



Republic of the Philippines
Commission on Audit
Office of the Regional Director
Regional Office No. I
City of San Fernando, La Union
Tel. No. (072) 888-6780

May 22, 2017

THE BOARD OF DIRECTORS

Santa Maria Water District
Santa Maria, Pangasinan

Dear Board of Directors:

We transmit herewith the report on the financial and compliance audit of the accounts and operations of Santa Maria Water District, Santa Maria, Pangasinan, for the year ended December 31, 2016 in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445.

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

The report consists of four parts, Part I- Audited Financial Statements, Part II Detailed Audit Observations and Recommendations, Part III - Status of Prior Year's Audit Recommendations and Part IV -Annexes. The observations and recommendations were discussed with concerned management officials and staff in an exit conference on February 27, 2017. Management's comments were included in the report, where appropriate.

We rendered a qualified opinion on the presentation of the Financial Statements as of December 31, 2016, due to the variance amounting to P2,180,368.08 pertaining Loans Payable balances appearing between the book of the District and that of the LWUA records that affected the accuracy and reliability of the account; and because the existence, accuracy and reliability of Property, Plant and Equipment account in the Financial Statements amounting to P48,401,146.15 (net), were not validated/verified due to failure of Management to conduct physical stocktaking thus unable to prepare the required Report on Physical Count of PPE (RPCPPE). Consequently, there was no basis for reconciliation against the balance per book.

Anent the above observations, we have recommended management to:

- a. Undertake periodic reconciliation of the balances between the LWUA and the District's records; and
- b. Conduct actual physical stocktaking of the District's properties as basis in the preparation of the Report on the Physical Count of Plant, Property and Equipment (PPE), copy furnished to the COA. Also, to strictly comply with the criteria on the proper recording of PPE account in the book in pursuant to PAS 16 of the PFRS. Furthermore, reclassify unserviceable properties account upon satisfaction of the I & I proceedings. An entry with a debit to Other Assets account and a credit to PPE account should be drawn to support the reclassification.

Aside from the audit observations which are the bases for a qualified opinion, the following are other significant observations and recommendations:

1. There was a discrepancy arising in the Inventory account when the balance reported in the Financial Statements is compared against the amount reflected in the Report on the Physical Count for Inventory by P81,146.46. Moreover, there was no periodic reconciliation conducted between the two (2) records.

We recommended that management reconcile the discrepancy amounting to P81,146.46 and conduct periodic reconciliation between the accounting and inventory records

2. Property of the District inventoried as insurable assets with acquisition cost of P4,559,730.00 were not covered or insured with the General Insurance Fund administered by the GSIS which contravenes COA Circular No. 92-390 s. 1992 and RA 656 otherwise known as the Property Insurance Law as amended by PD No. 245 s. 1973, hence assets were not adequately protected in the event of loss or damage, to the detriment of the government.

We recommended that management strictly comply with the requirement of the Property Insurance Law to avoid penalties as sanctioned under Section 6b of RA 656.

3. Ownership of the three lots could not be adequately established due to the absence of Certificates of Title or whatever documents to prove satisfactory ownership thereof which contravenes Section 39 (2) of PD 1445. Consequently, structures built thereon valued at P13,035,750.00 poses risk of wastes and possible losses, to the detriment of the government.

We recommended that management exhaust effort in securing Certificates of Titles of purchased and donated lots to establish valid and legitimate ownership

in favor of Sta. Maria Water District and to adequately safeguard structures/ improvements constructed thereon valued at ₱13,035,750.00.

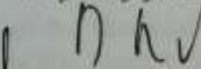
Furthermore, strictly observe the conditions provided by the ruling constituting a valid donation.

Details of other audit observations and recommendations are discussed in Part II of the report.

We request that the audit observations and recommendations contained in the said report be fully addressed and we would appreciate being informed of the action taken in this regard within 60 days from receipt hereof, pursuant to Section 96 of the General Provisions of Republic Act No. 10717, otherwise known as the General Appropriations Act of 2016, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

We acknowledge the cooperation and support extended to us by the officials and employees of that District.

Very truly yours,


MICHAEL R. BACANI
OIC - Regional Director



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Tel. No. (072) 888-6780

May 22, 2017

MR. ANTONIO N. JUNIO
General Manager
Santa Maria Water District
Santa Maria, Pangasinan

Dear Manager Junio:

We transmit herewith the report on the financial and compliance audit of the accounts and operations of Santa Maria Water District, Santa Maria, Pangasinan, for the year ended December 31, 2016 in compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent sections of Presidential Decree No. 1445.

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We recommended that management reconcile the discrepancy amounting to ₱81,146.46 and conduct periodic reconciliation between the accounting and inventory records

2. Property of the District inventoried as insurable assets with acquisition cost of ₱4,559,730.00 were not covered or insured with the General Insurance Fund administered by the GSIS which contravenes COA Circular No. 92-390 s. 1992 and RA 656 otherwise known as the Property Insurance Law as amended by PD No. 245 s. 1973, hence assets were not adequately protected in the event of loss or damage, to the detriment of the government.

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We recommended that management exhaust effort in securing Certificates of Titles of purchased and donated lots to establish valid and legitimate ownership

in favor of Sta. Maria Water District and to adequately safeguard structures/ improvements constructed thereon valued at ₱13,035,750.00.

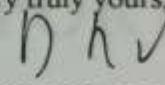
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We request that the audit observations and recommendations contained in the said report be fully addressed and we would appreciate being informed of the action taken in this regard within 60 days from receipt hereof, pursuant to Section 96 of the General Provisions of Republic Act No. 10717, otherwise known as the General Appropriations Act of 2016, by accomplishing the Agency Action Plan and Status of Implementation attached herewith.

We acknowledge the cooperation and support extended to us by the officials and employees of that District.

Very truly yours,


MICHAEL R. BACANI
OIC - Regional Director

SANTA MARIA WATER DISTRICT
Sta. Maria, Pangasinan

For the Year Ended December 31, 2016



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

ANNUAL AUDIT REPORT
ON THE

SANTA MARIA WATER DISTRICT
Sta. Maria, Pangasinan

For the Year Ended December 31, 2016

EXECUTIVE SUMMARY

A. Introduction

Santa Maria Water District was established in 1997 and envisioned itself to be a progressive and economically viable utility firm that provides adequate, safe, potable and affordable water and an effective sewerage system. Its mission is committed to undertake continuing exploration and development activities aimed at the preservation and sustainability of water resources and to adhere to sound practices in preserving natural environment. The District has a total of 24 personnel, composed of 14 regular employees and 10 Job Order headed by a General Manager. The Board of Directors (BOD) which has a component of five members serves as the policy – making body of the District.

A. Highlights of Financial Operation

	2016	2015
Assets	62,458,230.56	56,273,059.62
Liabilities	10,607,993.30	10,535,666.30
Government Equity	51,850,237.26	45,737,393.32
Total Income	21,166,833.07	18,347,657.71
Expenses	15,165,441.82	11,494,741.17

	2016	2015
Budget	16,799,539.00	18,695,809.00
Actual Expenditures	15,165,441.82	11,494,741.17

B. Scope of Audit and Methodology

Financial and compliance audit were conducted on the accounts and operations of the Santa Maria Water District, Santa Maria, Pangasinan for the year ended December 31, 2016. The audit consisted of review of operating procedures, interview with concerned officials and employees, verification, reconciliation, analysis of accounts, inspection and such other procedures deemed necessary.

C. Auditor's Opinion on the Financial Statement

The Auditor rendered a qualified opinion on the presentation of the Financial Statements as of December 31, 2016, due to the variance amounting to P2,180,368.08 pertaining Loans Payable balances appearing between the book of the District and that of the LWUA records that affected the accuracy and reliability of the account and because the existence, accuracy and reliability of Property, Plant and Equipment account in the Financial Statements amounting to P48,401,146.15 (net), were not validated/verified due to failure of Management to conduct physical

stocktaking thus unable to prepare the required Report on Physical Count of PPE (RPCPPE). Consequently, there was no basis for reconciliation against the balance per book.

D. Summary of Significant Observations and Recommendations

The District withheld and remitted taxes promptly as of December 31, 2016.

Verification disclosed that out of the total amount of ₱1,020,079.12 taxes withheld from suppliers and employees for the period January 2016 to December 2016, the amount in full was remitted within the period prescribed by the BIR Regulation.

The table below shows the monthly amount withheld and dates these were remitted:

Schedule of BIR Tax Withheld and Tax Remitted
For the Year 2016

Months	Total Tax Withheld	Date Remitted	Total Tax Remitted
January 2016	₱50,401.52	2/2/2016	₱50,401.52
February 2016	53,244.97	3/3/2016	53,244.97
March 2016	45,706.59	4/1/2016	45,706.59
April 2016	47,371.83	5/4/2016	47,371.83
May 2016	200,747.50	6/6/2016	200,747.50
June 2016	59,810.05	7/1/2016	59,810.05
July 2016	71,157.79	8/1/2016	71,157.79
August 2016	75,283.45	9/5/2016	75,283.45
September 2016	60,418.39	10/3/2016	60,418.39
October 2016	60,799.76	11/2/2016	60,799.76
November 2016	83,542.66	12/1/2016	83,542.66
December 2016	211,594.61	1/5/2017	211,594.61
Total	₱1,020,079.12		₱1,020,079.12

We have commended the District for dutifully complying with tax laws.

However, presented below are the significant Audit Observations which were discussed with the agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of this Report, where appropriate:

1. Several deficiencies were noted in the recording and monitoring of Property, Plant and Equipment (PPE) account booked-up at ₱48,401,146.15 (net) which resulted to doubtful validity as to existence, accuracy and reliability of the account.

- a. The District failed to conduct actual physical stocktaking of the District's property having a book value of ₱48,401,146.15, thus unable to prepare the required Report on Physical Count of PPE (RPCPPE). Consequently, there was no basis for reconciliation against the balance per book which rendered the account doubtful as to existence, accuracy and reliability.

We recommended management to conduct actual physical stocktaking of the District's properties as basis in the preparation of the Report on the Physical Count of Plant, Property and Equipment (PPE), copy furnished to the COA.

- b. Included in the PPE account are unserviceable properties totaling ₱234,517.39.

We recommended that management strictly comply with the criteria on the proper recording of PPE account in the book in pursuant to PAS 16 of the PFRS. Furthermore, reclassify unserviceable properties account upon satisfaction of the I & I proceedings. An entry with a debit to Other Assets account and a credit to PPE account should be drawn to support the reclassification.

2. The variance amounting to ₱2,180,368.08 pertaining to Loans Payable balances appearing between the book of the District and that of the LWUA records affected the accuracy and reliability of the Loans Payable account reported in the year-end Financial Statements

We recommended that management undertake periodic reconciliation of the balances between the LWUA and the District's records.

3. There was a discrepancy arising in the Inventory account when the balance reported in the Financial Statements is compared against the amount reflected in the Report on the Physical Count for Inventory by ₱81,146.46. Moreover, there was no periodic reconciliation conducted between the two (2) records.

We recommended that management reconcile the discrepancy amounting to ₱81,146.46 and conduct periodic reconciliation between the accounting and inventory records.

4. The Water District's failure to act on the dormant/inactive accounts and other deficiencies noted affected the propriety and fair presentation of the Accounts Receivables booked-up at ₱715,346 per Trial Balance as of December 31, 2016.

Deficiencies as follows:

- a. Dormant accounts of over ten (10) years totalling ₱18,212.30 which collectability could no longer ascertained remained outstanding in the book.

We recommended that Management promptly act on the proper disposal of dormant accounts upon presentation of the requirement for write-off as enumerated under COA Circular 2016-005 (7.0 and 8.0) dated December 19, 2016.

- b. Inadequate monitoring, lack of review and analysis deprived the District to collect the amount of ₱313,901.20 for inactive accounts contrary to COA Circular No. 2016-005, s. 2016.

We recommended that Management adequately conduct periodic monitoring, review and analysis of receivables as well as exhausting collection actions of past due accounts to ensure that these are collected when become due and demandable thereby preventing the accumulation of delinquent/inactive accounts. Furthermore, devise effective collection actions to ensure collectability of inactive accounts recovery of its invested resources for water production and distribution.

5. Properties of the District inventoried as insurable assets with acquisition cost of ₱4,559,730.00 were not covered or insured with the General Insurance Fund administered by the GSIS which contravenes COA Circular No. 92-390 s. 1992 and RA 656 otherwise known as the Property Insurance Law as amended by PD No. 245 s. 1973, hence assets were not adequately protected in the event of loss or damage, to the detriment of the government.

We recommended that management strictly comply with the requirement of the Property Insurance Law to avoid penalties as sanctioned under Section 6b of RA 656.

6. Ownership of the three lots could not be adequately established due to the absence of Certificates of Title or whatever documents to prove satisfactory ownership thereof which contravenes Section 39 (2) of PD 1445. Consequently, structures built thereon valued at ₱13,035,750.00 poses risk of wastes and possible losses, to the detriment of the government.

We recommended that management exhaust effort in securing Certificates of Titles of purchased and donated lots to establish valid and legitimate ownership in favor of Sta. Maria Water District and to adequately safeguard structures/improvements constructed thereon valued at ₱13,035,750.00.

Furthermore, strictly observe the conditions provided by the ruling constituting a valid donation.

7. Deficiencies produced uncertainties as to the propriety, accuracy and reliability of the Cash account.

Deficiencies as follows:

- a. Bank Reconciliation Statements were not yet submitted contrary to Section 122 of PD 1445 thereby causing delay in the verification of cash account and preventing prompt corrections for any deficiencies that may be found in audit.

We recommended to management to observe the monthly submission of the Bank Reconciliation Statements to the COA Audit Team for timely audit and prompt correction of errors.

- b. Initial receipt, custodial and releasing functions for Accountable Forms are under the control of the Cashier contrary to the principles of a sound internal control which requires proper segregation of duties/ responsibilities to facilitate check and balance of all transactions and thus, reducing the risks of errors/fraud.

We recommended to management that receipt, issuances and safekeeping of Accountable Forms should be initially assigned to the Property Officer. The Cashier should be relieved from such responsibilities as she was not the custodian of received accountable forms. A logbook should also be maintained by the Property Officer to record all Accountable Forms received and issued to the Cashier and other Accountable Officers (AO). Each AO should also prepare a separate Report of Accountability for Accountable Forms.

8. Incorrect recording of fines and penalties in the amount of ₱697,515.84 resulted in a misleading interpretation that these were not taken up in the books contrary to existing accounting principle on faithful representation.

We recommended that the Accountant should follow the correct accounting entries for fines and penalties upon billing and upon collection. Entries pertaining to water bills and fines and penalties should be made separately for understandability of how the transactions had transpired.

9. Payment for the annual NWRB water permit is deemed unauthorized as such is not in consonance with Sections 27 and 46 of Presidential Decree (PD) No. 198 and other existing laws and rules.

We recommended to management to elevate the matter to the LWUA to resolve issues pertaining to the legality and authority by the NWRB in collecting annual water permit from LWDs despite chartered provisions from PD 198, as amended and DOJ ruling under OSJ Case No. 01-2010. Also, to prevent disallowance of payments made, it is recommended that the necessary information pertaining to the issue be furnished to this Office.

10. Several Board Resolutions were not aligned with existing laws and rules, thus could eventually result to irregular/unauthorized expenditures/ Audit Observation

Memoranda (AOMs)/ suspensions/ disallowances, to the detriment of the government.

Board Resolutions issued cannot be characterized as policies but more on engaging in the detailed management of the District.

We have recommended that Board Resolutions, in order to avoid the eventualities of AOMs/ suspensions and/or disallowances, should be aligned and harmonized with the existing government laws and rules.

Also, we have recommended that the Board should limit its function to policy making and not in the detailed management of the District in conformance with PD 198, thus preventing undue injury to the government.

11. Sta. Maria Water District has not yet prepared and submitted their annual GAD Plans and Budgets (GPBs) and Accomplishment Reports (ARs) to the LWUA following the GAD planning and budgeting cycle provided in the PCW-NEDA-DBM Joint Circular No.2012-01, hence timely review on the appropriateness of GAD programs and their alignment with the Water District's mandate could not be effectively carried out.

We recommended management to prepare GAD Plans and Budget (GPBs) and Accomplishment Reports related to GAD implementation and submit the same to the LWUA for review and endorsement to PCW. This is in compliance with PCW Memorandum Circular No. 2015-03 dated May 19, 2015.

E. Summary of total suspensions, disallowances, and charges as of December 31, 2016.

Presented below are the outstanding balances of suspensions, disallowances and charges as of December 31, 2016:

Suspension	-	none
Disallowances	-	P 347,333.10
Charges	-	none

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

Out of the 13 prior year's audit recommendations, six were fully implemented, six were partially implemented and one was not implemented, which was reiterated in Part II of the report.

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Part I

Audited Financial Statements



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Regional Director
Regional Office No. I
San Fernando City, La Union
Tel. No. (072) 888-6780

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Santa Maria Water District
Santa Maria, Pangasinan

Report on the Financial Statements

We have audited the accompanying Financial Statements of Santa Maria Water District, which comprise the Statement of Financial Position as at December 31, 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and a Summary of Significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the State Accounting Principles, and for such Internal Control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, COA and INTOSAI standards and applicable Generally Accepted Auditing Standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes assessing the accounting principles used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have is sufficient and appropriate to provide a basis for our qualified audit opinion.

Bases of Qualified Opinion

As discussed in Part II of the Report, the accuracy and reliability of the Loans Payable account was affected due to the variance amounting to P2,180,368.08 appearing between the book of the District and that of the LWUA records.

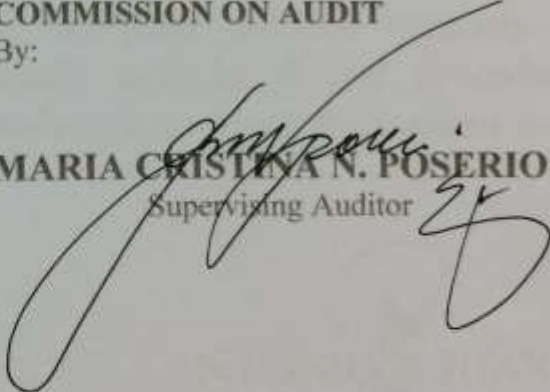
Also, existence, accuracy and reliability of Property, Plant and Equipment account in the Financial Statements amounting to P48,401,146.15 (net), were not validated/ verified due to failure of Management to conduct physical stocktaking thus unable to prepare the required Report on Physical Count of PPE (RPCPPE). Consequently, there was no basis for reconciliation against the balance per book.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material aspects, the financial position of the Sta. Maria Water District as of December 31, 2016, and of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

COMMISSION ON AUDIT

By:


MARIA CRISTINA N. POSERIO
Supervising Auditor

March 31, 2017



SANTA MARIA WATER DISTRICT

Poblacion West, Santa Maria, Pangasinan

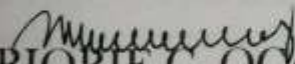
Tel./Fax No. (075) 632-4696


Website: www.smwd.gov.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of SANTA MARIA WATER DISTRICT, Santa Maria, Pangasinan is responsible for all information and representations contained in the accompanying Balance Sheet as of December 31, 2016 and the related Statement of Income and Expenses and Cash Flow for the year then ended. The Financial Statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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


MARJORIE C. OCAMPO
Division Manager C


ANTONIO N. JUNIO
General Manager C

**SANTA MARIA WATER DISTRICT
STATEMENT OF FINANCIAL POSITION**

As of December 31, 2016

(With Comparative Figures for 2015)

ASSETS	2016	2015
Current Assets		
<i>Cash & Cash Equivalents (Note 2)</i>	8,922,067.34	8,253,531.31
<i>Trade & Other Receivables (Note 3)</i>		
Accounts Receivable, Net	629,718.16	630,627.62
Due From Officers and Employees	1,227,566.58	1,204,676.58
<i>Inventories (Note 4)</i>		
Office Supplies Inventory	79,500.00	75,600.00
Other Supplies and Materials Inventory	837,534.27	1,159,908.90
TOTAL CURRENT ASSETS	P 11,696,386.35	P 11,324,344.41
Non- Current Assets		
Sinking Fund (Note 6)	2,360,698.06	1,776,310.57
Property, Plant and Equipment - Net of Depreciation (Note 5)		
Land	1,050,000.00	1,050,000.00
Service Concession- Water Supply Systems, Net	32,582,417.62	27,153,238.74
Buildings, Net	1,388,316.15	1,417,798.95
Office Equipment, Net	317,228.44	313,494.09
Furniture and Fixtures, Net	21,611.77	28,847.89
Computer Software, Net	389,375.00	45,125.00
Motor Vehicles, Net	472,990.19	718,870.93
Other Property, Plant & Equipment, Net	1,362,400.98	1,331,541.69
Water Supply Systems, Net	10,816,806.00	11,113,487.35
Total PPE	48,401,146.15	43,172,404.64
TOTAL NON-CURRENT ASSETS	50,761,844.21	44,948,715.21
TOTAL ASSETS	P 62,458,230.56	P 56,273,059.62

LIABILITIES AND EQUITY

Current Liabilities

Inter-Agency Payables (Note 7)

Due to BIR	240,590.32	79,125.15
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Due to GSIS	119,722.43	95,712.84
Due to Pag-ibig	26,265.25	22,662.89
Due to Philhealth	7,600.00	6,650.00
Other Liabilities (Note 8)		
Guaranty Deposits Payable	183,414.00	178,414.00
Other Payables	500,176.47	239,318.48
Customer Deposits Payable	2,468,088.50	2,050,488.50
Total Current Liabilities	3,545,856.97	2,672,371.86
Long-Term Liabilities (Note 9)		
Loans Payable - Domestic	6,991,486.03	7,788,636.03
Deferred Credits		
Deferred Service Concession Revenue	70,650.30	74,658.41
TOTAL LIABILITIES	P 10,607,993.30	P 10,535,666.30
EQUITY		
Contributed Capital	16,709,747.34	16,709,747.34
Accumulated Surplus (Note 11)	35,140,488.92	29,027,645.98
Total Equity	51,850,237.26	45,737,393.32
TOTAL LIABILITIES AND EQUITY	P 62,458,230.56	P 56,273,059.62

(See accompanying Notes to Financial Statements)

**SANTA MARIA WATER DISTRICT
STATEMENT OF INCOME AND EXPENSES**

For the Year Ended December 31, 2016
(With Comparative Figures of 2015)

REVENUE (Note 12)	2016	2015
Service Concession Revenue	18,756,527.25	16,243,949.21
Fines and Penalties- Service Income	649,064.67	636,068.47
Other Service Income	1,718,413.22	1,431,023.81
Interest Income	42,827.93	36,616.22
TOTAL REVENUE	P21,166,833.07	P 18,347,657.71

EXPENSES (Note 13)

OPERATING EXPENSES

PERSONAL SERVICES

Salaries and Wages- Regular	3,926,280.00	2,519,967.00
Salaries and Wages- Casual/Contractual	745,250.00	861,450.00
Personal Economic Relief Allowance (PERA)	337,500.00	310,500.00
Representation Allowance	162,000.00	77,000.00
Transportation Allowance	162,000.00	77,000.00
Clothing and Uniform Allowance	70,000.00	65,000.00
Productivity Incentive Allowance	65,000.00	252,664.00
Other Bonuses and Allowances	670,758.20	278,567.57
Honoraria	434,109.35	237,153.18
Cash Gift	70,000.00	65,000.00
Year End Bonus	654,380.00	227,612.33
Life and Retirement Insurance Premiums	485,167.32	344,830.44
Pag-Ibig Contributions	16,800.00	15,600.00
Philhealth Contributions	41,250.00	30,825.00
TOTAL PERSONAL SERVICES	P 7,840,494.87	P 5,363,169.52

MAINTENANCE AND OTHER OPERATING EXPENSES

Traveling Expenses- Local	187,761.60	143,850.22
Training Expenses	301,727.00	134,900.00
Office Supplies Expenses	139,519.57	144,935.94
Fuel, Oil and Lubricants Expenses	256,493.40	253,961.40
Other Supplies and Materials Expenses	183,743.05	151,483.85

Chemical and Filtering Supplies Expenses	396,000.00	363,150.00
Electricity Expenses	1,643,778.21	1,420,968.39
Postage and Courier Services	1,680.00	2,610.00
Telephone Expenses	215,513.39	225,117.53
Cable, Satellite, Telegraph and Radio Expenses	5,280.00	5,280.00
Membership Dues and Contributions to Organizations	59,309.75	70,270.75
Advertising Expenses	4,000.00	3,000.00
Printing and Publication Expenses	1,200.00	2,724.00
Representation Expenses	89,213.94	95,326.40
Subscription Expenses	3,726.00	5,216.00
Legal Services	44,815.82	38,650.00
Auditing Services	118,081.79	96,293.56
Environment/Sanitary Services	46,540.00	92,248.04
Janitorial Services	0.00	750.00
Repairs and Maintenance- Buildings and Other Structures	345,105.00	30,824.83
Repairs and Maintenance- Machinery and Equipment	138,979.75	31,808.00
Repairs and Maintenance- Transportation Equipment	144,245.07	104,750.97
Repairs and Maintenance- Other Property, Plant and Equipment	64,929.00	21,479.00
Repairs and Maintenance- Infrastructure Assets	48,207.00	77,274.00
Extra-ordinary and Miscellaneous Expenses	107,560.00	20,481.85
Taxes, Duties and Licenses	456,473.18	401,970.20
Fidelity Bond Premiums	3,600.00	3,600.00
Insurance Expenses	96,750.49	83,690.36
Other Maintenance and Operating Expenses	135,916.50	140,914.58
Other General Services	56,500.00	7,276.56
Longevity Pay	14,162.00	0.00
Internet Subscription Expenses	17,302.10	7,074.50
Depreciation- Infrastructure Assets	1,282,815.32	1,130,702.56
Depreciation- Building and Other Structures	29,482.80	29,482.80
Depreciation- Furniture, Fixtures and Books	95,935.77	74,049.50
Impairment Loss- Intangible Asset	4,500.00	4,500.00
Depreciation- Transportation Equipment	245,880.74	247,508.40

Depreciation - Other Property, Plant and Equipment	14,327.71	6,393.00
TOTAL MAINTENANCE AND OTHER OPERATING EXPENSES	P 7,001,055.95	P 5,674,517.19
FINANCIAL EXPENSES		
Interest Expenses	323,891.00	457,054.46
TOTAL EXPENSES	P 15,165,441.82	P 11,494,741.17
NET INCOME	P 6,001,391.25	P 6,852,916.54

(See accompanying Notes to Financial Statements)

**SANTA MARIA WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY**

For the Year Ended December 31, 2016
(With Comparative Figures for 2015)

	2016	2015
Contributed Capital	P 16,709,747.34	P 16,709,747.34
Add/Deduct: Adjustments		
Accumulated Surplus/(Deficit)	29,139,098.67	22,174,729.44
Add/Deduct: Adjustments		
Net Income for the year	6,001,391.25	6,852,916.54
Balances, December 31, 2016	<u>P 51,850,237.26</u>	<u>P 45,737,393.32</u>

SANTA MARIA WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(With Comparative Figures for 2015)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
CASH INFLOWS		
Collection of Receivables	19,356,335.45	16,751,917.27
Collection of Income	1,718,413.22	1,703,953.81
Refund of overpayment of expenses	87,284.15	41,300.09
Other Cash Inflows	<u>537,160.36</u>	<u>244,643.22</u>
TOTAL CASH INFLOWS	<u>P 21,699,193.18</u>	<u>P 18,741,814.39</u>
CASH OUTFLOW FROM OPERATING ACTIVITIES		
Payment of Operating Expenses	5,857,750.30	4,387,099.99
Payment of Payables	6,231,124.47	5,711,406.76
Remittance of GSIS/Pag-ibig/ Philhealth/Withholding Taxes	<u>2,022,344.38</u>	<u>1,309,880.40</u>
TOTAL CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>P 14, 111,219.15</u>	<u>P 11,408,387.15</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Land	0.00	200,000.00
Construction of Water Supply System	5,312,026.00	4,678,041.80
Construction of Other PPE	<u>486,371.00</u>	<u>129,562.49</u>
TOTAL CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>P 5,798,397.00</u>	<u>P 5,007,604.29</u>
CASH OUTFLOW FROM FINANCING ACTIVITIES		
Cash Payment on Interest on Loans	323,891.00	457,054.46
Payments of Domestic Loans	<u>797,150.00</u>	<u>1,280,365.54</u>
TOTAL CASH OUTFLOW FROM FINANCING ACTIVITIES	<u>1,121,041.00</u>	<u>1,737,420.00</u>
TOTAL CASH OUTFLOWS	<u>P 21,030,657.15</u>	<u>P 18,153,411.44</u>
CASH PROVIDED BY OPERATING, INVESTING AND FINANCING ACTIVITIES	<u>668,536.03</u>	<u>588,402.95</u>
CASH BALANCE, Beginning	<u>8,253,531.31</u>	<u>7,665,128.36</u>
CASH BALANCE, December 31, 2016	<u>P 8,922,067.34</u>	<u>P 8,253,531.31</u>

NOTES TO FINANCIAL STATEMENTS
 As of December 31, 2016
 (With Comparative Figures of 2015)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting System

The District partially adopts the Philippines Financial Reporting Standards and its Charts of Accounts.

b. Revenue and Expenses Recognition

The accrual method of accounting for income and expenses is used which means that income is recognized when earned regardless of when received while expenses are recognized when incurred regardless of when paid.

c. Depreciation

Depreciation is computed on a straight-line method of accounting based on the estimated useful life of the asset after deducting the salvage value of 10%.

d. Inventories

In the issuance of office supplies and accountable forms inventories, the moving average method is used; for merchandise and construction materials, the First In-First Out (FIFO) method is used.

2. Cash and Cash Equivalents	P 8,922,067.3	P 8,253,531.31
This account consists of:	2016	2015
Cash Collecting Officer	P 0.00	P 0.00
Petty Cash	0.00	0.00
Cash in Bank-Local Currency	8,922,067.34	8,253,531.31
Total	P <u>8,922,067.34</u>	P <u>8,253,531.31</u>

Cash Collecting Officer represents the amount of collections on hand with the Collecting Officer pending deposit.

Petty Cash Fund is a fund entrusted to a designated custodian for petty disbursements not exceeding P 1,000.00 and is maintained under the Imprest System.

Cash in Bank-LCSA is maintained at PostBank, Asingan, Pangasinan and Landbank of the Philippines, Carmen, Rosales, Pangasinan.

3. Trade and Other Receivables P 1,857,284.74 P 1,835,304.20

The account consists of:	2016	2015
Accounts Receivable	P 629,718.16	P 630,627.62
Due from Officers and Employees	<u>1,227,566.58</u>	<u>1,204,676.58</u>
Totals	P <u>1,857,284.74</u>	P <u>1,835,304.20</u>

Accounts Receivables are receivables arising from water sales which includes daily and penalty billings.

Due from Officers and Employees account represents the amount of cash shortage incurred by the former General Manager and the former Cashier and receivable of Water District Board of Directors and employees due to Audit Disallowance.

4. Inventories P 917,034.27 P 1,235,508.90

	2016	2015
Office Supplies Inventory	P 79,500.00	P 75,600.00
Other Supplies and Materials Inventory	P 837,534.27	P 1,159,908.90

This account pertains to cost of materials, supplies and chemicals which are kept in stock for future use.

5. Property, Plant and Equipment P 48,401,146.15 P 43,172,404.64

This account includes assets of the District that are used or expected to be used in the normal operations and have expected lives of more than one year.

6. Sinking Fund P 2,360,698.06 P 1,776,310.57

This account pertains to Sinking Fund considered as special deposits made as a requirement by LWUA to guarantee the fulfillment of obligation in view of the District's loan.

7. Inter-Agency Payables	P 394,178.00	P 204,150.88
This account consists of:	2016	2015
Due to BIR	P 240,590.32	P 79,125.15
Due to GSIS	119,722.43	95,712.84
Due to Pag-ibig	26,265.25	22,662.89
Due to PHIC	<u>7,600.00</u>	<u>6,650.00</u>
Total	P <u>394,178.00</u>	P <u>204,150.88</u>
8. Other Liabilities	P 3,151,678.97	P 2,468,220.98
Customer Deposit Payable	2016	2015
Guaranty Deposit	P 2,468,088.50	P 2,050,488.50
Other Payables	183,414.00	178,414.00
Totals	<u>500,176.47</u>	<u>239,318.48</u>
	P <u>3,151,678.97</u>	P <u>2,468,220.98</u>
9. Long-term Liabilities	P 6,991,486.03	P 7,788,636.03
Loans Payable-Domestic	2016	2015
	P 6,991,486.03	P 7,788,636.03
Included in the account is the loan balance as of Balance Sheet granted by LWUA for the District's expansion projects in the amount of P 6,991,486.03.		
10. Deferred Service Concession Revenue	P 70,650.30	P 74,658.41
This account pertains to income deferred from penalty charges.		
11. Equity – Accumulated Surplus	P 35,140,489.92	P 29,027,645.98
This account includes the accumulated earnings of the District, and the new service connection fees which were credited to Other Paid in Capital.		
12. Revenue	P 21,166,833.07	P 18,347,657.71
This account is composed of the following:	2016	2015
Service Concession Revenue	P 18,756,527.25	P 16,243,949.21
Fines and Penalties- Service Income	649,064.67	636,068.47
Other Service Income	<u>1,718,413.22</u>	<u>1,431,023.81</u>

Interest Income	<u>42,827.93</u>	<u>36,616.22</u>
Total	P <u>21,166,833.07</u>	P <u>18,347,657.71</u>

13. Expenses P 15,165,441.82 P 11,494,741.17

This account is composed of the following: 2016 2015

Personal Services	P 7,840,494.87	P 5,363,169.52
Maintenance & Operating Expenses	7,001,055.95	5,674,517.19
Interest Expenses	<u>323,891.00</u>	<u>457,054.46</u>
Total	P <u>15,165,441.82</u>	P <u>11,494,741.17</u>

AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. FINANCIAL AND COMPLIANCE

Property, Plant and Equipment (PPE)

1. Several deficiencies were noted in the recording and monitoring of Property, Plant and Equipment (PPE) account booked-up at P48,401,146.15 (net) which resulted to doubtful validity as to existence, accuracy and reliability of the account.

- a. The District failed to conduct actual physical stocktaking of the District's property having a book value of P48,401,146.15, thus unable to prepare the required Report on Physical Count of PPE (RPCPPE). Consequently, there was no basis for reconciliation against the balance per book which rendered the account doubtful as to existence, accuracy and reliability.

Regulation provides that *Physical count of property, plant, and equipment shall be made annually and reported on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE). This shall be submitted to the Auditor concerned not later than January 31 of each year.*

It has been a perennial observation that the Management consistently failed to conduct actual physical stocktaking of the District's property.

Management claimed that while PPEs were already supported with corresponding costs, they are still however in the process of identifying the amount of installed Water Meters that were recorded in the PPE account for reclassification to a more appropriate account after which they will start with the actual physical stocktaking.

We recommended management to conduct actual physical stocktaking of the District's properties as basis in the preparation of the Report on the Physical Count of Plant, Property and Equipment (PPE), copy furnished to the COA.

- b. Included in the PPE account are unserviceable properties totaling P234,517.39.

Under PAS 16 of the PFRS, it provides that *the cost of an item of property, plant and equipment shall be recognized as an asset if and only if it is probable that the future economic benefits associated with the item will flow to the entity.*

Moreover, Section 143 of the NGAS, Volume III provides *Other Assets account is to be used to record the value of obsolete and unserviceable assets*

awaiting final disposition as well as those assets still serviceable but are no longer being used. These items are not subject to depreciation.

During the year, the District submitted to the COA, an approved Inventory and Inspection (I & I) Report containing therein several unserviceable service connection materials/fittings (Annex A). However, these were not yet reclassified to Other Assets account but remained incorporated under the PPE account. Unserviceable properties are subject to reclassification to Other Asset account in conformance with Section 143 of the NGAS thus a debit to Other Assets account and a credit to the related PPE account.

Hence, the inclusion of unserviceable properties totaling P234,517.39 in the PPE account and its non-reclassification to Other Assets account affected the fair presentation of these accounts in the Financial Statements of SMWD as of December 31, 2016. Information disclosed that these property were not yet disposed of pending agency appraisal and inspection by the COA.

We recommended that management strictly comply with the criteria on the proper recording of PPE account in the book in pursuant to PAS 16 of the PFRS. Furthermore, reclassify unserviceable properties account upon satisfaction of the I & I proceedings. An entry with a debit to Other Assets account and a credit to PPE account should be drawn to support the reclassification.

During the exit conference, the General Manager readily conformed and agreed to promptly comply with our audit recommendations.

Loan Payables

- 2. The variance amounting to P2,180,368.08 pertaining to Loans Payable balances appearing between the book of the District and that of the LWUA records affected the accuracy and reliability of the Loans Payable account reported in the year-end Financial Statements.**

Under the Conceptual Framework of the Philippines Financial Reporting Standards (PFRS), it requires that financial information should have faithful representation in the Financial Statements. *Faithful Representation* requires that financial reports should depict completeness and free from error. The purpose of which is to prevent misleading financial information to stakeholders.

Comparison of the District's accounting records with that of the LWUA-sent confirmation pertaining loan account balances showed the following details as of December 31, 2016:

Loan Account No.	SMWD	LWUA
3-830 RL	3,679,108.65	3,519,675.65
3-830 SL	103,143.83	104,480.83
3-785	262,428.88	265,826.88
9-0151	3,210,450.00	5,538,316.08
4-968	-	7,200.00
Total	P 7,255,131.36	P 9,435,499.44
Variance	P 2,180,368.08	

Several loan accounts of SMWD did not reconcile with the balances appearing on the confirmation letter sent by the LWUA. The variance can be attributed to the absence of periodic reconciliation by the District with the LWUA records pertaining loan account balances.

We recommended that management undertake periodic reconciliation of the balances between the LWUA and the District's records.

As noted, huge part of the variance was in Loan Account No. 9-0151. During the exit conference, the General Manager claimed that the variance was due to the Grant previously given to the District but was converted as a Loan in the LWUA records. The GM expressed his refusal to recognize it as Loans Payable since it was given to them by way of Grant as supported by a Memorandum of Agreement (MOA).

In view of this, it is recommended that management should continuously make representation with the LWUA and disclose the matter pertaining to Loan Account No. 9-0151 in the Notes to Financial Statements.

Inventory Account

3. There was a discrepancy arising in the Inventory account when the balance reported in the Financial Statements is compared against the amount reflected in the Report on the Physical Count for Inventory by P81,146.46. Moreover, there was no periodic reconciliation conducted between the two (2) records.

Under the PFRS – PAS 2, it provides that *inventories are assets if they are:*

- a. *held for sale in the ordinary course of business*
- b. *in the process of production for such sale; or*
- c. *in the form of materials or supplies to be consumed in the production process or in the rendering of services.*

Verification of the Report on the Physical Count of Inventory as of December 31, 2016 shows a discrepancy against the year-end Trial Balance by P81,146.46.

Arrived at as follows:

Per Financial Statements (December 31, 2016) P 917,034.27

Breakdown:

Office Supplies	P 79,500.00
Other Inventories	837,534.27

**Per Report on the Physical Count
of Inventory (December 31, 2016)
Discrepancy**

835,887.81
P. 81,146.46

Regulation requires that Inventory account per Trial Balance should tally with the Report on the Physical Count for Inventory. The latter serves as the basis by the Accounting in the preparation of financial reports.

The discrepancy at year-end only proved that periodic reconciliation between accounting and property records was not exhaustively undertaken by the District

Hence, the physical existence of inventory items, the propriety, accuracy and reliability of the amount booked-up for Inventory account under the District's Trial Balance as of December 31, 2016 could not be truly ascertained.

We recommended that management reconcile the discrepancy amounting to P81,146.46 and conduct periodic reconciliation between the accounting and inventory records.

During the exit conference, management agreed to comply with our audit recommendation and that they will promptly act on it.

Inactive/Dormant accounts

4. The Water District's failure to act on the dormant/inactive accounts and other deficiencies noted affected the propriety and fair presentation of the Accounts Receivables booked-up at P715,346 per Trial Balance as of December 31, 2016.

Deficiencies as follows:

- a. Dormant accounts of over ten (10) years totalling P18,212.30 which collectability could no longer ascertained remained outstanding in the book.

COA Circular 2016-005 dated December 19, 2016 defines Dormant Receivable Accounts as:

"accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained."

Also, as embodied in the Conceptual Framework of the Philippine Financial Reporting Standards (PFRS), *for financial information to be useful, it must be relevant and faithfully represent what it purports to represent.*

Verification of the District's Financial Statements as of December 31, 2016 specifically pertaining to Accounts Receivables revealed that said account continuously carries with it overdue accounts totalling P18,212.30 which were already dormant for over a decade. The accounts constituted several concessionaires-debtors who were already in default/delinquent for so many years and whose water supply services were already disconnected.

Due to dormancy, the settlement/collectability of these accounts could no longer be ascertained. The District even stop from issuing demand notices to defaulting concessionaires. Also, documents and office records such as location, status and others pertaining to them were no longer available and updated hence the huge dormant amount is greatly affecting the propriety and the fair presentation of the receivable account in the Trial Balance as of December 31, 2016.

The District's Aging Schedule for dormant accounts is shown below:

Age of Receivables	Amount
10 years	P 6,910.53
11 to 15 years	8,372.33
16 to 20 years	2,929.44
More than 20 years	-
TOTAL	P 18,212.30

Regulation provides that in cleaning the books of the District from dormant accounts, procedures in the writing-off of dormant receivable accounts should be properly employed. COA Circular No. 2016-005 (7.0 and 8.0) dated December 19, 2016 specifically delineates the write-off process including the accounting entries for the disposal of accounts.

Therefore, unless written-off from the book, dormant accounts continuously affects the propriety and fair presentation of the *Accounts Receivable* account in the Financial Statements (FS).

We recommended that Management promptly act on the proper disposal of dormant accounts upon presentation of the requirement for write-off as enumerated under COA Circular 2016-005 (7.0 and 8.0) dated December 19, 2016.

During the exit conference, management agreed to adopt this 2017 our audit recommendation pertaining write-off proceedings of dormant accounts.

- b. **Inadequate monitoring, lack of review and analysis deprived the District to collect the amount of P313,901.20 for inactive accounts contrary to COA Circular No. 2016-005, s. 2016.**

COA Circular 2016-005 dated December 19, 2016 requires that:

"6.1 All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable xxx."

Verification of the District's Financial Statements as of December 31, 2016 specifically pertaining to Accounts Receivables revealed that the said account continuously carries with it inactive accounts totalling P313,901.28. These accounts comprised 44% of the total accounts receivables – trade and which remained outstanding in the book for several years already. These constituted several concessionaires - debtors who were already disconnected of water supply services for being in default/delinquent. Inadequate monitoring, lack of review and analysis as well as lack deficient collection actions resulted to huge inactive accounts.

Information further disclosed that demand letters for delinquent concessionaires were no longer consistently issued/served and follow-ups were not exhaustively undertaken.

The large percentage constituting these accounts in the Accounts Receivables is deemed alarming and continuously affecting the propriety and fair presentation of the account in the year-end Financial Statements. Furthermore, non- exhaustion of collection actions deprived the District of additional funds for its operations.

We recommended that Management adequately conduct periodic monitoring, review and analysis of receivables as well as exhausting collection actions of past due accounts to ensure that these are collected when become due and demandable thereby preventing the accumulation of delinquent/inactive accounts. Furthermore, devise effective collection actions to ensure collectability of inactive accounts recovery of its invested resources for water production and distribution.

During the exit conference, the General Manager informed COA to comply with the audit recommendation of conducting study and review of past due receivables.

Insurable Assets

5. Property of the District inventoried as insurable assets with acquisition cost of P4,559,730.00 were not covered or insured with the General Insurance Fund administered by the GSIS which contravenes COA Circular No. 92-390 s. 1992 and RA 656 otherwise known as the Property Insurance Law as amended by PD No. 245 s. 1973, hence assets were not adequately protected in the event of loss or damage, to the detriment of the government.

Verification disclosed that property inventoried by Sta. Maria Water District as insurable assets were not insured with the General Insurance Fund (GIF) administered by the GSIS for CY 2016, to wit:

Asset	Amount
Pump Station No. 2	P 1,333,750.00
Pump Station No. 3	1,702,000.00
Pump Station No. 4	1,523,980.00
Total	P 4,559,730.00

By this occurrence, any damage or loss that could be suffered by these properties in the event of fire, earthquake, storm or other fortuitous event, these were not adequately protected, could not be indemnified nor compensated, to the detriment of the government.

COA Circular No. 92-390 dated November 17, 1992 provides:

xxxx

1.2 ensuring that all insurable assets and properties of the government are adequately covered/insured with the General Insurance Fund of the GSIS.

Section 6b of R.A 656 provides that the responsible officials and employees who fail to comply with the requirements of the Property Insurance Law, shall be subject to the following penalties:

- (b.) Penalties – Any cashier, treasurer or any government official responsible for the collection and/or remittance of the premiums hereinabove prescribed, who refuses or habitually neglects to comply with the instructions of the System and to collect or accept payments of the said premiums, issue receipts therefor, and/or remit the same within the time prescribed by the System, shall be held liable for the payment of said premiums and shall pay to the System a fine of two per centum per month of said premiums from their due dates until received by the System.*

We recommended that management strictly comply with the requirement of the Property Insurance Law to avoid penalties as sanctioned under Section 6b of RA 656.

Acquired lots without title of ownership

6. Ownership of the three lots could not be adequately established due to the absence of Certificates of Title or whatever documents to prove satisfactory ownership thereof which contravenes Section 39 (2) of PD 1445. Consequently, structures built thereon valued at P13,035,750.00 poses risk of wastes and possible losses, to the detriment of the government.

Section 39(2) provides:

"In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favour of the government or other evidence satisfactory to it that the title is in the government."

Afore cited provision is aligned with the state policy that properties of the government should be adequately safeguarded against loss or wastage. The responsibility to take care that such policy is faithfully adhered to rests directly with the Chief or Head of the government agency concerned (Sec. 2, PD 1445).

Hence, to prove ownership on purchased/donated lots, ruling requires that a Certificate of Title or other satisfactory evidence that the title is in the name of the Water District concerned should be validly established. Purchased lots are evidenced by Title Certificate secured and processed by the Register of Deeds. In the case of donated lots, ruling has set conditions precedent to satisfactorily establish a valid donation that include (a) *Deed of Donation* from the Donor to the Donee of the donated asset, stipulating among others the intent for the use of said donation and (b) the Donee government agency should attach an "*acceptance of donation*" among papers documenting donation (PSMS, p17). Settled was the rule that a Deed of Donation without acceptance by the Donee does not constitute a valid and legitimate donation. A Deed of Donation is eventually applied for title ownership in the Registry of Deeds to fully legitimize and establish the ownership of the property.

Verification and inspection disclosed three (3) lot properties of SMWD which are purchased/donated, to wit:

Particulars	Land Value	Improvements	Status
Poblacion West - Admin. Office Lot	P 500,000.00	P 10,000,000.00	donated
Sta. Cruz - Pump Station #2	75,000.00	1,333,750.00	purchased
Bantog - Pump Station #3	275,000.00	1,702,000.00	purchased
Total	P 850,000.00	P 13,035,750.00	

It was also verified that donated lot was not supported with an instrument accepting the donation hence affecting the validity of the said donation. Unless Certificates of Titles under the Torrens System are validly secured from the Registry of Deeds, ownership of the above-mentioned lots could not be established. Thus, there is no valid proof/evidence that lot property recorded/booked-up are legitimately owned by SMWD. Consequently, structures and other improvements constructed on these lots valued at P13,035,750.00 are at high risk of possible losses/wastage, to the detriment of the government. The responsibility to take care that properties of the government are adequately safeguarded against loss or wastage rests directly to the Head of Office concerned.

We recommended that management exhaust effort in securing Certificates of Titles of purchased and donated lots to establish valid and legitimate ownership in favor of Sta. Maria Water District and to adequately safeguard structures/improvements constructed thereon valued at P13,035,750.00.

Furthermore, strictly observe the conditions provided by the ruling constituting a valid donation.

During the exit conference, the General Manager agreed to maximize their effort for the titling of their lots.

Cash Account

- 7. Deficiencies produced uncertainties as to the propriety, accuracy and reliability of the Cash account.**

Deficiencies as follows:

- a. Bank Reconciliation Statements were not yet submitted contrary to Section 122 of PD 1445 thereby causing delay in the verification of cash account and preventing prompt corrections for any deficiencies that may be found in audit.**

Section 122 of PD 1445 states,

“(1) Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and other reports as may be necessary for the exercise of its functions.

Also, as provided in the same Section that:

(2) Failure on the part of the official concerned to submit the documents and reports mentioned herein shall automatically cause

the suspension of payment of their salaries until they shall have complied with the requirements of the Commission."

Cash is the most liquid account of an Agency that requires an immediate audit. Bank Reconciliation Statements are necessary in order to verify the reliability of the balance in the District's cash account. Time and again, submission of these reports were being communicated to the Management, however to no avail. Hence, prompt audit and verification for cash account were not permitted.

We recommended to management to observe the monthly submission of the Bank Reconciliation Statements to the COA Audit Team for timely audit and prompt correction of errors.

- b. Initial receipt, custodial and releasing functions for Accountable Forms are under the control of the Cashier contrary to the principles of a sound internal control which requires proper segregation of duties/ responsibilities to facilitate check and balance of all transactions and thus, reducing the risks of errors/fraud.

As stated in the Handbook on Internal Control System:

*"Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This includes **separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.**"*

Initial receipt of accountable forms is lodged in the responsibility of the Property Officer. These forms are under his/her safekeeping until issued to the requesting Cashier. Once issued, the latter assumes the responsibility while forms and checks are under his/her custody.

Verification disclosed that the Accountable Forms which included the Official Receipts and Checks were under the initial custody of the Cashier. The Cashier also took charge in receiving, releasing and monitoring the Forms including that in the preparation of the Monthly Report of Accountability for Accountable Forms. This practice denotes weakness of the District's internal control, as multi-functions are assigned to only one personnel. Hence, the high risk of error/fraud is most probable, to the disadvantage of the Water District.

We recommended to management that receipt, issuances and safekeeping of Accountable Forms should be initially assigned to the Property Officer. The Cashier should be relieved from such responsibilities as she was not the custodian of received accountable forms. A logbook should also be maintained by the Property Officer to record all Accountable Forms received and issued to the Cashier and other Accountable Officers (AO). Each AO should also prepare a separate Report of Accountability for Accountable Forms.

Fines and Penalties

8. **Incorrect recording of fines and penalties in the amount of P697,515.84 resulted in a misleading interpretation that these were not taken up in the books contrary to existing accounting principle on faithful representation.**

The Philippine Financial Reporting Standard Framework (PFRS) emphasizes the qualitative characteristics of useful financial information. These qualitative characteristics are most useful to users in making decisions about the reporting entity on the basis of information in its financial report. Among these qualitative characteristics is "understandability".

Understandability as detailed in the Conceptual Framework of the PFRS as follows:

[Classifying, characterizing and presenting information clearly and concisely make it understandable. While some phenomena are inherently complex and cannot be made easy to understand, to exclude such information would make financial reports incomplete and potentially misleading.]

However, audit disclosed that while the collection of fines and penalties are presented separately in the Statement of Comprehensive Income and Statement of Cash Flows, no clear accounting entries were made to trace the recording of every transaction in relation to the collections of fines and penalties.

We have recommended that the Accountant should follow the correct accounting entries for fines and penalties upon billing and upon collection. Entries pertaining to water bills and fines and penalties should be made separately for understandability of how the transactions had transpired.

During the exit conference, the Accountant agreed to comply with our audit recommendation.

NWRB water permit

9. **Payment for the annual NWRB water permit is deemed unauthorized as such is not in consonance with Sections 27 and 46 of Presidential Decree (PD) No. 198 and other existing laws and rules.**

The Local Water Utilities Administration (LWUA) chartered in Section 27 of PD 198, as amended, that Sale of water – x x x Any district holding a valid Certificate of Conformance or a Conditional Certificate of Conformance from the Administration shall be exempt from regulation by the Public Service Commission or its successors."

The afore cited provision does not clearly cover the authority of the NWRB to administratively regulate water districts but it merely exempts any water district holding a valid Certificate from the regulation of the Public Service Commission or its successors. Therefore as holders of valid Certificate of Conformance, above provision exempts local water districts (LWDs) from the regulation of the NWRB. It could be mentioned herein that NWRB has been charging LWDs with annual charges since 1978 despite holding a valid Certificate of Conformance.

In our post audit and verification of Disbursement Vouchers (DVs) of Sta. Maria Water District as of September 2016, partial payments were made to NWRB representing water charges and fees covering CY 2016 amounting to P10,390.66.

While Article 83 of PD 1067 provides that *NWRB can impose and collect*, on the other hand Section 46 of PD 198, as amended, *exempts a district from paying any franchise, filing, recordation, license or permit fees or taxes and fees charges or costs*.

The irreconcilable inconsistency of these two laws apparently involve questions of laws which has been settled under OSJ Case No. 01-2010 when declared by the Secretary of the Department of Justice (DOJ), who after thorough review and evaluation conducted, reveals that Section 45 of PD 198, as amended is obviously an exception to Article 83 of PD 1067 as ruled under *Metro Cebu vs. NWRB that water district is not liable for the payment of annual water charges and fees imposed by the NWRB*. With the Motion filed by the latter, the DOJ Secretary maintained that the ruling in all cases involving questions of law is conclusive and binding on all parties as provided in Section 67, Chapter 14, Book IV of the Administrative Code of 1987.

The above observation also finds support under Section 62 of PD 198, as amended, which bears emphasis that the LWUA has the power and duty to establish standards for local water utilities and adopt rules and regulations for the enforcement thereof.

Despite the foregoing chartered provisions and laws, and finding support from the DOJ ruling under OSJ Case No. 01-2010, the SMWD continuously pays its annual water charges with the NWRB hence such payments are deemed unauthorized.

We recommended to management to elevate the matter to the LWUA to resolve issues pertaining to the legality and authority by the NWRB in collecting annual water permit from LWDs despite chartered provisions from PD 198, as amended and DOJ ruling under OSJ Case No. 01-2010. Also, to prevent disallowance of payments made, it is recommended that the necessary information pertaining to the issue be furnished to this Office.

During our exit conference, the management informed COA that the LWUA Administrator affirmed the COA audit observation as discussed in the foregoing paragraphs as contained in the letter memorandum attached as Annex B.

In view of the affirmation of LWUA Administrator on the observation as regards the legality of payments to NRW, it is recommended that Management should make the necessary representation with NRW for the refund of payments made.

Board Resolutions

10. Several Board Resolutions were not aligned with existing laws and rules, thus could eventually result to irregular/unauthorized expenditures/ Audit Observation Memoranda (AOMs)/ suspensions/ disallowances, to the detriment of the government.

Board Resolutions issued cannot be characterized as policies but more on engaging in the detailed management of the District.

Presidential Decree (PD) No. 198, as amended provides under *Section 18. Functions Limited to Policy Making - The function of the Board shall be to establish policy. The Board shall not engage in the detailed management of the District.*

Simply put, the Board of Directors (BODs) has the function limited to establishing policies for the District and in no instance that they engage in the detailed management of the District. Formulated policies are communicated to the management thru Board Resolutions that sequentially govern management affairs. By this rationale that Board Resolutions should be indispensably aligned or in harmony with existing government laws and rules. This is to avoid possible occurrence of irregular/unauthorized expenditures that could result in the eventual piling of COA suspensions/disallowances.

Policies, as defined are principles and associated guidelines formulated and enforced by the governing body to direct and limit actions in pursuit of objectives and long term goals of an entity.

Review of Board Resolutions for CY 2016 revealed that Resolutions were found in conflict and inconsistent with existing laws/rules. This can be proven by various Audit Observations Memoranda issued during the year and Notices of Disallowances. Moreover, Board Resolutions issued cannot be even characterized as policies formulated but more on engaging in the detailed management transactions/activities. Some of which as follows:

1. **Board Resolution No. 34** – Approving the Procurement of calendars, coin purse and umbrella giveaways for the consumers of SMWD.

The activity covered by the above stated Resolution is certainly not a policy. It is actually engaging on purchases denoting a detailed management activity which should be undertaken by the BAC, the Accounting and the General Manager who is the Head of the Procuring Entity. The procurement method to adopt should be covered instead with BAC Resolution, consistent with the APP that was initially prepared.

2. **Board Resolution No. 33** - Authorizing the Emergency Procurement for the Replacement and Relocation of Distribution Pipelines at Brgy. Samon at Brgy. Alejandro, Sta. Maria, Pangasinan

Obviously, above Resolution is not a policy, it is a management activity, specifically of the BAC and the HOPE which shall be governed by the Procurement Law.

3. **Board Resolution No. 32** - Authorizing the Awarding of Contract for the Read and Bill System of Sta. Maria Water District.

This is clearly a management activity of the BAC and the HOPE. It should be covered instead with BAC Resolution and governed by R.A 9184 or the Procurement Law.

4. **Board Resolution No. 30** - Awarding of the Contract for the Upgrading of Pipelines at Brgy. Callitang to Brgy. Samon and Expansion of Water Supply System at Brgy. Sitio Imus, Sta. Maria to NYSA Engineering

Above Resolution is another management activity of the BAC and governed primarily by RA 9184 or the Procurement Law.

5. **Board Resolution No. 28 & 29** – Requesting the Sangguniang Bayan for an additional donation of 200 square meters lot for the Construction of Sta. Maria Water District, Administrative Building.

Ruling prohibits the introduction of any major permanent structure or development of property on a lot not owned by the government Agency. The ownership of the lot should be adequately secured by a Title Certificate registered in the Registry of Deeds.

6. **Board Resolution No. 27** - Resolution Requesting LWUA to Facilitate the Installation of the meter Read and Bill System of SMWD.

Above Resolution is another management activity of the BAC and governed primarily by RA 9184 or the Procurement Law.

7. **Board Resolution No. 23** - Approving the Annual Physical Check-up for the Board of Directors of Sta. Maria Water District for the Year 2016

The Resolution is wanting of legal basis. Allowable compensation and benefits granted to the Board of Directors is specifically enumerated under EO No. 24, as amended. Medical Check-up is not included as one benefit for the Board.

8. **Board Resolution No. 22** – Awarding the Contract for repainting of SMWD building, Elevated Water Tank, Pumping Station at Sta. Cruz, Bantog, Sta. Maria, Pangasinan

Above cited Resolution is another management activity of the BAC and governed primarily by RA 9184 or the Procurement Law. In no instance that awarding of the Contract be lodged to the function of the Board.

Disallowed transactions for CY 2016 which were covered by the following Disbursement Vouchers (DVs), to wit:

➤ DV No. 2016-005-048	Anniversary Souvenir Program of Legazpi Water District	P4,000.00
➤ DV No. 2016-006-035	Medical Check-up granted To the Board of Directors (BODs)	15,000.00
➤ Several Petty Cash Vouchers	Travel Expenses granted to Job-Order personnel	2,471.00

Although Board Resolutions were issued authorizing payments of the above transactions, these were disallowed in audit for being contrary to existing laws and rules.

We have recommended that Board Resolutions, in order to avoid the eventualities of AOMs/ suspensions and/or disallowances, should be aligned and harmonized with the existing government laws and rules.

Also, we have recommended that the Board should limit its function to policy making and not in the detailed management of the District in conformance with PD 198, thus preventing undue injury to the government.

During the exit conference, the General Manager informed COA that he will discuss the audit observation with the Board including the audit recommendations.

II. ON GENDER AND DEVELOPMENT (GAD)

11. Sta. Maria Water District has not yet prepared and submitted their annual GAD Plans and Budgets (GPBs) and Accomplishment Reports (ARs) to the LWUA following the GAD planning and budgeting cycle provided in the PCW-NEDA-DBM Joint Circular No.2012-01, hence timely review on the

appropriateness of GAD programs and their alignment with the Water District's mandate could not be effectively carried out.

Embodied under Memorandum Circular No. 2015-03 dated 19 May 2015 is the Guidelines on the Review and Endorsement of Water District Annual Gender and Development Plans and Budgets which provides under 2nd paragraph that:

"In the case of water districts, the Memorandum Circular sets the Local Water Utilities Administration (LWUA), which exercises regulatory jurisdiction over water districts, as the preliminary reviewer of water district GPBs. Water Districts shall prepare their GPBs following the GAD planning and budgeting cycle provided in the PCW-NEDA-DBM Joint Circular 2012-01 and shall submit the same to the LWUA through the Gender Mainstreaming Monitoring System (GMMS) platform. The LWUA shall review whether the identified gender issues and corresponding GAD Programs, Activities and Projects (PAPs) of water districts are appropriate based on the parameters set under the aforementioned joint circular and are aligned with the water district's mandates as well as the sector's GAD goals and objectives. The LWUA shall then forward the reviewed GPBs to the PCW for final review and endorsement."

While a moratorium on the review and endorsement of water districts' GPBs is further imposed by the said Circular for fiscal years 2016 and 2017, it was provided however that during these moratorium period, the LWUA and water districts shall continue to prepare and submit their annual GPBs and GAD Accomplishment Reports (ARs) to the LWUA which shall then compile and transmit these to PCW for inclusion in the annual GAD budget report and other purposes. It should also be made clear that a moratorium is not an authority to disburse expenses charged against GAD funds in the absence of PCW review and endorsement of GPBs.

During the year under audit, the District has not yet prepared and submitted their GPBs and GAD accomplishments reports to the LWUA covering CY 2016 as required by the foregoing Circular.

We recommended management to prepare GAD Plans and Budget (GPBs) and Accomplishment Reports related to GAD implementation and submit the same to the LWUA for review and endorsement to PCW. This is in compliance with PCW Memorandum Circular No. 2015-03 dated May 19, 2015.

III. ON STATEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

The following are the outstanding balances of suspensions, disallowances and charges of the District as of CY 2016:

Suspensions	-	none
Disallowances	-	₱ 347,333.10
Charges	-	none

We recommended to management to effect prompt settlement of above audit disallowances.

Part III
Status of Prior Year's
Audit Recommendations

Part III

Status of Prior Year's Audit Recommendations

STATUS OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

As of December 31, 2016

Sta. Maria WD

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>1. Accuracy and reliability of Property, Plant and Equipment accounts in the Financial Statements amounting to P43,172,404.64, were not validated/verified due to failure of Management to conduct physical count as well as the absence of the inventory report contrary to Section 124, NGAS, Volume 1. Consequently, no reconciliation was made between the accounting and property supply records, rendering the account doubtful.</p> <p>We have reiterated the previous year's recommendation that management direct the Inventory Committee to undertake an actual physical inventory of the District's properties/equipment and prepare the necessary Report on the Physical Count for PPE which will then be the basis of the Accountant in recording in the books of the property. A periodic reconciliation should be made between the accounting and property records in order that any</p>	AAR CY 2015			X		<p>Management claimed that they are still in the process of identifying the amount of installed Water Meters that was recorded in the PPE account for reclassification to a more appropriate account; after which they will start the actual physical stocktaking.</p>

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
discrepancy could be addressed immediately and the necessary adjusting entries could be made. It was also recommended the RPCPPE should be submitted to the Office of the Auditor within the period as required.						
2. The variance appearing between accounting and operation records ; the doubtful collectability of inactive accounts; and the absence of Subsidiary Ledger cast doubts on the accuracy and reliability of Accounts Receivables booked-up at P716,256.06.	AAR CY 2015					
a. A discrepancy amounting to P180,362.75 was noted between per trial balance of Accounts Receivable against per Monthly Data Sheet, casting doubt as to the accuracy and reliability of the account.						
b. There was no Subsidiary Ledger (SL) maintained for Accounts Receivables (ARs) with which to compare the General Ledger (GL) to establish the accuracy and reliability of the subject account. The absence of the SL is contrary to Section 12, Volume II of New						

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>Government Accounting System - Corporate and existing accounting standards requiring a faithful representation of all events/transactions.</p> <p>c. Absence of effective collection policy/strategy resulted in uncollected water billing totalling P322,159.79 or 45% of the total Accounts Receivables.</p> <p>We have recommended that Management reconcile the discrepancy arising between accounting and operation records and to conduct henceforth periodic reconciliation between records .</p> <p>We have also recommended Management to maintain Subsidiary Ledger for Accounts Receivables. Moreover, for Management to devise effective collection strategies to enforce collections of overdue accounts based on the results of review/study conducted on the status of the concessionaires. The review/study could include a random visit of place of their residences and the economic status to determine their capacity to pay.</p>		<p>Continuously reconciling the variance.</p>		X		
			X			

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>3. Discrepancies were noted on the District's inventory records constituting Other Supplies and Materials Inventory account hence the amount per book totaling P1.1 Million could not be adequately relied upon.</p> <p>Verification of inventory records as of December 31, 2015, discrepancies were noted as follows:</p> <p>a. Unreconciled balances were noted for Other Supplies and Materials Inventory account per Trial Balance as compare with the Accounting Stock Ledger Card (SLC) by P6,624.7 and as per COA audit by P157,026.09.</p> <p>b. There were under/ over recording of quantities per individual item between Report on the Physical Count for Inventories as against results per COA audit and validation conducted.</p> <p>c. The build-up inventory stocks totaling P1.1 Million could be the result of over programming caused by inaccurate forecasting by the District over its specific or estimated annual needs.</p>	AAR CY 2015					

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
We have recommended that Management:						
a. Reconcile discrepancies arising between Trial Balance and Accounting Stock Ledger Cards for Supplies and Materials Inventory account by ₱6,624.78;		Continuously reconciling the variance.		X		
b. Verify the causes of the under/over recording of individual items appearing between Physical Count for Inventories as against the result of COA audit and make the necessary corrections/adjustments;				X		
c. Identify factors that caused the discrepancies arising between the District's accounting records as against results of COA audit and validation by ₱157,026.09 and reconcile.				X		
d. See to it that procurement of pipes should be based on meeting the agency's annual needs and requirements subject to pertinent rules and regulations issued by the competent authority.					X	Unintentionally overlooked but will observe the provision this CY 2017.
4. Non-compliance by the District with existing rules and regulations pertaining to cash management could expose to risk the Cash In Bank account booked-up at	AAR CY 2015					

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>₱8.2 Million.</p> <p>In our audit and verification of Cash In Bank account booked-up at ₱8.2 Million as of December 31, 2015, the following deficiencies were noted:</p> <p>a. The recording in the cashbook was not done on daily basis. Cashbooks were not secured contrary to Section 181 (b,c,d) Volume 1 of the Government and Accounting Manual (GAAM).</p> <p>b. Report of Accountability for Accountable Forms (RAAF) were not submitted by the Accountable Officer (AO) to the auditing unit on time, contrary with Section 98 Volume 1 of the Government and Accounting Manual (GAAM).</p> <p>c. Bank Reconciliation Statements were not regularly submitted to the COA hence timely determination of transactions affecting the cash accounts was not permitted contrary to Section 122 of PD 1445. This could also make an impression that it is not consistently prepared.</p> <p>We have recommended</p>						

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
that Management:						
1. Strictly observe Section 181(b,c,d) Volume I of the Government and Accounting Manual on the proper handling, custody and disposition of cashbooks;			X			
2. Adhere with Section 98 Volume I of the GAAM and Section 122 of PD 1445 on monthly submission of the Report of Accountability for Accountable Forms and Bank Reconciliation Statements, for timely audit.		Submission of MRAAF was effected but timeliness of the submission of BRS is on continuous monitoring.		X		
5. The non-incorporation in the Contract Agreement of an expressed provision relating to disconnection of water supply in the event of unpaid arrears over two months is to the disadvantage of the Water District which may even put the District in a vulnerable or defenseless situation affecting the District's efficiency eventually financial viability.	AAR CY 2015					
We have recommended that Management make an ADDENDUM to the existing contract, incorporating therein a clear-cut provision on disconnection policy for			X			

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>unpaid arrears over two months.</p> <p>Strategic plans and targets for CY 2015 were not prepared. The District's plans were only confined on its mandate as provided for under Section 5 of PD 198 hence the needs of the District as a whole to cope up with fundamental changes in environment may not have been addressed affecting the operation of the District in terms of efficiency, viability and productivity.</p> <p>We have recommended management to:</p> <p>a) Conduct an annual strategic planning conference in order to have a more holistic approach in the preparation of strategic plans and target, to involve all personnel who play vital role in the operation of the Water District. In effect a more realistic goals and objectives consistent with the mission in a defined timeframe within the District's capacity of implementation can be drafted and formulated. The formulated plan should be then presented to the Board of Directors for their information and approval.</p>	AAR CY 2015	Under study by the Board.		X		

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
b) Make available copy of approved strategic plan together with the accomplishment report to all interested users/stakeholders. For purposes of audit the same should be furnished to the Office of the Auditor on or before January 31 of each year in order to determine the actual performance of the District.					X	
7. Stipulated penalty rate of 15% imposed by SMWD on late payments of water bills was found unconscionable and iniquitous in violation of ethics and morality, prejudicial to client – concessionaires. Also, it is contributory to establishing poor relationship with clients which would eventually affect the District's efficiency and financial viability. We have recommended that Management take into consideration reducing the penalty charge to a rate that is just and reasonable and not prejudicial to client-concessionaires.	AAR CY 2015		X			
8. Funds disbursed totaling P1.6 Million were not supported with complete documentations contrary to Section 4 of Presidential Decree (PD) No. 1445, requiring that all	AAR CY 2015					

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>payments out of government funds should be supported with complete documentation.</p> <p>We have recommended management to strictly adhere with Section 4, paragraph 6 of PD No. 1445 requiring complete documentations for every transaction paid out of government funds. DVs paid totaling ₱1,604,637.03 should be attached with proper documentations otherwise Notices of Suspensions are to be subsequently issued.</p>			X			
<p>9. Infractions in violation of the Revised IRR of RA 9184 and GPPB issuances produced defects in the preparation of Annual Procurement Plan (APP).</p> <p>Review and scrutiny of submitted APP for CY 2015, deficiencies were noted:</p> <p>a. Several procurements undertaken during the year were not included in the Annual Procurement Plan (APP) nor covered with supplemental APP. The incidence of appended procurements and funds realignment totalling ₱1.5 Million and ₱430,000.00 respectively are indication that procurements and budgeting for the year were not meticulously and judiciously planned and</p>						

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>prepared as required under Section 7, Rule II of the Revised Implementing Rules and Regulations (IRR) of RA 9184, hence a manifestation of poor planning affecting the efficient discharge of government function in pursuit of the principal mandate of the procuring District.</p> <p>b. Annual Procurement Plan (APP) for CY 2015 was not updated hence non-conforming with Section 7.4 of RA 9184. The APP did not contain the complete needed information required under the IRR of RA 9184. Procurement Monitoring Report (PMR) was not prepared contrary to Section 12.2 of RA 9184. Posting in the procuring entity's website of the updated APP following the format from the GPPB, was not complied with.</p> <p>We have recommended that management strictly exercise judicious and meticulous planning and budgeting of procurements consistent with fiscal economic measures in pursuant to Section 7 Rule II of the Revised IRR of RA 9184. Added procurements not included in the original</p>						
					X	To be implemented in CY 2017.

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>APP should be covered with Supplemental APP.</p> <p>We have also recommended the following:</p> <p>a. Prepare an Updated APP in pursuant to Section 7.4 of RA 9184;</p> <p>b. Prepare the APP containing all the information needed as required and provided for under RA 9184;</p> <p>c. Prepare Procurement Monitoring Report (PMR) and submitting same to the GPPB within time required by the Board as required under Section 12.2 of RA 9184. Furnish copy to the COA bearing approval of the District Manager</p> <p>d. Comply with the required posting of the APP in the Procuring Entity's website following the format from the GPPB.</p>				X		
10. Payment of BAC honorarium totaling ₱31,000.00 was charged against the guaranty deposits contrary to pertinent provisions Budget Circular No. 2007-02 dated October 1, 2007 and COA 2012-001 dated June 14, 2012, hence propriety and regularity	AAR CY 2015		X			

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>could not be adequately ascertained.</p> <p>We have recommended management to strictly observe Budget Circular No. 2007 - 2 dated October 1, 2007 and comply with the requirements provided for under COA Circular 2012-001 dated June 14, 2012. Submit complete documentations including the payroll indicating names of honorarium recipients, amount received and computations made, otherwise honoraria claims should be subsequently issued with Notice of Suspension. We also recommended to make the necessary adjustments/reclassification of accounts involving payments of honoraria, from Guaranty Deposit account to honorarium account.</p>			X			
<p>11. Penalties for late payments of dues and obligations totaling ₱27,109.44 was borne by the District although delays were due to reasons attributable to the negligence of the person for whose acts he may be responsible in the keeping of the District funds hence contravene Section 105 of PD 1445.</p>	AAR CY 2015					

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
<p>We have recommended to the District Manager to direct the official/s of SMWD whose negligence resulted in the incurrence penalties amounting to P27,109.44, to assume as his personal liability delays or attributable to his/her negligence in the keeping of funds, to assume as his/her personal liability the penalties imposed by different agencies totaling whether or not it be at the time in his/her actual custody. The amount should be refunded back to the District's funds.</p> <p>We further recommended that due diligence must be henceforth observed in the monitoring of due dates for obligations or dues to avoid incurring monetary penalties/surcharges.</p>			X			
<p>12. Deficiencies noted on the reported volume(<i>cu. meters</i>) of water produced created doubts as to the accuracy and reliability of reported NRW/water losses.</p> <p>a. Total volume of water produced per Production Report did not reconcile with that reported on MDS by 8,768 cu. m with monetary</p>	AAR CY 2015					

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
equivalent of P191,142.40 as of December 31, 2015.						
b. There was no Operator's logbook maintained by each pumping station.						
c. Per COA audit and validation, using the LWUA Formula (pump capacity in liters per second)(hours operation per month) x 3600 /1000 the computed water produced is 736,936.63 cu. m which was different from the reported on the MDS and Production Report.						
We have recommended that Management:						
a. Ensure that total water production reported on the MDS is based on data from Production Report; and data reported on the latter is based from Operator's logbook.			X			
b. Provide logbook in every pumping station for used in the recording of hourly meter readings and to require assigned Operators to prepare and submit corresponding Reports checked by the			X			

Observations & Recommendations	Ref.	Management Response/Action	Status of Implementation			Reasons for Non-implementation
			Full	Partial	NI	
Production Division as basis for the MDS;						
c. Further, ensure that meter readings from all pumping stations were taken correctly to support the accuracy and reliability of reported NRW in the MDS.			X			
13. The District was unable to prepare plans and programs for approval by institutional bodies related to GAD implementation, hence non-compliant with Section 2 of the Joint Circular No. 2004-1 of the Department of Budget and Management (DBM), National Commission on the Role of Filipino Women (NCRFW) and National Economic Development Authority (NEDA), thus gender issues and women empowerment were not attended.	AAR CY 2015					
We have reiterated the previous recommendation that management prepare plans and programs related to GAD implementation subject to approvals by NEDA, DBM and NCRFW. Refrain from allocating budget for the purpose without the approval of District's plans and activities by the approving bodies.		In the process of preparing the District's GAD Plans and Budget.			X	

Part IV

Annexes

SANTA MARIA WATER DISTRICT
POBLACION WEST, STA. MARIA, PANGASINAN

TEL# 632-46-96
Year 2016

INVENTORY AND INSPECTION REPORT OF UNSERVICEABLE PROPERTY

SANTA MARIA WATER DISTRICT
(Agency)

NICASIO P. LUNA JR.
(Name of Accountable Officer)

WMAC
(Designation)

SAWD-Warehouse
(Station)

Pump Up
No. 3

ARTICLE	QTY	U.C.	TOTAL COST	CLASSIFICATION	Property Number	Date Acquired	How Acquired	DISPOSITION				Appraised Value	RECORD OF SALE	
								Destroyed	Sold	Continued in Service	To be Salvaged		Receipt Number	Amount
1. Brass water Meter 1/2"	61	842.00	51,240.00	PPER001		2016	JUNK		X					
2. Plastic Water Meter 1/2"	1	600.00	600.00	PPER011		2012	JUNK		X					
3. Transformer	1	52,500.00	52,500.00	PPER012		2012	JUNK		X					
4. C.I. Gate Valve 2"	1	4,024.39	4,024.39	PPER014		2013	JUNK		X					
5. C.I. Mechanical Elbow 2 x 3"	1	1,800.00	1,800.00	PPER015		2004	JUNK		X					
6. PVC Pipe 2"	50	618.00	30,900.00	PPER016		2004	JUNK		X					
7. PVC Pipe 3"	2	905.00	1,810.00	PPER017		2014	JUNK		X					
8. Electric Meter w/ Meter Box	1	6,500.00	6,500.00			2012	JUNK		X					
9. Fuse Link (Genetrol Control Panel)	1	5,500.00	5,500.00			2012	JUNK		X					
10. Rear Hub (Motorcycle)	2	850.00	1,700.00			2014	JUNK		X					
11. Hub Cover (Motorcycle)	2	1,450.00	2,900.00			2013	JUNK		X					
12. Black TMM (Motorcycle)	2	1,450.00	2,900.00			2013	JUNK		X					
13. Shock Absorber Front (1300)	2	980.00	1,960.00			2013	JUNK		X					
14. Shock Absorber Back (1300)	2	950.00	1,900.00			2013	JUNK		X					
20. Cross Joint Upper (1300)	2	580.00	1,160.00			2013	JUNK		X					
21. Ball Joint Lower (1300)	2	880.00	1,760.00			2013	JUNK		X					
22. Ball Joint Upper (1300)	2	950.00	1,900.00			2013	JUNK		X					
23. Sealed Beam (Glass) (1300)	2	785.00	1,570.00			2013	JUNK		X					
25. Compressor (1300)	1	4,700.00	4,700.00			2013	JUNK		X					
26. Battery 35M (1300)	1	6,950.00	6,950.00			2010	JUNK		X					
27. Battery 2d Generator at Pump Sin. No. 3	1	4,043.00	4,043.00			2015	JUNK		X					
28. Battery 2 SM (Crosswind)	1	450.00	450.00			2013	JUNK		X					
31. Wheel Cylinder Back (1300)	1	3,800.00	3,800.00	PPER013		2013	JUNK		X					
32. Chlorinator Motor Pump	1	4,000.00	4,000.00	PPER013		2016	JUNK		X					
33. Tire 185 x 18 (1300)	2	500.00	1,000.00	PPER013		2016	JUNK		X					
34. Tire 275 x 17 (Motorcycle)	1	1,350.00	1,350.00			2013	JUNK		X					
35. Pressure Plate (1300)	1	1,000.00	1,000.00			2013	JUNK		X					
36. Clutch Disc (1300)	1	1,000.00	1,000.00			2013	JUNK		X					

I HEREBY request inspection pursuant to Section 79 of PD 1445, of the public property of which the above is a correct inventory and which has not been previously condemned. The report consists of 1 sheet.

Requested by:

Marilyn C. Calderon
MARILYN C. CALDERON
(Signature of Accountable Officer)
DISPOSAL COMMITTEE
(Presignature of Accountable Officer)

Request for Inspection
Approved by:

Antonio N. Junio
ANTONIO N. JUNIO
(Name & Signature)
GENERAL MANAGER C
(Designation)

I CERTIFY that I have inspected each and every article enumerated in this report and that the disposition made thereof was, in my judgment, the best for the public interest. I also certify that the articles found to be worthless have been destroyed in my presence.

I CERTIFY that I have witnessed the disposition of the articles enumerated on this report this _____ day of _____ 2016.

(Name and Signature of Witness)



LOCAL WATER UTILITIES ADMINISTRATION

P.O. BOX 34, L.P. Post Office, Katipunan Avenue, Balara, Quezon City
Tel No.: 920-5561 to 99, 920-56-01 Fax No.: (632) 922-34-34
Administrator's Direct Line: (02) 929-61-07
LWUA Website: www.lwua.gov.ph

February 10, 2017

MR. ANTONIO N. JUNIO

General Manager
Sta. Maria Water District
Cerdafia cor. Munan Sts.,
Poblacion West, Sta. Maria,
Pangasinan 2440

Subject: COA AOM on NWRB Charges and Fees

Sir,

We are furnishing you the attached copy of the letter dated 6 February 2017 of the Office of the Government Corporate Counsel (OGCC) replying to our request for comment on the Commission on Audit (COA) Audit Observation Memorandum pertaining to payment of annual water charges by the water districts to the National Water Resources Board (NWRB).

In the above-said letter, the OGCC concurred with the COA AOM that payment of annual water charges to the NWRB is unauthorized and without legal basis.

Please be guided accordingly.

Very truly yours,

ANDRES F. IBARRA
Administrator