



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VII
Cebu City

June 24, 2019

ENGR. EDWARD L. REMO

General Manager
Carcar Water District
Carcar City, Cebu



Dear Mr. Remo:

We are pleased to transmit the report on the results of the audit of the accounts and operations of the Carcar Water District for the year ended December 31, 2018, prepared by our Audit Team headed by Jenny D. Dayola as OIC Supervising Auditor and Bernadette I. Gloria as OIC Audit Team Leader, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was made to (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) determine compliance with laws, rules and regulations and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior years' unimplemented audit recommendations.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions and we believe that it provided a reasonable basis for the audit results. We expressed a qualified opinion on the fairness of the presentation of the financial statements in view of the following exceptions noted that need immediate action:

1. The correctness, existence and valuation of the recorded balance of the Property, Plant and Equipment account totaling ₱158.041 million (excluding Land and Construction in Progress) with net carrying amount of ₱90.964 million as at December 31, 2018 could not be ascertained due to: (a) discrepancy between the balances as presented in the Statement of Financial Position and the supporting General Ledger; (b) unaccounted properties which were included in the CY 2018 Report on Physical Count of Property, Plant and Equipment; and (c) no impairment loss was recognized on the affected asset accounts although indications of impairment existed.

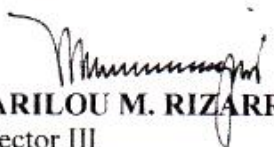
2. The Cash in Bank balance aggregating ₱8.157 million as at December 31, 2018 cannot be relied upon due to the unreconciled variance in the balance per bank and the various reconciling items in the Bank Reconciliation Statement totaling ₱0.127 million which were not adjusted in the Water District's books of accounts, contrary to the requirement of Chapter 21, Volume I of the Government Accounting Manual.
3. The reported Service and Business Income in CY 2018 was overstated by ₱0.139 million due to the inclusion of erroneous water consumption which was billed to one concessionaire in December 2018. Thus, affecting the fair presentation of the financial statements of the Water District.
4. The balance of the Advances to Offices and Employees account amounting to ₱20,319.58 cannot be relied upon due to: (a) discrepancy on the reported balances between the Trial Balance/ Statement of Financial Position and the General Ledger amounting ₱102,903.84. This condition is contrary to Sections 111 and 121 (2) of Presidential Decree (PD) No. 1445; and (b) some liquidations of Cash Advances were taken up in the books of accounts even if the liquidation reports and the supporting documents have not yet been submitted by the accountable officers to the Finance Division, a practice which is not in conformance with Section 5 of the COA Circular No. 97-002 dated February 10, 1997.

The above and other audit observations, together with the recommended courses of action which were discussed by the Audit Team with you and your staff in an exit conference on June 4, 2019 are discussed in detail in Parts II and III of the report.

We request that the recommended remedial measures be implemented and we will appreciate being informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (form attached) within 60 days from receipt hereof.

We acknowledge the cooperation and support that you and your staff extended to our Audit Team during the audit which facilitated the completion of this report.

Very truly yours,


MARILOU M. RIZARRI
Director III
Officer-In-Charge

Copy Furnished:

- a. President of the Republic of the Philippines
- b. Vice-President
- c. President of the Senate
- d. Speaker of the House of Representative
- e. Chairperson-Senate Finance Committee
- f. Chairperson-Appropriations Committee
- g. Secretary of the Department of Budget and Management
- h. Governance Commission for Government-Owned or Controlled Corporations
- i. Presidential Management Staff, Office of the President
- j. National Library (soft Copy)
- k. University of the Philippines (UP) Law Center (soft copy)
- l. COA Commission Central Library (soft copy)



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VII
Cebu City

June 24, 2019

THE BOARD OF DIRECTORS

Carcar Water District
Carcar City, Cebu



Gentlemen:

We are pleased to transmit the report on the results of the audit of the accounts and operations of the Carcar Water District (CWD) for the year ended December 31, 2018, prepared by our Audit Team headed by Jenny D. Dayola as OIC Supervising Auditor and Bernadette I. Gloria as OIC Audit Team Leader, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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3. The reported Service and Business Income in CY 2018 was overstated by ₱0.139 million due to the inclusion of erroneous water consumption which was billed to one concessionaire in December 2018. Thus, affecting the fair presentation of the financial statements of the Water District.
4. The balance of the Advances to Offices and Employees account amounting to ₱20,319.58 cannot be relied upon due to: (a) discrepancy on the reported balances between the Trial Balance/ Statement of Financial Position and the General Ledger amounting ₱102,903.84. This condition is contrary to Sections 111 and 121 (2) of Presidential Decree (PD) No. 1445; and (b) some liquidations of Cash Advances were taken up in the books of accounts even if the liquidation reports and the supporting documents have not yet been submitted by the accountable officers to the Finance Division, a practice which is not in conformance with Section 5 of the COA Circular No. 97-002 dated February 10, 1997.

In a separate transmittal letter of even date, we requested the General Manager to take appropriate actions on the current and prior years' audit recommendations as contained in the attached report and to inform us of the actions taken thereon within 60 days from receipt of the COA Annual Audit Report.

We acknowledge the cooperation and support extended by the CWD Management to our auditors during the audit that facilitated the completion of the report.

Very truly yours,


MARILOU M. RIZARRI
Director III
Officer-In-Charge

Copy Furnished:

- a. President of the Republic of the Philippines
- b. Vice-President
- c. President of the Senate
- d. Speaker of the House of Representative
- e. Chairperson-Senate Finance Committee
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- l. COA Commission Central Library (soft copy)

ANNUAL AUDIT REPORT

ON THE

CARCAR WATER DISTRICT

Carcar City, Cebu

For Calendar Year 2018

EXECUTIVE SUMMARY

A. INTRODUCTION

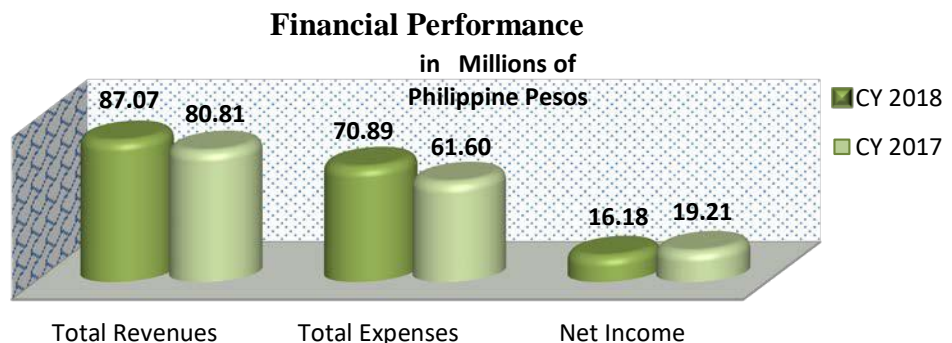
Carcar Water District (CWD) is a government-owned and controlled corporation created and existing by virtue of P.D. 198 as amended. A Certificate of Conformance, Certificate No. 117 was issued by the Local Water Utilities Administration (LWUA) to CWD on May 30, 1980 validating its operations as one of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

The primary objective of CWD is to provide sufficient potable water to the residents of Carcar City utilizing available sources of water and applying appropriate water treatment measures to ensure the water is safe for the consumption of its concessionaires.

As of December 31, 2018, CWD had a total workforce of 111 employees composed of 52 regular personnel, 23 casuals and 36 job order employees. CWD is headed by General Manager Edward L. Remo.

B. FINANCIAL HIGHLIGHTS

The financial position and results of operations for Calendar Years 2017 and 2018 are summarized in the following graphs:



C. OPERATIONAL HIGHLIGHTS

The following were among the reported accomplishments of the Water District for the year 2018 as compared with that of previous year:

Category	2018	2017	Increase (Decrease)
Service Connections			
Total Services	20,545	19,004	1,541
Total Active	17,832	16,410	1,422
Total Metered	17,832	16,410	1,422
Total Billed Concessionaires	17,745	16,256	1,489
Water Production			
Pumped	2,364,769 m ³	1,866,285 m ³	498,484 m ³
Gravity	2,763,204 m ³	2,683,113 m ³	80,091 m ³

D. SCOPE OF AUDIT

The audit covered the financial transactions of CWD for Calendar Year 2018. 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) review on a test basis, 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 and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior years' audit recommendations. On a test basis, it also included a review

The general audit instructions for the conduct of the CY 2018 Audit of the Water Districts were likewise considered, when applicable.

E. AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor expressed a qualified opinion on the financial statements of the Carcar Water District due to the audit exceptions as stated in the Independent Auditor's Report, enumerated as follows:

1. The correctness, existence and valuation of the recorded balance of the Property, Plant and Equipment account totaling ₱158.041 million (excluding Land and Construction in Progress) with net carrying amount of ₱90.964 million as at December 31, 2018 could not be ascertained due to: (a) discrepancy between the balances as presented in the Statement of Financial Position and the supporting General Ledger; (b) unaccounted properties which were included in the CY 2018 Report on Physical Count of Property, Plant and Equipment; and (c) no impairment loss was recognized on the affected asset accounts although indications of impairment existed.

2. The Cash in Bank balance aggregating ₱8.157 million as at December 31, 2018 cannot be relied upon due to the unreconciled variance in the balance per bank and the various reconciling items in the Bank Reconciliation Statement totaling ₱0.127 million which were not adjusted in the Water District's books of accounts, contrary to the requirement of Chapter 21, Volume I of the Government Accounting Manual.
3. The reported Service and Business Income in CY 2018 was overstated by ₱0.139 million due to the inclusion of erroneous water consumption which was billed to one concessionaire in December 2018. Thus, affecting the fair presentation of the financial statements of the Water District.
4. The balance of the Advances to Offices and Employees account amounting to ₱20,319.58 cannot be relied upon due to the following:
 - a. Discrepancy on the reported balances between the Trial Balance/ Statement of Financial Position and the General Ledger amounting ₱102,903.84. This condition is contrary to Sections 111 and 121 (2) of Presidential Decree (PD) No. 1445; and
 - b. Some liquidations of Cash Advances were taken up in the books of accounts even if the liquidation reports and the supporting documents have not yet been submitted by the accountable officers to the Finance Division, a practice which is not in conformance with Section 5 of the COA Circular No. 97-002 dated February 10, 1997.

F. OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Principal loan amortizations which were paid in CY 2018 totaling ₱4.399 million was not included in the Corporate Operating Budget, thus, payment was without appropriation, a violation of Section 4 (1) of PD No. 1445.

We recommended that Management submit authority from the governing board of the Water District for the release of funds appertaining to the payment of monthly principal loan amortizations for CY 2018 and obtain a post facto approval from the Department of Budget and Management, if warranted. Henceforth, ensure that all expenditures are covered with approved appropriations pursuant to Section 4 (1) of PD 1445.

2. Some concessionaires were charged with water rate for residential category instead of commercial, thus depriving the Water District of additional income in 2018 totaling ₱0.497 million. This practice, if continued, is grossly disadvantageous to the Water District.

We recommended that Management reassess the water rate applied to the affected concessionaires according to their correct classification under LWUA approved water rates. Henceforth, we recommended that Management ensure that correct rates are appropriately imposed corresponding to the concessionaire's type of service connection.

3. Payments of wages to Job Order personnel totaling ₱6.938 million in CY 2018 were not supported with duly verified Accomplishment Reports contrary to Section 4(6) of PD No. 1445 and Section 1.2.1 of COA Circular No 2012-001 thus, the validity and propriety of the transactions could not be ascertained.

We recommended and Management agreed to require the concerned Job Order personnel to submit their individual Accomplishment Reports duly verified and signed by their immediate supervisors before processing the payment of their wages to ensure that the amounts paid are based on the services actually rendered in accordance with their scope of work or assigned tasks.

We further recommended and Management agreed to prudently assess the necessity of hiring JOs especially in various events such as Team Building activities, CWD Anniversary, GAD activities, and the like.

G. IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 27 audit recommendations that were still for implementation as at December 31, 2018, 11 were fully implemented, six partially implemented and ten were not implemented as at December 31, 2018.

H. ON GENDER AND DEVELOPMENT

CWD had prepared a Gender and Development (GAD) Plan and Budget for CY 2018 which allotted ₱7.125 million for GAD activities or 5.59% of the total budget of ₱127.50 million. The total utilization for the GAD was ₱20.976 million or about 294.40% of the GAD Budget.

I. ON COMPLIANCE WITH TAX LAWS

The regulations of the Bureau of Internal Revenue (BIR) on the withholding of required taxes were substantially complied with by CWD. The withheld taxes were remitted regularly to the 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 as shown on the next page:

Code	Tax Description	Amount
1601-E	Expanded W/holding Tax	₱ 714,695.61
1601-C	W/holding Tax - Compensation	732,184.02
1600	VAT	2,637,584.16
2551-M	Franchise Tax	1,567,349.45
Total		₱ 5,651,813.24

J. ON GSIS DEDUCTIONS AND REMITTANCES

CWD 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 CY 2018:

Transactions Covered by the Remittance	Amount
GSIS Life and Retirement Premiums (Government Share)	₱ 1,991,689.05
Employees Compensation Contributions	91,152.55
GSIS Life and Retirement Premiums (Personal Share)	1,493,935.09
Consolidated Loan Repayments	1,457,794.10
Educational Assistance Loan	51,398.81
Emergency Loan	454,957.61
Policy Loan	10,000.00
Policy Loan-Optional	2,844.00
Total	₱ 5,553,771.21

K. ON UNSETTLED SUSPENSIONS, DISALLOWANCES AND CHARGES

In CY 2018, CWD has an unsettled disallowance on the payment of annual town fiesta souvenir program and anniversary bonus to regular and contractual personnel, as follows.

Particulars	Beginning Balance December 31, 2017	Issued and Settled during the year	Balance December 31, 2018
Notice of Suspension	-	-	-
Notice of Disallowance	₱ 144,000.00	-	₱ 144,000.00
Notice of Charge	-	-	-
Total	₱ 144,000.00	-	₱ 144,000.00

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Carcar Water District
Carcar City, Cebu

Qualified Opinion

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

In our opinion, except for the effects of the matters discussed in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the CWD as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

In forming our audit opinion, we considered the following audit observations which are discussed in detail in Part II and Part III (in brief) of the herein report:

1. The correctness, existence and valuation of the recorded balance of the Property, Plant and Equipment account totaling ₱158.041 million (excluding Land and Construction in Progress) with net carrying amount of ₱90.964 million as at December 31, 2018 could not be ascertained due to: (a) discrepancy between the balances as presented in the Statement of Financial Position and the supporting General Ledger; (b) unaccounted properties which were included in the CY 2018 Report on Physical Count of Property, Plant and Equipment; and (c) no impairment loss was recognized on the affected asset accounts although indications of impairment existed.

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

Key Audit Matters

Except for the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance of the Financial Statements

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


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

Auditor's Responsibilities for the Audit of the Financial Statements

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

COMMISSION ON AUDIT

By:



JENNY D. DAYOLA
OIC-Supervising Auditor

June 4, 2019



CARCAR WATER DISTRICT

San Vicente St., Pob. I, Carcar City, Cebu, Philippines
Tel. No. 487-8525/487-9141/487-8500
www.carcarwaterdistrict.gov.ph



Management
System
ISO 9001:2015



www.tuv.com
ID 9108633697

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

ATTY. DEMOCRITO C. BARCENAS
Chairman, Board of Directors

ENGR. EDWARD L. REMO
General Manager

JOSEFA SALVACION N. MANUGAS
Department Manager B

**CARCAR WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

(With Comparative Figures For The Year Ended December 31, 2017)

	Note	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	₱ 32,980,416.71	₱ 21,113,508.21
Receivables	5	7,662,345.11	7,158,407.68
Inventories	6	4,529,517.63	5,698,395.74
Other Current Assets	9	389,458.14	175,828.66
Total Current Assets		45,561,737.59	34,146,140.29
Non-Current Assets			
Property, Plant and Equipment	7	149,352,911.58	127,729,411.38
Intangible Assets	8	381,532.52	429,032.48
Other Non-Current Assets	9	4,098,340.19	3,376,950.82
Total Non - Current Assets		153,832,784.29	131,535,394.68
Total Assets		₱ 199,394,521.88	₱ 165,681,534.97
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	₱ 11,376,484.36	₱ 6,762,343.64
Inter-Agency Payables	11	1,112,096.90	739,305.79
Trust Liabilities	12	4,179,984.59	2,366,550.37
Other Payables	13	77,333.67	162,663.64
Total Current Liabilities		16,745,899.52	10,030,863.44
Non-Current Liabilities			
Financial Liabilities	10	61,000,473.39	32,774,720.28
Deferred Credits/Unearned Income	14	248,507.96	250,857.96
Total Non-Current Liabilities		61,248,981.35	33,025,578.24
Total Liabilities		₱ 77,994,880.87	₱ 43,056,441.68
EQUITY			
Government Equity		₱ 3,549,905.53	₱ 3,549,905.53
Retained Earnings/(Deficit)		117,849,735.48	119,075,187.76
Total Equity		₱ 121,399,641.01	₱ 122,625,093.29
Total Liabilities and Equity		₱ 199,394,521.88	₱ 165,681,534.97

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures For The Year Ended December 31, 2017)

	Note	2018	2017
Income			
Service and Business Income	15	₱ 86,842,386.84	₱ 80,811,687.78
Shares, Grants and Donations		226,782.88	-
Total Income		₱ 87,069,169.72	₱ 80,811,687.78
Expenses			
Personnel Services	16	₱ 31,802,865.49	₱ 28,828,806.31
Maintenance and Other Operating Expenses	17	29,727,876.14	23,913,469.92
Financial Expenses	18	2,065,731.32	1,156,651.08
Non-Cash Expenses	19	7,290,939.70	7,704,275.00
Total Expenses		₱ 70,887,412.65	₱ 61,603,202.31
Net Income/(Loss)		₱ 16,181,757.07	₱ 19,208,485.47

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures For The Year Ended December 31, 2017)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue	₱	87,631,382.20	₱ 80,037,534.99
Trust Receipts		187,210.00	302,964.00
Other Receipts		400,068.31	674,941.15
Total Cash Inflows		88,218,660.51	81,015,440.14
Adjustments		893,527.09	439,625.79
Adjusted Cash Inflows		89,112,187.60	81,455,065.93
Cash Outflows			
Payment of Expenses		46,784,075.14	41,294,630.31
Purchase of Inventories		6,959,274.04	12,529,777.23
Grant of Cash Advances		117,180.00	208,152.04
Payments of Accounts Payable		339,385.48	215,968.50
Remittance of Personnel Benefit Contributions & Mandatory Deductions		14,303,982.31	13,155,808.14
Other Disbursements		396,637.71	406,321.88
Total Cash Outflows		68,900,534.68	67,810,658.10
Adjustments		429,391.60	
Adjusted Cash Outflows		69,329,926.28	67,810,658.10
Net Cash Provided by (Used in) Operating Activities		19,782,261.32	13,644,407.83
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		34,350,596.21	24,743,285.47
Total Cash Outflows		34,350,596.21	24,743,285.47
Net Cash Provided by (Used in) Investing Activities		(34,350,596.21)	(24,743,285.47)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		32,900,000.00	26,000,000.00
Total Cash Inflows		32,900,000.00	26,000,000.00
Cash Outflows			
Payment of Long-Term Liabilities		4,399,125.29	4,140,125.63
Payment of Interest on Loans and Other Financial Charges		2,065,631.32	1,156,651.08
Total Cash Outflows		6,464,756.61	5,296,776.71
Net Cash Provided By/(Used In) Financing Activities		26,435,243.39	20,703,223.29
		11,866,908.50	9,604,345.65
Cash Provided by Operating, Investing and Financing Activities			
Add: Cash and Cash Equivalents, January 1		21,113,508.21	11,509,162.56
CASH AND CASH EQUIVALENTS, DECEMBER 31	4 ₱	32,980,416.71	₱ 21,113,508.21

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures For The Year Ended December 31, 2017)

	Retained Earnings/ Deficit	Government Equity	TOTAL
BALANCE AT DECEMBER 31, 2016	₱ 102,746,403.55	₱ 3,549,905.53	₱ 106,296,309.08
CHANGES IN EQUITY FOR 2017			
Add/(Deduct):			
Comprehensive Income for the year	19,208,485.47		19,208,485.47
Other Adjustments	(2,879,701.26)		(2,879,701.26)
BALANCE AT DECEMBER 31, 2017	119,075,187.76	3,549,905.53	122,625,093.29
CHANGES IN EQUITY FOR 2018			
Comprehensive Income for the year	16,181,757.07		16,181,757.07
Other Adjustments	(17,407,209.35)		(17,407,209.35)
BALANCE AT DECEMBER 31, 2018	₱ 117,849,735.48	₱ 3,549,905.53	₱ 121,399,641.01

**CARCAR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018**

1. GENERAL INFORMATION

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. Under the Revised Local Water District Manual on Categorization Re-Categorization and Other Matters (LWD-MaCRO), Carcar Water District was re-categorized to Category “B” effective November 2014.

The primary objective of the 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 the concessionaires.

In compliance with Philippine Accounting Standard (PAS) No. 10, the accompanying CY 2018 financial statements of the Carcar Water District were authorized for issue thru Board Resolution No. 3, series of 2018 dated January 22, 2019.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 *Statement of Compliance*

The Water District’s financial statements were previously prepared in accordance with the uniform and standard accounting system prescribed by the Local Water Utilities Administration (LWUA). With the issuance of Commission on Audit (COA) Circular No. 2016-006 dated December 29, 2016, which is the implementing guidelines of COA Circular No. 2015-010 dated December 1, 2015, the District’s financial statements for the year ended December 31, 2018 have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

PAS 1, Presentation of Financial Statements, provides framework of financial statements presentation. It requires more specific statement of financial position line items as applicable to the entity. The standard requires presentation of comparative financial statements and information.

PAS 2, Inventories, Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method. Per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs), property, plant and equipment with cost below ₱15,000.00 are classified as Semi Expendable Inventory.

PAS 16, Property, Plant and Equipment, provides additional guidelines and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item, property, plant and equipment with a cost that is in significant relation to the total cost of the item shall be depreciated separately. Property, Plant and Equipment with cost of below ₱15,000.00 per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for GCs) are reclassified as Semi-Expendable Equipment.

PAS 19, Employee Benefits, the objective of this standard is to prescribe the accounting and disclosure of employee benefits (that is all forms of consideration given by an entity in exchange of service rendered by employees). The standard requires an entity to recognize a liability when an employee has provided services in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

PAS 36, Impairment of Assets, provides that an asset is impaired when its carrying amount exceeds its recoverable amount. Indications of impairments are the following: obsolescence or physical damage; asset is held for disposal and there is evidence that the economic performance of an asset is, or will be, worse than expected.

2.2 Basis of Preparation of Financial Statements

The financial statements of CWD have been prepared using the historical cost basis, unless stated otherwise, and are presented in Philippines Peso (₱), which is the District's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The Water District's financial statements are prepared on an accrual basis in accordance with the PFRS.

3.2 *Cash and Cash Equivalents*

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in values. Due to the short term maturity of the transaction, the fair value of cash and cash equivalents approximates the amount at the time of initial recognition. These deposits earn interest at the prevailing market rate.

3.3 *Receivable*

Receivables are recognized and carried at original billed amount. Allowance for Impairment-Accounts Receivable is set-up in order to serve as back-up for potential losses on receivables. But as of this time the provision set-up for Allowance for Impairment-Receivable is considered not adequate to cover the possible losses on receivable.

3.4 *Inventories*

Inventories are assets that are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventory is measured at cost upon initial recognition. The Water District includes in the cost of inventories all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories are stated at a weighted average cost method. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period.

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

3.5 *Prepaid Expenses*

Prepaid expenses are individually measured at transaction costs and are subsequently amortized as they are used in operations or as they expire with the passage of time. These typically include prepayments on insurance, subscriptions and other prepaid expenses.

3.6 *Property, Plant and Equipment*

Recognition

An item is recognized as property, plant and equipment (PPE) if it meets the characteristics and recognition criteria as PPE, as follows:

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

An item of PPE is recognized as an asset if:

- it is probable that the future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as PPE is measured at cost. A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent at the recognition date or, for PPE acquired through non cash-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and;
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during the period.

Measurement after Recognition

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

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

Depreciation

Depreciation is a method of allocating the cost of a tangible asset over its estimated useful life. Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

Depreciation Method

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation. The residual value of the PPE is deducted in computing for its depreciation.

Estimated Useful Life

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

As of the moment CWD uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

Impairment

An asset is impaired when its carrying amount exceeds its recoverable amount. Regular review of the Water District's PPE shall determine if there are items that may be impaired.

Derecognition

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

3.7 *Intangible Assets*

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost comprising of a) its purchase price including import duties and non-refundable taxes after deducting trade discounts and rebates; b) any directly attributable cost of preparing the asset for its intended use.

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

- recognized as an expense when incurred if it is research expenditure;
- recognized as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria for intangible assets.

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these were acquired.

Internally Generated Intangible Assets

In the recognition of internally generated intangible asset, the entity shall classify the generation of an asset into a) research phase and b) development phase.

Recognition of an Expense and Cost of the Asset

Expenditures on research phase shall be recognized as expenses when they are incurred. In the development phase, an entity in some instances identifies an intangible asset and demonstrates that the asset will generate probable future economic benefits. Cost of an internally generated intangible asset comprises of all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management.

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

The useful life of intangible assets is assessed as either finite or indefinite. An intangible asset with a finite life is amortized over its useful life while the intangible asset with infinite useful life will not be amortized.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life or an intangible asset not yet available for use is assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in the profit and loss as expense category that is consistent with the nature of the intangible asset.

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

3.8 *Revenue and Expense Recognition*

Revenue is the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an entity (such as sales of goods, sales of services, interest, royalties, and dividends). Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Water District and the amount of revenue can be measured reliably.

The Water District recognizes the revenue when the related water services are rendered to the customers. Water services are billed every month according to the bill cycles of the customers.

4. CASH AND CASH EQUIVALENTS

This account comprises of the following:

	2018	2017
Cash in Bank	₱ 28,431,318.94	₱ 16,692,437.40
Time Deposits - Local Currency	4,195,214.36	4,160,533.05
Cash on Hand	353,883.41	260,537.76
Total	₱ 32,980,416.71	₱ 21,113,508.21

5. RECEIVABLES

This account consists of:

	2018	2017
Accounts Receivable	₱ 7,276,950.37	₱ 6,908,662.97
Allowance for Impairment–Accounts Receivable	(163,454.85)	(160,938.56)
Net Value – Accounts Receivable	7,113,495.52	6,747,724.41
Due from Local Government Units	150,000.00	150,000.00
Other Receivables	318,217.55	107,457.71
Receivables – Disallowance/Charges	26,369.15	91,150.16
Due from Officers and Employees	54,262.89	62,075.40
Receivables, net	₱ 7,662,345.11	₱ 7,158,407.68

6. INVENTORIES

The details of this account are:

	2018	2017
Inventory Held for Consumption		
Beginning Balance	₱ 5,698,395.74	₱ 3,775,485.57
Additions/Acquisitions during the year	17,296,496.09	23,900,478.47
Expensed during the year except write-down	(18,465,374.20)	(21,977,568.30)
Total Inventory Held for Consumption	₱ 4,529,517.63	₱ 5,698,395.74

Inventories held for consumption are mainly for the consumption in the ordinary course of the operation. Office Supplies, Chemicals and Filtering Supplies Inventory, Construction Materials Inventory and Other Supplies and Materials Inventory are the type of inventory maintained by the CWD and inventoried using the weighted average method.

7. PROPERTY, PLANT AND EQUIPMENT

The details of this account are:

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture & Fixtures	Construction in Progress	Total
<i>As at December 31, 2018</i>								
Carrying Amount, January 1, 2018	₱ 3,246,105.84	₱ 61,411,607.47	₱ 5,497,218.86	₱ 5,174,944.82	₱ 3,382,957.56	₱ 828,519.45	₱ 48,188,057.38	₱ 127,729,411.38
Additions/Acquisitions	0.00	2,478,532.75	0.00	1,829,679.40	0.00	148,698.94	44,310,320.75	48,767,231.84
Total	3,246,105.84	63,890,140.22	5,497,218.86	7,004,624.22	3,382,957.56	977,218.39	92,498,378.13	176,496,643.22
Disposals/ Reclassification	0.00	12,937,630.52	1,080,287.35	680,493.21	(4,211.42)	(52,579.60)	(37,355,816.77)	(22,714,196.71)
Depreciation	0.00	(2,381,882.11)	(392,847.20)	(1,016,996.81)	(471,849.36)	(165,959.45)	0.00	(4,429,534.93)
Carrying Amount, December 31, 2018	3,246,105.84	74,445,888.63	6,184,659.01	6,668,120.62	2,906,896.78	758,679.34	55,142,561.36	149,352,911.58
Gross Cost	3,246,105.84	128,020,524.15	10,515,547.01	12,782,658.08	5,212,758.79	1,509,523.37	55,142,561.36	216,429,678.60
Accumulated Depreciation	0.00	(53,574,635.52)	(4,330,888.00)	(6,114,537.46)	(2,305,862.01)	(750,844.03)	0.00	(67,076,767.02)
Net Book Value	₱ 3,246,105.84	₱ 74,445,888.63	₱ 6,184,659.01	₱ 6,668,120.62	₱ 2,906,896.78	₱ 758,679.34	₱ 55,142,561.36	₱ 149,352,911.58

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Transportation Equipment	Furniture & Fixtures	Construction in Progress	Total
<i>As at December 31, 2017</i>								
Carrying Amount, January 1, 2017	₱ 3,240,243.02	₱ 54,391,825.68	₱ 5,611,461.16	₱ 4,088,899.92	₱ 3,682,969.99	₱ 692,006.38	₱ 27,023,399.82	₱ 98,730,805.97
Additions/Acquisitions	5,862.82	14,766,303.72	385,053.02	822,400.40	190,256.20	125,950.00	32,577,665.40	48,873,491.56
Total	3,246,105.84	69,158,129.40	5,996,514.18	4,911,300.32	3,873,226.19	817,956.38	59,601,065.22	₱ 147,604,297.53
Disposals/Reclassification	0.00	(3,971,800.06)	(131,548.13)	1,234,413.11	(25,433.99)	170,821.99	(11,413,007.84)	(14,136,554.92)
Depreciation	0.00	(3,774,721.87)	(367,747.19)	(970,768.61)	(464,834.64)	(160,258.92)	0.00	(5,738,331.23)
Carrying Amount, December 31, 2017	₱ 3,246,105.84	₱ 61,411,607.47	₱ 5,497,218.86	₱ 5,174,944.82	₱ 3,382,957.56	₱ 828,519.45	₱ 48,188,057.38	₱ 127,729,411.38
Gross Cost	3,246,105.84	122,455,468.22	9,369,091.16	11,203,148.93	5,257,921.44	1,451,922.43	48,188,057.38	201,171,715.40
Accumulated Depreciation	(0.00)	(61,043,860.75)	(3,871,872.30)	(6,028,204.11)	(1,874,963.88)	(623,402.98)	(0.00)	(73,442,304.02)
Net Book Value	₱ 3,246,105.84	₱ 61,411,607.47	₱ 5,497,218.86	₱ 5,174,944.82	₱ 3,382,957.56	₱ 828,519.45	₱ 48,188,057.38	₱ 127,729,411.38

8. INTANGIBLE ASSETS

The details of this account are:

	2018	2017
Computer Software		
<i>Cost</i>		
Beginning Balance	₱ 825,524.00	₱ 825,524.00
Additions	0.00	0.00
Disposals/Reclassification	0.00	0.00
Balance, end of the year	825,524.00	825,524.00
<i>Accumulated Amortization</i>		
Beginning Balance	396,491.52	346,491.47
Adjustments/Reclassification	(500.00)	0.00
Amortization	47,999.96	50,000.05
Balance, end of the year	443,991.48	396,491.52
Net Value – Computer Software	₱ 381,532.52	₱ 429,032.48

9. OTHER ASSETS

This is composed of the following:

	2018	2017
Other Current Assets		
Advances	₱ 20,319.58	₱ 0.00
Prepayments	60,125.00	29,855.06
Deposits	309,013.56	145,973.60
Total Other Current Assets	389,458.14	175,828.66
Other Non-Current Assets		
Restricted Fund	3,385,693.33	3,376,950.82
Other Assets	712,646.86	-
Total Other Non-Current Assets	4,098,340.19	3,376,950.82
Total Other Assets	₱ 4,487,798.33	₱ 3,552,779.48

10. FINANCIAL LIABILITIES

These are the composition of this account:

	2018	2017
Payables		
Accounts Payable	₱ 6,703,852.76	₱ 2,364,833.64
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	4,672,631.60	4,397,510.00
Financial Liabilities – Current	11,376,484.36	6,762,343.64
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	61,000,473.39	32,774,720.28
Financial Liabilities – Non Current	61,000,473.39	32,774,720.28
Total Financial Liabilities	₱ 72,376,957.75	₱ 39,537,063.92

11. INTER-AGENCY PAYABLES

This account is composed of the following:

	2018	2017
Due to GSIS	₱ 302,608.29	₱ 447,547.62
Due to BIR	693,761.21	168,769.91
Due to Government Corporations	75,497.15	75,497.15
Due to Pag-IBIG	40,458.29	47,491.11
Due to PhilHealth	(228.04)	0.00
Total Inter-Agency Payables	₱ 1,112,096.90	₱ 739,305.79

12. TRUST LIABILITIES

This account is composed of the following:

	2018	2017
Customers' Deposits Payable	₱ 3,982,381.91	₱ 2,356,157.69
Guaranty/Security Deposits Payable	197,602.68	10,392.68
Total Trust Liabilities	₱ 4,179,984.59	₱ 2,366,550.37

13. OTHER PAYABLES

This account is composed of the following:

	2018	2017
Other Payables	₱ 77,333.67	₱ 162,663.64
Total	₱ 77,333.67	₱ 162,663.64

14. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2018	2017
Other Unearned Revenue/Income	₱ 248,507.96	₱ 250,857.96
Total	₱ 248,507.96	₱ 250,857.96

15. INCOME

This account consists of the following:

	2018	2017
Service and Business Income		
Waterworks System Fees	₱ 80,202,175.94	₱ 72,008,037.67
Interest Income	49,544.30	44,938.19
Fines and Penalties – Business Income	3,043,767.22	2,671,424.36
Other Business Income	3,546,899.38	6,087,287.56
Total Service and Business Income	86,842,386.84	80,811,687.78
Shares, Grants and Donations		
Income from Grants and Donations in Cash	226,782.88	0.00
Total Shares, Grants and Donations	226,782.88	0.00
Total Income	₱ 87,069,169.72	₱ 80,811,687.78

Shares, Grants and Donations

Carcar Water District has been chosen by Vitens Evides International, a registered Limited Liability Company with the Dutch Chamber of Commerce, to implement the Performance Enhancement Water Utilities Project (PEWUP) in the Philippines. The overall objective of the project is to enhance the performance of the water districts through benchmarking and collective learning that sets the conditions for the sustainable provision of safe drinking water and sanitation to all residents and organizations within the service areas. The agreement started last January 1, 2018 and

will finish on December 31, 2021. The intention of both parties is to extend the cooperation to year 2030.

16. PERSONNEL SERVICES

Comprising this account are the following:

	2018	2017
Salaries and Wages	₱ 20,643,736.82	₱ 18,214,902.88
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,821,727.27	1,785,090.91
Representation Allowance (RA)	522,000.00	495,750.00
Transportation Allowance (TA)	522,000.00	495,750.00
Clothing/Uniform Allowance	450,000.00	370,000.00
Year End Bonus	380,000.00	373,500.00
Other Bonuses and Allowances	2,192,314.75	2,702,281.35
Total Other Compensation	5,888,042.02	6,222,372.26
Personnel Benefit Contributions		
Retirement and Life Insurance Premium	1,825,083.60	1,837,472.75
Pag-IBIG Contributions	90,700.00	82,100.00
Philhealth Contributions	205,216.36	165,450.00
Employees Compensation Insurance Premiums	83,652.55	89,289.16
Provident/Welfare Fund Contributions	1,159,589.41	1,062,693.05
Total Personnel Benefits Contributions	3,364,241.92	3,237,004.96
Other Personnel Benefits	1,906,844.73	1,154,526.21
Total Personnel Services	₱ 31,802,865.49	₱ 28,828,806.31

17. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2018	2017
Total Traveling Expenses	₱ 381,716.40	₱ 473,362.48
Total Training and Scholarship Expenses	626,304.00	801,480.90
Supplies and Materials Expenses		
Office Supplies Expenses	453,547.86	358,582.64
Fuel, Oil and Lubricants Expenses	1,207,028.42	1,012,066.46
Total Supplies and Materials Expenses	1,660,576.28	1,370,649.10

	2018	2017
Utility Expenses		
Electricity Expense	820,705.63	732,992.99
Total Utility Expenses	820,705.63	732,992.99
Communication Expenses		
Postage and Courier Services	16,570.00	18,275.00
Telephone Expenses	276,440.62	263,437.62
Total Communication Expenses	293,010.62	281,712.62
Awards/Rewards, Prizes and Indemnities		
Awards/Rewards Expenses	152,450.00	141,205.00
Indemnities	6,535.00	2,206.50
Total Awards/Rewards, Prizes and Indemnities	158,985.00	143,411.50
Total Generation, Transmission and Distribution Expenses	14,992,621.15	10,620,542.28
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary & Miscellaneous Expenses	111,455.94	97,606.15
Total Confidential, Intelligence and Extraordinary Expenses	111,455.94	97,606.15
Professional Services		
Auditing Services	8,319.00	11,370.00
Other Professional Services	0.00	8,689.00
Total Professional Services	8,319.00	20,059.00
General Services		
Security Services	1,056,448.93	764,388.74
Total General Services	1,056,448.93	764,388.74
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure Assets	4,610,677.53	3,918,658.68
Repairs and Maintenance-Building and Other Structures	66,191.51	405,002.65
Repairs and Maintenance-Machinery and Equipment	357,756.84	271,326.71
Repairs and Maintenance-Transportation Equipment	443,715.34	387,379.68
Repairs and Maintenance-Furniture and Fixtures	6,229.50	26,549.44
Total Repairs and Maintenance	5,484,570.72	5,008,917.16
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	1,703,674.63	1,530,614.48
Insurance Expense	139,345.80	135,863.88
Total Taxes, Insurance Premiums & Other Fees	1,843,020.43	1,666,478.36

	2018	2017
Other Maintenance and Operating Expenses		
Advertising Expenses	406,127.66	415,955.26
Representation Expenses	566,438.73	492,866.57
Membership Dues and Other Contributions to Organizations	19,353.00	800.00
Donations	31,197.08	35,099.50
Directors and Committee Members' Fees	699,192.00	591,948.00
Other Maintenance and Operating Expenses	567,833.57	395,199.31
Total Other Maintenance & Operating Expenses	2,290,142.04	1,931,868.64
Total Maintenance and Other Operating Expenses	₱ 29,727,876.14	₱ 23,913,469.92

18. FINANCIAL EXPENSES

This account is composed of the following:

	2018	2017
Interest Expenses	₱ 2,023,076.96	₱ 1,112,839.13
Bank Charges	42,654.36	43,811.95
Total Financial Expenses	₱ 2,065,731.32	₱ 1,156,651.08

19. NON-CASH EXPENSES

This account consists of the following:

	2018	2017
Depreciation		
Depreciation – Infrastructure Assets	₱ 2,381,882.11	₱ 3,774,721.87
Depreciation – Buildings and Other Structures	392,847.20	371,775.73
Depreciation – Machinery and Equipment	1,016,996.81	970,763.61
Depreciation – Transportation Equipment	471,849.36	464,834.64
Depreciation – Furniture, Fixtures and Books	165,959.45	160,258.92
Total Depreciation	4,429,534.93	5,742,354.77
Amortization – Intangible Assets	47,999.96	50,005.05
Impairment Loss – Loans and	2,516.29	2,044.56

	2018	2017
Receivables		
Losses		
Loss on Sale of Assets	653,585.24	0.00
Total Losses	653,585.24	0.00
Discounts and Rebates		
Other Discounts	101,325.26	91,749.76
Rebates	2,055,978.02	1,818,120.86
Total Discounts and Rebates	2,157,303.28	1,909,870.62
Total Non-Cash Expenses	₱ 7,290,939.70	₱ 7,704,275.00

20. Key Management Personnel

The key management personnel of the Carcar Water District are the Board of Directors (BOD), the members of the governing body, and the members of the senior management group. The governing body consists of members appointed by the Local Chief Executive of the LGU. The senior management group consists of the General Manager, Department Managers and Division Managers.

The aggregate remuneration of members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are:

Particulars	Aggregate Remuneration
Salaries and Wages	₱ 4,221,699.93
Honorarium	699,192.00
Allowances	1,044,000.00
Personnel Benefit Contributions	480,926.90
Other Personnel Benefits	756,842.00
Total	₱ 7,202,660.83

PART II OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AUDIT

1. The correctness, existence and valuation of the recorded balance of the Property, Plant and Equipment (PPE) account totaling ₱158.041 million (excluding Land and Construction in Progress) with net carrying amount of ₱90.964 million as at December 31, 2018 could not be ascertained due to: (a) discrepancy between the balances as presented in the Statement of Financial Position and the supporting General Ledger; (b) unaccounted properties which were included in the CY 2018 Report on Physical Count of Property, Plant and Equipment (RPCPPE); and (c) no impairment loss was recognized on the affected asset accounts although indications of impairment existed.

The Property Plant and Equipment (PPE) account with balance aggregating ₱158,041,011.40 as presented in the Statement of Financial Position (excluding Land and Construction In Progress account) is composed of the following accounts as at December 31, 2018:

Table 1- Detail of the Property, Plant and Equipment (PPE) Account Balance

Account Description	Cost	Accumulated Depreciation	Net Carrying Amount
Utility Plant in Service (UPIS)	₱ 128,020,524.15	₱ 53,574,635.52	₱ 74,445,888.63
Buildings and Other Structures	10,515,547.01	4,330,888.00	6,184,659.01
Other Machinery & Equipment	12,782,658.08	6,114,537.46	6,668,120.62
Transportation Equipment	5,212,758.79	2,305,862.01	2,906,896.78
Furniture, Fixture and Books	1,509,523.37	750,844.03	758,679.34
Total	₱ 158,041,011.40	₱ 67,076,767.02	₱ 90,964,244.38

Review of the PPE account balances as reflected in the Water District's financial statements as at the end of 2018 disclosed some deficiencies as discussed in the succeeding paragraphs:

- a. *The reported balance in the Trial Balance (TB) and Statement of Financial Position (SFP) was understated by ₱3.902 million as compared to the general ledger balance, contrary to Sections 111 and 121 (2) of Presidential Decree (PD) No. 1445.*

As stated in Section 121 (2) of PD No. 1445;

“(2) The financial statements shall be based on official accounting records kept in accordance with law and the generally accepted accounting principles and standards.”

On keeping of accounts, Section 111 provides the following:

“(1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

“(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.” (Emphasis Supplied)

The GL is a book of final entry containing accounts arranged in the same sequence as in the chart of accounts. The GL provides a record of each financial transaction that takes place during the life of an agency/entity and also holds account information that is needed to prepare the entity’s financial statements. Thus, the FS and the GLs/SLs should always have the same balances as at reporting date.

However, our verification of the supporting GL of the PPE accounts appearing in the Statement of Financial Position disclosed certain discrepancies aggregating ₱3,901,836.80 as presented in Table 2 below:

Table 2- Comparison of TB/SFP Balance with GL Balance

Account Description	TB/SFP Balance	GL Balance	Discrepancy
Land	₱ 3,246,105.84	₱ 3,246,105.84	-
Utility Plant in Service (UPIS)	128,020,524.15	128,020,524.15	-
Buildings and Other Structures	10,515,547.01	10,515,547.01	-
Other Machinery & Equipment	12,782,658.08	15,604,594.69	(₱ 2,821,936.61)
Transportation Equipment	5,212,758.79	5,212,758.79	-
Furniture, Fixture and Books	1,509,523.37	2,589,423.56	(1,079,900.19)
Total	₱ 161,287,117.24	₱ 165,188,954.04	(₱ 3,901,836.80)

Further test-checking disclosed that these discrepancies were accounted for as the difference between the beginning balance reflected in the GL for CY 2018 and the ending balance per Financial Statement for CY 2017 as follows:

Table 3- Comparison of Ending Balance in CY 2017 and Beginning Balance in CY 2018 of certain PPE accounts

Account Description	Ending Balance CY 2017 FS *	CY 2018 Beginning Balance in GL	Discrepancy
Other Machinery & Equipment	₱ 11,203,148.93	₱ 14,025,085.54	(₱ 2,821,936.61)
Furniture, Fixture and Books	1,451,922.43	2,531,822.62	(1,079,900.19)

* - should be beginning balance in CY 2018 GL

Our inquiry with the OIC Division Manager-Finance disclosed that such discrepancies in the beginning balance of the two accounts were caused by the posting in CY 2018 of certain adjustments pertaining to prior years' transactions. However, there was no Journal Entry Voucher and other documents that were presented to support such adjustments in the books of accounts. Thus, raising doubt on the reliability of the reported balances of the PPE accounts.

We recommended that Management require the OIC Division Manager-Finance to account/trace the discrepancies in the beginning balance of the affected PPE accounts and ensure that the balances appearing in the Financial Statements are consistent with the supporting GLs.

During the exit conference, Management commented that their records have been reconciled and further explained that the discrepancy was due to some entries that will have to be drawn as an effect of the conversion to PFRS.

b. Shortages or unaccounted properties which were included in the CY 2018 RPCPPE.

COA Circular No.80-124 dated January 18, 1980 provides that:

“Physical inventory taking being an indispensable procedure for checking the integrity of property custodian has to be regularly enforced.”

Also, Section 53 of Government Accounting and Auditing Manual (GAAM), Volume III, on “asset accountability” provides the following:

“Sec. 53. Asset Accountability – Accountability for the custody and use of an asset is to be assigned and maintained and periodic comparison shall be made of the existing asset with the recorded accountability and appropriate action taken on any differences.

a. xxx....

b. This Standard further requires comparison of recorded accountability with existing assets to determine whether the actual assets agree with the recorded accountability. Any discrepancy should be investigated in accordance with existing regulations and appropriate action taken thereon.”

The Water District conducted the physical count of the PPE as of December 31, 2018. However, the results as reflected in the RPCPPE showed that there are shortages or unaccounted items, as shown on the next page:

Table 4- Unaccounted items included in the RPCPPE

Account Description	Quantity	Total Cost
Utility Plant in Service (UPIS)	7	₱ 281,725.06
Machinery and Equipment	13	466,058.18
Furniture, Fixture and Books	13	4,511.00
Total	33	₱ 752,294.24

To emphasize, a physical inventory is conducted to ensure the existence and condition of the items that are recorded/reported as on hand, a tool in validating GL account balances and to attest if losses are not due to theft or other irregular activities. The above noted shortages or inexistent PPEs should have been investigated or appropriate action should have been undertaken.

We recommended and Management agreed to require the Administrative Division Manager to conduct an investigation relative to these missing items/properties. If still unlocated, cause the determination of the person/s responsible for the loss and demand for the production of the same, otherwise require them to pay the replacement cost of the said PPE since the required request for relief from property accountability had not been filed within the prescribed period

- c. No impairment loss was recognized on certain PPE account although indications of impairment existed, thus, the affected PPE accounts are carried at more than their recoverable amount which is contrary to Philippine Accounting Standards (PAS) 36.*

PAS 36 was issued to prescribe the procedures that an entity will apply to determine whether an asset is impaired and to ensure that impairment losses are recognized so that the assets are carried at no more than their recoverable amount. Paragraph 9 thereof requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

Based on the Report on Physical Count of PPE submitted, it was noted that there were several unserviceable properties in CY 2018 that were still booked under the PPE account, with summary as follows:

Table 5- Summary of Unserviceable Properties

Account Description	Quantity	Total Cost
Utility Plant in Service (UPIS)	12	₱ 371,905.38
Machinery and Equipment	26	1,151,363.00
Transportation Equipment	1	121,295.59
Furniture, Fixture and Books	4	84,693.00
Total	43	₱ 1,729,256.97

Verification of records comprising the balances of the PPE accounts for CY 2018 disclosed that the recorded PPE as of December 31, 2018 were not assessed for impairment. Further, it was noted that only the accumulated depreciation was recorded in the books. The Accounting Department failed to recognize an impairment loss at the end of the reporting period despite the presence of clear indications that the above assets were already impaired; hence, the affected asset accounts are carried at more than their recoverable amount.

We recommended and Management agreed to require the concerned personnel at the Accounting Department to assess the Water District's assets at every end of the reporting date and to recognize the corresponding impairment loss if indications of impairment exist to ensure that PPE are carried at not more than their recoverable amount in compliance with Philippine Accounting Standards (PAS) 36.

For ready reference, we quote Par 12 of PAS 36 to aid the entity in assessing whether there is any indication that an asset may be impaired, they shall consider at a minimum, the following:

“External sources of information

- (a) There are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.*
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.*
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.*
- (d) The carrying amount of the net assets of the entity is more than its market capitalization.*

Internal sources of information

- (e) Evidence is available of obsolescence or physical damage of an asset.*
- (f) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite*

(g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. (underscoring supplied)

2. **The Cash in Bank balance aggregating ₱8.157 million as at December 31, 2018 cannot be relied upon due to the unreconciled variance in the balance per bank and the various reconciling items in the Bank Reconciliation Statement totaling ₱0.127 million which were not adjusted in the Water District's books of accounts, contrary to the requirement of Chapter 21, Volume I of the Government Accounting Manual (GAM).**

Bank Reconciliation, as defined under Section 2 of Chapter 21, Volume I of the GAM, is the settlement of differences contained in the bank statement and the cash account in the agency's/entity's books of accounts.

We quote some of the important provisions of Chapter 21, Volume I of the GAM on Bank Reconciliation, as follows:

***“Sec. 3. Objectives.** The Bank Reconciliation Statement (BRS) shall be prepared in order to:*

- a. check the correctness of both the bank's and agency's/entity's records,*
- b. serve as a deterrent to fraud, and*
- c. enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.*

Sec. 4. Method of Bank Reconciliation.** The monthly BRS shall be prepared by the Chief Accountant/designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. **Under this method, the book balance and the bank balance are brought to an adjusted cash balance that must appear on the Statement of Financial Position.

***Sec. 6. Recognition of Adjustments.** The Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.”*(Emphasis supplied).

Based on the BRS prepared by Carcar Water District for LBP account no. 3502-1001-56 as of December 31, 2018 (as illustrated below), the book balance should have been ₱8,284,134.02 instead of ₱8,156,729.36 had the correcting entries for the adjustments been made at year-end.

Verification of the Daily Cash Position Report (DCPR) where the deposit slips were attached showed that as of December 31, 2018, the total Deposit in Transit (DIT) should have been ₱7,345.60. The check deposit slip was presented to the bank on December 28, 2018 at 4:47pm which was beyond the cut-off time, thus, the deposit was reflected on the following banking day which was on January 3, 2019. Inquiry from the preparer of the

BRS revealed that the DIT of ₱5,004.47 that was reported in the BRS was arrived at by deducting the Outstanding Checks from the Balance per Bank and then from the Reconciled Book Balance, which is tantamount to “force balancing”. This however resulted in an unreconciled variance of ₱2,341.13 (₱7,345.60 less ₱5,004.47).

Table 6- Bank Reconciliation Statement as at December 31, 2018

Land Bank of the Philippines (LBP)			
Account No. 3502-1001-56			
Balance per Book	₱8,156,729.36	Balance per Bank	₱8,293,753.71
Add/(Deduct) Adjustments:		Add/(Deduct)	
Cash Deposit dated 10/04/18 (Supplier MC charges)	50.00	Adjustments:	5,004.47*
CM ORD dated 11/27/18 Payment made from VEI Project-Acct. 149-51	63,033.00	Deposit in Transit/ Late Deposit	
Interest Income as of Dec. 2018	1,288.66	Less: Outstanding Checks	(14,624.16)
CM ORD dated 12/19/18 Payment made from VEI Project-Acct. 149-51	63,033.00		
Total Adjustments not yet taken up in the books as at year-end	127,404.66	Total Adjustments	(9,619.69)
Reconciled Book Balance	₱8,284,134.02	Reconciled Book Balance	₱8,284,134.02

** Amount per Check Deposit Slip dated December 28, 2018 (4:47pm) was ₱7,345.60.*

It shall be stressed that the purpose of preparing the BRS is to ensure the accuracy of the balances shown in the books of accounts and in the bank statements. Any book reconciling item must be recorded in the books of accounts and duly supported with appropriate documents. The discrepancies noted should be traced in order to arrive at the correct reconciled book and bank balance at the end of the reporting period, which is December 31, 2018.

For CY 2018, the reconciling items were recorded in the books in January, 2019 under JEV Nos. 19-01-0012, 19-01-0013 and 19-01-0014. Although this has been corrected in the ensuing calendar year, the understatement in the Cash in Bank balance may affect the decisions of the users of the financial statements as at year-end. As shown in the BRS, there were still October and November 2018 reconciling items which remained unrecorded as of December 31, 2018. Preparing the BRS and not adjusting the reconciling items defeats its purpose. Delaying the recording of the reconciling items may also lead to the difficulty of tracing the variances in the future.

We recommended and Management agreed to require the OIC Division Manager-Finance to trace the unreconciled variance of ₱2,341.13 in the BRS as of December 31, 2018 to ensure the accuracy of the reported Cash in Bank balance in the Statement of Financial Position.

We further recommended that the OIC Division Manager-Finance thoroughly review the monthly BRS and make sure that JEV is prepared to recognize all reconciling items that require adjustment and correction in the Water District's books of accounts.

During the exit conference, Management commented that they are still on the process of reconciling the book and bank balances.

- 3. The reported Service and Business Income in CY 2018 was overstated by ₱0.139 million due to the inclusion of erroneous water consumption which was billed to one concessionaire in December 2018. Thus, affecting the fair presentation of the financial statements of the Water District.**

PAS 1 on Presentation of Financial Statements provides the following:

“The financial statements must present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.”

Random verification of the Billing Proof List for the month of December 2018, it was noted that concessionaire Fredo Dayanan was billed for 5,653 cubic meters (cu. m.) as his water consumption during the month which amounted to ₱139,337.10 using the residential rate. Considering that the water consumption was too high for a concessionaire under a residential category, thus, we further verified the Customers Ledger Card (CLC) to check on his monthly water consumption. Analysis of the CLC disclosed that such consumption in December 2018 was not within the normal range of the monthly water usage of the subject concessionaire.

Inquiry with the OIC Division Manager-Finance disclosed that such billed number of cu.m. or present consumption could have been erroneously encoded. From the CLC, the erroneously encoded present consumption was traced to the daily billing summary up to the billing register. The entry to record the transaction was as a debit to Accounts Receivable and credit to Waterworks System Fees. Subsequent transactions were checked if such erroneous posting was reversed, but there was none. This however resulted in the overstatement of the CY 2018 Service and Business Income as reported in the CY 2018 Statement of Comprehensive Income.

We recommended and Management agreed to implement a review mechanism on the Billing Proof List so as to detect any erroneous meter reading and effect the necessary corrections /adjustments, if any, before the closing of the books at the end of the reporting period to ensure the fair presentation of the accounts in the financial statements.

4. The balance of the Advances to Offices and Employees account amounting to ₱20,319.58 cannot be relied upon due to the following:

- a. Discrepancy on the reported balances between the Trial Balance/ Statement of Financial Position and the General Ledger (GL) amounting ₱102,903.84. This condition is contrary to Sections 111 and 121 (2) of Presidential Decree (PD) No. 1445.*

Technically, the official accounting records that support the balances in the Financial Statements (FS) are the General Ledger (GL) and Subsidiary Ledger (SL). The GL is a book of final entry containing accounts arranged in the same sequence as in the chart of accounts. While the SL is a book of final entry containing the details or breakdown of the balance of the controlling account appearing in the GL. The GL provides a record of each financial transaction that takes place during the life of an agency/entity and also holds account information that is needed to prepare the entity's financial statements. Thus, the FS and the GLs/SLs should always have the same balances as at reporting date.

The reported balance of the Advances to Officers and Employees account in the Statement of Financial Position as at December 31, 2018 was ₱20,319.58. Verification of the GL and the Monthly Report on Unliquidated Cash Advances for December, 2018 that was submitted by the Water District to COA revealed that the "should-be" balance of the said account at year-end was ₱123,223.42. It was found out that the total discrepancy amounting ₱102,903.84 pertained to the liquidation of the cash advance for the salary of Job Order workers under JV-18-11-0341. According to the OIC–Division Manager for Finance, the said liquidation was taken up twice in the system which was eventually adjusted in the GL but not in the trial balance and financial statements. The said transaction overstated also the Construction in Progress account being the debit entry in the Journal Entry Voucher.

We recommended and Management agreed to require the OIC Division Manager-Finance to ensure that the balances appearing in the Financial Statements are consistent with the supporting GLs.

- b. Some liquidations of Cash Advances were taken up in the books of accounts even if the liquidation reports and the supporting documents have not yet been submitted by the accountable officers to the Finance Division, a practice which is not in conformance with Sections 5.2 and 5.3 of the COA Circular No. 97-002 dated February 10, 1997.*

Section 5 of COA Circular No. 97-002 dated February 10, 1997 provides the rules and regulations on the liquidation of cash advances. Sections 5.2 and 5.3 thereof, states that:

“5.2 The AO shall prepare the Report of Disbursements (using Gen. Form No. _____) in three (3) copies and submit the same with duly accomplished vouchers/payrolls and supporting documents to the Accountant. Xxxx....

5.3 Within ten (10) days after receipt of the report and supporting documents from the AO, the Accountant shall verify the report, record it in the books and submit the same with all the vouchers/payrolls and supporting documents to the Auditor. The cash advance shall be considered liquidated upon the recording thereof by the Accountant in the books of accounts although not yet audited by the COA auditor.”(Emphasis Supplied)

In CY 2018, the following liquidations were taken up in CWD’s books of accounts, although the liquidation reports and the supporting documents were submitted at later dates, as shown below:

Table 7- Sampled transactions with liquidations taken up in the books even without the liquidation reports and supporting documents:

JEV Date/ No.	Date of Liquidation	Date Granted/ DV No.	Particulars	Accountable Officer	Amount ₱	Remarks
04/30/2018/ 18-04-0125	05/03/2018	04/19/2018/ 18-04-0444	Technical Seminar for the Board held at Baguio City Water District on April 23-27, 2018	Ra Solomon Enriquez	20,536.10	May 3, 2018 - Date of Liquidation Report and Certification of Travel Completed
04/30/2018/ 18-04-0122	05/03/2018	04/19/2018/ 18-04-0439		Daniilo Ledesma	1,200.00	
04/30/2018/ 18-04-0121	05/03/2018	04/19/2018/ 18-04-0440		Alexis Trinidad	1,200.00	
04/30/2018/ 18-04-0120	05/03/2018	04/19/2018/ 18-04-0437		Mercucio Tangkay	1,200.00	
04/30/2018/ 18-04-0119	05/03/2018	04/19/2018/ 18-04-0438		Merlea Cabalquinto	1,200.00	
04/30/2018/ 18-04-0118	05/03/2018	04/19/2018/ 18-04-0436		Democrito Barcenas	1,200.00	
05/31/2018/ 18-05-0144	06/01/2018	05/30/2018/ 18-05-0632		BODs' per diem for the meeting dated May 30, 2018	Louella B. Tangkay	
05/31/2018/ 18-05-0154	06/07/2018	05/31/2018/ 18-05-0638	Allowance for Caretakers for the period May 16-31, 2018.	Louella B. Tangkay	30,500.00	
07/31/2018/ 18-07-0207	08/01/2018	07/31/2018/ 18-07-0910	Allowance for Caretakers for the period July 16-31, 2018.	Louella B. Tangkay	33,500.00	
08/31/2018/ 18-08-0237	09/03/2018	08/31/2018/ 18-08-1031	Allowance for Caretakers for the period Aug. 16-31, 2018.	Louella B. Tangkay	32,000.00	
10/31/2018/ 18-10-0144	11/05/2018	10/31/2018/ 18-10-0144	Allowance for	Louella B. Tangkay	32,000.00	

JEV Date/ No.	Date of Liquidation	Date Granted/ DV No.	Particulars	Accountable Officer	Amount ₱	Remarks
18-10-0298		18-10-1293	Caretakers for the period Oct. 16-31, 2018.	Tangkay		
11/29/2018/ 18-11-0327	12/03/2018	11/29/2018/ 18-11-1411	Allowance for Caretakers for the period Nov. 16-30, 2018.	Louella B. Tangkay	32,000.00	
12/28/2018/ 18-12-0372	01/04/2019	12/28/2018/ 18-12-1515	Allowance for Caretakers for the period Dec. 16-31, 2018.	Louella B. Tangkay	32,000.00	Should be recognized as liquidation on January, 2019.

The above table clearly shows that in some instances, JEVs were prepared prior to receipt of the liquidation reports. For example, the liquidations for the technical seminar attended by the governing board on April 23-27, 2018 were already recorded in the books as liquidated on April 30, 2018. However, the liquidation documents were actually made and submitted on May 3, 2018. Again, it is emphasized that the rules on liquidation of cash advances is that, the accountable officer must submit first the liquidation voucher/report together with the appropriate supporting documents and only after the verification by the Accountant that the accounting entry shall be made. This is to ensure that all the expenses incurred are properly documented or supported with appropriate documents.

It was also noticed that the liquidation on the cash advance for the allowance of caretakers for the period December 16-31, 2018 was recorded in the books on December 28, 2018 even though the liquidation report was prepared and submitted on January 4, 2019. This caused the understatement by ₱32,000.00 of the Monthly Report on Unliquidated Cash Advances as of December 31, 2018 that was submitted by the Water District to the COA.

We recommended and Management agreed to require the OIC Division Manager-Finance to strictly comply with the provisions of COA Circular No. 97-002 dated February 10, 1997 specifically to ensure that all liquidations are submitted to the finance division with the complete and appropriate liquidation documents prior to the recording in the Water District's books of accounts.

- 5. The balance of Accounts Payable account included an obligation amounting ₱63,333.36 which had been outstanding for over three years as at December 31, 2018. This condition is not in keeping with the provisions in Sections 98 and 99 of P.D. 1445 on the reversion of unliquidated balances of accounts payable and transfer of unexpended balances to the general fund.**

Section 98 of P.D. 1445 provides that, *“The Commission, upon notice to the head of agency concerned, may revert to the unappropriated surplus of the general fund of the national government, any unliquidated balance of accounts payable in the books of the national government, which has been outstanding for two years or more and against which no actual claim, administrative or judicial, has been filed or which is not covered by perfected contracts on record. This section shall not apply to unliquidated balances of*

accounts payable in trust funds as long as the purposes for which the funds were created have not been accomplished.”

Furthermore, Section 99 states that, “The Commission may transfer at any time, from moneys appropriated for a specific purpose, to the unappropriated general fund any surplus balance standing to the credit of any appropriation or fund when the officer having administrative control thereof certifies to the Commission that there is a surplus in excess of the requirements, or that the work or purpose for which the appropriation was made has been completed, indefinitely postponed or abandoned, and that there is no outstanding obligation to be paid therefrom.”

Our Review of the Water District’s Schedule of Accounts Payable as at December 31, 2018 which aggregated ₱6,703,852.76 disclosed that the account still included an obligation already outstanding for more than three (3) years. The details are as follows:

Table 8- Aging of Accounts Payable

Particulars	Less than 90 days	91 days – over 1 year	Over 2 years	Over 3 years	Total
CEBECO 1	₱ 1,220,168.69	-	-	-	₱ 1,220,168.69
Innove	7,408.42	-	-	-	7,408.42
City Treasurer’s Office	7,500.00	-	-	-0.02	7,499.98
Employees	4,399.22	-	-	-	4,399.22
JMK IT Solutions	-	-	-	63,333.36	63,333.36
Carcar Gas Station	52,648.05	-	-	-	52,648.05
Unreleased Checks	769,516.99	-	-	-	769,516.99
Commission on Audit**	-	-	-	644,559.90	644,559.90
LBP	-	-	10.00	-	10.00
Perseus Safety and Security Services	93,206.26	-	-	-	93,206.26
Business Process	367,500.00	-	-	-	367,500.00
Monetization of Leave Credits >>>	3,473,601.89	-	-	-	3,473,601.89
Total	₱ 5,995,949.52	-	₱ 10.00	₱ 707,893.24	₱ 6,703,852.76
>>> Booked in Accounts Payable instead of Leave Benefits Payable (separate AOM)					
** Already settled on April 12, 2019					

The Water District entered into a Memorandum of Agreement with JMK IT Solution in CY 2011 for the procurement of computer software for Accounting, Billing and Warehouse system of the Water District to enhance its operational efficiency. However, the supplier was not able to complete the project as required in the agreement. Our inquiry revealed that the Water District used the Accounting and Warehouse programs of JMK IT Solution but due to the deficiencies noted, another program has been used to support the

Warehouse system. Further inquiry revealed that a check was already prepared but not yet issued to the supplier due to the non-completion of the project. Up to this day, the deficiencies in the program have not been addressed by the supplier, hence, no payment was made and this obligation has been in the books and outstanding for more than three (3) years.

We recommended that Management require the Accountant to review the validity of the claim against the Water District which were booked under the Accounts Payable account, otherwise, effect the necessary reversal of the obligation to comply with the provisions set in Sections 98 and 99 of P.D. 1445.

The Management committed to review the Memorandum of Agreement (MOA) with JMK IT Solutions and address properly this matter.

6. Several transactions were not recorded to their appropriate accounts, thus not in conformity with the Revised Chart of Accounts for Government Corporations as prescribed under Annex A of COA Circular No. 2015-010.

Our audit of the financial transactions of the Water District for CY 2018 revealed various errors in recording as follows:

- a. The 10% retention was recorded as Customer’s Deposits Payable (20401040), instead of Guaranty/Security Deposits Payable (20401040).
- b. Accrual of earned leave credits was erroneously recorded as a debit to Other Personnel Benefits (50104990) and a credit to Accounts Payable (20101010). This should have been recorded as a debit to Terminal Leave Benefits (50104030) and a credit to Leave Benefits Payable (20601020).

The Annex A of COA Circular No. 2015-010, on the adoption of the Revised Chart of Accounts (RCA) for Government Corporations including the Water Districts, provides the descriptions of the accounts to guide the users of the RCA on the proper classification of the accounts. Shown below are the details:

Table 9- Descriptions of the accounts in the RCA

Account Title	Description
Guaranty/ Security Deposits Payable (20401040)	This account is used to recognize the incurrence of liability arising from the receipt of cash or cash equivalents to guaranty: (a) that the winning bidder shall enter into contract with the procuring entity; and (b) performance by the contractor of the terms of the contract. Debit this account to refund after the fulfillment of the purpose of the bond or forfeiture upon failure to comply with the purpose of the bond.
Customer’s Deposits Payable (20401050)	This account is used to recognize the receipt of cash deposits from customers for goods/ services to be delivered and property to be leased. Debit this account upon application of the deposit

Account Title	Description
	to the cost of the goods/ services delivered and of the damages to the leased property.
Terminal Leave Benefits (50104030)	This account is used to recognize the money value of the accumulated leave credits of government officials and employees. This account shall be closed to the Revenue/Income and Expense Summary account
Leave Benefits Payable (20601020)	This account is used to recognize accrual of money value of the earned leave credits of government personnel. Debit this account for monetization of earned leave and payment of terminal leave benefits.

Moreover, the composition of the Trust Liabilities account as presented in Table 6.2 below shows that only the transactions related to performance bond were booked as Contractor's Security Deposits and presented in the Financial Statements as Guaranty/ Security Deposits Payable. The rest were presented under the Customer's Deposit's Payable account including the transactions related to the 10% retention fees. These retention fees were booked as payable every time contractors billed the Water District for their accomplishments during the period. Based on the definition of accounts in the Revised Chart of Accounts (RCA), this transaction should have been recorded and presented under the account Guaranty/ Security Deposits Payable.

Table 10- Composition of Trust Liabilities

Particulars	Amount	FS Presentation
Performance Bond	₱ 197,602.68	Guaranty/Security Deposits Payable (20401040)
Transient Fee/ guaranty deposits for temporary water connection during construction period	67,500.00	Customer's Deposits Payable (20401050)
-do-	456,660.85	Customer's Deposits Payable (20401050)
-do-	(39,581.84)	Customer's Deposits Payable (20401050)
10% Retention	3,497,802.90	Customer's Deposits Payable (20401050)
Total	₱ 4,179,984.59	

On the other hand, the accrual of earned leave credits of employees as of December 31, 2018 was recorded in the books per Journal Voucher (JV) No. 18-12-0382 dated December 28, 2018 by debiting Other Personnel Benefits and crediting Accounts Payable amounting ₱64,836.98. This entry was erroneous since the money value of the accumulated leave credits of employees should have been recorded as a debit to Terminal Leave Benefits and credit to Leave Benefits Payable as prescribed under the RCA.

For proper classification of the transactions in the financial statements, it is therefore necessary that the accounts to be used should be in accordance with the descriptions in the Revised Chart of Accounts.

We recommended and Management agreed to direct the concerned personnel at the Accounting Section to make the necessary adjusting entry to record the retention fee and accrual of leave benefits to their appropriate accounts and henceforth, use the proper account code/title in recording the transactions in accordance with COA Circular No. 2015-010 on the Revised Chart of Accounts for Government Corporations.

COMPLIANCE AUDIT

- 7. Principal loan amortizations which were paid in CY 2018 totaling ₱4.399 million was not included in the Corporate Operating Budget (COB), thus, payment was without appropriation, a violation of Section 4 (1) of PD 1445.**

Section 4 (1) of PD 1445 or the Government Auditing Code of the Philippines, provides, among other, the following:

“No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.”

For Water Districts, being a government-owned and controlled corporation, the approved Corporate Operating Budget (COB), which is a detailed projection of all estimated income and expenses for the year, serves as the appropriation law.

Verification of records disclosed that CWD was granted a loan from the Development Bank of the Philippines to refinance the loans originally obtained from the Local Water Utilities Administration from 1988 to 2003. In CY 2018, CWD made the following loan payments:

Table 11- Summary of loan payments in 2018

Date of DV	DV No.	Interest	Principal	Bank Charges	Total
01/23/2018	18-01-0079	₱ 57,723.19	₱ 355,378.04	₱ 2,886.16	₱ 415,987.39
02/23/2018	18-02-0200	54,084.26	359,016.97	2,704.21	415,805.44
03/27/2018	18-03-0349	50,546.20	362,555.03	2,527.31	415,628.54
04/27/2018	18-04-0476	52,158.95	360,942.28	2,607.95	415,709.18
05/22/2018	18-05-0604	48,671.68	364,429.54	2,433.58	415,534.80
06/22/2018	18-06-0728	48,411.19	364,690.04	2,420.56	415,521.79
07/23/2018	18-07-0869	45,026.09	368,075.14	2,251.30	415,352.53
08/23/2018	18-08-1010	44,625.24	368,475.99	2,231.26	415,332.49
09/26/2018	18-09-1136	42,721.45	370,379.78	2,136.07	415,237.30
10/25/2018	18-10-1272	39,491.44	373,609.79	1,974.57	415,075.80

Date of DV	DV No.	Interest	Principal	Bank Charges	Total
11/28/2018	18-11-1399	38,877.50	374,223.73	1,943.88	415,045.11
12/27/2018	18-12-1512	35,752.27	377,348.96	1,787.61	414,888.84
Total		₱558,089.46	₱4,399,125.29	₱ 27,904.46	₱4,985,119.21

Further examination of the CY 2018 COB revealed that only the amount intended for the payment of the Interest expense and other bank charges amounting ₱2,997,000.00 and ₱52,000.00, respectively, were included in the COB and none was appropriated for the loan principal payments. While the provision for the loan principal repayment for ₱4,399,000.00 together with the Interest expense and other bank charges for ₱2,997,000.00 and ₱52,000.00, respectively, were included in the DBM Form No. 703-E “*Details of Financial Expenses*”. However, the amount intended for principal amortization was not reflected in the DBM Form No. 703-D “*Details of Maintenance and Other Operating Expenses*”. Thus, there was no amount indicated in the line item for Loan Repayments and Sinking Fund Contributions, which eventually resulted in the exclusion of the corresponding amount of principal loan amortizations in the total COB for CY 2018.

Moreover, CWD’s CY 2018 COB aggregating ₱127,500,000.00 composed of the following:

Table 12 – Breakdown of CY 2018 COB

Reference	Particulars	Amount
DBM Form No. 703-C	Staffing Summary & Details of Salaries & Other Compensation of Permanent, Contractual and Casual Positions	₱39,721,827.63
DBM Form No. 703-D	Details of Maintenance and Other Operating Expenses	37,483,000.00
DBM Form No. 703-F	Capital Outlays Obligations by Object of Expenditures	50,345,000.00
Total		₱127,549,827.63

Inquiry with the Department Manager B, one who prepared the COB disclosed that this was overlooked since it was the first time that they presented the COB using the forms prescribed by the DBM. Principal loan repayments were included in the debt servicing portion of the CY 2018 Statement of Borrowings (DBM Form No. 702-D), but this was unintentionally excluded in the DBM Form No. 703-D.

We thus, recommended that Management submit authority from the governing board of the Water District for the release of funds appertaining to the payment of monthly principal loan amortizations for CY 2018 and obtain a post facto approval from the DBM, if warranted. Henceforth, ensure that all expenditures are covered with approved appropriations pursuant to Section 4 (1) of PD 1445.

During the exit conference, Management explained that they had already taken up and presented this matter to the Board of Directors for approval of supplemental budget.

8. **Some concessionaires were charged with water rate for residential category instead of commercial, thus depriving the Water District of additional income in 2018 totaling ₱0.497 million. This practice, if continued, is grossly disadvantageous to the Water District.**

Section 63 of PD 198 which is referred to as the “Provincial Water Utilities Act of 1973”, as amended, provides: “*The rates or charges established by such local district, after hearing shall have been conducted for the purpose, shall be subject to review by the Administration to establish compliance with the above-stated provisions.*”

The latest water rates of CWD was confirmed by the LWUA Board of Trustees on April 19, 2013 per Board Resolution No. 119, Series of 1993 and transmitted to the Water District in a letter dated April 19, 2013. The Schedule of Approved Water Rates carries the following classification of service connections: (1) Residential/Government; (2) Commercial/Industrial [Commercial A; Commercial B and Commercial C] and (3) Bulk/Wholesale. The lowest water rates under Commercial are as follows:

Meter Size	Minimum Charge	Commodity Charge (in cubic meter)			
		11-20	21-30	31-40	41-up
½” in diameter	₱ 292.00	₱ 31.20	₱ 36.40	₱ 42.40	₱ 49.40

Our audit disclosed that the rate applied to some accounts was the rate under the residential classification, instead of Commercial/Industrial. Considering the name of the account, one can discern that such is a commercial or an industrial establishment, thus, applying the rate for residential concessionaires is inappropriate.

Presented below are the accounts noted and the water consumption with the corresponding billed amount:

Table 13- List of concessionaires billed under the Residential Category instead of Commercial

Concessionaires	Consumption (in cu. m.) For CY 2018	Amount Billed	Should-Be (based on the LWUA approved water rates) *	Difference
QM Builders	6,469	₱156,280.30	₱312,560.60	₱156,280.30
Wee Eng Bldg.	6,021	145,214.70	290,429.40	145,214.70
John Dorf Ventures Corp.	3,479	82,427.30	164,854.60	82,427.30
Carcar Aquaforest	2,139	49,329.30	98,658.60	49,329.30
Carcar Parish Comfort Room	1,615	36,386.50	72,773.00	36,386.50
Quirante Construction	796	17,664.40	35,328.80	17,664.40
MGB-SDACI	219	3,754.10	7,508.20	3,754.10
CEBECO I	152	2,266.80	4,533.60	2,266.80
DYMR	53	1,752.00	3,504.00	1,752.00

Concessionaires	Consumption (in cu. m.) For CY 2018	Amount Billed	Should-Be (based on the LWUA approved water rates) *	Difference
Div. Credit Coop. (CCDCC)	5	1,752.00	3,504.00	1,752.00
Total		₱496,827.40	₱993,654.80	₱496,827.40
* Applying the lowest LWUA water rate under Commercial/Industrial				

As can be seen from the table above, even if the lowest base rate and variable unit rate under the Commercial/Industrial classification were applied, the present arrangement has deprived the Water District of additional income totaling ₱496,827.40 in CY 2018.

We wish to remind Management on the subject: Sanctions on the Misimplementation of Water Rates, as provided in Chapter 10 of the LWUA Manual on Water Rates and Related Practices, 2nd Edition, quoted as follows:

“In order to protect consumers from arbitrary and indiscriminate water rate increases, LWUA sees to it that only rates confirmed by the Administration are implemented. On this regard, LWUA takes due concern of district’s non-implementation of confirmed rates since such inaction affects its viability and capability to settle obligations. Towards this end, LWUA adopted specific sanctions on both the implementation of non-confirmed rates and the non-implementation of confirmed rates.”

We recommended that Management reassess the water rate applied to the affected concessionaires according to their correct classification under LWUA approved water rates. Henceforth, we recommended that Management ensure that correct rates are appropriately imposed corresponding to the concessionaire’s type of service connection.

During the exit conference, Management commented that reclassification for some concessionaires was already made. While others are still to be reclassified, but notices were already sent to concessionaires. Management further committed that classification of accounts will be reviewed regularly.

9. Payments of wages to Job Order personnel totaling ₱6.938 million in CY 2018 were not supported with duly verified Accomplishment Reports contrary to Section 4(6) of Presidential Decree (PD) No. 1445 and Section 1.2.1 of COA Circular No 2012-001 thus, the validity and propriety of the transactions could not be ascertained.

As stated in Section 4 (6) of PD No. 1445, *“Claims against government funds shall be supported with complete documentation”*.

In consonance with the above provision, COA Circular No. 2012-001 dated June 14, 2012 provides the documentary requirements as follows:

“1.2 Liquidation of Cash Advances

Documentary Requirements

1.2.1 Payroll Fund for Salaries, Wages, Allowances, Honoraria and Other Similar Expenses

- *In case of payment of personnel under the “job order” status, duly verified/accepted accomplishment report (Emphasis Supplied)*

For CWD, wages paid to Job Order (JO) personnel has been done through the cash advance made by the Cashier which is liquidated after distributing the net amount to the JOs. Verification of the Liquidation Reports prepared by the Cashier revealed that the only attachments were the Daily Time Records (DTRs) and the payroll with the respective signatures acknowledging receipt of their net pay for the period. The liquidations were not supported with the required individual Accomplishment Reports.

Review of the Job Order Contracts disclosed that the following were some of the specific work/job to be performed:

Table 14 - Sampled disbursements pertaining to the salary of Job Order Workers

Name	Specific Work/Job to be Performed	Duration	Rate per Day	Total Amount Received	Remarks
Antiquina, Neil M.*	<ul style="list-style-type: none"> • Prepare training materials and activities • Facilitate the CWD Team Building from February 16-17, 2019 	January 1 to February 15, 2018 (for 34 days)	₱ 650.00	₱ 22,100.00	Recorded under Training and Scholarship account
Antiquina, Joanne F.			650.00	22,100.00	
Crescencio, Jingle A.**			650.00	22,100.00	
Osorio, Theresa T.***			650.00	22,100.00	
Total				₱88,400.00	
*Lead Consultant in Lilolele Inc.(A Human Resources (HR), Organization Development (OD), Executive Search (Headhunting) and Family Life and Child Development (FLCD) consulting firm) with a monthly salary of ₱28,000.00 -as indicated in the PDS					
**Consulting Administrator in Lilolele Inc. with a monthly salary of ₱15,517.00					
***Administrative Assistant in Lilolele Inc. with a monthly salary of ₱12,264.00					
Ardon, Johnboy	<ul style="list-style-type: none"> • Laborer • Assist in the preparation of the CWD 38th CWD Anniversary 	April 16 to May 10, 2018 (for 18 days)	₱ 366.00	₱ 6,588.00	Recorded under Representation Expense account
Genovia, Etheine			366.00	6,588.00	
Baya, John Kevin R.			366.00	9,150.00	
Añasco, Rufa Mae			366.00	9,150.00	
Resurreccion, Jolan M.			366.00	9,150.00	

Name	Specific Work/Job to be Performed	Duration	Rate per Day	Total Amount Received	Remarks
Dela Cerna, Vanessa C.			366.00	9,150.00	
Lugtu, Carlo A.			366.00	9,150.00	
Padin, Lord Fritz			366.00	9,150.00	
Ludovice, Limbert D.			366.00	9,150.00	
Caballero, Ryan B.			366.00	9,150.00	
Total					
Alegado, Richter S.	<ul style="list-style-type: none"> To assist in Carcar Water District GAD activity 	October 5 to November 13, 2018 (for 25 days)	₱ 800.00	₱ 20,000.00	Recorded under Advertising Expense account
Alegado, Russel S.			800.00	20,000.00	
Burgos, Eugene			800.00	20,000.00	
Diaparine, Tito			386.00	9,650.00	
Bacus, Irene			386.00	9,650.00	
Total				₱79,300.00	
Suizo, Enrique M.	<ul style="list-style-type: none"> To process transfer of title in the name of Carcar Water District 	March 1-8, 2018	₱1,000.00	84,000.00	(1) Recorded under Other Deferred Charges - Land Titling account (2) Per monitoring or the Target Plans Schedule and Activities of the Land that was provided by the agency, of the eight (8) lots, no title has been transferred yet in the name of the Water District as of December 31, 2018.
		March 16 to June 30, 2018 (including Saturdays)	1,000.00		
		July 1 to September 30, 2018 (including Saturdays)	1,000.00	62,000.00	
		October 1 to December 31, 2018	1,000.00	46,000.00	
Total				₱192,000.00	

In the absence of the accomplishment reports, the validity and propriety of the above transactions cannot be ascertained, thus, the necessity of hiring them and the actual work rendered by the JOs could not be readily established.

According to Section 7.2 of the CSC-COA-DBM Joint Circular No. 1, s. 2017 dated June 15, 2017, *“Hiring of Job Order workers shall be limited to emergency or intermittent work, such as cleaning of debris on the roads, canals, waterways, etc. after natural/man-made disasters/occurrences; other trades and crafts, and manual tasks such as carpentry, plumbing, painting, electrical, and the like which are not part of the regular functions of the agency.”*

Accomplishment reports provide evidence that the payments to job orders are fair compensation for the services they have rendered for the operations or departments where they are assigned. Moreover, accomplishment reports can aid in the assessment of the job order workers' performance in relation to the tasks they undertake, hence, will enable an objective determination of the needed number of job orders to be employed on a periodic basis. This in turn, will ensure that the hiring of job order workers by the Water District is strictly based on necessity.

As of December 31, 2018, the total manning complement of CWD was 111 composed of 52 regular employees, 23 casual employees and 36 job order personnel.

We recommended and Management agreed to require the concerned Job Order personnel to submit their individual Accomplishment Reports duly verified and signed by their immediate supervisors before processing the payment of their wages to ensure that the amounts paid are based on the services actually rendered in accordance with their scope of work or assigned tasks.

We further recommended and Management agreed to prudently assess the necessity of hiring JOs especially in various events such as Team Building activities, CWD Anniversary, GAD activities, and the like.

Gender and Development

CWD had prepared a Gender and Development (GAD) Plan and Budget for CY 2018 which allotted ₱7.125 million for GAD activities or 5.59% of the total budget of ₱127.50 million. The total utilization for the GAD was ₱20.976 million or about 294.40% of the GAD Budget.

Compliance with Tax Laws

The regulations of the Bureau of Internal Revenue (BIR) on the withholding of required taxes were substantially complied with by CWD. The withheld taxes were remitted regularly to the 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 as shown below:

Table 15- Summary of tax remittances to BIR in CY 2018

Code	Tax Description	Amount
1601-E	Expanded W/holding Tax	₱ 714,695.61
1601-C	W/holding Tax - Compensation	732,184.02
1600	VAT	2,637,584.16
2551-M	Franchise Tax	1,567,349.45
Total		₱ 5,651,813.24

GSIS Deductions and Remittances

CWD 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 in compliance with Section 3.1.1 of the Rules and Regulations Implementing Republic Act No. 8291, otherwise known as the GSIS Act of 1997. The following were remitted in CY 2018:

Table 16- Summary of GSIS Remittances in CY 2018

Transactions Covered by the Remittance	Amount
GSIS Life and Retirement Premiums (Government Share)	₱1,991,689.05
Employees Compensation Contributions	91,152.55
GSIS Life and Retirement Premiums (Personal Share)	1,493,935.09
Consolidated Loan Repayments	1,457,794.10
Educational Assistance Loan	51,398.81
Emergency Loan	454,957.61
Policy Loan	10,000.00
Policy Loan-Optional	2,844.00
Total	₱ 5,553,771.21

Status of Audit Suspensions, Disallowances and Charges

In CY 2018, CWD has an unsettled disallowance on the payment of annual town fiesta souvenir program and anniversary bonus to regular and contractual personnel.

Table 17- Summary of Unsettled Disallowance as at December 31, 2018

Particulars	Balance December 31, 2017	Issued and Settled During the Year 2018		Balance December 31, 2018
Notice of Suspensions	-	-	-	-
Notice of Disallowances	₱ 144,000.00	-	-	₱ 144,000.00
Notice of Charges	-	-	-	-
Total	₱ 144,000.00	-	-	₱ 144,000.00

PART III

STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 27 prior years' audit recommendations and noted that 11 were fully implemented, six partially implemented and ten were not implemented as at December 31, 2018. The details are:

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
1. Semi-expendable properties below the capitalization threshold of ₱15,000.00 are still carried under the Properties, plant and Equipment (PPE) account with cost totaling ₱22.320 million, which is contrary to Section 5.4 of COA Circular No. 2016-006 dated December 29, 2016, thus, overstating the PPE account as at December 31, 2017. Moreover, discrepancy was noted between the Report on the Physical Count of PPE (RCPPE) and the property card as at the end of 2017 involving 33 items with cost aggregating ₱875,879.97.	We recommend that Management direct the Division OIC Manager-Finance to immediately draw a Journal Entry Voucher (JEV) to reclassify the semi-expendable items and the related Accumulated Depreciation to the appropriate accounts and thereafter to observe the ₱15,000.00 capitalization threshold when classifying/ recording a tangible item as PPE. Issue the	AAR CY 2017	Semi-expendable items were reclassified per JEV No. 18-06-2018.	Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	<p>corresponding Inventory and Custodian Slip (ICS) to establish accountability over these tangible items which were already issued to the end-users.</p>			
	<p>We also recommend that Management reconcile the variance as indicated in the RPCPPE with the accounting and property records and conduct further investigation on the circumstances surrounding the loss of some items which were not found during the actual count. If still unlocated, determine the concerned personnel liable for the loss and</p>		None	<p>Not Implemented</p> <p>Same audit observation was noted in this year's audit.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	require them to pay the cost of the property since the required request for accountability had not been filed within the prescribed period.			
2. Payments of monetization of 50% or more of Vacation/Sick Leave credits totaling ₱206,374.01 were allowed even without the supporting document indicating the valid and justifiable reasons to explain the payment thereof, which is required under Section 23 of the Omnibus Rules on Leave and COA Circular 2012-001 dated June 14, 2012.	We recommend that Management require the CWD personnel who availed of the monetization of 50% or more of their accumulated leave credits to submit proof that the proceeds thereof were used for reasons as cited in the Memorandum Circular. Henceforth, we recommend that Management ensure that monetization of 50% or more of the	AAR CY 2017	The letter request for leave credit monetization were filed together with the DVs.	Not Implemented No supporting documents were submitted as proof that the proceeds were used for reasons cited in the Memorandum Circular.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	<p>accumulated leave credits are supported with valid documents in compliance with Section 23 of the Omnibus Rules on Leave and COA Circular 2012-001 dated June 14, 2012 before processing the payment.</p>			
<p>3. Disbursements which were charged against the funds allocated for advertisements were not in conformity with the conditions set forth in Section 408(c) of the Government Accounting and Auditing Manual (GAAM) Volume 1 and COA Circular No. 2012-003, thus, the water district incurred an irregular expenditure aggregating ₱359,059.75.</p>	<p>We therefore recommend that Management strictly comply with the existing government rules and regulations as set forth in Section 408 (c) of the GAAM, Volume I and reiterated in COA Circular No. 2012-003 relative to the expenses to be charged against the funds allocated for the advertisements</p>	<p>AAR CY 2017</p>	<p>None</p>	<p>Not Implemented</p> <p>Management believes that these subject expenditures will foster goodwill with the community. These are also part of the GAD programs of the Water District as it aims to promote the local talents among the youth in Carcar City.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	of the water district.			
<p>4. Certain procurement transactions were consummated without complying with certain requirements under the Procurement Planning, as discussed below:</p> <p>a. Some procurement transactions were not included in the Annual Procurement Plan (APP), a violation of Section 7.2 of the revised IRR of RA 9184 and indicative of lapses in the Procurement Planning.</p> <p>b. The Procurement Management Plans (PPMP) were not properly accomplished.</p>	<p>We recommend that management require all concerned units of the Water District to comply with the instructions on the preparation of PPMPs and APP so that only goods and services that are crucial to the efficient discharge of the WD shall be included in the aforementioned documents.</p>	AAR CY 2017	<p>The Water District committed to comply with the provisions of R.A. 9184 on the preparation of the PPMP and the APP and the corresponding implementation thereof.</p>	<p>Fully Implemented</p> <p>Based on our checking, CY 2018 PPMP and APP were prepared in accordance with the requirements set in RA 9184.</p>
<p>5. Several other provisions of the Revised Implementing Rules and</p>	<p>We recommend that Management require strict</p>	AAR CY 2017	<p>The Water District ensured compliance with the provisions of R.A. 9184 for</p>	<p>Fully Implemented</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>Regulations (IRR) of RA 9184 have not been complied with by the Water District, as follows:</p> <p>a. The BAC Secretariat did not prepare minutes of the Pre-Bid Conference, Opening of Bids and Bid Evaluation for the procurement of 500 units Volumetric Water Meter ½” Brass which was publicly bidden on November 15, 2016.</p> <p>b. The BAC did not confirm nor secured a “received copy” of the invitations sent to observers, casting doubts on whether the communications sent were actually received by the addressees.</p> <p>c. Materials and fittings made of</p>	<p>compliance of the 2016 revised Implementing Rules and Regulations (IRR) of RA 9184 to ensure that all procurement awards and decisions will result in the most advantageous price and terms for the Water District.</p>		<p>every procurement transaction.</p>	

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>plastic but are regularly used for the day-to-day operations of the Water District were procured from a supplier and treated as a procurement thru Direct Contracting without sufficient justification for said decision.</p> <p>d. The Approved Budget for the Contract (ABC) for the procurement of goods costing ₱50,000.00 and below was not indicated in the Request for Quotation (RFQ), a requirement under Section V-C of the Specific Guidelines / Procedures for Shopping in the Revised Implementing Rules and Regulations (IRR) of RA 9184. Also, the deadline for the</p>				

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<p>submission of the RFQs was not indicated therein.</p> <p>e. The PPMPs and APP for CY 2017 were not updated for price changes that resulted from current approved procurement transactions.</p>				
<p>6. The Construction in Progress (CIP) account still included completed projects aggregating ₱20.125 million as at December 31, 2016 which is contrary to COA Circular 2015-010 dated December 1, 2015, thereby, misstating the affected asset accounts and the related accumulated depreciation and the understatement of the depreciation expense for CY 2016.</p>	<p>We recommend that Management require the Department Manager A, Accounting Department, to draw the Journal Vouchers for the reclassification of the completed projects from the CIP account to the appropriate asset accounts. Thereafter, require the computation of the monthly depreciation expense.</p>	<p>AAR CY 2016</p>	<p>Some of the projects were closed to PPE account.</p>	<p>Partially Implemented</p> <p>Documents are not yet complete to facilitate closure of the completed projects to PPE account.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	Also, we reiterate our previous year's recommendation that Management review the schedules supporting the CIP accounts so that the needed adjustments can be effected before the closing of the books of accounts.		Review of the CIP account has been done before the closing of the books. Completed projects with lacking documents are already monitored in order to effect the closure of such projects to PPE account.	Fully Implemented
7. The unused portion of earned leave credits of employees of CWD as of December 31, 2016 with money value totalling ₱2,127,595.00 was not recognized as liability, which is contrary to Paragraph 11 of the Philippine Accounting Standards (PAS) 19 and COA Circular 2015-010 dated December 1, 2015, thereby, resulting in the understatement of	We recommend that Management require the OIC, Division Manager-Finance, to draw the Journal Voucher for the booking of the money value of the unused portion of the earned leave credits of employees as of December 31, 2016. Also, Management	AAR CY 2016	Unused portion of earned leave credits were booked as liability.	Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
the liability account as at year end.	strictly adhere with the provisions of PAS 19 in recording the transactions pertaining to employees' benefits.			
8. Monetization of ten (10) days leave credits were granted to the Water District employees even if their accumulated Vacation Leave (VL) was less than 15 days and the required five days to be retained after monetization was not observed, hence, contrary to the provision of Section 22 of the Civil Service Commission (CSC) Memorandum Circular No. 41 series of 1998. Moreover, the number of days monetized and actually paid to two employees was not deducted from their respective leave balance as reflected in the leave cards.	We recommend that Management limit the grant of monetization of leave credits to officials and employees who meet the required number of leave credits pursuant to Section 22 of CSC Memorandum Circular 41, series of 1998. We also recommend that Management institute a periodic checking/ review of the employees' accumulated leave credits to ensure	AAR CY 2016	Monetization are granted to those who are qualified only and verification of the outstanding leave credits of an employee before monetization has already been practiced.	Fully Implemented
			Periodic review of all employees accumulated leave credits has been performed.	Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	correctness of the recorded leave balances.			
9. The General Ledger (GL) account balances of five PPE accounts cannot be relied upon since their balances had not been reconciled with the lapsing schedule and the results of the physical inventory count.	We reiterate our recommendation for management to direct the Accounting Division and the Supply Unit to reconcile the results of the physical count with the related accounting and property records, preferably before the end of the year, so that all identified differences can be disposed of/adjusted at the latest during the closing of the books of accounts of the ensuing year.	AAR CY 2015	None	Not Implemented Reiterated in Part II of the herein report.
10. The variances between the results of the physical inventory count and the balances appearing in the	We recommended that management require the Accounting Division and	AAR CY 2015	Current year's transactions, but prior years' discrepancies are yet to be reconciled.	Partially Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>Stock Cards (SC), Supplies Ledger Cards (SLC) and GL for the three inventory accounts 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 ₱646,298.35 was noted between the GL balance and the physical count.</p>	<p>the Property Unit to reconcile at the end of each month, the balances appearing in the GL, SL and PC to facilitate the identification of the causes for variances, if any. Thereafter, effect the necessary adjustments to correct either record.</p>			
<p>11. Several procurement transactions were awarded without complying the rules and regulations of RA 9184, the Government Procurement Reform Act.</p>	<p>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</p>	<p>AAR CY 2015</p>	<p>The Water ensured compliance with the provisions of R.A. 9184 for every procurement transaction.</p>	<p>Fully Implemented Procurement transactions with ABC above ₱50,000.00 are already posted.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	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 ₱50,000, now specifically enumerated in Annex H of the 2016 Revised IRR of RA 9184.			
12. Abnormal and dormant balances including one erroneous subsidiary account balance which was the outcome of the inappropriate accounting treatment of the covering transactions still formed part of the year-end account	We recommend that Management require the Finance Services Department to set a timetable for the re-verification/analysis of the abnormal and dormant	AAR CY 2015	All efforts had been exerted to trace the supporting documents of these accounts, but to no avail. Thus, Management considered presenting this audit	Partially Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
balance of various asset and liability accounts, a condition which may mislead users of the financial statements in making sound economic decisions. This situation also suggests that the Finance Services Department has not regularly monitored the disposal of these cases that resulted in the carry-over of the above-mentioned balances in the next accounting period.	account balances including the errors noted with a deadline for drawing the adjustments on these deficiencies.		observation to the Board of Directors for proposal to initiate the process of writing-off.	
	We also reiterate our previous years' audit recommendation requiring a semestral review of the composition/details of the account balances so that dormant items/abnormal balances contained therein can immediately be acted upon.		Review of composition of balances had been undergone. No additional accounts with dormant or abnormal balances in the financial statements of the Water District.	Fully Implemented
13. a.) 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	We recommend that management secure the required documents to validate the purchase transaction, which papers will		The process of titling of this land is on-going.	Partially Implemented

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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.	simultaneously fast track the titling of the acquired lot in the name of the Water District.			
b.) Four donated lots with a total land area of 282 square meters have not yet been recorded in the books of accounts because of lack of valuation.	We recommend that management request the Cebu Provincial Appraisal Committee to appraise all the donated lots so that the Water District will have a reliable basis for the costing and recording of the transactions in the books of accounts.		The process is on-going.	Partially Implemented
c.) Ownership of sixteen of parcels of land which were either donated to or purchased by the Water District with a total approximate land	We reiterated our previous years' audit recommendation for management to closely monitor the		The process of titling of this land is on-going.	Partially Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
area of 1,621.5 square meters has not yet been absolutely established as these properties are still not titled in the name of the Water District.	titling of the lots donated and/or purchased by the Water District to certainly establish ownership.			
14. Several government regulations on foreign travel were not complied with either during the release of the travel cash advance or at the time of the liquidation thereof, as follows: A. Foreign travels of three officials with a total cost of ₱53,795.88 were not supported with the approved Authority to Travel Abroad, a requirement under Section 2.d of LWUA Memorandum Circular No. 010-10.	Secure from LWUA an “after the fact” approval of their foreign travels; Render and submit a report on the foreign travels undertaken as required under Section 16 of EO 298 and Memorandum Circular No. 7, s. 2010 of the Office of the President.	AAR CY 2014	None	Not Implemented The concerned officials have yet to secure these documents.
B. All the officials who were on foreign travel have not submitted a	Submit the Statement on the Travelling Expenses and			Not Implemented The concerned

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
report on the forums attended though required under Section 16 of Executive Order No. 298 and reiterated in Memorandum Circular No. 7, s. 2010, issued by the Office of the President on November 19, 2010.	Allowances shouldered by the sponsoring organization of the VietWater 2014 Forum with the Certificate of Participation as these documents will be the basis to attest the propriety of the expenses listed in the Liquidation Report.			officials have yet to secure these documents.
C. The liquidation reports for the Vietnam trip were not supported completely with the required documents, making it difficult to determine the correct DSA due the employees. One official was paid the full Daily Subsistence Allowance (DSA) even if the invitation was inclusive of air fare and accommodation.	Refund the DSA granted for the Malaysia trip since the accommodation was paid by the sponsoring organization; and thereafter, see to it that all regulations on foreign travel are complied with prior to the grant of the cash advance for said official travel.		None	Not Implemented Management deemed it reasonable to grant the DSA to cover for the incidental expenses for the said travel.
15. The government counterpart for the BOD's	We recommended that	CYs 2010-2012	The Management has removed the	Fully Implemented

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<p>contribution to the provident Fund is without legal basis since Section 5.1.1 of DBM Budget Circular No. 2008-3 limits the membership to the Fund only to the incumbents of positions, whether permanent, casual, or contractual in nature. Accordingly, the subject expense is considered an irregular expenditure.</p>	<p>management secure from the Department of Budget and Management (DBM) an authority to provide a government counterpart for the BODs contribution to the Provident Fund. If such authority will not be granted, direct the Provident Fund to return to the Water District the government shares remitted from CY 2009 up to the present. In the meantime, we recommended the suspension of this particular benefit.</p>		<p>government counterpart and the refund was already made on Jan. 29, 2018 with Official Receipt No. 56903.</p>	
<p>16. The expenses that were capitalized and treated as reforestation project do not qualify as an asset of the water district under par 49, 89 and 90 of</p>	<p>We recommend that management direct the Department Manager C-Finance to close the asset</p>	<p>CYs 2010-2012</p>	<p>None</p>	<p>Not Implemented</p> <p>There has been a change in the administration of Barangay</p>

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<p>the Framework for the Preparation and Presentation of the Financial Statements. Moreover, the expenses incurred by Barangay Guadalupe in the amount of ₱150,000.00 which formed part of the account balance are regular operating expenses of the Barangay and not for a watershed management program. Also, the financial assistance of ₱150,000.00 was erroneously recorded as Advances to Officers and Employees.</p>	<p>account, Reforestation by way of Prior Period Adjustment to retained Earnings. Henceforth, we recommended strict compliance on the recognition of asset as set forth in the Framework for the Preparation and Presentation of Financial Statement.</p>			<p>Guadalupe and the new officials are still sorting the documents.</p>
	<p>We recommended that the management require Brgy. Guadalupe to replenish the ₱150,000.00 that was erroneously used by the Barangay so that the funds can be used for watershed management programs as agreed upon in the MOA.</p>			<p>Not Implemented</p> <p>There has been a change in the administration of Barangay Guadalupe and the new officials are still sorting the documents.</p>
17. The Board of	We	CYs	None	Not

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
Directors was granted in CY 2011 a Year-End Financial Assistance and Cash Gift without approval from the President as required under Section 8 (d) of Executive Order No. 24 dated February 10, 2011.	recommend that management require the members of the Board of Directors to refund the Year-End Financial Assistance and Cash Gift granted in CY 2011.	2010-2012		Implemented The financial assistance was granted prior to the receipt of the Memorandum which provides for the cancellation of such benefit.
	We further recommend that management strictly comply with the instructions contained in Section 3 of Executive Order No. 65 dated January 2, 2012 when granting allowances and other benefits to the members of the Board of Directors.			The granting of the Year-End Financial Assistance to the members of the Board of Directors had been stopped.