

## EXECUTIVE SUMMARY

### A. INTRODUCTION

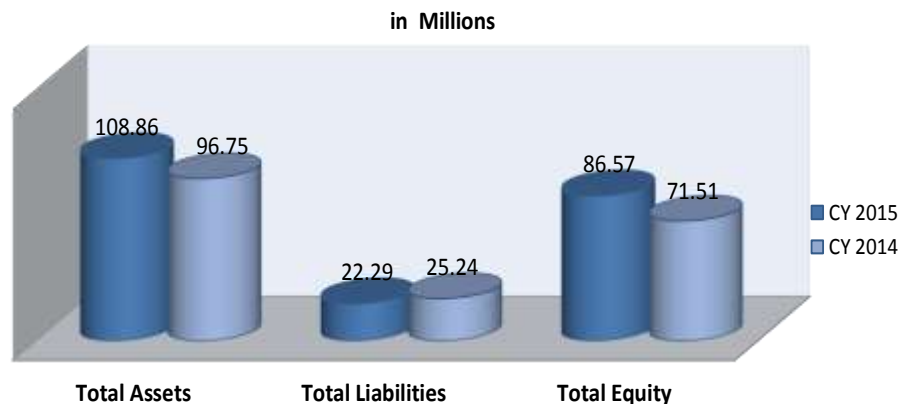
Carcar Water District (CWD) is a government-owned and controlled corporation created and existing by virtue of P.D. 198, as amended. A Certificate of Conformance, Certificate No. 117, was issued by the Local Water Utilities Administration (LWUA) to CWD on May 30, 1980 validating its operations as one of the water districts of the country. Effective November 2014, upon the approval of the Local Water Utilities Administration, CWD was re-categorized from Category C to Category B Water District.

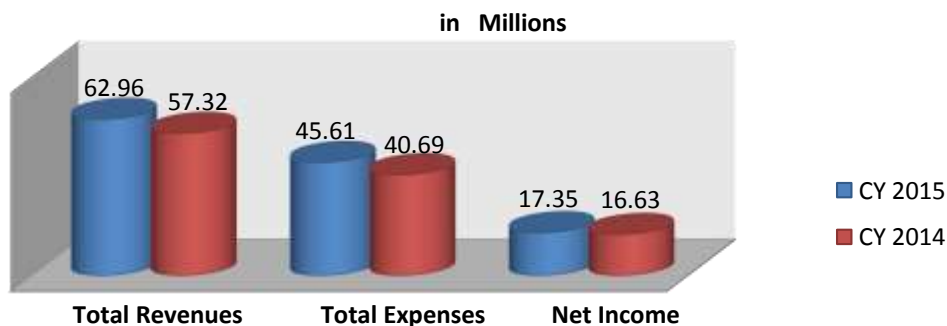
The primary objective of Carcar Water District is to provide sufficient potable water to the residents of the town of Carcar (now a City) utilizing available sources of water and applying appropriate water treatment measures to ensure that water is safe for the consumption of its concessionaires.

As of December 31, 2015, the Water District had a total workforce of 103 employees composed of 49 regular personnel, 26 casuals and 28 job order employees. The water district is still headed by General Manager Edward L. Remo.

### B. FINANCIAL HIGHLIGHTS

The financial position and results of operations for Calendar Years 2015 and 2014 are summarized in the following graphs:





The Corporate Operating Budget for CY 2015 in the amount of P90.65 million was passed on November 22, 2014 thru Board Resolution No. 52, Series of 2014. The proposed amount shall cover disbursements for operations & maintenance, payroll, debt service, capital expenditures and other necessary expenses.

### C. OPERATIONAL HIGHLIGHTS

The following were among the reported accomplishments of the Water District for the year as compared with that of the previous year:

Category	2015	2014	Increase (Decrease)
<b>Service Connections</b>			
Total Services	15,630	14,796	834
Total Active	12,902	12,178	724
Total Metered	12,902	12,178	724
Total Billed Concessionaires	12,808	12,102	706
<b>Water Production</b>			
Pumped	1,100,093 m <sup>3</sup>	767,206 m <sup>3</sup>	332,887 m <sup>3</sup>
Gravity	2,732,168 m <sup>3</sup>	2,659,039 m <sup>3</sup>	73,129 m <sup>3</sup>

### D. SCOPE OF AUDIT

The audit covered the financial transactions of Carcar Water District for Calendar Year 2015. The objectives of the Audit were primarily to: (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations. On a test basis, it also included a review on the propriety of disbursements and other financial transactions to determine whether or not the transactions were made in accordance with existing laws, rules and regulations.

## **E. AUDITOR'S REPORT**

The auditor expressed a qualified opinion on the financial statements of the Water District due to the various audit exceptions affecting the Property, Plant and Equipment (PPE) account and Accounts Receivable. The audit exceptions are discussed in detail in Part II of this report.

## **F. OBSERVATIONS AND RECOMMENDATIONS**

The following are among the significant findings, with the corresponding audit recommendations, which are discussed in detail in Part II of the herein report:

1. A parcel of land acquired in 2015 with an area of 100 square meters was paid even if the disbursement voucher was not supported with the necessary documentary requirements as enumerated under Sections 13.1 and 13.2 of COA Circular No. 2012-001. This circumstance is not only a violation of Section 4(6) of PD 1445 but may also lead to delay in the titling of the land in the name of the Water District.

We recommended that management secure the required documents to validate the purchase transaction, which papers will simultaneously fast track the titling of the acquired lot in the name of the Water District.

2. The variances between the results of the physical inventory count and the balances appearing in the Stock Cards, Supplies Ledger Cards and General Ledger for three inventory account were not explained / resolved at year end, which condition affects the reliability of the account balance and indicative of a breakdown in the internal controls over inventories. A difference of P646,298.35 was noted between the GL balance and the physical count.

We recommended that management require the Accounting Division and the Property Unit to reconcile, at the end of each month, the balances appearing in the GL, SLC and PC to facilitate identification of the causes for variances, if any. Thereafter, effect the necessary adjustments to correct either records.

- 3.a Three reconciling items in the submitted bank reconciliations statements were not properly reviewed/erroneously posted which resulted in an incorrect adjusted cash balance at year end. Misinterpretation of certain provisions of GAFMIS Circular Letter No. 2002-001 dated December 16, 2002 is considered one the causes for the erroneous classification of issued checks.
- 3.b The month-end cash balances in the Daily Cash Position Report have not been reconciled with the related account balances per General Ledger. At the time of audit, a difference of P1.04 million was noted.

We recommended that management require a thorough review of the Bank Reconciliation Statements and a regular reconciliation of the cash balances as reflected in the Daily Cash Position Report with the related General Ledger accounts to ensure accuracy and reliability of the Cash account balance in the books of accounts.

4. Several procurement transactions were awarded without complying the rules and regulations of RA 9184, the Government Procurement Reform Act.

We recommended that management require strict compliance of the revised Implementing Rules and Regulations (IRR) of RA 9184 and its amendments, that are periodically released thru GPPB Resolutions, to ensure that all procurement awards and decisions will result in the most advantageous price and terms for the Water District. In particular, we recommended that management strictly impose the posting requirements for procurement transactions above P50,000, now specifically enumerated in Annex H of the 2016 Revised IRR of RA 9184.

The above audit observations and recommendations were discussed with the General Manager, the Department and Division Managers and other concerned personnel in an exit conference held on October 25, 2016.

## **G. IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the sixteen (16) audit recommendations that were still for implementation as of December 31, 2014 (contained in the Audit Reports covering CY 2013 and CY 2014 and in the Triennium Audit Report for CYs 2010-2012), three (3) were fully implemented, eight (8) partially implemented and the remaining five (5) were considered not implemented as of December 31, 2015.

## **H. ON GENDER AND DEVELOPMENT**

Carcar Water District (CWD) had prepared a GAD Plan and Budget for CY 2015. As in the previous year, the Plan was not submitted to the Philippine Commission on Women (PCW) for review and endorsement. A detailed discussion on this subject matter is in Part II of the herein report.

## **I. ON UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES**

In CY 2015, the water district was not issued a notice of suspension, disallowance and charge. However, there is an unsettled disallowance on the payment of honorarium to an OGCC designated legal counsel totaling P36,000 which remained unsettled as of December 31, 2015. According to the Department Manager B,

Finance Services Department, the claimant has filed an appeal with the Commission on Audit on ND No. 2009-001-Corp. Fund (2008) dated June 4, 2009. The papers on the appeal have yet to be located.

#### **J. ON COMPLIANCE WITH TAX LAWS**

The BIR withholding regulations were substantially complied with by Carcar Water District (CWD). The withheld taxes were remitted regularly to the Bureau of Internal Revenue (BIR) along with the franchise tax due from CWD as seller of water. The details of the taxes remitted to the BIR during the year are, as follows:

<b>Code</b>	<b>Tax Description</b>	<b>Amount</b>
1600	VAT Withheld	P 1,109,889.80
1601-C	Income Tax Withheld from Compensation	722,425.20
1601-E	Income Tax Withheld – Expanded (EWT)	274,013.11
2551-M	Franchise Tax	1,181,839.39
	<b>Total</b>	<b>P 3,288,167.50</b>

#### **K. ON GSIS DEDUCTIONS AND REMITTANCES**

The Water District has consistently deducted from the salaries of their employees the mandatory GSIS Life and Retirement insurance premiums (personal share) and loan repayments. These deductions and the government share for the employees' insurance premiums were remitted to the GSIS on time. The following were remitted in 2015:

<b>Transaction Covered by the Remittance</b>	<b>Amount</b>
GSIS Life and Retirement Premiums (Personal Share)	P 1,175,742.39
GSIS Life and Retirement Premiums (Government Counterpart)	1,567,656.53
Employees Compensation Contributions	84,261.84
Consolidated Loan Repayments	1,515,681.41
Cash Advance Loan Repayments	35,222.72
Emergency Loan Repayments	606,393.00
Educational Assistance Loan Repayments	7,640.00
Policy Loan-Regular	7,700.00
Optional Life Insurance (UOLI)	2,844.00
<b>TOTAL</b>	<b>P 5,003,141.89</b>