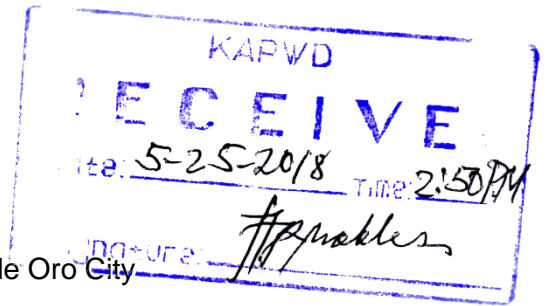




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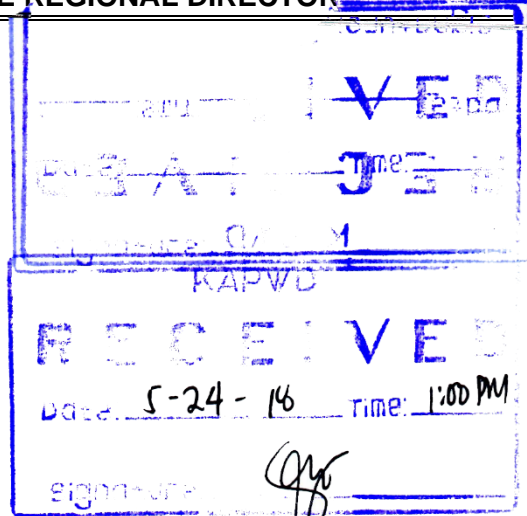
OFFICE OF THE REGIONAL DIRECTOR

February 23, 2018

Ms. ANGELITA P. ROBLES
 Chairman, Board of Directors
 Kapatagan Water District
 Kapatagan, Lanao del Norte

Mr. CLAIR GREBERN U. ELUMIR
 General Manager
 Kapatagan Water District
 Kapatagan, Lanao del Norte

Madam, Sir:



We are pleased to transmit the Annual Audit Report on the audit of **Kapatagan Water District (KAPWD)**, Kauswagan, Lanao del Norte as of December 31, 2017, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

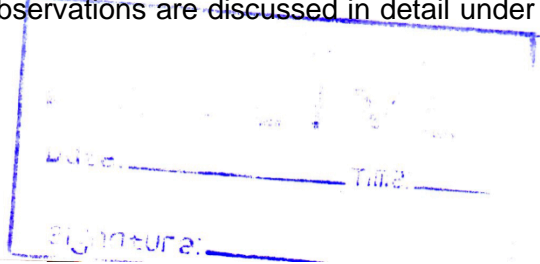
The audit was conducted to (a) ascertain the degree of reliance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

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

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

The Auditor rendered a Qualified Opinion on the fairness of presentation of the financial statements due to the non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluding the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

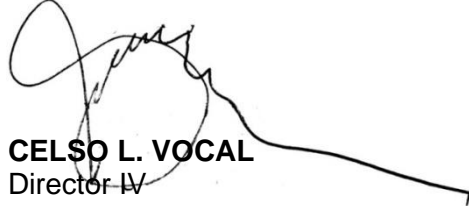
This, and other findings and observations are discussed in detail under Part II of this report.



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

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

Copy furnished

*The President of the Philippines
Malacañang Palace, Manila*

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

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

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

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

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

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

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

File



Republic of the Philippines
COMMISSION ON AUDIT
 Provincial Satellite Auditing Office
 Iligan City
 R10-05, Water Districts

KAPATAGAN WATER DISTRICT
 For Calendar Year 2017
 Agency Action Plan and Status of Implementation
 (AAPSI)

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
2018-005 (KAPWD)	The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.							
2018-004 (KAPWD)	The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2016	We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in							

	and submit it to the Department of Budget and Management within the prescribed deadline.	its operations.							
2017-003 (KAPW D)	Payments of salaries to Job Order personnel hired for the construction of office building implemented by administration totaling P983,480.00 were not supported with duly approved Daily Time Record as required under COA Circular 2012-001.	We recommend that the management should execute the said certifications for the JO Personnel and the corresponding Daily Time Records must be produced as prerequisite to each payment of salaries. Also, the designated Accounting in-charge must be instructed not to process payments without complete documents attached pursuant to COA Circular 2012-001.							
2017-002 (KAPW D)	The District entered contract with a Job Order Labor Contractor for the manual labor component of its project implemented by administration contrary to the provisions in IRR of RA 9184 and GPPB Resolution No. 018-2006.	We recommend that the management should strictly adhere to the provisions of Appendix 1 in IRR of RA 9184 under GPPB Resolution No. 018-2006 and to submit valid justification in undertaking contract with a job order labor contractor accompanied with Cost-Benefit Analysis to substantiate its decision.							
2018-	The Agency did not	We recommended that							

006 (KAPW D)	procure common-use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.	Management start procuring common-use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly needed by the Agency should be done on a quarterly basis.							
2017-001 (KAPW D)	Mutilated coins found on hand may result to a loss of the Agency's realized income amounting to Php 3,900.00 if it can be classified into the conditions stated under Section 22, Chapter V, of Banko Sentral ng Pilipinas (BSP) Circular 829.	<ul style="list-style-type: none"> • Management should remind the assigned tellers to exercise utmost care in the performance of their duties so that mutilated or unfit for circulation notes and coins should not be accepted and returned to the concerned concessionaire who presented it. • Segregate the 							

		<p>mutilated or unfit for circulation coins according to the classification stated under Chapter V, Sections 18, 19, and 22 of BSP Circular dated March 13, 2014.</p> <ul style="list-style-type: none"> • Present the mutilated or unfit for circulation coins to their authorized depository for exchange or to the BSP Regional Office/Branch nearest to the water district, taking into account the cost that may be charged by their authorized depository bank and transporting the same to the nearest BSP Regional Office/Branch, whichever is more cost efficient or economical. 							
2018-009 (KAPW D)	The estimated 620,461.60 cu.m. of unaccounted water incurred by the District for CY 2017 is 13.92% more than the maximum acceptable level of NRW of 20% prescribed by LWUA thru Resolution No. 444, series of 2009.	We recommend to the District to improve its efficiency level by significantly reducing water loss to the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and							

		Budget.							
2018-007 (KAPW D)	The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.	We recommend that the Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2018 as provided under DOH Administrative Order No. 2014-0027.							
2018-008 (KAPW D)	The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.	We recommend that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.							
2016 AAR Finding No. 1	Monthly allowances were granted to the Board of Directors (BODs) and payments of per diem for their attendance to board meetings exceed the	<ul style="list-style-type: none"> Require the BODs to refund the full amount so received in connection to the overpayment of per diems and allowances for lack of legal basis; 							

	<p>maximum allowable amount per month contrary to Executive Order No. 65 and Local Water Utility Administration (LWUA) Memorandum Circular No. 015-12 dated November 22, 2012.</p>	<ul style="list-style-type: none"> • Stop the granting of monthly allowances and other benefits to its BODs without legal basis; and • Strictly adhere to Executive Order 65 and LWUA Memorandum Circular No. 015-12 relative to the compensation of the BODs of the District. 							
2016 AAR Finding No.7	<p>Official receipts were procured from a private printing service provider without securing prior certification from the recognized government printers (RGPs) as required under the General Appropriations Act (GAA) of 2016.</p>	<p>Strictly comply with Section 23 of the General Appropriations Act (GAA) of 2016 in contracting the services of private printers in the production of accountable forms and sensitive, high quality or high volume printing requirements.</p>							
2016 AAR Finding No.8	<p>The accrual of liability for the earned leave benefits of employees totaling P2,702,878.98 was not provided by the district contrary to PAS 19 on the accounting for employee benefits.</p>	<p>Provide annual budget for the earned leave benefits of the employees; and</p> <ul style="list-style-type: none"> • Require the Human Resource Officer to furnish the Accounting Section with a copy of the schedule of earned leave credits of District personnel with the 							

		corresponding money value as basis in accounting of the accrued liability.							
2016 AAR Finding No.9	Purchase Orders were not properly accomplished contrary to Section B of COA Circular No. 96-010 dated August, 15, 1996, resulting to the inability to ascertain that the delivery of materials and supplies conform to the terms and conditions of the agreement.	Require the Accountant and officials concerned to fill-up the relevant and required information on the Purchase Order and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.							
2016 AAR Finding No.10	The General Manager was granted with Representation and Transportation Allowance (RATA) amounting to P17,000 while on a 2-month Special Leave contrary to Department of Budget Management (DBM) National Budget Circular No. 548 dated May 15, 2013.	Require Management to strictly comply with the guidelines in the grant of RATA to the General Manager pursuant to DBM National Budget Circular No. 548; and that the General Manager refund the RATA so received.							

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

Prepared by:

CLAIR GREBERN U. ELUMIR
General Manager



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

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

February 23, 2018

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

Sir:

We are submitting the Annual Audit Report on the Kapatagan Water District for the year ended December 31, 2017 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445.

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

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

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

Our audit was conducted in accordance with the 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,


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor



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

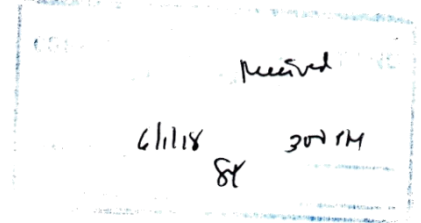
OFFICE OF THE AUDIT TEAM LEADER

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

February 23, 2018

Ms. CECILIA A. PONTILLAS

Acting Supervising Auditor
CGS – Water Districts and Other CGS Stand-Alone Agencies
COA - Regional Office No. X
Cagayan de Oro City



Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we conducted a financial audit on the accounts and operations of the **Kapatagan Water District**, Kapatagan, Lanao del Norte as of December 31, 2017.

The audit was conducted to ascertain the propriety of the financial transactions and determine the extent of compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of the financial records and reports, as well as the fairness of the presentations of the financial statements.

The audit report consists of three parts, Part I - Audited Financial Statements, Part II - details of our significant Observations and Recommendations which were discussed with concerned management officials and staff during the exit conference held on February 21, 2018, and Part III - Status of Implementation of Prior Year's Audit Recommendations.

There is reason to believe that the financial statements are not free of misstatements which, however, are not material enough to conclude that the financial position of the Kapatagan Water District as of December 31, 2017 and the results of its operations are not fairly presented.

Our audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and we believe these standards provide reasonable basis for the results of the audit.

Very truly yours,

AMADO PETER A. GARBANZOS
State Auditor III
Acting 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, 2017

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 27,165 as of December 31, 2017 with 5,060 total active service connections.

As of December 31, 2017, 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.

An audit was conducted on the accounts and operations of Kapatagan Water District for calendar year 2017.

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.

B. Financial Highlights

As of December 31, 2017, 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

	2017	2016	Increase/(Decrease)
Assets	₱ 73,091,829.46	₱ 75,365,534.33	₱ (2,273,704.87)
Liabilities	29,791,151.97	35,273,782.24	(5,482,630.27)
Government Equity	₱ 43,300,677.49	₱ 40,091,752.09	₱ 3,208,925.40

Results of Operations

	2017	2016	Increase/(Decrease)
Income	₱ 32,024,180.17	₱ 31,522,050.47	₱ 502,129.70
Expenditures	29,815,345.10	26,924,416.90	2,890,928.20
Net Operating Income	₱ 2,208,835.07	₱ 4,597,881.47	₱ 2,389,046.4

C. Independent Auditor's Report on the Financial Statements

A Qualified Opinion was rendered on the fairness of the presentation of the Financial Statements due to the non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

D. Summary of Significant Observations and Recommendations

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

1. **The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2016 and submit it to the Department of Budget and Management within the prescribed deadline.**

We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.

2. **Payments of salaries to Job Order personnel hired for the construction of office building implemented by administration totaling P983,480.00 were not supported with duly approved Daily Time Record as required under COA Circular 2012-001.**

We recommended that the management should execute the said certifications for the JO Personnel and the corresponding Daily Time Records must be produced as prerequisite to each payment of salaries. Also, the designated Accounting in-charge must be instructed not to process payments without complete documents attached pursuant to COA Circular 2012-001.

3. **The District entered contract with a Job Order Labor Contractor for the manual labor component of its project implemented by administration contrary to the provisions in IRR of RA 9184 and GPPB Resolution No. 018-2006.**

We recommended that the management should strictly adhere to the provisions of Appendix 1 in IRR of RA 9184 under GPPB Resolution No. 018-2006 and to submit valid justification in undertaking contract with a job order labor contractor accompanied with Cost-Benefit Analysis to substantiate its decision.

4. **The Agency did not procure common-use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.**

We recommended that Management start procuring common-use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly needed by the Agency should be done on a quarterly basis.

5. **Mutilated coins found on hand may result to a loss of the Agency's realized income amounting to Php 3,900.00 if it can be classified into the conditions stated under Section 22, Chapter V, of Banko Sentral ng Pilipinas (BSP) Circular 829.**

We recommended that:

1. Management should remind the assigned tellers to exercise utmost care in the performance of their duties so that mutilated or unfit for circulation notes and coins should not be accepted and returned to the concerned concessionaire who presented it.
 2. Segregate the mutilated or unfit for circulation coins according to the classification stated under Chapter V, Sections 18, 19, and 22 of BSP Circular dated March 13, 2014.
 3. Present the mutilated or unfit for circulation coins to their authorized depository for exchange or to the BSP Regional Office/Branch nearest to the water district, taking into account the cost that may be charged by their authorized depository bank and transporting the same to the nearest BSP Regional Office/Branch, whichever is more cost efficient or economical.
6. **The estimated 620,461.60 cu.m. of unaccounted water incurred by the District for CY 2017 is 13.92% more than the maximum acceptable level of NRW of 20% prescribed by LWUA thru Resolution No. 444, series of 2009.**

We recommended to the District to improve its efficiency level by significantly reducing water loss to the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.

7. **The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.**

We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2018 as provided under DOH Administrative Order No. 2014-0027.

8. **The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.**

We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.

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

<i>Particulars</i>	<i>Balance, 12/31/2016</i>	<i>CY 2017 Issuances</i>	<i>Settlement</i>	<i>Balance, 12/31/2017</i>
Suspensions	P2,760,900.00	P123,889.41	P2,000,000.00	P884,789.41
Disallowances	2,366,000.00	0.00	0.00	P2,366,000.00
Charges	0.00	0.00	0.00	0.00

F. Status of Implementation of Prior Year's Audit Recommendations

Of the 10 audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2016, 5 were fully implemented, 3 were partially implemented and 2 remained unimplemented in 2017.

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PART I – AUDITED FINANCIAL STATEMENTS



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

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

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, 2017, and the Statements Comprehensive Income, Changes in Equity 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 Philippine Financial Reporting Standards. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Audit Opinion

As discussed in detail in Part II of this report:

- The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

Qualified Opinion

In our opinion, except for the effects on the matters described in the Basis for Qualified Opinion, the financial statements present fairly in all material respects, the financial position of the Kapatagan Water District as of December 31, 2017 and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

The exit conference for the results of the financial and compliance audit of the calendar year 2017 operations was conducted on February 22, 2018.

COMMISSION ON AUDIT


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor

February 23, 2018



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

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

INDEPENDENT AUDITOR'S REPORT

MR. CLAIR GREBERN U. ELUMIR

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, 2017, and the Statements Comprehensive Income, Changes in Equity 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 Philippine Financial Reporting Standards. 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Audit Opinion

As discussed in detail in Part II of this report:

- The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

Qualified Opinion

In our opinion, except for the effects on the matters described in the Basis for Qualified Opinion, the financial statements present fairly in all material respects, the financial position of the Kapatagan Water District as of December 31, 2017 and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

The exit conference for the results of the financial and compliance audit of the calendar year 2017 operations was conducted on February 20, 2018.

COMMISSION ON AUDIT

By:


CECILIA A. PONTILLAS
State Auditor IV
Acting Supervising Auditor

February 23, 2018




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

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of the **Kapatagan Water District, Kapatagan, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstance.

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

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


ANGELITA P. ROBLES
Chairman of the Board

Date: February 14, 2018


LEEVENA S. ESGUERRA
Accounting Processor

Date: February 14, 2018


CLAIR GREBERN U. ELUMIR
Acting General Manager

Date: February 14, 2018



**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	<u>NOTE</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	8,389,029.02	9,236,888.69
Receivables	4	2,749,866.04	2,823,537.33
Inventories	5	3,737,552.41	3,253,825.41
Other Current Assets	6	9,225.64	3,910.68
Total Current Assets		<u>14,885,673.11</u>	<u>15,318,162.11</u>
Non-Current Assets			
Property, Plant and Equipment	7	58,206,156.35	60,047,372.22
Total Non-Current Assets		<u>58,206,156.35</u>	<u>60,047,372.22</u>
Total Assets		<u>73,091,829.46</u>	<u>75,365,534.33</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	8	609,315.74	3,238,061.38
Inter-Agency Payables	9	394,912.49	410,258.53
Trust Liabilities	10	163,925.50	810,230.81
Deferred Credits/Unearned Income	11	160,441.19	45,000.00
Total Current Liabilities		<u>1,328,594.92</u>	<u>4,503,550.72</u>
Non-Current Liabilities			
Financial Liabilities	12	28,462,557.05	30,770,231.52
Total Non-Current Liabilities		<u>28,462,557.05</u>	<u>30,770,231.52</u>
Total Liabilities		<u>29,791,151.97</u>	<u>35,273,782.24</u>
EQUITY			
Government Equity		4,000,013.34	4,000,013.34
Retained Earnings/(Deficit)		39,300,664.15	36,091,738.75
Total Equity		<u>43,300,677.49</u>	<u>40,091,752.09</u>
Total Liabilities and Equity		<u>73,091,829.46</u>	<u>75,365,534.33</u>

(See Accompanying Notes to Financial Statements)



**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2017 2016

Income			
Service and Business Income	13	32,024,180.17	31,522,050.47
Total Income		<u>32,024,180.17</u>	<u>31,522,050.47</u>
Expenses			
Personnel Services	14.1	15,023,556.86	12,878,312.48
Maintenance and Other Operating Expenses	14.2	9,244,576.12	9,337,218.34
Financial Expenses	15	1,500,038.00	1,647,661.00
Non-Cash Expenses	16	<u>4,047,174.12</u>	<u>3,060,977.18</u>
Total Expenses		<u>29,815,345.10</u>	<u>26,924,169.00</u>
Comprehensive Income/(Loss)		<u>2,208,835.07</u>	<u>4,597,881.47</u>

(See Accompanying Notes to Financial Statements)



**KAPATAGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2016	31,493,857.28	4,000,013.34	35,493,870.62
ADJUSTMENTS:			
Add/(Deduct):	0.00	0.00	0.00
RESTATED BALANCE AT JANUARY 1, 2016	31,493,857.28	4,000,013.34	35,493,870.62
CHANGES IN EQUITY FOR 2016			
Add/(Deduct):			
Comprehensive Income for the year	4,597,881.47	0.00	4,597,881.47
BALANCE AT DECEMBER 31, 2016	36,091,738.75	4,000,013.34	40,091,752.09
CHANGES IN EQUITY FOR 2017			
Add/(Deduct):			
Comprehensive Income for the year	2,208,835.07	0.00	2,208,835.07
Other Adjustments (<i>Restricted/Water Meter Maintenance Fee</i>)	1,000,090.33	0.00	1,000,090.33
BALANCE AT DECEMBER 31, 2017	39,300,664.15	4,000,013.34	43,300,677.49



**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	321,623.01	322,623.83
Collection of Income/Revenue	32,412,671.78	31,953,755.21
Collection of Receivables	92,126.02	131,319.57
Trust Receipts	584,633.17	547,757.05
Other Receipts	280,433.00	194,135.30
Total Cash Inflows	33,691,486.98	33,149,590.96
Adjustments	10,154.56	0.00
Adjusted Cash Inflows	33,701,641.54	33,149,590.96
Cash Outflows		
Payment of Expenses	9,252,405.94	9,096,414.48
Purchase of Inventories	1,668,145.81	2,169,916.16
Grant of Cash Advances	11,100,605.70	9,355,464.74
Payments of Accounts Payable	3,904,745.24	3,879,840.53
Remittance of Personnel Benefit Contributions and Mandatory Deductions	3,462,536.05	2,823,131.96
Total Cash Outflows	29,388,438.74	27,324,767.87
Adjustments	0.00	0.00
Adjusted Cash Outflows	29,388,438.74	27,324,767.87
Net Cash Provided by/(Used in) Operating Activities	4,313,202.80	5,824,823.09
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	29,334.93	23,110.96
Total Cash Inflows	29,334.93	23,110.96
Adjustments	0.00	0.00
Adjusted Cash Inflows	29,334.93	23,110.96
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	1,494,433.40	501,430.37
Total Cash Outflows	1,494,433.40	501,430.37
Adjustments	0.00	0.00
Adjusted Cash Outflows	1,494,433.40	501,430.37
Net Cash Provided By/(Used In) Investing Activities	(1,465,098.47)	(478,319.41)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	0.00	0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	0.00	0.00
Cash Outflows		

Payment of Long-Term Liabilities	<u>3,695,964.00</u>	<u>3,695,964.00</u>
Total Cash Outflows	<u>3,695,964.00</u>	<u>3,695,964.00</u>
Adjustments	0.00	0.00
Adjusted Cash Outflows	<u>3,695,964.00</u>	<u>3,695,964.00</u>
Net Cash Provided By/(Used In) Financing Activities	<u>(3,695,964.00)</u>	<u>(3,695,964.00)</u>
Effects of Exchange Rate Changes on Cash and Cash Equivalents		
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(847,859.67)	1,650,539.68
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>9,236,888.69</u>	<u>7,586,349.01</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>8,389,029.02</u></u>	<u><u>9,236,888.69</u></u>



**KAPATAGAN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
ALL FUNDS**

For the year ended December 31, 2017

1. 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).

2. Summary of Significant Accounting Policies

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).

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 (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003.

3. Cash and Cash Equivalents

This account consists of:

<i>Accounts</i>	2017	2016
	Amount	Amount
Cash on Hand	₱ 109,295.78	₱ 139,496.49
Cash in Bank – Local Currency	<u>8,279,733.24</u>	<u>9,097,392.20</u>
TOTAL AMOUNT	₱ 8,389,029.02	₱ 9,236,888.69
<i>Details of the Cash in bank accounts are as follows :</i>		
– LCCA (FVB) 22-00008-5	₱ 65,881.70	₱ 277,699.91
– LCCA (LBP) 0802-1078-11	1,009,134.76	2,506,779.04
– LCCA (LBP) 0805-0712-14	10,013.16	10,013.16
– LCSA (LBP) 0801-0610-87	5,620,884.36	5,467,032.62
– LCSA (FVB) 102-051-121235	973,819.26	385,867.47
– LCSA (LBP) 0802-1169-18	<u>600,000.00</u>	<u>450,000.00</u>
Total	₱ 8,279,733.24	₱ 9,097,392.20

- 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 is also a depository bank of the district where the amount of total deposits at 1st Valley Bank that exceeds to P500,000 will be transferred to this account;

- LBP Account no. 0805-0712-14 is a bank account intended for the electronic payment/remittances for PAG-IBIG/HDMF contributions which they call EFPS.
- LBP Account No. 0801`-0610-87 served as the joint savings account between LWUA and KAPWD.
- FVB Account No. 102-051-121-235 served as trust fund for the amount collected from concessionaires for Water Meter Maintenance fee.
- LBP Account no. 0802-1169-18 is a savings account for Terminal Leave.

4. Receivables

	2017	2016
Accounts Receivable	₱ 909,066.04	₱ 828,737.33
Allowance for Impairment – Accounts Receivable	0	0
Receivables – Disallowances/Charges	1,820,800.00	1,994,800.00
Due from Officers and Employees	20,000.00	0
TOTAL	₱ <u>2,749,866.04</u>	₱ <u>2,823,537.33</u>

5. Inventories

	2017	2016
Inventory Held for consumption		
- Office Supplies Inventory	₱ 19,610.00	₱ 19,636.00
- Accountable Forms, Plates & Stickers Inventory	6,500.00	78,000.00
- Non – Accountable Forms Inventory	53,750.00	102,700.00
- Chemical and Filtering Supplies Inventory	28,791.62	57,539.72
- Other Supplies and Materials Inventory	2,831,046.95	2,101,131.72
Semi-Expendable Machinery and Equipment		
- Semi – Expendable Machinery	0	0
- Semi – Expendable Office Equipment	61,699.00	66,782.33
- Semi – Expendable Information and Communication Technology Equipment	0	181,276.02
- Semi – Expendable Communication Equipment	247,875.00	264,505.00
- Semi – Expendable Other Machinery and Equipment	125,447.00	235,367.80
Semi-Expendable Furniture, Fixtures & Books	181,556.82	146,886.82
TOTAL	₱ <u>3,737,552.41</u>	₱ <u>3,253,825.41</u>

6. Other Current Assets

	2017	2016
Advances		
- Advances for Operating expenses	0.00	0.00
- Advances for Payroll	0.00	0.00
- Advances to Special Disbursing Officer	0.00	0.00

- Advances to Officers & Employees	0.00	0.00
Prepayments	9,225.64	3,910.68
TOTAL	₱ 9,225.64	₱ 3,910.68

7. Property, Plant and Equipment

	2017	2016
Land	₱ 3,529,309.23	₱ 3,529,309.23
Land Improvements	1,094,542.47	928,463.47
Infrastructure Assets		
<i>Water Supply Systems (pOW)</i>	6,465,749.45	6,280,563.45
Accumulated Depreciation	(2,911,911.17)	(2,528,452.04)
<i>Plant – Utility Plant in Service (UPIS)</i>		
-Reservoir & Tanks	3,826,444.12	3,826,444.12
Accumulated Depreciation	(1,628,267.18)	(1,457,157.19)
-Transmission & Distribution mains	53,443,237.66	53,363,129.31
Accumulated Depreciation	(11,615,409.97)	(8,711,141.43)
<i>Other Infrastructure Assets</i>	1,498,461.01	1,590,661.01
Accumulated Depreciation	(874,043.15)	(799,114.13)
Buildings & Other Structures	3,522,907.63	2,458,631.00
Machinery and equipment		
Office Equipment	1,059,089.63	323,401.34
Accumulated Depreciation	(203,465.80)	(151,997.98)
Information and Communication		
Technology Equipment	0	447,801.34
Accumulated Depreciation	0	(305,155.87)
Communication equipment	0	50,600.00
Accumulated Depreciation	0	(12,297.75)
Other Equipment	961,320.00	1,060,028.13
Accumulated Depreciation	(241,071.70)	(141,613.25)
Transportation Equipment	908,292.00	933,475.89
<i>Accumulated Depreciation</i>	(674,600.18)	(638,206.43)
Construction in Progress – UPIS	45,572.30	
Total Property, Plant and Equipment	₱ 58,206,156.35	₱ 60,047,372.22

8. Current Financial Liabilities

Accounts	2017	2016
Payable		
- Accounts Payable	₱ 609,315.74	₱ 3,090,297.90
- Due to Officers & Employees	0.00	147,763.48
TOTAL FINANCIAL LIABILITIES	₱ 609,315.74	₱ 3,238,061.38

9. Inter – Agency Payables

	2017	2016
- Due to BIR	₱ 99,443.79	₱ 140,228.77
- Due to GSIS	223,027.17	204,186.29
- Due to Pag-ibig	53,591.53	55,393.47
- Due to Philhealth	18,850.00	10,450.00

Total	₱ <u>394,912.49</u>	₱ <u>410,258.53</u>
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10. Trust Liabilities

	2017	2016
Trust Liabilities	₱ <u>163,925.50</u>	₱ <u>810,230.81</u>

11. Deferred Credits/Unearned Income

	2017	2016
Deferred Credits to Income	₱ <u>160,441.19</u>	₱ <u>45,000.00</u>

12. Non-current Financial Liabilities

Accounts	2017	2016
Bills/Bonds/Loans Payable		
- Loans Payable - Domestic	<u>28,462,557.05</u>	<u>30,770,231.52</u>
TOTAL FINANCIAL LIABILITIES	₱ <u>28,462,557.05</u>	₱ <u>30,770,231.52</u>

13. Income

	2017	2016
SERVICE AND BUSINESS INCOME		
<i>Business Income</i>		
Waterworks System Fees	₱ 30,378,684.40	₱ 30,820,434.02
Interest Income	11,292.05	28,627.68
Fines & Penalties – Business Income	569,914.09	588,231.32
Other Business Income	<u>1,064,289.63</u>	<u>84,757.45</u>
TOTAL BUSINESS INCOME	₱ <u>32,024,180.17</u>	₱ <u>31,522,050.47</u>

14. EXPENSES

14.1 Personnel services

	2017	2016
Salaries and Wages	₱ 9,018,338.62	₱ 7,665,675.86
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,057,000.00	868,000.00
Representation Allowance (RA)	147,000.00	156,000.00
Transportation Allowance (TA)	147,000.00	156,000.00
Clothing/Uniform Allowance	220,000.00	180,000.00
Overtime & Night Pay	768,925.33	615,455.97
Year – end Bonus	1,533,204.41	1,280,466.00

Cash Gift	222,916.70	182,500.00
Other Bonuses & Allowances	224,500.00	182,500.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	1,089,843.18	917,522.44
Pag-IBIG Contributions	53,400.00	44,000.00
PhilHealth Contributions	102,487.50	82,437.50
Employees Compensation Insurance Premiums	53,386.51	43,872.94
Other Personnel Benefits	<u>385,554.61</u>	<u>503,881.77</u>
TOTAL PERSONNEL BENEFITS	₱ 15,023,556.86	₱ 12,878,312.48

14.2 Maintenance & Other Operating Expenses

	2017	2016
Travelling Expenses	₱ 414,641.84	₱ 350,004.26
Training and Scholarship expenses	149,420.00	143,865.96
Supplies & Materials Expenses		
- Office Supplies Expenses	126,499.70	265,286.00
- Accountable Forms Expenses	71,500.00	0.00
- Non-Accountable Forms Expenses	93,550.00	0.00
- Fuel, Oil & Lubricants expenses	165,675.20	154,762.17
- Chemical & Filtering Supplies expenses	417,566.66	418,971.31
<i>Total Supplies & Materials Expense</i>	<i>874,791.56</i>	<i>839,019.48</i>
Utility Expenses		
- Water expenses	31,471.36	28,488.86
- Electricity	81,805.84	8,303.19
<i>Total Utilities Expense</i>	<i>113,277.20</i>	<i>36,792.05</i>
Communication Expenses		
- Postage & Courier Services	15,125.00	19,670.00
- Telephone expenses	49,322.17	48,002.00
- Internet Subscription Expenses	30,076.26	18,264.15
<i>Total Communication Expense</i>	<i>94,523.43</i>	<i>85,936.15</i>
Generation, Transmission & Distribution expenses	373,909.11	167,046.47
Extraordinary & Miscellaneous expenses	491,866.02	537,792.69
Professional Services		
- Legal Services	1,000.00	2,300.00
- Auditing Services	0.00	158,984.00
- Other Professional Services	21,900.00	14,700.00
<i>Total Professional Fees</i>	<i>22,900.00</i>	<i>175,984.00</i>
General Services	224,537.50	664,915.87
Repairs & Maintenance		
- Repairs & Maintenance - Infrastructure Assets	4,384,300.60	3,434,817.99
- Repairs & Maintenance - Buildings & Other Structures	0.00	0.00
- Repairs & Maintenance - Machinery & Equipment	103,206.00	77,154.68
- Repairs & Maintenance -	177,373.30	116,616.73

Transportation Equipment		
<i>Total Repairs and Maintenance</i>	4,664,879.90	3,628,589.40
Taxes, Insurance Premiums & Other Fees		
- Taxes, Duties & Licenses	567,817.91	738,839.77
- Insurance expenses	133,801.10	121,393.84
<i>Total Taxes, Insurance Premiums & Other Fees</i>	701,619.01	860,233.61
Other Maintenance and Operating Expenses		
- Advertising, Promotional & Marketing Expenses	61,500.00	250,571.00
- Representation Expenses	95,128.12	112,368.14
- Transportation & Delivery expenses	4,529.50	14,875.00
- Rent expenses	90,000.00	120,000.00
- Donations	7,800.00	17,000.00
- Directors & Committee Member's Fees	846,955.93	1,073,772.01
- Other Maintenance & Operating expenses	12,297.00	258,452.25
<i>Total Other Maintenance & Operating Expenses</i>	<u>1,118,210.55</u>	<u>1,847,038.40</u>
TOTAL MAINTENANCE & OTHER OPERATING EXPENSES	₱ <u>9,244,576.12</u>	₱ <u>9,337,218.34</u>

15 Financial Expenses

	2017	2016
Interest Expenses	₱ 1,500,038.00	₱ 1,647,661.00
Bank Charges	0.00	0.00
TOTAL FINANCIAL EXPENSES	₱ <u>1,500,038.00</u>	₱ <u>1,647,661.00</u>

16 Non-Cash Expenses

	2017	2016
Depreciation	₱ 4,012,275.72	₱ 3,023,967.84
Impairment Loss – Other Receivables	0.00	0.00
Discounts & Rebates	34,898.40	37,009.34
TOTAL NON – CASH EXPENSES	₱ <u>4,047,174.12</u>	₱ <u>3,060,977.18</u>

PART II – OBSERVATIONS AND RECOMMENDATIONS

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

1. The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.

The following reports and documents are to be submitted to the Office of the Auditor at the following dates:

Documents/Reports	Deadline of Submission	Legal Basis
Quarterly Trial Balance with supporting schedules	Every quarter within the 1 st 10 days of the following month	COA Circular 92-89E
Bank Reconciliation Statements	Within the first 15 days of the following month	Sec. 74 of PD 1445 Sec. 2.1.4 of COA Circular No. 125a
Property, Plant and Equipment/Materials Inventory of Reports	Every 31 st day of January each year	Sec. IV of COA Circular No. 80-124
Contracts/Purchase Orders	Within 5 days after the execution of the contract / purchase orders (regardless of amount)	Sec. 1 of COA Circular 2009-001

Conflict affecting the City of Marawi prolonged land travel to Lanao del Norte due to the presence of military check-points and therefore time-consuming. Electronic submission of reports therefore was relied on. Communications sent to the District for the submission of said reports produce submission of some but not all required documents, especially the report on physical count on the inventory supplies and materials and the PPE amounting to , especially the report on physical count on the inventory supplies and materials and the PPE amounting to P17,414,429.63 and P696,678.94 respectively as of December 31, 2017. respectively as of December 31, 2017. No explanation, either written or verbal, was given to this Office for the delay or non-submission.

Water districts were previously audited cyclically and therefore it is understandable that they do not know where will they submit the above-mentioned reports as there is no permanent auditor assigned to them. But starting CY 2013 water districts and other stand-alone agencies have auditors assigned to them who will regularly review the accounts of the agency. Thus, regular submission of reports should now be observed. With the advent of internet, reports can now be submitted electronically.

The non-submission of the required reports hampered review of the accounts affected by the said reports. Water District personnel are reminded that non-submission of the required reports is a ground for suspension of their salary.

Recommendation:

We recommended that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.

Management Comment:

The Management commented that it will direct the Accounting Department to prepare and submit required reports as scheduled. Accounting Department requested for consideration since periodic submission of financial reports was not previously practiced; the Department are just to wait when the assigned Auditor asks for the said reports.

2. The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2016 and submit it to the Department of Budget and Management within the prescribed deadline.

The Department of Budget and Management (DBM) issued the CNBC No. 22 dated December 1, 2016. Section 2 and 3 of CNBC No. 22 states:

“2.0 Coverage

This Circular shall apply to all GOCCs and GFIs with or without budgetary support from the national government.

3.0 General Guidelines and Policies

- 3.1. *GOCCs/GFIs shall prepare and submit their COBs to the Department of Budget and Management (DBM) prior to the beginning of the ensuing fiscal year but not later than December 31 of the current year. For GOCCs/GFIs receiving budgetary support from the national government, release thereof shall depend on the timely submission of their COBs.*
- 3.2. *The COB shall consist of estimates of financing sources and expenditures for current operating and capital outlays. The COB should reflect realistic estimates of receipts from all sources to support the level of proposed expenditures clearly supported by assumptions, programs or projects.*
- 3.3. *Any increase in the approved principal COB in the course of the budget year as may be warranted by additional corporate receipts shall require submission and approval of a supplemental COB to cover the additional expenditures. In case a GOCC/GFI submits its principal COB after June 30 of the fiscal year, the same shall no longer be reviewed/evaluated by the DBM. As such, the COB level shall only be up to the extent of last year's approved budget level, net of non-recurring expenses.”*

Request for the Corporate Operating Budget (COB) revealed that the Agency did not prepare it in accordance with the DBM required forms and submit it on the required date. The reports required, such as the Estimates of Revenues and Estimates of

Expenditures, were not prepared by the Agency. Neither target revenues that are expected to be collected for the current year were not set by the Agency nor were estimates for its expenditures made by the District.

The non-preparation of the budget reports will affect the Agency's ability in allocating its resources effectively by assessing which object of expenditures would be given priority and which can be avoided. Further, the financial performance of the Agency could not be assessed due to the absence of the budget reports.

Recommendations:

We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.

Management Comment:

The Management commented that the District complied with the said requirement by preparing and submitting it to DBM, but they refused to accept for the reason of no budgetary support from the national government. To comply with the recommendation, the Management will continue to submit the District's Annual Corporate Operating Budget to DBM and have them document their refusal.

3. Payments of salaries to Job Order personnel hired for the construction of office building implemented by administration totaling P983,480.00 were not supported with duly approved Daily Time Record as required under COA Circular 2012-001.

COA Circular No. 2012-001 prescribes the revised guidelines and documentary requirements for common government transactions. The Circular requires that claims against government funds should be supported with complete documentations and there should be sufficient and relevant documents to establish validity of the claim. Item 4.1.3 of the same Circular provides, among others, the necessary documentary requirements for the payment of salary of casual/contractual personnel, as enumerated below:

Required documents for salary of Job Order:

- 1. Certified copy of the pertinent contract/appointment/job order marked received by the CSC;*
- 2. Certification by the LCE/Personnel officer that the activities/services cannot be provided by the regular or permanent personnel of the agency; (first claim)*
- 3. Accomplishment Report; and*
- 4. Approved DTR.*

Review and verification of disbursement records disclosed that salary payments to JO personnel were paid without complete documentation. It was observed that there was no Certification from the General Manager or from the Personnel Officer that the activities/services cannot be provided by the regular or permanent personnel of the District due to lack of manpower. The said certification is intended to justify the outsourcing of personnel and for non availment of in-house labor as an option in undertaking by administration projects. Moreover, it was noted that there were no Daily

Time Records attached to record employee attendance at the construction site, which is essential in tracking the activities conducted by the concerned JO personnel.

Hence, the validity of the claims for the salaries by the JO personnel cannot be established due to the absence of the said certifications and time records to support their claims with complete documentation.

Recommendations:

We recommended that the management should execute the said certifications for the JO Personnel and the corresponding Daily Time Records must be produced as prerequisite to each payment of salaries. Also, the designated Accounting in-charge must be instructed not to process payments without complete documents attached pursuant to COA Circular 2012-001.

Management Comment:

The Management committed to submit all the requested documents for the propriety of the transaction/payment.

4. The District entered contract with a Job Order Labor Contractor for the manual labor component of its project implemented by administration contrary to the provisions in IRR of RA 9184 and GPPB Resolution No. 018-2006.

Appendix 1 in IRR of RA 9184 as approved under GPPB Resolution No. 018-2006 provides that:

“Section 3.4:

No contractor shall be used by the procuring entity, directly or indirectly for works undertaken by administration.

Section 3.4:

Manual labor component of projects implemented by administration may be undertaken by the employees holding regular plantilla positions, by job-order or through the pakyaw contracting system...

Section 4.1:

Pakyaw labor shall be drawn from the vicinity of the project, or Pakyaw labor groups belong to various Barangay Associations contiguous to the project site. Unskilled labor should be drawn from the Barangay where the project is located; semi-skilled labor shall be recruited within the municipality, preferably within the Barangay; skilled labor shall be recruited within the province but preferably within the Barangay/Municipality.

Section 4.8:

The amount of a pakyaw labor contract per project shall not exceed Five Hundred Thousand Pesos (₱ 500,000.00) per pakyaw group.”

Audit of disbursements from February to August of CY 2017 showed that the District has incurred total payments of labor services for the construction of office building totaling P983,480.00, which were paid to Mr. Pedro Villarin, Jr., et al. However, as per supporting documents, the District has entered into various Job Order Labor Contracts with Mr. Villarin, referred to as "Job Order Labor Contractor" to provide manpower and labor needed for manual construction activities in Kaptagan, Lanao del Norte.

Use of contractor is clearly prohibited under the above provisions of IRR of RA 9184 and is not included among the prescribed sources of labor component for infrastructure projects implemented by administration.

Even if the labor is represented by a single facilitator, it cannot be construed that Mr. Pedro Villarin, Jr., et al (Payee) is a Group Leader of a "Pakyaw" group since each payment made to him is covered by several Job Order Contracts named under different people with different functions in the construction activities. Also, review of actual disbursement disclosed a total cost for manual labor component of the project amounting to P983,480.00 which exceeded the Five Hundred Thousand Pesos (P500,000.00) limit per "pakyaw" group.

It was also noted that there were no Requests for Quotation (RFQs) and Canvasses submitted to support the claim for the hiring of Job Order workers from the concerned locality, thus, putting the government into disadvantage for being not able to avail the best service at the least possible cost.

Recommendations:

We recommended that the management should strictly adhere to the provisions of Appendix 1 in IRR of RA 9184 under GPPB Resolution No. 018-2006 and to submit valid justification in undertaking contract with a job order labor contractor accompanied with Cost-Benefit Analysis to substantiate its decision.

Management Comment:

The Management asked for consideration for their lack of sufficient knowledge on the provisions of RA 9184 when implementing Construction of Infrastructure Assets by administration, specifically the hiring of Job Order for the labor component of the project. The management committed to strictly comply with RA 9184 on all of its future projects.

5. The Agency did not procure common-use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.

Section 1 of Administrative Order No. 17 dated July 28, 2011 provides that:

" xxx. that all government agencies shall procure their common-use supplies from the PS."

Likewise, Section 4 of the same Order states that:

"Common-use supplies shall be procured directly from the PS or its depots without need of public bidding as provided in Section 53.5 of the Implementing Rules and Regulations (IRR) of R.A. 9184."

The said Administrative Order clearly provides that the purchase of common-use supplies from the PS is mandatory for all government agencies.

In our audit of the disbursements, it was noted that the Agency did not procure common-use supplies and materials from the PS.

Recommendations:

We recommended that Management start procuring common-use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly needed by the Agency should be done on a quarterly basis.

Management Comment:

The Management cited below reasons why they opted not to procure common-use supplies ay PS-DBM:

1. The quality of the supplies is quite lower compared to what we are using;
2. The location is quite far that will cause us to incur additional expenses in picking up our orders; and
3. We had previously tried purchasing supplies in PS-DBM but most of our common used supplies are out of stock.

The Management committed that they will comply with the recommendation effective March 2018.

6. Mutilated coins found on hand may result to a loss of the Agency's realized income amounting to Php 3,900.00 if it can be classified into the conditions stated under Section 22, Chapter V, of Banko Sentral ng Pilipinas (BSP) Circular 829.

Sound business practice dictates that Management, especially the Finance Department should be aware of laws which may not concern the agency directly but may exposed the assets of the agency to possible loss such as banking laws concerning mutilated or unfit for circulation notes and coins.

Pertinent sections form BSP Circular 829, Chapter V, dated March 13, 2014, concerning mutilated coins and those unfit for circulation states:

"Chapter V

Replacement And Redemption Of Legal Tender Philippine Currency Notes And Coins Considered Mutilated Or Unfit For Circulation

Section 15. X x x

Section 18. A currency coin shall be considered unfit for circulation when:

- (a) It is bent or twisted out of shape or defaced on show signs of corrosion, but its genuineness and/or denomination can still be readily and clearly determined/identified; or*
- (b) It has been considerably reduced in weight by natural abrasion/wear and tear*

Section 19. A currency coin shall be considered mutilated when:

- (a) It shows signs of filing, clipping or perforation; or*
- (b) It shows signs of having been burned, corroded or has been so defaced, that its genuineness and/or denomination cannot be readily and clearly identified.*

Section 20. Currency notes and coins considered unfit for circulation shall not be recirculated, but may be presented for exchange to or deposited with any bank.

Section 21. Banks shall accept from the public mutilated notes and coins for referral/transmittal to CIO, BSP – Quezon City or any of the BSP Regional Offices/Branches for determination of redemption value. Banks may charge reasonable handling fees from clients and/or the general public relative to the handling/transporting to BSP of mutilated notes and coins.

Section 22. The BSP shall replace or redeem notes and coins considered unfit for circulation of mutilated except under the following conditions:

- (a) Identification of notes and coins is impossible; or*
- (b) Coins that show signs of filing, clipping or perforation; or*
- (c) Notes which have lost more than two-fifths (2/5) of their surface or all of the signatures inscribed thereon; or*
- (d) Notes which are split edgewise resulting in the loss of the whole of or part of, either the face or back portion of the banknote paper; or*
- (e) Notes where the Embedded Security Thread or Windowed Security Thread placed thereon is completely lost except when the damage appears to be caused by wear and tear, accidental burning, action of water or chemical or bits of rodents/insects and the like.*

Notes and coins falling under any of the classifications mentioned under this Section shall be withdrawn from circulation and demonetized without compensation to the owner/bearer. (underscoring supplied).

Cash count done on May 5, 2017 revealed that the water district has in its possession the following coins which can be considered as mutilated or unfit for circulation:

Denomination	Quantity (pcs)	Total
Php 10.00	30	Php 300.00
5.00	285	1,425.00
1.00	2,158	2,158.00
0.25	68	17.00
Total	2,541	Php 3,900.00

Inquiry revealed that said coins was from their collections, especially when it falls on due dates, where numerous concessionaires would flock to the water district office to pay their bills. To accomodate as many as possible, tellers would overlook to check the condition of the coins given to them by the concessionaires, thus accumulating such number and amount of mutilated or unfit for circulation coins.

When queried about why such coins were not presented for exchange to or deposited with their authorized depository bank, the cashier replied that the bank refused to accept said coins and asked them to present it directly to the nearest BSP Regional Office/Branch for exchange.

If all of the mutilated or unfit for circulation coins in the possession of the Water District falls into one of the classifications mentioned in Section 22 of Chapter V, BSP Circular No. 829, then the Agency will suffer a loss which amounting to Php 3,900.00.

The non-acceptance of their authorized depository bank of their mutilated or unfit for circulation coins is contrary to Section 21, Chapter V of BSP Circular 829 and said bank may be reported to the BSP for possible sanctions due to non-compliance of said section.

A Notice Of Charge will be issued for mutilated or unfit for circulation coins not compensated by their authorized depository bank or the BSP.

Recommendations:

We recommended that:

- a. Management should remind the assigned tellers to exercise utmost care in the performance of their duties so that mutilated or unfit for circulation notes and coins should not be accepted and returned to the concerned concessionaire who presented it;
- b. Segregate the mutilated or unfit for circulation coins according to the classification stated under Chapter V, Sections 18, 19, and 22 of BSP Circular dated March 13, 2014; and
- c. Present the mutilated or unfit for circulation coins to their authorized depository for exchange or to the BSP Regional Office/Branch nearest to the water district, taking into account the cost that may be charged by their authorized depository bank and transporting the same to the nearest BSP Regional Office/Branch, whichever is more cost efficient or economical.

Management Comment:

The Management commented that upon receipt of the AOM, they no longer accept mutilated coins from customers, except in extreme cases. Mutilated coins on hand during cash exam were successfully deposited at LBP-Tubod with the warning that they will no longer accept the same in succeeding deposits.

B. VALUE FOR MONEY AUDIT

7. The estimated 620,461.60 cu.m. of unaccounted water incurred by the District for CY 2017 is 13.92% more than the maximum acceptable level of NRW of 20% prescribed by LWUA through Resolution No. 444, series of 2009.

To address the concern regarding the alarming level of NRW or water losses for all Water Districts, LWUA through BOT Resolution No. 444, series of 2009 requires the maximum acceptable level of NRW to be at 20%.

Moreover, LWUA Memo Circular No. 014-10 also provides that:

“There is a need for Water Districts to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy.”

Review of the District’s Monthly Data Sheets on Water Production for CY 2017 discloses that the District has produced 1,828,940.60 cu.m. for a total production cost of P4,037,415.91 (P2.21/cu.m.), of which, only 1,208,479.00 cu.m. were accounted/billed, thereby resulting to an unaccounted water loss of 620,461.60 cu.m. or 33.92% of the water pumped. Reported NRW exceeds the maximum acceptable level of 20%.

Water losses are normally attributed to leakages, water pressure problems; and/or apparent loss due water theft and metering inaccuracies, and the lack of a more effective and intensive strategic measure to address these causes normally results to excessive NRW.

High level of NRW is detrimental to the financial viability of the District. The excess 13.92% NRW cost the District an additional loss of P549,394.78. Aside from the additional loss, this level of NRW resulted to an opportunity loss to the District because the same could have generated additional gross revenue estimated at P4,426,225.08 assuming it was sold at a minimum residential rate of P17.38.

Recommendations:

We recommended to the District to improve its efficiency level by significantly reducing water loss to the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.

Management Comment:

The Management commented that they had already exerted extra ordinary efforts in trying to resolve this common Water District problem. With the NRW still at an

unacceptable level, the management continues to look for solutions by considering all the factors such as the old water meters. The management asked the Board of Directors' approval to utilize the Trust fund for Water meters to find out whether the aged Water Meters (7years and above) really contributed to the increasing percentage of NRW. Regardless of the BOD's reply to the request, the Management continues to find for ways to reduce the NRW of the District.

8. The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.

LWUA Memorandum Circular No. 010.14 provides that:

"The Department of Health (DOH) has issued on September 4, 2014, Administrative Order (AO) No. 2014-0027 declaring the development and implementation of Water Safety Plan (WSP) by all drinking-water service providers as a national policy for drinking-water quality management. In support of the objectives of the DOH and in compliance with the AO, LWUA is

- 1. Adopting the 11-step process of the World Health Organization (WHO) as the main guideline in developing WSP for all WD and RWSA; and*
- 2. Directing all water districts and RWSA to develop and implement WSP and comply with the provisions of DOH AO No. 2014-0027."*

Also, Item VI.A of DOH Administrative Order No. 2014-0027 dated September 4, 2014 provides the guidelines that:

"All drinking water service providers shall develop water safety plan for their water supply systems within three years after the issuance of this Order and ensure its implementation after its approval."

Water supply system is vulnerable to contamination due to extreme weather events brought by global warming and climate change and occurrences of disasters. These threaten the safe quality of water, thus, DOH in accordance with its mandate of being primarily responsible for the formulation, planning, implementation and coordination of policies and programs in the field of health, strongly supports the application of a risk management approach, known as Water Safety Plan, by all water service providers.

The WSP is a management tool that can be applied to all types of water systems to ensure the safe quality of supplied water. The WSP uses a comprehensive risk assessment and risk management approach encompassing all steps in water supply from water source to consumer.

Inquiry with Management revealed that the Agency did not undertake the initial steps in the development of the Water Safety Plan as required by the above stated provisions.

The Agency has its water sample undergo a monthly bacteriological test to ensure that the water supply passes the requirements set by the Philippine National Standards for

Drinking Water for bacteriological quality, however, this will not guaranty a 100% safe quality of water due to the uncontrolled risk brought by current environmental changes, human activities and natural events that threaten the safe quality of water.

The WSP aims to prevent or minimize contamination of water source, remove contamination thru treatment and prevent re-contamination during storage, distribution and handling of drinking-water. The preparation and development of the WSP, together with the application of the appropriate control measures, will properly address the risks that threaten the safe quality of water and public health.

Recommendations:

We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2018 as provided under DOH Administrative Order No. 2014-0027.

Management Comment:

The Management commented that they have actually prepared Water Safety Plan but failed to submit the same to the team.

9. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.

Section 4 of the Implementing Rules and Regulation of Republic Act 10121 (*An Act Strengthening the Philippine Disaster Risk Reduction and Management System, Providing for the National Disaster Risk Reduction and Management Framework and Institutionalizing the National Disaster Risk Reduction and Management Plan, Appropriating Funds therefor and for Other Purposes*) provides for the scope of disaster risk reduction and mitigation preparation shall be at all levels of the government. Moreover, in compliance with the above provision, Section 35 of 2017 General Appropriations Act mandates that the agencies of the government shall implement programs, projects and activities designed to enhance climate change adaptation and mitigation.

Inquiry revealed that Management has no definite plans, programs and projects designed to address disasters, or to mitigate the adverse effects of it due to climate change in their area or jurisdiction.

Although Management and other agency personnel was invited by the provincial / local government in consultative meetings, symposia and the likes for disaster risk reduction and mitigation, it seems that the importance of having concrete plans, programs and projects to address disasters due to climate change was not emphasized.

Water is indispensable for human survival. Disasters which have stricken the nation during recent years have shown that water supply was the first to be affected and local water districts as a forefront agency should provide for alternative source of water in cooperation with the local government unit where they belong should disasters strike.

Recommendations:

We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2017 General Appropriations Act.

Management Comment:

The Management commented that the District prepared plans and programs with regards to the climate change and disaster risk reduction and mitigation but did not produce it yet due to doubts as to the correctness of the format.

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

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

We made a follow-up on the action taken by the District to implement the recommendations of CY 2016 AAR and noted the following:

<i>Status of Implementation</i>	<i>No. of Recommendations</i>
Fully Implemented	5
Partially Implemented	3
Not Implemented	2

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2016 AAR Finding No. 1	Monthly allowances were granted to the Board of Directors (BODs) and payments of per diem for their attendance to board meetings exceeds the maximum allowable amount per month contrary to Executive Order No. 65 and Local Water Utility Administration (LWUA) Memorandum Circular No. 015-12 dated November 22, 2012.	<p>Require Management to:</p> <ul style="list-style-type: none"> • Require the BODs to refund the full amount so received in connection to the overpayment of per diems and allowances for lack of legal basis; • Stop the granting of monthly allowances and other benefits to its BODs without legal basis; and • Strictly adhere to Executive Order 65 and LWUA Memorandum Circular No. 015-12 relative to the compensation of the BODs of the District. 	Partially Implemented
2016 AAR Finding No. 2	Reimbursements and liquidations of travels totaling P94,630.52 by officials and employees of the District were not duly supported with Certificates of Travel Completed as required under COA Circular 2012-001.	Strictly adhere to COA Circular 2012-001 relative to the required set of documentary requirements on the liquidation/reimbursement of travel claims, and to further require the employees to properly accomplish their Itinerary of Travel.	Fully implemented
2016	The different department	• Require the different	Fully

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AAR Finding No. 3	units of the District did not prepare and submit their Project Procurement Management Plan (PPMP) to the BAC Secretariat to support the Annual Procurement Plan (APP) contrary to Section 7.3 of the Implementing Rules and Regulations (IRR) of Republic Act 9184 resulting in non-attainment of an efficient procurement of the District.	<p>department units to submit their respective PPMPs as supporting documents of the APP, and the BAC Secretariat to review and consolidate them into the APP pursuant to Section 7.3 of the Implementing Rules and Regulations (IRR) of Republic Act 9184;</p> <ul style="list-style-type: none"> • Require the Requisitioning Office to include in the PPMPs, provisions for foreseeable emergencies; • Require the regular review and update of individual PPMPs and the APP, at least once every six months or as often as necessary pursuant to Section 7.4 of the Implementing Rules and Regulations (IRR) of Republic Act 9184. 	implemented
2016 AAR Finding No. 4	Payments of leave monetization to employees of the District are not in accordance with Section 22 and 23, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 or the Revised Administrative Code of 1987, thereby casting doubt as to the regularity and validity of the transactions.	<ul style="list-style-type: none"> • Strictly comply with Section 22 and 23, Rule XVI of the Omnibus Rules Implementing Book V of Executive Order No. 292 and Civil Service Commission Resolution No. 00034 as regards the monetization of leave credits. • Instruct the Personnel-in-charge to make necessary adjustment in the leave cards of employees whose monetization were deducted from the sick leave instead of vacation leave. 	Fully implemented
2016 AAR Finding	Payments of salaries to Job Order personnel totaling P170,968.77	Execute a Job Order Contract for the JO Personnel and to instruct	Fully implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
No. 5	were not duly supported with Job Order contracts as required under COA Circular 2012-001	the designate Accounting in-charge not to process payments without complete documents attached pursuant to COA Circular 2012-001.	
2016 AAR Finding No. 6	Purchase of materials and supplies actually received were recorded only upon payment understating inventory and liability balances in the aggregate amount of P394,954.46, contrary to the accrual concept of accounting prescribed under Philippine Accounting Standards (PAS) 1 and National Guidelines on Internal Control System.	<ul style="list-style-type: none"> • Implement accrual basis of accounting in recording of assets, liabilities, income and expenses in compliance with PAS 1 on the Presentation of Financial Statements; • Instruct the Accounting Unit to ensure that the Bookkeeper is furnished with copies of all Purchase Orders and other documents necessary for recording; and • Effect the necessary accounting entries to bring the inventory and liability account to its correct balances. 	Fully implemented
2016 AAR Finding No.7	Official receipts were procured from a private printing service provider without securing prior certification from the recognized government printers (RGPs) as required under the General Appropriations Act (GAA) of 2016.	Strictly comply with Section 23 of the General Appropriations Act (GAA) of 2016 in contracting the services of private printers in the production of accountable forms and sensitive, high quality or high volume printing requirements.	Not Implemented
2016 AAR Finding No.8	The accrual of liability for the earned leave benefits of employees totaling P2, 702,878.98 was not provided by the district contrary to PAS 19 on the accounting for employee benefits.	<ul style="list-style-type: none"> • Provide annual budget for the earned leave benefits of the employees; and • Require the Human Resource Officer to furnish the Accounting Section with a copy of the schedule of earned leave credits of District personnel with the corresponding money value as basis in accounting of 	Partially implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		the accrued liability.	
2016 AAR Finding No.9	Purchase Orders were not properly accomplished contrary to Section B of COA Circular No. 96-010 dated August, 15, 1996, resulting to the inability to ascertain that the delivery of materials and supplies conform to the terms and conditions of the agreement.	Require the Accountant and officials concerned to fill-up the relevant and required information on the Purchase Order and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.	Partially implemented
2016 AAR Finding No.10	The General Manager was granted with Representation and Transportation Allowance (RATA) amounting to P17,000 while on a 2-month Special Leave contrary to Department of Budget Management (DBM) National Budget Circular No. 548 dated May 15, 2013.	Require Management to strictly comply with the guidelines in the grant of RATA to the General Manager pursuant to DBM National Budget Circular No. 548; and that the General Manager refund the RATA so received.	Not implemented