



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

FINANCIAL AUDIT REPORT

on the

BALIWAG WATER DISTRICT
Baliwag, Bulacan

For the Year Ended December 31, 2018



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. III
City of San Fernando, Pampanga

Tel No. (045) 455-4274 • Telefax No. (045) 455-4273 • Website: www.coa.gov.ph



March 15, 2019

Mr. FLORIDO S. SANTOS
Chairperson of the Board of Directors
Baliwag Water District
Baliwag, Bulacan

Dear **Chairperson Santos**:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

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

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

The audit report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

The audit observations and recommendations were discussed with concerned officials of the District in the exit conference held on February 18, 2019. Management's comments were incorporated in the report, where appropriate.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2018.

We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,


LYNN S.F. SICANGCO
Regional Director

BALIWAG WATER DISTRICT

BALIWAG WATER DISTRICT
Baliwag, Bulacan

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2018
As of _____

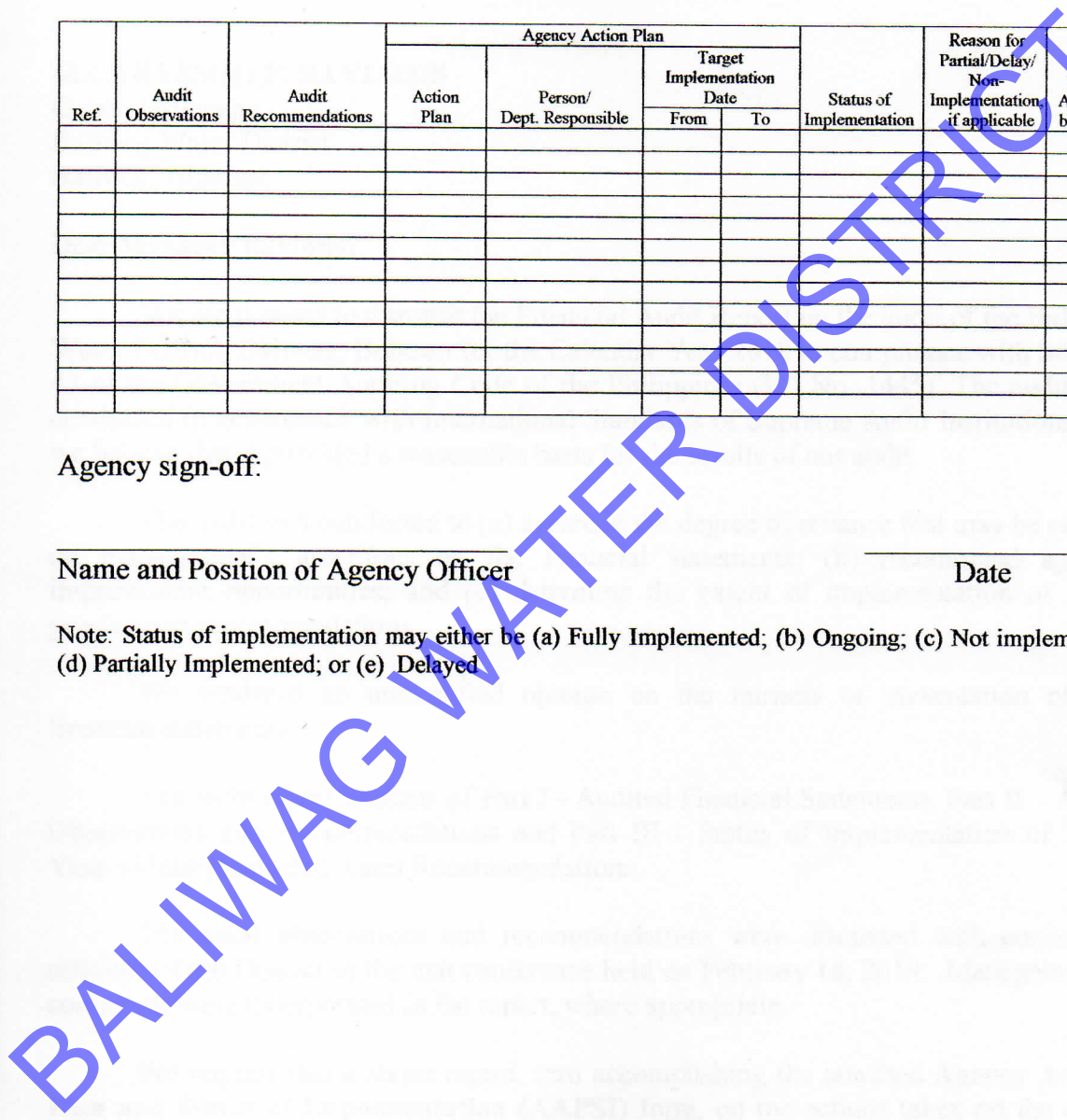
Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

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





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March 15, 2019

Mr. ARTEMIO F. BAYLOSIS
General Manager
Baliwag Water District
Baliwag, Bulacan

Dear **Manager Baylosis**:

We are pleased to transmit the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445). The audit was conducted in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the results of our audit.

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

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We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2018.

We appreciate the invaluable support and cooperation extended by the officials and staff of the District during the audit engagement.

Very truly yours,


LYNN S.F. SICANGCO
Regional Director

BALIWAG WATER DISTRICT

BALIWAG WATER DISTRICT
Baliwag, Bulacan

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2018
As of _____

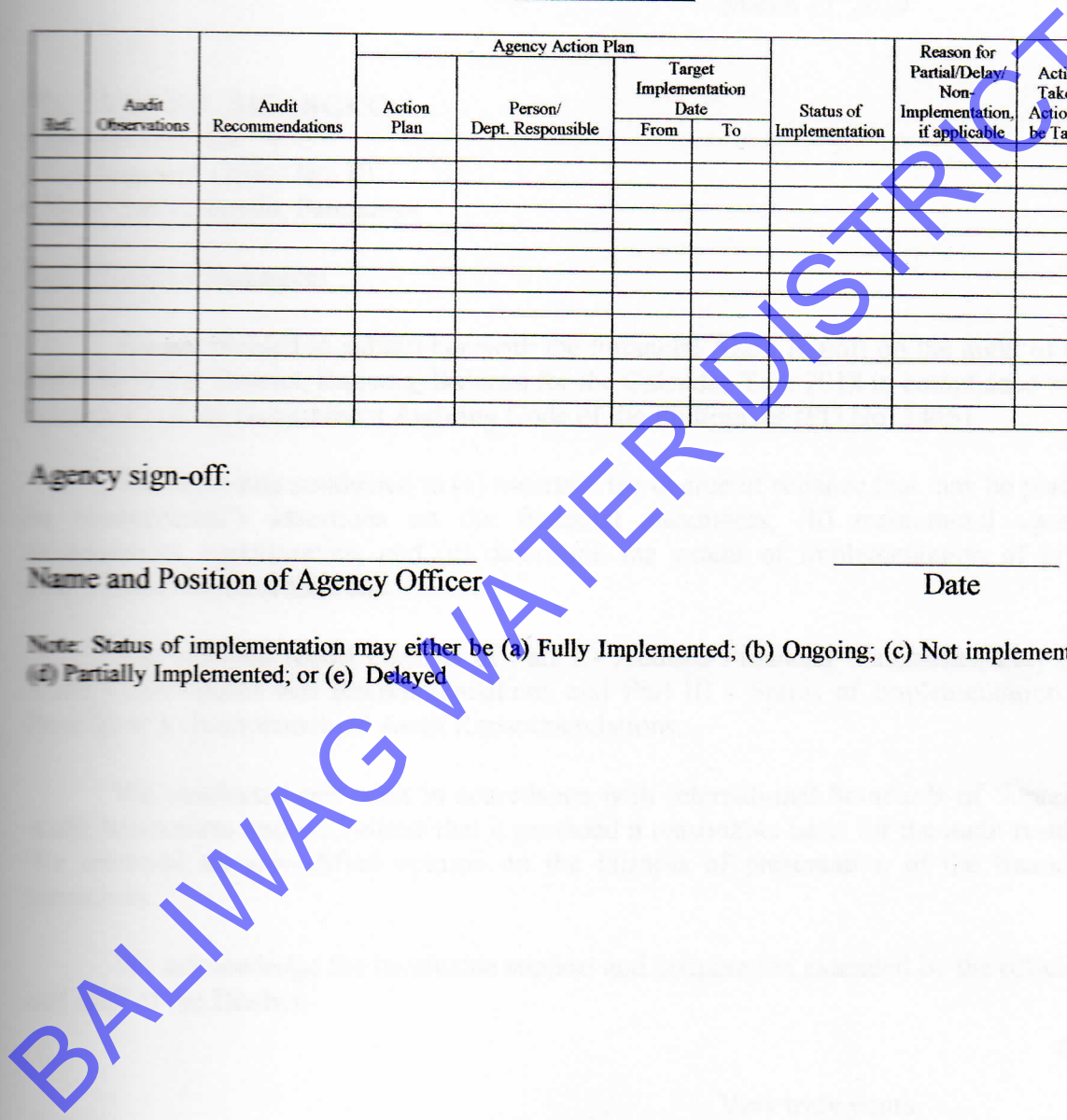
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Agency sign-off:

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





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March 13, 2019

Ms. LYNN S.F. SICANGCO
Regional Director
COA Regional Office No. III
City of San Fernando, Pampanga

Dear Director Sicangco:

We are pleased to submit herewith the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

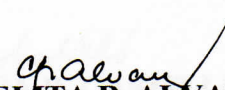
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The attached report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the audit results. We rendered an unmodified opinion on the fairness of presentation of the financial statements.

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,


CARMELITA R. ALVAREZ
Supervising Auditor



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March 06, 2019

Ms. CARMELITA R. ALVAREZ
Supervising Auditor
CGS A - Water Districts Audit Group
This Region

Madam:

We are pleased to submit herewith the Financial Audit Report on the audit of the Baliwag Water District, Baliwag, Bulacan for the Calendar Year 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

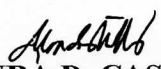
The audit was conducted to (a) ascertain the degree of reliance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's unimplemented audit recommendations.

The attached report consists of Part I - Audited Financial Statements, Part II - Audit Observations and Recommendations and Part III - Status of Implementation of Prior Year's Unimplemented Audit Recommendations. The audit observations and recommendations were discussed with the officials concerned in the exit conference held on February 18, 2019.

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

We acknowledge the invaluable support and cooperation extended by the officials and staff of the District.

Very truly yours,


MAURA D. CASTILLO
Audit Team Leader



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

FINANCIAL AUDIT REPORT

on the

**BALIWAG WATER DISTRICT
Baliwag, Bulacan**

For the Year Ended December 31, 2018

BALIWAG WATER DISTRICT

EXECUTIVE SUMMARY

A. Introduction

The District was created pursuant to Presidential Decree No. 198, otherwise known as the "Local Water Utilities Act of 1973", as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988. On July 6, 1989, the Conditional Certificate of Conformance (CCC) No. 407 was issued by Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.

Since 1992, by virtue of the Supreme Court En Banc decision, GR No. 95237-38 (Davao City Water District, et al. vs. CSC et al.), water districts were declared government owned and/or controlled corporation with original charter, and as such they are placed under the jurisdiction of the Civil Service Commission and Commission on Audit.

As of December 31, 2018, the District has 23 pumping stations which serve 27 barangays with 31,621 total active service connections. The District is categorized as Category "A" water district pursuant to the Local Water District Manual on Re-categorization in March 2017.

The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

The District's Board of Directors is composed of the following:

Name	Position/Designation	Sector
Mr. Florido S. Santos	Chairman	Business
Ms. Maria Manolita C. Cruz	Vice-Chairman	Civic
Ms. Zenaida R. Salao	Secretary	Women
Ms. Maria Lourdes C. Sablan	Member	Professional
Mr. Conrado E. Evangelista	Member	Education

The District has 141 personnel and headed by General Manager Artemio F. Baylosis.

B. Financial Highlights

The comparative analysis of the District's Financial Position and Results of Operation for CY 2018 and 2017 are shown on the next page.

	2018	2017
Financial Position		
Assets	₱410,042,863.21	₱418,440,864.43
Liabilities	194,734,093.66	214,643,852.47
Equity	215,308,769.55	203,797,011.96
Results of Operation		
Income	213,561,683.39	200,292,467.77
Expenses	199,135,506.50	187,691,908.33
Net Income	14,426,176.89	12,600,559.44

C. Scope of Audit

We conducted an audit of the financial transactions and operations of the Baliwag Water District for the year ended December 31, 2018 on a sampling basis in accordance with the International Standards of Supreme Audit Institutions and Corporate Government Sector Memorandum dated August 24, 2018 prescribing for the General Audit Instructions for the conduct of CY 2018 Audit of Water Districts and for other matters. We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion. The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

D. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the District for the year ended December 31, 2018.

E. Summary of Significant Audit Observations and Recommendations

The significant audit observations noted during the audit and the corresponding recommendations are the following:

The collectability of inactive accounts totaling ₱4,295,620.74 and receivables from the Municipality of Baliwag amounting to ₱6,142,590.57 was remote thus placing these impaired receivables to an alarming level contrary to Section 64 of the Government Accounting and Auditing Manual, Volume I. (*Observation No. 1*)

We recommended that the General Manager instruct the Division Manager – Finance and Commercial to (a) continuously send confirmation/demand letters to the concessionaires; (b) monitor the status of trade accounts and improve collection strategies on delinquent

accounts which may include appropriate legal action, if necessary; (c) determine the possibility of collecting the inactive accounts receivables which are more than ten years or request authority from the Commission on Audit for the write-off of dormant accounts, after all measures to collect have been futile and which can no longer be supported by the required documents pursuant to COA Circular No. 2016-005 dated December 19, 2016; and (d) make a full representation with the incumbent Municipal Mayor regarding the legal processes on the offsetting of the value of the properties given totaling ₱5,420,845.00 as in lieu share to the District for the unpaid water bill; otherwise, exert utmost efforts to collect the unpaid active accounts totaling ₱6,142,590.57.

2. The District granted cash advances in excess of the actual need by ₱626,358.47 or 24.75% and the accountable officers incurred delays in the liquidation thereof ranging from two to 93 days in violation of COA Circular No. 97-002 dated February 10, 1997. (*Observation No. 2*)

We recommended that the General Manager (a) closely monitor the granting, utilization and liquidation of cash advances; and (b) require the Department Manager - Finance to see to it that (i) all cash advances made by officials and employees be commensurate to the actual need and that they should be reported or immediately liquidated as soon as the purpose for which it was granted has been served; (ii) no additional cash advances be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made; and (iii) under no circumstances shall cash advances remain unliquidated at the end of the year.

3. The procurements of goods and services amounting to ₱4,736,472.24 were not posted in the Philippine Government Electronic Procurement System (PhilGEPS) and not supported with complete necessary documentary requirements contrary to the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 and COA Circular No. 2012-001 dated June 14, 2012, respectively. (*Observation No. 3*)

We recommended that the General Manager through the Procurement Head and Bids and Awards Committee (BAC) to post all Request for Quotations (RFQs) with Approved Budget for the Contracts (ABCs) of more than ₱50,000.00 in the PhilGEPS' website for a period of seven calendar days in compliance with the RIRR of RA No. 9184. Likewise, we recommended that the General Manager see to it that all necessary documents are attached to the Disbursement Vouchers and monitor closely the compliance with the requirements of the procurement rules and regulations to prevent the recurrence of similar conditions in the future.

Ten expense accounts aggregating to ₱49,374,000.03 exceeded their approved 2014 Corporate Operating Budget of ₱36,461,977.83 contrary to the provisions of Sections 4(1) and 4(8) of PD No. 1445. (*Observation No. 5*)

We recommended that Management (a) take into consideration the availability of budget before incurring expenditures in conformity with Sections 4(1) and 4(8) of PD No. 1445; (b) implement cost-saving measures and stricter budgetary controls to keep expenses

within the approved limit; (c) formulate a more realistic budget, taking into consideration the projected earnings and the needed programs and projects to improve its operations; and (d) prepare a supplemental budget or augment funds/realign savings in case of budget overruns in accordance with Section 3.3 of Department of Budget and Management (DBM) Corporate Circular (CC) No. 20 dated April 27, 2005.

F. Summary of Audit Suspensions, Disallowances and Charges

The disallowances issued for CYs 2012-2015 transactions totaled ₱19,497,064.47 while disallowances issued for CY 2017 transactions totaled ₱3,150,639.50 or a total amount of ₱22,647,903.97 as of December 31, 2018. There were disallowable disbursements amounting to ~~₱2,913~~^{₱2,913},860.90 in the audit of transactions for CY 2018.

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Of the 26 audit recommendations embodied in the CY 2017 Financial Audit Report, eight were fully implemented, eight were partially implemented and ten were not implemented.

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BALIWAG WATER DISTRICT



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Baliwag Water District
Baliwag, Pinaric District

Companys

We have audited the financial statements of Baliwag Water District, which comprise the balance sheet as at December 31, 2014, and the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for the year then ended, and the related notes to the financial statements, as indicated in the accompanying schedule.

PART I – AUDITED FINANCIAL STATEMENTS

In our opinion, the financial statements present fairly, in all material aspects, the financial position of Baliwag Water District as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Our audit

We conducted our audit in accordance with the International Standards on Auditing (ISA) issued by the International Auditing and Taxation Authority (IAA) and adapted to the Philippine context through the Department of Finance – Office of the Comptroller General of the Republic (DOF-OCGR). These standards require the auditor to exercise professional judgment and to maintain independence in accordance with the Code of Ethics for Professional Accountants issued by the Board of Accountancy (ABA). The auditor's responsibility is to express an opinion on the financial statements based on the audit evidence obtained. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The management of Baliwag Water District is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards, 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.

Our audit was limited to the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards, 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.

BALIWAG WATER DISTRICT



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Baliwag Water District
Baliwag, Bulacan

Unmodified Opinion

We have audited the financial statements of the Baliwag Water District, which comprise the Statement of Financial Position as at December 31, 2018 and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Baliwag Water District as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Unmodified Opinion

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

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

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

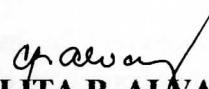
Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

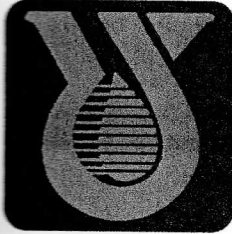
COMMISSION ON AUDIT

By:


CARMELITA R. ALVAREZ
Supervising Auditor

February 18, 2019

BALIWAG WATER DISTRICT



Baliwag Water District


Tomacruz St., Poblacion, Baliwag, Bulacan 3006
Tel. Nos. : (044) 766-2618 / (044) 798-0370 / (044) 798-0372
Fax No. : (044) 766-3737
www.baliwagwd.com


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

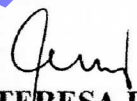
The Management of Baliwag Water District is responsible for the preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.


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

The Commission on Audit has audited the financial statements of the Baliwag Water District in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


FLORIDO S. SANTOS
Chairman of the Board
March 05, 2019


ARTEMIO F. BAYLOSIS
General Manager
March 05, 2019


MA. TERESA F. RAMOS
OIC – Administration and Finance Group
March 05, 2019


ANALIZA V. BULAON
Manager, General Accounting
March 05, 2019



ISO 9001: 2015 Certified
Cert. Reg. No. 01 100 1432628

BALIWAG WATER DISTRICT
Baliwag, Bulacan
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018
(With Comparative Figures for CY 2017)

	Note	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	₱ 8,467,177.53	₱ 6,644,426.03
Receivables, Net	5	18,102,533.56	20,325,503.96
Inventories	6	7,276,126.43	7,141,889.15
Other Assets	7	3,494,688.65	556,197.29
Total Current Assets		37,340,526.17	34,668,016.43
Non-Current Assets			
Investment in Time Deposits - Local		712,096.76	707,602.27
Property, Plant and Equipment, Net	8	371,990,240.28	383,065,245.73
Total Non-Current Assets		372,702,337.04	383,772,848.00
TOTAL ASSETS		₱410,042,863.21	₱418,440,864.43
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	9	₱ 23,511,581.99	₱ 6,441,358.82
Inter-Agency Payables	10	2,739,297.83	8,975,620.04
Total Current Liabilities		26,250,879.82	15,416,978.86
Non-Current Liabilities			
Financial Liabilities	9	124,256,377.52	170,104,772.25
Inter-Agency Payables	10	3,420,845.00	3,420,845.00
Trust Liabilities	11	4,840,012.37	4,304,666.87
Other Deferred Credits		960,308.55	875,629.29
Leave Benefits Payable		15,612,050.69	13,094,535.47
Other Payables		19,393,619.71	7,426,424.73
Total Non-Current Liabilities		168,483,213.84	199,226,873.61
TOTAL LIABILITIES		194,734,093.66	214,643,852.47
EQUITY			
Contributed Capital		20,883,551.52	20,883,551.52
Retained Earnings		194,425,218.03	182,913,460.44
TOTAL EQUITY		215,308,769.55	203,797,011.96
TOTAL LIABILITIES AND EQUITY		₱410,042,863.21	₱418,440,864.43

The notes on pages 8 to 29 form part of these statements.

BALIWAG WATER DISTRICT
Baliwag, Bulacan
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2018

(With Comparative Figures for CY 2017)

	Note	2018	2017
INCOME			
Business Income	12	₱212,627,193.57	₱199,465,713.26
Other Gains		85,811.84	140,162.51
Other Non - Operating Income	13	848,677.98	686,592.00
TOTAL INCOME		213,561,683.39	200,292,467.77
EXPENSES			
Personnel Services	14	71,625,369.95	62,603,984.87
Expenses	15	88,945,177.39	84,166,227.97
Financial Expenses	16	8,766,525.57	10,269,715.31
Non-Cash Expenses	17	29,798,433.59	30,651,980.18
TOTAL EXPENSES		199,135,506.50	187,691,908.33
NET INCOME		₱ 14,426,176.89	₱ 12,600,559.44

The notes on pages 8 to 29 form part of these statements.

BALIWAG WATER DISTRICT
Baliwag, Bulacan
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2018

	CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE AT DECEMBER 31, 2017	P20,883,551.52	P182,913,460.44	P203,797,011.96
Add(Deduct):			
Net Income for the year	0.00	14,426,176.89	14,426,176.89
Prior Year's Adjustments	0.00	(2,914,419.30)	(2,914,419.30)
BALANCE AT DECEMBER 31, 2018	P20,883,551.52	P194,425,218.03	P215,308,769.55

The notes on pages 8 to 29 form part of these statements.

BALIWAG WATER DISTRICT
Baliwag, Bulacan
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(With Comparative Figures for CY 2017)

	Note	2018	2017
Cash Flows from Operating Activities			
Cash Inflows			
Collection of Accounts Receivable		₱197,016,105.10	₱183,694,980.22
Collection of Service Fees and Charges		11,105,256.00	8,715,299.00
Collection of Other Receivables		4,261,686.28	4,326,046.37
Proceeds from Sale of Materials		417,677.00	448,980.00
Refund of Cash Advances		709,632.17	522,858.46
Miscellaneous Receipts		724,773.39	1,427,685.60
Cancellation of Stale Check		1,604,019.63	408,250.47
Restoration of Unreleased Check		2,464,303.63	9,345,835.84
Total Cash Inflows		218,303,453.20	208,889,935.96
Cash Outflows			
Payment of Personnel Services		32,590,311.91	29,416,013.34
Payment of MOOE		83,730,886.73	72,930,904.29
Payment of Accounts Payable		16,796,570.22	11,128,326.26
Payment of Cash Advances		5,304,228.76	2,352,105.00
Replenishment of Working Fund		154,617.26	160,451.45
Remittances - GSIS, BIR, PhilHealth, Pag-IBIG		20,669,541.29	20,890,371.18
Contribution to Provident Fund		6,192,887.83	7,752,118.29
Miscellaneous Disbursements		3,290,244.47	2,255,205.11
Returned Checks issued by concessionaires		62,786.00	81,076.88
Reversal of Unreleased Check		2,653,826.80	10,230,713.65
Total Cash Outflows		171,445,901.27	157,197,285.45
Net Cash Provided by (Used in) Operating Activities		46,857,551.93	51,692,650.51
Cash Flows from Investing Activities			
Cash Inflows			
Interest on Savings Deposits		7,142.67	11,387.84
Total Cash Inflows		7,142.67	11,387.84
Cash Outflows			
Purchase/Construction of PPE		11,419,013.68	19,190,570.73
Total Cash Outflows		11,419,013.68	19,190,570.73
Net Cash Provided by (Used in) Investing Activities		(11,411,871.01)	(19,179,182.89)
Cash Flows from Financing Activities			
Cash Outflows			
Finance Charges		(7,937.47)	(32,366.54)
Payment of Principal/Interest		(33,614,991.95)	(35,208,440.01)
Total Cash Outflows		(33,622,929.42)	(35,240,806.55)
Cash Used in Financing Activities		(33,622,929.42)	(35,240,806.55)
Increase (Decrease) in Cash and Cash Equivalents		1,822,751.50	(2,727,338.93)
Cash and Cash Equivalents - January 1		6,644,426.03	9,371,764.96
Cash and Cash Equivalents - December 31	4	₱ 8,467,177.53	₱ 6,644,426.03

The notes on pages 8 to 29 form part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. Agency Information and Authorization for Issue of the Financial Statements

The District was created pursuant to Presidential Decree No. 198, otherwise known as the "Local Water Utilities Act of 1973", as amended by PD Nos. 768 and 1479, and by virtue of the Local Sangguniang Bayan Resolution No. 011 series of 1988. On July 6, 1989, the Conditional Certificate of Conformance (CCC) No. 407 was issued by Local Water Utilities Administration (LWUA) to formalize its establishment. This CCC is the accreditation of LWUA to a newly-formed water district to operate under the standard specification.

Since 1992, by virtue of the Supreme Court En Banc decision, GR No. 95237-38 (Davao City Water District, et al. vs. CSC et al.), water districts were declared government owned and/or controlled corporation with original charter, and as such they are placed under the jurisdiction of the Civil Service Commission and Commission on Audit.

As of December 31, 2018, the District has 23 pumping stations which serve 27 barangays with 31,621 total active service connections. The District is categorized as Category "A" water district pursuant to the Local Water District Manual on Re-categorization in March 2017.

The District was formed for the purpose of acquiring, installing, improving, maintaining and operating water supply and distribution system for the residents of Baliwag, Bulacan.

The District's Board of Directors is composed of the following:

Name	Position/Designation	Sector
Mr. Florido S. Santos	Chairman	Business
Ms. Maria Manolita C. Cruz	Vice-Chairman	Civic
Ms. Zenaida R. Salao	Secretary	Women
Ms. Maria Lourdes C. Sablan	Member	Professional
Mr. Conrado E. Evangelista	Member	Education

The District has 141 personnel and headed by General Manager Artemio F. Baylosis.

1.1 Authorization for Issue of the 2018 Financial Statements

The financial statements of the District for the year ended December 31, 2018 were authorized for issue by the Board of Directors on March 05, 2019 as reflected in the Statement of Management's Responsibility for Financial Statements signed by the BOD Chairman.

2. Summary of Significant Accounting Systems and Policies

2.1 Basis of Financial Statements Presentation

The financial statements of the District have been prepared using historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the District's functional and presentation currency. All values are rounded off to two decimal places, except when otherwise indicated.

For the year ended December 31, 2018, the District prepared its financial statements (FS) in accordance with generally accepted accounting principle in the Philippines and Philippine Financial Reporting Standards (PFRS).

2.2 Statement of Compliance

The financial statements were prepared in compliance with PFRS, which includes statements named PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council and Revised Chart of Accounts (RCA) for Government Corporations prescribed in COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively.

2.3 Summary of Significant Accounting Policies

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

2.3.1 Current versus Noncurrent Classification

The District presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The District classifies all other liabilities as noncurrent.

2.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the District. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The District uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the District determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the District has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.3.3 Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

2.3.4 Financial Instruments

Date of recognition

The District recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial recognition of financial instruments

Financial instruments are initially recognized at fair value, which is the fair value of the consideration given (in case of a financial asset) or received (in case of a financial liability). Except for securities at Fair Value through Profit or Loss (FVPL), the initial measurement of financial instruments includes transaction costs.

The District classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, available for sale (AFS) financial assets and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

As at December 31, 2018 and 2017, the District does not have financial assets and financial liabilities at FVPL, HTM investments, and AFS.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within

twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for probable losses and doubtful accounts" in profit or loss.

As at December 31, 2018 and 2017, this category includes the District's Receivables account.

Financial Liabilities Measured at Amortized Cost

These are the financial liabilities which are not designated at FVPL. Financial liabilities not designated as FVPL are measured at amortized cost after initial measurement using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Included in this category are the District's accounts payable, accrued expenses, inter-agency payables, loans payable, other payables and guarantee deposits payable to customers.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. The amortization is included in the interest expense in the District's Statement of Comprehensive Income.

2.3.5 Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The District retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The District has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

When the District has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the District’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the District could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Loans and receivables

For loans and receivables carried at amortized cost, the District first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the District determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an

impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2.3.6 Impairment of Financial Assets

The District assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic condition that correlate with default. For the District's receivables from customers, evidence of impairment may include non-collection of water bills despite of sending series of demand letters to delinquent concessionaires.

As at December 31, 2018 and 2017, the District has no impaired financial assets.

2.3.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.3.8 Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the District; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the District does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

2.3.9 Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method.

Inventories are recognized as an expense when deployed for the utilization or consumption in the ordinary course of operations of the District.

2.3.10 Property, Plant and Equipment (PPE)

PPE, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of PPE comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the PPE to its working condition and location for its intended use, including capitalized borrowing costs incurred during the construction period.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of PPE beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the related PPE.

Depreciation and amortization of PPE commences once the PPE are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the PPE as follows:

<u>Category</u>	<u>Number of years</u>
Office furniture and equipment	5
Transportation equipment	7
Machinery and equipment	10
Building and other structures	30

The EUL and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of PPE.

Fully depreciated PPE are retained in the accounts until they are no longer in use and no further depreciation are charged to current operations.

When PPE is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE. The characteristics of PPE are as follows:

- Tangible items;
- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least ₱15,000.00.

Measurement at recognition

An item recognized as PPE is measured at cost. Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the District recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for Entity operation.

Estimated useful life

The District uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Residual value

The District uses a residual value equivalent to at least ten percent (10%) of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

The District derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

2.3.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

2.3.12 Impairment of Non-Financial Assets

The District assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the District estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses of continuing

operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

As at December 31, 2018, and 2017, the District has no reported impaired non-financial assets.

2.3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the District and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

2.3.14 Income from Waterworks System

Water revenue are recognized when the related water services are rendered. Water is billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers.

For the period ending December 31, 2018 and 2017, Income from Waterworks System was classified under Business Income in the Statement of Comprehensive Income.

2.3.15 Fines and Penalties not related to taxes

The District recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

The District charges fines and penalties to customers when there is a delay in the payment of water bill. A penalty of 10% of the water bill is automatically charged by the Billing and Collection System the day following the due date.

For the period ending December 31, 2018 and 2017, Fines and Penalties was classified under Business Income in the Statement of Comprehensive Income.

2.3.16 Other Business Income

Other customer related fees such as connection, reconnection and disconnection fees are recognized when these services have been rendered.

2.3.17 Interest Income

Interest income is recognized as it accrues, taking into account the effective yield of the assets.

2.3.18 Cost of Services and Operating Expenses

Cost of services and operating expenses are recognized as they are incurred. Cost and expenses are recognized in the profit or loss when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen other than distributions to equity participants that can be measured reliably. Cost and expenses are recognized in the profit or loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the statement of financial position as an asset.

For the period ending December 31, 2018 and 2017, cost of services and operating expenses includes personnel services, maintenance and other operating expenses, financial expenses and non-cash expenses.

2.3.19 Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset shall be recognized for all deductible temporary differences and operating loss carry forward when it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. (PAS12.24)

Pursuant to Presidential Decree 198, under section 14 - Department of Justice ruling under case no. OSJ-2005-03 states that the Water Districts are exempted from Income tax and only liable to two percent (2%) Franchise Tax on its gross receipts. Recognition of deferred tax is not applicable as stated above.

2.3.20 Provisions and Contingencies

Provisions

A provision is recognized when the District has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the District expects a provision to be reimbursed, the reimbursement is not recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

2.3.21 Employee Benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees.

The District recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the District's financial statements in compliance with PFRS requires Management to make judgments, estimates and assumptions that affect the amounts reported and disclosure in the financial statements and the related notes. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results could differ from those estimates, and such, will be adjusted accordingly.

The District believes the following represent a summary of these significant judgments, estimates and assumptions, and the related impact and associated risks in the financial statements.

3.1 Judgments

In the process of applying the District's accounting policies, Management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Determination of impairment of non-financial asset

The District assesses the impairment of non-financial assets (PPE, other current assets, and other noncurrent assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the District considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the District's overall business; and
- Significant negative industry or economic trends.

In 2018 and 2017, the District has not identified any impairment indicator, thus, no impairment was recognized.

3.2 Estimates and Assumptions

Key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed on the next page.

Determination of impairment of receivables

The District reviews its receivables at each reporting date to assess whether provision for doubtful accounts should be recorded in profit or loss. The District maintains an allowance for impairment - accounts receivable based on the results of the individual and collective impairment assessments under PAS 39. Allowance for impairment - accounts receivable is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectability. These factors include, but not limited to, age and status of receivables, the concessionaire's payment behavior and known market factors. An evaluation of receivables, designed to identify potential charges to the allowance is performed on a continuous basis throughout the year.

The District computes the Allowance for Impairment-Accounts Receivable based on the aging of receivables.

Determination of estimated useful lives of PPE

The useful life of each of the District's item of PPE is estimated based on the period over which the asset is expected to provide economic benefits. Such estimation is based on a collective assessment of similar business, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of PPE would increase the recorded depreciation expense and decrease the carrying value of PPE.

4. Cash and Cash Equivalents

This account pertains to cash collecting officers, petty cash and cash in bank readily available in the payment of current obligations of the District and not subject to any restriction, contractual or otherwise. This consists of the following balance.

	2018	2017
Cash – Collecting Officers	₱730,939.32	₱420,060.96
Petty Cash	19,000.00	19,000.00
Cash in Bank – Local Currency		0.00
Current Account	1,764,107.93	
Savings Account	5,953,130.28	6,205,365.07
Total Cash and Cash Equivalents	₱8,467,177.53	₱6,644,426.03

5. Receivables, Net

This includes all amounts due on open accounts arising from services rendered to the customers for water sales and incidental services.

	2018	2017
Accounts Receivable (AR)	₱11,501,641.65	₱10,989,573.06
Allowance for Impairment – AR	(1,150,164.17)	(1,646,540.70)
Notes Receivable	1,593,137.41	2,876,839.69
Due from LGUs	6,142,590.57	5,501,313.92
Receivables – Disallowances/Charges	15,328.10	29,459.78
Due From Officers and Employees	0.00	91,000.00
Other Receivables	0.00	2,483,858.21
Receivables, Net	₱18,102,533.56	₱20,325,503.96

Below is the aging of AR:

Age of AR	2018	2017
1 – 60 days	₱6,473,072.61	₱6,148,471.95
61 – 120 days	571,269.69	525,762.95
121 days – 1 year	777,064.19	695,765.26
over 1 year	3,680,235.16	3,619,572.90
Total AR	₱11,501,641.65	₱10,989,573.06

6. Inventories

This account pertains to unissued materials and supplies, which are kept in stock and held for future use.

	2018	2017
Office Supplies Inventory	₱ 303,631.76	₱ 590,991.53
Accountable Forms, Plates and Stickers Inventory	1,187,050.00	0.00
Chemical and Filtering Supplies Inventory	320,280.00	496,340.00
Construction Materials Inventory	5,465,164.67	6,054,557.62
Total Inventories	₱7,276,126.43	₱7,141,889.15

7. Other Assets

This represents the unliquidated cash advances granted to officials and employees of the District, meter and bill deposits to Manila Electric Company (MERALCO) and bond deposits to Department of Public Works and Highways (DPWH).

	2018	2017
Advances for Operating Expenses	P 20,661.00	P 0.00
Advances to Special Disbursing Officer	193,100.00	0.00
Advances to Officers and Employees	222,124.67	0.00
Other Deposits	3,058,802.98	0.00
Deferred Charges/Losses	0.00	556,197.29
Total Other Assets	P3,494,688.65	P556,197.29

8. Property, Plant and Equipment (PPE), Net

This includes all properties of relatively permanent character that are used in normal operations of the District. The breakdown of this account is as follows:

PPE Account	CY 2018					PPE, Net
	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation		
Land	P 17,487,546.76	P 0.00	P 0.00	P 0.00	P 17,487,546.76	
Other Land						
Improvements	1,654,130.00	0.00	0.00	0.00	1,654,130.00	
Water Supply Systems	416,352,167.48	15,534,393.32	0.00	183,238,677.69	248,647,883.11	
Buildings	73,890,671.98	683,331.06	0.00	16,937,460.24	57,636,542.80	
Machinery and						
Equipment	52,710,246.90	3,653,159.80	(1,370,690.00)	30,452,591.26	24,540,125.44	
Motor Vehicles	26,409,539.90	203,152.00	0.00	11,585,586.74	15,027,105.16	
Furniture and Fixtures	5,357,209.76	104,316.00	0.00	3,663,334.41	1,798,191.35	
Other PPE	156,122.00	0.00	0.00	136,978.65	19,143.35	
Construction in Progress	5,382,202.00	11,907,991.97	(12,110,621.66)	0.00	5,179,572.31	
Total	P599,399,836.78	P32,086,344.15	(P13,481,311.66)	P246,014,628.99	P371,990,240.28	

PPE Account	CY 2017					PPE, Net
	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation		
Land	P 17,487,546.76	P 0.00	P 0.00	P 0.00	P 17,487,546.76	
Other Land						
Improvements	1,654,130.00	0.00	0.00	0.00	1,654,130.00	
Water Supply Systems	391,848,089.63	25,596,572.50	(1,092,494.65)	162,686,372.46	253,665,795.02	
Buildings	70,646,825.57	3,243,846.41	0.00	13,752,374.82	60,138,297.16	
Machinery and						
Equipment	51,643,718.02	2,820,775.35	(1,754,246.47)	26,655,560.17	26,054,686.73	
Motor Vehicles	25,884,339.90	1,993,200.00	(1,468,000.00)	9,878,297.19	16,531,242.71	
Furniture and Fixtures	5,748,368.56	75,240.00	(466,398.80)	3,227,237.96	2,129,971.80	
Other PPE	156,122.00	0.00	0.00	134,748.45	21,373.55	
Construction in Progress	5,996,325.27	17,201,376.52	(17,815,499.79)	0.00	5,382,202.00	
Total	P571,065,465.71	P50,931,010.78	(P22,596,639.71)	P216,334,591.05	P383,065,245.73	

	2018	2017
Advances for Operating Expenses	P 20,661.00	P 0.00
Advances to Special Disbursing Officer	193,100.00	0.00
Advances to Officers and Employees	222,124.67	0.00
Other Deposits	3,058,802.98	0.00
Deferred Charges/Losses	0.00	556,197.29
Total Other Assets	P3,494,688.65	P556,197.29

8. Property, Plant and Equipment (PPE), Net

This includes all properties of relatively permanent character that are used in normal operations of the District. The breakdown of this account is as follows:

PPE Account	CY 2018					PPE, Net
	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation		
Land	P 17,487,546.76	P 0.00	P 0.00	P 0.00	P 17,487,546.76	
Other Land						
Improvements	1,654,130.00	0.00	0.00	0.00	1,654,130.00	
Water Supply Systems	416,352,167.48	15,534,393.32	0.00	183,238,677.69	248,647,883.11	
Buildings	73,890,671.98	683,331.06	0.00	16,937,460.24	57,636,542.80	
Machinery and						
Equipment	52,710,246.90	3,653,159.80	(1,370,690.00)	30,452,591.26	24,540,125.44	
Motor Vehicles	26,409,539.90	203,152.00	0.00	11,585,586.74	15,027,105.16	
Furniture and Fixtures	5,357,209.76	104,316.00	0.00	3,663,334.41	1,798,191.35	
Other PPE	156,122.00	0.00	0.00	136,978.65	19,143.35	
Construction in Progress	5,382,202.00	11,907,991.97	(12,110,621.66)	0.00	5,179,572.31	
Total	P599,399,836.78	P32,086,344.15	(P13,481,311.66)	P246,014,628.99	P371,990,240.28	

PPE Account	CY 2017					PPE, Net
	Balance at January 1	Additions/ Acquisitions	Disposals/ Reclassification	Accumulated Depreciation		
Land	P 17,487,546.76	P 0.00	P 0.00	P 0.00	P 17,487,546.76	
Other Land						
Improvements	1,654,130.00	0.00	0.00	0.00	1,654,130.00	
Water Supply Systems	391,848,089.63	25,596,572.50	(1,092,494.65)	162,686,372.46	253,665,795.02	
Buildings	70,646,825.57	3,243,846.41	0.00	13,752,374.82	60,138,297.16	
Machinery and						
Equipment	51,643,718.02	2,820,775.35	(1,754,246.47)	26,655,560.17	26,054,686.73	
Motor Vehicles	25,884,339.90	1,993,200.00	(1,468,000.00)	9,878,297.19	16,531,242.71	
Furniture and Fixtures	5,748,368.56	75,240.00	(466,398.80)	3,227,237.96	2,129,971.80	
Other PPE	156,122.00	0.00	0.00	134,748.45	21,373.55	
Construction in Progress	5,996,325.27	17,201,376.52	(17,815,499.79)	0.00	5,382,202.00	
Total	P571,065,465.71	P50,931,010.78	(P22,596,639.71)	P216,334,591.05	P383,065,245.73	

The Land account as of CY 2018 under the possession of the District pertained to the following:

Land	Qty.	Lot Area	Acquisition Cost		Total
			Through Purchase	Through Donation	
With Transfer Certificate of Title (TCT)	14	6,402	₱12,635,450.00	₱2,245,748.76	₱14,881,198.76
Without TCT	2	835.82	2,606,348.00	0.00	2,606,348.00
Total Land	16	7,237.82	₱15,241,798.00	₱2,245,748.76	₱17,487,546.76

The following information pertain to the two parcels of land which have no TCT yet:

1. Barangay San Jose

- a) The lot located in Barangay San Jose, Baliuag, Bulacan was purchased thru installment basis from Mr. Wilfredo L. Santiago;
- b) A Deed of Conditional Sale was executed by and between the District and Mr. Santiago on October 11, 2012; and
- c) Among the terms and conditions stated in the Deed of Conditional Sale was that a Deed of Absolute Sale in favor of the District will be executed only when the total amount of ₱2,262,000.00 had already been fully paid.

2. Barangay Tibag

The Deed of Sale for Barangay Tibag was misplaced and only a subdivision plan was found. The District have already sought the help of the Register of Deeds.

The Management exerts effort to secure the covering TCTs on the above parcels of land to protect the District's interest and in order to document the absolute ownership thereon.

9. Financial Liabilities

This account includes long-term obligations of the District and amounts payable to the suppliers, as shown below.

	2018	2017
Current		
Accounts Payable	₱2,322,320.04	₱6,441,358.82
Loans Payable – Domestic		
LWUA	1,128,946.00	0.00
LBP	19,655,644.80	0.00
Vehicle Loan	404,671.15	0.00
Total Financial Liabilities – Current	23,511,581.99	6,441,358.82

	2018	2017
Non-Current		
Loans Payable – Domestic		
LWUA	2,717,924.65	4,887,226.65
LBP	121,170,894.01	163,844,900.43
Vehicle Loan	367,558.86	1,372,645.17
Total Financial Liabilities – Non Current	124,256,377.52	170,104,772.25
Total Financial Liabilities	₱147,767,959.51	₱176,546,131.07

Loans Payable represents the long-term obligations of the District, the proceeds of which were used to finance various infrastructures and permanent improvements in order to meet the demands of the growing clientele. Repayments are made monthly based on the agreed terms and schedule provided in the loan agreement.

10. Inter-Agency Payables

This represents contributions due, collections received, amounts withheld for remittance to the following government agencies.

	2018	2017
Current		
Due to BIR	₱1,538,806.98	₱833,322.89
Due to GSIS	1,010,003.94	870,468.02
Due to Pag-IBIG	115,338.65	100,119.21
Due to Philhealth	75,148.26	60,325.00
Due to Others	0.00	7,111,384.92
Total Inter – Agency Payables – Current	2,739,297.83	8,975,620.04
Non – Current		
Due to LGUs	3,420,845.00	3,420,845.00
Total Inter – Agency Payables – Non – Current	3,420,845.00	3,420,845.00
Total Inter – Agency Payables	₱6,160,142.83	₱12,396,465.04

Due to LGUs pertains to the waterworks facilities transferred by the Municipality of Baliwag which were managed, operated by and under the control of the District. These properties will be offset in lieu of the water consumed by the LGU as agreed upon by both parties.

11. Trust Liabilities

These are guarantee deposits from supplier and advance payment of water bill from concessionaires.

	2018	2017
Guaranty/Security Deposits Payable	₱4,644,771.13	₱4,014,082.17
Customers' Deposits Payable	195,241.24	290,584.70
Total Trust Liabilities	₱4,840,012.37	₱4,304,666.87

12. Business Income

These are the water sales, interest income, penalty charges for late payments and violation, new connection fees and septage fees generated by the District from its concessionaires.

	2018	2017
Waterworks System Fees	₱192,228,738.11	₱179,404,249.88
Interest Income	13,422.83	19,192.89
Fines and Penalties – Business Income	7,477,749.13	7,260,072.69
Other Business Income	12,907,283.50	12,782,197.80
Total Business Income	₱212,627,193.57	₱199,465,713.26

13. Other Non – Operating Income

These are proceeds from sale of unserviceable property, reversal of impairment loss and miscellaneous income of the District.

	2018	2017
Sale of Unserviceable Property	₱18,855.00	₱524,460.00
Reversal of Impairment Loss	496,376.53	0.00
Miscellaneous Income	333,446.45	162,132.00
Total Other Non – Operating Income	₱848,677.98	₱686,592.00

14. Personnel Services

	2018	2017
Salaries and Wages	₱37,793,636.10	₱33,269,483.33
Other Compensation	18,291,849.10	16,655,022.49
Personnel Benefits Contributions	8,439,288.27	7,427,934.61
Other Personnel Benefits	7,100,596.48	5,251,544.44
Total Personnel Services	₱71,625,369.95	₱62,603,984.87

15. Maintenance and Other Operating Expenses (MOOE)

	2018	2017
Travelling Expenses	P1,559,633.44	P1,921,702.42
Training Expenses	1,131,964.32	991,395.53
Supplies and Materials Expenses	1,985,144.15	2,036,557.59
Electricity Expenses	2,156,180.84	2,434,683.35
Communication Expenses	566,574.13	536,624.18
Awards/Rewards Expenses	492,130.00	481,531.90
Survey Expenses	0.00	350,000.00
Generation, Transmission and Distribution Expenses	52,134,109.69	46,015,939.93
Extraordinary and Miscellaneous Expenses	4,285,255.78	4,724,692.81
Professional Services	574,602.22	420,905.00
General Services	10,408,357.41	9,939,359.56
Repairs and Maintenance	5,400,186.75	5,879,269.76
Taxes, Insurance Premiums and Other Fees	5,149,631.65	5,090,682.71
Other Maintenance and Operating Expenses	3,101,407.01	3,342,883.23
Total MOOE	P88,945,177.39	P84,166,227.97

16. Financial Expenses

	2018	2017
Interest Expenses	P8,758,138.10	P10,122,646.88
Bank Charges	0.00	3,413.15
Other Financial Charges	8,387.47	143,655.28
Total Financial Expenses	P8,766,525.57	P10,269,715.31

17. Non-Cash Expenses

	2018	2017
Depreciation		
Infrastructure Assets	P19,702,980.07	P19,405,202.16
Buildings and Other Structures	3,185,085.42	3,117,651.34
Machinery and Equipment	4,646,356.25	5,196,883.56
Transportation Equipment	1,707,289.55	2,093,871.00
Furniture, Fixtures and Books	436,096.45	520,055.41
Other Property, Plant and Equipment	2,230.20	28,101.96
Impairment Loss – Loans and Receivables	0.00	158,836.75
Other Discounts	118,395.65	131,378.00
Total Non-Cash Expenses	P29,798,433.59	P30,651,980.18

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

Remote Collectability of inactive accounts and receivables from the Municipality

1. **The collectability of inactive accounts totaling ₱4,295,620.74 and receivables from the Municipality of Baliwag amounting to ₱6,142,590.57 was remote thus placing these impaired receivables to an alarming level contrary to Section 64 of the Government Accounting and Auditing Manual, Volume I.**

a. **Inactive accounts - ₱4,295,620.74**

1.1 As of December 31, 2018, the balance of Accounts Receivable (AR) of the District amounted to ₱11,501,641.65.

1.2 The Aging Schedule prepared by the Customer Division showed the following balances of active and inactive accounts for CY 2018:

Status of AR	CY 2018	
	Active	Inactive
Non Past Due Accounts:		
1-30 days	₱5,365,746.77	₱11,751.95
31-60 days	1,023,875.69	71,698.20
Sub-total	6,389,622.46	83,450.15
Past Due Accounts:		
61-120 days	399,047.69	172,222.00
121-365 days	223,158.72	553,905.47
more than 1 year	194,192.04	3,486,043.12
Sub-total	816,398.45	4,212,170.59
Total	7,206,020.91	4,295,620.74
Balance of AR as of end of the year	11,501,641.65	
% of Inactive to balance of AR	37.35%	

1.3 The amount of ₱4,295,620.74 or 37.35 per cent of the total balance of AR as of December 31, 2018 represents inactive accounts; the collectability of which was considered remote. Although an Aging Schedule was prepared, the District was unable to properly identify the age of past due accounts for those over one year. Inquiry with Management disclosed that these include accounts that have been long outstanding for ten years or more.

1.4 Verification disclosed that the Board, as policy governing body, had issued policies and procedures in the handling and recovery of delinquent accounts by disconnecting the water services of inactive concessionaires account. The Management instituted actions for the collection thru sending two sets of letter notices, as follows:

1st Letter One year after the account was permanently disconnected, the concessionaires were informed of their unsettled obligations; and

2nd Letter The concessionaires were given three months from the date of the 1st letter to settle their unpaid account. Otherwise, the 2nd letter served as the final warning to settle their outstanding obligations.

1.5 Moreover, the District issues demand letter three months after the 2nd letter or final warning stating that Management will proceed to *Barangayan* if settlement of obligation has not been made and subsequently file a court case to those accounts with huge outstanding balance and without any settlement. The concessionaires who do not have the capacity but are willing to settle their unpaid accounts are allowed to pay in installment basis with 30 per cent down payment and the balance in installment up to one year.

1.6 For CY 2018, only five concessionaires with the total amount due of ₱32,657.85 responded by paying their arrearages and requested for reconnection.

b. *Uncollected active accounts of the Municipality of Baliwag – ₱6.143 million*

1.7 Further verification revealed that active accounts amounting to ₱6,142,590.57 classified as Due from LGUs and aged one day to more than one year remained uncollected. The bulk of the account or ₱5,501,313.92 pertained to receivables which have remained uncollected for more than one year. The aging of this account is as follows:

Age of Due from LGUs	Amount
1-30 days	₱50,141.85
31-60 days	52,710.35
61-90 days	54,989.95
91-120 days	52,761.25
121-365 days	430,673.25
More than 1 year	5,501,313.92
Total	₱6,142,590.57

1.8 The Department Manager of Commercial mentioned that the Municipality has transferred to the District the waterworks facilities costing ₱3,420,845.00 managed, operated by and under the control of the latter as required under Section 6 of PD No. 198 which states that *to form a district, the legislative body of any city, municipality or province shall enact a resolution containing the following:*

xxx

(c) *a statement completely transferring any and all waterworks and/or sewerage facilities managed, operated by or under the control of such city, municipality or province to such district upon the filing of resolution forming the district. (As amended by Sec. 2, PD 768; Sec. 1, PD 1479)*

1.9 As per verbal agreement, the properties transferred to the District by the Municipality which were taken up under the Due to LGUs account will be offset against the water consumed by the Municipality.

1.10 The District has already negotiated with the Municipality based on the letter dated April 04, 2018 of the latter requesting to discuss its in lieu shares to the District. Inquiry with the Senior Accounting Processor B disclosed that the Municipality was pursuing to offset the value of the properties given against their unpaid water bill.

1.11 However, the letter of the General Manager dated February 01, 2019, requested the Municipality to at least update the water bill payments starting January 2019, so as not to increase the unsettled balance that could affect the District's collection efficiency.

1.12 In addition, the Audit Team sent a confirmation letter dated February 19, 2019 to the Audit Team Leader of the Municipality requesting for the confirmation of the balance of the receivable from the Municipality.

1.13 However, the Municipal Accountant's confirmation reply dated February 21, 2019 mentioned that as per ledgers kept in the Municipality, no amount was recorded under the payable accounts to the District as of December 31, 2018, except for the amount of ₱845.00 and ₱7,589.80 pertaining to December 2018 billings which were paid under Check Nos. 387667 and 387678, respectively, both dated January 21, 2019.

1.14 Section 64 of the Government Accounting and Auditing Manual states that *Quarterly, each agency accounting unit shall prepare a statement scheduling overdue accounts receivable. The agency head, or his authorized representative, shall review and sign this statement as an indication that he has examined the list of overdue accounts and has instituted, or will institute action for their collection.* (Underscoring ours)

1.15 Despite the above actions taken by the District, the inactive AR and active accounts from the Municipality as of December 31, 2018 have accumulated to an alarming level of ₱4,295,620.74 and ₱6,142,590.57, respectively, thus, depriving the District of the opportunity cost on the funds tied up to these receivables.

1.16 We recommended and the General Manager agreed to instruct the Division Manager – Finance and Commercial to (a) continuously send confirmation/demand letters to the concessionaires; (b) monitor the status of trade accounts and improve collection strategies on delinquent accounts which may include appropriate legal action, if necessary; (c) determine the possibility of collecting the inactive accounts receivables which are more than ten years or request authority from the Commission on Audit for the write-off of dormant accounts, after all measures to collect have been futile and which can no longer be supported by the required documents pursuant to COA Circular No. 2016-005 dated December 19, 2016; and (d) make a full representation with the incumbent Municipal Mayor regarding the legal processes on the offsetting of the value of the properties given totaling ₱3,420,845.00 as in lieu share to the District for the unpaid water bill; otherwise, exert utmost efforts to collect the unpaid active accounts totaling ₱6,142,590.57.

Excessive Granting of Cash Advances

2. **The District granted cash advances in excess of the actual need by ₱626,358.47 or 24.76% and the accountable officers incurred delays in the liquidation thereof ranging from two to 93 days in violation of COA Circular No. 97-002 dated February 10, 1997.**

2.1 Examination of the cash advances (CA) granted for the period January to December 2018 disclosed that several cash advances were for travels and other expenses of the District. Of the total cash advances of ₱2,530,190.04 granted to various officials and employees of the District, the amount of ₱435,885.67 remained outstanding as of December 31, 2018, as summarized below:

	No. of CA Granted	Total Amount of CA	Liquidated	Unliquidated
General Manager	9	₱976,000.00	₱876,000.00	₱100,000.00
11 Officials and Employees	106	1,554,190.04	1,218,304.37	335,885.67
Total	115	₱2,530,190.04	₱2,094,304.37	₱435,885.67

2.2 Further review of the disbursement vouchers for CY 2018 revealed that several cash advances granted were excessive, to wit:

	Total Amount of sampled CA	Amount			Total	Unliquidated CA	% of Amount Refunded against Total CA
		Expended	Refunded	Reimbursed			
General Manager	₱976,000.00	₱339,879.92	₱536,120.08	₱0.00	₱876,000.00	₱100,000.00	54.93%
11 Officials and Employees	1,554,190.04	1,132,242.48	90,238.39	4,176.50	1,218,304.37	335,885.67	5.81%
Total	₱2,530,190.04	₱1,472,122.40	₱626,358.47	₱4,176.50	₱2,094,304.37	₱435,885.67	24.76%

2.3 The General Manager was granted nine cash advances with total amount of ₱976,000.00 in CY 2018 relative to the attendance in various seminars and conference and other purposes. Of these cash advances, eight were liquidated with total amount of ₱339,879.92 or 34.82% was expended while the amount of ₱536,120.08 was refunded through issuance of official receipts by the Collecting Officer of the District. The percentage of liquidation ranged from 43.75% to 76.52%. The Audit Team noted that after refunding the unused cash advance, another cash advance was subsequently granted for another purpose mostly on the following day. The details are shown on the next page.

Date	Amount Granted	Amount Expended	Amount Refunded	Date of Official Receipt	Total	Balance	% of expenses incurred vs. amount granted
01/11/18	₱200,000.00	₱112,506.04	₱87,493.96	02/28/18	₱200,000.00	₱ 0.00	56.25%
03/01/18	100,000.00	31,331.72	68,668.28	04/04/18	100,000.00	0.00	31.33%
04/06/18	70,000.00	22,489.55	47,510.45	06/01/18	70,000.00	0.00	32.13%
06/20/18	100,000.00	50,843.14	49,156.86	07/11/18	100,000.00	0.00	50.84%
07/12/18	100,000.00	28,243.56	71,756.44	08/24/18	100,000.00	0.00	28.24%
09/03/18	100,000.00	23,475.89	76,524.11	09/10/18	100,000.00	0.00	23.48%
09/11/18	100,000.00	31,884.20	68,115.80	10/01/18	100,000.00	0.00	31.88%
10/02/18	100,000.00	33,105.82	66,894.18	11/20/18	100,000.00	0.00	33.11%
11/21/18	100,000.00	0.00	0.00		0.00	100,000.00	0.00%
Total	₱970,000.00	₱333,879.92	₱536,120.08		₱870,000.00	₱100,000.00	34.42%

2.4 Verification of the cash advances granted to other officials disclosed the following:

1. There were instances that additional cash advances were granted despite the non-liquidation/settlement of the previous cash advances, and
2. Cash advances granted were not liquidated as soon as the purpose for which these were given had been served. The delay ranged from two to 93 days.

2.5 COA Circular No. 97-002 dated February 10, 1997 restated with amendments the rules and regulations on the granting, utilization and liquidation of cash advances, to wit:

4.1.2 *No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.*

4.1.3 *A cash advance shall be reported on as soon as the purpose for which it was given has been served.*

5.8 *All cash shall be fully liquidated at the end of each year. Except for petty advances cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.*

2.6 Inquiry made revealed that the failure to settle the cash advances granted was the delayed submission of the supporting documents for liquidation. While others neglected to liquidate the cash advances after the purpose for which they were granted had been served.

2.7 The lack of an effective monitoring system on the granting, utilization and liquidation of cash advances may exposed the funds of the District to risk of loss or misuse.

2.8 **We recommended and the General Manager agreed to (a) closely monitor the granting, utilization and liquidation of cash advances; and (b) require the Department Manager - Finance to see to it that (i) all cash advances made by officials and employees be commensurate to the actual need and that they should be reported**

or immediately liquidated as soon as the purpose for which it was granted has been served; (ii) no additional cash advances be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made; and (iii) under no circumstances shall cash advances remain unliquidated at the end of the year.

Non-posting at the PhilGEPS and incomplete documentations of procurements

3. *The procurements of goods and services amounting to ₱4,736,472.24 were not posted in the Philippine Government Electronic Procurement System (PhilGEPS) and not supported with complete necessary documentary requirements contrary to the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 and COA Circular No. 2012-001 dated June 14, 2012, respectively.*

a. *Procurement requirements not posted in the PhilGEPS*

3.1 Post-audit of 21 sampled procurement transactions costing above ₱50,000.00 aggregating to ₱4,736,472.24 were not posted in the PhilGEPS website as required under Section 8.1.1, 8.3.1 and 54.2 of the RIRR of RA No. 9184:

8.1.1 *To promote transparency and efficiency, information and communications technology shall be utilized in the conduct of procurement procedures. Accordingly, there shall be a single portal that shall serve as the primary source of information on all government procurement. The PhilGEPS shall serve as the primary and definitive source of information on government procurement.*

8.3.1 *All Procuring Entities are mandated to fully use the PhilGEPS in accordance with the policies, rules, regulations, and procedures adopted by the GPPB and embodied in this IRR.*

54.2 *For the following modalities, however, the BAC, through its Secretariat, shall post the invitation or request for submission of price quotations/proposals in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity for a period of at least three (3) calendar days:*

1. *Section 49 Limited Source Bidding;*
2. *Section 52.1(b) Shopping for ordinary office supplies and equipment not available in DBM-PS (for ABC above Fifty Thousand Pesos (₱50,000.00));*
3. *Section 53.1 Two Failed Biddings;*
4. *Section 53.9 Small Value Procurement (For ABC above Fifty Thousand Pesos (₱50,000.00)); and*
5. *Section 53.11 NGO Participation.*

3.2 The District only posted procurements amounting to ₱1,000,000.00 and above in PhilGEPS. The procurements of less than ₱1,000,000.00 were subjected thru shopping from accredited suppliers.

3.3 Section 48.2 of RIRR of RA 9184 explicitly says, *In accordance with Section 10 of this IRR, as a general rule, the Procuring Entities shall adopt competitive bidding as the general method of procurement and shall see to it that the procurement program allows sufficient lead time for such competitive bidding. Alternative methods of procurement shall be resorted to only in highly exceptional cases provided for in this Rule.*

3.4 The failure of the Bids and Awards Committee (BAC) to post procurements costing above ₱50,000.00 in the PhilGEPS was not in accordance with the objectives of the Government Procurement Reform Act of promoting transparency, economy and competitiveness in the procurement of goods and services.

b. Incomplete documentations

3.5 Verification of these procurement transactions for CY 2018 showed that only official receipts, invoices, delivery receipts, purchase requisition form, purchase orders and request for quotations (RFQs) were attached to the Disbursement Vouchers.

3.6 Section 4.6 of PD No. 1445 states that claims against government funds shall be supported with complete documentations.

3.7 Moreover, Paragraph 9.1.3.1 of COA Circular No. 2012-001 dated June 14, 2012, enumerated the additional requirements needed for documentary purposes, to wit:

xxx

Inspection and Acceptance Report prepared by the Department/Agency authorized representative.

For equipment, Property Acknowledgement Receipt

Warranty Security for a minimum period of three months in the case of expendable supplies, for a minimum period of one year in the case of non-expendable supplies, after acceptance by the procuring entity of the delivered supplies.

In case of motor vehicles, (AO No. 233 dated August 1, 2008) authority to purchase from:

- *Agency head and Secretary of DBM, or OP depending on the type of vehicle being provided (Sections 7 and 9)*

xxx

Such other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the technical evaluation thereof

3.8 The lack of complete supporting documents raised doubt on the validity, propriety and legality of the transactions.

3.9 We recommended and the General Manager through the Procurement Head and BAC agreed to post all RFQs with Approved Budget for the Contracts of more than ₱50,000.00 in the PhilGEPS' website for a period of seven calendar days in compliance with the RIRR of RA No. 9184. Likewise, we recommended and the General Manager agreed to see to it that all necessary documents are attached to the Disbursement Vouchers and monitor closely the compliance with the requirements of the procurement rules and regulations to prevent the recurrence of similar conditions in the future.

Travel rates not based on EO 298 and foreign travel without authority from LWUA

4. ***Traveling expenses totaling ₱88,450.00 claimed by officers and employees in CY 2018 were not in accordance with Section 4 of Executive Order (EO) No. 298 dated March 23, 2004 while four officials attended conferences/trainings abroad even without approved authority in violation of LWUA Memorandum Circular No. 010-10 and LWUA Resolution 182 series of 2010.***

a. *Travel rates not based on EO 298*

4.1 Post audit of liquidation reports relative to various seminars and conferences attended by the District's Officials and Employees within the country for CY 2018 showed that allowable rates of traveling allowance provided under EO No. 298 dated March 23, 2004 were not strictly complied.

4.2 Scrutiny of the expenses incurred revealed the following deficiencies:

a. Meal allowances of ₱450 per day were given despite the inclusion of meals in the seminar/conference registration fees. In addition, incidental expenses were given at the rate of ₱300 per day instead of ₱160.

b. Six employees claimed lodging of ₱750 per day instead of ₱450 per day.

4.3 Section 4 of EO No. 298 dated March 23, 2004 as amended, states that *travel expenses of government personnel regardless of rank and destination shall be in the amount of Eight Hundred Pesos (₱800.00) per day which shall be apportioned as follows: a) fifty percent (50%) for hotel/lodging, b) thirty percent (30%) for meals, and c) twenty percent (20%) for incidental expenses.*

4.4 The General Accounting Division Manager submitted a copy of Board Resolution No. 057 series of 2016 dated September 5, 2016 which increased per diem for local travel from ₱800.00 to ₱1,500.00 per day. The management opted to follow the board resolution.

b. Foreign travel without authority from LWUA

4.5 Audit of transactions pertaining to foreign travels revealed that four officials attended training programs and conferences in different countries even without the approved authority to travel abroad, to wit:

Date of Travel	Designation of Official	Name of Country Visited
March 8 - 19, 2018	Water Utilities Development Officer A Principal Engineer C	Yokohama, Japan
June 11 - 14, 2018	Division Manager – General Accounting	Las Vegas, Nevada
September 29 - October 3, 2018	Board of Director - Member	New Orleans, USA

4.6 Review of the transactions disclosed that the claims of two officials were supported with the authority to travel signed by the Human Resources Division Manager (HRDM) and Board Resolution No. 004 dated January 22, 2018. The other two officials only attached the signed authority from HRDM.

4.7 Under LWUA Memorandum Circular 010-10 and LWUA Resolution 182 series of 2010, foreign travels of Water District's officers and staff shall be approved subject to the following conditions:

xxx

Letter requesting LWUA to approve the Authority to Travel Abroad

xxx

4.8 Moreover, request for authority to travel abroad should be submitted to LWUA Administrator not later than 45 days before the actual date of travel.

4.9 The management overlooked the requirements needed for official travels abroad in all the conferences and trainings of the four officials.

4.10 We recommended and Management agreed to direct the concerned officials and employees to strictly observe the provisions of EO No. 298, LWUA Memorandum Circular No. 010-10 and LWUA Resolution 182 series of 2010.

Corporate Budget Overruns

5. Ten expense accounts aggregating to **₱49,374,000.03** exceeded their approved 2018 Corporate Operating Budget of **₱36,461,977.83** contrary to the provisions of Sections 4(1) and 4(8) of PD No. 1445.

5.1 The Corporate Operating Budget (COB) for CY 2018 of the District was approved through Kapasiyahan Blg. 057 dated September 6, 2017.

5.2 Comparison of the expenditures vis-à-vis the COB in CY 2018 showed that ten expense items totaling **₱49,374,000.03** exceeded their approved budget of **₱36,461,977.83** or by **₱12,912,022.20** contrary to Section 4(1) of PD No. 1445 which states that *No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or specific statutory authority.* The budget overruns ranged from **₱21,393.84** to **₱6,766,147.89**. The details are as follows:

Account Code	Description	Budget	Actual	Excess
50102100	Honoraria	₱0.00	₱48,000.00	(₱48,000.00)
50104030	Terminal Leave Benefits	0.00	4,520,012.48	(4,520,012.48)
50201020	Traveling Expenses - Foreign	0.00	606,826.94	(606,826.94)
50203090	Fuel, Oil and Lubricants Expenses	1,038,024.78	1,190,763.54	(152,738.76)
50204020	Electricity Expenses	1,927,200.00	2,156,180.84	(228,980.84)
50209010	Generation, Transmission and Distribution Expenses - Power/Fuel Purchased for Pumping	24,000,000.00	30,766,147.89	(6,766,147.89)
50213050	Repairs and Maintenance-Machinery and Equipment	159,200.00	501,582.25	(342,382.25)
50213060	Repairs and Maintenance-Transportation Equipment	301,000.00	504,954.15	(203,954.15)
50299030	Representation Expenses	300,000.00	321,393.84	(21,393.84)
50301020	Interest Expenses	8,736,553.05	8,758,138.10	(21,585.05)
Total		₱36,461,977.83	₱49,374,000.03	(₱12,912,022.20)

5.3 The same law, specifically Section 4(8) thereof, requires strict observance of sound management and fiscal administration to safeguard government funds from misappropriation; thus, it is imperative that agency officials concerned perform the required controls so that expenses will not deviate from the budget.

5.4 The Senior Accounting Processor B mentioned that the budget overruns were due to the following reasons, among others:

- a. The District failed to include in the projection of annual budget the expenses for honoraria, terminal leave benefits and traveling expenses – foreign;
- b. The deficit for fuel, oil and lubricants expenses resulted from the additional tax imposed due to the implementation of Tax Reform for Acceleration and Inclusion (TRAIN) law. The District's budget in terms of liters to be consumed was even below the number of liters incurred for CY 2018;

c. Management did not anticipate the increase in the billing rate of Manila Electric Company, especially government taxes;

d. Preventive maintenance of the brand new service vehicle was not included in the budget for repairs and maintenance – transportation equipment account; and

e. Meal expenses incurred during Board of Directors meetings were included in Directors and Committee Members' Fees instead of Representation Expenses account;

5.5 Section 3.3 of Department of Budget and Management (DBM) Corporate Circular (CC) No. 20 dated April 27, 2005 provides that any increase in the approved principal corporate operating budget in the course of the budget year as may be warranted by additional corporate receipts shall require submission and approval of a supplemental corporate budget to cover the additional expenditures in line with the national government decentralization policy. The DBM authorized augmentation of funds or realignment of savings within the expense class without the need of prior approval.

5.6 The unfavorable variances between the total amount budgeted and actual expenses are indications that budgetary control were not followed; hence, there were uncontrolled spending on some expenditure accounts.

5.7 **We recommended and Management agreed to (a) take into consideration the availability of budget before incurring expenditures in conformity with Sections 4(1) and 4(8) of PD No. 1445; (b) implement cost-saving measures and stricter budgetary controls to keep expenses within the approved limit; (c) formulate a more realistic budget, taking into consideration the projected earnings and the needed programs and projects to improve its operations; and (d) prepare a supplemental budget or augment funds/realign savings in case of budget overruns in accordance with Section 3.3 of DBM CC No. 20 dated April 27, 2005.**

Compliance with BIR Regulations

6. ***Analysis of the Due to BIR account revealed over or under remittance of monthly taxes withheld ranging from a negative amount of ₱593,174.54 to ₱327,230.30 contrary to Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements and Conceptual Framework for Financial Reporting.***

6.1 Audit of the Due to BIR account relative to the amount of taxes withheld and remitted for CY 2018 revealed that the District substantially complied with Revenue Memorandum Circular No. 23-2007 dated March 20, 2007 which requires that all government agencies as tax withholding agents remit all taxes withheld by them on or before the 10th day of the succeeding month.

6.2 The details of the withholding of applicable taxes for each month from the employees' compensation, franchise taxes and payments of goods and services and the remittance thereof are shown below.

Month	Beginning Balance	Amount Withheld	Amount Remitted	Ending Balance	*Under/(Over) Remittance
January	₱833,322.89	₱1,113,678.72	₱833,857.12	₱1,113,144.49	(₱282,075.32)
February	1,113,144.49	877,333.99	1,113,367.05	877,111.43	311.67
March	877,111.43	874,758.90	877,333.99	874,536.34	0.00
April	874,536.34	977,796.68	876,758.90	975,574.12	(2,000.00)
May	975,574.12	1,001,442.25	655,522.58	1,321,493.79	322,274.10
June	1,321,493.79	991,532.71	728,366.80	1,584,659.70	273,075.45
July	1,584,659.70	1,086,613.92	1,584,707.25	1,086,566.37	(593,174.54)
August	1,086,566.37	642,035.40	759,383.62	969,218.15	327,230.30
September	969,218.15	1,239,108.20	628,679.18	1,579,647.17	13,356.22
October	1,579,647.17	910,037.54	1,573,465.97	916,218.74	(334,357.77)
November	916,218.74	842,770.77	592,596.20	1,166,393.31	317,441.34
December	1,166,393.31	998,114.82	625,701.15	1,538,806.98	217,069.62
Total		₱11,555,223.90	₱10,849,739.81		

* The Under/Over Remittance is the previous amount withheld less the current amount remitted.

6.3 Due to lack of review of the Senior Corporate Budget Analyst, there were over or under remittances ranging from a negative amount of ₱593,174.54 to ₱327,230.30.

6.4 PAS 1 – Presentation of Financial Statements states that *the objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.* Moreover, under the Conceptual Framework for financial reporting for information to be useful it must both be relevant and provide a faithful representation of what it purports to represent. A faithful representation is, to the maximum extent possible, complete, neutral and free from error. (underscoring ours)

6.5 The Senior Corporate Budget Analyst mentioned that the over or under remittances were due to the following:

- Reversing entries of stale/cancelled checks wherein the District already remitted to the BIR the previously withheld taxes and the Senior Corporate Budget Analyst prepared an adjusting entry by debiting the Due to BIR account and crediting the said account only upon replacement of the check;
- The deduction from payment of maternity leave benefits was not remitted in full on the succeeding month;
- Monthly withholding of franchise taxes was remitted quarterly starting on the 2nd quarter of 2018; and

- Errors committed by the Senior Accounting Processor B in recording the amount that should be withheld and its remittance to BIR. The errors were only discovered and adjusted on the following month.

6.6 We recommended and the General Manager through the Division Manager – General Accounting agreed to (a) continue to be compliant with the BIR regulations on the withholding and remittance of the appropriate taxes within the prescribed period; and (b) require the Senior Corporate Budget Analyst to be more cautious in recording the taxes withheld and remitted to avoid errors that may result in the under or over remittances of taxes withheld in compliance with PAS 1 and Conceptual Framework for Financial Reporting.

Compliance with GSIS Requirements

7. Analysis of the Due to GSIS account revealed over or under remittance of monthly contributions ranging from a negative amount of ₱32,678.82 to ₱38,448.37 contrary to Philippine Accounting Standards (PAS) 1 – Presentation of Financial Statements and Conceptual Framework for Financial Reporting.

7.1 Audit of the Due to GSIS account showed that the District withheld employees' share/loans and these were remitted including the employer's share to the GSIS. Based on the general ledger, the summary of the GSIS employees' and employer's contributions withheld as well as the corresponding remittances for CY 2018 is as follows:

Particulars	Amount
Beginning Balance, January 1	₱ 870,468.02
Add: Amount Withheld from employees and total employer's share for the year	11,208,886.96
Total	12,079,354.98
Less: Remittances from January to December	11,069,351.04
Unremitted as of December 31	₱ 1,010,003.94

7.2 The Corporate Budget Assistant correctly deducted the mandatory contributions for CY 2018 representing employees' share of 9% and employer's share of 12% of the basic monthly salaries of its officials and employees as set forth under Section 5 of RA No. 8291, the Government Service Insurance System (GSIS) Act of 1997 which states that *the mandatory monthly contribution of each employee and employer is 9% and 12%, respectively, of the basic monthly compensation.*

7.3 The contributions were relatively remitted pursuant to Section 6 (b) of the same Act which states that *Each employer shall remit directly to the GSIS the employees' and employer's contributions within the first ten (10) days of the calendar month following the month to which the contributions apply.* The details of withholding and remittances to GSIS are shown on the next page.

Month	Beginning Balance	Amount Withheld	Amount Remitted	Ending Balance	*Under/(Over) Remittance
January	₱870,468.02	₱910,521.74	₱870,468.02	₱910,521.74	(₱31,657.01)
February	910,521.74	919,910.93	913,109.51	917,323.16	(2,587.77)
March	917,323.16	918,633.22	952,589.75	883,366.63	(32,678.82)
April	883,366.63	901,091.12	896,939.60	887,518.15	21,693.62
May	887,518.15	920,143.24	898,192.55	909,468.84	2,898.57
June	909,468.84	940,991.56	931,354.68	919,105.72	(11,211.44)
July	919,105.72	952,891.58	919,005.72	952,991.58	21,985.84
August	952,991.58	953,362.28	965,193.15	941,160.71	(12,301.57)
September	941,160.71	944,780.52	962,409.01	923,532.22	(9,046.73)
October	923,532.22	907,383.83	906,332.15	924,583.90	38,448.37
November	924,583.90	926,457.74	912,942.69	938,098.95	(5,558.86)
December	938,098.95	1,012,719.20	940,814.21	1,010,003.94	(14,356.47)
Total		₱11,208,886.96	₱11,069,351.04		

* The Under/Over Remittance is the previous amount withheld less the current amount remitted.

7.4 Due to lack of review on the part of Corporate Budget Assistant, there were over or under remittances ranging from a negative amount of ₱32,678.82 to ₱38,448.37.

7.5 PAS 1 – Presentation of Financial Statements states that *the objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.* Moreover, under the Conceptual Framework for financial reporting for information to be useful it must both be relevant and provide a faithful representation of what it purports to represent. *A faithful representation is, to the maximum extent possible, complete, neutral and free from error.* (underscoring ours)

7.6 Inquiry with the Corporate Budget Assistant and verification of the Due to GSIS account disclosed that the negative or positive differences were due to the following, among others:

- The District's policy on early payment of maternity leave benefits, wherein the corresponding employees' and employer's share were deducted in advance, but the remittances were made in subsequent month to which it actually fell due;
- In the renewal of GSIS loans of employees, the corresponding monthly amortization were already deducted in the loan proceeds of the newly availed loan. There were occasions that the District already deducted in the payroll said monthly amortization. As a result, the District refunded the amount in the succeeding payroll;
- When the date of appointment of promotion of employees falls on weekends or holiday, the District computed the contributions based on the whole monthly salary but the GSIS prorated based on the actual number of days remaining only; and

- Errors committed by the Corporate Budget Assistant in recording the ECC contributions to be deducted and the same was already remitted on the succeeding month but only credited to the Due to GSIS account on the next succeeding month.

7.7 We recommended and the General Manager through the Division Manager – General Accounting agreed to (a) fully and continuously remit on time the GSIS contributions in compliance with the provisions of Sections 5 and 6 of RA No. 8291; and (b) require the Corporate Budget Assistant to be more cautious in recording the transactions to avoid errors that could result in the under or over remittances of contributions withheld in compliance with PAS 1 and Conceptual Framework for Financial Reporting.

Compliance with GAD Requirements

8. The District attributed to Gender and Development (GAD) for CY 2018 the amount of ₱14,230,000.00 equivalent to 7.06% of the total budget of ₱201.565 Million pursuant to Item Nos. 2.3 and 6 of the PCW-NEDA-DBM Joint Circular No. 2012-01.

8.1 The Chairperson of GAD Focal Point System prepared the GAD Plan and Budget (GAB) for CY 2018 and submitted to Local Water Utilities Administration (LWUA) on December 13, 2016 pursuant to Item 4 of PCW Memorandum Circular No. 2016-06 dated October 10, 2016.

8.2 The budget allocated for CY 2018 amounted to ₱14,230,000.00 or 7.06% of the total District's annual budget of ₱201,565,311.12 in compliance with Item 6 of the PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 30 of the General Appropriations Act (GAA) for FY 2018. The details are as follows:

Nature	Amount
Personnel Services (PS)	₱ 86,372,892.51
Maintenance and Other Operating Expenses (MOOE)	88,642,530.56
Capital Outlay (CO)	17,711,735.00
Financial Expenses (FE)	8,838,153.05
Total	201,565,311.12
Amount should be budgeted - at least 5% of the District's Budget	10,078,265.56
Amount budgeted for GAD for CY 2018 – 7.06%	14,230,000.00

8.3 Section 30 of the GAA for FY 2018 states that:

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their respective budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfilment of women's human rights, and practice of gender-responsive governance are considered sufficient with said requirement.

8.4 Item 6 of the PCW-NEDA-DBM Joint Circular No. 2012-01 provides that *at least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond for activities supporting GAD plans and programs.*

8.5 The corresponding Accomplishment Report for CY 2018 showed that the Programs, Projects and Activities (PPAs) identified amounted to ₱11,375,220.37 or 80% were accomplished based on the total District's GAD budget.

8.6 The Management mentioned that the District already implemented the previous year's audit recommendation that attribution to GAD be at least 5% of the total budget for CY 2018 and not based on total revenue projection to comply with the aforementioned joint circular.

8.7 We recommended and Management agreed to (a) continue to set aside or attribute at least 5% of the total budget for GAD which shall be integrated in its PPAs; and (b) implement all GAD PPAs identified by the District for CY 2019 and onwards.

Non-revenue water within acceptable limit

9. *The District registered an average rate of 14.22 per cent of Non-Revenue Water (NRW) in CY 2018 which was within the maximum acceptable 30 per cent NRW set by the LWUA under Memorandum Circular (MC) No. 011-18 dated June 1, 2018.*

9.1 Review of the operations of the District showed an average NRW rate of 14.22 per cent for CY 2018 which was within the acceptable 30 per cent NRW set by the LWUA. The details are shown below.

Month	Water Produced (in cu. m.) A	Water Billed (in cu. m.) B	Difference (in cu. m.) (A)-(B)=C	% of NRW/Loss (C)/(A)	Peso equivalent of NRW/Loss (C/10)*200.00
January	689,417	575,103	114,314	16.58%	₱2,286,280.00
February	685,547	565,820	119,727	17.46%	2,394,540.00
March	643,288	539,357	103,931	16.16%	2,078,620.00
April	708,744	602,764	105,980	14.95%	2,119,600.00
May	693,128	592,639	100,489	14.50%	2,009,780.00
June	695,538	615,250	80,288	11.54%	1,605,760.00
July	675,725	586,000	89,725	13.28%	1,794,500.00
August	694,568	614,109	80,459	11.58%	1,609,180.00
September	701,842	604,549	97,293	13.86%	1,945,860.00
October	675,524	585,231	90,293	13.37%	1,805,852.00
November	706,792	594,989	111,803	15.82%	2,236,060.00
December	658,939	583,423	75,516	11.46%	1,510,320.00
Total	8,229,052	7,059,234	1,169,818	14.22%	₱23,396,352.00

9.2 In order to maintain performance levels required for various concerns such as incentives, credit classification, re-categorization, loan application, Board per diem adjustments and other performance based concerns, LWUA issued Memorandum Circular (MC) No. 011-18 dated June 1, 2018 increasing the NRW acceptable level rate of 20% to $\leq 30\%$.

9.3 Further, under LWUA Memorandum Circular No. 014-10 dated December 2, 2010, WDs were enjoined to periodically conduct performance audit of water meters being used by customers to ensure their accuracy. Depending on the condition of operation, the water meter should be tested for accuracy after five years of utilization. Water meters showing errors of more than the following tolerance levels should be calibrated or replaced as follows:

<i>From Maximum Flow to Transitional Flow</i>	$\pm 2\%$
<i>From Minimum Flow to Transitional Flow</i>	$\pm 5\%$

In order to meet this requirement, all WDs were encouraged to allocate funds to establish their own water meter testing facility.

9.4 The Senior Accounting Processor B disclosed that the acceptable level of NRW can be attributed to the close monitoring of leakages in the mainline. Likewise, other programs/measures undertaken by the District to lessen the NRW in CY 2018 were the following:

- a. The District's pumping stations used Variable Frequency Drives (VFD) to set the desire water pressure and avoid major leak in the distribution line;
- b. Replaced mechanical flow meter by electro-magnetic flow meter;
- c. Conducted regular pump test to all pumping station to ensure that efficiency of pumps and motors are maintained;
- d. Scheduled regular air scouring to clean the mains and look for possible leaks and illegal connection;
- e. Immediate response to all reported leaks; and
- f. Conducted system pressure analysis using data logger to balance the water pressure at the whole distribution area.

9.5 Although the average NRW for CY 2018 was below the acceptable level of 30 per cent, Management should still be concerned on how to further minimize the NRW losses to ensure that whatever resources taken from nature are put to good use or properly conserved and that the corresponding billings are collected and used to improve the services and facilities of the District.

9.6 We commended Management for maintaining an average rate of 14.22 per cent NRW for CY 2018 which was below the 30 per cent maximum acceptable NRW set by the LWUA. Likewise, we encouraged and the General Manager and Division Manager – Commercial agreed to closely/rigorously monitor and to continuously undertake measures to further reduce its NRW.

Enforcement of Audit Suspensions, Disallowances and Charges

10. The disallowances issued for CYs 2012-2015 transactions totaled ₱19,497,064.47 while disallowances issued for CY 2017 transactions totaled ₱3,150,639.50 or a total amount of ₱22,647,903.97 as of December 31, 2018. There were disallowable disbursements amounting to ₱^{Handwritten}2,933,860.90 in the audit of transactions for CY 2018.

10.1 The disallowances pertaining to CYs 2012-2015 transactions that were reported in the Status of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2017 amounted to ₱19,497,264.47 without any settlement. The Audit Team issued notices of disallowance totaling ₱3,150,639.50 for CY 2017 transactions, thereby, showing a total of ₱22,647,903.97 as of December 31, 2018.

10.2 The status of audit suspensions, disallowances and charges is shown below.

Audit Period	ND No./Date	Nature	ND as of 12/31/2018	Remarks
CY 2012 Audit:				
CY 2012	2013-101-001-BWD (2012)	Unauthorized rice allowance	₱5,028.00	The original audit disallowance totaled ₱550,000.00 with total settlement of ₱544,972.00. The balance represents unsettled disallowance by employee who was on absence without official leave.
CYs 2013-2014 Audit:				
CY2013-2014	2015-08-001-BWD (2013-2014) dated 8/4/15	Unauthorized and excessive Anniversary Bonus	3,082,518.13	In view of RO III Decision No. 2018-130 dated August 23, 2018 which denied the appeal for the lifting of NDs issued, the District filed a Petition for Review with the COA Commission Proper under COA CP Case No. 2018-1163 dated December 10, 2018. There is no decision as of audit date.
CY2013-2014	2015-08-002-BWD (2013-2014) dated 8/4/15	Excessive Productivity Incentive Bonus	2,750,760.40	
CY2013-2014	2015-08-003-BWD (2013-2014) dated 8/4/15	Unauthorized rice allowance and YEFA	3,682,571.50	
CY2013-2014	2015-08-004-BWD (2013-2014) dated 8/4/15	Excessive Pag-IBIG Fund Employer's share	586,201.45	

Audit Period	ND No./Date	Nature	ND as of 12/31/2018	Remarks
CY2013-2014	2015-08-005-BWD (2013-2014) dated 8/4/15	Unauthorized Provident Fund	3,999,450.03	
CY2013-2014	2015-08-006-BWD (2013-2014) dated 8/4/15	Excessive Extraordinary and Miscellaneous Expenses (EME)	204,400.00	
Sub-Total			14,305,901.51	
CY 2015 Audit				
CY2015	2016-05-001-BWD(2015) dated 5/2/16	Unauthorized Rice Allowance	890,000.00	With Appeal Memorandum filed on November 3, 2016. There is no decision of COA Regional Office No. III as of audit date.
CY2015	2016-05-002-BWD(2015) dated 5/2/16	Unauthorized Anniversary Bonus	1,963,427.85	
CY2015	2016-05-003-BWD(2015) dated 5/2/16	Excessive Employer's share in Pag-IBIG Fund Contribution	213,838.08	
CY2015	2016-05-004-BWD(2015) dated 5/2/16	Unauthorized Employer's share in Provident Fund Contribution	2,021,005.70	
CY2015	2016-05-005-BWD(2015) dated 5/2/16	Excessive EME	98,063.33	
Sub-Total			5,186,334.96	
CY 2017 Audit				
CY2017	2018-001-BWD(2017) dated 11/21/18	Excessive Representation and Transportation Allowance (RATA)	277,836.00	The ND was received on December 10, 2018. Management will file an Appeal Memorandum.
CY2017	2018-002-BWD (17) dated 12/12/18	Unauthorized Employer's share in Provident Fund Contribution	2,075,303.50	The NDs were received on January 8, 2019. Management will file an Appeal Memorandum.
CY2017	2018-005-BWD (17) dated 12/12/18	Unauthorized Rice Allowance	797,500.00	
Sub-Total			3,150,639.50	
TOTAL			₱22,647,903.97	

10.3 Section 7.1 of the Rules and Regulations on Settlement of Accounts (RRSA) provides among others that *the Head of Agency shall ensure that disallowances and charges are settled within the prescribed period, the requirement of transactions suspended in audit are complied with, and appropriate actions are taken on the deficiencies presented in the Audit Observations Memorandum.*

10.4 In the audit of 2018 transactions, the Audit Team disclosed disallowable disbursements amounting to ~~₱2,913,860.90~~^{₱3,117,436.80} which were discussed thoroughly in the Audit Observation Memoranda (AOM), to wit:

Nature	AOM No.	Amount
Excessive RATA of the General Manager	2019-001-BWD dated 1/21/2019	₱317,436.80
Unauthorized Employer's Share to the District's Employees Provident Fund Association, Inc.	2019-002-BWD dated 1/30/2019	1,777,824.10
Unauthorized Rice Allowance	2019-003-BWD dated 1/31/2019	767,500.00
Excessive Traveling Allowance	2019-006-BWD dated 2/08/2019	41,100.00
Total		₱3,117,436.90

10.5 We recommended and Management agreed that the officials and employees determined liable cause the refund of the amount received covered by the Notices of Disallowance to be issued for CY 2018 audit or file an appeal within the period of six months after receipt thereof pursuant to Section 1, Rule V of the 2009 Revised Rules of Procedures of the Commission on Audit.

10.6 We also recommended and Management agreed to (a) file a Petition for Review within the remaining period of six months provided in Section 4, Rule V of the 2009 Revised Rules of Procedures of the COA for their Appeals that were denied by COA Regional Office No. III; and (b) comply strictly with laws, rules and regulations to avoid disallowances in the future transactions.

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

BALIWAG WATER DISTRICT

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

Of the 26 audit recommendations embodied in the CY 2017 Financial Audit Report, eight were fully implemented, eight were partially implemented and ten were not implemented as detailed below:

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>1. <i>Lack of awareness in the proper handling and utilization of cash advances for the Petty Cash Fund (PCF) resulted in (a) frequent replenishments of the PCF that were made twice a month and even if the benchmark of 75 per cent of the amount established has not been reached; and (b) payments of regular expenses, such as travelling, office supplies and repairs and maintenance expenses contrary to Paragraph Nos. 4.3.1 and 4.3.2 of COA Circular No. 97-002 dated February 10, 1997.</i></p> <p>We recommended that Management through the Cashier and the Division Manager – General Accounting to –</p> <p>(a) abide strictly with the rules and regulations on the granting, utilization and liquidation of the Petty Cash Fund as set forth under Paragraph Nos. 4.3.1 and 4.3.2 of COA Circular No. 97-002 dated February 10,</p>	<p>FAR 2017 Obs. No. 1</p>	<p>The District abided with the rules and regulations on the granting, utilization and liquidation of PCF.</p>	<p>Fully Implemented</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>1997; and</p> <p>(b) evaluate the one month PCF requirement of the District in order to establish the appropriate level.</p>		<p>The current PCF level was sufficient enough to cover the one month expenses of the District.</p>	<p>Fully Implemented</p>
<p>2. <i>The collectability of the Accounts Receivable (AR) was remote for non-institution of actions to collect from inactive past due accounts totaling ₱4,347,640.85 which constituted 26.36 per cent of the account balance contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), Volume I.</i></p> <p>We recommended that the General Manager instruct the Division Manager – Finance and Commercial to continuously send confirmation/demand letters to the concessionaires and monitor the status of trade accounts and improve collection strategies on delinquent accounts.</p>	<p>FAR 2017 Obs. No. 2</p>	<p>The Management continuously send demand letters to all inactive concessionaires.</p>	<p>Fully Implemented</p>
<p>3. <i>There were no Transfer Certificate of Titles (TCTs) on two lots acquired by the District through purchase totaling ₱2,606,348.00 contrary to</i></p>	<p>FAR 2017 Obs. No. 3</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>Section 39(2) of PD No. 1445; thus, the ownership over this property is uncertain.</i></p> <p>We recommended that the General Manager –</p> <p>(a) secure decision whether the complaint filed on the lot purchase at Barangay San Jose has been resolved/closed;</p> <p>(b) exert utmost efforts to locate the Deed of Absolute Sale for lot purchase at Barangay Tibag as well as the Transfer Certificate of Title from the previous owner, and if found futile, secure copy of the Deed of Absolute Sale from the Executive Judge of the Regional Trial Court of the Province of Bulacan, and</p> <p>(c) obtain the TCTs for the land acquired through purchase to protect the District's interest as evidence of absolute ownership thereof in accordance with Section 39(2) of PD No. 1445.</p>			<p>Not Implemented</p> <p>The Audit Team advised the Management to implement the audit recommendations cited in letter (a) of Part III of FAR for CY 2017.</p> <p>Not Implemented</p> <p>The Audit Team reiterated the audit recommendations cited in letter (b) of Part III of FAR for CY 2017.</p> <p>Not Implemented</p> <p>The Management was advised to exert utmost efforts to obtain the TCTs for the land acquired thru purchase.</p>
<p>4. <i>Four of the motor vehicles owned by the District do not bear government</i></p>	<p>FAR 2017 Obs.</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>plates contrary to the provisions of COA Circular No. 75-6 dated November 7, 1975. Likewise, majority of the official vehicles of the District were not marked with the name of the District and "For Official Use Only" as required under Item B of COA Circular No. 77-61 dated September 26, 1977.</i></p> <p>We recommended that the General Manager –</p> <p>(a) secure government plates for the motor vehicles which bear private plate numbers upon the renewal of registration as a requirement under the law; and</p> <p>(b) mark these vehicles with the name of the District and "FOR OFFICIAL USE ONLY" pursuant to Item B of COA Circular No. 77-61 dated September 26, 1977.</p>	No. 4	<p>The District maintained motor vehicles that bear private plate numbers to facilitate the use during weekends on emergency cases without the need for approved trip ticket.</p> <p>The District's vehicles were already marked with the name of the District and "FOR OFFICIAL USE ONLY".</p>	<p>Not Implemented</p> <p>The Audit Team firmly believed that Management should secure government plates for the motor vehicles which bear private plate numbers; thus, the previous year's audit recommendation is reiterated.</p> <p>Fully Implemented</p>
<p>5. <i>The accumulated leave credits of the officials and employees of the District as of December 31, 2017</i></p>	<p>FAR 2017 Obs. No. 5</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>amounting to ₱13,094,535.47 were recognized in the books of accounts pursuant to paragraph 11 of PAS 19. However, the reserve funds set aside of ₱5,321,362.11 for the purpose was insufficient which may result in the non-payment of the monetary value of accumulated leave credits earned of the officials and employees who will avail of the monetization of leave credits or eventually retire from the service.</i></p> <p>We recommended that the General Manager –</p> <p>(a) set aside sufficient reserve funds for the accumulated compensated leave credits as of December 31, 2017; and</p> <p>(b) henceforth, ensure the adequacy of the funds provided for the leave credits earned through inclusion in the annual budget.</p>		<p>The District set aside additional funds on a yearly basis taking into consideration the retirement age of employees.</p> <p>The District included in the budget for CY 2019 partial amount of the monetary value of the leave credits as of December 31, 2018.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>
<p>6. <i>Total budget overruns of ₱2,821,249.18 were incurred in CY 2017 for eight expense accounts amounting</i></p>	<p>FAR 2017 Obs. No. 6</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>to ₱30,413,885.64 that exceeded the approved Corporate Operating Budget (COB) of ₱27,592,636.46 contrary to the provisions of PD No. 1445.</i></p> <p>We recommended that Management –</p> <p>(a) take into consideration the availability of budget before incurring expenditures in conformity with Sections 4(1) and 4(8) of PD No. 1445;</p> <p>(b) implement cost-saving measures and stricter budgetary controls to keep expenses within the approved limit; and</p> <p>(c) formulate a more realistic budget, taking into consideration the projected earnings and the needed programs and projects to improve its operations.</p>		<p>The District will ensure that all expenses to be incurred will be based on available budget.</p> <p>The Management conducted semi-annual review of the budget for realignment and/or supplemental purposes. However, the Management realigned budget only for capital expenditures.</p>	<p>Not Implemented</p> <p>Reiterated in Observation No. 5 of CY 2018 FAR.</p> <p>Not Implemented</p> <p>Reiterated in Observation No. 5 of CY 2018 FAR.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 5 of CY 2018 FAR.</p>
<p><i>7. The officials and employees of the District were paid rice allowance totaling ₱797,500.00 for CY 2017 contrary to RA No. 6758,</i></p>	<p>FAR 2017 Obs. No. 7</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>COA Resolution No. 2004-006 dated September 14, 2004 and related DBM issuances; thus, constituting irregular and unauthorized disbursement of funds.</i></p> <p>We recommended that the General Manager –</p> <p>(a) stop the granting of rice allowance to all officials and employees;</p> <p>(b) request post facto approval from the Office of the President for the granting of rice allowance, otherwise, cause the settlement/refund of the rice allowance granted to officials and employees in CY 2017 totaling ₱797,500.00; and</p> <p>(c) abide strictly with the existing laws, rules and issuances as regards the payment of personnel benefits, bonuses, and allowances to avoid audit disallowances in the future.</p>		<p>The Management will file an appeal to COA Region III, petition for review to the Commission Proper, if denied and eventually appeal to the Supreme Court.</p>	<p>Not Implemented</p> <p>The Management was advised to stop the granting of rice allowance to all officials and employees.</p> <p>Not Implemented</p> <p>Not Implemented</p>
<p>8. <i>Representation Allowance and Transportation Allowance (RATA) paid to the General</i></p>	<p>FAR 2017 Obs. No. 8</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>Manager exceeded the authorized rate provided in Section 54 of the General Appropriations Act (GAA) for FY 2017 by ₱277,836.00, thus deemed irregular disbursement of government funds pursuant to COA Circular No. 2012-003 dated October 29, 2012.</i></p> <p>We recommended that the General Manager –</p> <p>(a) refund the excess RATA amounting to ₱277,836.00; and</p> <p>(b) henceforth, pay the RATA pursuant to rules and regulations.</p>		<p>Management is waiting for the decision of the Commission Proper. If denied, Management will file an appeal to the Supreme Court within the prescribed period.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>
<p>9. <i>The District paid employer's share contributions totaling ₱2,075,303.50 in CY 2017 to the District's Employees' Provident Fund Association, Inc. contrary to Item 5.3 of DBM Circular No. 2008-3 dated June 20, 2008, PD No. 1597 and Executive Order No.7, thus, payment thereof has no legal basis.</i></p> <p>We recommended that the General Manager instruct the OIC Department Manager -</p>	<p>FAR 2017 Obs. No. 9</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>Finance to –</p> <p>(a) comply with the DBM requirement to secure the authority for the District's monetary contribution to the Provident Fund, otherwise, cause the refund of ₱2,075,303.50 representing the District's share for the period August 2016 to April 2017; and</p> <p>(b) henceforth, ensure that all payments are covered with legal basis or proper authorization as required by pertinent rules and regulations.</p>		<p>The Management together with the Philippine Association of Water Districts filed a petition to the Office of the President to rationalize the benefits of employees of Water Districts.</p> <p>Employer's share to the District's Employees' Provident Fund Association, Inc. for CY 2017 was lodged under the Other Payable account.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>
<p>10. <i>The Annual Gender and Development (GAD) Plan and Budget and the corresponding Accomplishments Report (AR) for CY 2017 were prepared to integrate GAD activities in the District's program, projects and activities and to address gender issues and concerns, however, only 4.34 per cent was allotted based on the total approved budget contrary to Item 6 of the PCW-NEDA-DBM Joint Circular No. 2012-01 and</i></p>	<p>FAR 2017 Obs. No. 10</p>		

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p><i>Section 30 of the GAA for FY 2017.</i></p> <p>We recommended that Management set aside at least 5% of the total budget for GAD which shall be integrated in its programs, projects and activities.</p>		<p>The Management allocated at least 5% of the total Budget for GAD Programs, Projects and Activities for CY 2018.</p>	<p>Fully Implemented.</p>
<p><i>11. The District substantially complied with the provisions of Revenue Memorandum Circular No. 23-2007 dated March 20, 2007 of the Bureau of Internal Revenue (BIR) on the withholding of taxes from salaries of officials and employees as well as from payments to suppliers and dealers, and the remittance thereof within ten days of the ensuing month. However, analysis of the Due to BIR account revealed over or under remittance of monthly taxes withheld.</i></p> <p>We recommended that the General Manager through the Division Manager – General Accounting to –</p> <p>(a) continue to be compliant with the BIR regulations on the withholding and remittance of the appropriate taxes within the prescribed period; and</p>	<p>FAR 2017 Obs. No. 12</p>	<p>The Management continuously complied with the BIR regulations.</p>	<p>Fully Implemented</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>(b) require the Senior Corporate Budget Analyst to be more cautious in recording the taxes withheld and remitted to avoid errors that may result in the under or over remittances of taxes withheld.</p>		<p>The Senior Corporate Budget Analyst was required to be more cautious in recording the taxes withheld and remitted.</p>	<p>Fully Implemented</p>
<p>12. <i>The balance of prior years' audit disallowances issued for CYs 2012-2015 transactions totaled ₱19,524,064.47 with audit settlements of ₱26,800.00; thus, the amount of ₱19,497,264.47 remained unsettled as of December 31, 2017. The Audit Team noted disallowable disbursements amounting to ₱3,150,639.50 in the audit of transactions for CY 2017.</i></p> <p>We recommended that Management require the officials and employees determined liable to cause the refund of the amount received covered by the Notices of Disallowance to be issued for CY 2017 audit or file an appeal within the period of six months after receipt thereof pursuant to Section 1, Rule V of the 2009 Revised Rules of Procedures of the Commission on Audit.</p>	<p>FAR 2017 Obs. No. 14</p>		<p>Not Implemented</p>

Audit Observations and Recommendations	Ref.	Management's Action	Status of Implementation/ Reason for Partial/ Non Implementation
<p>We also recommended that Management –</p> <p>(a) file a Petition for Review within the remaining period of six months provided in Section 4, Rule V of the 2009 Revised Rules of Procedures of the COA for their Appeals that were denied by COA Regional Office No. III; and</p> <p>(b) comply strictly with laws, rules and regulations to avoid disallowances in the future transactions.</p>		<p>Management is waiting for the decision of the Commission Proper on their petition for review on various Notices of Disallowance.</p> <p>Except for RATA and Rice Allowance, other benefits cited in the Notices of Disallowance were no longer granted to the officials and employees of the District in adherence to COA recommendations.</p>	<p>Fully Implemented</p> <p>Partially Implemented</p>