 9184.**

We recommended to the management henceforth through its Bids and Awards Committee, to be cautious in the computation of its liquidated damages from suppliers/contractors on the delay on their delivery of goods or in the execution of the terms of the approved contract for infrastructure projects.

- 2. The procurement of Generator Set 80 KVA was done through shopping instead of competitive bidding in the total amount of P .754 million in violation to Rule XVI Section 52 and Annex H under Specific Guidelines of the 2016 Revised IRR of RA 9184.**

We recommended to the management through its Bids and Awards Committee to strictly comply with the provisions of 2016 Revised IRR of RA 9814 on procurement of supplies and materials through shopping. Procurement below the threshold but are not classified as ordinary or regular office supplies should follow the Small Value under Negotiated Mode of Procurement.

- 3. The District registered a year-to-date (YTD) rate of 49% for its Non-Revenue Water (NRW) as of November 30, 2017, which is well above the maximum**

acceptable NRW of 20% as prescribed under LWUA Resolution No. 444, series of 2009, thus affecting the District's efficiency level and could mean revenue lost.

We recommend to the management to formulate more effective control measures or implement improvements to mitigate further revenue losses and promote operational efficiency in compliance with the standards set by the LWUA.

5. Summary of total suspensions, disallowances and charges as of year-end

As of December 31, 2017, the District has a remaining balance of unsettled Notice of Suspensions (NS) with total amount of ₱ 258,833.94 and Notice of Disallowances (ND) totaling ₱490,699.00 (**Appendix A**).

6. Implementation of Prior Years Audit Recommendations

Of the 23 prior years' audit recommendations, 11 recommendations were fully implemented and 12 were partially implemented.

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**PART I -
AUDITED FINANCIAL STATEMENTS**



COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

INDEPENDENT AUDITOR'S REPORT

MS. ROSEMARIE D. AGUSTIN, MGA

General Manager
Maramag Water District
Maramag, Bukidnon

We have audited the accompanying financial statements of **Maramag Water District**, Maramag, Bukidnon which comprise the Statement of Financial Position as of December 31, 2017 and the related Statements of Profit or Loss and Other Comprehensive Income, Changes of Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles, 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, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis of our qualified opinion.

Bases for Qualified Opinion

As discussed in Part II of the Report, (a) No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to ₱82,860,883.22 with a net book value of ₱47,299,946.64 net of land and inventories amounting to ₱3,689,483.58, contrary to Section 102 of PD 1445 and COA Circular No. 80-124 dated January 18, 1980, thus their existence and accuracy were not ascertained; (b) The District's Accounts Receivable with an amount of ₱4,791,532.09 as of year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, and (c) Various completed projects with a total budgeted cost of ₱1,792,911.68 were not transferred to its appropriate asset account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement; thus affecting the overall fairness and reliability of the financial statements presentation.

Qualified Opinion

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 Maramag Water District, Maramag, Bukidnon as of December 31, 2017 and of its financial performance and its cash flows for the year ended in accordance with state accounting principles.

COMMISSION ON AUDIT

BY:


CECILIA A. PONTILLAS

State Auditor IV
Supervising Auditor

February 27, 2018



Republic of the Philippines
MARAMAG WATER DISTRICT
T. Coruña St., South Poblacion, Maramag, Bukidnon

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

The management of the Maramag Water District (MWD), Maramag, Bukidnon is responsible for preparation of the financial statements as at December 31, 2017, 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 statement 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.

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

BENEFORTE DY TAN MALACK
Chairman of the Board

February 21, 2018
Date Signed

ALBERT R. SEDENIO
Corporate Accountant

February 21, 2018
Date Signed

ROSEMARIE D. AGUSTIN
General Manager

February 21, 2018
Date Signed



MARAMAG WATER DISTRICT
Maramag, Bukidnon
CONDENSED STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2017
(with comparative figures for CY 2016)

	<u>NOTE</u>		<u>CY 2017</u>		<u>CY 2016</u>
ASSETS					
Current Assets					
Cash and Cash Equivalents	5	₱	3,440,349.86	₱	3,417,024.22
Receivables	6		5,582,749.45		5,575,156.46
Inventories	7		3,689,483.58		3,010,849.15
Other Current Assets	8		76,432.60		103,398.04
Total Current Assets			<u>12,789,015.49</u>		<u>12,106,427.87</u>
Non-Current Assets					
Property, Plant and Equipment	9		52,374,797.46		51,200,906.33
Other Non-Current Assets	10		9,884,884.76		9,035,213.89
Total Non-Current Assets			<u>62,259,682.22</u>		<u>60,236,120.22</u>
Total Assets		₱	<u>75,048,697.71</u>	₱	<u>72,342,548.09</u>
LIABILITIES					
Current Liabilities					
Financial Liabilities	11	₱	1,457,308.34	₱	3,464,651.85
Inter-Agency Payables	12		2,805,019.06		122,286.73
Trust Liabilities	13		23,000.00		0.00
Other Payables	14		309,494.48		92,488.90
Total Current Liabilities			<u>4,594,821.88</u>		<u>3,679,427.48</u>
Non-Current Liabilities					
Financial Liabilities	15		9,561,327.49		10,232,522.49
Provisions	16		2,325,038.37		0.00
Other Payables	17		449,423.82		449,423.82
Total Non-Current Liabilities			<u>12,335,789.68</u>		<u>10,681,946.31</u>
Total Liabilities		₱	<u>16,930,611.56</u>	₱	<u>14,361,373.79</u>
EQUITY					
Government Equity	18	₱	7,477,004.39	₱	7,477,004.39
Retained Earnings/(Deficit)			50,641,081.76		50,504,169.91
Total Equity		₱	<u>58,118,086.15</u>	₱	<u>57,981,174.30</u>
Total Liabilities and Equity		₱	<u>75,048,697.71</u>	₱	<u>72,342,548.09</u>

(See Accompanying Notes to Financial Statements)



**MARAMAG WATER DISTRICT
CONDENSED STATEMENT OF
COMPREHENSIVE INCOME**

For the year ended December 31, 2017
(with comparative figures for CY 2016)

	<u>NOTE</u>	<u>2017</u>	<u>2016</u>
Income			
Service and Business Income	19	₱ 34,485,078.62	₱ 33,549,775.27
Other Non-Operating Income	20	0.00	22,793.07
Total Income		34,485,078.62	33,572,568.34
Expenses			
Personnel Services	21	13,227,631.98	11,118,249.58
Maintenance and Other Operating Expenses	22	14,716,440.21	15,579,484.85
Financial Expenses	23	555,318.35	537,634.00
Non-Cash Expenses	24	3,399,620.28	3,068,278.37
Total Expenses		31,899,010.82	30,303,646.80
Profit/(Loss) Before Tax		2,586,067.80	3,268,921.54
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		2,586,067.80	3,268,921.54
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)		0.00	0.00
Net Income/(Loss)		2,586,067.80	3,268,921.54
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
Comprehensive Income/(Loss)		₱ 2,586,067.80	₱ 3,268,921.54

(See Accompanying Notes to Financial Statements)



MARAMAG WATER DISTRICT
Maramag, Bukidnon
CONDENSED STATEMENT OF CASH FLOWS
As of December 31, 2017
(with comparative figures for CY 2016)

	<u>CY 2017</u>	<u>CY 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	₱ 34,230,296.64	₱ 33,276,080.96
Collection of Receivables	134,012.30	260,929.76
Receipt of Intra-Agency Fund Transfers	763,837.66	568,002.32
Other Receipts	84,339.92	30,897.52
Total Cash Inflows	35,212,486.52	34,135,910.56
Adjustments	0.00	0.00
Adjusted Cash Inflows	35,212,486.52	34,135,910.56
Cash Outflows		
Payment of Expenses	19,748,282.60	20,482,047.03
Purchase of Inventories	3,669,200.45	1,767,707.17
Payments of Accounts Payable	325,111.40	117,000.00
Remittance of Personnel Benefit		
Contributions and Mandatory Deductions	4,531,080.31	3,959,399.44
Release of Intra-Agency Fund Transfers	1,194,830.02	1,666,474.95
Total Cash Outflows	29,468,504.78	27,992,628.59
Adjustments	0.00	0.00
Adjusted Cash Outflows	29,468,504.78	27,992,628.59
Net Cash Provided by/(Used in) Operating Activities	5,743,981.74	6,143,281.97
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	5,249,387.49	2,157,148.33
Total Cash Outflows	5,249,387.49	2,157,148.33
Adjustments	0.00	0.00
Adjusted Cash Outflows	5,249,387.49	2,157,148.33
Net Cash Provided By/(Used In) Investing Activities	(5,249,387.49)	(2,157,148.33)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Inflows		
Proceeds from Domestic and Foreign Loans	2,667,504.17	0.00
Total Cash Inflows	2,667,504.17	0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	2,667,504.17	0.00
Cash Outflows		
Payment of Long-Term Liabilities	2,583,454.43	2,727,642.00
Payment of Interest on Loans and Other Financial Charges	555,318.35	537,634.00
Total Cash Outflows	3,138,772.78	3,265,276.00
Adjustments	0.00	0.00
Adjusted Cash Outflows	3,138,772.78	3,265,276.00
Net Cash Provided By/(Used In) Financing Activities	(471,268.61)	(3,265,276.00)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,325.64	720,857.64
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	3,417,024.22	2,696,166.58
CASH AND CASH EQUIVALENTS, DECEMBER 31	₱ 3,440,349.86	₱ 3,417,024.22



MARAMAG WATER DISTRICT
Maramag, Bukidnon
STATEMENT OF CHANGES IN EQUITY
 As of December 31, 2017
 (with comparative figures for CY 2016)

	Retained Earnings/ (Deficit)	Contributed Capital	Government Equity	TOTAL
BALANCE AT JANUARY 1, 2016	₱40,900,789.40	₱842,004.39	₱6,635,000.00	₱48,377,793.79
ADJUSTMENTS:				
Add/(Deduct): Prior Period Errors	6,334,458.97	0.00	0.00	6,334,458.97
RESTATED BALANCE AT JANUARY 1, 2016	47,235,248.37	842,004.39	6,635,000.00	54,712,252.76
CHANGES IN EQUITY FOR 2016				
Add/(Deduct):				
Comprehensive Income for the year	3,268,921.54	0.00	0.00	3,268,921.54
BALANCE AT DECEMBER 31, 2016	50,504,169.91	842,004.39	6,635,000.00	57,981,174.30
CHANGES IN EQUITY FOR 2017				
Add/(Deduct):				
Comprehensive Income for the year	2,586,067.80	0.00	0.00	2,586,067.80
Other Adjustments	2,449,155.95)	0.00	0.00	(2,449,155.95)
BALANCE AT DECEMBER 31, 2017	₱ 50,641,081.76	₱842,004.39	₱6,635,000.00	₱58,118,086.15



MARAMAG WATER DISTRICT
Maramag, Bukidnon
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

1 - General Information / Entity Profile

The Maramag Water District (MWD) was given the Conditional Certificate of Conformance No. 496 approved by the Local Water Utilities Administration (LWUA) on June 11, 1991 and was granted an approved Water Permit No. 15268 per National Water Resources Board Resolution No. 01-0796 on July 23, 1996.

All Local Water Districts in the Philippines were declared as government-owned or controlled corporations (GOCC) with original charter (PD No. 198) in a case decided by the Supreme Court on September 13, 1991 docketed as GR No. 95237-38 entitled "*Davao City Water District, et al. vs. Civil Service Commission, et al.*".

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

Chairman	-	Beneforte Dy Tan Malack
Vice Chairman	-	Pepito L. Pescadero
Secretary	-	Elma A. Estenzo
Treasurer	-	Demetrio G. Berondo, Jr.
Member	-	Menrado Y. Bonachita

The District is headed by General Manager Rosemarie D. Agustin with other twenty three (23) *permanent* employees, eleven (11) *casual* employees and ten (10) *job orders* or a total of forty four (44) workforces.

2 - Statement of Compliance and Basis of Preparation of Financial Statements

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) - Revised Chart of Accounts (RCA) for GCs consisting of Government-Owned or Controlled Corporations (GOCCs), government Financial Institutions (GFIs), Government Instrumentalities with Corporate Powers (GICPs) / Government Corporate Entities (GCEs), and their Subsidiaries, and Water Districts prescribed under COA Circular No. 2015-010 dated December 01, 2015.

The accounting policies have been consistently applied throughout the year presented.

The consolidated financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The consolidated financial statements are presented in peso (₱), which is also the country's functional currency.

Amounts are rounded off to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PPSAS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note to consolidated financial statements.

3 - Summary of Significant Accounting Policies

3.1 Basis of accounting

The consolidated financial statements are prepared on an accrual basis in accordance with the Philippine Financial Reporting Standards (PFRS) for GBEs. The accounts used are based on the Revised Chart of Accounts (RCA) for GCs consisting of Government-Owned or Controlled Corporations (GOCCs), government Financial Institutions (GFIs), Government Instrumentalities with Corporate Powers (GICPs) / Government Corporate Entities (GCEs), and their Subsidiaries, and Water Districts prescribed under COA Circular No. 2015-010 dated December 01, 2015.

3.2 Petty Cash / Working Fund

Petty Cash a.k.a. Working Fund – Petty Cash Fund was established thru Imprest System Method and to be utilized for petty expenses of the agency.

3.3 Inventories

Supplies and materials purchased for inventory were recorded using the perpetual inventory system. Cost of issued items and ending balance of supplies and materials were computed using the moving average method.

3.4 Property, Plant and Equipment

a. Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

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

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least ₱15,000.00.

b. Measurement at recognition

An item recognized as property, plant, and equipment is measured at cost.

Cost includes the following:

- i. Its purchase price, including import duties and non-refundable purchase
- ii. taxes, after deducting trade discounts and rebates;
- iii. expenditure that is directly attributable to the acquisition of the items; and
- iv. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

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 Maramag 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 PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset 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 management.

For simplicity and to avoid proportionate computation, the depreciation is computed on the month succeeding the month of its purchase / or transfer to PPE.

ii. Depreciation method

The straight line method of depreciation is adopted unless another method is of more appropriate for Entity operation.

iii. Estimated useful life

The MWD uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

iv. Residual value

The MWD uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

The MWD derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized

3.5 Changes in Accounting Policies and Estimates

The MWD 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 MWD recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

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

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. 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. .

4 - Correction of Fundamental Errors / Prior Period Adjustments

Fundamental errors of prior years are corrected by using the Prior Years' Adjustment while errors affecting current year's operation are charged to the appropriate income or expense accounts.

5 - Cash and Cash Equivalents

Particulars	2017	2016
Cash – Collecting Officer	₱ 57,334.90	₱ 47,538.73
Working Fund	0.00	0.00
Payroll Fund	0.00	0.00
Cash in Bank – Local Currency:		
LBP CA# 2012-0006-44 (GF)	2,582,352.37	2,030,421.09
LBP CA# 2102-0079-32 (NLIF)	388,534.09	1,318,956.26
LBP CA# 2102-0098-46 (V-R2)	391,979.37	0.00
LBP SA# 2101-0883-19 (MDPS)	10,091.36	10,070.05
LBP SA# 2101-0891-45 (BIR-EFPS)	10,057.77	10,038.09
Total Cash and Cash Equivalents	₱ 3,440,349.86	₱ 3,417,024.22

6 - Receivables

Particulars	2017	2016
Accounts Receivable - Concessionaires	₱ 4,791,532.09	₱ 4,654,076.80
Allowance for Impairment-Accounts Receivable	0.00	0.00
Net Value-Accounts Receivable	4,791,532.09	4,654,076.80
Other Receivables:		
Receivables-Disallowances/Charges	404,040.07	538,052.37
Other Receivables;		
Materials – Dologon Rehabilitation	233,330.63	233,330.63
Construction–DPWH pipeline damages	37,500.00	37,500.00
Dologon RWSA–Turned-over payables	17,568.65	17,568.65
Pedro Pacomios, Jr./RWSA-Collections	6,468.85	6,468.85
Meter Installation-Dologon Rehab.	35,072.00	35,072.00
Pedro Pacomios, Jr. – XRM Motorcycle	44,237.16	44,237.16
Performance Bond – DPWH DEO	13,000.00	8,850.00
Total Receivables	₱ 5,582,749.45	₱ 5,575,156.46

7 - Inventories

Particulars	2017	2016
Office Supplies Inventory		
Carrying Amount, January 01	₱ 527,174.79	₱ 188,818.63
Additions/Acquisitions during the year	1,038,732.00	781,713.57
Expensed during the year	(923,900.91)	(443,357.41)
Carrying Amount, December 31	642,005.88	527,174.79
Chemical & Filtering Supplies Inventory		

Carrying Amount, January 01	24,232.67	9,231.57
Additions/Acquisitions during the year	202,803.40	262,357.79
Expensed during the year	(156,417.05)	(247,356.69)
Carrying Amount, December 31	70,619.02	24,232.67
Other Inventories - Maintenance Supplies		
Carrying Amount, January 01	835,107.69	983,750.34
Additions/Acquisitions during the year	2,077,079.26	488,303.00
Expensed during the year	(1,658,106.26)	(636,945.65)
Carrying Amount, December 31	1,254,080.69	835,107.69
Other Inventories - Other Supplies (Meters)		
Carrying Amount, January 01	212,341.28	180,328.19
Additions/Acquisitions during the year	495,000.00	542,000.00
Expensed during the year	(309,615.83)	(509,986.91)
Carrying Amount, December 31	397,725.45	212,341.28
Construction Materials Inventory - General		
Carrying Amount, January 01	1,411,992.72	439,286.15
Additions/Acquisitions during the year	15,120.00	1,338,934.77
Expensed during the year	(373,273.34)	(366,228.20)
Carrying Amount, December 31	1,053,839.38	1,411,992.72
Construction Materials Inventory – VR2 Construct.		
Carrying Amount, January 01	0.00	0.00
Additions/Acquisitions during the year	3,139,130.80	0.00
Expensed during the year	(2,867,917.64)	0.00
Carrying Amount, December 31	271,213.16	0.00
Total Inventories	₱ 3,689,483.58	₱ 3,010,849.15

8 - Other Current Assets

Details	Date Granted	2017	2016
ADVANCES			
Advances to Officers & Employees:			
1. Alexander M. Sabio	07/15/1998	1,000.00	1,000.00
2. Dir. Jimmy C. Wong	09/29/1998	1,500.00	1,500.00
3. Dir. Fr. Cirilo S. Sajelan	09/29/1998	2,000.00	2,000.00
4. Dir. Anna Perla C. Malalang	07/23/1997; 01/24/2000	23,000.00	27,000.00
5. Dir. Nephtali B. Enguito	01/23/2004	0.00	16,899.00
6. Dir. Conrado G. Micayabas, Jr.		0.00	2,000.00
7. Dir. Antonio P. Carbonilla	2007	0.00	700.00
PREPAYMENTS:			
Creditable Input Tax (BIR 2307)		5,372.60	8,739.04
30% Payment of (2)units digital meter reading equip.		43,560.00	43,560.00
Total Other Current Assets		76,432.60	103,398.04

9 - Property, Plant and Equipment

Particulars	2017	2016
Land:		
South Poblacion, Maramag, Buk.	₱ 150,000.00	₱ 150,000.00
Anahawon, Maramag, Bukidnon	65,000.00	65,000.00
Villafuerte Spring, San Miguel, Mar., Buk.	50,000.00	50,000.00
Lariosa Spring, Dologon, Maramag, Buk.	220,000.00	220,000.00
Danggawan Water System area, Danggawan, Maramag, Bukidnon	200,000.00	200,000.00
Total Land	685,000.00	685,000.00
Less: Accumulated Impairment Losses-Land	0.00	0.00
Net Value-Land	685,000.00	685,000.00
Other Land Improvements:		
Perimeter Fence @ Base Camp, Maramag, Buk.	1,143,374.50	1,143,374.50
Less: Accu. Dep.-Other Land Improvements	(418,951.24)	(373,366.96)
Less: Accu. Impair. Losses- Land Imprvmnts	0.00	0.00
Net Value-Land	724,423.26	770,007.54
Infrastructure Assets:		
Power Supply Systems	712,435.14	712,435.14
UPIS – Collecting & Impounding Reservoirs	5,591,934.30	5,591,934.30
UPIS – Springs & Tunnels	140,037.61	140,037.61
UPIS – Generation, Transmission & Distribution	52,151,456.99	52,369,666.21
UPIS – Transmission Mains - Services	511,477.86	511,477.86
UPIS – Transmission Mains - Meters	180,574.35	180,574.35
UPIS – Transmission Mains-Meter Installations	47,152.06	47,152.06
Total Infrastructure Assets	59,335,068.31	59,553,277.53
Less: Accumulated Depreciation-Infra. Asset	(23,423,635.21)	(21,436,972.58)
Less: Accumulated Impairment Losses-Infra.	0.00	0.00
Net Value-Infrastructure Asset	35,911,433.10	38,116,304.95
Buildings and Other Structures:		
General Administrative Structures & Imprvmnt	7,044,012.18	6,578,511.79
Water Plant, Structure and Imprvmnt (WPSI):		
WPSI-Source of Supply Facilities	1,506,474.34	1,506,474.34
WPSI-Pumping Facilities	1,217,792.70	1,217,792.70
Less: Accumulated Depreciation-Buildings	(3,654,756.26)	(3,176,541.08)
Less: Accumulated Impairment Losses-Bldg.	0.00	0.00
Net Value-Buildings	6,113,522.96	6,126,237.75
Machinery and Equipment:		
Office Equipment	2,667,804.61	1,688,670.15
Power Operated Equipment	1,410,750.00	1,410,750.00

Pumping Equipment	2,916,985.80	2,889,935.80
Water Treatment Equipment	690,368.00	596,868.00
Tools, Shop and Garage Equipment	0.00	37,747.00
Less: Accu Depreciation-Machinery & Equip.	(4,299,820.57)	(3,615,122.59)
Less: Accu. Impairment Losses-Mach.& Equip.	0.00	0.00
Net Value-Machinery and Equipment	3,386,087.84	3,008,848.36
Transportation Equipment:		
Motor Vehicle (Land Transport Equipment):		
Four (4) Wheels Vehicles	3,387,181.84	3,387,181.84
Motorcycle and Motorela	687,771.00	687,771.00
Less: Accu Depreciation-Transport Equip.	(3,282,052.10)	(2,984,453.33)
Less: Accu. Impairment Losses-Trans. Equip.	0.00	0.00
Net Value-Transportation Equipment	792,900.74	1,090,499.51
Furniture, Fixtures and Books:		
Furniture and Fixtures	373,059.82	424,320.82
Less: Accu Depreciation-Furniture & Fixtures	(262,316.87)	(260,771.90)
Less: Accu. Impairment Losses-Furn. & Fix.	0.00	0.00
Net Value-Furniture, Fixtures & Books	110,742.95	163,548.92
Construction in Progress:		
C i P – Infrastructure Assets:		
3" Mainline Ext. @ Kalagutay, Base Camp, Maramag, Buk.	372,990.25	241,310.25
4" Mainline Ext @ Anahawon to Panadtalan Area, Mar., Buk.	260,240.00	160,050.00
2" Mainline Ext. @ Matunog Area, P6 North Pob., Maramag, Buk.	97,366.00	0.00
2" Mainline Extension @ P3 Tubigon, Maramag, Bukidnon	180,189.65	0.00
6" Transmission Line Extension @ Villafuerte Spring, San Miguel to Res.#2 Base Camp, Mar., Bukidnon	3,115,761.66	0.00
Total - CiP Infrastructure Assets	4,026,547.56	401,360.25
C i P – Buildings and Other Structures:		
Paglaum (PF & Pumping) @ Paglaum Village, Base Camp, Mar., Bukidnon	609,489.05	609,489.05
Extension Office @ MWD Main Office, South Poblacion, Maramag, Bukidnon	0.00	203,410.00
Enclosure of Cashier / Tellers Room @ MWD Main Office, South Pob., Mar., Buk.	0.00	11,550.00
Total - CiP Buildings & Other Structures	609,489.05	824,449.05
C i P – Furniture and Fixtures:		
Fabrication of Office Tables & Chairs @ Main Office, South Pob., Mar., Buk.	14,650.00	14,650.00
Total - CiP Furniture and Fixtures	14,650.00	14,650.00
Net Total – Property Plant & Equipment	₱ 52,374,797.46	₱ 51,200,906.33

10 - Other Non – Current Assets

Particulars	2017	2016
Sinking Fund – Joint Savings Account w/ LWUA ^(a) LBP SA# 2101-0730-36	6,510,093.55	5,517,812.76
Special Deposits – Customers’ Deposits ^(b) LBP SA# 2101-0835-70	450,206.62	450,438.69
Miscellaneous Special Deposits – Tax Reserve Fund ^(c) LBP SA# 2101-0797-60	2,737,516.15	2,733,365.24
Miscellaneous Special Deposits – Earned Leave Fund ^(d) LBP SA# 2101-0767-36	187,068.44	333,597.20
Total Other Non – Current Assets	9,884,884.76	9,035,213.89

- a. The account represents the monthly deposits of 3% of gross billing (month) for the amount of water sales to guarantee payment of loans with LWUA. It cannot be withdrawn by the water district without the consent of LWUA. The signatories of the check are the General Manager of Maramag Water District and the LWUA Manager, WD-Mindanao.
- b. The account represents the “Special Deposits-Customer’s Deposits Account” – the collections of guaranty deposit’s for water installation from concessionaires which is backed-up by cash deposited at Land Bank of the Philippines under Account No. 2101-0835-70. The amount includes the interest earned for calendar year, but immediately transfers to General Fund account the first month following the end of the calendar year.
- c. This amount is intended for the earned leave due to pay for MWD employees upon their separation, resignation, and retirement.
- d. The amount is a reserve fund intended to pay the taxes assessed on the district by the Bureau of Internal Revenue. The district retains this fund for the purpose of settling the liabilities *that may occur* as per tax assessment by the Bureau of Internal Revenue. This is for the purpose of availability of fund if the BIR assessed the tax liabilities of the district for previous taxable years as the bureau (BIR) deemed necessary, to avoid cash shortages as to operations. Arbitrations, as to whether the local water district is exempted or not of its income tax, were still in progress as of date. Starting January 2018, the management stopped the monthly deposit of ₱23,000.00.

11 - Financial Liabilities – Current Liabilities

Particulars	2017	2016
Accounts Payable		
Various Job Order employees	₱ 41,239.88	₱ 0.00
Isengard Security Agency	14,925.00	14,925.00
Atty. Glicerio Anthony S. Cavalida	10,000.00	10,000.00
SMART Communications, Inc.	4,094.56	0.00
Gaudys Advertising Agency	2,400.00	0.00

Central Mindanao University	2,500.00	3,000.00
First Bukidnon Electric Cooperatives, Inc.	520,144.32	474,619.19
Valencia Copy Center	1,100.00	0.00
Execom Computer Sales & Services	32,315.00	0.00
Caday Enterprises	2,100.00	0.00
Mindanao E.R. Electrical Supply	7,933.00	0.00
Luna's Enterprises	2,090.00	0.00
F.S. Refrigeration & Airconditioning	4,000.00	0.00
Various Watchmen (Reservoir & Pump)	3,200.00	0.00
EI Elyon Shell Station	19,601.23	24,468.74
Legacy Sales & Printing Press	0.00	180,000.00
Almi Oro Enterprises	0.00	68,565.98
DCTECH Micro Services, Inc.	74,219.04	24,151.68
Outstanding Balance, December 31	741,862.03	799,730.59
Due to Officers and Employees		
Various Regular & Casual employees (OTP)	39,656.11	76,896.83
Joby B. Matunog (Mobile Load)	500.00	0.00
Divina G. Abriol (General Assembly)	4,095.20	0.00
Outstanding Balance, December 31	44,251.31	76,896.83
Loans Payable – Domestic (Current Portion)		
LWUA Loans - LA # 4-1890 RL	0.00	1,944,764.43
LWUA Loans - LA # 3-739 RL	355,991.00	328,056.00
LWUA Loans - NLIF Project (9-0082 NL)	315,204.00	315,204.00
Outstanding Balance, December 31	671,195.00	2,588,024.43
Total Financial Liabilities (Current)	₱ 1,457,308.34	₱ 3,464,651.85

12 - Inter-Agency Payables

Particulars	2017	2016
Due to BIR:		
Tax Withheld – MWD employees	₱ 55,434.18	₱ 36,405.64
Tax Withheld – Suppliers	67,045.25	74,997.91
Tax Withheld – MWD Job Order Employees	4,864.36	0.00
Due to G S I S	6,338.38	6,800.46
Due to PAG-IBIG - HDMF	3,832.72	4,082.72
Due to NGA – LWUA (VR2 Project)	2,667,504.17	0.00
Total Inter-Agency Payables	₱ 2,805,019.06	₱ 122,286.73

13 - Trust Liabilities

Particulars	2017	2016
Trust Liabilities:		
Sale of Bid Documents to bidders/suppliers -subject for BAC Honorariums & expenses	₱ 23,000.00	₱ 0.00
Total Trust Liabilities	₱ 23,000.00	₱ 0.00

14 - Other Payables – Current Liabilities

Particulars	2017	2016
Other Payables (Current):		
Retention Fee – Noel Asuncion (Pakyaw)	₱ 17,874.00	₱ 13,770.00
Retention Fee – Juan Alvarez (Pakyaw)	5,720.00	0.00
Performance Bond – MMU Enterprises	0.00	58,718.90
Performance Bond – AMR Trading	37,348.00	0.00
Performance Bond – JHAYCOR Industries, Inc.	228,552.48	0.00
Due to MCWD - Steel Forms	20,000.00	20,000.00
Total Other Payables (Current)	₱ 309,494.48	₱ 92,488.90

15 - Financial Liabilities – Non-Current Liabilities

Particulars	2017	2016
Loans Payable – Domestic (Non-Current Portion)		
LWUA Loans - LA # 3-739 RL	₱ 2,574,307.08	₱ 2,930,298.08
LWUA Loans - NLIF Project (9-0082 NL)	6,987,020.41	7,302,224.41
Outstanding Balance, December 31	₱ 9,561,327.49	₱ 10,232,522.49

16 - Provisions

Particulars	2017	2016
Leave Benefits Payable		
Employees ages 55 years old and above	₱ 233,640.34	₱ 0.00
Employees ages 45 up to 54 years old	895,106.26	0.00
Employees ages 35 up to 44 years old	954,688.97	0.00
Employees ages 34 years old and below	241,602.80	0.00
Carrying Amount, December 31	₱ 2,325,038.37	₱ 0.00

17 - Other Payables – Non-Current Liabilities

This account pertains to the deposits made by customers normally before the extension of any service connections as security payment of subsequent bills or as a meter deposit. This was discontinued in **Calendar Year 2007** with the deposits treated as other revenues.

Particulars	2017	2016
Other Payables		
Customers' Deposits	₱ 449,423.82	₱ 449,423.82
Carrying Amount, December 31	₱ 449,423.82	₱ 449,423.82

18 - Government Equity

Particulars	2017	2016
Government Capital		
Sen. Rodolfo R. Biazon	₱ 6,000,000.00	₱ 6,000,000.00
Cong. Juan Miguel F. Zubiri	500,000.00	500,000.00
Brgy. South Pob., Maramag, Bukidnon	10,000.00	10,000.00
PTO – Malaybalay, Bukidnon	15,000.00	15,000.00
Prov. Gov't. of Bukidnon	110,000.00	110,000.00
Contributed Capital		
Members' Equity – Members' Contribution	842,004.39	842,004.39
Total Government Equity	₱ 7,477,004.39	₱ 7,477,004.39

19 - Service and Business Income

Particulars	2017	2016
Service Income:		
Service Fees–Installation,Re-Opening & etc.	₱ 742,491.08	₱ 1,029,177.55
Business Income:		
Waterworks System Fees (Water Sales):		
Monthly Billings - Concessionaires	32,778,605.42	31,860,918.79
Add: Last Reading before Cut-Off	124,145.98	65,764.96
Total	32,902,751.40	31,926,683.75
Less: Billing Adjustments (excluding tax adj.)	644,601.75	675,563.32
Net Total – Water Sales	32,258,149.65	31,251,120.43
Interest Income	20,927.67	25,319.34
Fines and Penalties – Business Income:		
Water Bills Due - Penalties	1,405,358.88	1,219,848.95
Penalties for Illegal Tapping	17,323.01	23,000.00
Penalties for Liquidated Damages	40,678.33	1,159.00
Penalties for Returned Installation Fees	150.00	150.00
Total Fines & Penalties – Business Income	1,463,510.22	1,244,157.95
Total Service and Business Income	₱ 34,485,078.62	₱ 33,549,775.27

20 - Other Non – Operating Income

Particulars	2017	2016
Sale of Bid Documents	₱ 0.00	₱ 22,000.00
Return of Premium Payments/Rebates	0.00	793.07
Total Other Non - Operating Income	₱ 0.00	₱ 22,793.07

21 - Personnel Services

Particulars	2017	2016
Salaries and Wages:		
Salaries and Wages - Regular	₱ 6,141,566.00	₱ 5,209,557.00
Salaries and Wages – Casual / Contractual	1,360,586.01	1,229,943.90
Total – Salaries and Wages	7,502,152.01	6,439,500.90
Other Compensation:		
Personnel Economic Relief Allowance (PERA)	769,727.20	764,000.00
Representation Allowance (RA)	282,000.00	222,000.00
Transportation Allowance (TA)	282,000.00	222,000.00
Clothing / Uniform Allowance	160,000.00	160,000.00
Overtime and Night Pay	372,639.08	432,057.74
Year End Bonus	637,486.00	560,587.00
Cash Gift	162,000.00	160,000.00
Other Bonuses and Allowances:		
Mid-Year Bonus	618,324.00	559,808.00
Performance Enhancement Incentives (PEI)	164,000.00	160,000.00
Total – Other Compensation	3,448,176.28	3,240,452.74
Personnel Benefit Contributions:		
Retirement & Life Insurance Premiums (GSIS)	915,203.64	865,193.04
Pag-IBIG Contributions	38,600.00	38,200.00
PhilHealth Contributions	78,275.00	71,787.50
Employees Compensation Insurance Premiums	41,500.00	41,300.00
Total – Personnel Benefit Contributions	1,073,578.64	1,016,480.54
Other Personnel Benefits:		
Terminal Leave Benefits	1,203,725.05	421,815.40
Total – Other Personnel Benefits	1,203,725.05	421,815.40
Total Personnel Services	₱ 13,227,631.98	₱ 11,118,249.58

22 - Maintenance and Other Operating Expenses

Particulars	2017	2016
Generation, Transmission and Dist. Expenses:		
Power Purchased for Pumping	₱ 6,096,531.82	₱ 7,197,936.33
Fuel Purchased for Pumping	32,312.46	33,630.63
Chemical, Filtering & Laboratory Supplies Exp.	223,797.50	312,979.18
Transmission & Distribution. Engineering Exp.	650,704.98	140,826.64
Miscellaneous Customer Accounts Expenses	206,618.89	282,589.97
Total – Generation, Trans. and Dist. Exp.	7,209,965.65	7,967,962.75
Other Maintenance and Operating Expenses:		
Advertising, Promotional and Marketing Exp.	47,100.00	52,868.00

Representation Expenses	161,000.45	156,611.49
Rent / Lease Expenses	293,916.00	350,316.96
Directors and Committee Members' Fees	459,646.06	476,827.45
Other Maintenance and Operating Expenses:		
Other General Office Expenses	16,735.00	4,013.00
Gender & Development (GAD) Expenses	33,437.50	8,000.00
Risk Reduction Expenses	0.00	331.05
Cultural and Athletic Expenses	38,429.00	31,235.00
Indemnities Expenses	1,716.00	0.00
MWD-Anniversary	215,349.74	142,135.10
Civil Service Month Celebration	36,190.60	0.00
December General Assembly	96,148.79	139,601.93
Membership Fee (MAWD)	10,000.00	0.00
Excess of Training & Seminar Fees	0.00	78,001.25
Total – Other Maintenance and Operating Expenses	1,409,669.14	1,439,941.23
Labor and Wages:		
Labor and Wages – Job Order Employees	1,321,711.48	1,267,050.24
Total – Labor and Wages	1,321,711.48	1,267,050.24
Repairs and Maintenance:		
Repairs and Maintenance-Land Improvements	0.00	3,980.00
Repairs and Maintenance-Infrastructure Assets	912,868.35	1,024,831.19
Repairs and Main.-Bldgs and Other Structures	15,781.26	18,392.00
Repairs and Maintenance-Machinery & Equip.	114,276.05	173,481.00
Repairs & Maintenance-Transportation Equip.	268,780.31	276,162.76
Repairs and Maintenance-Furniture & Fixtures	75.00	4,631.00
Total – Repairs and Maintenance	1,311,780.97	1,501,477.95
Supplies and Materials Expenses:		
Office Supplies Expenses	485,618.31	189,391.54
Fuel, Oil and Lubricants Expenses	383,802.72	385,606.66
Other Supplies and Materials Expenses:		
Maintenance Supplies Expenses	13,528.50	59,568.34
Other Supplies Expenses	48,160.98	157,031.20
Total – Supplies and Materials Expenses	931,110.51	791,597.74
Taxes, Insurance Premiums and Other Fees:		
Taxes, Duties and Licenses	656,681.54	708,456.61
Fidelity Bond Premiums	25,500.00	22,500.00
Insurance Expenses	148,529.13	109,512.16
Total – Taxes, Insurance Prem. & Other Fees	830,710.67	840,468.77

Utility Expenses:		
Electricity Expenses	440,752.94	529,728.23
- Utility Expenses	440,752.94	529,728.23
General Services:		
Security Services	422,376.07	297,998.90
Other General Services	2,660.00	320.00
Total – General Services	425,036.07	298,318.90
Training and Scholarship Expenses:		
Training Expenses:		
Training Expenses – MWD Employees	231,900.00	118,250.00
Training Expenses – MWD BODs	91,900.00	62,100.00
Total – Training and Scholarship Expenses	323,800.00	180,350.00
Traveling Expenses:		
Traveling Expenses – Local:		
Traveling Expenses – MWD Employees	221,514.06	178,637.54
Traveling Expenses – MWD BODs	55,793.60	114,876.42
Total – Traveling Expenses	277,307.66	293,513.96
Communication Expenses:		
Postage and Courier Services	9,742.00	8,901.19
Telephone Expenses:		
Mobile Load/Plan Expenses-GM Agustin	30,995.72	34,075.58
Mobile Load/Plan Expenses-D. Abriol	4,000.00	6,000.00
Mobile Load/Plan Expenses-V. Panganiban	2,000.00	2,000.00
Mobile Load/Plan Expenses-J. Matunog	3,500.00	0.00
Mobile Load/Plan Expenses-Office Use	382	450
Internet Subscription Expenses	24,599.90	24,037.00
Cable, Satellite, Telegraph and Radio Exp.	3,500.00	4,200.00
Total – Communication Expenses	78,719.62	79,663.77
Professional Services:		
Legal Services	61,250.00	61,100.00
Auditing Services	0.00	218,022.10
Other Professional Services	16,000.00	38,725.57
Total – Professional Services	77,250.00	317,847.67
Survey, Research, Exploration and Dev't Exp.:		
Survey Expenses	2,000.00	5,000.00
Total – Survey, Res., Exp'n and Dev't Exp.	2,000.00	5,000.00
Confidential, Intelligence & Extra. Expenses:		
Extraordinary and Miscellaneous Expenses	76,625.50	66,563.64
Total – Confidential, Intelligence & Extra. Exp.	76,625.50	66,563.64
Total Maintenance and Other Operating Exp.	₱ 14,716,440.21	₱ 15,579,484.85

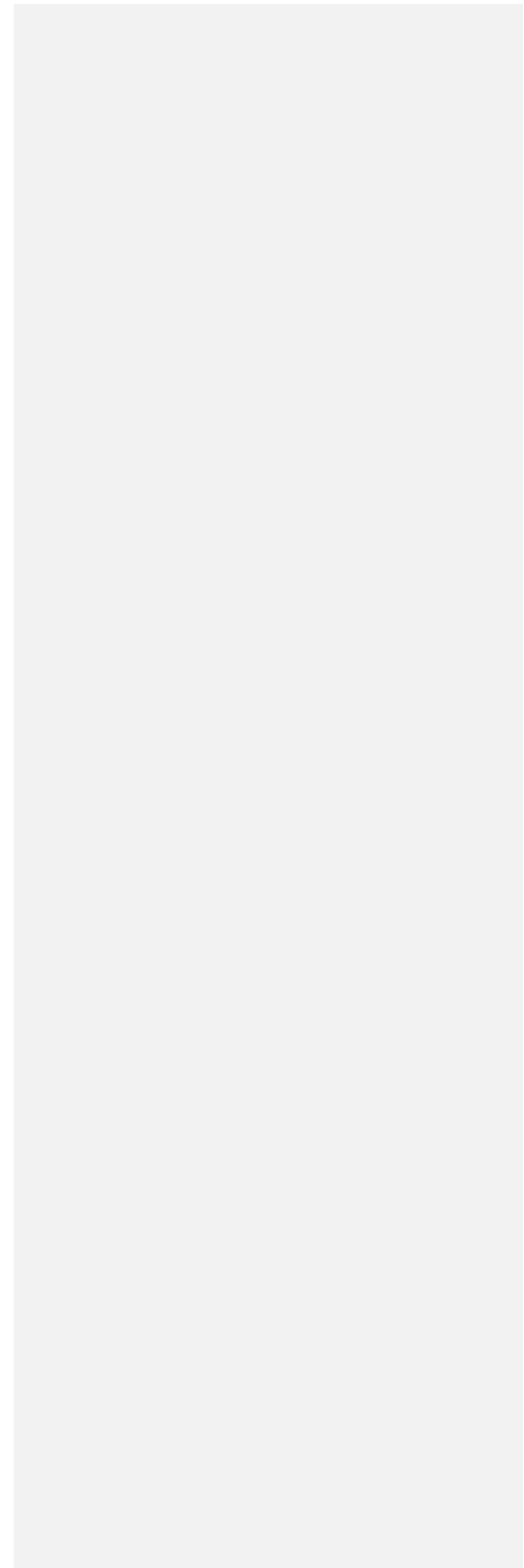
23 - Financial Expenses

Particulars	2017	2016
Interest Expenses:		
LWUA Loans - LA # 4-1890 RL	₱ 73,838.00	₱ 256,854.00
LWUA Loans - LA # 3-739 RL	255,036.00	280,780.00
LWUA Loans - NLIF Project (9-0082 NL)	226,194.35	0.00
Bank Charges	250.00	0.00
Total Financial Expenses	₱ 555,318.35	₱ 537,634.00

24 - Non - Cash Expenses

Particulars	2017	2016
Depreciation:		
Depreciation-Land Improvements	₱ 45,584.28	₱ 41,924.40
Depreciation-Infrastructure Assets	1,973,196.04	1,788,164.92
Depreciation-Buildings and Other Structures	438,044.07	362,494.96
Depreciation-Machinery and Equipment	753,988.16	581,649.99
Depreciation-Transportation Equipment	151,777.32	265,593.66
Depreciation-Furniture, Fixtures and Books	37,030.41	28,450.44
Total Depreciation Expenses	₱ 3,399,620.28	₱ 3,068,278.37

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**



PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE

1. **No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to ₱ 82.861 million with a net book value of ₱ 47.300 million net of land and inventories amounting to ₱ 3.689 million, contrary to Section 102 of PD 1445 and COA Circular No. 80-124 dated January 18, 1980, thus their existence and accuracy were not ascertained.**

No physical inventory was conducted for items under Property, Plant, and Equipment (PPE) amounting to P82.861 million, net of land, and for inventories amounting to ₱ 3.689 million, and thus no inventory reports and reconciliation reports between property and accounting records were submitted on the said assets.

Section 102 of PD 1445 provides that the head of the agency is immediately and primarily responsible for all government funds and property pertaining to his agency. Further, persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to the government.

In line with this, COA Circular No. 80-124 dated January 18, 1980 requires **that physical inventory of fixed assets shall be made at least once a year as of December 31** and the inventory reports shall be prepared and certified correct by the committee in charge of the physical inventory-taking thereof and **submitted to the Auditor not later than January 31 of each year**, unless extended by the Chairman upon prior request of the head of the agency concerned. Likewise, the Circular provides that the reports be properly reconciled with the accounting and inventory records.

Lastly, COA Circular No. 80-124 states that **failure on the part of the officials concerned to submit the inventory reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements pursuant to Sec. 122 of PD 1445.**

Inquiry with the management revealed that the District formed an Inventory Committee to conduct the required inventory count but no count was completely taken due to the committee members' conflict of schedule.

We reiterate that physical inventory taking is an indispensable procedure for checking the integrity of property custodianship. The discrepancies between physical and book inventories are established only after a proper inventory and reconciliation have been made. As a consequence of the absence of the physical inventory count of properties and failure to conduct a complete reconciliation between the properties and accounting and inventory records, the balance of the PPE and inventory accounts at the end of the year cannot be relied upon. This has been brought to the attention of the management in CY 2015 and 2016.

Recommendation:

We strongly recommended to the management to take immediate action on the conduct of COMPLETE physical inventory of all the property, plant, and equipment and inventories and on the reconciliation of the same with accounting records. Likewise, we reiterate the sanction provided in COA Circular No. 80-124 for non-compliance.

Management Comment:

The management commented that the Inventory Committee already finished conducting the physical inventory and shall reconcile the account by the end of May 2018.

- 2. The District's Accounts Receivable with an amount of ₱4.792 million was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and to Sections 9 and 10 of Chapters 5 and 7 respectively of the Government Accounting Manual (GAM) I, thus affecting the overall fairness and reliability of the financial statements presentation.**

Verification and review of the books and reports of the District revealed that the District had not set up Allowance for Impairment for its Accounts Receivable amounting to ₱ 4.792 million at year end 2017, thus not presenting the account at net realizable value in the financial statements.

Further, the tables below show that there is an unreconciled balance between the general ledger and the aging schedule of ₱ 357,773.18 as of December 31, 2017 as shown below:

Days	Amount		Total
	Active Accounts	Inactive Accounts	
15-30	₱ 1,714,149.37	₱ 47,587.39	₱ 1,761,736.76
31-60	443,687.71	26,834.90	470,522.61
61-180	211,700.03	128,613.64	340,313.67
181-365	119,313.15	91,891.84	211,204.99
over 365	232,645.23	2,132,882.01	2,365,527.24
Total	₱ 2,721,495.49	₱2,427,809.78	₱ 5,149,305.27

Per Aging	Per Ledger	Difference
₱ 5,149,305.27	₱ 4,791,532.09	₱ 357,773.18

The above aging schedule of accounts receivable was generated by the computer-based billing and collection system of the District's Commercial Services Section showing therein the account balances and the corresponding number of days or age that the accounts receivable is outstanding.

Philippine Accounting Standards (PAS) I prescribes that Financial Statements shall present fairly the financial position and cash flows of the entity.

In line with this, Section 9 under Chapter 5: Revenue and Other Receipts of the Government Accounting Manual provides the following:

“When an uncertainty arises about the collectibility of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense (impairment losses), rather than as an adjustment of the amount of revenue originally recognized.

Entities shall evaluate the collectibility of accounts receivable on an ongoing basis based on historical bad debts, customer/recipient credit-worthiness, current economic trends and changes in payment activity. An allowance is provided for known and estimated bad debts.”

This is reiterated in Section 10 of Chapter 7: Financial Assets of the GAM providing the following guidelines:

“An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall measure the amount of loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in surplus or deficit.

In case of Accounts Receivable, the Allowance for Impairment shall be provided in an amount based on collectibility of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts.”

Interview however with the management disclosed that the Allowance for Impairment of Accounts Receivable was not set up due to the unreconciled amount between the amounts provided by the Commercial Section and the accounting records, which can be attributed to the unreliable computer-based billing system.

The non-presentation of the Accounts Receivable at its net realizable value affects the overall fairness and reliability of the financial statements presentation.

Moreover, the computed variance in the balance of A/R-Customers per book and per aging schedule amounting to ₱ 357,773.18 had in effect casted doubt as to the validity and accuracy of the reported book balance A/R- Customers amounting to P4.792 million as of December 31, 2017.

Recommendation:

We strongly recommended to the management to (1) set up Allowance for Impairment for Accounts Receivable, and (2) to reconcile the balance per book and per aging schedule of Accounts Receivable-Customers to present the account fairly in the Financial Statements in compliance with the above provisions.

Management Comment:

The management committed that it will provide the audit team with the correct data after the Commercial Section finishes encoding the correct data for the Aging of Accounts for Inactive and Active Accounts.

3. Various completed projects with a total budgeted cost of ₱ 1.793 million were not transferred to its appropriate asset account and were still recorded in the Construction in Progress (CIP) account, thereby understating the Property, Plant and Equipment account and its total annual depreciation and overstating the equity account/income statement.

Verification of projects recorded as CIP in the District's books and its supporting documents disclosed that four completed projects of the District remained in the said account, listed below:

Project	Location	Total Budgeted Cost	Target Completion Date	Project Status
3" Mainline Extension	Kalagutay, Base Camp, Maramag, Bukidnon	₱ 413,358.74	October 4, 4016	Completed
4" Mainline Extension	Anahawon – Panadtalan, Maramag, Bukidnon	909,849.47	February 8, 2017	Completed
2" Mainline Extension	Matunog Area, P6 North Poblacion, Maramag, Bukidnon	237,853.00	February 10, 2017	Completed
2" Mainline Extension	P3 Tubigon, Maramag, Bukidnon	231,850.47	March 13, 2017	Completed
Total		₱1,792,911.68		

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Based on the status of CIP submitted by the Engineering division, the projects listed above have been completed in the second quarter of 2017 but no Certificate of Project Completion was prepared. Consequently, these projects were not transferred by the Accounting Division from the CIP account to its appropriate asset account. Also, listing of these projects show material variances in total costs incurred as against accounting records, totaling to ₱ 461,325.63, as shown below:

Project	Per Subsidiary Ledger	Per Status Report	Difference
3" Mainline Extension	P 372,990.25	P 310,051.25	P 62,939.00
4" Mainline Extension	260,240.00	740,780.00	(480,540.00)
2" Mainline Extension – Matunog Area	97,366.00	99,829.00	(2,463.00)
2" Mainline Extension – Tubigon,	180,189.65	221,451.28	(41,261.63)
Total	P 910,785.90	P 1,372,111.53	P (461,325.63)

Section 112 of Presidential Decree (PD) No. 1445 otherwise known as the State Audit Code of the Philippines provides that “each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent law and regulations”

The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by the fiscal or control agencies of the government. This should be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

As standard accounting procedure, all expenses incurred in relation to the construction of the PPE shall be taken up in the books as Construction in Progress (CIP) with the appropriate asset classification. As soon as the construction is completed, the “Construction in Progress” account shall be reclassified to the proper asset account.

Per inquiry with the Supply Officer, the reconciliation of the actual costs incurred for these projects was not materialized during the year because of conflicting schedules among the parties concerned.

Adherence to timely capitalization of CIP is an imperative accounting procedure as the capitalization of these shall correspond to depreciation, in compliance with the matching principle of accounting. In effect of the above practice, the CIP account in the Financial Statement is misrepresented due to the overstatement of the CIP account; understatement of the depreciation expense and finally overstating the net income at year end.

Recommendation:

We recommended to the management to (a) apprise the Engineering Division from which required documents and status reports emanate of the above provisions to remind them of the significance of the timely transmittal of these documents to the Accounting Division for the capitalization of the completed projects and (b) require the immediate reconciliation of variances between Engineering and Accounting to effect the necessary adjustments.

Management Comment:

The management committed to implement the audit recommendation by issuing a Memorandum to the Accountable Persons for the reconciliation of variances.

4. The District failed to impose the correct amount of liquidated damages from the billings of the suppliers for their failure to meet the delivery period, in violation of Section 68 of the 2016 Revised IRR of RA 9184.

The District failed to compute the correct amount of liquidated damages from the suppliers listed below, for their failure to meet the delivery period as stipulated in their respective Purchase Orders:

Supplier	Reference No.	Amount	Agreed Delivery Date	Actual Delivery Date	No. of Days Delayed	No. of Days as computed by BAC
Fil Generators and Services	P.O No. 2017-04-	P754,000.00	June 8, 2017	July 27, 2017	49	48

Co.	44					
Flosystems Import and Export, Inc.	P.O. No. 2017-03-033	P111,720.00	April 10, 2017	May 19, 2017	39	25

The District in consequence, failed to impose a total of ₱ 2.318 million liquidated damages for the above transactions.

Commented [U2]: Jed pls show how you get this amount. Also, pls include in the table the computed LD by the WD vs per audit and the difference.

The above computation is contrary to Section 68 of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184 which provides that liquidate damages, payable by the contractors in case of breach thereof, shall be at least equal to one tenth of one percent (0.001) of the cost of the unperformed portion **for every day of delay.**

Moreover, the terms as stipulated in the Purchase Order, shall be construed as the contract between the contracting parties, in the absence of a separate explicit contract specifying the terms and conditions.

Inquiry made with the BAC Member in charge with the computation revealed that the number of days delayed were counted excluding weekends and holidays. However, if this were the case, it would turn that there is an inconsistency in the computation of the number of days, as shown in the table above. The computation for the number of days delay incurred by Fil Generators and Services Co. included weekends in the computation. While both weekend and holidays were excluded in the computation for Flosystems Import and Export, Inc. Further, as a general rule, unless otherwise explicitly stated in the contract, liquidated damages would be computed based on 365 calendar days including Saturdays, Sundays and holidays.

Notwithstanding the inconsistency in the computation, the said computed liquidated damages is still non-pursuant to the 2016 IRR of RA 9184 and the inability to impose the correct amount of damages to the defaulting contractor/supplier would result to a disadvantage on the part of the Water District.

Recommendation:

We recommended to the management henceforth through its Bids and Awards Committee, to be cautious in the computation of its liquidated damages from suppliers/contractors on the delay on their delivery of goods or in the execution of the terms of the approved contract for infrastructure projects.

Management Comment:

The management commented that the recommendations by the audit team were already discussed with the Bids and Awards Committee and that such recommendations will be applied in the future.

5. The procurement of Generator Set 80 KVA was done through shopping instead of competitive bidding in the total amount of ₱ .754 million in violation to Rule XVI Section 52 and Annex H under Specific Guidelines of the 2016 Revised IRR of RA 9184.

The District procured a generator set 80 KVA amounting to ₱ .754 million through shopping method instead of competitive bidding. The details are shown below:

Reference No.	Amount
P.O No. 2017-04-44; DV No. 2017-08-68	₱ 754,000.00

This is in contrary to Rule XVI Section 52 and Annex H of the 2016 Revised Implementing Rules and Regulations (IRR) of RA 9184, otherwise known as the Government Procurement Act, which clearly stipulates that:

“Shopping is a method of procurement of goods whereby the Procuring Entity simply requests for the submission of price quotations for readily available off-the-shelf goods or ordinary/regular equipment to be procured directly from suppliers of known qualifications. This method of procurement shall be employed in any of the following cases:

- a) *When there is an **unforeseen contingency requiring immediate purchase**, the amount shall not exceed the following:*
 - i. *For NGAs, GOCCs, GFIs, SUCs, and Autonomous Regional Government, Two Hundred thousand Pesos **(P200,000)***
 - ii. *For LGUs, in accordance with the following schedule:*

DOF Classification of LGUS	Maximum Amount (in Philippine Peso)		
	Province	City	Municipality
1 st Class	200,000	200,000	100,000
2 nd Class	200,000	200,000	100,000
3 rd Class	200,000	160,000	100,000
4 th Class	160,000	120,000	100,000
5 th Class	120,000	100,000	100,000
6 th class	100,000	100,000	100,000

In the case of barangays, Fifty Thousand Pesos (P50,000)

- b) *Procurement of ordinary or regular office supplies and equipment not available in the DBM-PS, in the amount not to exceed the following:*
 - i. *For NGAs, GOCCs, GFIs, SUCs, and Autonomous Regional Government, Two One Million Pesos **(P1,000,000)***
 - ii. *For LGUs, in accordance with the following schedule:*

DOF Classification of LGUS	Maximum Amount (in Philippine Peso)		
	Province	City	Municipality
1 st Class	1,000,000	1,000,000	200,000
2 nd Class	1,000,000	1,000,000	200,000
3 rd Class	1,000,000	800,000	200,000

4 th Class	800,000	600,000	100,000
5 th Class	600,000	400,000	100,000
6 th class	400,000	200,000	100,000

In the case of barangays, Fifty Thousand Pesos (P50,000)

The phrase “ordinary or regular office supplies” shall be understood to include those supplies, commodities, or materials which are necessary in the transaction of its official business, and consumed in the day-to-day office operations. However, office supplies shall not include services such as repair and maintenance of equipment and furniture, as well as trucking, hauling, janitorial, security, and related or analogous services.”

In the Districts’ Annual Procurement Plan for FY 2017, it specified ‘competitive bidding’ as the mode of procurement for the generator set. Despite this, the Bids and Awards Committee issued the BAC Resolution No. 2017-09 approving the procurement of the generator set through shopping method, citing that the IRR of RA 9184 approves the use of such method for procurement amounting to P1 million and below. However, it should be noted that the IRR of RA 9184 listed the criteria for shopping as mode of procurement. It should be noted further that despite the amount of the generator is less than 1M, the same could not be categorized as ordinary or regular office supplies which are necessary in the transaction of its official business and consumed in the day-to-day office operations.

Due to the failure of the District to adhere to the cited provision, there is a risk that the procurement of goods and services are not obtained at prices which are most advantageous to the government.

Recommendation:

We recommended to the management through its Bids and Awards Committee to strictly comply with the provisions of 2016 Revised IRR of RA 9814 on procurement of supplies and materials through shopping. Procurement below the threshold but are not classified as ordinary or regular office supplies should follow the Small Value under Negotiated Mode of Procurement.

Management Comment:

The management committed to strictly comply with the provisions of the Procurement Law in its future transactions and that the requirements to qualify for negotiated procurement were highly noted.

B. VALUE FOR MONEY AUDIT

6. The District registered a year-to-date (YTD) rate of 49 per cent for its Non-Revenue Water (NRW) as of November 30, 2017, which is well above the maximum acceptable NRW of 20 per cent as prescribed under LWUA Resolution No. 444, series of 2009, thus affecting the District's efficiency level and could mean revenue lost.

Verification of the records of the District showed that its Non-Revenue Water (NRW) as of November 30, 2017 accounts for 49 per cent of its total water production for the eleven-month-period run time, equivalent to 1,381,163 cubic meters of the total supply of 2,804,744 cubic meters, as shown below:

Month	Total Water Production (in m ³)	Total Billed (in m ³)	Non - Revenue Water (in m ³)	Non- Revenue Water (in percentage)	Total Accounted Water (in m ³)	Unaccounted Water (in m ³)
January	262,567	129,935	132,632	51	130,304	132,263
February	242,594	130,306	112,288	46	130,738	111,856
March	243,511	119,623	123,888	51	119,989	123,522
April	259,688	134,023	125,665	48	134,422	125,266
May	267,682	132,350	135,332	51	132,744	134,938
June	261,355	124,052	137,303	53	124,480	136,875
July	248,627	133,761	114,866	46	134,165	114,462
August	250,909	129,972	120,937	48	130,346	120,563
September	249,755	127,890	121,865	49	128,265	121,490
October	262,819	128,006	134,813	51	128,464	134,355
November	255,237	133,663	121,574	48	134,086	121,151
YTD	2,804,744	1,423,581	1,381,163	49	1,428,003	1,376,741

The Local Water Utilities Administration (LWUA) Board of Trustees has passed Board Resolution no. 444, series of 2009, approving the reduction of the maximum acceptable non-revenue water from the existing 25 per cent to 20 per cent, applicable to all Water Districts to further improve their efficiency level.

Moreover, LWUA Memorandum Circular No. 014-10 dated December 2, 2010 provides that there is a need for Water Districts to reduce the Non-Revenue Water in order to enhance its operational efficiency and improve the financial viability, thus, all Water Districts are enjoined to periodically conduct performance audit of water meters being used by customers to enhance its accuracy. Depending on the condition of operation, the water meters should be

tested for its accuracy after five years of utilization. It further provides that all Water Districts are encouraged to allocate funds to establish their own water meter testing facility.

Inquiry with the Engineering Division revealed that the high non-revenue water could be attributed to the undetected leakages in the main and service lines due to the road widening in the municipality. NRW may also be due to illegal connections and meter tampering.

Based on the above data, the District was not able to attain the efficiency level of its operation as required by LWUA because of the non-achievement of the acceptable maximum level of NRW at 20 per cent. The non-revenue water is lost revenue for the District that could have been used for its operations.

Recommendation:

We recommend to the management to formulate more effective control measures or implement improvements to mitigate further revenue losses and promote operational efficiency in compliance with the standards set by the LWUA.

Management Comment:

The management commented that the District has already taken actions to resolve the issue of high non-revenue water percentage.

COMPLIANCE WITH TAX LAWS, RULES, AND REGULATION

Pertinent provisions of tax laws, rules, and regulations were strictly observed as the district withheld taxes from employees and suppliers, and remitted the same to the BIR.

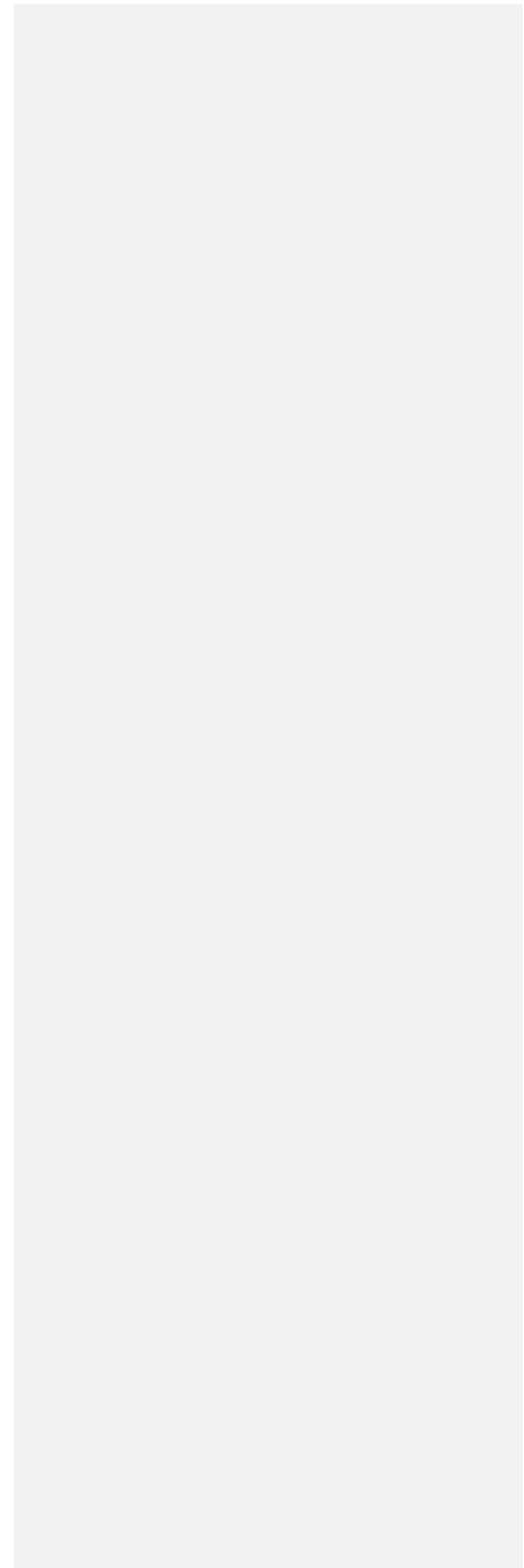
GENDER AND DEVELOPMENT (GAD)

The compliance to E.O. 273, otherwise known as the Philippine Plan for Gender Responsive Development was adhered to as the district undertook activities to address women and gender issues within the 5 percent allocated budget for GAD.

STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2017, the District has a remaining balance of unsettled Notice of Suspensions (NS) with total amount of ₱ 258,833.94 and Notice of Disallowances (ND) totaling ₱ 490,699.00 (**Appendix A**).

**PART III –
STATUS OF IMPLEMENTATION
OF PRIOR YEAR’S AUDIT
RECOMMENDATIONS**



PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 23 prior years' audit recommendations, 11 were fully implemented and 12 were partially implemented as shown below:

Ref.	Audit observations	Audit Recommendations	Status of Implementation
1	The validity and existence of other Receivables amounting to P 329,940.13 could not be ascertained due to the absence of supporting documents to prove the legality and propriety of the District's claims against various creditors.	<p>Require the management to carry out the following remedial measures in compliance to Section 111(1) of PD.1445.</p> <p>1. Direct the management to submit an explanation as to the efforts exerted towards reconstruction of the amounts recorded as Other Receivables, and to present all pertinent supporting documents.</p> <p>2. Conduct thorough evaluation if such accounts are uncollectible or not; and request for write-off, if proven uncollectible after submission of proof that these accounts are indeed uncollectible and needed to be written off.</p>	<i>Partially Implemented</i>
2	Inventory balances reported in the Financial Statements is higher by P744,851.11 than the balances reported in the Ledgers, causing doubt as to the existence and accuracy of the inventory accounts.	We recommend Accounting to maintain ledger cards for all its inventories and reconcile differences between reported inventory balances as per General Ledger and with the ledger cards in accordance with Chapter 5 of Handbook on property and supply Management.	<i>Fully Implemented</i>
3	Physical count of Property, Plant and Equipment (PPE) includes items not included in the list of PPE showing significant differences of the amounts as presented in the books contrary to Philippine Accounting	Instruct the accounting and property sections to update the list of PPE and its lapsing schedule to reflect the correct amounts to recognize those assets found during the physical count and recognize the related Depreciation expenses for depreciable assets which are not included in the said	<i>Partially Implemented</i>

	Standards (PAS) 1.	list and to present fairly the said accounts in accordance with PAS 1.	
4	Various liabilities totaling P 243,019.93 remained to be outstanding for more than two years and lacks supporting documents to support its validity contrary to Philippine Accounting Standards No. 37 and Section 98 of PD No. 1445 thus overstated the liability accounts.	Instruct the Accounting personnel to expedite the reconciliation of the unremitted balances to other government agencies e.g BIR, GSIS and Pag-IBIG and to revert to Government Equity the Other Payables which has been outstanding in the books for more than two years in compliance to Section 98 of PD No. 1445.	<i>Fully Implemented</i>
5	The District paid overtime services to regular, casual and job order employees from January to June 2016 amounting to P 318,987.94, contrary to the provisions of CSC and DBM Joint Circular No. 1 s. 2015.	Management to observe the limitations on overtime services and overtime pay in conformity with CSC and DBM Joint Circular No.1 s. 2015.	<i>Fully Implemented</i>
6	Various Fuel consumption of motor vehicles totaling P 44,335.94 were not duly supported with necessary documents resulting to irregular disbursement of government funds as required by COA Circular 77-61.	<ol style="list-style-type: none"> 1. Segregate billed amount which were not supported with the required supporting documents and not to be included in the payment; 2. Strictly monitor the usage of fuel of motor vehicles by implementing sound internal control in the requisition of fuel as well as the use thereof; 3. Use serially numbered trip tickets and strictly require the drivers to secure duly accomplished and approved trip tickets before using the motor vehicles; 4. Instruct the drivers to indicate the name and signature of the passengers and date on the certification that he/she use the vehicle on official business. 5. Implement logbook of the use of motor vehicles using the serial number of trip tickets as reference to monitor the leave and return of 	<i>Fully Implemented</i>

		<p>vehicles in the office premise;</p> <p>6. Require the drivers to submit their trip tickets before payment of the billed amount from the supplier of fuel; and</p> <p>7. Strictly adhere to the provisions of COA Circular 77-61</p>	
7	Disbursements for travel of District official and members of the Board of Directors were contrary to COA Circular No. 97-002 as amended by COA Circular No. 2006-005 and the Travel Law.	We recommend that management refund the amount of P 6,400.00 and adheres to the provisions of COA Circular 97-002 as amended by COA Circular 2006-005 in the grant, utilization and liquidation of cash advances and the prescribed rules and regulations of Executive Order 298.	<i>Fully Implemented</i>
8	Purchased of plane tickets for the travel of the District official and members of the Board of Directors (BOD) were from the travel agency owned and managed by one of the members of the BOD creating conflict of interest.	We recommend that management refrain from conducting business with establishment which creates a conflict of interest.	<i>Fully Implemented</i>
9	The district incurred expenses in the total amount of P120,171.93 during its General Assembly and Christmas Party for CY 2016 despite insufficient allocation for mandatory restricted asset as required under Title II Section 41 of PD 198 and despite Administrative Order No. 103 dated August 31, 2004 on adoption of austerity measure in government.	<p>We recommend to Management to:</p> <p>a. Strictly comply with Section 41, Title II of PD 198 in the disposition of revenue by allocating at least 50% of the income after contractual & statutory deductions and current operating expenses; and</p> <p>b. Observe AO 103 series of 2004 by allocating and disbursing prudent amount for basic activities that do not fall under the core functions of the district.</p>	<i>Partially Implemented</i>

CY 2015			
10	Accounts Receivable amounting to P 4,394,002.48 as at year-end was not stated at net realizable value due to non-provision for allowance for impairment contrary to Philippine Accounting Standards (PAS) I and Section 66 of the New Government Accounting System (NGAS) Manual Volume I.	We recommended and management agreed to provide allowance for impairment of the accounts receivables based on the percentage and ageing of accounts in order to present the account fairly in the financial statement in compliance with PAS I and Section 66 of the NGAS Manual Volume I.	<i>Partially Implemented</i>
11	Accounts Receivable – customers amounting to P 4,394,002.48 as of December 2015 was doubtful due to unreconciled balance of P 100,670.70 between the Accounting and Commercial divisions, contrary to Philippine Accounting Standards (PAS) I.	We recommended to management to instruct the Accounting/Commercial Divisions to reconcile the difference of ₱ 100,670.70 and adhere strictly to the provisions of (PAS) I.	<i>Partially Implemented</i>
12	The District failed to conduct the annual physical count of the property, plant, equipment and inventories contrary to Philippine Accounting Standard (PAS) No. 2 and Section 490 of the Government Accounting and auditing Manual Volume 1.	We recommended and management agreed to strictly comply with PAS No. 2 and Section 490 of the GAAM Volume 1 to conduct physical count on all the District's PPE including Inventory of Supplies and Materials at least once a year. Prepare the RPCPPE and RPCI after conducting the year-end inventory and submit the same to the audit team. It is likewise recommended that the Inventory Accounts section be required to conduct immediate reconciliation for every variance noted during the physical inventory of PPE and Materials and Supplies.	<i>Partially Implemented</i>
13	Contract of security services undertaken by the District have not	We recommended and management agreed that procurement of the security	<i>Fully Implemented</i>

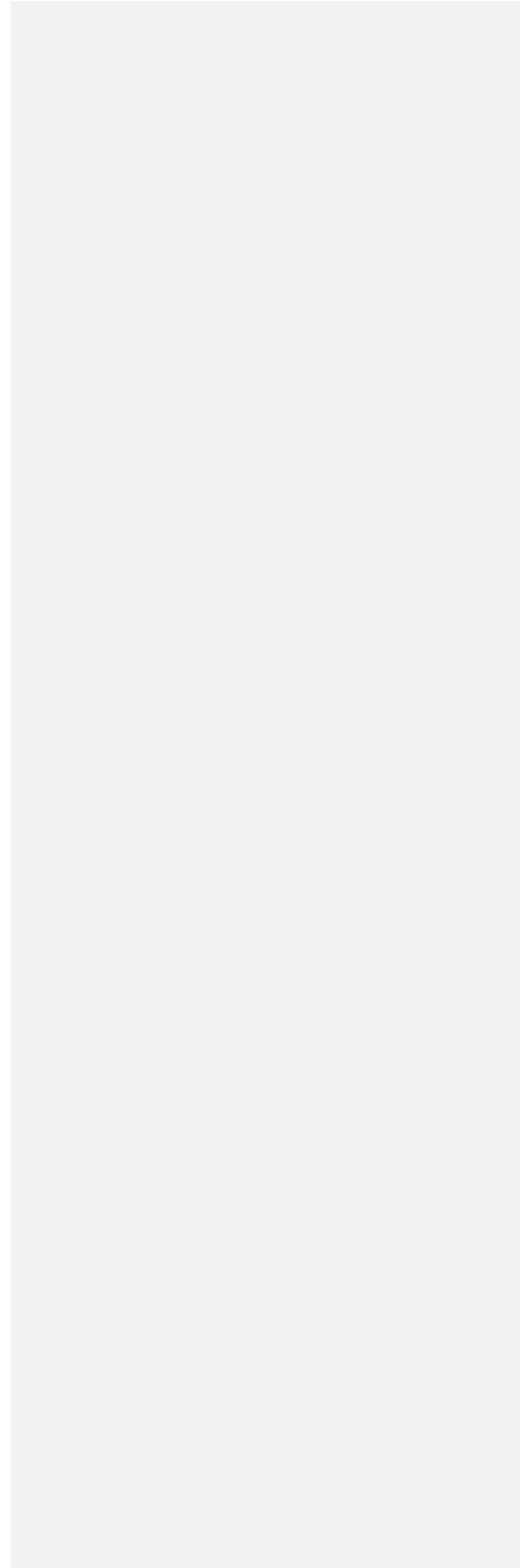
	<p>subjected to public bidding or alternative mode of procurement and payments of such were not subjected to withholding taxes.</p>	<p>services shall be subjected to public bidding or alternative mode of procurement, in which case is applicable, in accordance with the provisions of IRR of RA 9184 and GPPB Resolution No.24-2007 (Prescribing the Guidelines on the Procurement of Security and Janitorial Services) which should not exceed three years.</p> <p>Submit a copy of the memorandum of agreement or contract signed by both the District and the security agency which should prove the agreement of both parties in the terms and conditions in the procurement of security services. Submit also the following:</p> <ul style="list-style-type: none"> a. Copy of the original contracts or Memorandum of Agreements signed between the District and the security services. b. DTR c. Proof of remittance to concerned government agencies. <p>Instruct the accounting to withhold taxes from the agency fees paid to the security agency in compliance with applicable BIR Rulings e.g. RMO Circulars No. 23-2014 and 39 - 2007.</p>	
14	<p>Excessive Cost of registration fees in Conventions, Seminars, Conferences, Symposia, Similar Non-Training Gatherings and seminars of the same nature, totaling ₱ 25,100.00 contrary to National Budget Circular No. 486 dated March 26, 2003.</p>	<p>We recommended and management agreed to discontinue payment of registration fee in excess of P1,200 per day in conformity with NBC No. 486 dated March 26, 2003.</p>	<p><i>Fully Implemented</i></p>

15	The District's Non - Revenue Water (NRW) representing the unaccounted water from January to December 2015 was registered at 49.98 percent is way above the 20 percent acceptable level prescribed by LWUA Memorandum Circular No. 004-10.	We recommended and management agreed to continue exerting effort through its programs and make it a priority to reduce its NRW to an acceptable level as provided for by LWUA Memorandum Circular No. 004-10.	<i>Partially Implemented</i>
CY 2014			
16.	Construction in Progress (CIP) account includes various completed projects amounting to P1,232,484.10 thus, failing to account for the depreciation charges and affecting the income and expense account for CY 2014 contrary to Section 41 of the New Government Accounting System (NGAS).	Record the completed projects and record the corresponding depreciation expenses one month after the final acceptance of the completed project; and the Engineering Division to maintain record for materials requisitioned and used for the project.	<i>Fully Implemented</i>
17.	The Loans Payable account - Non-LWUA Initiated Fund (NLIF) of P13,261,625.00 was overstated due to the inclusion of the whole as payable despite one half or P 6,630,812.50 was in a form of grant and having been completed but not transferred to appropriate PPE account thus failing to account for the related accumulated depreciation resulting to understatement and overstatement of expense and income accounts respectively.	Make representation with LWUA to obtain relevant documents to validate the Loans Payable and related accounts pertaining to NLIF, including the certificate of work completion; and direct the Senior Corporate Accountant to make the necessary adjustments based on valid document in order to come up with fair presentation of the Loans Payable-NLIF and CIP Accounts in the FS.	<i>Fully Implemented</i>

	CY 2013		
18.	The book balance of Materials and Supplies Inventory (Account 131) remained unreconciled with the inventory report having a variance of ₱587,867.46 as of December 31, 2013 due to discrepancy in the recording of deliveries/receipts and issuances/ withdrawals of materials and supplies inventory.	Require the personnel in the Accounting and Property Sections to reconcile regularly the balance per book and that of the monthly stock status report taken into consideration the report on the actual physical count of materials and supplies inventory. Also, require monthly reconciliation on the recording of adjustments, deliveries/receipts and issuances/withdrawals affecting the said account. Effect necessary adjustments either in the books or physical inventory report to have a fair presentation of account balance.	<i>Partially Implemented</i>
19.	Various claims of foreign travel expenses totaling ₱219,906.00 incurred by the district officials to attend international seminar/conference in Jakarta, Indonesia in CY 2012 and Tachikawa, Japan in CY 2013 organized by EROPA were not supported with the required authority to travel abroad and without complying other conditions as detailed in the Office of the President Memorandum Circular No. 7 series of 2010 and LWUA Memorandum Circular No. 010-10.	Require the concerned district officials to submit the required authority to travel. Strictly comply the conditions set as detailed in LWUA Memorandum Circular No. 010-10 and Memorandum Circular No. 7 series of 2010 of the Office of the President in sending participants to international conventions/conferences.	<i>Partially Implemented</i>
20.	Payments of financial assistance and cash gift to the board of directors totaling ₱52,875.00 for CY 2013 were made without legal basis.	Strictly observe the pertinent provisions of EO Nos. 24 and 65 and LWUA Memorandum Circular No. 015-12 in approving payments of incentives which should be supported with valid	<i>Fully Implemented</i>

		authority. Require the members of the board to refund the CNA received on or before May 31, 2014.	
	CY 2012		
21.	The district has an unliquidated cash advances totaling ₱135,855.26 as of December 31, 2012.	<p>a. Require the concerned officer and employees of the district to facilitate submission of liquidation reports and supporting documents on or before August 15, 2013.</p> <p>b. Submit a letter-request to the Commission on Audit for possible write off of cash advances of government employees who are already deceased or those that remained unliquidated for more than ten years subject to certain conditions as detailed in COA Resolution No. 80-122 dated April 23, 1980.</p>	<i>Partially Implemented</i>
22.	Land and land rights with a value of ₱485,000.00 were not supported with legal documents of ownership.	Make representation with the DENR Regional Office to clarify the conditions set by certain DENR personnel. The non-titling of purchased lots should be properly disclosed as part of the notes to the financial statements.	<i>Partially Implemented</i>
23.	₱1.929 million or 58% of the total balance per aging schedule of the accounts receivables-customers was considered inactive accounts and the same were included as part of the current assets	Conduct a thorough investigation on the whereabouts of concessionaires whose accounts were classified as dormant or inactive and determine as to its collectability of their respective accounts. Further, direct the Accounting Section to reclassify the inactive accounts as Other Assets. Also, submit a request for possible write-off of inactive accounts with nil probability of collection to the Commission on Audit.	<i>Partially Implemented</i>

**PART IV –
APPENDIX**

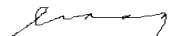


APPENDIX A
AAR Page No. iii

SUMMARY OF NOTICES OF CHARGE, DISALLOWANCE, SUSPENSION

Notice of Suspension:			
NS No.	Date Issued	Particulars	Amount
NS 16-001 (15)	August 1, 2016	Isengard Security Services	₱179,498.00
NS 2016-08-03	August 8, 2016	EI Elyon Shell Station	44,335.94
NS 2016-08-04	August 8, 2016	Atty. Glicerio S. Cavalida	35,000.00
Total			258,833.94
Notice of Disallowance:			
ND No.	Date Issued	Particulars	Amount
ND 2016-01 (15)	March 1, 2016	MWD Employees	₱ 25,100.00
ND 2015-01 (2014)	April 30, 2015	MWD employees educational tour	177,818.00
ND 2014-001 (CY 2013)	June 23, 2014	BOD	52,875.00
ND 2016- 01 (13)	March 3, 2016	MWD Employees	100,000.00
ND 2016-02 (12)	March 3, 2016	MWD Employees	119,906.00
ND 2016- 02	August 3, 2016	Davao City Water District	9,000.00
ND 2016-03	August 3, 2016	Engr. Victor R. Panganiban; Albert R. Sedenio; Hajji Val I. Sinet	6,000.00
Total			₱490,699.00

Noted by:


MILA V. BANAAG
State Auditor IV
Audit Team Leader