



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on

POLOMOLOK WATER DISTRICT
Polomolok, South Cotabato

For the Year Ended December 31, 2015



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. XII
9600 Cotabato City, Philippines
Tel. No. (064) 421-1973; Telefax (064) 421-1701
Email: ord_coaxii@yahoo.com

March 28, 2016

THE BOARD OF DIRECTORS

Polomolok Water District
Polomolok, South Cotabato



Sirs/Mesdames,

We transmit herewith the Annual Audit Report on the audit of the accounts and operations of Polomolok Water District, Polomolok, South Cotabato for the year ended December 31, 2015, in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provision of Section 43 of Presidential Decree No. 1445. The audit was conducted in accordance with applicable legal and regulatory requirements and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.

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.

An unmodified opinion on the fairness of the presentation of the financial statements as of December 31, 2015 has been rendered.

It was observed that the current level of corporate governance, with some areas of improvements, puts the District in better position towards realizing its purpose as envisioned by PD 198. However, the District's 25.81% non-revenue water of the total production falls short to the requirement of LWUA Memorandum Circular No. 004-10; and the District was unable to present Certificate of Tax Clearance which serves as proof about the district's compliance to existing tax laws, rules and regulations.

The details and other findings and observations as well as the corresponding recommendations are discussed in the audit observations and recommendations portion of the report.

We request that the observations and recommendations contained in the report be fully addressed, and we would appreciate being informed of the actions taken in this regard

within sixty (60) days from the receipt hereof, using the attached Agency Action Plan and Status of Implementation (AAPSI) Form.

We acknowledge the cooperation extended to our Auditors by the officials and employees of Polomolok Water District.

Very truly yours,


ATTY. SUSAN P. DONALVO
Director IV
Regional Director 

Copy Furnished:

*The President, Republic of the Philippines
The Vice-President, Republic of the Philippines
The Senate President, Senate of the Philippines
The Speaker, House of Representatives
The Chairperson, Senate Finance Committee
The Chairperson, Appropriation Committee
The Secretary, Department of Budget and Management
The Administrator, Local Water Utilities Administration
Presidential Management Staff, Office of the President
National Library (soft copy)
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COA Commission Central Library (soft copy)*

[Name of the Agency and Address]

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 20XX
As of _____



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

Agency sign-off: _____

Name and Position of Agency Officer

Date

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

EXECUTIVE SUMMARY

Auditee's Information

The Polomolok Water District (PWD) was established thru Sangguniang Bayan Resolution No. 63 dated October 9, 1980 of the Sangguniang Bayan of the Municipality of Polomolok, province of South Cotabato with Presidential Decree No. 198, as amended, as the enabling law to the creation of water district. On June 9, 1981, the District was issued the Conditional Certificate of Conformance (CCC No. 153) by the Local Water Utilities Administration (LWUA). The Mandates of the District are:

- To acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
- To provide, maintain and operate waste water collection treatment and disposal facilities; and
- To conduct such other functions and operations incidental to water resource development, utilization and disposal within the district, as are necessary or incidental to said purpose.

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

Chairman	- Engr. Andresito J. Degilla
Vice Chairman	- Engr. Alex C. Macabacyao
Members	- Erlinda H. Desullan
	- Ismael G. Verallo, Sr.
	- Dr. Maribel D. Acuesta

Overseeing the day-to-day operations of the District was carried out by General Manager Engr. Solito T. Torquator. The District has seventy-seven (77) regular employees and ten (10) job orders who are manning the operations.

Audit Scope and Methodology

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Auditing Code of the Philippines (P.D. No. 1445), we have audited the accounts and operations of the District covering the period January 1 to December 31, 2015.

The audit was conducted in accordance with the generally accepted state auditing standards, and accordingly included such tests of the accounting records and other related documents and evaluation of the design and operating effectiveness of the controls and such other procedures, as necessary, in the audit.

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 years' audit recommendations.

Deficiencies observed in the course of the audit were earlier communicated through the issuance of the Audit Observation Memoranda (AOMs) and discussed in an exit conference conducted with concerned officials and personnel of the District whose comments are incorporated in this report.

Financial Highlights

Comparative Financial Position

Particulars	2015	2014	Increase (Decrease)	Percentage
Total Assets	Php174,316,537.28	Php155,022,633.39	Php 19,293,903.89	12.45%
Total Liabilities	Php 73,378,872.04	Php 70,155,983.71	Php 3,222,888.33	04.59%
Total Equity	Php100,937,665.24	Php 84,866,649.68	Php 16,071,015.56	18.94%

Results of Operations

Particulars	2015	2014	Increase (Decrease)	Percentage
Income	Php 91,215,768.25	Php 82,145,001.09	Php 9,070,767.16	11.04%
Expenses	Php 72,357,349.23	Php 61,467,123.85	Php 10,890,225.38	17.72%
Net Income (Loss)	Php 18,858,419.02	Php 20,677,877.24	(Php 1,819,458.22)	(08.80%)

Opinion of the Auditor

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements.

Summary of Significant Observations and Recommendations

1. The current level of corporate governance, with some areas of improvements, puts the District in better position towards realizing its purpose as envisioned by PD 198.

We commended the Management for its current level of governance. Moving forward, we recommended that Management refine its current risk management practice; enhance its internal control mechanisms by formal articulation of policies and procedures, and establishment of internal control unit; and create internal audit with appropriate manpower that is directly reporting to the governing board.

2. The District's 25.81% non-revenue water of the total production falls short to the requirement of LWUA Memorandum Circular No. 004-10.

We recommended that Management deliver the required levels of both revenue and non-revenue waters through effective and efficient implementation of its planned courses of actions.

3. The District was unable to present Certificate of Tax Clearance which serves as proof about the district's compliance to existing tax laws, rules and regulations.

We recommended that Management should closely engage with BIR in order to secure Certificate of Tax Clearance. In the event that tax charges/cases are filed against the district hindering the issuance of tax clearance in its favor, we recommended that these tax charges/cases be disclosed in the Notes to the Financial Statements.

Status of Suspensions, Disallowances and Charges

As of December 31, 2015, the disallowance amounted to P3,845,075.30 and still unrecorded in the books pending decision on its Petition for Certiorari. No Audit Suspensions and Charges as of December 31, 2015.

Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Year	No. of Observations and Recommendation	Status of Implementation as of 31 December 2015			
		Fully Implemented	On-going	Partially Implemented	Not Implemented
2014	1	1	0	0	0
2013	4	3	1	0	0
2012	3	3	0	0	0

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PART I:
AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. XII
CGS-A (Water Districts) and Other Stand-Alone Agencies
OFFICE OF THE SUPERVISING AUDITOR

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Polomolok Water District

Polomolok, South Cotabato

We have audited the accompanying financial statements of Polomolok Water District as at December 31, 2015, which comprise the balance, statement of income and expenses, statement of cash flows, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

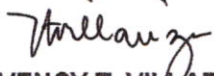
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Polomolok Water District as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles.

COMMISSION ON AUDIT

By:


VENCY T. VILLARIZA
State Auditor IV
OIC-Supervising Auditor

March 28, 2016



Republic of the Philippines
POLOMOLOK WATER DISTRICT (PoIWD)
National Highway, Polomolok, South Cotabato

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Polomolok Water District is responsible for all information and representations contained in the financial statements for the year ended December 31, 2015. The financial statements have been prepared in conformity with applicable laws and regulations and generally-accepted accounting principles applied on a consistent basis and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration for materiality.

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


MARLENE C. CAGATA
Division Manager – Finance


ENGR. SOLITO T. TORCUATOR
General Manager



POLOMOLOK WATER DISTRICT

Balance Sheet

As of December 31, 2015

(With Comparative Figures for 2014)

		2015		2014	
ASSETS					
Current Assets					
Cash and Cash Equivalents	Note 3	Php	34,746,400.13	Php	24,413,064.17
Receivables	Note 4		16,248,840.24		17,699,576.39
Inventories	Note 5		7,499,969.06		4,331,281.66
Prepayments	Note 6		266,812.66		320,774.76
Other Current Assets	Note 7		14,748.00		5,748.00
Total Current Assets		Php	58,776,770.09	Php	46,770,444.98
Non-Current Assets					
Property, Plant and Equipment	Note 8	Php	19,229,241.31	Php	17,911,284.45
Public Infrastructure	Note 9		94,434,682.49		79,178,637.02
Reforestation	Note 10		71,145.00		71,145.00
Construction in Progress	Note 11		196,877.10		9,712,017.87
Other Non-Current Assets	Note 12		1,607,821.29		1,379,104.07
Total Non-Current Assets		Php	115,539,767.19	Php	108,252,188.41
TOTAL ASSETS		Php	174,316,537.28	Php	155,022,633.39
LIABILITIES AND EQUITY					
Liabilities					
Current Liabilities					
Payables	Note 13	Php	16,031,241.14	Php	13,328,027.97
Loans Payable (Current Portion)	Note 14		10,418,725.75		-
Total Current Liabilities		Php	26,449,966.89	Php	13,328,027.97
Non-Current Liabilities					
Loans Payable	Note 14	Php	46,928,905.15	Php	56,827,955.74
Total Non-Current Liabilities		Php	46,928,905.15	Php	56,827,955.74
Total Liabilities		Php	73,378,872.04	Php	70,155,983.71
Government Equity	Note 15	Php	100,937,665.24	Php	84,866,649.68
TOTAL LIABILITIES and EQUITY		Php	174,316,537.28	Php	155,022,633.39

(See accompanying Notes to Financial Statements)



POLOMOLOK WATER DISTRICT
Statement of Income and Expenses
 For the year ended December 31, 2015
 (With Comparative Figures for 2014)

	2015	2014
INCOME	Note 16	
Service Income	Php 1,627,931.37	Php 1,686,432.36
Business Income	89,497,189.94	80,320,128.48
Other Income	90,646.94	138,440.25
Total Revenue	Php 91,215,768.25	Php 82,145,001.09
LESS: EXPENSES	Note 17	
Personal Services	Php 37,576,898.66	Php 29,935,724.06
Maintenance and Other Operating Expenses	31,199,497.41	27,313,317.73
Financial Expenses	3,580,953.16	4,218,082.06
Total Expenses	Php 72,357,349.23	Php 61,467,123.85
NET INCOME (LOSS)	Php 18,858,419.02	Php 20,677,877.24

(See accompanying Notes to Financial Statements)



POLOMOLOK WATER DISTRICT
Statement of Cash Flows
 For the year ended December 31, 2015
 (With Comparative Figures for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows:		
Business and Service Income	Php 92,407,400.21	Php 82,278,440.68
Other Income	64,565.72	150,691.25
Other Receipts	3,835,505.89	3,563,307.72
Total Cash Inflows from Operating Activities	Php 96,307,471.82	Php 85,992,439.65
Cash Outflows:		
Payment of Personal Services	Php 32,875,722.03	Php 24,354,435.38
Payment of Maintenance and Operating Expenses	24,125,729.46	21,549,756.95
Payment of Payables	17,859,538.50	16,227,716.82
Total Cash Outflows from Operating Activities	Php 74,860,989.99	Php 62,131,909.15
Net Cash Provided (Used) in Operating Activities	Php 21,446,481.83	Php 23,860,530.50
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows:		
Proceeds from LWUA Time Deposits	Php 4,339,999.89	Php -
Total Cash Inflows from Investing Activities	Php 4,339,999.89	Php -
Cash Outflows:		
Investments - PWD-LWUA Reserve Fund	Php 4,313,369.77	Php -
Purchase of Property, Plant and Equipment	7,870,307.99	5,805,526.35
Motorcycle Plan	210,000.00	-
Total Cash Outflows from Investing Activities	Php 12,393,677.76	Php 5,805,526.35
Net Cash Provided (Used) in Investing Activities	Php (8,053,677.87)	Php (5,805,526.35)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows:		
Loan Proceed (Amanah Bank)	Php 10,000,000.00	Php -
Total Cash Inflows from Financing Activities	Php 10,000,000.00	Php -
Cash Outflows:		
Loan Amortization - Principal	Php 9,478,514.84	Php 8,428,513.94
Interest Payments on Loan	3,460,853.16	4,218,082.06
Others	120,100.00	-
Total Cash Outflows from Financing Activities	Php 13,059,468.00	Php 12,646,596.00
Net Cash Provided (Used) in Financing Activities	Php (3,059,468.00)	Php (12,646,596.00)
NET CASH PROVIDED (USED)	Php 10,333,335.96	Php 5,408,408.15
Add: Cash and Cash Equivalents, Beginning Balance	24,413,064.17	19,004,656.02
CASH AND CASH EQUIVALENTS, ENDING BALANCE	Php 34,746,400.13	Php 24,413,064.17



POLOMOLOK WATER DISTRICT
Statement of Changes in Equity
 For the year ended December 31, 2015
 (With Comparative Figures for 2014)

	2015		2014	
Restricted/Paid-In Capital, Beginning Balance	Php	3,747,648.44	Php	3,747,648.44
Add (Deduct):		-		-
Restricted/Paid-In Capital, Ending Balance	Php	3,747,648.44	Php	3,747,648.44
Donated Capital, Beginning Balance	Php	-	Php	-
Add (Deduct):		-		-
Donated Capital, Ending Balance	Php	-	Php	-
Retained Earnings, Beginning Balance	Php	81,119,001.24	Php	60,440,724.36
Add (Deduct): Prior Period Adjustment		(2,787,403.46)		399.64
Adjusted Opening Balance	Php	78,331,597.78	Php	60,441,124.00
Add (Deduct):				
Net Income (Loss) for the Period		18,858,419.02		20,677,877.24
Retained Earnings, Ending Balance	Php	97,190,016.80	Php	81,119,001.24
Government Equity, Ending Balance	Php	100,937,665.24	Php	84,866,649.68



Polomolok Water District NOTES TO FINANCIAL STATEMENTS

1.0 Agency Background

The Polomolok Water District (PWD) was established thru Sanguniang Bayan Resolution No. 63 dated October 9, 1980 of the Sanguniang Bayan of the Municipality of Polomolok, province of South Cotabato with Presidential Decree No. 198, as amended, as the enabling law to the creation of water district. On June 9, 1981, the District was issued the Conditional Certificate of Conformance (CCC No. 153) by the Local Water Utilities Administration (LWUA). The Mandates of the District are:

- To acquire, install, improve, maintain and operate water supply and distribution system for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of the district;
- To provide, maintain and operate waste water collection treatment and disposal facilities; and
- To conduct such other functions and operations incidental to water resource development, utilization and disposal within the district, as are necessary or incidental to said purpose.

All monies belonging to the District were deposited to the authorized depository bank. The income of the district was disposed of according to the following priorities:

- First, to pay its contractual and statutory obligation and to meet its essential current operating expenses.
- Second, to allocate at least fifty percent (50%) of the balance exclusively as a reserve for debt service and operating and maintenance, to be used for such purposes only during period of calamities, force majeure or unforeseen events.
- Third, to allocate the residual as a reserve exclusively for expansion and improvement of its physical facilities.

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

Chairman	- Engr. Andresito J. Degilla
Vice Chairman	- Engr. Alex C. Macabacyao
Members	- Erlinda H. Desullan
	- Ismael G. Verallo, Sr.
	- Dr. Maribel D. Acuesta

The Board of Directors is authorized to appropriate funds of the District, such amounts as it may deem necessary for the operational and other expenses of the District including the purchase of necessary equipment.

Particulars	2015		2014	
Cash - Collecting Officers	Php	101,971.70	Php	243,341.71
Others		-		2,000.00
Cash in Bank - Current Account		16,933,223.35		12,269,330.00
Cash in Bank - Savings Account		16,175,101.13		6,060,950.23
Cash in Bank - Time Deposit Account		1,536,103.95		5,837,442.23
Total	Php	34,746,400.13	Php	24,413,064.17

4.0 Receivables

This includes the following:

Particulars	2015		2014	
Accounts Receivable	Php	15,622,440.63	Php	16,743,045.99
Less: Allowance for Doubtful Accounts		596,240.11		596,240.11
Accounts Receivable, net	Php	15,026,200.52	Php	16,146,805.88
Due from NGAs		4,045.50		4,045.50
Due from LGU		10,828.33		5,482.22
Advances to Officers and Employees		-		3,350.00
Others		1,207,765.89		1,539,892.79
Total	Php	16,248,840.24	Php	17,699,576.39

Accounts Receivable represents the amount due to open accounts arising from services rendered to customers from water sales and incidental services. Others are collectibles from customers for their unpaid application fee balances and materials' loan accounts.

5.0 Inventories

This includes the following:

Particulars	2015		2014	
Accountable Forms	Php	0.03	Php	8,532.99
Office Supplies		134,860.35		119,192.85
Medical, Dental and Laboratory Supplies		932.50		-
Gasoline, Oil & Lubricants		70,612.36		65,481.03
Other Supplies		5,047,071.74		1,987,201.01
Spare Parts		8,781.13		17,156.63
Construction Materials		2,237,292.38		2,133,698.09
Others		418.57		19.06
Total	Php	7,499,969.06	Php	4,331,281.66

Other Supplies Inventory includes cost of service connection and distribution lines materials on hand at the end of the year. Construction Materials are the turned-over materials from project implementation on hand at the end of the year.

6.0 Prepayments

This represents payment of insurance premiums to insurable properties of the District and others (advances to contractor and other prepaid expenses). This amounted to P266,812.66 and P320,774.76 as of December 31, 2015 and 2014, respectively.

7.0 Other Current Assets

This account includes Guaranty Deposit. This amounted to P14,748.00 and P5,748.00 as of December 31, 2015 and 2014, respectively.

8.0 Property, Plant and Equipment

This includes the following:

Particulars	2015	2014
Land	Php 1,298,371.13	Php 728,746.13
Electrification, Power & Energy Structures	463,016.31	403,116.31
Office Building	11,711,239.56	10,626,999.36
Other Structures	1,316,137.19	1,316,137.19
Leasehold Improvements, Buildings	133,865.07	53,432.38
Office Equipment	1,785,540.23	1,491,623.22
Furniture & Fixtures	1,001,875.82	919,953.82
IT Equipment & Software	6,021,183.00	5,193,902.75
Machineries	1,050,000.00	1,050,000.00
Firefighting Equipment & Accessories	815,610.34	815,610.34
Medical, Dental & Laboratory Equipment	173,000.00	84,000.00
Communication Equipment	708,632.80	640,132.80
Sports Equipment	33,793.50	26,333.50
Motor Vehicles	7,169,857.66	7,162,857.66
Other Property, Plant & Equipment	3,765,918.14	3,688,559.14
Total	Php 37,448,040.75	Php 34,201,404.60
Less: Accumulated Depreciation	18,218,799.44	16,290,120.15
Total	Php 19,229,241.31	Php 17,911,284.45

9.0 Public Infrastructure

This includes the following:

Particulars	2015		2014	
Artesian Wells, Res., Pumping Station	Php	42,759,323.59	Php	39,598,375.89
Waterways, Aqueducts, Seawall		109,834,110.12		92,498,124.03
Total	Php	152,593,433.71	Php	132,096,499.92
Less: Accumulated Depreciation		58,158,751.22		52,917,862.90
Total	Php	94,434,682.49	Php	79,178,637.02

10.0 Reforestation

This includes the following:

Particulars	2015		2014	
Reforestation-upland	Php	71,145.00	Php	71,145.00
Less: Accumulated Depreciation		-		-
Total	Php	71,145.00	Php	71,145.00

11.0 Construction in Progress

This account is composed of the following on-going projects:

Particulars	2015		2014	
Artesian Wells, Res., Pumping Station	Php	17,496.10	Php	-
Waterways, Aqueducts, Seawall		79,308.00		9,598,526.83
Other Public Infrastructure		-		33,491.04
Other Public Infrastructure - Agency Asset/ Public Infrastructure		100,073.00		80,000.00
Total	Php	196,877.10	Php	9,712,017.87

12.0 Other Non-Current Assets

This includes the following:

Particulars	2015		2014	
Unserviceable Properties	Php	654,366.62	Php	584,758.62
Items in Transit		953,454.67		794,345.45
Total	Php	1,607,821.29	Php	1,379,104.07

13.0 Payables

This account is composed of the following:

Particulars	2015		2014	
Accounts Payable	Php	5,932,438.54	Php	5,350,586.91
Due to Officers & Employees		6,766,765.97		5,516,205.65
Due to BIR		278,386.99		412,797.34

Due to GSIS	621,307.34	511,077.48
Due to Pag-ibig	140,654.95	175,843.40
Due to Philhealth	41,195.48	38,757.98
Due to Other Funds	208,210.00	-
Due to NGAs	-	6,975.01
Guaranty Deposit	67,243.95	18,430.18
Performance/Bidders Bond	1,546,211.72	960,582.44
Other Payable	428,826.20	336,771.58
Total	Php 16,031,241.14	Php 13,328,027.97

14.0 Loans Payable (Domestic)

This consists of loans availed from LWUA & Al Amanah Islamic Bank for the different water system projects with remaining balance of P57,347,630.90 as of December 31, 2015. The principal amount due to be settled within twelve months after the reporting date is P10,418,725.75. This amount is presented as current liabilities. Loans Payable amounting to P46,928,905.15 is presented as long-term liabilities.

15.0 Government Equity

This is composed of restricted/paid-in government capital, donated capital, and the retained earnings account. Prior period adjustments are made to the beginning balance of retained earnings account.

16.0 Income

This is composed of the following:

Service Income

Particulars	2015	2014
Inspection Fees	Php 138,900.00	Php 132,650.00
Other Service Income	1,489,031.37	1,553,782.36
Total	Php 1,627,931.37	Php 1,686,432.36

Business Income

Particulars	2015	2014
Income from Waterworks System	Php 86,683,516.01	Php 77,854,968.76
Sales Revenue	260,026.61	227,239.23
Fines and Penalties - Business Income	2,553,647.32	2,237,920.49
Total	Php 89,497,189.94	Php 80,320,128.48

Other Income

Particulars	2015	2014
Interest Income	Php 90,646.94	Php 138,440.25
Total	Php 90,646.94	Php 138,440.25

17.0 Expenses

This composed of the following:

Personal Services					
Particulars		2015		2014	
Salaries and Wages	Php	19,196,379.49	Php	17,325,176.18	
Other Compensation					
Personnel Economic Relief (PERA)		1,809,363.64		1,770,916.60	
Representation and Transportation Allowance (RATA)		744,000.00		704,000.00	
Productivity Incentive Allowance		1,552,841.00		149,000.00	
Clothing / Uniform Allowance		385,000.00		375,000.00	
Other Bonuses and Allowance		3,841,943.76		2,841,429.39	
Overtime and Night Pay		525,506.76		303,300.24	
Cash Gift		380,000.00		372,500.00	
Year End Bonus		1,528,974.02		1,407,204.69	
Personnel Benefits and Contributions					
Life and Retirement Insurance Contribution		2,198,089.33		2,023,855.81	
Pag-ibig Contributions		91,000.00		88,900.00	
Philhealth Contributions		213,600.00		198,662.50	
ECC Contributions		91,000.00		88,900.00	
Other Personnel Benefits					
Terminal Leave Benefits		1,504,258.00		896,850.72	
Provident Fund Benefits		1,094,542.66		1,011,927.93	
Other Personnel Benefit		495,400.00		378,100.00	
Other Personnel Benefit - CNA Civilian		1,925,000.00		-	
Total		Php	37,576,898.66	Php	29,935,724.06

Maintenance and Other Operating Expenses

Particulars		2015		2014	
Traveling Expenses	Php	762,376.60	Php	601,723.18	
Training Expenses		662,508.84		494,332.05	
Supplies and Material Expenses					
Office Supplies		268,027.37		271,120.65	
Accountable Forms		65,364.96		44,472.73	
Drugs and Medicines		214.19		986.94	
Laboratory Expenses		110,179.00		-	
Gasoline, Oil and Lubricants		178,689.57		1,060,008.32	
Gasoline, Oil and Lubricants - Pumping		1,770.00		302,124.55	
Fuel, Oil and Lubricants		910,782.50		9,570.00	
Other Supplies		431,327.14		545,887.17	
Utility Expenses		9,869,586.46		7,997,161.12	
Communication Expenses					
Postage and Deliveries		10,147.76		9,620.00	
Telephone - Landline		120,955.36		118,587.52	
Telephone - Mobile		265,445.17		182,950.85	
Internet		53,434.00		58,244.80	
Cable and Satellite		5,111.00		3,007.00	
Membership Dues		36,374.00		29,398.00	

Advertising Expenses	191,367.45	117,371.60
Printing and Binding Expenses	329,853.00	191,185.00
Rent Expenses	67,210.00	60,936.00
Representation Expenses	259,733.99	279,223.18
Transportation and Delivery Expenses	964.00	-
Subscription Expenses	11,158.00	12,672.00
Rewards and Other Claims	9,720.00	3,720.00
Professional Services		
Legal Services	72,100.00	86,600.00
Auditing Services	77,893.94	-
General Services	353,524.95	350,780.00
Security Services	777,990.79	684,039.83
Repair and Maintenance		
Repairs and Maintenance - Power and Energy Structures	108,622.96	145,088.25
Repairs and Maintenance - Office Building	147,801.80	184,325.80
Repairs and Maintenance - Office Equipment	24,447.50	48,226.40
Repairs and Maintenance - Furniture and Fixture	16,651.49	5,060.00
Repairs and Maintenance - IT Equipment and Software	47,887.75	35,552.00
Repairs and Maintenance - Machineries	58,335.80	5,817.00
Repairs and Maintenance - Communication Equipment	1,644.00	7,611.00
Repairs and Maintenance - Med. Dental and Lab. Equipt	1,287.50	1,021.50
Repairs and Maintenance - Other Machineries and Equipt	70,876.00	9,784.80
Repairs and Maintenance - Motor Vehicles	561,889.67	511,246.19
Repairs and Maintenance - Other Property and Equipment	11,088.00	14,138.00
Repairs and Maintenance - Artesian Wells	181,925.20	67,184.56
Repairs and Maintenance - Waterways and Aqueduct	2,986,594.18	1,991,381.26
Repairs and Maintenance - Reforestation - Upland	572,245.47	707,951.50
Subsidies and Donations	43,870.00	65,720.00
Extraordinary and Miscellaneous Expenses	31,903.50	10,621.42
Taxes, Insurance Premiums and Other Fees	2,098,699.26	1,948,372.87
Depreciation Expense		
Depreciation - Electrification, Power Enery	41,222.19	31,825.44
Depreciation - Office Building	316,664.76	316,726.98
Depreciation - Other Structure	50,510.37	50,066.88
Depreciation - Office Equipment	161,343.88	129,735.78
Depreciation - Furniture and Fixtures	86,177.52	80,011.58
Depreciation - IT Equipment	516,550.27	458,031.20
Depreciation - Machineries	94,500.00	94,500.00
Depreciation - Communication Equipment	15,704.04	32,147.88
Depreciation - Firefighting Equipment	53,666.73	55,325.88
Depreciation - Medical, Dental and Lab. Equipt	12,232.50	7,560.00
Depreciation - Sports Equipment	2,761.72	2,370.00
Depreciation - Motor Vehicles	283,735.88	500,278.21
Depreciation - Others	333,434.43	441,462.84
Depreciation - Artesian Wells, Res.	1,138,494.06	1,091,281.44
Depreciation - Waterways, Aqueducts	4,102,394.26	3,896,948.13
Depreciation - Reforestation - Upland	100.00	-
GAD and Discounts on Sr. Citizen and Amnesty Programs	926,745.34	678,927.96
Other MOOE -NSC Promo	193,679.34	171,292.49
Total	Php 31,199,497.41	Php 27,313,317.73

Financial Expenses

Particulars	2014		2014	
Interest Expense	Php	3,460,853.16	Php	4,218,082.06
Documentary Stamps Expenses		50,000.00		-
Bank Charges		100.00		-
Other Financial Charges		70,000.00		-
Total	Php	3,580,953.16	Php	4,218,082.06

Part II:

AUDIT OBSERVATIONS AND RECOMMENDATIONS

Corporate Governance

- 1. The current level of corporate governance, with some areas of improvements, puts the District in better position towards realizing its purpose as envisioned by PD 198.**

Every organization has its own purpose of existence. Some existed for gaining profit through providing products and services while some are for humanitarian purpose. Some are created for raking-in money to corporate coffers while some are giving for charity. Whatever the form maybe, every organization would agree that the true measure of success is the attainment of the purpose of its existence and that there is no greater failure than the inability to realize the same. This principle holds true even for the government. Like other organizations, the government existed to provide for and secure the welfare of the people through its governmental and proprietorial activities undertaken by its branches, departments, bureaus, agencies and instrumentalities.

Contributing to the realization of the government's overarching purpose are Local Water Districts across the archipelago. In the rationale of Presidential Degree No. 198 (PD 198), it was recognized that *one of the pre-requisites to the orderly and well-balanced growth of urban areas is an effective system of local utilities, the absence of which is recognized as a deterrent to economic growth, a hazard to public health and an irritant to the spirit and well-being of the citizenry.* By PD 198, Local Water Districts were created for the purpose of (a) *acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such Districts, (b) providing, maintaining and operating wastewater collection, treatment and disposal facilities, and (c) conducting such other functions and operations incidental to water resource development, utilization and disposal within such Districts, as are necessary or incidental to said purpose.*

To actualize this vision of PD 198, it is an imperative and an underlying necessity for local water District like every organization to have its activities carried-out with sound control environment, proper risk management, appropriate control activities, sufficient information and communication tools and processes, and adequate monitoring mechanisms. Simply saying, the realization of the District's purpose rests primarily on its sound governance. This plainly requires that the District articulate its vision, mission and organizational objectives; manage its risks; and ensure vital mechanisms like internal controls and internal audit are in place. Otherwise, the District will face increased likelihood of materialization of risks ranging from risks associated to operational effectiveness and efficiency to risks associated to organizational reputation and existence.

Articulation of vision, mission and organizational objectives. Fundamental to organizational success is its foresight and articulation of a desired future state. From where the District stands now, it must have clear statements of vision, mission and organizational objectives. Vision is a statement of a desired future state that the District wants to attain which may be larger than and beyond the control of the District. Mission is a statement containing the very purpose of the District. Organizational objectives, on the other hand, are specific, measurable, attainable, realistic and

time-bounded statements of District goals in varying levels. The articulation of these statements has profound importance. First, these statements contain the District's awareness of its purpose and its current realities. Second, these articulations capsulize what the District intends to do and how it will do it. Third, these will provide measures to which the District's performance can be assessed. Lastly, these statements will serve as guide posts useful to the District's management decision-making.

The articulation of vision, mission, and organizational objectives will provide information that is reflective of the District's current situation, its envisioned future, the gap between this current situation and the envisioned future, and what the District intends to do to address the gap. The vision and mission statements cover the envisioned future while the organizational objectives are declarations of courses and measures of actions necessary to fill the gap between the District's current situation and envisioned future. As the District moves forward to its desired future state, the articulated organizational objectives will serve as valuable management guide for operational, tactical and strategic level decision-making and performance evaluation.

The process of articulating statements of vision, mission and organizational objectives largely depends on management vis-à-vis the operational complexity of the District. The District can use any approach, whether top-down, bottom-up or a mixture of both, as long as the essence of having, ownership of, and commitment to the articulated vision, mission and organizational objectives are embraced wholly by the District from top-level management down to every rank-and-file. Once successfully articulated, organizational objectives which may be strategic, tactical and operational will now guide how the District will carry-out operations from within its units to the policy-making body on a day-to-day basis to a 5-year strategic plan. From thereon, the task becomes the *actualization of what is planned that will effectively and efficiently deliver the outputs to meet the District's organizational objectives, mission, and, ultimately, its vision*. What makes the execution complex is the requirement that it should be done in an effective and efficient fashion. Because of this requirement, District management should endeavor that policies, procedures and mechanisms like risk management, internal controls and internal audit, among others, are in place.

Management of risks. Risks are uncertainties that may have favorable and unfavorable effects. These uncertainties should be managed properly in order to ensure the effective and efficient delivery of what is planned and, consequently, the attainment of the District's organizational objectives, mission and vision. Otherwise, unmanaged and, eventually, materialized risks will have detrimental effects to the District ranging from operational inefficiencies and ineffectiveness to reputational damage. Risk management is therefore crucial.

Risk management should be integral to the District's business processes and should be observed by everyone. Handling risks should be present in planning, implementation, monitoring and evaluation, and reporting phases of District programs, projects and activities. Because of this, it is incumbent upon the District's management to implement risk management replete with processes that: *ensure proper identification of risks through appropriate contextualization; adequately assess the identified risks; formulate mitigating actions for identified and assessed residual risks; implement these mitigating actions; and properly monitor, evaluate and report its implementation.*

Internal Control Mechanisms. Another essential component that makes the District better poised to achieve its set organizational objects, mission and vision is its internal control mechanisms. These mechanisms are devised to provide three-tier controls. First, it establishes pervasive controls that reinforce the overall control environment of the District. Second, it strengthens controls over activities and processes of the District which are considered in risk management actions of the District. Lastly, it affords monitoring that enable the District to proactively identify and address gaps or opportunities of improvements in its operations.

Internal control mechanisms include, among others, articulated District policies; control structures, processes and activities; and, monitoring and reporting processes designed to guarantee adequate resource protection; effective and efficient operation; fair financial reporting; and compliance to regulations. The presence of a well-designed and effective internal control mechanisms puts the District in the position wherein the likelihood of risk materialization is reduced and gives the District better chances to deliver what it intends to accomplish. Inversely, the absence of these control mechanisms exponentially increases the possibility of risk materialization.

Internal Audit. Also vital to the attainment of the District's purpose is an internal measure that monitors, assesses, and, eventually, lends certain degree of assurance about management's stewardship. Internal audit, as an independent unit that reports directly to the governing board of the District, assesses management compliance to the governing body's directive, identifies gaps or areas of improvements in the District's operations, and recommends appropriate remedial courses of actions. Internal audit complements with the work of the internal control unit and supplements the work of the external auditor. Its functions are viewed to address problems and reduce costs associated with agency.

Along this line and with its strategic importance, we venture to look into and assess these governance areas of the District. The team queried on whether or not the District has articulated vision, mission and organizational objectives. We also inquired on the processes undertaken by District to articulate such vision, mission and organizational objectives. For the organizational objectives, we also asked for the mechanisms employed by the District to ensure that such objectives are carried-out, measured and reported. We also probed on how the District manage its risks and whether vital mechanisms like internal controls and internal audit are in place.

In response, Management has provided the team with its vision: *"To be the most cost-efficient, customer-focused and environment-friendly water service provider in the country."* and mission: *"We commit to provide quality water 24/7 to our customers; rehabilitate, develop and protect our watershed; optimize our available resources; adopt cost-efficient operation; continuously improve and expand our services; train and develop competent, committed and motivated employees; institute programs on wastewater management; vigorously pursue NRW reduction program; and ensure excellent service that exceeds customer satisfaction."* As to its organizational objectives, Management has provided these information through its *BOD-approved annual Institutional Targets*. Management proffered that *the Strategic Performance Management System (SPMS), one of the personnel mechanisms required by CSC, is employed to make sure that targets and objectives are carried-out, measured and reported.*

As to risk management, management pointed that *it has no Risk Management Plan though certain procedures are applied to mitigate the probability and impact of unfortunate events which*

may lead to possible economic losses in some aspects of the District's operation. When asked about the process of how it performs its risk management, management cited that as a water utility, it has identified and assessed major areas of operation in the effort to respond to possible risks that may affect the District's operation as a whole. Monitoring, controlling and reporting aspects form an integral part of the activities. Management also claimed that it has incorporated fraud and disaster risks and provided that acts of dishonesty are seriously acted by the disciplining authority based on Revised Rules on Administrative Cases in the Civil Service (RRACCS). Further, management cited that fire/earthquake drills and basic life support trainings are conducted annually to equip the employees of proper behavior and response to disasters.

As to whether vital mechanisms like internal controls are in place, management answered on the positive that it has control mechanisms explaining that as a water utility, the District is guided by policies and procedures established by LWUA. However, as a government entity, it abides by the laws, policies, rules and regulations of COA, CSC, DBM, BIR, to name a few, in the conduct of its operation. Management also pointed the Commercial Practices System (CPS) which comprises the prescribed systems and procedures that enable a LWD to effectively account for all its transactions, safeguard its assets and promote operational efficiency. As to internal audit, the District submitted that it has none but sees the need of creating the Management Services Division under the Office of the General Manager where Internal Audit belongs.

Assessing the submissions of the management against what were discussed above, the District can be lauded for its current level of corporate governance. However, there are some areas needing improvements. First is on the District's risk management practice. It should refine its risk management process. The current risk management practice is mainly risk mitigation. Risk mitigation measures should be results of appropriate risk management process. Risk management processes include identification, assessment, formulation of mitigating actions, and the implementation and monitoring of such actions, in this particular order. Otherwise, planned or undertaken actions will not address the District's more pressing risks and will only result to unnecessary costs. Example to support this observation is the management of risks associated with operation that result to NRW which was not presented. Second is on internal controls. As submitted by management, *the District has no articulated accountability policy but has complied with instructions, circulars, orders, etc.* The District can enhance its internal controls by articulating policies on accountability, risk management inclusive of fraud and disaster risks, and accounting and financial reporting among others and by crafting manuals detailing the standard operating procedures that capture the requirements of existing laws, rules and regulations at the same time responsive to the realities of the District. On top of this, the District should establish, when able, an internal control unit under the Office of the General Manager with people of composite technical capacities sufficient enough to ensure the effective functioning of the District's internal control measures. Third is on internal audit. The would-be set-up of the District downplays the purpose of internal audit. Internal audit as appraiser of management's stewardship should report directly to the governing board and not to the manager. Internal audit functions should primarily involve *verification of compliance to the existing and established procedures and policies of the District and assessment of whether or not internal controls are indeed functioning effectively as designed.* Like the internal control unit, internal audit should also be made up of people with sufficient enough technical capacities to ensure delivery of the unit's mandate.

We commended the Management for its current level of governance. Moving forward, we recommended and Management agreed to refine its current risk management practice; enhance its internal control mechanisms by formal articulation of policies and procedures, and establishment of internal control unit; and create internal audit with appropriate manpower that is directly reporting to the governing board.

District Performance

2. The District's 25.81% non-revenue water of the total production falls short to the requirement of LWUA Memorandum Circular No. 004-10.

Water is considered as one of the vital components for the thriving and continuous development of communities. It is essential as it is crucial that processes of production and consumption of this resource be controlled and monitored properly. Otherwise, the likelihood of materialization of risks like unavailability of potable water at any given time at reasonable price will increase which redounds to the detriment of everyone. Thus, sustainable measures towards the use of water are indeed imperative.

Recognizing the need to effectively and efficiently manage the water resource, the Local Water Utilities Administration (LWUA) requires through Memorandum Circular No. 004-10 dated February 23, 2010 that at least 80% of the water production of water district either being pumped or through gravity should be revenue-producing waters. Conversely, a maximum of 20% of the water production is allowed to be non-revenue producing in consideration of some operating requirements like water used for installation of new service connection, flushing, leak test, disinfection, pump testing, and in support to other government agencies' operations. Needless to say, the wisdom behind the determination of these percentages has clearly recognized the importance of water resource sustainability parallel to the local water districts' financial viability.

During our audit, it was observed based on submitted documents that for 2015 the District has pumped 4,457,160 m³ of water of which 3,322,340 m³ or 74.19% were accounted and billed. These preceding figures mean that there are 25.81% unaccounted and non-revenue water in 2015 operation. Upon inquiry about the observation, management pointed out that *the level of non-revenue water was a result of the following factors: physical losses coming from mainline and service line leakages and commercial losses due to inefficiency of water meters, tampering and illegal connections.*

When asked about the District's plans/courses of actions to improve the current level of its non-revenue water, management provided that *it has planned and executed some the following: setting limit of repair time on leakages; conduct of foot patrol; conduct leak detection activity; strengthen pressure management; pipe replacement; implement water meter banking; on-time replacement of defective water meters; selective replacement of old water meters on the field (5yrs old and above); giving rewards to tipsters; and the creation of NRW Technical Committee to focus on the program implementation.*

We recommended and Management agreed to deliver the required levels of both revenue and non-revenue waters through effective and efficient implementation of its planned courses of actions.

Compliance with Tax Laws

- 3. The District was unable to present Certificate of Tax Clearance which serves as proof about the district's compliance to existing tax laws, rules and regulations.**

By virtue of Republic Act No. 10026 (RA 10026) which lapsed into law on March 11, 2010 without the signature of the President, in accordance with Article VI, Section 27 (1) of the Constitution, amendment to Section 27 (C) of the NIRC, as amended, was made and Section 289-A was added. These sections provide that *local water districts are exempted from income taxes imposed upon corporations, and, as support for local water districts, the amount that would have been paid as income tax and saved by the local water district by virtue of its exemption to the income taxes shall be used by the local water district concerned for capital equipment expenditure in order to expand water services coverage and improve water quality in order to provide safe and clean water in the provinces, cities, and municipalities.* It is also provided that *all unpaid taxes or any portion thereof due from a local water district for the period starting August 13, 1996 until the effectivity date of RA 10026 are hereby condoned by the Government.*

Under Section 3 of RA 10026, it was provided that *the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, and upon consultation with the appropriate government agencies, promulgate the necessary rules and regulations for the effective implementation of the Act.* In consonance to this, BIR Revenue Memorandum Circular (RMC) 68-2012 was issued citing that the condonation is not automatic and that a local water district must meet certain requirements before it can avail of the tax incentives. Thus, the said Circular laid down the procedures which include the submission of Conditional Certificate of Conformance, Proof of its Financial Capacity, and Proof that the district has submitted to Congress a program of internal reforms in the application and for approval of condonation of tax liabilities pursuant to RA No. 10026.

With the stringent requirement of RMC 68-2012, the envisioned condonation of tax liabilities starting August 13, 1996 until the effectivity date of RA 10026 of local water districts did not come to fruition. Seeing the value that condonation in RA 10026 *is necessary for the LWDs with no financial capability to pay their tax liabilities and that this would help them consolidate their resources in order to expand water services, improve water quality and ensure the provision of a reliable, secure and affordable supply of water to consumers,* Senate Bill (SB) 2518 is currently pursued in Congress.

Against this backdrop and awaiting the passage of SB 2518 into law, it is therefore incumbent upon the district to present proof of its faithful compliance to existing tax laws, rules and regulations. This proof, ultimately in the form of Certificate of Tax Clearance, would denote that the district has paid or has successfully availed condonation of its tax liabilities specifically for those in the period starting August 13, 1996 until the effectivity date of RA 10026. Otherwise, the inability to secure tax clearance would indicate possible non-compliance with tax laws, rules and regulations

and would increase the chances of facing tax penalties and charges. To the writing of this observation, the district has yet to present its Certificate of Tax Clearance.

We recommended and Management agreed to closely engage with BIR in order to secure Certificate of Tax Clearance. In the event that tax charges/cases are filed against the district hindering the issuance of tax clearance in its favor, we recommended and Management also agreed that these tax charges/cases be disclosed in the Notes to the Financial Statements.

Implementation of Gender and Development (GAD)

The district is implementing the previous year's audit recommendations on GAD which require the management to: *assess and identify gender and development issues within the organization (internal to the organization) and those of the outside stakeholders (outside the organization); establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization; plan gender and development initiatives whether in the form of programs, project and activities that outlines synergy of the agency's mandate and objectives with the PPGD for 1995-2025 and Philippine MDGs; allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution; formulate annual GAD Plan and Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM; establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.*

Status of Suspensions, Disallowances and Charges

As of December 31, 2015, the disallowance amounted to P3,845,075.30 and still unrecorded in the books pending decision on its Petition for Certiorari. No Audit Suspensions and Charges as of December 31, 2015.

**PART III:
STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT
RECOMMENDATIONS**

Of the eight (8) prior years' audit recommendations embodied in the 2014 Annual Audit Report, seven (7) were fully implemented and one (1) is on the ongoing status of implementation, as detailed below:

OBSERVATION AND RECOMMENDATION	REF	MANAGEMENT ACTION	STATUS OF IMPLEMENTATION (Full, Partial, Ongoing or Not-implemented)	REASON FOR PARTIAL/NON-IMPLEMENTATION
<p>1. The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below 5% of the District's Corporate Operating Budget for the year.</p> <p>We recommended and management agreed to:</p> <ul style="list-style-type: none"> i. assess and identify gender and development issues within the organization (internal to the organization) and those of the outside stakeholders (outside the organization); ii. establish policies, strategies, and initiatives to address the identified gender and development issues whether within or outside the organization; iii. plan gender and development initiatives whether in the form of programs, project and activities that outlines synergy of the agency's mandate and objectives with the PPGD for 1995-2025 and Philippine MDGs; iv. allocate at least 5% of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution; v. formulate annual GAD Plan and 	<p>2014 AAR</p>	<ul style="list-style-type: none"> i. During the preparation of 2015 GAD Plans and Budget (GPB), members of Pol. WD GAD Focal Point System {executive and technical committee} assessed and identified GAD issues of its internal and external clients before it was included in its GAD Plans and Budget (GPB) for the year. ii. The District also initiated and established strategies to effectively address the identified GAD internal and external issues relative to gender and development. iii. Pol. WD's GAD identified programs, projects and activities outlined the synergy of the District's mandate and objectives on water, sanitation and environment which is also aligned with the PPGD for 1995-2025 and Philippine 	<p>Fully Implemented</p>	

OBSERVATION AND RECOMMENDATION	REF	MANAGEMENT ACTION	STATUS OF IMPLEMENTATION (Full, Partial, Ongoing or Not-implemented)	REASON FOR PARTIAL/NON-IMPLEMENTATION
<p>Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM;</p> <p>vi. establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities;</p> <p>vii. implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and</p> <p>viii. evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development.</p>		<p>MDG's.</p> <p>iv. Pol. W/D increased its GAD budget from P5SS,000 to P4,188,000 in 2015 which represents 50% of the total agency budget for the year. Implementation of expansion projects to areas not yet served by the WD and rehabilitation of pipelines to improve water services to low pressure areas were attributed to GAD budget for the year.</p> <p>v. Relative to the submission of Pol-WD's GPB's and Accomplishment Report to the Philippine Commission on Women (PCW), PCW has issued Memorandum Circular No. 2015-03 dated May 19, 2015: Guideline on the Review and Endorsement of Water District Annual Gender and Development Plans and Budgets.</p> <p>Accomplishment Report of its activities for the National Women's Month Celebration 2015 has been submitted and received by the PCW.</p>		

OBSERVATION AND RECOMMENDATION	REF	MANAGEMENT ACTION	STATUS OF IMPLEMENTATION (Full, Partial, Ongoing or Not-implemented)	REASON FOR PARTIAL/NON-IMPLEMENTATION
		<p>Copy of the District's GAD Plans and Budget for 2015 and 2016 will be sent to LWUA together with its Accomplishment Report for 2015.</p> <p>vi. Performance indicator for each GAD program is included in the preparation of Pol. WD 2015 GAD Plans and Budget (GPB). It will be used as bases for evaluating implemented GAD activities and programs.</p> <p>vii. Being aware that GAD activities and programs are subject to COA audit, expenses incurred are within the bounds of economy, efficiency and effectiveness.</p> <p>viii. Evaluation of GAD programs and activities are conducted as soon as it is completed. The evaluations sheets of activities conducted are available on file.</p>		
<p>2. The FY 2013 Budget of the agency was not in accordance with DBM Corporate Budget Memorandum No. 33 dated December 29, 2011 and without due consideration to the Philippine Development Plan (PDP), FYs 2011-2016 which resulted to a weak linkage between development planning and budgeting as indicated by the absence</p>	<p>2013 AAR</p>	<p>PWD budget is prepared using the standard format of LWUA including their performance parameters. PDP has already been cascaded to LWDs by LWUA and the</p>	<p>Fully Implemented</p>	

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<p>of (a) data and reports statistics against performance targets; (b) efficient and value for money in spending its resources to fulfil the President's Social Contract and focus on the 5 Key Results Areas (KRAs) as laid out in Executive Order (E.O.) No. 43, s. 2011; (c) Programs/Activities/ Projects (PAPs) with corresponding budget estimates to align with their Major Final Outputs (MFOs).</p> <p>We recommended and management agreed to prepare its FY 2014 Budget on the basis of DBM Corporate Budget Memorandum No. 34 dated December 28, 2012 or the Policy Guidelines and Procedures in the Preparation and Submission of the FY 2014 Budget Proposals to strengthen the linkage between development planning and budgeting and for the COA to be able to monitor and evaluate the accuracy of departments/agencies' reported performance against its approved targets with due consideration to the efficient implementation of PAPs that are aligned with MFOs, KRAs, and sector outcomes in the PDP Results Matrices.</p>		<p>same have been incorporated in our institutional targets to which our MFOs and KRAs are aligned based on the IATF format.</p>		
<p>3. Management's assertion on ownership for three (3) Pump Stations and Reservoir cannot be established due to the absence of a Torrens Title drawn in its favor over the land where these stations were constructed which is not in accordance with Section 49, Article 11 of the GAAM and may result to risk of losses on the part of the government. Moreover, the recording of these land overstated the Property, Plant and Equipment (Land) account by P410,031.78</p> <p>We recommended and management agreed to give preferential attention on the titling of lands and secure other documents evidencing its ownership to prevent possible losses of government property. Exert extra effort to secure the needed documents required to</p>	<p>2013 AAR</p>	<p>The management is securing the ownership of the subject Pump Stations.</p> <p>Secured lot title of PS6. PS7 is on-going negotiation with the previous owner. PS5 is on-going negotiation with DARBC.</p>	<p>On-going</p>	

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facilitate transfer of ownership.				
<p>4. The uncertainty in the collection of long overdue receivables from concessionaires amounting to P14,159,681.27 ranging from 1 year to more than one year misrepresented the real valuation of agency's current assets as of yearend.</p> <p>We recommended and management agreed to (a) intensify the collections of these accounts; (b) establish an updated subsidiaries of individual customers and set up an ageing of accounts receivable from one year and above; (c) set-up a record of individual accounts receivable wherein which recovery or collectability is no longer probable and (d) for accounts whose collectability is already nil, request for write-off to the Commission On Audit as per Section 19 of the Rules and Regulations of Settlement of Accounts and Rule VI, Section 4 of the 2009 Revised Rules of Procedures of the COA, as amended by COA Resolution No. 2012-001 dated March 22, 2012.</p>	2013 AAR	Efforts were made to improve collection efficiency. At the same time, reconciliation of balances was made. Request for write-off was made.	Fully Implemented	
<p>5. Lapses in adopting sound internal control procedures and practices in the management of inventories established opportunities for losses of government property due to the agency's failure to establish adequate storeroom facilities and set-up clearly defined policies on segregation of duties handling its inventories.</p> <p>We recommended and management agreed to install a sound internal control system on the management of its inventories to eliminate material misstatements of accounting information, ensure appropriate segregation of duties and adequate provisions for safeguarding assets.</p>	2013 AAR	<p>The District has established new Management Information System designed to enhance control over Inventory.</p> <p>The District has also renovated its storage room.</p> <p>Further, the District has also segregated incompatible duties.</p>	Fully Implemented	
<p>6. The Property, Plant and Equipment accounts totaling P31,607,272.94 is not supported with subsidiary ledgers, a complete Report on the Physical Count of Property, Plant and Equipment (RPCPE) and updated Property Cards</p>	2012 AAR	Actual physical count of PPE conducted phase by phase. As of December 31, 2014 records of PPE	Fully Implemented	

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<p>in the Property Division contrary to Par. V of the Manual on the New Government Accounting System for Government-Owned and/or controlled Corporations (GOCCs), Section 114 of PD 1445, Sections 43 and 66 of the New Government Accounting System (NGAS) Manual, Volumes I, and II, respectively.</p> <p>Moreover, the Notes to Financial Statements did not disclose, for each class of Property, Plant and Equipment account, a reconciliation of the carrying amount at the beginning and end of the period in accordance with International Public Sector Accounting Standards (IPSAS) 17, as drawn from IAS 16.</p> <p>We recommend that management should require the Property Officer to conduct actual physical count of PPE and prepare the report in the prescribed form in the NGAS Manual. Moreover, the property unit should be required to prepare and maintain an updated Property Cards as basis of reconciliation to ensure the veracity of the balances.</p>		<p>under each Pump stations were already updated and reconciled with the General Ledger.</p> <p>Property Cards are no longer utilized instead a computerized updated record of PPE is maintained and available upon request.</p>		
<p>7. The uncertainty in the collection of long overdue receivables amounting to P7,900,786.65 ranging from 5 years and above grossly misrepresented the real valuation of agency's current assets as of year-end and with due disregard to the provisions of COA Circular 97-001 dated February 5, 1997.</p> <p>We recommended and management agreed to document the collection efforts made for a period of more than five years and request from the Commission on Audit for the writing-off of worthless receivables from the books of accounts and comply the necessary supporting documents to prove that collection is nil to be able correct misstatement of asset in the financial statements prescribed under COA Circular Nos. 97-001 and 93-404.</p>	2012 AAR	Efforts were made to improve collection efficiency. At the same time, reconciliation of balances was made. Request for write-off was made.	Fully Implemented	
8. Various unserviceable properties	2012	Reconciliation of	Fully Implemented	

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<p>costing P584,758.62 were reported as unserviceable, however no Inventory and Inspection Report was prepared by the Property Officer and no action was taken by the Disposal Committee, thus, disposal could not be facilitated as required under Section 502, Volume I, of the Government Accounting and Auditing Manual (GAAM).</p> <p>We recommended and management agreed to comply and to expedite the appraisal and undertake immediate disposal of the unserviceable properties to prevent further deterioration and loss of value of the assets as mandated under Section 502, Volume I of GAAM.</p>	AAR	<p>records was made.</p> <p>Portion of unserviceable properties was already disposed on 2012.</p> <p>Necessary adjusting entries were made to take up the disposal.</p>		