



**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, 2016**



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. XII  
9506 Koronadal City, South Cotabato  
Email: [ord\\_coaxii@yahoo.com](mailto:ord_coaxii@yahoo.com)

March 24, 2017

**ENGR. SOLITO T. TORCUATOR**  
**General Manager**  
Polomolok Water District  
Polomolok, South Cotabato



Dear GM Torcuator,

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, 2016, 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, 2016 has been rendered.

It was observed that the amount of ₱38,302.24 representing government contribution to PWD Provident Fund has no legal basis being given prior to the issuance of DBM Budget Circular No. 2008-03; and the current level of internal controls and the management of fraud risk necessitate improvements to better position the District in realizing its mandate as envisioned by PD 198.

The details 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)  
UP Law Center (soft copy)  
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

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### 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 eighty-four (84) regular employees and seven (7) 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, 2016.

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	2016	2015	Increase (Decrease)	Percentage
Total Assets	Php200,949,661.79	Php174,316,537.28	Php 26,633,124.51	15.28%
Total Liabilities	Php 71,171,070.61	Php 73,378,872.04	(Php 2,207,801.43)	(03.01%)
Total Equity	Php129,778,591.18	Php100,937,665.24	Php 28,840,925.94	28.57%

### Results of Operations

Particulars	2016	2015	Increase (Decrease)	Percentage
Income	Php104,445,857.17	Php 91,215,768.25	Php 13,230,088.92	14.50%
Expenses	Php 77,626,182.85	Php 72,357,349.23	Php 5,268,833.62	07.28%
Net Income (Loss)	Php 26,819,674.32	Php 18,858,419.02	Php 7,961,255.30	42.22%

## 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 amount of ₱38,302.24 representing government contribution to PWD Provident Fund has no legal basis being given prior to the issuance of DBM Budget Circular No. 2008-03.

We recommended that Management, through coordination with the Officers of the PWD Provident Fund, revert the amount totaling to ₱38,302.24 to the District. Management and Officers of the PWD Provident Fund are also encouraged moving forward to continuously take actions within the bounds of propriety to ensure the growth and sustainability of the fund.

2. The current level of internal controls and the management of fraud risk necessitate improvements to better position the District in realizing its mandate as envisioned by PD 198.

We recommended that Management ensure effective and efficient delivery of the District's mandate through courses of actions that will formalize, further enhance and embed internal controls in the management of its processes and delivery of responsibilities along accountability lines. We also recommend that the District manage fraud risks through fraud control measures that

increase perception of detection, reinforce segregation of incompatible functions, ensure safeguarding of resources and affirm compliance with regulations.

### **Status of Suspensions, Disallowances and Charges**

As of December 31, 2016, the disallowance amounted to ₱3,845,075.30 and still unrecorded in the books pending decision on its Petition for Certiorari. No Audit Suspensions and Charges as of December 31, 2016.

### **Status of Implementation of Prior Years' Unimplemented Audit Recommendations**

Year	No. of Observations and Recommendation	Status of Implementation as of 31 December 2016			
		Fully Implemented	On-going	Partially Implemented	Not Implemented
2015	3	1	2	0	0
2013	1	0	1	0	0



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**PART I:**  
**AUDITED FINANCIAL STATEMENTS**

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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**

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## 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, 2016, which comprise the statement of financial position, statement of comprehensive income, 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 Philippine Financial Reporting Standards (PFRS) and generally accepted 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.

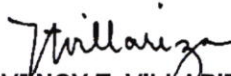
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*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, 2016, 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 *k*

March 22, 2017



REPUBLIC OF THE PHILIPPINES  
**POLOMOLOK WATER DISTRICT**


National Highway, Polomolok, South Cotabato  
Tel Nos. (083) 500-9261 ; 500-9314 ; 500-9340  
Telefax No. (083) 500-8008  
Email Address : pol\_wd@yahoo.com.ph


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

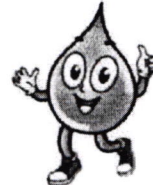
The management of **Polomolok Water District** is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2016 and the related Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended. The Financial Statements have been prepared in conformity with the Philippine Financial Reporting Standards and generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration of materiality.

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

The Commission on Audit, in pursuance of its mandate under Section 2, Article XI-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has audited the financial statements of the District in accordance with laws, COA and INTOSAI standards, and applicable generally accepted auditing standards and has expressed its opinion on the fairness of presentation upon completion of such examination.

  
MARLENE C. CAGATA  
Division Manager - Finance

  
ENGR. SOLITO H. TORCUATOR  
General Manager



**EVERY DROP COUNTS!**





**POLOMOLOK WATER DISTRICT**  
**Statement of Financial Position**  
 As of December 31, 2016  
 (With Comparative Figures for 2015)

		2016		2015
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents and International Reserves	Note 3	Php 34,380,751.88	Php	34,746,400.13
Receivables	Note 4	15,465,863.89		16,248,840.24
Inventories	Note 5	13,835,427.11		7,499,969.06
Prepayments	Note 6	888,300.84		266,812.66
Other Current Assets	Note 7	18,022.33		14,748.00
<b>Total Current Assets</b>		<b>Php 64,588,366.05</b>	<b>Php</b>	<b>58,776,770.09</b>
<b>Non-Current Assets</b>				
Property, Plant and Equipment	Note 8	Php 21,657,730.76	Php	19,229,241.31
Public Infrastructure	Note 9	98,197,789.48		94,434,682.49
Reforestation	Note 10	71,145.00		71,145.00
Construction in Progress	Note 11	10,116,188.63		196,877.10
Other Non-Current Assets	Note 12	6,318,441.87		1,607,821.29
<b>Total Non-Current Assets</b>		<b>Php 136,361,295.74</b>	<b>Php</b>	<b>115,539,767.19</b>
<b>TOTAL ASSETS</b>		<b>Php 200,949,661.79</b>	<b>Php</b>	<b>174,316,537.28</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables	Note 13	Php 24,285,794.72	Php	16,031,241.14
Loans Payable (Current Portion)	Note 14	11,077,093.68		10,418,725.75
<b>Total Current Liabilities</b>		<b>Php 35,362,888.40</b>	<b>Php</b>	<b>26,449,966.89</b>
<b>Non-Current Liabilities</b>				
Loans Payable	Note 14	Php 35,808,182.21	Php	46,928,905.15
<b>Total Non-Current Liabilities</b>		<b>Php 35,808,182.21</b>	<b>Php</b>	<b>46,928,905.15</b>
<b>Total Liabilities</b>		<b>Php 71,171,070.61</b>	<b>Php</b>	<b>73,378,872.04</b>
<b>Equity</b>	Note 15	Php 129,778,591.18	Php	100,937,665.24
<b>TOTAL LIABILITIES and EQUITY</b>		<b>Php 200,949,661.79</b>	<b>Php</b>	<b>174,316,537.28</b>

(See accompanying Notes to Financial Statements)



**POLOMOLOK WATER DISTRICT**  
**Statement of Comprehensive Income**  
 For the year ended December 31, 2016  
 (With Comparative Figures for 2015)

	2016	2015
<b>INCOME</b>	Note 16	
Business Income	Php 104,379,650.47	Php 91,125,121.31
Other Income	66,206.70	90,646.94
<b>Total Revenue</b>	<b>Php 104,445,857.17</b>	<b>Php 91,215,768.25</b>
<b>LESS: EXPENSES</b>	Note 17	
Personal Services	Php 40,836,822.93	Php 37,576,898.66
Maintenance and Other Operating Expenses	33,570,346.93	31,199,497.41
Financial Expenses	3,219,012.99	3,580,953.16
<b>Total Expenses</b>	<b>Php 77,626,182.85</b>	<b>Php 72,357,349.23</b>
<b>PROFIT (LOSS)</b>	<b>Php 26,819,674.32</b>	<b>Php 18,858,419.02</b>

*(See accompanying Notes to Financial Statements)*



**POLOMOLOK WATER DISTRICT**  
**Statement of Cash Flows**  
 For the year ended December 31, 2016  
 (With Comparative Figures for 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows:</b>		
Business and Service Income	Php 110,719,595.58	Php 92,407,400.21
Other Income	75,402.21	64,565.72
Other Receipts	-	3,835,505.89
<b>Total Cash Inflows from Operating Activities</b>	<b>Php 110,794,997.79</b>	<b>Php 96,307,471.82</b>
<b>Cash Outflows:</b>		
Payment of Personal Services	Php 35,904,020.60	Php 32,875,722.03
Payment of Maintenance and Operating Expenses	28,225,819.29	24,125,729.46
Payment of Payables	16,728,105.71	17,859,538.50
<b>Total Cash Outflows from Operating Activities</b>	<b>Php 80,857,945.60</b>	<b>Php 74,860,989.99</b>
<b>Net Cash Provided (Used) in Operating Activities</b>	<b>Php 29,937,052.19</b>	<b>Php 21,446,481.83</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows:</b>		
Equity - Prime World Construction	Php 2,805,750.00	Php -
Proceeds from LWUA Time Deposits	-	4,339,999.89
<b>Total Cash Inflows from Investing Activities</b>	<b>Php 2,805,750.00</b>	<b>Php 4,339,999.89</b>
<b>Cash Outflows:</b>		
Investments	Php -	Php 4,313,369.77
Purchase of Property, Plant and Equipment	19,427,082.44	8,080,307.99
<b>Total Cash Outflows from Investing Activities</b>	<b>Php 19,427,082.44</b>	<b>Php 12,393,677.76</b>
<b>Net Cash Provided (Used) in Investing Activities</b>	<b>Php (16,621,332.44)</b>	<b>Php (8,053,677.87)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflows:</b>		
Loan Proceed (Amanah Bank)	Php -	Php 10,000,000.00
<b>Total Cash Inflows from Financing Activities</b>	<b>Php -</b>	<b>Php 10,000,000.00</b>
<b>Cash Outflows:</b>		
Loan Amortization - Principal	Php 10,462,355.01	Php 9,478,514.84
Interest Payments on Loan	3,219,012.99	3,460,853.16
Others	-	120,100.00
<b>Total Cash Outflows from Financing Activities</b>	<b>Php 13,681,368.00</b>	<b>Php 13,059,468.00</b>
<b>Net Cash Provided (Used) in Financing Activities</b>	<b>Php (13,681,368.00)</b>	<b>Php (3,059,468.00)</b>
<b>NET CASH PROVIDED (USED)</b>	<b>Php (365,648.25)</b>	<b>Php 10,333,335.96</b>
<b>Add: Cash and Cash Equivalents, Beginning Balance</b>	<b>34,746,400.13</b>	<b>24,413,064.17</b>
<b>CASH AND CASH EQUIVALENTS, ENDING BALANCE</b>	<b>Php 34,380,751.88</b>	<b>Php 34,746,400.13</b>





**POLOMOLOK WATER DISTRICT**  
**Statement of Changes in Equity**  
 For the year ended December 31, 2016  
 (With Comparative Figures for 2015)

	<b>2016</b>		<b>2015</b>	
<b>Government Equity, Beginning Balance</b>	Php	3,747,648.44	Php	3,747,648.44
Add (Deduct):		-		-
<b>Government Equity, Ending Balance</b>	Php	<b>3,747,648.44</b>	Php	<b>3,747,648.44</b>
<b>Contributed Capital, Beginning Balance</b>	Php	-	Php	-
Add (Deduct): Donations		-		-
<b>Contributed Capital, Ending Balance</b>	Php	-	Php	-
<b>Retained Earnings, Beginning Balance</b>	Php	97,190,016.80	Php	81,119,001.24
Add (Deduct):				
Changes during the Period		2,021,251.62		(2,787,403.46)
Profit (Loss) for the Period		26,819,674.32		18,858,419.02
<b>Retained Earnings, Ending Balance</b>	Php	<b>126,030,942.74</b>	Php	<b>97,190,016.80</b>
<b>Equity, Ending Balance</b>	Php	<b>129,778,591.18</b>	Php	<b>100,937,665.24</b>





## 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.

The Local Water Utilities Administration (LWUA) extends project-related assistance to the District in the form of loan assistance.

## **2.0 Summary of Significant Accounting Policies**

### **2.1 Basis of Preparation**

- 2.1.1 The financial statements have been prepared and presented in accordance with the Philippine Financial Reporting Standards issued by the Philippine Financial Reporting Standards Council and generally accepted state accounting principles and reflect amount that are based on best estimates and informed judgment of management with an appropriate consideration of materiality
- 2.1.2 The District uses the chart of accounts under the Revised Chart of Accounts (RCA) in recording its transactions.

### **2.1 Accounting Policies**

- 2.2.1 The District uses the accrual basis of accounting. Revenues are recorded during the period in which the services are given/rendered and expenses are recorded at the times there are incurred.
- 2.2.2 Receivables on trade are recorded at net realizable value. An allowance for doubtful account is set-up to provide for estimated loss due to non-collection of accounts from customers on past experiences.
- 2.2.3 Supplies purchased for inventory are recorded using the Perpetual Inventory System and the cost of issued items and ending balance is computed using the Moving Average Method.
- 2.2.4 Property and Equipment are carried at cost less accumulated depreciation. The straight-line method of depreciation is followed. The depreciation expenses are computed on the month following the purchase date.
- 2.2.5 Constructions in Progress are valued following the Construction Period Theory.
- 2.2.6 Serviceable assets which are no longer used are classified to "Other Assets" account and not subject to depreciation.
- 2.2.7 Payable accounts are recognized and recorded in the books of accounts at the time goods are accepted, services rendered and when supplier/creditor bills are required.

### 3.0 Cash and Cash Equivalents and International Reserves

This account includes cash on hand of undeposited collection of collecting officers and cash deposits in banks. The details are:

Particulars	2016	2015
Cash - Collecting Officers	Php 120,527.39	Php 101,971.70
Cash in Bank - Local Currency, Current Account	20,251,358.85	16,933,223.35
Cash in Bank - Savings Account	12,459,980.69	16,175,101.13
Time Deposit - Local Currency-Amanah Bank	1,548,884.95	1,536,103.95
<b>Total</b>	<b>Php 34,380,751.88</b>	<b>Php 34,746,400.13</b>

### 4.0 Receivables

This includes the following:

Particulars	2016	2015
Accounts Receivable	Php 14,989,163.75	Php 15,622,440.63
Less: Allowance for Impairment-Accounts Receivable	590,684.98	596,240.11
Accounts Receivable, net	Php 14,398,478.77	Php 15,026,200.52
Due from NGAs	4,045.50	4,045.50
Due from LGUs	16,246.36	10,828.33
Other Receivables	1,047,093.26	1,207,765.89
<b>Total</b>	<b>Php 15,465,863.89</b>	<b>Php 16,248,840.24</b>

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	2016	2015
Accountable Forms, Plates and Stickers Inventory	Php 5,943.61	Php 0.03
Office Supplies Inventory	108,277.78	134,860.35
Medical, Dental and Laboratory Supplies Inventory	932.50	932.50
Fuel, Oil & Lubricants Inventory	126,332.67	70,612.36
Other Supplies and Materials Inventory	9,291,721.86	5,026,123.00
Chemical and Filtering Supplies Inventory	115,936.47	29,729.87
Construction Materials Inventory	4,184,911.55	2,237,292.38
Drugs and Medicine Inventory	1,370.67	418.57
<b>Total</b>	<b>Php 13,835,427.11</b>	<b>Php 7,499,969.06</b>

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 P888,300.84 and P266,812.66 as of December 31, 2016 and 2015 respectively.

## 7.0 Other Current Assets

This account includes Guaranty Deposit. This amounted to P18,022.33 and P14,748.00 as of December 31, 2016 and 2015, respectively.

## 8.0 Property, Plant and Equipment

This includes the following:

Particulars	2016	2015
Land	Php 1,324,538.13	Php 1,298,371.13
Power Supply System	1,443,331.54	463,016.31
Buildings	11,866,567.56	11,711,239.56
Other Structures	1,316,137.19	1,316,137.19
Office Equipment	2,199,646.48	1,785,540.23
Information and Communication Technology Equipment	7,078,650.17	6,021,183.00
Other Machinery and Equipment	1,050,000.00	1,050,000.00
Disaster Response and Rescue Equipment	815,610.34	815,610.34
Medical Equipment	173,000.00	173,000.00
Communication Equipment	814,912.80	708,632.80
Sports Equipment	105,484.25	33,793.50
Motor Vehicles	8,147,188.20	7,169,857.66
Furniture and Fixtures	1,192,777.82	1,001,875.82
Leased Assets Improvements, Buildings	133,865.07	133,865.07
Other Property, Plant & Equipment	4,412,379.89	3,765,918.14
<b>Total</b>	<b>Php 42,074,089.44</b>	<b>Php 37,448,040.75</b>
Less: Accumulated Depreciation	20,416,358.68	18,218,799.44
<b>Total</b>	<b>Php 21,657,730.76</b>	<b>Php 19,229,241.31</b>

## 9.0 Public Infrastructure

This includes the following:

Particulars	2016	2015
Water Supply Systems	Php 162,293,669.74	Php 152,593,433.71
Less: Accumulated Depreciation	64,095,880.26	58,158,751.22
<b>Total</b>	<b>Php 98,197,789.48</b>	<b>Php 94,434,682.49</b>



## 10.0 Reforestation

This includes the following:

<b>Particulars</b>	<b>2016</b>		<b>2015</b>	
Land Improvements, Reforestation Projects	Php	71,145.00	Php	71,145.00
Less: Accumulated Depreciation		-		-
<b>Total</b>	<b>Php</b>	<b>71,145.00</b>	<b>Php</b>	<b>71,145.00</b>

## 11.0 Construction in Progress

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

<b>Particulars</b>	<b>2016</b>		<b>2015</b>	
Construction in Progress-Infrastructure Assets	Php	10,116,188.63	Php	196,877.10
<b>Total</b>	<b>Php</b>	<b>10,116,188.63</b>	<b>Php</b>	<b>196,877.10</b>

## 12.0 Other Non-Current Assets

This includes the following:

<b>Particulars</b>	<b>2016</b>		<b>2015</b>	
Other Non-Current Assets	Php	6,318,441.87	Php	1,607,821.29
<b>Total</b>	<b>Php</b>	<b>6,318,441.87</b>	<b>Php</b>	<b>1,607,821.29</b>

## 13.0 Payables

This account is composed of the following:

<b>Particulars</b>	<b>2016</b>		<b>2015</b>	
Accounts Payable	Php	12,034,661.93	Php	5,932,438.54
Leave Benefit Payable		7,726,525.29		6,766,765.97
Due to BIR		470,268.07		278,386.99
Due to GSIS		695,227.55		621,307.34
Due to Pag-ibig		130,324.22		140,654.95
Due to Philhealth		45,495.48		41,195.48
Due to Other Funds		386,420.00		208,210.00
Guaranty/Security Deposits Payable		2,118,546.65		1,613,455.67
Other Payable		678,325.53		428,826.20
<b>Total</b>	<b>Php</b>	<b>24,285,794.72</b>	<b>Php</b>	<b>16,031,241.14</b>

#### 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 P46,885,275.89 as of December 31, 2015. The principal amount due to be settled within twelve months after the reporting date is P11,077,093.68. This amount is presented as current liabilities. Loans Payable amounting to P35,808,182.21 is presented as long-term liabilities.

#### 15.0 Equity

This is composed of restricted/paid-in government capital, contributed capital, and the retained earnings account.

#### 16.0 Income

This is composed of the following:

##### Business Income

Particulars	2016	2015
Waterworks System Fee	Php 99,173,623.50	Php 86,683,516.01
Other Business Income	2,504,675.09	1,887,957.98
Fines and Penalties	2,701,351.88	2,553,647.32
<b>Total</b>	<b>Php 104,379,650.47</b>	<b>Php 91,125,121.31</b>

##### Other Income

Particulars	2016	2015
Interest Income	Php 66,206.70	Php 90,646.94
<b>Total</b>	<b>Php 66,206.70</b>	<b>Php 90,646.94</b>

#### 17.0 Expenses

This composed of the following:

##### Personal Services

Particulars	2016	2015
Salaries and Wages	Php 21,974,560.07	Php 19,196,379.49
Other Compensation		
Personnel Economic Relief (PERA)	1,920,363.62	1,809,363.64
Representation and Transportation Allowance (RATA)	744,000.00	744,000.00
Productivity Incentive Allowance	1,140,000.00	1,552,841.00
Clothing / Uniform Allowance	385,000.00	385,000.00
Other Bonuses and Allowance	2,944,278.06	3,841,943.76
Overtime and Night Pay	566,317.73	525,506.76
Cash Gift	400,000.00	380,000.00
Year End Bonus	3,396,975.05	1,528,974.02

<b>Personnel Benefits and Contributions</b>			
Life and Retirement Insurance Contribution	2,513,708.36		2,198,089.33
Pag-ibig Contributions	96,200.00		91,000.00
Philhealth Contributions	234,312.50		213,600.00
ECC Contributions	96,200.00		91,000.00
<b>Other Personnel Benefits</b>			
Terminal Leave Benefits	1,250,364.58		1,504,258.00
Provident Fund Benefits	609,402.96		1,094,542.66
Other Personnel Benefit	464,140.00		495,400.00
Other Personnel Benefit - CNA Civilian	2,101,000.00		1,925,000.00
<b>Total</b>	<b>Php 40,836,822.93</b>	<b>Php</b>	<b>37,576,898.66</b>

#### **Maintenance and Other Operating Expenses**

<b>Particulars</b>	<b>2016</b>	<b>2015</b>
Traveling Expenses	Php 879,310.25	Php 762,376.60
Training and Scholarship Expenses	950,942.86	662,508.84
<b>Supplies and Material Expenses</b>		
Office Supplies Expenses	261,848.45	268,027.37
Accountable Forms Expenses	63,788.42	65,364.96
Drugs and Medicines Expenses	1,090.40	214.19
Medical, Dental and Laboratory Supplies Expenses	108,785.00	110,179.00
Fuel, Oil and Lubricants Expenses	945,021.34	1,091,242.07
Other Supplies and Materials Expenses	536,470.44	431,327.14
<b>Utility Expenses</b>		
Electricity Expenses	11,810,160.51	9,869,586.46
<b>Communication Expenses</b>		
Postage and Courier Services	15,887.00	10,147.76
Telephone Expenses	361,237.63	386,400.53
Internet Subscription Expenses	88,734.05	53,434.00
Cable Satellite, Telegraph and Radio Expense	3,045.00	5,111.00
Awards/Rewards Expenses	-	9,720.00
Extraordinary and Miscellaneous Expenses	210,242.21	31,903.50
<b>Professional Services</b>		
Legal Services	95,100.00	72,100.00
Auditing Services	-	77,893.94
Consultancy Services	91,218.04	-
<b>General Services</b>		
Security Services	850,750.78	777,990.79
Other General Services	336,000.00	353,524.95
<b>Repairs and Maintenance</b>		
Repairs and Maintenance - Land Improvements	400,162.26	572,245.47
Repairs and Maintenance - Infrastructure Assets	1,922,454.70	3,277,142.34
Repairs and Maintenance - Buildings and Other Structures	221,229.55	147,801.80
Repairs and Maintenance - Machinery and Equipment	153,186.93	204,478.55
Repairs and Maintenance - Transportation Equipment	552,225.38	561,889.67
Repairs and Maintenance - Furniture and Fixtures	20,435.00	16,651.49
Repairs and Maintenance - Other Property, Plant and Equipment	5,937.00	11,088.00
Taxes, Duties and Licenses	2,198,401.56	1,725,083.16
Fidelity Bond Premiums	278,799.64	238,270.83
Insurance Expenses	134,402.92	135,345.27



Advertising, Promotional and Marketing Expenses	206,138.92	191,367.45
Printing and Publication Expenses	214,932.35	329,853.00
Representation Expenses	304,123.28	259,733.99
Rent/Lease Expenses	101,582.00	67,210.00
Subscription Expenses	12,378.00	12,122.00
Membership Dues and Contributions to Organizations	88,572.75	36,374.00
Donations	89,543.00	43,870.00
Other Maintenance and Operating Expenses	418,354.28	667,250.03
Depreciation Expense		
Depreciation - Infrastructure Assets	5,978,800.48	5,282,110.51
Depreciation - Buildings and Other Structures	400,577.41	367,175.13
Depreciation - Machinery and Equipment	984,305.92	856,759.14
Depreciation - Transportation Equipment	337,706.87	283,735.88
Depreciation - Furniture, Fixtures and Books	95,463.59	86,177.52
Depreciation - Leased Assets Improvement	26,542.78	-
Depreciation - Other Property, Plant and Equipment	311,291.23	333,434.43
Loss Adjustments Expenses	200,738.46	193,679.34
Other Discounts	302,428.29	259,595.31
<b>Total</b>	<b>Php 33,570,346.93</b>	<b>Php 31,199,497.41</b>

#### Financial Expenses

Particulars	2016		2015	
Interest Expense	Php	3,219,012.99	Php	3,460,853.16
Documentary Stamps Expenses		-		50,000.00
Bank Charges		-		100.00
Other Financial Charges		-		70,000.00
<b>Total</b>	<b>Php</b>	<b>3,219,012.99</b>	<b>Php</b>	<b>3,580,953.16</b>

Part II:  
**AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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**Compliance**

- 1. The amount of ₱38,302.24 representing government contribution to PWD Provident Fund has no legal basis being given prior to the issuance of DBM Budget Circular No. 2008-03.**

To supplement retirement or separation benefits and provide alternative sources of loan financing, Executive Order (E.O.) No. 641 dated July 25, 2007 authorizing the establishment and administration of provident funds in the government was issued by then President Gloria Macapagal-Arroyo. On June 20, 2008, DBM Budget Circular (BC) No 2008-3 was issued defining provident fund as a savings scheme consisting of contributions from both the employees and the employer (in monetary form from member-employees; in monetary and/or non-monetary form/s from employers) which serves as a loan facility and provider of supplementary welfare benefits to its members. These policies provide that provident fund shall be sourced from the following: a) members' contributions; b) initial government agency counterpart contributions in the form of support for reasonable operating requirements in the administration and operation of the fund such as the part time assignment of existing personnel and the use of necessary agency facilities and equipment; and c) such other fund sources as may be provided by the laws, and those which the Board of Trustees of the Fund may thereafter identify as legal, valid and authorized funding sources. DBM BC No. 2008-03 further requires that government cash contributions to be sourced from savings may be authorized in the future as the government's financial position would allow.

Noting the dynamics that R.A. No. 6758<sup>1</sup> has brought to the government compensation system and considering the chronology of applicable issuances mentioned above, it was appreciated, applied and laid down in existing COA decisions (COA Decision Nos. 2016-020 and 2016-314) that *no provident fund may be established between the passage/effectivity of R.A. No. 6758 and the promulgation of E.O. No. 641; provident fund may be established only after the issuance of E.O. No. 641; and government contributions can be made to the fund only after the release of DBM BC No. 2008-03.* These parameters, among others, guided our review of the District's provident fund.

Our review of the District's provident fund disclosed that it was established with retroactive effect on May 15, 2008 pursuant to PWD Board Resolution No. 08-16. Thus, complying with the parameters that *no provident fund may be established between the passage/effectivity of R.A. No. 6758 and the promulgation of E.O. No. 641 and provident fund may be established only after the issuance of E.O. No. 641.* However, it was determined that the government contributions as of December 31, 2016 totaling to ₱7,089,047.44 included the amount of ₱43,933.48 that was given as contributions to the fund prior to the issuance of DBM BC No. 2008-03. Needless to say, the said given amount sans legal basis constitutes invalid claim against the resource of the government. The amount of ₱38,302.24 after excluding the benefits given to those who retired, resigned and who were deceased should be returned to the District's coffers. When raised with the Management of the District, concerned officials welcomed the observation and aired appreciation

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<sup>1</sup> Republic Act No. 6758; An Act Prescribing a Revised Compensation and Position Classification System in the Government and for other Purposes



for the clarity provided by team on the application of existing issuances on provident fund. Management also agreed that the amount in issue be reverted back to the District; hence, the recommendation below.

**We recommended and Management agreed, through coordination with the Officers of the PWD Provident Fund, to revert the amount totaling to P38,302.24 to the District. Management and Officers of the PWD Provident Fund were also encouraged moving forward to continuously take actions within the bounds of propriety to ensure the growth and sustainability of the fund.**

## **Corporate Governance**

- 2. The current level of internal controls and the management of fraud risk necessitate improvements to better position the District in realizing its mandate as envisioned by PD 198.**

There is no greater measure of success for any organization than the attainment of the purpose for which it was created. The District like any other organizations is measured using this yardstick. As it strives to actualize its mandate, it is imperative for those charged with management, when managing results, to decide and act within the bounds of sound governance. The fabric of sound governance is woven by integrated and mutually supportive systems of risk management, internal control and accountability. Governance requires that risk management, adequate and effectively functioning internal controls, and defined accountability are embedded in processes and activities on all levels of management within the organization to ensure the achievement of the District's objectives. With the importance of governance, this work endeavors to assess the District's internal control climate.

Exercising its Constitutional mandate to enable and drive government agencies towards development, COA issued Resolution No. 2016-016 prescribing the adoption of the Philippine Internal Control Framework for Public Sector. Internal Control, as defined in the above-mentioned framework, is an integral process that is effected by an agency's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the agency's mission, the general objectives are being achieved. Internal control emphasizes the adequacy and effectiveness of the agency's control environment, risk assessment, control activities, information and communication, and monitoring processes. Sound internal control across levels of management structure affords better position for an agency in realizing its operating, reporting, compliance and asset safeguarding objectives. Conversely, the absence of sound internal control does not only expose an agency to risks affecting its objectives. It hampers effective and efficient delivery of public service and undermines the agency's mission, its purpose of existence.

With the value of internal control and the current thrust of COA to help elevate management practices of government agencies, we assessed the current internal control climate through a survey to give relevant and useful evidence about internal control components of the District. The assessment was designed to also give preliminary indicators on whether adequate control environment, risk assessment, control activities, information and communication systems,



and monitoring processes exist and working. The results of the assessment are presented in the tables.

<b>SECTION I: CONTROL ENVIRONMENT</b>									
<b>STATEMENTS</b>		<b>Response Frequency</b>						<b>Average Score</b>	<b>General Response</b>
		<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>DK</b>	<b>NR</b>		
1.	The Administrative Officer demonstrates high ethical standards	25	52	0	0	3	0	4.20	Agree
2.	Executive Management demonstrates high ethical standards	25	52	0	0	3	0	4.20	Agree
3.	The Administrative Officer strives to comply with laws, rules and regulations affecting the organizations	31	46	0	1	1	1	4.33	Agree
4.	Executive Management strives to comply with laws, rules and regulations affecting the organization	31	46	0	1	1	1	4.33	Agree
5.	My Manager demonstrates high ethical standards	30	47	0	0	3	0	4.26	Agree
6.	My Manager strives to comply with laws, rules and regulations affecting the organization	30	45	0	0	3	2	4.27	Agree
7.	My immediate supervisor demonstrates high ethical standards	27	49	0	0	1	3	4.31	Agree
8.	My immediate supervisor complies with the laws, rules and regulations affecting the organization	24	52	0	0	1	3	4.27	Agree
9.	I demonstrate high ethical standards	22	58	0	0	0	0	4.28	Agree
10.	I comply with the law, rules and regulations affecting the organization	28	49	1	1	0	1	4.32	Agree
11.	Managers and employees are sensitive to ethical considerations, the impact on and perceptions of others when making decisions or taking action	11	64	1	1	2	1	4.03	Agree
12.	The Administrative Officer places sufficient emphasis on the importance of integrity, ethical conduct, fairness and honesty in their dealings with employees, vendors and other organizations	20	54	1	1	4	0	4.06	Agree
13.	The Manager of Financial Administration places sufficient emphasis on the importance of integrity, ethical conduct, fairness and honesty in their dealings with employees, vendors and other organizations	20	55	0	1	4	0	4.08	Agree
14.	My Manager places sufficient emphasis on the importance of integrity, ethical conduct, fairness and honesty in their dealings with employees, vendors and other organizations	22	50	1	1	4	2	4.09	Agree
15.	My immediate supervisor places sufficient emphasis on the importance of integrity, ethical conduct, fairness and honesty in their dealings with employees, vendors and other organizations	30	46	0	0	0	4	4.39	Agree
16.	An atmosphere of mutual trust and open communication between management and employees has been established within the organization	15	60	2	1	1	1	4.10	Agree
17.	The acts and actions of management are consistent with the stated values and conduct expected of all other employees	12	60	2	1	5	0	3.91	Agree

18.	Standards related to personal conduct are periodically discussed with employees by managers and/or supervisors	12	57	7	0	4	0	3.91	Agree
19.	I have the qualifications, knowledge, skill and training necessary to perform my job adequately	21	59	0	0	0	0	4.26	Agree
20.	Employees in my work unit have the knowledge, skill and training necessary to perform their job adequately	11	67	1	0	0	1	4.13	Agree
21.	My work unit learns from their mistakes	12	67	0	0	1	0	4.11	Agree
22.	My work unit is committed to providing quality services	24	54	0	0	0	2	4.31	Agree
23.	I feel I have the opportunity to advance within the organization	20	55	0	0	4	1	4.10	Agree
24.	I am satisfied with the training opportunities made available to me	20	55	1	1	1	2	4.18	Agree
25.	In my work unit we are cross-trained so that we can fill in for each other when necessary	13	57	7	0	2	1	4.00	Agree
26.	Management is open to suggestions for improvement	18	54	4	1	3	0	4.04	Agree
27.	Personnel turnover has <u>not</u> impacted my work unit's ability to effectively perform its function	8	64	0	0	5	3	3.91	Agree
28.	Employees in my work unit are treated fairly and justly	22	54	2	0	2	0	4.18	Agree
29.	<p>If you disagree/strongly disagree with any of the above questions on the Control Environment, why do you feel this way?</p> <p><i>"Management should discuss employees' suggestions whether it should be implemented and reasons why it should not be implemented."</i></p> <p><i>"We're not cross-trained but we try to learn each other's work so that we can fill in anytime they were not around."</i></p> <p><i>"No job rotation; We only fill in gaps when needed but no formal training."</i></p> <p><i>"We are not trained but we try to learn each other's work if simple / clerical only so that when the need arises we could fill in and get the job done."</i></p> <p><i>"Management should be fair in dealing with employee and open for suggestions."</i></p>								

## SECTION II: RISK ASSESSMENT

STATEMENTS	Response Frequency						Average Score	General Response
	SA	A	D	SD	DK	NR		
30. For the coming year, I am accountable for defined, measurable objectives	17	62	0	0	1	0	4.18	Agree
31. I have sufficient resources, tools and time to accomplish my objectives	13	63	4	0	0	0	4.11	Agree
32. The objectives and goals of my work unit are reasonable and attainable	12	64	2	0	2	0	4.05	Agree
33. Management has given me an appropriate level of authority to accomplish my goals	10	69	1	0	0	0	4.11	Agree



34.	Generally, I do not feel unreasonable pressure to get the job done at any expense	5	70	1	0	3	1	3.94	Agree
35.	In my department, we identify barriers and obstacles and resolve issues that could impact achievement of objectives	11	67	0	0	2	0	4.06	Agree
36.	In my department, the processes for supporting significant changes are adequately managed	15	61	0	0	2	2	4.12	Agree
37.	I hold my staff accountable for defined, measurable objectives	10	37	1	0	3	29	4.00	Agree
38.	<p>If you disagree/strongly disagree with any of the above questions on the Risk Assessment, why do you feel this way?</p> <p><i>"The unreasonable pressure comes from lack of time management and delayed decision making. Accomplishment of defined, measurable objectives is a shared accountability and responsibility."</i></p>								

SECTION III: CONTROL ACTIVITIES									
STATEMENTS		Response Frequency						Average Score	General Response
		SA	A	D	SD	DK	NR		
39.	The policies and procedures in my work unit allow me to do my job effectively	25	54	0	0	0	1	4.32	Agree
40.	My work unit's policies and procedures are reasonable and consistent	20	57	3	0	0	0	4.21	Agree
41.	Employees who break laws, rules and regulations affecting the organization will be discovered	15	60	1	1	3	0	4.04	Agree
42.	Employees who break laws, rules and regulations affecting the organization and are discovered will be subject to appropriate consequences	15	61	2	0	2	0	4.09	Agree
43.	Employees who steal from the organization (physical property, money, information, time) will be discovered	22	53	1	1	3	0	4.13	Agree
44.	Employees who steal from the organization and are discovered will be subject to appropriate consequences	23	52	1	1	3	0	4.14	Agree
45.	My work is adequately supervised	18	55	1	0	4	2	4.06	Agree
46.	We are discouraged from sharing personal and sensitive information with others	6	63	4	1	3	3	3.88	Agree
47.	<p>If you disagree/strongly disagree with any of the above questions on the Control Activities, why so you feel this way?</p> <p><i>"No direct prohibition written or verbal; communication is open. You can ask directly from whoever is affected / related to specific inquiry or info you want to clarify."</i></p> <p><i>"Management should be fair with their employees."</i></p> <p><i>"We are open to personal views information sharing. However, we can keep delicate information secretly."</i></p>								

SECTION IV: INFORMATION AND COMMUNICATION									
STATEMENTS		Response Frequency						Average Score	General Response
		SA	A	D	SD	DK	NR		
48.	Our information systems provide management with timely reports on my unit's performance relative to	15	59	2	0	3	1	4.05	Agree



	established objectives								
49.	There is a way for me to provide recommendations for process improvements	15	62	0	0	2	1	4.11	Agree
50.	The interaction between management and my work unit enables us to perform our jobs effectively	13	66	0	0	0	1	4.16	Agree
51.	The communication across departmental boundaries within my business unit enables us to perform our jobs effectively	15	63	0	0	1	1	4.15	Agree
52.	I have sufficient information to do my job	20	59	0	0	0	1	4.25	Agree
53.	Management has clearly communicated to me the behavior that is expected of me	14	64	0	0	1	1	4.14	Agree
54.	Management is informed and aware of my business unit's actual performance	21	55	0	0	3	1	4.15	Agree
55.	A communication channel exists for reporting suspected improprieties	9	65	2	0	2	2	4.01	Agree
56.	I know where to report employee misconduct	18	59	0	0	2	1	4.15	Agree
57.	If I report wrongdoing to my supervisor, I am confident the wrongdoing will stop	13	55	5	0	4	3	3.95	Agree
58.	Employees who report suspected improprieties are protected from reprisal	10	60	1	0	7	2	3.85	Agree
59.	Employees, management and work groups cooperate to reach shared goals	20	57	0	0	2	1	4.18	Agree
60.	If you disagree/strongly disagree with any of the above questions on the Information and Communication, why do you feel this way?								

SECTION V: MONITORING									
STATEMENTS		Response Frequency						Average Score	General Response
		SA	A	D	SD	DK	NR		
61.	Information reported to management reflects the actual results of operations in my work unit	17	63	0	0	0	0	4.21	Agree
62.	I have access to enough information to monitor performance	11	67	0	0	1	1	4.10	Agree
63.	Internal and/or external feedback complaints are followed up on in a timely and effective manner	5	73	1	0	1	0	4.01	Agree
64.	We consider customer complaints and feedback in order to identify quality problems	30	48	0	0	2	0	4.30	Agree
65.	The <u>quality</u> of output in my work unit is measurable	16	62	0	0	2	0	4.13	Agree
66.	Employees in my work unit know what actions to take when they find mistakes or gaps in what we are supposed to do	7	68	2	0	3	0	3.95	Agree
67.	Management is aware of problems I encounter when doing my work	17	61	1	0	1	0	4.16	Agree
68.	My supervisor reviews my performance with me at appropriate intervals	16	60	0	0	0	4	4.21	Agree
69.	I know what action to take if I become aware of unethical or fraudulent activity	17	61	1	0	1	0	4.16	Agree
70.	The sources of information used within my unit are verified	11	68	1	0	0	0	4.13	Agree
71.	Computerized data entry systems used within my	13	61	1	0	2	3	4.08	Agree



	unit effectively prevent or detect incorrect or missing information								
72.	If you disagree/strongly disagree with any of the above questions on the Monitoring, why do you feel this way?  <i>"Not well-versed since it is not common."</i>								

Based on the above results, we inquired on the challenges that caused some statements to receive lower degree of agreement; what doable actions would the District take to address these identified challenges; how would the District build around the statements with higher degree of agreement moving forward; and the courses of actions that the District will take to deter and detect fraud in the work place since five (5) of the eighty (80) respondents believe that people within the District is committing fraud. In reply, Management squarely identified the challenges that caused some statements to receive lower degree of agreement and readily expressed doable actions that include *role modelling of management and consistency in actions and decisions; in-house training on RA 6713 and conduct periodic orientation of the District's corporate values; finalization of work manuals, staff function guides and SOPs, adoption and implementation of succession plan; conduct divisional meetings to discuss institutional and divisional targets and to monitor performance outputs; interventions like coaching and mentoring shall be done to improve employees' productivity; establish a culture of professionalism; revisit of RRACS; observe impartiality and objectivity in dealing with reports of improprieties; reiterate the submission of written reports and actions made for proper documentation; and encourage employees to report their observations using forms with established format.*

Management continued that *the District has its share of strengths and weaknesses. For areas with higher degree of agreement, the management needs to sustain the momentum towards continual improvement. The District's goal to achieve ISO Certification this 2017 will facilitate better understanding on the importance of internal control, internal audit, risk assessment and management, documentation, improved communication and information and monitoring of performance. All efforts will be aligned and directed at implementing the policies in these areas. On handling fraud, Management aired that the District does not tolerate fraud because integrity is always upheld in the exercise of employees' functions. Those who commit fraud are meted out with penalties after due process has been done. Nevertheless, during our ISO Gap Assessment, fraud is one of the risks that we have to address. Preventive measures have already been laid out.*

Based from the above submissions, Management is fully aware that internal control is crucial as it is necessary in the District's operation. Hence, the mentioned courses of action among others should be actualized to have its internal controls formalized, further enhanced and embedded on its business processes and accountability lines. As already stressed, internal control across levels of management structure affords better position for the District in realizing its operating, reporting, compliance and asset safeguarding objectives. On the other hand, the team cautions the Management on actions for fraud. The team would like to advance that forms of risks may be tolerated by the District depending on its appetite but should not include fraud risks. Unlike other risk taxonomies, fraud risks carry the unique element of ill intent to gain or to cause harm. The design of fraud prevention and detection control mechanisms should be premised on the idea that all control lines of defense which include organizational policies, control activities and monitoring mechanisms are circumvented and rendered ineffective. To emphasize, fraud risks



materialize through malicious intent and control circumvention; hence, fraud prevention and detection controls should be adequately designed to address this. Otherwise, all these will expose the District to risks affecting its objectives; the effective and efficient delivery of public service; and the actualization of its mandate.

Hence, moving forward, we recommended and Management agreed to ensure effective and efficient delivery of the District's mandate through courses of actions that will formalize, further enhance and embed internal controls in the management of its processes and delivery of responsibilities along accountability lines. We also recommended and Management agreed that the District manage fraud risks through fraud control measures that increase perception of detection, reinforce segregation of incompatible functions, ensure safeguarding of resources and affirm compliance with regulations.

### **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, 2016, the disallowance amounted to ₱3,845,075.30 and still unrecorded in the books pending decision on its Petition for Certiorari. No Audit Suspensions and Charges as of December 31, 2016.



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

Of the four (4) prior years' audit recommendations embodied in the 2015 Annual Audit Report, one (1) was fully implemented and three (3) are on the ongoing status of implementation, as detailed below:

OBSERVATION AND RECOMMENDATION	REF	MANAGEMENT ACTION	STATUS OF IMPLEMENTATION (Full, Partial, On-going or Not-implemented)	REASON FOR PARTIAL/NON-IMPLEMENTATION
<p>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.</p> <p>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.</p>	2015 AAR	Management is on the process of complying with the requirements for ISO Certification which will improve the over-all governance of the District.	On-going	
<p>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.</p> <p>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.</p>	2015 AAR		On-going	
<p>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.</p> <p>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</p>	2015 AAR		Implemented	

OBSERVATION AND RECOMMENDATION	REF	MANAGEMENT ACTION	STATUS OF IMPLEMENTATION (Full, Partial, On-going or Not-implemented)	REASON FOR PARTIAL/NON-IMPLEMENTATION
the Notes to the Financial Statements.				
<p>4. 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 facilitate transfer of ownership.</p>	2013 AAR		On-going	