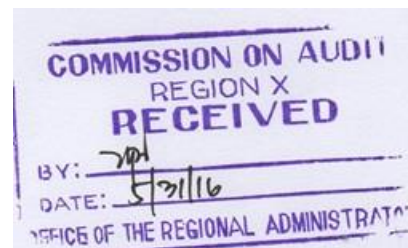




Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10

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

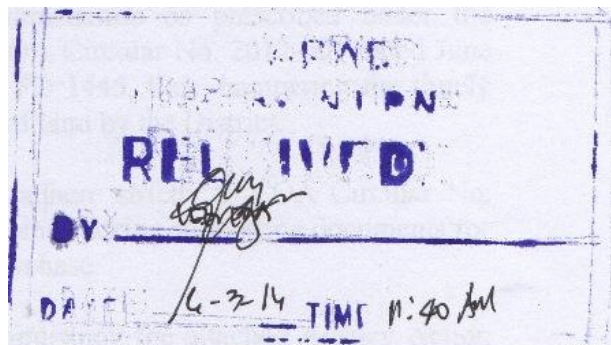


March 21, 2016

MS. BUENALITA B. RAÑISES

General Manager
Kapatagan Water District
Kapatagan, Lanaodel Norte

Dear Manager Rañises:



We are pleased to transmit the Annual Audit Report on the audit of **Kapatagan Water District**, Kapatagan, Lanao del Norte, for the calendar year 2015, in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 1445).

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

The attached report consists of Part I – Audited Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Year's Audit Recommendations, which were discussed with the officials and staff concerned, and Part IV – Annexes.

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

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements because the effect of the deviations from prescribed procedures materially affected the account balances. Two of the significant observations contained in the report which were discussed with concerned officials and employees of the District during the exit conference conducted on February 17, 2016, follows:

1. The Torrens Title of the parcel of land with a book value of P 529,309.23 and an aggregate land area of 13,827 square meters were not transferred in the name of the District contrary to Section 112 of PD 1445 and Section 449 of GAAM Volume 1 thus, rendering the ownership of the land and the accuracy of records questionable.

3

We have recommended that Management secure the Transfer Certificate of the Title for all untitled parcels of land of the District to ensure ownership and dominion over the property. The Officer-in-Charge should coordinate with the officials of the District concerned in the titling of the parcels of land.


2. Purchase of parcels of land through installment amounting to P3,000,000.00 was paid without proper and complete documentation as prescribed under the Required Documentary Requirements of COA Circular No. 2012-001 dated June 14, 2012 and in violation of Section 4 of PD 1445, thus, hampering the timely auditorial and legal review of the purchase of land by the District.

We have recommended that Management adhere strictly to COA Circular No. 2012-001 and Section 4 of PD 1445 and submit lacking supporting documents for auditorial and technical evaluation of the purchase.

We request that a status report, thru accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act FY 2015.

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

Very truly yours,



CELSO L. VOCAL
Director IV
Regional Director



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

March 21, 2016

MS. ANGELITA P. ROBLES

Chairman, Board of Directors
Kapatagan Water District
Kapatagan, Lanao del Norte

Dear Board Chairman Robles:

We are pleased to transmit the Annual Audit Report on the audit of **Kapatagan Water District**, Kapatagan, Lanao del Norte, for the calendar year 2015, in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 1445).

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

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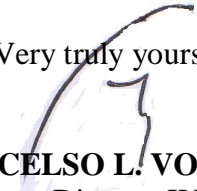
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We appreciate the invaluable support and cooperation extended by the officials and staff of that Agency to the Audit Team during the audit engagement.

Very truly yours,



CELSO L. VOCAL
Director IV
Regional Director



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

OFFICE OF THE SUPERVISING AUDITOR
Water Districts

March 21, 2016

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

Sir:

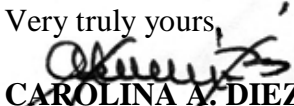
In compliance with Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Kapatagan Water District** for the year ended December 31, 2015.

The audit was conducted to ascertain the propriety of the agency's financial transactions; its compliance with laws, rules and regulations; and the efficiency of its operations. It was also conducted to ascertain the accuracy of the financial records and reports and the fairness of presentation of the financial statements.

Our report consists of four parts, namely, Part I – Audited Financial Statements, Part II – Observations and Recommendations, Part III – Status of Implementation of Prior Years' Audit Recommendations and Part IV - Annexes. 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.

There is reasonable assurance that the financial statements/records/reports are free of material misstatements and are prepared in accordance with Philippine Financial Reporting Standards (PFRS)/accounting principles generally accepted in the Philippines.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe that the audit evidence we have obtained provide reasonable basis for our audit opinion/report.

Very truly yours,

CAROLINA A. DIEZ
State Auditor V
Supervising Auditor



Republic of the Philippines
COMMISSION ON AUDIT
Region 10, Cagayan de Oro City

Team R10-05, CGS – Water District
OFFICE OF THE AUDIT TEAM LEADER

February 24, 2016

Ms. Carolina A. Diez
State Auditor V
Supervising Auditor
CGS-Water District & other
Stand alone Agencies

Madam:

In compliance with Section 43 of Presidential Decree No. 1445, we audited the accounts and operations of the **Kapatagan Water District**, KapataganLanao del Norte, for the year ended December 31, 2015.

The audit was conducted on a test basis to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports and the fairness of the presentation of the financial statements.

Our audit report consists of four parts, Part I – Audited Financial Statements, Part II – Observations and Recommendations which were discussed with concerned management officials and staff during the exit conference conducted on February 13, 2015, Part III – Status of Implementation of Prior Year's Recommendations, and Part IV – Annexes.

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

Our audit was conducted in accordance with generally accepted state auditing standards, and we believe these standards provide reasonable basis for the results of audit.

Very truly yours,


MACRINA M. GENTILES

State Auditor III
OIC-Audit Team Leader



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

ANNUAL AUDIT REPORT

ON THE

KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

For the Year Ended December 31, 2015

EXECUTIVE SUMMARY

A. INTRODUCTION

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

The KAPWD is presently categorized as “Category C” Water District serving a total population of 16,485 as of December 31, 2015 with 3,308 total service connections.

As of December 31, 2015, the governing board is composed of personalities representing the different sectors and organizations within the Municipality of Kapatagan who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

Chairperson: Angelita P. Robles
Members: Enrico P. Eya
Lito P. Castellano, Sr.
Raul C. Carreon, Sr.
Romulo R. Insoy

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

B. HIGHLIGHTS OF FINANCIAL OPERATIONS

As of December 31, 2015, there was an increase of 3.88% in assets, decrease of 4.98% in liabilities and increase of 15.08% in government equity, summarized as follows:

Financial Condition

	Calendar Year 2015	Calendar Year 2014	Increase/(Decrease)
Assets	₱ 72,499,675.64	₱ 69,788,559.32	₱ 2,711,116.32
Liabilities	37,005,805.02	38,948,069.02	(1,942,264.00)
Government Equity	₱ 35,493,870.62	₱ 30,840,490.30	₱ 4,653,380.32

Results of Operations

	<u>2015</u>	<u>2014</u>	<u>Increase/(Decrease)</u>
Income	₱ 29,402,225.21	₱ 27,515,882.96	₱ 1,886,342.25
Expenditures	24,718,276.89	21,270,713.45	3,447,563.44
Net Operating Income	₱ 4,683,948.32	₱ 6,245,169.51	₱(1,561,221.19)

D. SCOPE OF AUDIT

An audit was conducted on the accounts and operations of Kapatagan Water District for calendar year 2015. The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances. It was also made to determine whether the district's financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently and effectively in the implementation of its programs, projects and activities.

E. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the financial statements because the validity of the land account pertaining to the three parcels of land owned by the District amounting to P 3,529,309.23 could not be established due to Management's failure to support the same with legal documents of ownership and complete documentation upon purchase.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

- 1. The members of the Board of Directors (BOD) were granted Performance-Based Bonus (PBB) for CY 2014 totaling P 176,400 without legal basis, contrary to Executive Order No. 65 dated January 2, 2012.**

We have recommended to Management to cause the settlement/refund of the amounts due from the BOD and strictly adhere with Executive Order No. 65 with respect to the granting of Performance-Based Incentives to the members of the Board of Directors.

- 2. The District paid its employees Performance-Based Bonus (PBB) for CY 2014 totaling P471,450.00 without complying with the requirements under Department of Budget and Management (DBM) and Local Water Utilities Administration(LWUA) Joint Memorandum Circular No. 2014-02 dated August 29, 2014.**

We have recommended Management to require all concerned officers and employees of the District to refund the amount of PBB and to comply strictly with the requirements for entitlement of PBB prior to payment to prevent incurrence of irregular expenditures.

- 3. The Torrens Title of the parcel of land with a book value of P 529,309.23 and an aggregate land area of 13,827 square meters were not transferred in the name of the District contrary to Section 112 of PD 1445 and Section 449 of GAAM Volume 1 thus, rendering the ownership of the land and the accuracy of records questionable.**

We have recommended that Management secure the Transfer Certificate of the Title for all untitled parcels of land of the District to ensure ownership and dominion over the property. The Officer-in-Charge should coordinate with the officials of the District concerned in the titling of the parcels of land.

- 4. The District's reported income was understated by P84,248.00 due to water sales being recorded net of withholding tax instead of gross sales contrary to Section 112 of Presidential decree (PD) No. 1445 and PAS 18 thereby affecting the fair presentation of the income account in the Statement of Financial Position.**

We have recommended Management to make use of the BIR Form 2307, recompute the amount of tax withheld equivalent to 2% and record it as input tax, to be applied as credit to franchise tax payment and to record the senior citizen's discount as discount expense not as a deduction from gross water sales.

- 5. Purchase of parcels of land through installment amounting to P3,000,000.00 was paid without proper and complete documentation as prescribed under the Required Documentary Requirements of COA Circular No. 2012-001 dated June 14, 2012 and in violation of Section 4 of PD 1445, thus, hampering the timely auditorial and legal review of the purchase of land by the District.**

We have recommended that Management adhere strictly to COA Circular No. 2012-001 and Section 4 of PD 1445 and submit lacking supporting documents for auditorial and technical evaluation of the purchase.

- 6. Various disbursements amounting to P3,690,724.76 were not adequately supported with relevant documentary requirements contrary COA Circular No. 2012-001 and Republic Act (RA) 9184.**

We have recommended Management to strictly comply with the provisions of the RIRR of RA 9184 and to thoroughly check the supporting documents for each disbursement using as reference the documentary requirements enumerated under COA Circular No. 2012-001.

- 7. The district did not observe the prescribed use of NGAS forms of Disbursement Voucher (DV) and Budget Utilization Request (BUR) in the utilization and disbursement of the district's funds pursuant to COA Circular No. 2006-004 dated January 31, 2006, thus, accountability for expenditures is not properly established.**

We have recommended that Management comply strictly with the provisions of COA Circular No. 2006-004.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 20 audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2014, 14 were fully implemented, four were partially implemented and two remained unimplemented in 2015.

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	○ Comparative Statement of Financial Performance	7
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**PART I -
AUDITED FINANCIAL
STATEMENTS**



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

INDEPENDENT AUDITOR'S REPORT

MS. BUENALITA B. RAÑISES

General Manager
Kapatagan Water District
Kapatagan, Lanao del Norte

We have audited the accompanying financial statements of Kapatagan Water District which comprise the Statement of Financial Position as of December 31, 2015, and the Statements of Financial Performance and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Bases for Qualified Opinion

As discussed in detail in Part II of this report:

1. The Torrens Title of the parcel of land with a book value of P 529,309.23 and an aggregate land area of 13,827 square meters were not transferred in the name of the District thus, rendering the ownership of the land and the accuracy of records questionable.
2. Purchase of parcels of land through installment amounting to P3,000,000.00 was paid without proper and complete documentation thus, hampering the timely auditorial and legal review of the purchase of land by the District.

Qualified Opinion

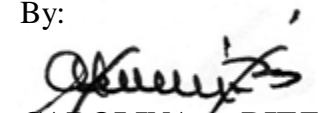
In our opinion except for the effects of the matter described in the Bases for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Kapatagan Water District as of December 31, 2015 and of its financial performance and its cash flows for the year ended in accordance with state accounting principles.

Other Matters

The exit conference for the results of the financial and compliance audit of the CY 2015 operations was conducted on February 17, 2016.

COMMISSION ON AUDIT

By:


CAROLINA A. DIEZ
State Auditor V
Supervising Auditor

February 23, 2016



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

INDEPENDENT AUDITOR'S REPORT

MS. ANGELITA P. ROBLES

Chairman, Board of Directors
Kapatagan Water District
Kapatagan, Lanao del Norte

We have audited the accompanying financial statements of Kapatagan Water District which comprise the Statement of Financial Position as of December 31, 2015, and the Statements of Financial Performance and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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Qualified Opinion

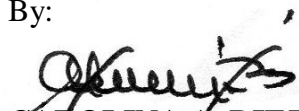
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COMMISSION ON AUDIT

By:


CAROLINA A. DIEZ
State Auditor V
Supervising Auditor

February 23, 2016




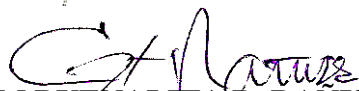
Republic of the Philippines
KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

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

The management of the **Kapatagan Water District, Kapatagan, Lanao Del Norte** is responsible for all information and representation contained in the Statement of Financial Position as of **December 31, 2015** and the related Statement of Financial Performance, Statement of Cash Flows and Statement of Changes in Government Equity for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgement of management with an appropriate consideration of materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.


LEEVENA S. BALILI
Accounting Processor


GM BUENALITA B. RANISES
General Manager

February 23, 2016



**KAPATAGAN WATER DISTRICT
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2015
(With Comparative Figures for December 31, 2014)

ASSETS	2015	2014
Current Assets		
Cash (note 3)	₱ 7,566,349.01	₱ 8,450,622.20
Receivables (note 4)	3,010,642.93	608,757.11
Inventories (note 5)	2,310,822.54	3,167,740.78
Total Current Assets	₱ 12,887,814.48	₱ 12,227,120.09
Property, Plant & Equip't (note 6)		
Land	3,529,309.23	2,029,309.23
Land Improvements	896,103.47	-
Transmission Line	52,552,493.52	38,058,066.44
Buildings	-	-
Office Equipment, Furniture and Fixtures	1,033,335.45	1,075,849.31
Machineries and Equipment	10,675,508.50	10,558,851.30
Other Machineries	150,000.00	150,000.00
Motor Vehicles	1,063,475.89	969,975.89
Other Property, Plant and Equipment	1,549,801.01	1,507,601.01
Construction in Progress - Agency Asset	-	12,639,493.08
Accumulated Depreciation	(11,845,995.79)	(9,427,707.03)
Total Property, Plant and Equipment	₱ 59,604,031.28	₱ 57,561,439.23
Other deferred debits	7,829.88	
TOTAL ASSETS	₱ 72,499,675.64	₱ 69,788,559.32
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities (note 7)	4,189,734.50	4,354,270.97
Long-Term Liabilities (note 8)	32,816,070.52	34,593,798.05
Total Liabilities	₱ 37,005,805.02	₱ 38,948,069.02
EQUITY		
Government Equity	4,000,013.34	4,000,013.34
Donated Capital		
Retained Earnings	31,493,857.28	26,840,476.96
Total Equity	₱ 35,493,870.62	₱ 30,840,490.30
TOTAL LIABILITIES AND EQUITY	₱ 72,499,675.64	₱ 69,788,559.32

(See accompanying Notes to Financial Statements)



Kapatagan Water District
STATEMENT OF FINANCIAL PERFORMANCE
 For the Year Ended December 31, 2015
 (With Comparative Figures for December 31, 2014)

	2015	2014
Income: (note 9)		
Service Income		
Business Income	₱ 27,559,191.10	₱ 25,647,997.94
Other Income	<u>1,843,034.11</u>	<u>1,867,885.02</u>
Total Income	₱ 29,402,225.21	₱ 27,515,882.96
Less: Expenses (note 10)		
Personal Services	11,765,835.71	10,592,588.75
Maint. & Other Operating Expenses	11,071,194.71	8,035,925.89
Financial Expenses	<u>1,881,246.47</u>	<u>2,642,198.81</u>
Total Expenses	₱ 24,718,276.89	₱ 21,270,713.45
Net Operating Income	4,683,948.32	6,245,169.51
Add: Subsidies from Other LGUs		
Total	<u>₱ 4,683,948.32</u>	<u>₱ 6,245,169.51</u>
Less: Subsidies to Other LGUs		
NET INCOME	₱ <u>4,683,948.32</u>	₱ <u>6,245,169.51</u>

(See accompanying Notes to Financial Statements)



Kapatagan Water District
STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2015
 (With Comparative Figures for CY 2014)

	2015	2014
Cash Flow from Operating Activities:		
<i>Cash Inflows: (note 11)</i>		
Collection of Income/Revenues	₱ 30,295,858.29	₱ 28,121,446.18
Receipt of refunds of cash advances and overpayments of expenses	126,917.18	4,929,267.79
Receipt from sale of goods and other inventories	224,724.42	94,145.50
Total Cash Inflows	₱ 30,647,499.89	₱ 33,144,859.47
<i>Cash Outflows:</i>		
Cash payment of operating expenses	₱ 10,878,753.72	₱ 9,824,977.95
Cash payment of payables incurred in operations	5,341,491.57	3,894,714.72
Cash purchase of inventories		354,763.22
Granting of cash advances/petty cash fund	7,421,584.51	6,974,601.45
Remittance of withholding taxes except thru Tax Remittance Advice	842,370.90	720,389.00
Remittance of GSIS/PAG-IBIG/PHILHEALTH Payable	1,654,737.11	1,398,253.38
Total Cash Outflows	₱ 26,138,937.81	₱ 23,167,699.72
Cash Provided by Operating Activities	₱ 4,508,562.08	₱ 9,977,159.75
Cash Flow from Investing Activities:		
<i>Cash Inflows:</i>		
Receipt of proceeds from sale of property, plant and equipment	0.00	0.00
Proceeds from sale of marketable stocks and bonds		0.00
Redemption of long term investments or repayment		
Total Cash Inflows	₱ 0.00	₱ 0.00

Cash Outflows:

Cash Purchase of Property, Plant and Equipment	₱ 1,733,831.27	₱ 250,996.87
Other Long Term Investments		0.00
<i>Total Cash Outflows</i>	₱ <u>1,733,831.27</u>	₱ <u>250,996.87</u>

Cash Provided by Investing Activities	₱ <u>(1,733,831.27)</u>	₱ <u>(250,996.87)</u>
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Cash Flow from Financing Activities:***Cash Inflows:***

Cash received from domestic and foreign loans	0.00	0.00
<i>Total Cash Inflows</i>	₱ <u>0.00</u>	₱ <u>0.00</u>

Cash Outflows:

Payment of Domestic and Foreign Loans	3,659,004.00	4,217,596.00
<i>Total Cash Outflows</i>	₱ <u>3,659,004.00</u>	₱ <u>4,217,596.00</u>

Cash Provided by Financing Activities	₱ <u>(3,659,004.00)</u>	₱ <u>(4,217,596.00)</u>
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Total Cash provided by Operating, Investing and Financing Activities	₱ (884,273.19)	₱ 5,508,566.88
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Add: Cash Balance, Beginning	<u>8,450,622.20</u>	<u>2,942,055.32</u>
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Cash Balance, Ending	₱ <u>7,566,349.01</u>	₱ <u>8,450,622.20</u>
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(See accompanying Notes to Financial Statements)



Kapatagan Water District
DETAILED STATEMENT OF CHANGES IN EQUITY
 For the Year Ended December 31, 2015
 (With comparative figures for 2014)

	2015	2014
Government Equity		
Balance at beginning of period	₱ 4,000,013.34	₱4,000,013.34
Additions (deductions)		
	<hr/>	<hr/>
Balance at end of period	₱ 4,000,013.34	₱4,000,013.34
	<hr/>	<hr/>
Restricted Capital		
Balance at beginning of period	-	-
Additions (deductions)		
	<hr/>	<hr/>
Balance at end of period	-	-
	<hr/>	<hr/>
Donated Capital		
Balance at beginning of period	-	-
Additions (deductions)	-	-
	<hr/>	<hr/>
Balance at end of period	-	-
	<hr/>	<hr/>
Retained Earnings		
Balance at beginning of period	26,840,476.96	20,396,160.37
Prior period adjustments		199,147.08
Changes during the period	(30,568.00)	
Net income (loss) for the period	4,683,948.32	6,245,169.51
	<hr/>	<hr/>
Balance at end of period	31,493,857.28	26,840,476.96
	<hr/>	<hr/>
TOTAL EQUITY	₱35,493,870.62	₱30,840,490.30
	<hr/> <hr/>	<hr/> <hr/>



KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

Notes to Financial Statement
December 31, 2015

General/Brief Historical Background

The Kapatagan Water District (KAPWD) is a Government-Owned & Controlled Corporation (GOCC) that was officially created on September 12, 1988 by virtue of SB Res. No. 177-C in accordance with Sec. 6 P.D. 198 of the Provincial Water Utilities Act of 1973.

On October 24, 1989 KAPWD was issued a Certificate of Conditional Conformance (CCC418) by the Local Water Utilities Administration (LWUA).

1. Basis of Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and standards and pertinent provisions contained in the Commercial Practices Manual for Local Water Utilities Administration and the New Government Accounting system (NGAS).

2. Summary of Significant Accounting Policies

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

In recording expenditures, the voucher system is followed in which vouchers is credited prior to payment and debited when paid.

Property, Plant and Equipment is carried at cost less accumulated depreciation. Depreciation is computed on a straight line method based on the estimated useful life ranging from five to ten years in accordance with COA Circular No. 2003-007 dated December 11, 2003.

3. Cash

This account consists of:

		2015		2014
<i>Accounts</i>		<i>Amount</i>		<i>Amount</i>
Cash on Hand	₱	43,954.52	₱	71,712.73
Petty Cash Fund		0.00		0.00
Payroll Fund		0.00		0.00

Cash in Bank		7,522,394.49		8,378,909.47
TOTAL AMOUNT	₱	7,566,349.01	₱	8,450,622.20

Details of the Cash in bank accounts are as follows :

		2015		2014	
Cash in Bank (FVB)	22-00008-5	₱	2,495,961.88	₱	2,849,931.34
Cash in Bank (LBP)	0802-1078-11		215,081.65		339,043.92
Cash in Bank (LBP)	0801-0610-87		4,478,728.01		3,382,020.95
Cash in Bank (FVB)	51-19772-1		-		269,396.78
Cash in Bank (LBP)	0802-1148-50		82,250.20		1,538,516.48
Cash in Bank (FVB)	102-051-121235		250,372.75		
Total		₱	7,522,394.49	₱	8,378,909.47

- The 1st Valley Bank (22-00008-5) is the depository bank of the district pertaining to daily deposit of collections and withdrawal of funds for operations;
- LBP Account No. 0802-1078-11 was utilized to withdraw funds to remit employee and government shares for GSIS, Pag-ibig, Philhealth and BIR;
- LBP Account No. 0801-0610-87 served as the joint savings account between LWUA and KAPWD.
- 1st Valley Bank Account No. 51-19772-1 served as their combo account of GAD, Calamity, and local mandatory savings account where they withdraw funds to pay agency bonus and other personnel benefits during the year; This account was closed last September 10, 2015.
- LBP Account No. 0802-1148-50 served as account for LWUA Project Fund for 3Brgys particularly Lapinig, Suso&Bansarvil. Said account was open last September 2014 and will be closed as soon as the projects of the 3 barangays are completed.
- FVB Account No. 102-051-121-235 served as trust fund for the amount collected from concessionaires for Water Meter Maintenance fee.

4. Receivables

a) Account Receivables as of December 31, 2015 consist of the following :

	2015	2014
A/R- Customers	632,690.16	₱ 518,446.67
Allow. for doubtful Accounts	(9,654.86)	
A/R – Others (New SVC Loan)	100,367.63	77,310.44
Due from Officers & Employees	131,240.00	13,000.00
Accounts Receivable – Disallowance	2,156,000.00	
TOTAL	₱ 3,010,642.93	₱ 608,757.11

5. Inventories

This account consists of unissued materials and supplies which are kept in stock for future use in the operations of the district.

	2015	2014
Raw Materials Inventory	2,234,956.86	₱ 3,167,740.78
Office Supplies Inventory	59,930.00	
Other Inventory Items - Chlorine	15,935.68	
TOTAL	₱ 2,310,822.54	₱ 3,167,740.78

6. Property, Plant and Equipment

	2015		2014	
Land	₱	3,529,309.23	₱	2,029,309.23
Land Improvements – Perimeter Fence		896,103.47		
Transmission Line		52,552,493.52		38,058,066.44
Accumulated Dep'n		(6,439,935.75)		(4,627,747.20)
Office Equip't, Furniture & Fixtures		1,033,335.45		1,075,849.31
Accumulated Dep'n		(408,303.87)		(496,693.82)
Machineries and Equipment				
a. Reservoir & Tanks		3,826,444.12		3,826,444.12
Accumulated Dep'n		(1,286,047.20)		(1,114,937.21)
b. Water Treatment Equip't		706,875.00		706,875.00
Accumulated Dep'n		(398,213.86)		(327,049.06)
c. Pumping Equipment		5,318,688.45		5,318,688.45
Accumulated Dep'n		(1,553,130.83)		(1,204,884.20)
d. Telephone, Telegraph & Radio equip't		259,105.00		279,605.00
Accumulated Dep'n		(82,036.96)		(105,104.39)
e. Tools & Garage		564,395.93		427,238.73
Accumulated Dep'n		(334,930.73)		(324,960.27)
Other Machineries		150,000.00		150,000.00
Accumulated Dep'n		(13,500.00)		-
Motor Vehicles		1,063,475.89		969,975.89
Accumulated Dep'n		(601,812.68)		(592,437.64)
Other Property, Plant and Equipment		1,549,801.01		1,507,601.01
Accumulated Dep'n		(728,083.91)		(633,893.24)
Construction in Progress - Agency Asset		-		12,639,493.08
Total Property, Plant and Equip't	₱	59,604,031.28	₱	57,561,439.23

Property, Plant & Equipment Accounts net amount of P **56,074,722.05** excluding Land comprises the properties of relatively permanent in character that are used in normal utility operations of water district that were carried at historical cost less accumulated depreciation using the straight line method over the estimated useful lives of the properties pursuant to COA Circular No. 2003-007 dated December 11, 2003. An inventory report as of December 31, 2015 of these PPE accounts were submitted by the district in compliance with the COA rules and regulations.

In the case of Land, the increase is a result of the 1,200 square meter purchased by the district for office building construction.

The Telephone, Telegraph & Radio Equipment account has decreased its amount from P279, 605 (2014) to P259, 105 (2015) with a difference of P20,500 as a result of the 5 units of handheld radios declared as waste materials (3 units of Handheld radio V-8 purchased in CY 2002 and 2 units of handheld radios purchase in CY 2003). On the same manner, the related accumulated depreciation has also decreased from P 105,104.39 (2014) to P82, 026.96 (2015) with a difference of P 23,067.93. The amount of decrease in accumulated depreciation is greater than the decrease in the related PPE account because although there are 5 units that had been declared as waste materials, the district had purchased additional 3 units of handheld radios in CY 2015.

7. Current Liabilities

<i>Accounts</i>	<i>2015</i>		<i>2014</i>	
	<i>Amount</i>		<i>Amount</i>	
1 - A. Accounts Payable:				
Suppliers (Materials & Equipments)				
FSWT	₱	0.00	₱	818.94
Jhaycor		102,508.36		192,000.00
JSA Utilized		665,366.00		665,366.00
MRM Empire Trading		531,140.50		109,009.00
Sonjay				26,150.00
Mabuhay Vinyl		24,516.56		24,516.56
Real Computer		167,200.00		
Bryan Auto Supply				5,690.00
Jackson Air Kooler		5,655.00		4,680.00
Galls Construction Supply				853.66
Kapatagan Municipal Womens Organization		21,900.00		
Unifield		137,855.54		
Innove Communication		1,000.00		
JPT		201,100.00		
Subtotal	₱	1,858,241.96	₱	1,029,084.16

1 - B. Accounts Payable:				
COA – Audit fees	₱	60,000.00	₱	280,000.00
NORMIN NRMC				2,500.00
Kapatagan Petron Station		7,181.65		10,524.31
Raul C. Carreon, Jr.				3,680.00
Susan L. Uy		954,000.00		1,000,000.00
E. Encarnacion, et.al		13,455.00		
Overtime pay		270,050.00		
Subtotal	₱	1,304,686.65	₱	1,296,704.31

Due to BIR		110,409.24		105,631.85
Due to GSIS		166,213.03		161,285.24
Due to Pag-ibig		41,860.26		44,338.25
Due to Philhealth		12,850.00		10,046.98
Due to Brgy. Tiacongan		60,312.35		14,973.70
Due to Concessionaires – WMMF		542,910.98		163,690.00
Due to 3 brgys (BAAnsarvil, Lapinig, SUsa)		82,250.20		1,528,516.48
Deferred Credits to Income		10,000.00		
Subtotal	₱	1,026,806.06	₱	2,028,482.50
TOTAL AMOUNT	₱	4,189,734.50	₱	4,354,270.97

Accounts Payable (1-A) amounting to **P1,858,241.96** comprises the liability accounts of the district for materials used for installation, repairs & maintenance of service connections & supplies incurred but not yet paid. Whereas, the accounts payable (1-B) amounting **₱1,304,686.65** consists of accountability for audit fees, gasoline, oil & lubricants, consumed & received but not yet paid as well as services rendered but not yet paid and a 600 square meters residential lot owned by Susan L. Uy, purchased by the district for office building amounting P1.5M but was partially paid the amount of P546, 000.00.

Due to BIR, Due to GSIS, Due to Pag-ibig and Due to Philhealth accounts represent remittances of employees and employer government shares deducted for the month of December 2015 to be remitted on or before the 10th day of the month of January, 2016. Due to Brgy. Tiacongan, Due to Concessionaires & Due to 3 barangays are trust funds. While Deferred Credits to income is the account for new service connections already paid by the concessionaire but not yet installed.

8. Long-Term Liabilities

<i>Accounts</i>	<i>2015</i>	<i>2014</i>
	<i>Amount</i>	<i>Amount</i>
1. Loans Payable-Regular LA# 3-703	4,081,028.19	₱ 4,425,469.72
2. Loans Payable-Soft LA# 3-703	745,854.09	809,945.09
3. Loans Payable-KFW LA# 4-2262A-RL	12,388,350.00	12,945,003.00
4. Loans Payable-KFW LA# 4-2262B-RL	2,008,312.00	2,108,106.00
6. Loans Payable- LA# 4-2435	1,930,180.24	2,395,032.24
7. Loans Payable - NLIF - LA#9-0288	11,662,346.00	11,910,242.00
TOTAL AMOUNT	₱ 32,816,070.52	₱34,593,798.05

For the purpose of providing a safe, reliable, sound and economically viable water supply and wastewater disposal system, the district entered into various loans and financial assistance contracts as follows:

The loan account No. 3-703 regular loan is a Level III Loan entered by the district on March 15, 1995 with a monthly amortization of P62,591.00 using the 8.5% old interest rate. LWUA issued MEMO CIRCULAR NO. 003-15 stating “THE INTEREST RATE EFFECTIVE JANUARY 1, 2015 IS 8.2% PER ANNUM, THE EXISTING INTEREST RATES BELOW 8.2% P.A. SHALL REMAIN IN EFFECT”. As a result, the new monthly amortization was lowered to P58,441.00.

On December 1997 another loan entered by the district , Soft Loan account no. 3-703 with previous monthly amortization of P10,822.00 and now with the new interest rate of LWUA from 8.5% down to 8.2% has a monthly amortization of P 10,696.00.

The KFW loan (LA#4-2262A) and (LA#4-2262B) had an estimated monthly amortization of P173, 443.00 and P28, 244.00, respectively base on the old rate of 12.5%. As a result of the decrease in the LWUA interest rate to 8.2% , the new monthly amortization of these said accounts is P140,973.00 and 22,958.00 respectively.

The Loan account No. 4-2435 is a Regular Loan entered on November 21, 2008 by the district with LWUA with an estimated amortization of P52,393.00 per month.

The Loan account 9-0288 is an NLIF –DOH Loan of P7, 500,000.00 and Grant of P7,500,000.00 for a total release of P15M entered on August 24, 2012 by the district with LWUA with interest rate of 0% and the repayment period shall be 290 months after project completion with estimated amortization of P22,536.00 per month. There is a pending verification from LWUA as regards to the balance of this particular loan as a result of AOM of COA auditor for CY 2014.

9. Income

	2015		2014	
INCOME				
Business and Service Income				
Business income				
Income from waterworks systems	₱	27,559,191.10	₱	25,647,997.94
Total Business Income	₱	27,559,191.10	₱	25,647,997.94
Other Income				
Interest	₱	34,936.42	₱	32,526.43
Gain on sale of assets		1,098,938.34		
Misc. Operating & Service Income		77,063.00		72,400.00
Misc. Non Operating Revenues				116,308.86
Other business - New Service Connections				1,046,203.66
Fines and penalties		632,096.35		600,446.07
Total Other Income	₱	1,843,034.11	₱	1,867,885.02
TOTAL INCOME	₱	29,402,225.21	₱	27,515,882.96

10. Expenses

Expenses				
Personnel Services				
Salaries and wages	₱	6,139,323.63	₱	5,336,764.41
Overtime pay		913,290.83		824,226.69
Director's fees & remunerations		1,090,993.26		1,142,051.81
Personnel benefits contributions				
- Life and Retirement				
Insurance				
Contributions		741,673.24		643,251.18
- PAG-IBIG Contributions		39,500.00		37,200.00
- Philhealth Contributions		68,937.50		60,525.00
- ECC Contributions		39,390.80		37,080.00
Other personnel benefits – (PERA, ADCOM, RATA, & others)		2,732,726.45		2,511,489.66
Total Personnel Services	₱	11,765,835.71	₱	10,592,588.75

Maintenance and other expenses				
Traveling	₱	391,470.77	₱	240,585.16
Training and scholarship		162,631.28		21,140.00
Utility		33,834.25		22,953.81
Communication		71,117.85		83,719.94
Advertising		193,778.50		122,208.00
Rent		120,000.00		120,000.00
Insurance Expenses		119,027.25		157,050.32
Supplies and materials		203,198.00		186,019.50
Medical, dental & Laboratory fees		36,430.00		-
Gasoline, Oil and Lubricant Exp.		192,924.76		174,900.54
Professional services		218,771.98		31,950.00
Other outside services employed		672,027.24		205,933.58
Taxes & licenses		543,418.44		455,356.96
Chemical & Filtering Materials		353,709.92		252,099.36
Grants and donations		9,035.00		10,423.00
Bad debts		9,654.86		
Representation		122,102.32		90,852.78
Repairs and maintenance		1,316,955.81		1,140,714.91
Depreciation		3,061,724.88		2,443,105.80
Other Maint and Operating Exp.		3,239,381.60		2,276,912.23
Total Maint & Other Operating Expenses	₱	11,071,194.71	₱	8,035,925.89
Financial expenses				
Interest - LWUA	₱	1,881,246.47	₱	2,642,198.81
Total Financial Expenses	₱	1,881,246.47	₱	2,642,198.81
TOTAL EXPENSES	₱	24,718,276.89	₱	21,270,713.45
NET INCOME (NET LOSS)	₱	4,683,948.32	₱	6,245,169.51

11. Cash Flow

The details of Cash in flow from operating activities are shown below:

	2015		2014	
Cash flow from operating activities				
Cash inflows:				
Collection of Income/Revenues				
Misc. Non Operating Income	₱	0.00	₱	21,841.96
Misc. Operating & Service Income		76,422.00		72,400.00

Receipts of Water Sales	28,082,700.72	26,233,487.47
Receipts of New Service Connections	1,598,597.71	1,631,745.31
Interest earned from the bank less w/tax	26,490.39	29,021.54
Receipts of Water meter Maintenance Fee	511,647.47	161,971.44
Total Collection of Income/Revenues	₱ 30,295,858.29	₱ 28,150,467.72
Receipt of refunds of cash advances and overpayments of expenses	126,917.18	115,121.25
Other receipts		
LWUA Project Fund for 3 brgy's (Suso, Lapinig & Bansarvil)	0.00	4,765,125.00
Project Equity - Brgy. San Vicente	0.00	20,000.00
Total Receipt of refunds of cash advances and overpayments of exp.	₱ 126,917.18	₱ 4,929,267.79
Receipt from sale of goods and other inventories	224,724.42	94,145.50
Total Receipts from Sale of goods & other inventories	₱ 224,724.42	₱ 94,145.50
Total Cash Inflows	₱ 30,647,499.89	₱ 33,144,859.47

PART II -

**AUDIT OBSERVATIONS
AND RECOMMENDATIONS**

PART II - OBSERVATIONS AND RECOMMENDATIONS

Granting of PBB to the BODs without legal basis

- 1. The members of the Board of Directors (BOD) were granted Performance-Based Bonus (PBB) for CY 2014 totaling P 176,400 without legal basis, contrary to Executive Order No. 65 dated January 2, 2012.**

Section 3 of E.O.65 states that the compensation of members of the Board of Directors (BOD) shall have the following components:

- Compensation shall be in the form of per diems and subject to limits provided for under Section 4 and 5 hereof;
- Compensation in the form of Performance-Based incentives may be allowed and shall be based on a set of performance criteria as provided under Section 9 hereof;
- Annual Retainer Fees and Stock Plans shall not be allowed; and
- Salaries, Allowances, Benefits and other Bonuses shall not be allowed unless specifically authorized by law or charter and approved by the President, provided that the total of the foregoing compensation and per diems shall not exceed the limits stipulated under Section 4 and 5 hereof.

Likewise, Section 9 of E.O 65 states that Performance-Based Incentives shall not exceed 50% of the actual annual per diem received for Regular and Special Board meetings, subject to a set of performance criteria developed by LWUA, endorsed by the GCG and subject to the approval of the President.

Our audit of disbursements disclosed payments of **2014** PBB to the BOD totaling P176,400.00 without complying with the guidelines and requirements set by DBM and LWUA as regards the grant of PBB, hence, the release was made without proper authority and is disallowable in audit. The amount received by each BOD is shown in the table below:

<i>Name of BOD</i>	<i>Amount of PBB</i>
1. Robles, Angelita P.	P 44,100.00
2. Eya, Enrico P.	44,100.00
3. Carreon, Ray C.	44,100.00
4. Castellano, Lito P.	44,100.00
TOTAL	<u>P 176,400.00</u>

The practice of granting the Performance-Based Incentives to the BOD without regard to existing laws and rules does not foster fairness and equity in the granting of personnel benefits contrary to the national government’s goal of establishing a standard performance-based incentive program for all levels of government.

The above audit finding is a reiteration of prior year's audit observation, however, management did not implement the recommendation, and hence it is but proper to reiterate the same.

We have recommended to Management to cause the settlement/refund of the amounts due from the BOD and strictly adhere with Executive Order No. 65 with respect to the granting of Performance-Based Incentives to the members of the Board of Directors.

In response to this observation, the Management commented that they released the PBB to the BODs because they believed that they are qualified to grant said bonus since they were rewarded as the Most Outstanding Agency and their General Manager as Outstanding Head of Agency. The Management has set its own standard based on their agency performance and achievements in the release of the PBB since they have not received reply from LWUA regarding their request for evaluation. Nevertheless, in compliance to the audit recommendations, Management had proposed and effected the monthly deduction from the per diems of the BODs until the full amount of PBB received for each BOD is settled.

Payment of PBB was made without proper authority

- 2. The District paid its employees Performance-Based Bonus (PBB) for CY 2014 totaling P471,450.00 without complying with the requirements under Department of Budget and Management (DBM) and Local Water Utilities Administration(LWUA) Joint Memorandum Circular No. 2014-02 dated August 29, 2014.**

DBM and LWUA Joint Memorandum Circular No. 2014-0 provides for criteria for the grant of Performance-Based Bonus (PBB) for CY 2014, which reads as follows:

“To qualify for the PBB, a local Water District must comply with the following criteria:

- a. Achieve at least 90% of each one of their performance targets for the delivery of MFOs, Support to Operations (STO) and General Administration and Support Services (GASS) for the year;*
- b. Satisfy 100% of the good governance conditions set by the AO 25 Interagency Task Force (IATF) for FY 2014; and*
- c. Payment of applicable taxes.*
- d. Rank performance of delivery units and the personnel within these units.*

Verifications of the disbursement vouchers disclosed that the District granted Performance-Based Bonus (PBB) amounting to P471,450.00 to its employees, without

complying with the requirements under the aforementioned circular. The District paid the PBB in three batches as shown in the **Annex A**. Review of the supporting documents showed that the assessment of the District's performance was not validated by appropriate authorities. Thus, the achievement of at least 90% of each one of their performance targets for the delivery of MFOs cannot be established.

Moreover, said Circular requires that the good governance conditions set by the Interagency Task Force (IATF) for FY 2014 be satisfied 100%. The first Good Governance Conditions that was not met by the District is Transparency Seal in compliance with Sec. 91 (Transparency Seal) R.A. No. 10633 which requires government agencies to have the Transparency Seal on their respective websites which should contain the information required under R.A. No. 10633. Another Good Governance Conditions set was to ensure that all invitations to bid and awarded contracts are posted in the Philippine Government Electronic Procurement System (PhilGEPS) website. As noted from our previous audit observations, the District failed to post all invitations to bid and awarded contracts in the Philippine Government Electronic Procurement System for CY 2014, therefore the requirement to satisfy all the Good Governance conditions was not attained.

It was also noted that the amount granted was uniform for all employees which is not aligned with the guidelines on the grant of PBB. The guidelines require that the rate to be received by the employee shall be based on the performance ranking of bureaus or delivery units and the performance rating of the individual as measured by the SPMS/Performance Evaluation System approved by the Civil Service Commission, such as:

PERFORMANCE CATEGORY OF DELIVER UNIT	INDIVIDUAL PERFORMANCE		
	<i>Best Performer (Outstanding)</i>	<i>Better Performance (Very Satisfactory)</i>	<i>Good Performer (Satisfactory)</i>
<i>BEST Delivery Unit</i>	<i>P 35,000.00</i>	<i>P 20,000.00</i>	<i>P 10,000.00</i>
<i>BETTER Delivery Unit</i>	<i>P 25,000.00</i>	<i>P 13,500.00</i>	<i>P 7,000.00</i>
<i>GOOD Delivery Unit</i>	<i>P 15,000.00</i>	<i>P 10,000.00</i>	<i>P 5,000.00</i>
<i>POOR Delivery Unit</i>	<i>0</i>	<i>0</i>	<i>0</i>

Based on the afore-cited circular, the rate at which the PBB may be granted to employees shall not be equal in amount. In view of the noted deficiencies, the District failed to comply with the guidelines stated under Memorandum Circular No. 2014-02, thus this casts doubt on the legality and validity of the PBB released to its employees.

We have recommended Management to require all concerned officers and employees of the District to refund the amount of PBB and to comply strictly with

the requirements for entitlement of PBB prior to payment to prevent incurrence of irregular expenditures.

During the exit conference, Management commented that they will comply with the audit recommendations and agreed to submit all the requirements under the IATF for their next release of PBB as required under DBM and (LWUA) Joint Memorandum Circular No. 2014-02. In 2016, the District has already complied with the requirement on the PhilGEPs requirement. Moreover, they informed the Audit Team that they will be complying the Transparency Seal requirement on their website.

Titling of lots

- 3. The Torrens Title of the parcel of land with a book value of P 529,309.23 and an aggregate land area of 13,827 square meters were not transferred in the name of the District contrary to Section 112 of PD 1445 and Section 449 of GAAM Volume 1 thus, rendering the ownership of the land and the accuracy of records questionable.**

Section 112 of PD 1445 provides that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

Section 449 of the Government Accounting and Auditing Manual (GAAM), Vol. I provides that that, *“Land purchased by agencies of the Government shall be evidenced by a Torrens Title drawn in the name of the Republic of the Philippines, or such other document satisfactory to the President of the Philippines that the title is vested in the Government.*

Verification of the pertinent documents and records on the UPIS-Land and Land Rights account revealed that the parcel of land with a book value of P529,309.23 was not transferred in the name of the District. Records show however, that the land property in question was supported with Tax Declaration of Real Property but such tax declaration cannot be considered as title to the lot.

It is of significance to note that not only will the District be placed in the disadvantage position as regards claims to the ownership of the land but also it would entail penalty charges on tax liabilities due to late registration.

Hence, failure to transfer in the name of the District in the Torrens Title of the land renders the ownership of the land doubtful and exposes the property to possible third party claims or land disputes. Moreover, the absence of the Torrens Title may have affected the fair presentation of the UPIS-Land and Land Rights accounts in the financial statements.

We have recommended that Management secure the Transfer Certificate of the Title for all untitled parcels of land of the District to ensure ownership and

dominion over the property. The Officer-in-Charge should coordinate with the officials of the District concerned in the titling of the parcels of land.

In response relative to the foregoing, management mentioned in its written reply that titling of the lots was not processed because the mother title of the subject lots was not yet subdivided to the heirs at the time the property was booked up in the records. However, a Deed of Sale was being furnished and handled by the District. They further commented during the exit conference that they will start processing the transfer of name of the said parcels of land.

Understated Income due to Water Sales being recorded net of withholding tax

- 4. The District's reported income was understated by P84,248.00 due to water sales being recorded net of withholding tax instead of gross sales contrary to Section 112 of Presidential decree (PD) No. 1445 and PAS 18 thereby affecting the fair presentation of the income account in the Statement of Financial Position.**

Section 112 of P.D. No. 1445, states that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

Philippine Accounting Standards (PAS) No. 18 on revenue recognition emphasizes that revenue and expenses that relate to the same transaction or other event are recognized simultaneously.

Review and evaluation of the District's records disclosed that collection of water bills from its various concessionaires were paid net of withholding tax. The accounting personnel records the transaction thru an adjusting entry reversing the previously recorded accounts receivable-customers and the revenue account instead of recording the tax withheld as tax credit or debit to Input Tax. The table below will show the total amount withholding tax deducted from income for each month.

January	6,289.12
February	7,356.98
March	7,437.70
April	6,193.29
May	6,654.96
June	6,473.82
July	7,883.29
August	8,379.39
September	7,267.23
October	7,435.71
November	6,231.97
December	<u>6,644.54</u>
Total	<u>P 84,248.00</u>

It was further noted that the accounting personnel did not make use of the corresponding BIR 2307 to evaluate whether the tax withheld is equivalent to the 2% franchise tax.

In addition, it was noted that the monthly senior citizen's discount was charged as reduction from the gross water sales instead reflecting it as discount expense deducted from gross income (sales less cost of sales). It should be reflected as discount expense, not as a direct reduction of water sales to arrive at the net water sales.

The practice of not recording the tax withheld as Input Tax (an asset account) resulted to the understatement of the revenue account in the books since the tax withheld should have been part of water sales revenue had it not been reversed to record the withholding tax. The input tax is applied as tax credit during the remittance of the 2% franchise tax.

We have recommended Management to make use of the BIR Form 2307, recompute the amount of tax withheld equivalent to 2% and record it as input tax, to be applied as credit to franchise tax payment and to record the senior citizen's discount as discount expense not as a deduction from gross water sales.

During the exit conference, the Accounting-personnel-incharge explained that the withholding taxes or input taxes were being automatically deducted from the 2% franchise tax, thus the franchise tax and input tax were correctly being taken up , only that there was no entry or recognition of the input tax in the books. As to the senior citizen's discount being recorded as deduction to sales, the Accounting Unit has already complied with audit recommendation and made the necessary correcting adjusting entry.

Installment payments were made without complete documentation

- 5. Purchase of parcels of land through installment amounting to P 3,000,000.00 was paid without proper and complete documentation as prescribed under the Required Documentary Requirements of COA Circular No. 2012-001 dated June 14, 2012 and in violation of Section 4 of PD 1445, thus, hampering the timely auditorial and legal review of the purchase of land by the District.**

Section 4 (6) of P.D. 1445 states that:

(6) Claims against government funds shall be supported with complete documentation.

Section 13.0 of COA Circular No. 2012-001 requires that for purchase real property such as land, the following requirements shall be furnished to the Auditor:

13.1 Documentary Requirements common to both Negotiated Purchase and Payment by Court Decision

- *Project parcellary survey plan showing that said lot and structures are within the boundaries of the right-of-way*
- *Structural Mapping Plan of the lot affected*
- *Certification by the implementing agency that the claim is not within the original ROW of a converted local road*
- *Certification from the Head of the Implementing Office that there is no previous pending claim and previous payment on subject property*
- *Environmental Clearance Certificate (ECC) as required under Section 8 of RA No. 8974*
- *Copy of latest updated master list of Project-Affected-Persons (PAP) approved by Agency's authorized representative*
- *In case of death of claimant or owner, judicial settlement duly advertised in a newspaper of general circulation*

Additional Documentary Requirements

➤ *For Negotiated Purchase*

- *Independent Appraisal Report/Regional Committee Resolution indicating the valuation of the land. Valuation should be based on the provisions of RA No. 8974*
- *Applicable BIR Zonal Valuation*
- *Certified Photocopy of Authority/Agency Resolution to Purchase Land or Land Rights indicating the approved/established valuations or BIR Zonal Valuations*
- *Deed of Absolute Sale registered with the Register of Deeds where the land is located*
- *Certified Photocopy of Tax Clearance from Assessor's Office where the land is located*
 - *Certificate Authorizing Registration (CAR)*
 - *Capital Gains Tax (CGT)*
 - *Documentary Stamp Tax (DST)*
 - *Transfer Tax*

If registered land:

- If whole lot is acquired, Transfer Certificate of Title (TCT) Certificate of Land Ownership Award/Original Certificate Title/Emancipation Patent (CLOA/OCT/EP) certified as true copy by the Register of Deeds and Tax Declaration (TD) certified as true copy by the Assessor's Office in the name of the procuring entity or previous owner depending on the provisions of the sale

- *If portion of lot is acquired, certified photocopy of TCT and TD in the name of the procuring entity or previous owner with annotation of sale*
 If unregistered land:

- *Certified photocopy of tax declaration in the name of the procuring entity or previous owner with annotation of sale*
- *Notarized Affidavit of Ownership*
- *Certification from the City/Municipal Treasurer that the claimant is the sole entity paying the taxes for the property for the past five years*
- *Notarized joint affidavit of two adjoining landowners or Barangay/Local Officials concerned attesting to the ownership of land*
- *Such other documents deemed necessary for the auditorial review and in the technical evaluation thereof*

- *If claim for payment or amount of sale exceeds P 50,000 (EO No. 1035), certified photocopy of Claimant's Surety/Indemnity Bond issued by any Insurance Company duly accredited by the Insurance Commission*

Our audit of the district financial transactions and operations disclosed that all of the aforementioned documentary requirements were not furnished to the auditor in connection to the purchase of two (2) parcels of land measuring 1,200 s.q.m. worth P 3,000,000.00 by the District pursuant for the construction of its own office building. The pertinent documents were all vital to the technical and auditorial review with respect to the reasonableness of the purchase and compliance with rules and regulations. Despite the demand letter dated September 21, 2015 that was sent to the district regarding the matter, still no documents were received by the auditors as of writing.

On further verification, we noted some deficiencies in the supporting documents attached to the disbursement vouchers as shown in **Annex B**. Breakdown of the cost of the parcels of land acquired is also shown in the annex attached.

Hence, the non-submission of the pertinent documentary requirements precluded the auditors to evaluate and determine the compliance with applicable rules and regulations of the said purchase. Moreover, it contravened one of fundamental principles of Section 4 of PD 1445 on the principles governing financial transactions and operations of any government agency.

We have recommended that Management adhere strictly to COA Circular No. 2012-001 and Section 4 of PD 1445 and submit lacking supporting documents for auditorial and technical evaluation of the purchase.

Management commented during the exit conference that they have already compiled the lacking documentary requirements as indicated in the findings and will be forwarded to the Auditors for further review.

Incomplete documentation

6. Various disbursements amounting to P3,690,724.76 were not adequately supported with relevant documentary requirements contrary to COA Circular No. 2012-001 and Republic Act (RA) 9184.

COA Circular No. 2012 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common government transactions. The circular further states that procurement of any branch, agency, department, bureau, office or instrumentality of the government including GOCCs shall be governed by Republic Act (RA) 9184.

Audit and review of the transactions of the District for CY 2015 disclosed the following observations:

- a. Disbursements vouchers for payments of various supplies, materials and equipment were not duly supported with complete documentation, as required under COA Circular 2012-001 and RA 9184 (**Annex C**). Common lacking supporting documents were:
 - Certification from the Head of the Bids and Awards Committee (BAC) Secretariat on the posting of Invitation to Bid/Request for Quotation at any conspicuous place in the premises of the procuring entity in the case of procurement through public bidding, negotiated procurement under two failed bidding and small value procurement.
 - Printout copy of posting of Request for Quotation in the PhilGEPS website.
 - Printout copy of posting of Notice of Award in the PhilGEPS website
 - BAC Resolutions
 - Abstract of Bids

Lack of the aforementioned documents casts doubt to the District's compliance with provisions of RA 9184 and its Revised IRR. Moreover, validation of the propriety of procedures undertaken during the procurement process could not, therefore, be made.

- b. Some disbursements were not duly supported with minimum documentary requirements such as the: Purchase Request (PR), Purchase Order (PO) and Inspection and Acceptance Report (IAR). The absence of the Inspection of Acceptance Report may lead to payment of deliveries not in accordance with specifications of the items procured.
- c. Some of the Official Receipts (OR) are not compliant with Revenue Regulation 18-2012 which provides for the new form of official receipts and invoices and the surrender of unissued/unused receipts printed prior to the effectivity of the said regulation. The attached ORs were noted to be the unissued or unused ORs

which should have been surrendered to the BIR pursuant to Revenue Regulation 18-2012.

Inquiry from the Accounting unit disclosed that some of the lacking documentary requirements such as the BAC Minutes and supporting attachments were kept in a separate file but these were not attached to the DVs.

While the other required documents under COA Circular No. 2012-001 have been duly submitted and attached to the vouchers, the same are not sufficient to support the validity of the disbursement. The requirement on full and complete documentation is to establish the propriety and validity of the incurred transactions.

We have recommended Management to strictly comply with the provisions of the RIRR of RA 9184 and to thoroughly check the supporting documents for each disbursement using as reference the documentary requirements enumerated under COA Circular No. 2012-001.

During the exit conference, Management affirmed the observation and further reasoned that that the personnel-in-charge was not privy to the documentary requirements as prescribed under RA 9184 at that time. Nonetheless, the Management further committed to comply with the audit recommendation.

Prescribed use of the BUR and the New DV form

- 7. The district did not observe the prescribed use of NGAS forms of Disbursement Voucher (DV) and Budget Utilization Request (BUR) in the utilization and disbursement of the district's funds pursuant to COA Circular No. 2006-004 dated January 31, 2006, thus, accountability for expenditures is not properly established.**

Section 1 of COA Circular No. 2006-004 dated January 31, 2006, states that:

Section 2 (2), Article IX-D of the 1987 Philippine Constitution mandates the Commission on Audit to “xxx promulgate accounting and auditing rules and regulations xxx”.

This circular defines the roles and functions of the Heads of Budget or its equivalent in the certification as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies. For purposes of this circular, “funds” is construed to mean appropriations/allotments/budget.

It also prescribes the revised forms for use in the obligation/utilization and disbursement of funds.

Section 2 of COA Circular No. 2006-004 dated January 31, 2006 which reinstates with amendments of COA Circular No. 2005-001 dated February 28, 2005 prescribes the use of Budget Utilization Request (BUR) form for the incurrence of obligation/utilization in the corporate government sector. It further redefines the roles and responsibilities of the Heads of the Requesting Unit, Budget Unit, Accounting Unit and Treasury Department which are hereby set forth as follows:

2.1 The Head of the Requesting Unit shall prepare the Budget Utilization Request (BUR) and the Disbursement Voucher (DV) and certify on the necessity and legality of changes to budget under his supervision. He shall also certify the validity, propriety and legality of supporting documents;

2.2 The Head of the Budget Unit shall certify the availability of budget and maintain the Registry of Budget and Utilization (RBU);

2.3 For contract or purchase order, the Head of the Accounting Unit shall certify the availability of funds based on BUR duly certified by the Head of the Budget Unit;

2.4 The Head of the Accounting Unit shall certify the completeness of supporting documents in the DV;

2.5 The Head of Treasury Department shall prepare the Daily Cash Position Report to be submitted to the Chief Executive Officer of the Corporation.

The foregoing provisions were not adhered to by the water district. Audit of the monthly disbursement vouchers for the period January to July 31, 2015 revealed that the district failed to prepare and attach Budget Utilization Request (BUR) for the utilization of the budget duly certified by the Budget Officer (BO) or its equivalent as to the availability of funds / appropriation. It was also noted that the form of DV used was not in accordance with revised form as prescribed for GOCCs under COA Circular No. 2006-004.

Inquiry with the management disclosed that they did not observe the proper use of the DV and BUR Forms, hence, it would be difficult to determine the responsibility and liability of the accountable persons responsible for any improper utilization/ disbursements of government funds. Moreover, Section 47 of the Government Accounting and Auditing Manual (GAAM), Vol. III requires that the agency internal control system, policies, procedures, accountability for resources and all financial transactions shall be clearly documented and adequately supported.

In effect, the district's disregard to use the proper DV and BUR form may have, to some extent, resulted in absence of controls to monitor and regulate the use of limited appropriations. Consequently, the failure to support the various disbursements of the district with proper documents affects the propriety and regularity of the incurred transactions.

We have recommended that Management comply strictly with the provisions of COA Circular No. 2006-004.

Management, in its written reply, commented that the Senior Accounting Processor B is not aware of the revised DV form and the use of the BUR Form, nonetheless, they have already complied with the recommendation.

COMPLIANCE WITH TAX LAWS AND REGULATIONS

The Management as a withholding agent of the Bureau of Internal Revenue fully complied with BIR Regulations on withholding of taxes. They remitted to the BIR the value added and expanded withholding taxes for the supplies and materials, equipment and services it procured and taxes withheld on compensation for calendar year 2015 in the total amount of P1,399,815.84. **(Annex D)**

SUSPENSIONS, DISALLOWANCES AND CHARGES

Disallowances in the total amount P2,156,000.00 representing prior years accounts.

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

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT
RECOMMENDATIONS**

Audit Observations	Recommendations	Reference	Status of Implementation	Auditor's Validation
<p>1. Completed NLIF projects amounting to P12,639,493.08 were not reclassified from Construction Work in Progress (CIP) account to appropriate PPE accounts, thus, understating the appropriate PPE, Accumulated Depreciation and Depreciation expenses accounts.</p>	<p>We recommended and management agreed to strictly comply with Section 41, Volume I of the NGAS.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>The Management complied with the audit recommendations. The completed NLIF projects were reclassified to appropriate Property, Plant & Equipment account.</p>
<p>2. The accuracy and validity of the year-end balances of Inventory accounts amounting to P3,167,740.78 could not be ascertained as accounting control on inventory was inadequate contrary to Sections 12 and 41 of the New NGAS Manual, Volume II.</p>	<p>We recommended and management agreed that: a. The Accounting Section and Property Section maintain control cards, the Supplies Ledger Card and Stock Card, respectively; b. The Accounting Section to be responsible for the computation of the cost of issuance of inventories. The Storekeeper/Property Custodian to maintain the Bin cards for proper monitoring of the stock position of the supplies and materials. c. The Storekeeper to reconcile the balance posted in the Bin Card to reconcile with the SCs/PCs.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>The Management complied with the audit recommendations of maintaining control cards and stock cards for inventory accounts.</p>
<p>3. Inventories totaling P312,922.19 were recognized directly as expense upon purchase contrary to Section 43, Volume I of the NGAS.</p>	<p>We recommended and management agreed to comply with Section 43, Volume I, of the NGAS on the use of asset method of accounting and perpetual inventory method of recording inventories.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>The Management complied with the audit recommendations by appropriately recording the inventories upon receipt thereof.</p>

<p>4. Current year budget was used to pay prior year expenses that were not recognized as Accounts Payable in the District's books contrary to Section 59 of PD 1445 and Section 4(a) of Chapter 2, Volume 1 of the NGAS.</p>	<p>We recommended and management agreed to obligate expenses or payables at the end of the calendar year and ascertain the true balance of OCAL account with the use of SLs in conformity with Section 4(a) of Chapter 2 of Volume 1 of the NGAS.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>All expenses incurred in 2015 were all obligated at year end.</p>
<p>5. The members of the Board of Directors (BOD) were granted Performance –Based Bonus (PBB) for CY 2013 totaling P220,500.00 without legal basis, contrary to Executive Order No. 65 dated January 2, 2012.</p>	<p>We recommended and management agreed to strictly observe the pertinent provisions of E.O. 65 in the granting of PBB which should be supported with legal basis.</p>	<p>AAR 2014 Part 2</p>	<p>Not Implemented</p>	<p>The Management has granted PBB to the BODs in 2015 for CY 2014 without sufficient legal basis.</p>
<p>6. Performance Based Bonus (PBB) was paid to the District's personnel for CY 2013 totaling P245,000.00 without complying the requirements set by the Inter-agency Task Force created under Administrative Order No. 25, dated December 21, 2011.</p>	<p>We recommended and management agreed to strictly comply with the guidelines set by the Inter-Agency Task Force pursuant to AO 25.</p>	<p>AAR 2014 Part 2</p>	<p>Not Implemented</p>	<p>The Management granted PBB to the District's personnel in 2015 for CY 2014 without complying with the guidelines and requirements set by the IATF.</p>
<p>7. The District granted additional year-end cash incentives to regular and casual employees totaling P310,000.00 without legal basis contrary to DBM Circular letter No. 2009-10 dated October 17, 2003.</p>	<p>We recommended and management agreed to ensure that:</p> <p>a. The additional year-end bonuses received amounting to P310,000.00 will be refunded immediately and to stop granting additional bonuses without legal basis in the future to avoid disallowance in audit; and</p> <p>b. Limit the grant of year-end incentives/ bonus equivalent to one month basic pay and cash gift at 5,000 pursuant to DBM Budget Circular No. 2010-1 dated April 28, 2010.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>The Management complied with the audit recommendation. No cash year end cash incentives were granted to the employees of the District in 2015.</p>

8. The District failed to post invitation or request for price quotation for shopping/small value procurement of supplies and materials to the PhilGEPS website contrary to Section 21.2.1 of the revised IRR of RA 9184.	We recommended and management agreed to comply with Section 21.2.1 & 8.3.1 of the Revised IRR of RA 9184.	AAR 2014 Part 2	Partially Implemented	The District failed to post invitation to bid on the PhilGEPS website in 2015. However, they have complied with the audit recommendation in 2016.
9. The District granted Financial Assistance (Mortuary Aid) in the amount of P70,000.00 to one member of its Board of Directors contrary to Section 1(8) of Administrative Order 103.	We recommended and management agreed to observe prudence in the use of government funds and strictly adhere to the provisions of Administrative Order 103 in observing the austerity measures in government spending.	AAR 2014 Part 2	Implemented	Management observed prudence in the use of government funds and that no amount of Mortuary aid or any other form of financial aid was extended to any of its BOD members in 2015.
10. The District continuously maintained its accounts with the 1st Valley Bank without approval from the Department of Finance contrary to DOF Department Order No. 27-05 dated December 9, 2005.	We recommended that the management strictly comply with DOF Department Order No. 27-05 and COA Circular No. 79-114 to secure prior approval for the deposit and maintenance of government funds with bank other than the LBP and the DBP every year.	AAR 2014 Part 2	Implemented	Management was able to secure approval from the DOF, a copy of which was submitted to the Auditors for review.
11. Compliance with the Philippine Development Plan (PDP) for FY 2011-2012 was not guaranteed since the District Corporate Operating Budget (COB) for FY 2014 was not submitted to the Department of Budget and Management (DBM) for review as required under the DBM Corporate Budget Memorandum (CBM) dated December 28,2012.	We recommended and management agreed to submit the COB to the DBM punctually as required by the DBM CBM 34 or the Policy Guidelines and Procedures in the Preparation and Submission of the FY 2014 Budget Proposals for COA to be able to monitor and evaluate the accuracy of the agency's reported performance against its approved targets aligned with MFOs, KRAs, and sector outcomes in the PDP Results Matrices; the Budget Officer to furnish COA the Annual Budget supported with complete	AAR 2014 Part 2	Implemented	The COB for the FY 2015 was forwarded to the Department of Budget Management pursuant to the DBM Corporate Budget Memorandum.

	documents every year thereafter.			
12. The District did not appropriate funds for the Disaster Risk Reduction and Management (DRRM) System, contrary to RA 10121, or the Philippine Disaster Risk Reduction and Management Act of 2010 .	We recommended and management committed to appropriate funds relative to DRRM and will adhere to the provisions the implementation of relevant activities for knowledge building, awareness raising and disaster preparedness.	AAR 2014 Part 2	Implemented	Management was able to set aside or appropriate funds for the DRRM in 2015.
13. The District did not prepare Gender and Development (GAD) plan and activities while the appropriated budget was below the 5% of the agency's total budget as mandated under Section 33 of CY 2014 GAA and PCW-NEDA-DBM Joint Circular No. 2012-01.	We recommended and management agreed to:1. Prepare GAD Plan every year designed to address gender issues;2. Appropriate funds equivalent to 5% budgetary appropriation for GAD; and3. Abide by the requirement of DBM, NEDA and NCRFW Joint Circular No. 2004-1 in formulating GADs Plan. The GAD Plan should comprise programs, projects and activities that will address	AAR 2014 Part 2	Implemented	The Management has appropriated 5% of their total budget for GAD and drafted the required GAD plan for CY 2015.
14. The District failed to implement the necessary control measures to mitigate the unaccounted water loss of 548,126 cubic meter equivalent to 34.43% (average) of the total water production which is far beyond the tolerable allowance of 20% water loss of LWUA.	We recommended that the management initiate control measures to address and minimize the non-revenue water to improve delivery of services and ultimately increase its revenue.	AAR 2014 Part 2	Implemented	Control measures has been set in place to mitigate unaccounted water loss for CY 2015.

<p>15.The grant of benefits and allowances to BOD of the district totaling P450,000.00 was deemed irregular due to lack of adequate legal basis.</p>	<p>a) Request all receipts to refund the full amount received being without legal basis for the payment hereof; b) Stop granting allowances and other fringe benefits to its BOD without legal basis to preclude disallowances in audit. c) Henceforth, strictly observe laws, rules, and regulations governing the disbursements of government funds to protect its interest.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>There were no allowances or fringe benefits granted to the BODs in 2015.</p>
<p>16. The district maintained additional bank accounts to serve as mandatory savings for GF contrary to NGAs One Fund Concept. The additional bank accounts created additional burden in the recording of financial accounts of the districts.</p>	<p>Discontinue the practice of maintaining additional bank account since the practice is inconsistent with the NGAs Manual, Volume I. Close bank accounts that contribute in the duplication of districts transactions to strengthen internal control.</p>	<p>AAR 2014 Part 2</p>	<p>Implemented</p>	<p>Management closed all other bank accounts in question.</p>
<p>17. The district have adopted the other modes of procurement such as repeat order thru credit and shopping in the procurement of goods which is not in conformity with Revised IRR of the Government Reform Procurement Law.</p>	<p>a) Ensure that all procurements of the district should be through competitive public bidding as required in Section 10 Article IV of RA 9184 and shopping should only be an alternative mode if the situation calls for it, Further, all procurement during the year should be in accordance with approved APP and based on this plan schedule the bidding of all supplies, materials and construction materials;b) The BAC shall recommend to the head of the agency the use of alternative methods through a resolution;c) Observed the regulations on repeat order that the quantity should not exceed 25% from the original</p>	<p>AAR 2014 Part 2</p>	<p>Partially Implemented</p>	<p>The District still practice repeat order thru credit on some of its procurement of goods.</p>

	purchased; and) Strictly adhere to the provisions of RA 9184 in the procurement of equipment and materials and attach pertinent supporting documents to the disbursement voucher			
18. Payments out of the Petty Cash Fund (PCF) totaling P164,964.96 were not supported with the documentary requirements and recording were not updated daily which might result to misuse of funds.	<p>a. Petty Cash Custodian (PCC) properly review the completeness of receipts/documents and shall record/update daily the disbursements in the PCF report.</p> <p>b. Petty cash vouchers should not be released if not properly approved by the immediate supervisor.</p>	AAR 2014 Part 2	Implemented	Disbursements out of Petty Cash Fund (PCF) were already supported with the required documents.
19. All purchases of commonly used supplies totaling P631,842.21, were not made through Procurement Services (PS) of the DBM as required in AO No. 17 but instead all were done through shopping or direct contracting without the BAC's recommendations to adopt these alternative modes of procurement in violation of RA 9184 thereby not helping the government owned institution.	<p>a. Prepare a BAC Resolution indicating the mode of procurement to be recommended for approval by the Head of Procuring Entity (HOPE) in each procurement activity.b. For goods to be purchased but not available in the PS-DBM, secure a certification from that unit that requisitioned goods are not available before recommending other alternative modes of procurement.c. Prepare the APP for the commonly used supplies and submit to the PS-DBM at the start of the year.d. Personnel involved in the procurement process should attend seminar-workshop on RA 9184 for an efficient and effective implementation thereof.</p>	AAR 2014 Part 2	Partially Implemented	Not all purchases of common used supplies by the District were first coursed thru with PS-DBM before proceeding to the other mode of procurement .

<p>20. The Management failed to settle the Disallowances in the amount of P1,192,750.00 for the prior year audit disallowances.</p>	<p>a. Exert effort to cause the settlement of audit disallowance. Settlement of audit disallowances can be immediately enforced by withholding the salaries or other claims due to the persons liable, in satisfaction of the amounts disallowed or charged. Employ legal remedies to ensure the settlement of the liabilities of those officials and employees who are already separated from the government service.</p> <p>b. Further, act upon the disallowances within the required timelines.</p>	<p>AAR 2014 Part 2</p>	<p>Partially Implemented</p>	<p>The persons determined to be liable have already made partial refunds thru withholding a certain amount from their salaries each month.</p>
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Kapatagan Water District
Schedule of the Payments of PBB
Calendar Year 2015

First Batch Release – Per DV No. 2015-01-044		
PERFORMANCE-BASED BONUS FOR FY 2014		
No.	Names	Amount
1	GM Buenalita Rañises	35,000.00
2	Ricky Manatom	15,050.00
3	Clyde Hingpit	15,050.00
4	Engr. Roberto Manatom Jr.	15,050.00
5	Leonita Simeon	15,050.00
6	Zosimo Janiola	15,050.00
7	Rito Canonigo	15,050.00
8	Susan Emot	15,050.00
9	Roberto Buhangin	15,050.00
10	Othello Ignacio	15,050.00
11	Nestor Mahanlud	15,050.00
T O T A L		<u>P 185,500.00</u>

Second Batch Release – Per DV No. 2015-02-079		
PERFORMANCE-BASED BONUS FOR FY 2014		
No.	Names	Amount
1	Ignacio Valera	15,050.00
2	Doroteo Arcayena	15,050.00
3	Danilo Tariman	15,050.00
4	Jennifer Sumapig	15,050.00
5	Jeanet Rabe	15,050.00
6	Felecio Goc-ong	15,050.00
7	Nick Reyes	15,050.00
8	Cheribelle Devaras	15,050.00
9	Jhufer Yonson	15,050.00
10	Garry Reyes	15,050.00
T O T A L		<u>P 150,500.00</u>


Kapatagan Water District
Schedule of the Payments of PBB
Calendar Year 2015

Third Batch Release – Per DV No. 2015-03-165		
PERFORMANCE-BASED BONUS FOR FY 2014		
No.	Names	Amount
1	Dinno Galbines	15,050.00
2	Leevena Esguerra	15,050.00
3	Crispin Cano	15,050.00
4	Franz Joseph Luardo	15,050.00
5	Antonio Ortiz	15,050.00
6	Engr. Wilson Sienes	15,050.00
7	Robert Pagente	15,050.00
8	Jose Nestor Campeciño	15,050.00
9	Ryan Lou Simbajon	15,050.00
	T O T A L	<u>P 135,450.00</u>

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Reviewed by:


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ANNEX B
AAR Finding No. 5

Kapatagan Water District
Schedule of Installment Payments for the Purchase of Land
Calendar Year 2015

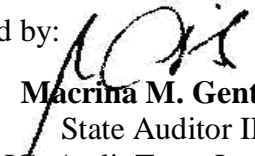
Payee	Parcel of Land	Total Price	DV No	DV Date	Payments	Description	Deficiencies
Susan Uy	600 sqm (Lot 1100 Pls 35 w/ OCT no. P-12, 393 dated 11-12-1997)	1,500,000.00	12/2/2014	2014-12-746	500,000.00	First Installment	Only the following documents were attached: 1. Acknowledgement Receipt 2. Copy of the Tax Declaration for the 1st Quarter for CY 2015 3. Deed of Absolute Sale (Not notarized)
Helen Lim	600 sqm (Lot 1100 Pls 34 w/ OCT no. P-12, 394 dated 03-12-1997)	1,500,000.00	1/1/2015	2015-01-022	500,000.00	First Installment	Only the following documents were attached: 1. BOD Resolution approving the purchase of the land 2. Acknowledgement Receipt
			2/6/2015	2015-02-111	500,000.00	Second Installment	Only the following documents were attached: 1. BOD Resolution approving the purchase of the land 2. Acknowledgement Receipt
			3/2/2015	2015-03-163	460,625.00	Final installment	Only the following documents were attached: 1. Capital Gains Tax and Documentary Stamp Tax Computation Sheet in the amount of P 28,800.00 and P10,575.00,

							respectively 2. Acknowledgement Receipt 3. Copy of the Tax Declaration for the 1st Quarter of 2015
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 Audit Team Member

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Kapatagan Water District
Schedule of Disbursement Vouchers with Incomplete Documentation
Calendar Year 2015

DV No.	Payee	Particulars	Amount	Lacking Documents
2015-01-004	MRM Empire	Payment for purchase of material	54,810.94	Minutes of Bid Opening , Printout of PhilGEPs Postings , BAC Resolution, BAC Certification
2015-01-005	MRM Empire	Materials for Mainline Installation	47,385.00	Purchase Order
2015-02-083	Jhaycor	Payment for purchase of materials	106,076.25	Abstract of Bids, Minutes of Bid Opening, Printout of PhilGEPs Postings, BAC Certification, BAC Resolution,
2015-02-091	MRM Empire	Payment of materials for Installation of Angle Valve	156,421.88	Printout of PhilGEPs Postings, BAC Certification, Minutes of Bid Opening, BAC Resolution
2015-02-127	JPT Repair	Payment of materials for maint. Of pump house	45,857.81	No Disbursement Voucher submitted
2015-02-150	JPT Repair	Purchase of cement, gravel & finesand	25,139.06	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate
2015-03-155	MRM Empire	Payment of materials for new SVC	91,687.50	Printout of PhilGEPs Postings, Minutes of Bid Opening, BAC Resolution, BAC Certification
2015-03-209	MRM Empire	Payment of 1pc Flow meter 6"	105,662.81	Abstract Bids of Quotation, Minutes of Bid Opening, Printout of PhilGEPs Postings, BAC Certification, Minutes of Bid Opening

2015-04-235	MRM Empire	Payment of materials for new SVC	180,365.39	Abstract Bids of Quotation ,BAC Resolution, BAC Certification, Minutes of Bid Opening, Printout of PhilGEPs Postings
2015-04-283	JPT Repair	To payment/purchase of materials	38,784.37	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate
2015-04-285	JPT Repair	To partial payment of materials used for the office site improvements.	18,360.00	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate
2015-04-292	Merony Enterprise	Payment of materials for fabrication of fence	50,193.75	Purchase Request, Abstract of Bids, Minutes of Bid Opening, BAC Certification , BAC Resolution
2015-05-318	MRM Empire	Full Payment of materials for new SVC	85,685.16	Minutes of Bid Opening , Printout of PhilGEPs Postings, BAC Certification
2015-05-331	MRM Empire	Full payment of materials for new SVC	150,543.75	IAR, Printout of PhilGEPs Postings, Minutes of Bid Opening, BAC Certification, BAC Resolution
2015-05-340	JPT	2 nd Payment of Materials	46,875.00	Old OR, IAR, Printout of PhilGEPs Postings, Minutes of Bid Opening, BAC Certification, BAC Resolution
2015-06-398	MRM Empire	Payment of materials for service line maintenance	151,108.12	Printout of PhilGEPs Postings, Minutes of Bid Opening, BAC Certification, BAC Resolution
2015-06-401	JPT	3rd Payment of Materials for Site Improvement	96,890.60	Old OR, IAR, PR, PO, Abstract of Bids, Printout of PhilGEPs Postings, BAC Certification, BAC Resolution
2015-06-409	DMI Trading	1unit engine driven Jack Hammer	63,750.00	Purchase Request, Abstract of Bids, Minutes of Bid Opening, BAC Certification
2015-06-429	JPT Repair	To partial payment of materials used for the pumphouse	19,960.31	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate
2015-07-533	JPT Repair	4th partial payment of materials used for the office site improvements	46,875.00	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate


2015-07-534	JPT Repair	Payment for materials used for the construction of the Perimeter Fence	88,320.00	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate
2015-08-581	MRM Empire	Materials for new service connection	165,250.78	Abstract of Bids, Minutes of Bid Opening, Printout of PhilGEPs Postings, BAC Resolution
2015-08-582	MRM Empire	Payment of 2 pcs Foot Valve 6"	75,337.50	Minutes of Bid Opening, Printout of PhilGEPs Postings, BAC Resolution
2015-08-590	Jhaycor	Payment for P.E. pipe & PVC pipe	307,141.88	Minutes of Bid Opening, , Printout of PhilGEPs Postings, BAC Resolution
2015-09-663	MRM Empire	Payment of materials for clustering	230,229.68	Abstract of Bids, Minutes of Bid Opening, Printout of PhilGEPs Postings, BAC Resolution
2015-09-664	JPT Repair	Payment for materials used for the construction of the Perimeter Fence	127,885.31	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution, BAC Certificate, Print-out of PhilGeps Posting,
2015-09-665	JPT Repair	Payment for purchase of materials for clustering	78,750.00	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution, BAC Certificate, Print-out of PhilGeps Posting,
2015-09-716	Jhaycor	Payment of materials for maintenance of mainline	110,771.48	IAR, Purchase Request, Abstract of Bids , BAC Resolution, Minutes of Bid Opening,
2015-09-732	DMI Trading	Concrete cutter & electrical equipment	95,606.25	Abstract Bids of Quotation, Minutes of Bid Opening , Printout of PhilGEPs Postings, BAC Certification,BAC Resolution
2015-11-832	MRM Empire Trading	Payment for purchase of materials	94,045.31	Minutes of Bid Opening, Print-out of PhilGeps Posting, BAC Certification & BAC Resolution
2015-11-833	MRM Empire Trading	Payment for purchase of materials	197,846.25	Abstract of Bids, Minutes of Bid Opening, Print-out of PhilGeps Posting, BAC Certification, BAC Resolution
2015-11-845	JPT Repairs	Payment for purchase of materials	50,001.10	Old OR, IAR, Abstract of Bids, BAC Minutes, BAC Resolution,
2015-12-908	JPT Repairs	Payment for purchase of materials for construction of perimeter fence	70,244.06	Old OR, Abstract of Bids, Minutes of Bid Opening, BAC Certification, BAC Resolution

2015-12-910	Jhaycor	Payment for purchase of materials for maint. Of mainline	110,771.48	PR, Minutes of Bid Opening, Print-out of PhilGeps Posting, BAC Certification, BAC Resolution, Incomplete Bidding documents
2015-12-911	Jhaycor	Payment for purchase of materials for maint. Of mainline	105,297.19	Abstract of Bids, Minutes of Bid Opening, Print-out of PhilGeps Posting, BAC Resolution & BAC Certificate,
2015-12-912	MRM Empire	Payment for purchase of materials for replacement of defective meter	41,280.47	IAR, BAC Resolution, BAC Certification, Minutes of Bid Opening, Print-out of PhilGeps Posting
2015-12-913	MRM Empire	Payment for purchase of materials	37,757.81	IAR, BAC Resolution, BAC Certification, Minute of Bid Opening, Print-out of PhilGeps Posting
2015-12-962	JPT Repairs	Payment for purchase of materials for reservoir's	31,458.60	Old OR, PR, IAR, Abstract of Bids, Minutes of Bid Opening, BAC Resolution & BAC Certificate
2015-12-981	Jhaycor	Payment for purchase of materials	90,296.91	No Disbursement Voucher submitted
			<u>P 3,690,724.76</u>	

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Kapatagan Water District
 Schedule of BIR Withholding Tax Remittances
 Calendar Year 2015

Month	Withholding Tax Remittance				Total
	Franchise	Suppliers	Compensation	Others	
January 2015	38,183.72	35,504.58	29,771.93	500.00	103,960.23
February 2015	38,894.85	20,997.21	38,850.90	78,750.00	177,492.96
March 2015	37,292.02	23,695.56	44,732.74		105,720.32
April 2015	34,026.83	20,809.99	35,161.74		89,998.56
May 2015	39,573.42	23,561.85	34,711.77		97,847.04
June 2015	40,130.86	29,910.31	36,772.17		106,813.34
July 2015	49,670.50	29,750.10	35,091.53		114,512.13
August 2015	40,549.71	33,593.23	41,389.45		115,532.39
September 2015	40,937.69	42,932.57	39,568.48		123,438.74
October 2015	40,471.78	46,821.68	40,968.77		128,262.23
November 2015	38,833.59	36,802.94	41,670.37		117,306.90
December 2015	39,629.97	33,835.65	45,465.38		118,931.00
Total	<u>P478,194.94</u>	<u>P378,215.67</u>	<u>P464,155.23</u>	<u>P79,250.00</u>	<u>P1,399,815.84</u>

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