Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

J.V. Seriña Street, Carmen, Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**



February 24, 2022

**Ms. ELSA P. PANORIL**

Chairperson of the Board of Directors

**Engr. NOEL L. RESABAL**

General Manager

Bacolod Water District

Bacolod, Lanao del Norte

Madam/Sir:

We are pleased to transmit the Annual Audit Report on the audit of **Bacolod Water District (BWD)**, Bacolod, Lanao del Norte for Calendar Year 2021 pursuant to Section 2, Article IX-D of the Philippine Constitution, and pertinent provisions of Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

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

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

A Modified-Qualified Opinion was rendered on the Financial Position of the Bacolod Water District as of December 31, 2021, and the results of operations and cash flows for the year then ended, as presented in the financial statements accompanying this report.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of the Bacolod Water District for the year 2021 due to the delayed submission of the Bank Reconciliation Statements and Trial Balances and non-submission of quarterly financial statements are contrary to P.D. No. 1445, COA Circular Nos. 2009-006, 92-89E, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time.

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

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

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

Very truly yours,

A drawing of a map

Description automatically generated

**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 Chairman-Senate Finance Committee*

*Senate of the Philippines*

*Roxas Boulevard, Pasay City*

*The Speaker of the House of Representatives*

*HOR Complex, Constitutional Hills, Quezon City*

*The Chairman-Appropriations Committee*

*House of Representatives*

*HOR Complex, Constitutional Hills, Quezon City*

*The Secretary of the Budget and Management*

*Department of Budget and Management*

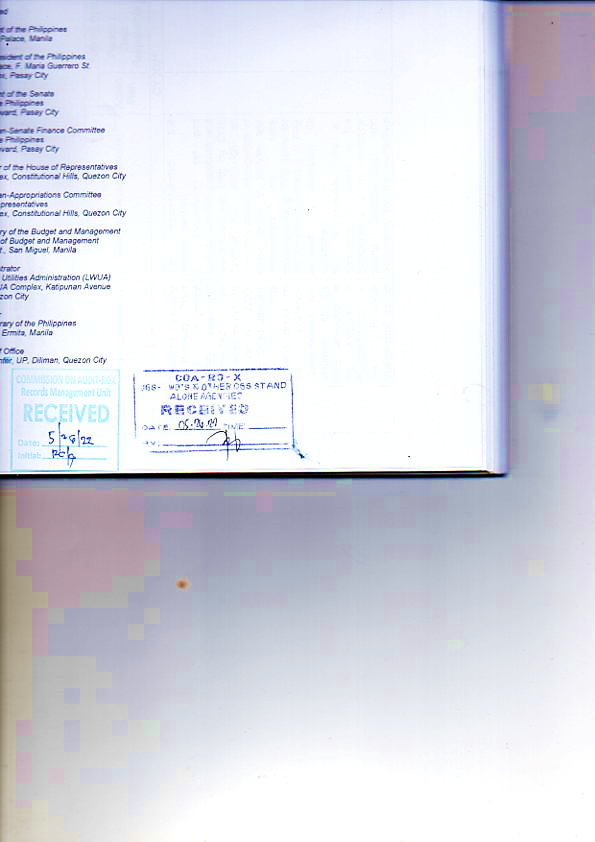
*G. Solano St., San Miguel, Manila*

*The Administrator*

*Local Water Utilities Administration (LWUA)*

*MWSS-LWUA Complex, Katipunan Avenue*

*Balara, Quezon City*

*The Director*

*National Library of the Philippines*

*T.M. Kalaw, Ermita, Manila*

*The Chief of Office*

*UP Law Center, UP, Diliman, Quezon City*

*Fil*

**BACOLOD WATER DISTRICT**

Bacolod, Lanao del Norte

**AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)**

For Calendar Year 2021

As of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Sector: Corporate Sector

Auditee: Bacolod Water District

Audit Period: Calendar Year 2021

| Ref. | Audit Observation | | Audit Recommendation(s) | Agency Action Plan | | | | Status of Implementation | Reason for Partial/ Delay/ Non-Implementation | Action to be Taken | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Action Plan | Person / Dept. Responsible | Target Implementation Date | |
| From | To |
| CY 2021 | | | | | | | | | | |
| AAR 2021 No. 1 | | Past Due and Dormant Accounts Receivable accounts aging one to more than ten years amounting P412,898.13 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016 | We recommended that Management:   1. Exert efforts to collect the receivables thru demand letters; 2. Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; and 3. File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016. |  |  |  |  |  |  |  | |
| AAR 2021 No. 2 | | Power costs incurred in pumping stations amounting to P3,237,562.67 were erroneously recorded as Electricity Expense (P3,164,254.27) and Fuel, Oil and Lubricants Expenses (P73,308.40) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015. | We recommended to the management:  a) To direct the Accountant to prepare the necessary adjusting entries for the current year’s erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years’ journal entries have already been closed to Accumulated Surplus/Deficit;  b) Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and  c) To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts. |  |  |  |  |  |  |  | |
| AAR 2021 No. 3 | | Delayed submission of the Bank Reconciliation Statements (BRS) and Trial Balances (TB) and non-submission of quarterly financial statements are contrary to Section 74 of Presidential Decree No. 1445, COA Circular Nos. 2009-006 dated September 15, 2009, 92-89E dated March 8, 1992, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time. | We recommended that the management direct the Accounting to:   1. Immediately prepare and submit the BRS not submitted for CY 2021 for all five (5) bank accounts maintained; 2. Prepare and submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor or make use of a snapshot to expediate preparation and submission thereof; 3. Immediately submit the monthly trial balances for April – December 2021; and 4. Submit future monthly TBs and quarterly financial statements within the first ten (10) days of the ensuing month. |  |  |  |  |  |  |  | |
| AAR 2021 No. 4 | | Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District’s PPEs to risk of loss without indemnification. | We recommended that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018. |  |  |  |  |  |  |  | |
| AAR 2021 No. 5 | | The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system. | We recommended that Management:   1. prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring, and 2. coordinate with the Local Government Unit in the performance of this duty. |  |  |  |  |  |  |  | |
| CY 2020 | | | | | | | | | |  | |
| AAR 2020 Finding No. 3 | | The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures. | We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2020 as provided under DOH Administrative Order No. 2014-0027. |  |  |  |  |  |  |  | |
| AAR 2020 Finding No. 4 | | The Annual Procurement Plan (APP) prepared by the District is incomplete, inadequate and lacked the necessary information on the mode of procurement, schedule of each procurement activity, brief description of the programs/projects, source of funds, among others, as required under Section 7 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and Government Procurement Policy Board (GPPB) Circular No. 07-2015 dated July 16, 2015, thus relevance and usefulness of APP as a planning and control tool was not attained, resulting in uncoordinated procurements that do not promote efficiency, economy and transparency. | We recommend that the District require the personnel in charge to:  a) Formulate the APP in accordance with Section 7 of the Revised IRR of RA No. 9184;  b) Ensure that all the necessary information required in the APP and its amendments are reflected therein for its continuous relevance and usefulness as a planning and control tool;  c) Submit the duly approved copy of APP to the GPPB in accordance with Section 1(a) of Executive Order No. 662, series of 2007, as amended.  d) Attach a copy of the APP to the disbursement vouchers for the payment of all types of procurement, in compliance to COA Circular 2012-001 dated June 14, 2012; and  e) Include in the APP, provisions for foreseeable emergencies based on historical records as well as the manner of procurement thereof. |  |  |  |  |  |  |  | |
| CY 2019 | | | | | | | | | | | |
| AAR 2019 Finding No. 3 | | The District did not adhere to Republic Act No. 656 (Property Insurance Law) and Section 5.1e of COA Circular 2018-004 dated May 31, 2018 to insure their properties with a book value or replacement value of ₱ 25,429,492.78 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure. | We recommend that adherence to Republic Act 656 for all properties that the District have insurable interest to protect it from damage and loss due to force majeure and/or fortuitous events (Acts of God). |  |  |  |  |  |  |  | |
| AAR 2019  No. 4 | | The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P494,234.55 contravenes Sec. 5 of the District’s Service Connection Contract and unfavorably affects the Water District operations. | We recommend that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents. |  |  |  |  |  |  |  | |

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

Agency Sign-off:

**Engr. NOEL L. RESABAL** Date: \_\_\_\_\_\_\_\_\_\_

General Manager

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

CGS -Water Districts and Other CGS Stand-Alone Agencies

February 22, 2022

**ATTY. CELSO L. VOCAL**

Regional Director

COA - Regional Office No. X

Cagayan de Oro City

Sir:

We are submitting the Annual Audit Report on the Bacolod Water District for the year ended December 31, 2021 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

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

A modified-qualified opinion was rendered on the fairness of the presentation of the financial statements of which the observations affecting the financial statements were discussed in Part II of the report.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

Very truly yours,

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**CECILIA A. PONTILLAS**

State Auditor V

Supervising Auditor

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE AUDIT TEAM LEADER**

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

February 21, 2022

**Ms. CECILIA A. PONTILLAS**

Supervising Auditor

CGS – Water Districts and Other CGS Stand-Alone Agencies

COA - Regional Office No. X

Cagayan de Oro City

Ma’am:

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

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

The audit report consists of three parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; and Part III - Status of Implementation of Prior Year’s Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff during the exit conference held on April 5, 2022. Their comments are included in the appropriate portion of this report.

A modified-qualified opinion was rendered on the fairness of the presentation of the financial statements of which the observations affecting the financial statements were discussed in Part II of the report.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe that it provided a reasonable basis for the audit results.

Very truly yours,

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**FATIMAH SUZZANE A. DISAMBURUN**

State Auditor III

Audit Team Leader

**Republic of the Philippines**

**COMMISSION ON AUDIT**

**Regional Office No. 10**

**Carmen, Cagayan de Oro City**

**ANNUAL AUDIT REPORT**

**ON THE**

**BACOLOD WATER DISTRICT**

**Bacolod, Lanao del Norte**

**For the Year Ended December 31, 2021**

**EXECUTIVE SUMMARY**

1. **INTRODUCTION**

The Bacolod Water District (BWD), a government-owned and controlled corporation was created on May 23, 1994 by the Sangguniang Bayan of Bacolod, Lanao del Norte by virtue of Sangguniang Bayan Resolution No. 225. It inherited the water system from the Local Government of Bacolod which was constructed by NAWASA in 1976. On December 6, 1994, the Local Water Utilities Administration (LWUA) issued a Certificate of Conditional Conformance (CCC) No. 543.

Some of the major functions of the BWD include the following:

1. Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such districts;
2. Providing, maintaining and operating waste water collection, treatment and disposal facilities; and
3. Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.

As of December 31, 2021, the governing board of BWD is composed of directors representing the different sectors and organization within the municipality of Bacolod, who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the BWD. They are as follows:

Chairperson : Ms. Elsa P. Panoril -Business Sector

Members : Dr. Lerma C. Daraman -Professional Sector

Ms. Leah A. Marcera -Women’s Sector

Ms. Godilla V. Lao -Civic Sector

Mr. Alejandro Q. Visitacion -Education Sector

The audit covered the examination of the accounts and financial transactions and operations of Bacolod Water District, Bacolod, Lanao del Norte as of December 31, 2021.

The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

It was also made to determine whether the District's financial statements (FS) present fairly its financial position and results of financial performance and cash flows, and whether applicable laws, rules and regulations were followed.

1. **FINANCIAL HIGHLIGHTS**

The financial position and the results of operation of BWD for the year ended December 31, 2021, with the comparative figures for CY 2020, are presented below:

*Comparative Financial Position*

As of December 31, 2021, there was a decrease of 3.81% in assets, decrease of 6.5% in liabilities and a decrease of 0.76% in government equity, summarized as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2021** | **2020** | **Increase**  **(Decrease)** | **Percentage** |
| Total Assets | ₱45,886,464.64 | ₱47,633,078.03 | ₱ (1,746,613.39) | (3.81%) |
| Total Liabilities | ₱24,366,914.12 | ₱25,950,180.71 | ₱ (1,583,266.59) | (6.5%) |
| Total Equity | ₱21,519,550.52 | ₱21,682,897.32 | ₱ (163,346.8) | (0.76%) |

*Comparative Results of Operations*

For the Calendar Year 2021, the Water District generated a total income of ₱19,911,491.96 from water sales, other businesses, fines and penalties, interest and miscellaneous income. An increase of ~~P~~1,063,587.35 or 5.34% was noted compared to previous year’s income of ₱18,847,904.61. Net income, on the other hand, decreased by 118.2% compared to last year’s. Details of its results of operations are presented below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2021** | **2020** | **Increase**  **(Decrease)** | **Percentage** |
| Income | ₱19,911,491.96 | ₱18,847,904.61 | ₱ 1,063,587.35 | 5.34% |
| Expenses | ₱18,601,480.13 | ₱15,989,408.09 | ₱ 2,612,072.04 | 14.04% |
| Net Income | ₱ 1,310,011.83 | ₱ 2,858,496.52 | ₱ (1,548,484.69) | (118.2%) |

1. **SCOPE OF AUDIT**

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

1. **NDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

A Modified-Qualified Opinion was rendered on the fairness of presentation of the financial statements due to the delayed submission of the Bank Reconciliation Statements (BRS) and Trial Balances (TB) and non-submission of quarterly financial statements are contrary to Section 74 of Presidential Decree No. 1445, COA Circular Nos. 2009-006 dated September 15, 2009, 92-89E dated March 8, 1992, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time.

1. **SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

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

1. **Past Due and Dormant Accounts Receivable accounts aging one to more than ten years amounting P412,898.13 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.**

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

1. **Power costs incurred in pumping stations amounting to P3,237,562.67 were erroneously recorded as Electricity Expense (P3,164,254.27) and Fuel, Oil and Lubricants Expenses (P73,308.40) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015.**

We recommended to the management (a) to direct the Accountant to prepare the necessary adjusting entries for the current year’s erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years’ journal entries have already been closed to Accumulated Surplus/Deficit; (b) through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and (c) to comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.

1. **Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District’s PPEs to risk of loss without indemnification.**

We recommended that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018.

1. **The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system.**

We recommended that Management prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring.

1. **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Balance, 12/31/2020** | **CY 2021**  **Issuances** | **CY 2021**  **Settlement** | **Balance, 12/31/2021** |
| Suspension | ₱ 9,000.00 | ₱ 0.00 | ₱ 9,000.00 | ₱ 0.00 |
| Disallowances | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |
| Charges | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |

1. **STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

Of the 11 audit recommendations embodied in the Annual Audit Report of the Water District for the CY 2020, 4 were fully implemented, 5 were partially implemented and 1 remained unimplemented.

**TABLE OF CONTENTS**

|  |  |  |
| --- | --- | --- |
| **PART** | **PARTICULAR** | **PAGE/S** |
| **I** | **AUDITED FINANCIAL STATEMENTS** |  |
|  | * Independent Auditor’s Report | 1 |
|  | * Statement of Management’s Responsibility | 3 |
|  | * Comparative Statement of Financial Position | 4 |
|  | * Comparative Statement of Comprehensive Income | 6 |
|  | * Statement of Changes in Equity | 7 |
|  | * Comparative Statement of Cash Flows | 8 |
|  | * Notes to Financial Statements | 10 |
| **II** | **AUDIT OBSERVATIONS AND RECOMMENDATIONS** | 25 |
| **III** | **STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS** | 38 |
| **IV** | **ANNEXES** |  |

**PART I –**

**AUDITED FINANCIAL STATEMENTS**

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

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

**INDEPENDENT AUDITOR’S REPORT**

**MS. ELSA P. PANORIL**

Chairperson of the Board of Directors

**ENGR. NOEL L. RESABAL**

General Manager

Bacolod Water District

Bacolod, Lanao del Norte

*Modified-Qualified Opinion*

We have audited the financial statements of the **Bacolod Water District**, Bacolod Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2021 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Modified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Bacolod Water District as at December 31, 2020 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

*Bases for Modified-Qualified Opinion*

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

1. Delayed submission of the Bank Reconciliation Statements (BRS) and Trial Balances (TB) and non-submission of quarterly financial statements are contrary to Section 74 of Presidential Decree No. 1445, COA Circular Nos. 2009-006 dated September 15, 2009, 92-89E dated March 8, 1992, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time.

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

*Key Audit Matters*

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

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

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

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

*Auditor’s Responsibilities for the Audit of the Financial Statements*

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

**COMMISSION ON AUDIT**



**CECILIA A. PONTILLAS**

State Auditor V

Supervising Auditor

February 22, 2022

Republic of the Philippines

**BACOLOD WATER DISTRICT**

**Bacolod, Lanao del Norte**

TIN 004-367-022

CCC No. 543

Tel. No. (063) 227-2041

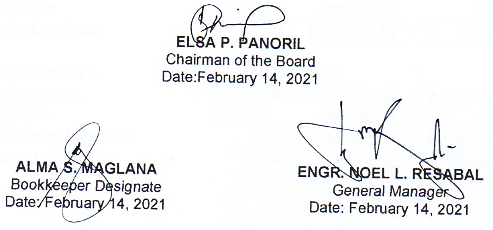
**STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR**

**FINANCIAL STATEMENTS**

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



**BACOLOD WATER DISTRICT**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2021**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **NOTE** |  |  | **2021** |  |  | **2020** |
|  |  |  |  |  |  |  |  |  |
| **ASSETS** | |  |  |  |  |  |  |  |
| **Current Assets** | |  |  |  |  |  |  |  |
|  | Cash and Cash Equivalents | 5 |  | ₱ | 6,277,767.80 |  | ₱ | 9,652,532.19 |
|  | Receivables | 6 |  |  | 1,334,847.20 |  |  | 1,332,388.51 |
|  | Inventories | 7 |  |  | 1,960,195.29 |  |  | 1,704,553.81 |
|  | Other Current Assets | 8 |  |  | 812,571.48 |  |  | 802,088.39 |
| **Total Current Assets** | |  |  | **₱** | **10,385,381.77** |  | **₱** | **13,491,562.90** |
|  |  |  |  |  |  |  |  |
| **Non-Current Assets** | |  |  |  |  |  |  |  |
| Property, Plant and Equipment | 9 |  | ₱ | 35,343,983.85 |  | ₱ | 28,520,694.64 |
| Investment Property |  |  |  | - |  |  | 303,254.25 |
|  | Other Non-Current Assets | 10 |  |  | 157,009.02 |  |  | 94,677.32 |
| **Total Non-Current Assets** | |  |  | **₱** | **35,501,082.87** |  | **₱** | **34,141,580.19** |
| **TOTAL ASSETS** | |  |  | **₱** | **45,886,464.64** |  | **₱** | **47,633,143.09** |
|  |  |  |  |  |  |  |  |
| **LIABILITIES** | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Current Liabilities** | |  |  |  |  |  |  |  |
|  | Financial Liabilities | 11 |  | ₱ | 567,241.52 |  | ₱ | 403,026.00 |
|  | Inter-Agency Payables | 12 |  |  | 284,244.92 |  |  | 255,305.63 |
|  | Deferred Credits/Unearned Income | 14 |  |  | 51,000.00 |  |  | 17,077.72 |
|  | Other Payables | 13 |  |  | 435,054.38 |  |  | 359,595.18 |
| **Total Current Liabilities** | |  |  | **₱** | **1,337,540.82** |  | **₱** | **1,035,004.53** |
|  |  |  |  |  |  |  |  |
| **Non-Current Liabilities** | |  |  |  |  |  |  |  |
| Financial Liabilities | 15 |  | ₱ | 22,991,274.30 |  | ₱ | 22,382,408.06 |
| Trust Liabilities | 16 |  |  | 38,099.00 |  |  | 38,099.00 |
| **Total Non-Current Liabilities** | |  |  | **₱** | **23,029,373.30** |  | **₱** | **24,915,176.18** |
| **TOTAL LIABILITIES** | |  |  | ₱ | **24,366,914.12** |  | ₱ | **25,950,180.71** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **EQUITY** | |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Government Equity | | 17 |  | ₱ | 325,542.96 |  | ₱ | 325,542.96 |
| Retained Earnings/(Deficit) | | 18 |  |  | 21,194,007.56 |  |  | 21,357,419.42 |
| **Total Equity** | |  |  | ₱ | **21,519,550.52** |  | ₱ | **21,682,962.38** |
| **TOTAL LIABILITIES AND EQUITY** | |  |  | ₱ | **45,886,464.64** |  | ₱ | **47,633,143.09** |

*(See Accompanying Notes to Financial Statements)*

**BACOLOD WATER DISTRICT**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **NOTE** |  | **2021** |  |  | **2020** |
|  |  |  |  |  |  |  |  |
| **Income** | |  |  |  |  |  |  |
|  | Service and Business Income | 19 | ₱ | 19,507,785.81 |  | ₱ | 18,470,537.53 |
|  | Other Non-Operating Income | 20 |  | 403,706.15 |  |  | 377,432.14 |
| **Total Income** | |  | ₱ | **19,911,491.96** |  | **₱** | **18,847,969.67** |
|  |  |  |  |  |  |  |  |
| **Expenses** | |  |  |  |  |  |  |
|  | Personnel Services | 21 | ₱ | 8,665,817.43 |  | ₱ | 7,234,447.82 |
|  | Maintenance and Other Operating Expenses | 22 |  | 7,186,896.79 |  |  | 6,307,445.56 |
|  | Financial Expenses | 23 |  | 1,081,738.31 |  |  | 1,021,546.34 |
|  | Non-Cash Expenses | 24 |  | 1,667,027.60 |  |  | 1,425,968.37 |
| **Total Expenses** | |  | ₱ | **18,601,480.13** |  | ₱ | **15,598,703.88** |
| **Profit/(Loss) Before Tax** | |  | ₱ | **1,310,011.83** |  | ₱ | **2,858,561.58** |
| **Income Tax Expense/(Benefit)** | |  | ₱ | 0.00 |  | ₱ | 0.00 |
| **Profit/(Loss) After Tax** | |  | ₱ | **1,310,011.83** |  | ₱ | **2,858,561.58** |
| **Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)** | |  | ₱ | 0.00 |  | ₱ | 0.00 |
| **Net Income/(Loss)** | |  | ₱ | **1,310,011.83** |  | ₱ | **2,858,561.58** |
| **Other Comprehensive Income/(Loss) for the Period** | |  |  | 0.00 |  |  | 0.00 |
| **COMPREHENSIVE INCOME/(LOSS)** | |  | ₱ | **1,310,011.83** |  | ₱ | **2,858,561.58** |

*(See Accompanying Notes to Financial Statements)*

**BACOLOD WATER DISTRICT**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | **Cumulative Translation Adjustment** | |  | **Retained Earnings/ (Deficit)** | |  | **TOTAL** | |
|  |  |  |  |  |  |  |  |  |  |
| **BALANCE AT**  **JANUARY 1, 2020** | | ₱ | **325,542.96** |  | ₱ | **18,504,245.49** |  | ₱ | **18,829,788.45** |
|  |  |  |  |  |  |  |  |  |  |
| **CHANGES IN EQUITY FOR 2020** | |  |  |  |  |  |  |  |  |
|  | Comprehensive Income for the year | ₱ | 0.00 |  |  | 2,858,561.58 |  |  | 2,858,561.58 |
|  | Other Adjustments |  | 0.00 |  |  | (5,387.65) |  |  | (5,387.65) |
| **BALANCE AT DECEMBER 31, 2020** | | ₱ | **325,542.96** |  | ₱ | **21,357,419.42** |  | ₱ | **21,682,962.38** |
|  |  |  |  |  |  |  |  |  |  |
| **CHANGES IN EQUITY FOR 2021** | |  |  |  |  |  |  |  |  |
|  | Comprehensive Income for the year | ₱ | 0.00 |  |  | 1,310,011.83 |  |  | 1,310,011.83 |
|  | Other Adjustments |  | 0.00 |  |  | (1,473,423.69) |  |  | (1,473,423.69) |
| **BALANCE AT DECEMBER 31, 2021** | | ₱ | **325,542.96** |  | ₱ | **21,194,007.56** |  | ₱ | **21,519,550.52** |

**BACOLOD WATER DISTRICT**

**CONDENSED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

|  |  |  | **2021** |  |  | **2020** |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |  |  |  |  |  |
| **Cash Inflows** | |  |  |  |  |  |
|  | Collection of Income/Revenue | ₱ | 19,135,955.43 |  | ₱ | 19,045,150.47 |
|  | Collection of Receivables |  | 613,079.46 |  |  | 466,033.13 |
|  | Other Receipts |  | 9,349.96 |  |  | 305,164.04 |
| **Total Cash Inflows** | | ₱ | **19,758,384.85** |  | ₱ | **19,816,347.64** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Inflows** | | ₱ | **19,758,384.85** |  | ₱ | **19,816,347.64** |
|  |  |  |  |  |  |  |
| **Cash Outflows** | |  |  |  |  |  |
|  | Payment of Expenses | ₱ | 12,122,663.88 |  | ₱ | 10,201,953.21 |
|  | Purchase of Inventories |  | 433,364.43 |  |  | 461,221.22 |
|  | Grant of Cash Advances |  | 151,204.47 |  |  | 174,700.00 |
|  | Prepayments |  | 22,433.95 |  |  | 22,775.68 |
|  | Payments of Accounts Payable |  | 2,473,957.58 |  |  | 1,497,007.73 |
|  | Remittance of Personnel Benefit Contributions and Mandatory Deductions |  | 2,881,687.95 |  |  | 2,721,413.49 |
|  | Other disbursements |  | 245,110.65 |  |  | 934,757.00 |
| **Total Cash Outflows** | | ₱ | **18,330,422.91** |  | ₱ | **16,013,828.33** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Outflows** | | ₱ | **18,330,422.91** |  | ₱ | **16,013,828.33** |
| **NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES** | | ₱ | **1,427,961.94** |  | ₱ | **3,802,519.31** |
|  |  |  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |  |  |  |  |  |
| **Cash Inflows** | |  |  |  |  |  |
|  | Receipt of Interest Earned | ₱ | 3,025.28 |  | ₱ | 6,201.21 |
| **Total Cash Inflows** | | **₱** | **3,025.28** |  | **₱** | **6,201.21** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Inflows** | | **₱** | **3,025.28** |  | **₱** | **6,201.21** |
|  |  |  |  |  |  |  |
| **Cash Outflows** | |  |  |  |  |  |
|  | Purchase/Construction of Investment Property | ₱ | 519,291.62 |  | ₱ | 5,737,529.08 |
|  | Purchase/Construction of Property, Plant and Equipment |  | 1,270,262.80 |  |  | 612,012.50 |
|  | Purchase of Intangible Assets |  | 0.00 |  |  | 0.00 |
| **Total Cash Outflows** | | ₱ | **1,789,554.42** |  | ₱ | **6,349,541.58** |
|  | Adjustments |  | 0.00 |  |  | 0.00 |
| **Adjusted Cash Outflows** | | ₱ | **1,789,554.42** |  | ₱ | **6,349,541.58** |
| **NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES** | | ₱ | **(1,786,529.14)** |  | ₱ | **(6,343,340.37)** |
|  |  |  |  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |  |  |  |  |  |
| **Cash Inflows** | |  |  |  |  |  |
|  | Proceeds from Domestic and Foreign Loans | ₱ | 0.00 |  | ₱ | 4,095,845.00 |
| **Total Cash Inflows** | | ₱ | **0.00** |  | ₱ | **4,095,845.00** |
|  | Adjustments | ₱ | 0.00 |  | ₱ | 0.00 |
| **Adjusted Cash Inflows** | | ₱ | **0.00** |  | ₱ | **4,095,845.00** |
|  |  |  |  |  |  |  |
| **Cash Outflows** | |  |  |  |  |  |
|  | Payment of Long-Term Liabilities | ₱ | 1,934,458.88 |  | ₱ | 1,734,979.88 |
|  | Payment of Interest on Loans and Other Financial Charges |  | 1,081,738.31 |  |  | 1,021,546.34 |
| **Total Cash Outflows** | | ₱ | **3,016,197.19** |  | ₱ | **2,756,526.22** |
|  | Adjustments |  |  |  |  | 0.00 |
| **Adjusted Cash Outflows** | | ₱ | **3,016,197.19** |  | ₱ | **2,756,526.22** |
| **NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES** | | ₱ | (3,016,197.19) |  | ₱ | **1,339,318.78** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | ₱ | **(3,374,764.39)** |  | ₱ | **(1,201,502.28)** |
| Effects of Exchange Rate Changes on Cash and Cash Equivalents | | ₱ | 0.00 |  | ₱ | 0.00 |
| **CASH AND CASH EQUIVALENTS, JANUARY 1** | | ₱ | **9,652,532.19** |  | ₱ | **10,854,034.47** |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31** | | ₱ | **6,277,767.80** |  | ₱ | **9,652,532.19** |

**Republic of the Philippines**

**BACOLOD WATER DISTRICT**

**Bacolod Lanao del Norte**

**TIN 004-367-022**

**CCC No. 543**

****

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

**1. Brief Historical Background:**

Bacolod Water District (BWD) was formed on May 23, 1994 by virtue of Sangguniang Bayan Resolution No. 225. As a consequence, it inherited from the local government the water system which was constructed by NAWASA in 1976. The District’s Certificate of Conditional Conformance (CCC) numbered 543 was subsequently issued by the Local Water Utilities Administration (LWUA) on December 6, 1994.

All Local Water Districts were declared as government-owned and controlled corporations (GOCC’s) by the Supreme Court on September 13, 1991 in case docketed as GR Nos. 95237-38.

The Board of Directors had diligently assisted in managing the operation of the district. Since August 1995, the District is actively headed by the General Manager in attaining its objectives, mission and vision.

**Mission**

Committed to provide adequate, safe, sustainable, potable and affordable water and outstanding services in a financially responsible manner through an excellent operation and development.

**Vision**

To be an effective partner of the community in sustaining life and development through excellent water services with utmost concern of a good management.

The policy-making body of the Bacolod (LDN) Water District is the Board of Directors, composed of the five members:

|  |  |  |
| --- | --- | --- |
| Name | Designation | Sector |
| Mrs. Elsa P. Panoril | Chairman | Business |
| Mrs. Lerma C. Daraman M.D. | Vice-Chairman | Professional |
| Mrs. Godilla V. Lao | Secretary | Civic |
| Mrs. Leah A. Marcera | Member | Women |
| Mr. Alejandro Visitacion | Member | Education |

**2021 Operational and Financial Highlights**

A comparative financial condition and results of operations for CY 2021 and 2020 is presented below

**Financial Condition**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2021** | **2020** | **Increase**  **(Decrease)** | **Percentage** |
| Total Assets | 45,886,464.64 | ₱47,633,078.03 | (1,746,613.39) | (3.81%) |
| Total Liabilities | 24,366,914.12 | ₱25,950,180.71 | (1,583,266.59) | (6.5%) |
| Total Equity | 21,519,550.52 | ₱21,682,897.32 | (163,346.8) | (0.76%) |

**Results of Operations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2021** | **2020** | **Increase**  **(Decrease)** | **Percentage** |
| Income | 19,911,491.96 | ₱18,847,904.61 | 1,063,587.35 | 5.34% |
| Expenses | 18,601,480.13 | ₱15,989,408.09 | 2,612,072.04 | 14.04% |
| Net Income | 1,310,011.83 | ₱ 2,858,496.52 | (1,548,484.69) | (118.2%) |

The District is operating profitably and maintains a good financial position, indicating its capability to recover the cost invested to the system operation. As of December 31, 2021, it has 4,051 service connections and serves an estimated population of 18,190.

**2. Summary of Significant Accounting Policies**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

**2.1 Basis of Financial Statement Presentation**

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and the Revised Chart of Accounts (RCA) for Government Corporations (GC.) classified as Government Business Enterprises (GBEs) under COA Circular No. 2015-010.

**2.2 Significant Accounting Judgments and Estimates**

The preparation of the financial statements are in accordance with the PFRS which require the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires management to exercise its judgment in applying the district’s accounting policies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

**2.3 Basis of Recording**

The District adopts the accrual method of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income in on accrual basis except for transactions where accrual basis in impractical or when law requires other methods.

**2.4 Monetary Denomination Used**

The financial statements are presented in Philippine Peso as its monetary domination used to facilitate proper recording and reporting of the transactions except when otherwise indicated.

**2.5 Method of Accounting**

The District uses the Revised Chart of Accounts prescribed under COA Circular No. 2015-010 dated December 01, 2015 effective January 01, 2016.

**2.6 Significant accounting policies observed for each account**

**2.6.1 Cash and Cash Equivalents**

Cash includes cash on hand and cash in banks. Cash is valued at face value.

Petty Cash Fund is maintained under the Imprest system. All replenishment is directly charged to appropriate expense account.

**2.6.2 Receivables**

Receivables are stated at face value less allowance for impairment.

**2.6.3 Inventories**

Regular purchase are coursed thru the inventory account and issuances thereof are recorded as they take place except those purchased out of Petty Cash which shall be for immediate use and not for stock. Such case shall be charged immediately to the appropriate expense accounts.

Purchase of supplies and materials for stock, regardless of whether or not they are consuming within the accounting period is recorded as inventory following the perpetual inventory method.

Inventories include assets for consumption in the normal course of operations. Inventories of the District include materials and supplies that are kept in stock for future use in operations. These are grouped into office supplies inventory, accountable forms, plates and stickers inventory and other supplies and materials inventory.

**2.6.4 Property, Plant and Equipment**

Property, Plant and Equipment consist of infrastructure assets, machinery and equipment, transportation equipment and construction in progress. The District’s PPE are recorded at cost.

**Initial Recognition**

The initial cost of property and equipment consists of its purchase price, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use like transportation, freight, installation costs, etc. In the books of accounts, the purchase is immediately recorded as asset.

**Subsequent recognition**

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

**Derecognition**

When assets are sold and retired, their cost and accumulated depreciation and amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income and expenses.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

**Depreciation**

The straight-line method of depreciation is used over the estimated useful lives of the assets. A residual value equivalent to ten percent (10%) of the cost is set-up and depreciation starts on the second month after purchase/completion of the property, plant and equipment.

**2.6.5 Construction in Progress**

Construction in-progress is stated at cost. While the construction of the project is in progress, no provision for depreciation is recognized.

Construction in-progress is transferred to the related Property, Plant and Equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use have been completed, and the property, plant and equipment are ready for service.

**2.6.6 Other Assets**

**2.6.7 Liabilities**

Liabilities are recognized only when goods are delivered and/or services rendered or when suppliers’ bills are received.

**2.6.8 Revenue**

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

When bill is imposed and not paid on time or after the lapse of due date, the district recognizes such delay as Fines and Penalties-Business Income.

**2.6.9 Expenses**

All expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.

**2.6.10 Events after the Balance Sheet Date**

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

**2.6.11 Employee benefits**

The employees of the District are members of the Government Service Insurance System (GSIS), which provided life and retirement insurance coverage.

The District recognizes the undiscounted amount of short term employee benefits, such as salaries, wages, bonuses, allowances, etc., as expense.

**2.6.12 Changes in accounting policies and estimates**

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

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

**2.6.13 Correction of Errors**

Fundamental errors of prior years were corrected using the Prior Year’s Adjustment account while errors affecting the current year’s operations were affected to the current year accounts.

**3. Significant Management’s Accounting Judgments and Estimates**

The preparation of the District’s financial statements in conformity with Philippine Financial Reporting Standards requires Management to make judgments, estimates and assumptions that affect the amounts reported in the District’s financial statements and accompanying notes.

The estimates and assumptions used in the District’s financial statements are based upon Management’s evaluation of relevant facts and circumstances as of the date of the District’s financial statements.

Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.1 Key Sources of Estimation Uncertainty**

In the application of the District’s accounting policies, Management is required to make, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the District’s financial statements.

**Estimated Useful Lives of Property and Equipment**

The District estimates the useful lives of property, plant and equipment based on the LWUA’s Commercial Practices Manual-COA.

Depreciation and amortization are calculated on a straight-line basis, and assets are depreciated over the following estimated useful lives as follows:

**PROPERTY, PLANT AND EQUIPMENT**

| **Account** | **Depreciation Method** | **Useful Life** |
| --- | --- | --- |
| Office Equipment | Straight-line method | 10 years |
| Motor Vehicles | Straight-line method | 10 years |
| Communication Equipment | Straight-line method | 5 years |
| Other Equipment | Straight-line method | 10-15 years |
| Water Plant, Structures& Improvements | Straight-line method | 30 years |
| Other Property, Plant & Equipment | Straight-line method | 10-30 years |

**4. Budget Information**

Section 3.3 of DBM Corporate Circular No. 20 dated April 27, 2005 states that any increase in the approved principal corporate operating budget in the course of the budget year, as may be warranted by additional corporate receipts, shall require submission and approval of a supplemental corporate budget to cover the additional expenditures in line with the national government decentralization policy.

The Department of Budget and Management authorized augmentation of funds or realignment of savings within the expense class without the need of prior approval.

**5. Cash and Cash Equivalents**

| **Particulars** | **Account Number** | **2021** | **2020** |
| --- | --- | --- | --- |
| Cash –Collecting Officer |  | 78,820.98 | **₱** 30,753.08 |
| Cash in Bank- Local Currency, Current Account | C/A#0322106653 | 357,763.56 | 1,831,967.67 |
| Cash in Bank- Local Currency, Savings Account | S/A#0321116515 | 3,072,260.71 | 4,291,039,89 |
| Cash in Bank- Local Currency, Savings Account | S/A#0321223303 | 2,192,149.42 | 1,891,322.19 |
| Cash in Bank- Local Currency, Current Account | C/A#4382100234 | 576,773.13 | 1,545,127.63 |
| Cash in Bank- Local Currency, Current Account | C/A#0322119160 | 0.00 | 62,256.67 |
| **TOTAL** |  | **P 6,277,767.80** | **₱ 9,652,467.13** |

1. **Receivables**

This account can be broken down as follows:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| Accounts Receivable | **₱** 1,483,256.16 | ₱ 1,315,032.56 |
| Allowance for Impairment-Accounts Receivables | (369,463.06) | (329,365.36) |
| Other Receivables: | 199,344.92 | 325,165.98 |
| Allowance for Impairment-Other Receivables | (9,962.45) | (10,616.30) |
| Betty Bago | 31,671.63 | 32,171.63 |
| **TOTAL** | **₱** 1,334,847.20 | **₱ 1,332,388.51** |

Accounts Receivables are open receivables arising from services rendered to customers for water sales and other incidental services. The concessionaires are categorized as Residential, Government and Commercial.

1. **Inventories**

This account consists of the following:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| Office Supplies and Materials Inventory | ₱ 805,139.93 | ₱ 1,207,616.63 |
| Office Supplies Inventory | 54,584.59 | 16,975.33 |
| Accountable Forms, Plates and Stickers Inventory | 22,086.40 | 23,300.89 |
| Semi-Expendable Machinery and Equipment | 624,705.85 | 86,951.56 |
| Semi-Expendable Office Equipment | 181,109.70 | 106,229.40 |
| Semi-Expendable Furniture ,Fixtures& Books | 238,868.82 | 223,790.00 |
| Semi-Expendable Sports Equipment | 28,900.00 | 28,900.00 |
| Semi-Expendable DRRE | 4,800.00 | 4,800.00 |
| Semi-Expendable Communication Equipment | 0.00 | 5,990.00 |
| **TOTAL** | **₱ 1,960,195.29** | **₱ 1,704,553.81** |

Inventories are stated at cost using the moving average method required under existing COA regulations (COA Circular 2005-001)

1. **Other Current Assets**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Prepaid Insurance | ₱ 3,991.60 | ₱ 27,242.91 |
| Accrued Income | 808,579.88 | 774,845.48 |
| TOTAL | **₱ 812,571.48** | **₱ 802,088.39** |

1. **Property, Plant and Equipment**

This account includes the following:

| **Cost** | **Jan 1,2021** | **Additions** | **Adjustments** | **Dec. 31,2021** |
| --- | --- | --- | --- | --- |
| LOT-Esperanza | ₱ 61,021.00 | - | - | 61,021.00 |
| LOT-Poblacion | 632,900.00 |  |  | 632,900.00 |
| LOT- Binuni | 1,974,150.000 |  |  | 1,974,150.000 |
| Land Improvement | 173,100.00 |  |  | 173,100.00 |
| Buildings | 3,500.000.00 |  |  | 3,500.000.00 |
| Buildings –other Structures | 199,249.00 |  |  | 199,249.00 |
| Water Plant, Structures & Improvements | 14,973,585.76 | 630,981.64 | 19,846.29 | 15,584,721.11 |
| Machinery and Equipment | 4,538,093.04 | 2,210,671.75 | 515,096.31 | 6,233,668.48 |
| Transportation Equipment | 2,166,606.00 | 68,350.00 | 4,600.00 | 2,230,356.00 |
| Other Property, Plant & Equipment | 15,346,925.03 | 4,221,361.18 | 1,115,523.41 | 18,452,762.80 |
| Computer System | 150,000.00 |  |  | 150,000.00 |
| **TOTAL** | **₱ 43,715,629.83** | 7,131,364.57 | 1,655,066.01 | 49,191,928.39 |

| **Accumulated Depreciation** | **Jan 1,2021** | **Additions** | **Adjustments** | **Dec. 31,2021** |
| --- | --- | --- | --- | --- |
| Computer Software | ₱ 13,500.00 | ₱ 13,500.00 | - | ₱ 27,000.00 |
| Land Improvements | 88,873.20 | 31,158.00 | - | 120,031.20 |
| Buildings | 315,000.00 | 105,000.00 | - | 420,000.00 |
| Buildings-Other Structures | 37,066.01 | 13,630.92 | - | 50,696.93 |
| Water Plant, Structures & Improvements | 2,810,478.32 | 448,908.47 | 170,385.74 | 3,089,001.05 |
| Machinery and Equipment | 2,671,543.38 | 345,704.46 | 240,016.57 | 2,777,231.27 |
| Transportation Equipment | 879,234.30 | 162,432.05 | 2,829.00 | 1,038,837.35 |
| Other Property, Plant & Equipment | 6,633,076.33 | 506,609.51 | 814,539.10 | 6,325,146.74 |
| **TOTAL** | **₱ 13,448,771.54** | **₱1,626,943.41** | **₱ 1,227,770.41** | **₱13,847,944.54** |

1. **Other Assets**

These are assets which are included in Inventory and Inspection Report of Unserviceable Property.

| **Particulars** | **Cost** | **Accumulated Depreciation** | **Book Value** |
| --- | --- | --- | --- |
| PPE-Water Plant Structures & Improvement | ₱ 5,275.00 | ₱ 1,360.54 | ₱ 3,914.46 |
| PPE-Office Equipment | 110,204.75 | 88,813.47 | 21,391.28 |
| PPE-Communication Equipment | 48,024.50 | 42,275.91 | 5,748.59 |
| PPE-Other Equipment | 119,986.50 | 57,540.28 | 62,446.22 |
| PPE-Transportation Equipment | 8,799.34 | 7,622.57 | 1,176.77 |
| **Sub -total** | **₱ 292,290.09** | **₱ 197,612.77** | **₱**  **94,677.32** |
|  |  |  |  |
| Other Equipment | ₱ 87,210.29 | ₱ 73,636.73 | ₱ 13,573.56 |
| Office Equipment | 58,199.98 | 35,499.07 | 22,700.91 |
| Other PPE | 684,595.62 | 662,603.68 | 21,991.94 |
| Communication Expense | 15,967.00 | 11,811.71 | 4,155.29 |
| **Sub -total** | **845,972.89** | **785,551.19** | **62,421.70** |
| **TOTAL** | **₱1,138,262.98** | **₱ 981,163.96** | **₱ 157,099.02** |

**11. Current Liabilities**

***Financial Liabilities***

Accounts Payable-This account composes the following:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| FMV Drilling | ₱ 151,000.00 | ₱ 0.00 |
| Iligan Datavision | 0.00 | 0.00 |
| GTSG | 0.00 | 5,250.00 |
| GTSG | 0.00 | 14,000.00 |
| GTSG | 0.00 | 15,750.00 |
| GTSG | 0.00 | 46,400.00 |
| MIE Oro Plast Corporation | 53,784.00 | 47,556.00 |
| MIE Oro Plast Corporation | 58,614.00 | 44,820.00 |
| Pinche Enterprises | 0.00 | 0.00 |
| AVK Philippines | 55,793.52 | 0.00 |
| MIE Oro Plast Corporation | 1,850.00 | 0.00 |
| MIE Oro Plast Corporation | 14,200.00 | 0.00 |
| CQ PRINTING | 90,000.00 | 81,750.00 |
| Flosystems Import & Export Inc. | 102,000.00 | 0.00 |
| Infomax Enterprises | 40,000.00 | 0.00 |
| LANECO | 0.00 | 147,500.00 |
| **TOTAL** | **₱ 567,241.52** | **₱ 403,026.00** |

Accounts Payables represent liabilities from suppliers and other payables which are due and demandable within one year from the reporting date.

**12. Inter-Agency Payables**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Due to BIR | ₱ 58,689.05 | ₱ 48,778.18 |
| Due to GSIS | 153,784.74 | 153,064.40 |
| Due to PAG-IBIG | 39,456.21 | 41,705.96 |
| Due to Philhealth | 9,870.17 | 8,742.09 |
| Due to Other NGAs-COA | 19,429.75 | 0.00 |
| Guaranty/Security Deposit Payable | 3,015 | 3,015.00 |
| **TOTAL** | **₱ 284,244.92** | **₱ 255,305.63** |

**13. Other Payables**-

This account composes the following:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| R.Uy Shell Station | ₱ 8,254.50 | ₱ 13,369.01 |
| CQ Printing Press | 0.00 | 0.00 |
| PLDT | 1,296.20 | 1,150.50 |
| Representation Expenses | 0.00 | 0.00 |
| Other M & O Expenses | 0.00 | 0.00 |
| Electricity | 311,536.83 | 225,777.11 |
| Taxes, Dues & Licenses | 92,069.52 | 95,001.23 |
| Dawn Garden | 0.00 | 0.00 |
| Travel Expense | 0.00 | 2,400.00 |
| Security Expenses | 21,897.33 | 21,897.33 |
| **TOTAL** | **₱ 435,054.38** | **₱ 359,595.18** |

**14. Other Unearned Revenue/Income**

|  |  |
| --- | --- |
| Unearned Revenue/Income | **₱ 51,000.00** |

**15. Non-Current Liabilities**

Financial Liabilities

|  |  |  |
| --- | --- | --- |
| **Loan Number** | **2021** | **2020** |
| 3-766 | ₱ 998,639.08 | ₱ 1,167,436.08 |
| 4-2258A | 4,094,845.00 | 4,731,502.00 |
| 4-2258B | 666,558.00 | 770,201.00 |
| 9-0488 | 9,149,928.74 | 9,658,260.74 |
| 4-2859 | 0.00 | 6,216,344.00 |
| LWUA-New Loan | 6,139,859.00 | 0.00 |
| Landbank-Office Building | 1,944,444.48 | 2,333,333.36 |
| **TOTAL** | **₱ 22,991,274.30** | **₱ 24,877,077.18** |

Loans Payable-Domestic represents the financial assistance/grant from the Local Water Utilities Administration (LWUA) and the Non-LWUA Initiated funds (NLIF).

**16. Trust Liabilities**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Customers’ Deposits Payable | **₱** 38,099.00 | **₱** 38,099.00 |

**17. Government Equity**

Contributed Capital. This account includes the following donations:

|  |  |
| --- | --- |
| **Particulars** | **Cost** |
| LGU’s piping system installed at Upper Demologan in CY2000 | **₱** 200,000.00 |
| Distribution pipes donated by Barangay Binuni | 15,978.16 |
| Pipes donated by Senator Loren Legarda | 94,564.80 |
| LCD TV with cable donated by contractor | 15,000.00 |
| **TOTAL** | **₱ 325,542.96** |

**18**. **Retained Earnings** is composed of the following:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| Balance at beginning of period | ₱ 21,357,419.42 | ₱ 18,504,245.49 |
| Erroneous entry | (65.06) | (5,387.65) |
| Prior period adjustment | 7,653.44 | 0.00 |
| Prior period adjustment-Reversal | (774,845.48) | 0.00 |
| Double entry | (461,055.94) | 0.00 |
| Taxes | (245,110.65) | 0.00 |
| Net Income/(Loss) | 1,310,011.83 | 2,858,496.52 |
| **Balance at end of period** | **₱ 21,194,007.56** | **₱ 21,357,354.36** |

**19. Business Income**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Income from Waterworks System | ₱ 18,595,875.07 | **₱ 17,692,876.21** |
| Fines & Penalties-Business Income | 613,079.46 | 509,370.95 |
| Interest Income | 3,025.28 | 6,136.15 |
| Other Business Income | 295,806.00 | 262,089.16 |
| **TOTAL** | **₱ 19,507,785.81** | **₱ 18,470,472.47** |

**20. Other Non-Operating Income**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Miscellaneous Income | **₱ 403,706.15** | **₱ 377,432.14** |

Miscellaneous Income is the result of the customer billing amount less the cost of materials used during the installation of new connection.

**21. Personnel Services**

This account consists of the following:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| **Salaries & Wages** |  |  |
| Salaries & Wages-Regular | ₱ 4,700,652.04 | ₱ 4,061,082.66 |
| **Other Compensation** |  |  |
| Personnel Economic Relief Allowance | 362,000.00 | 352,000.00 |
| Representation Allowance | 102,000.00 | 70,500.00 |
| Transportation Allowance | 102,000.00 | 70,500.00 |
| Clothing Allowance | 96,000.00 | 90,000.00 |
| Honoraria | 541,710.00 | 398,268.00 |
| Longevity Pay | 10,000.00 | 15,000.00 |
| Overtime & Holiday Pay | 275,874.28 | 186,418.39 |
| Hazard Pay | 0.00 | 244,500.00 |
| Year-end Bonus | 392,911.00 | 349,428.00 |
| Cash Gift | 80,000.00 | 80,000.00 |
| Other Bonuses & Allowances | 170,701.36 | 127,083.57 |
| **Personnel Benefit Contribution** |  |  |
| Retirement and Life Insurance Premium | 543,362.04 | 470,856.24 |
| PAG-IBIG Contribution | 18,050.00 | 17,600.00 |
| Philhealth Contribution | 58,606.89 | 53,062.42 |
| Employees Compensation Insurance | 18,100.00 | 17,600.00 |
| **Other Personnel Benefits** |  |  |
| Terminal Leave Benefits | 188,304.02 | 100,059.54 |
| Other Personnel Benefits | 1,005,545.80 | 530,489.00 |
| **TOTAL** | **₱**  **8,665,817.43** | **₱ 7,234,447.82** |

**22. Maintenance and Other Operating Expenses**

This account consists of the following:

| **Particulars** | **2021** | **2020** |
| --- | --- | --- |
| Travel Expenses-Local | ₱ 64,132.00 | ₱ 278,174.00 |
| Training Expense | 18,130.00 | 14,800.00 |
| Office Supplies Expenses | 83,922.81 | 94,970.83 |
| Accountable Forms Expenses | 52,514,.49 | 54,070.90 |
| Fuel, Oil, & Lubricant Expenses | 374,281.86 | 290,145.32 |
| Chemical and Filtering Supplies | 164,990.00 | 95,000.00 |
| Water Expenses | 10,305.50 | 8,934.15 |
| Electricity Expenses | 3,459,617.44 | 2,650,342.85 |
| Postage and Courier Services | 935.00 | 2,739.46 |
| Telephone Expenses | 58,415.45 | 48,288.64 |
| Internet Subscription Expenses | 21,375.00 | 19,356.25 |
| Cable, Satellite, Telegraph and Radio Expenses | 0.00 | 2,500.00 |
| Legal Services | 5,000.00 | 0.00 |
| Auditing Services | 19,429.75 | 62,581.48 |
| Security Services | 525,535.92 | 547,433.25 |
| Survey Expenses | 0.00 | 0.00 |
| Fidelity Bond Premium | 9,825.00 | 7,950.00 |
| Repairs & Maintenance-Buildings & Other Structures | 17,734.00 | 2,971.00 |
| Repairs & Maintenance-Machinery & Equipment | 107,574.00 | 44,946.70 |
| Repairs & Maintenance-Transportation Equipment | 119,541.68 | 116,554.47 |
| Repairs & Maintenance-Other PPE | 663,144.15 | 410,858.27 |
| Repairs & Maintenance-Furniture, Fixtures& Books | 8,164.00 | 0.00 |
| Repairs & Maintenance-Infrastructure Assets | 112,640.00 | 354,159.91 |
| Repairs & Maintenance-Semi-Expendable Machinery & Equipment | 0.00 | 0.00 |
| Taxes, Duties & Licenses | 559,577.79 | 395,206.10 |
| Semi-Expendable Machinery & Equipment Expense | 0.00 | 0.00 |
| Insurance Expenses | 45,685.26 | 36,812.74 |
| Advertising, Promotional & Marketing Expenses | 129,957.19 | 138,175.39 |
| Prizes | 40,533.30 | 36,105.30 |
| Printing and Publication Expenses | 13,352.00 | 9,442.35 |
| Representation Expenses | 75,523.90 | 106,465.25 |
| Transportation & Delivery Expenses | 0.00 | 100.00 |
| Donation | 0.00 | 15,000.00 |
| Membership Dues & Contribution | 12,863.00 | 13,792.00 |
| Other Maintenance & Operating Expenses | 412,196.30 | 438,634.95 |
| Extraordinary & Misc. Expenses | 0.00 | 10,934.00 |
| **TOTAL** | **₱ 7,186,896.79** | **₱ 6,307,445.56** |

**23. Financial Expenses**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Interest Expenses | ₱ 1,081,738.31 | ₱ 1,021,546.34 |

Interest Expenses are interests paid to Local Water Utilities Administration (LWUA) and Non-LWUA Initiated Funds. Bank charges are the amount paid to Landbank for the processing of the office building loan.

**24. Non-Cash Expenses**

This account is consists of the following:

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2021** | **2020** |
| Depreciation-Building & Other Structures | **₱** 570,592.23 | **₱** 481,519.38 |
| Depreciation-Machinery and Equipment | 343,070.95 | 269,718.65 |
| Depreciation-Transportation Equipment | 162,432.05 | 164,589.00 |
| Depreciation-Other PPE | 506,176.67 | 431,725.92 |
| Depreciation- Other Land Improvement | 31,158.00 | 31,158.00 |
| Impairment Loss-Loans and Receivables | 40,097.70 | 33,757.42 |
| Amortization-Computer Software | 13,500.00 | 13,500.00 |
| **TOTAL** | **₱**  1,667,027.60 | **₱ 1,425,968.37** |

**PART II –**

**AUDIT OBSERVATIONS AND**

**RECOMMENDATIONS**

**AUDIT OBSERVATIONS AND RECOMMENDATIONS**

1. **Audit Qualifications / Financial Audit Observation**

**1. Delayed submission of the Bank Reconciliation Statements (BRS) and Trial Balances (TB) and non-submission of quarterly financial statements are contrary to Section 74 of Presidential Decree No. 1445, COA Circular Nos. 2009-006 dated September 15, 2009, 92-89E dated March 8, 1992, and the Government Accounting Manual (GAM) for NGAs Volume I, casting doubt on Cash in Bank balance at any given time.**

Section 74 of Presidential Decree (P.D.) No. 1445 states that “At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”

Likewise, Chapter 21 of the GAM Volume I provides that the monthly BRS shall be prepared by the Chief Accountant/designated staff **within ten days** from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the Government Servicing Bank. In turn, the Chief accountant shall submit the BRS within **twenty days** after the receipt of the monthly Bank Statement (BS) to the Head of the Agency and the COA Auditor, with all the supporting documents and journal entry vouchers.

A bank reconciliation is the process of matching information regarding cash accounts from accounting records to the corresponding information on bank statements. It needs to be done regularly to identify discrepancies before they become problem. It is a very important tool for internal control of cash flows.

The main objective of BRS is to check the correctness of both the bank’s and agency’s records, serve as a deterrent to fraud, and enable the agency to take up charges and credits recognized by the bank or agency but not yet known to the bank.

Further, Section 122 of the aforementioned Decree provides that:

“Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

(2) Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission. xxx”

Section 7.2.1 of the 2009 Rules and Regulations on the Settlement of Accounts also states that “the Chief Accountant, Bookkeeper or other authorized officials performing accounting or bookkeeping functions of the audited agency shall ensure that (a) the reports and supporting documents submitted by the Accountable Officers are immediately recorded in the books of accounts and submitted to the auditor within the first ten (10) days of the ensuing month; xxx”

Likewise, Section 3.4 of COA Circular No. 92-89E dated March 8,1992 prescribes the submission of Quarterly and Year-End Trial Balances within the first ten (10) days of the following month and on or before February 14 of the succeeding year, respectively.

The District maintains five (5) bank accounts with Landbank of the Philippines. The Audit Team noted that the latest BRS submitted was for the month of March 2021 and only for the LBP Current Account Nos. 0322-1066-53 (Iligan Branch) and 4382-1002-34 (Maigo-Lanao del Norte Branch) while none were submitted for the other three (3) bank accounts maintained by the agency.

During the interview with the Accounts Analyst, Ms. Maglana, she explained that the reason for the delayed submission of the BRS for the two accounts was due to the delayed receipt of the bank statements from the bank and that the *weaccess* account for the current account maintained with the Iligan Branch was locked and was only retrieved around September-October 2021.

She further clarified that she is preparing monthly trial balances but was not able to submit the same because she was not aware that they need to be submitted monthly to the Resident Auditor. She was also not aware of the submission of Quarterly Financial Statements.

As consequence of the delayed preparation and submission of BRS to COA, errors committed in both the bank and accounting records may not be corrected promptly and discrepancies of balances between both records may pile up. This deficiency casts doubts on the Cash in Bank balances which had been shown in the books.

In effect, the delay and non-submission of monthly trial balances and quarterly financial reports not only violated pertinent government accounting procedures but also prevented the prompt execution of audit functions.

**We recommended that the management direct the Accounting to:**

1. **Immediately prepare and submit the BRS not submitted for CY 2021 for all five (5) bank accounts maintained;**
2. **Prepare and submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor or make use of a snapshot to expediate preparation and submission thereof;**
3. **Immediately submit the monthly trial balances for April – December 2021; and**
4. **Submit future monthly TBs and quarterly financial statements within the first ten (10) days of the ensuing month.**

**Management Comment:**

During the Exit Conference, the Management was amenable that they only submit reports when the previous audit team required. That they have prepared BRS but do not submit the same monthly but only when required by the audit team.

**2. Past Due and Dormant Accounts Receivable accounts aging one to more than ten years amounting ~~P~~412,898.13 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016**

Paragraph 15 of PAS 1 states that:

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

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

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

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

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

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

1. *it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;*
2. *it holds the asset primarily for the purpose of trading;*
3. *it expects to realize the asset within twelve months after the reporting period; or*
4. *the assets is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.*

*All other assets shall be classified as non-current.*

Aging of Accounts Receivable as of December 31, 2021 showed the following:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Accounts** | **Years in Arrears** | | | | | |  |
| **0-1 year** | **Over 1yr** | **Over 2y** | **Over 3y** | **Dormant** | **Total** | **%** |
| Active | 955,239.22 | - | - | - | - | 955,239.22 | 64% |
| Inactive | 115,118.81 | 64,376.53 | 32,524.65 | 169,946.60 | 146,050.35 | 528,016.94 | 36% |
| Balance, 12.31.21 | 1,070,358.03 | 64,376.53 | 32,524.65 | 169,946.60 | 146,050.35 | 1,483,256.16 | 100 |

Further analysis of the data shows the following composition:

The Aging shows that of the total amount of the Accounts Receivable, twenty-eight percent (28%) or P412,898.13 thereof was aged one (1) year to more than ten (10) years. While 36% of these receivables are due from concessionaires who are of inactive status which renders its collectibility doubtful since these accounts have already been disconnected.

During the inquiry, Ms. Maglana, the Corporate Accounts Analyst proffered that they are in the preparing for the writing-off of these dormant accounts. Though they are having difficulties in the collection of supporting documents for the write-off.

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

**We recommended that Management:**

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

**Management Comment:**

During the Exit Conference, the Management maintained that they have already started to prepare the required documents for the Request for Write-off but they have difficulty in accomplishing them such the procurement of the proof of death of some of debtors.

**Auditor’s Rejoinder:**

Issue demand letters to the debtors and get a certificate of deaths for the deceased debtors from the Local Civil Registrar annotated by the Philippine Statistics Authority.

**3. Power costs incurred in pumping stations amounting to ~~P~~3,237,562.67 were erroneously recorded as *Electricity Expense* (~~P~~3,164,254.27) and *Fuel, Oil and Lubricants Expenses* (~~P~~73,308.40) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing the both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015.**

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

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

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

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

**04 Utility Expenses**

*Account Title:* Electricity Expenses

*Account Number:* 50204020

*Normal Balance:* Debit

*Description:* This account is used to recognize the cost of electricity consumed in government operations/projects. This account shall be closed to the Revenue/Income and Expense Summary account.

**09 Generation, Transmission and Distribution Expenses**

*Account Title:*  Generation, Transmission and Distribution Expenses

*Account Number:* 50209010

*Normal Balance:* Debit

*Description:* This account is used to recognize the costs of generation, transmission and distribution of *water*, electricity, information/communication, power, and other related services *intended for sale and/or redistribution*. This account shall be closed to the Revenue/income and Expense Summary account.

Audit of the District’s expense accounts for CY 2021 revealed that the electricity consumed by the pumping stations were erroneously recorded under the Electricity Expense account with the following details:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Check** | | **Payee / Period** | **Nature of Payment** | **Amount** |
| **Date** | **Number** |
| 1/4/2021 | 1541432 | LANECO – December 2020 | Electric Bill - Pumping Station | ~~P~~198,651.88 |
| 2/2/2021 | 1541466 | LANECO – January 2021 | Electric Bill - Pumping Station | 236,252.07 |
| 3/2/2021 | 1541494 | LANECO – February 2021 | Electric Bill - Pumping Station | 285,471.82 |
| 4/5/2021 | 1541517 | LANECO – March 2021 | Electric Bill - Pumping Station | 242,654.06 |
| 5/3/2021 | 1541538 | LANECO – April 2021 | Electric Bill - Pumping Station | 278,173.88 |
| 6/1/2021 | 1541561 | LANECO – May 2021 | Electric Bill - Pumping Station | 264,153.58 |
| 7/1/2021 | 1541577 | LANECO – June 2021 | Electric Bill - Pumping Station | 277,771.59 |
| 8/2/2021 | 1541600 | LANECO – July 2021 | Electric Bill - Pumping Station | 265,159.32 |
| 9/2/2021 | 1685111 | LANECO – August 2021 | Electric Bill - Pumping Station | 287,557.67 |
| 10/1/2021 | 1685135 | LANECO – September 2021 | Electric Bill - Pumping Station | 266,468.03 |
| 11/2/2021 | 1685159 | LANECO – October 2021 | Electric Bill - Pumping Station | 270,332.87 |
| 12/3/2021 | 1685173 | LANECO – November 2021 | Electric Bill - Pumping Station | 291,607.50 |
|  |  |  |  | **~~P~~3,164,254.27** |

Also, audit of fuel, oil and lubricants expense account revealed that the pumping stations in relation to generation of water in times of power interruption consumed a total of 1,464.34 liters of fuel or P73, 308.40.

Although these are electricity and fuel costs per se, the more appropriate classification for them should be **Generation, Transmission and Distribution Expenses** because these are costs of generating, transmitting, and distributing water ***intended for sale and/or redistribution*** while Electricity Expense and Fuel, Oil and Lubricants Expenses accounts refer to those incurred ***for use*** in government operations/projects.

Interview with the Corporate Accounts Analyst disclosed that it has already been their practice to charge the power costs to the Electricity Expense Account even before her assumption and that distinction of these accounts have not been paid particular attention.

Proper classification of expenses contributes to the fair presentation of the financial statements at reporting date. The adoption of the Revised Chart of Accounts (RCA) further simplifies accounting for government corporations, outlining in detail all possible account titles applicable and their specific descriptions.

Not using the proper account classification poses a risk of interpreting financial data inaccurately. The treatment of the pumping power costs as Electricity Expenses gives the notion that administrative costs in the form of utility expenses are extremely high in Water Districts. Whereas if the proper account **Generation, Transmission and Distribution Expenses** is used, this will merely be considered as *variable costs* of selling and distributing water for public consumption and are matched with the revenue account, **Waterworks System Fees**, in the period these are earned.

**We recommended to the management:**

1. **To direct the Accountant to prepare the necessary adjusting entries for the current year’s erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years’ journal entries have already been closed to Accumulated Surplus/Deficit;**
2. **Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and**
3. **To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.**

**Management Comment:**

During the Exit Conference, the Management affirmed that they have already corrected their previous practice and have already recorded the expenses to the correct account classification starting January 2022.

1. **Other Audit Observation**

**4. Water Safety Plan**

The District have started preparation of their Water Safety Plan (WSP). Findings on this matter was already issued in the prior year’s audit but the District was not able to fully implement the recommendation thereof.

**5. Septage Management Plan**

**The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system.**

Presidential Decree No. 198 date May 25, 1973, as amended by PD Nos. 789 and 1479, and Republic Act. No. 9286, provides for the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply and wastewater disposal system for population centers of the Philippines as a national policy of high priority.

Further, Sec. 5 of PD 198 provides that Local Water Districts may be formed with the following purpose:

1. *Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal, and agricultural uses for residents and lands within the boundaries of such districts,*
2. ***Providing, maintaining, and operating wastewater collection, treatment and disposal facilities,*** *and*
3. *Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose. (emphasis added)*

Republic Act 9275 also known as the “Philippine Clean Water Act of 2004,” approved on March 22, 2004 provides for a comprehensive water quality management in line with the State’s policy of economic growth in a manner consistent with the protection, preservation and revival of the quality of our fresh, brackish and marine waters.

Section 8.6 of RA 9275 IRR provides that:

“*8.6 Role of Water Supply Utilities. In the case of HUCs, non-HUCs and LGUs where water districts, water utilities and LGU water works have already been constituted operational, the water supply utility provider shall be responsible for the sewerage facilities and the main lines pursuant to P.D. No. 198 and other relevant laws. In areas where there are no existing facilities, the LGUs, water districts or water utilities may adopt septage management program or other sanitation alternatives*.”

To date, the Bacolod Water District does not have its Septage Management Plan (SMP).

During the interview, the General Manager said that they have attended a seminar in connection with the SMP and that they have started to take actions on it, however due to the limitations such as their request from the Bacolod Local Government Unit to issue an ordinance on the ideal septic tank designs in accordance with their plans and the additional costs which could increase the water rates, the SMP was not prepared as required.

Aside from being a requirement of law, the SMP will also act as a vehicle for communicating about the resources, activities, and outcomes to program staff, development partners, or other stakeholders. The SMP can also be an important tool in illustrating to the beneficiaries or community what a project is meant to achieve.

The SMP underpins a strategic planning process and serves as a living management tool-fostering ownership and consensus, guiding corrective actions, facilitating the coordination of development efforts, charting the course for achieving a strategic objective, and ultimately serving as key accountability tool for evaluation.

Further, non-compliance to these laws deprives its clients of a comprehensive water quality management, including wastewater disposal system that is consistent with the protection, preservation and revival of the quality of its fresh, brackish and marine waters.

**We recommended that Management to coordinate with the Local Government Unit and prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring.**

**Management Comment:**

During the Exit Conference, the General Manager explained that they have already started with the preparation in making the SMP but was delayed by the non-issuance of the Local Government Unit of the Ordinance needed for the Septage Management Program.

**Auditor’s Rejoinder:**

Continue the preparation of the SMP and coordinate with the LGU regarding the implementation of such plan.

**6. Disaster and Risk Reduction Management Program**

The District has a Disaster and Risk Reduction Management Program in place but have not implemented any activity or disbursed any amount thereof for CY 2021. An audit finding on this matter in the prior year has not yet been fully implemented.

**7. Compliance with Tax laws, Rules and Regulations**

BWD regularly remitted to the Bureau of Internal Revenue (BIR) taxes withheld from compensations and VAT from purchased goods and services. For the period ended December 31, 2021, taxes are collected and remitted to the BIR amounted to P793,472.75 and P795,239.56, respectively. The details are shown below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Months** | **Taxes withheld** | | | **Remittance** | |
| **From Suppliers** | **From Compensation** | **Total** | **Date** | **Amount** |
| Beg. Bal. | 21,140.17 | 18,234.41 | 39,374.58 | 06/01/2021 | 41,141.39 |
| January | 28,026.48 | 30,225.07 | 58,251.55 | 05/02/2021 | 58,251.55 |
| February | 58,632.53 | 30,225.07 | 88,857.60 | 03/03/2021 | 88,857.60 |
| March | 77,372.20 | 30,225.07 | 107,597.27 | 07/04/2021 | 107,597.27 |
| April | 26,536.22 | 30,225.07 | 56,761.29 | 07/05/2021 | 56,761.29 |
| May | 29,001.77 | 30,225.07 | 59,226.84 | 03/06/2021 | 59,226.84 |
| June | 23,593.51 | 30,225.07 | 53,818.58 | 05/07/2021 | 53,818.58 |
| July | 28,375.99 | 30,225.07 | 58,601.06 | 04/08/2021 | 58,601.06 |
| August | 15,108.06 | 30,225.07 | 45,333.13 | 06/09/2021 | 45,333.13 |
| September | 40,529.18 | 30,225.07 | 70,754.25 | 06/10/2021 | 70,754.25 |
| October | 24,939.04 | 30,225.07 | 55,164.11 | 04/11/2021 | 55,164.11 |
| November | 22,139.27 | 30,225.07 | 52,364.34 | 09/12/2021 | 52,364.34 |
| December | 17,063.45 | 30,304.70 | 47,368.15 | 06/01/2022 | 47,368.15 |
| Total | 412,457.87 | 381,014.88 | 793,472.75 |  | 795,239.56 |

**8. Compliance with RA No. 8291 on Deduction of GSIS Premiums and Remittances**

For the period ended December 31, 2021, BWD deducted from its personnel a total P437,345.46 GSIS premiums and remitted the same with GSIS as of year-end. On the other hand, the total government share in the GSIS premiums of its officials and employees amounting to P583,127.28 was also remitted as of December 31, 2021.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Months** | **Contributions/Deductions** | | | | **Amount Remitted** | **Date of Remittance** |
| **Life/ Retirement Premium** | | **Employees Compensation Government Share** | **Total** |
|
| **Personal Share** | **Government Share** |
|
| Beg. Bal. | 31,448.52 | 41,931.36 | 1,400.00 | 74,779.88 | 74,779.88 | 05/01/2021 |
| January | 32,617.44 | 43,489.92 | 1,400.00 | 77,507.36 | 77,507.36 | 05/02/2021 |
| February | 32,617.44 | 43,489.92 | 1,400.00 | 77,507.36 | 105,477.96 | 08/03/2021 |
| March | 32,617.44 | 43,489.92 | 1,400.00 | 77,507.36 | 77,507.36 | 08/04/2021 |
| April | 32,617.44 | 43,489.92 | 1,400.00 | 77,507.36 | 77,507.36 | 07/05/2021 |
| May | 32,682.51 | 43,576.68 | 1,400.00 | 77,659.19 | 77,507.36 | 03/06/2021 |
| June | 33,765.57 | 45,020.76 | 1,500.00 | 80,286.33 | 80,286.33 | 06/07/2021 |
| July | 33,765.57 | 45,020.76 | 1,500.00 | 80,286.33 | 80,286.33 | 03/08/2021 |
| August | 33,765.57 | 45,020.76 | 1,500.00 | 80,286.33 | 80,286.33 | 06/09/2021 |
| September | 35,361.99 | 47,149.32 | 1,600.00 | 84,111.31 | 85,487.07 | 07/10/2021 |
| October | 35,361.99 | 47,149.32 | 1,600.00 | 84,111.31 | 80,609.31 | 06/11/2021 |
| November | 35,361.99 | 47,149.32 | 1,600.00 | 84,111.31 | 80,609.31 | 07/12/2021 |
| December | 35,361.99 | 47,149.32 | 1,600.00 | 84,111.31 | 80,609.31 | 07/01/2022 |
|  | 437,345.46 | 583,127.28 | 19,300.00 | 1,039,772.74 | 1,058,461.27 |  |

**9. Compliance with RA No. 656 or the Property Insurance Law**

**Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District’s PPEs to risk of loss without indemnification.**

Republic Act (RA) No. 656, otherwise known as the Property Insurance Law, as amended by Presidential Decree (PD) No. 245, requires all government agencies to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the Government Service Insurance System (GSIS).

COA Circular No. 2018-002 dated May 31, 2018 provides that “heads of government agencies shall direct the pertinent official under his/her supervision to:

1. Secure directly from the GSIS GIF, all insurances or bonds covering properties, contracts, rights of action, and other insurable risks of their respective offices;
2. Prepare the Property Inventory Form (PIF) listing of all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information;
3. Extract from the Report on the Physical Count of Property, Plant and Equipment, as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties for disposal);
4. Cause the appraisal of the insurable properties and other assets of their respective offices. xxx;
5. Submit the consolidated PIF to the Supervising Auditor / Audit Team Leader and the GIF, GSIS, not later than April 30 of each year;
6. Include in the agency annual budget the amount of premiums for the general insurance covering all insurable properties and other assets and ensure its payment to the GSIS; and
7. Endure centralized payment of insurance premiums of all assets/property, whether located in the Central/Head Office (C/HO) or Regional/District Offices, Branches and/or Operating Units (R/Dos/Bs/OUs) in order to avoid double payment. xxx"

Verification of the District’s PPE disclosed that insurable assets, such as buildings, machineries, equipment and other PPE except for the Transportation Equipment are not insured with the GIF of the GSIS.

Upon query, it was learned that the District have already sent a Property Insurance Form to the GSIS during the CY 2019. However, the corresponding insurance premiums were not paid by the District, hence such properties included in the list was not successfully insured. No application for Property Insurance to the GSIS has followed thereafter.

The District’s PPEs are at risk of loss without indemnification for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty.

**We recommended that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018.**

**10. Gender and Development**

The District has a GAD Plan and Budget for CY 2021 and P1,750,601.40 was the actual amount expended for GAD activities during CY 2021.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| With GAD Plan (Y/N) | GAD Focal Point System Adopted (Y/N) | GAD Projects supportive of Gender Issues (Y/N) | Provision of GAD Budget | | | Utilization of GAD Budget | | |
| Appropriation | 5% of Appropriation | Actual GAD Budget Allocated | GAD Expenditures | No. of Programmed GAD Activities | No. of GAD Activities Accomplished |
| Y | Y | Y | 25,979,158 | 1,298,958 | 1,477,095 | 1,750,601 | 25 | 20 |

1. **Status of Suspensions, Disallowances and Charges**

The status of suspensions, disallowances and charges of the District is the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Balance, 12/31/2020** | **CY 2021 Issuances** | **CY 2021**  **Settlement** | **Balance, 12/31/2021** |
| Suspensions | ₱ 9,000.00 | 0.00 | 9,000.00 | ₱ 0.00 |
| Disallowances | ₱ 0.00 | 0.00 | 0.00 | ₱ 0.00 |
| Charges | ₱ 0.00 | 0.00 | 0.00 | ₱ 0.00 |

**PART III –**

**STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the District to implement the recommendations of CYs 2020 and 2019 AAR and noted the following:

|  |  |
| --- | --- |
| ***Status of Implementation*** | ***No. of Recommendations*** |
| Fully Implemented | 4 |
| Partially Implemented | 5 |
| Not Implemented | 1 |

| **Reference** | **Audit Observations** | **Audit Recommendations** | **Status of Implementation** |
| --- | --- | --- | --- |
| AAR 2020 Finding No. 1 | Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱22,354,849.69 in of doubtful validity. | We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts. | Fully Implemented |
| AAR 2020 Finding No. 2 | Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,704,553.81. | We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. | Fully Implemented |
| AAR 2020 Finding No. 3 | The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures. | We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2020 as provided under DOH Administrative Order No. 2014-0027. | Partially Implemented |
| AAR 2020 Finding No. 4 | The Annual Procurement Plan (APP) prepared by the District is incomplete, inadequate and lacked the necessary information on the mode of procurement, schedule of each procurement activity, brief description of the programs/projects, source of funds, among others, as required under Section 7 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and Government Procurement Policy Board (GPPB) Circular No. 07-2015 dated July 16, 2015, thus relevance and usefulness of APP as a planning and control tool was not attained, resulting in uncoordinated procurements that do not promote efficiency, economy and transparency. | We recommend that the District require the personnel in charge to:  a) Formulate the APP in accordance with Section 7 of the Revised IRR of RA No. 9184;  b) Ensure that all the necessary information required in the APP and its amendments are reflected therein for its continuous relevance and usefulness as a planning and control tool;  c) Submit the duly approved copy of APP to the GPPB in accordance with Section 1(a) of Executive Order No. 662, series of 2007, as amended;  d) Attach a copy of the APP to the disbursement vouchers for the payment of all types of procurement, in compliance to COA Circular 2012-001 dated June 14, 2012; and  e) Include in the APP, provisions for foreseeable emergencies based on historical records as well as the manner of procurement thereof. | Partially Implemented  *An APP for CY 2022 was belatedly submitted on April 12, 2022.* |
| AAR 2019 Finding No. 1 | Non-submission of the Report on Physical Count of Property, Plant and Equipment as duly reconciled with records kept by the Supply Unit and Accounting Unit as provided for in Section 38 and 42, Volume I of the Government Accounting Manual (GAM), was not adhered to thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱28,520,694.64 in of doubtful validity. | We recommend that reconciliation of Report on the Physical Count of Property Plant and Equipment (RPCPPE) to the Accounting unit’s Property Plant and Equipment Ledger Card (PPELC) and to the Property and Supply unit’s Property Card (PC) be conducted and its results be submitted to be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual (GAM). Property Accountability Receipt (PAR) for these assets should be renewed every three (3) years. | Fully Implemented |
| AAR 2019 Finding No. 2 | Non-submission of the Result of Physical Count of Inventory duly reconciled with Stock Cards kept by the Property and Supply Unit and Supplies Ledger Cards kept by the Accounting Unit as provided by Section D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 1,200,713.89. | We recommend the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory to the Office of the Auditor, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. | Fully Implemented |
| AAR 2019 Finding No. 3 | The District did not adhere to Republic Act No. 656 (Property Insurance Law) and Section 5.1e of COA Circular 2018-004 dated May 31, 2018 to insure their properties with a book value or replacement value of ₱ 25,429,492.78 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure. | We recommend that adherence to Republic Act 656 for all properties that the District have insurable interest to protect it from damage and loss due to force majeure and/or fortuitous events (Acts of God). | Partially Implemented  The District has submitted PIF to the GSIS during CY 2019 but has not paid the premium. |
| AAR 2019 Finding No. 4 | The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P494,234.55 contravenes Sec. 5 of the District’s Service Connection Contract and unfavorably affects the Water District operations. | We recommend that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents. | Partially Implemented  The District has taken actions in gathering supporting documents for the request for write-off. |
| AAR 2019 Finding No. 5 | Water sales for the month of December 2019 amounting to P50,173.30 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts. | We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements. |  |
| AAR 2019 Finding No. 6 | The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation. | We recommend that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2019 General Appropriations Act. | Not Implemented  District has a DRRM plan but have not implemented any DRRM activity for CY 2021. |
| AAR 2019 Finding No. 7 | Bacolod Water District did not use not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2019, thereby making the attribution of the GAD budget doubtful. | We recommended management to:  a. Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;  If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;  b. Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments. | Partially Implemented  District has GAD Plan and Budget and already submitted its Accomplishment Report for CY 2021.  Recommendation (b) is not yet implemented. |