



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

FINANCIAL AUDIT REPORT

on the

MUÑOZ WATER DISTRICT
Science City of Muñoz, Nueva Ecija

For the Year Ended December 31, 2012



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

Tel. Nos. (045) 455-42-69 to 73 * Fax No. (045) 455-4273 • Website: www.coa.gov.ph

October 1, 2013

Engr. ROGELIO L. MIGUEL
General Manager
Muñoz Water District
Science City of Muñoz, Nueva Ecija

Dear Manager Miguel:

We are pleased to transmit the Financial Audit Report on the audit of the Muñoz Water District for the year ended December 31, 2012 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 1445).

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

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

We conducted our audit in accordance with Philippine Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

We rendered a qualified opinion on the fairness of presentation of the financial statements for the year ended December 31, 2012. The significant observations are presented below followed by corresponding recommendations.

1. Guaranty Deposits Payable amounting to P954,630.34 included accounts that have remained outstanding from five to over 17 years due to lack of prescriptive period these balances may be carried in the books resulting in the inconvenience in maintaining records and periodic reporting of the balances some of which may no longer represent valid liabilities of the District.

We recommended that management (a) conduct thorough verification of all guaranty deposits payable for possible off-setting from any unpaid/past due bill of

concessionaires; (b) verify/confirm existence of creditors; (c) make representation with the Board of Directors for the issuance of a resolution to close the balances aging more than ten years and those non-existing to Government Equity account; and (d) request the BOD to come up with a policy to lessen the carrying period of all guarantee deposits payable for convenience. A prescriptive period may be introduced in the agreement between the District and the concessionaires.

2. Payments of unauthorized allowances and contributions to the employees Provident Fund in the amount of P1,398,455.81 and P395,442.25, respectively, negated the regularity of the disbursements of the District.

We recommended that management cause the refund of the disallowed payments and ensure that all payments are covered with legal basis or proper authorization to avoid disallowance in audit.

We request that a status report on the action taken on the audit recommendations be submitted within sixty days from receipt of this report, pursuant to Section 91 of the General Provisions of the General Appropriations Act of 2012.

We appreciate the invaluable support and cooperation extended by the officials and staff of that Agency.

Very truly yours,


MA. MILEGUAS M. LEYNO
Regional Director