



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

June 26, 2020

ENGR. EDWARD L. REMO
General Manager
Carcar Water District
Carcar City, Cebu

Dear Engr. Remo:

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, 2019, 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 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 due to the non-reclassification of the completed projects to their appropriate asset accounts totaling ₱33.188 million or 66.25 percent of the Construction in Progress (CIP) account balance of ₱50.098 million, resulting in the non-provision of the related depreciation expense, which has an impact on the valuation of the reported assets and has understated the expenses account in CY 2019 by ₱1.390 million.

The above basis of our qualified opinion and other audit observations, together with the recommended courses of action, which were discussed by the Audit Team Leader with you via virtual exit conference on June 5, 2020, 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. The Administrator-Local Water Utilities Administration (LWUA)
- i. Governance Commission for Government-Owned or Controlled Corporations
- j. Presidential Management Staff, Office of the President
- k. National Library (soft Copy)
- l. University of the Philippines (UP) Law Center (soft copy)
- m. COA Commission Central Library (soft copy)

ANNUAL AUDIT REPORT

ON THE

CARCAR WATER DISTRICT

Carcar City, Cebu

For Calendar Year 2019

EXECUTIVE SUMMARY

A. INTRODUCTION

The 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, 2019, CWD had a total workforce of 90 employees composed of 85 regular personnel, and 5 casual employees. CWD is headed by General Manager Edward L. Remo.

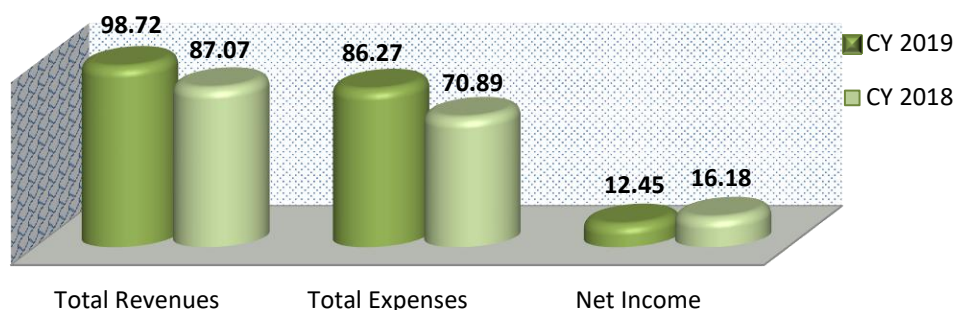
B. FINANCIAL HIGHLIGHTS

The financial position and results of operations for Calendar Years 2018 and 2019 are summarized in the following graphs:



Results of Operations

in Millions of
Philippine Pesos



C. OPERATIONAL HIGHLIGHTS

The following were among the reported accomplishments of the Water District for the year 2019 as compared with that of the previous year:

Category	2019	2018	Increase (Decrease)
Service Connections			
Total Services	21,216	20,545	671
Total Active	19,379	17,832	1,547
Total Metered	19,379	17,832	1,547
Total Billed Concessionaires	19,277	17,745	1,532
Water Production			
Pumped	3,039,813 m ³	2,364,769 m ³	675,044 m ³
Gravity	2,826,399 m ³	2,763,204 m ³	63,195 m ³

D. SCOPE OF AUDIT

The audit covered the financial transactions of CWD for Calendar Year 2019. The objectives of the audit were primarily to; (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations. On a test basis, it also included a review on the propriety of disbursements and other financial transactions to determine whether or not the transactions were made in accordance with existing laws, rules and regulations.

The general audit instructions for the conduct of the CY 2019 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 fairness of presentation of the financial statements of the Carcar Water District due to the non-reclassification of the completed projects to their appropriate asset accounts totaling ₱33.188 million or 66.25 percent of the Construction in Progress (CIP) account balance of ₱50.098 million, resulting in the non-provision of the related depreciation expense, which has an impact on the valuation of the reported assets and has understated the expenses account in CY 2019 by ₱1.390 million.

F. OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition to the above, the following were among the significant findings, with the corresponding audit recommendations, which are discussed in detail in Part II of the herein report:

1. The valuation of the recorded Property, Plant and Equipment (PPE) account balance aggregating ₱185.14 million (excluding Land and Construction in Progress) with net carrying amount of ₱110.16 million as at December 31, 2019 cannot be ascertained due to the non-recognition of impairment loss on certain PPE accounts, although indications of impairment existed, which is contrary to Philippine Accounting Standards (PAS) 1 and 36.

We reiterated our prior year’s audit recommendation that Management require the concerned personnel at the Accounting and Admin Divisions 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 still existed, to ensure that the affected PPE are carried at not more than their recoverable amount in compliance with Philippine Accounting Standards (PAS) 1 and 36.

We further recommended that Management require the immediate disposal of the defective and unserviceable properties, which were already inspected by the COA Technical Engineer, so that these items can already be derecognized from the books of the Water District in the next reporting period.

2. The accuracy and reliability of the Accounts Receivable (AR)-Trade with year-end balance of ₱6.502 million cannot be ascertained due to: (a) variance between the General Ledger (GL) balance and aging of AR totaling ₱0.771 million; and (b) the Allowance for Impairment amounting to ₱0.164 million or 2.50 percent of the year-end balance of the AR-Trade was not adequate, notwithstanding the CY 2019 aging/status of CWD’s unpaid accounts, to fairly present the AR at its estimated realizable value,

We recommended and Management agreed to identify the cause/s of the discrepancy between the balances of the General Ledger and the Aging of Accounts Receivable so that appropriate adjustment/s can be effected to fairly state the Accounts Receivable balance in the Statement of Financial Position as at year-end.

We recommended that Management develop an internal policy on the setting up of allowance for impairment based on their objective assessment on the collectability of the AR account in accordance with the provisions of PFRS 9.

3. Reconciling items in the Bank Reconciliation Statements (BRS) totaling ₱0.287 million were not recognized in the books of accounts as at year-end, resulting in the understatement of the Cash-in-Bank (CIB) account as at December 31, 2019 by the same amount.

We recommended and Management agreed to instruct the OIC Division Manager-Finance to immediately effect the adjustments and corrections, if any, in the Water District's books of accounts at the end of each reporting date to comply with the requirement of Paragraph 15 of PAS 1.

4. Disbursement amounting to ₱100,000.00, as partial payment of the cost of a parcel of land with an area of 100 square meters, was made despite absence of complete documents as required under Sections 13.1 and 13.2 of COA Circular No. 2012-001. This circumstance is not only contrary to Section 4(6) of Presidential Decree (PD) 1445 but may also lead to delay in the titling of the land in the name of the Water District.

We recommended and Management agreed to submit to the Audit Team the lacking documents, such as Survey Plan, Certification that there is no previous pending claim and previous payment on subject property; Environmental Clearance Certificate, and Independent appraisal report or Committee Resolution as to the valuation of the land to determine the reasonableness of the offered price, for further review and evaluation.

G. IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 29 prior years' audit recommendations and noted that 10 were fully implemented, six partially implemented and 15 were not implemented as at December 31, 2019.

H. STATUS OF SETTLEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES

In CY 2019, CWD has an unsettled disallowance on the payment of annual town fiesta souvenir program and anniversary bonus to contractual personnel.

Particulars	Beginning Balance December 31, 2018 (in ₱)	Issued and Settled from January to December 31, 2019 (in ₱)	Balance December 31, 2019 (in ₱)
Notice of Suspension	-	-	-
Notice of Disallowance	144,000.00	(119,000.00)	25,000.00
Notice of Charge	-	-	-
Total	144,000.00	-	25,000.00

TABLE OF CONTENTS

	Page No.
Part I Financial Statements	1
Independent Auditor's Report	
Statement of Management's Responsibility for Financial Statement	
Statement of Financial Position	
Statement of Comprehensive Income	
Statement of Cash Flows	
Statement of Changes in Equity	
Notes to Financial Statements	
Part II Audit Observations and Recommendations	2-17
Part III Status of Implementation by Management of Prior Years' Audit Recommendations	18-34



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, 2019 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, 2019, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The Construction in Progress (CIP) account was carried in the Statement of Financial Position at ₱50.098 million as at December 31, 2019. Completed projects totaling ₱33.188 million or about 66.25 percent of the year-end CIP balance were still not reclassified to their appropriate asset accounts, resulting in the non-provision of the related depreciation expense which has an impact on the valuation of the reported assets and likewise understated the expenses and overstated the net income in CY 2019 by ₱1.390 million.

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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 matters 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 PFRSs, 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.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud, may involve collusion, forgery, intentional omissions, misrepresentations, or other override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CWD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CWD's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

COMMISSION ON AUDIT

By:



JENNY D. DAYOLA
OIC-Supervising Auditor

June 22, 2020



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, 2019 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.

DANILO A. LEDESMA
Vice Chairman, Board of Directors

ENGR. EDWARD L. REMO
General Manager

JOSEFA SALVACION N. MANUGAS
Department Manager B

CARCAR WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Figures For The Year Ended December 31, 2018)

	Retained Earnings/ Deficit	Government Equity	TOTAL
BALANCE AT DECEMBER 31, 2017	₱ 119,075,187.76	₱ 3,549,905.53	₱ 122,625,093.29
CHANGES IN EQUITY FOR 2018			
Add/(Deduct):			
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
CHANGES IN EQUITY FOR 2019			
Comprehensive Income for the year	12,447,090.69		12,447,090.69
Other Adjustments	(3,113,398.04)		(3,113,398.04)
BALANCE AT DECEMBER 31, 2019	₱ 127,183,428.13	₱ 3,549,905.53	₱ 130,733,333.66

CARCAR WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Figures For The Year Ended December 31, 2018)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue	P	100,529,554.82	P 87,631,382.20
Trust Receipts		-	187,210.00
Other Receipts		281,218.84	400,068.31
Total Cash Inflows		100,810,773.66	88,218,660.51
Adjustments		925,809.42	893,527.09
Adjusted Cash Inflows		101,736,583.08	89,112,187.60
Cash Outflows			
Payment of Expenses		54,008,679.47	46,784,075.14
Purchase of Inventories		16,850,945.97	6,959,274.04
Grant of Cash Advances		-	117,180.00
Payments of Accounts Payable		443,906.48	339,385.48
Remittance of Personnel Benefit Contributions & Mandatory Deductions		14,917,189.72	14,303,982.31
Other Disbursements		326,392.79	396,637.71
Total Cash Outflows		86,547,114.43	68,900,534.68
Adjustments		769,516.99	429,391.60
Adjusted Cash Outflows		87,316,631.42	69,329,926.28
Net Cash Provided by (Used in) Operating Activities		14,419,951.66	19,782,261.32
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		15,794,324.45	34,350,596.21
Total Cash Outflows		15,794,324.45	34,350,596.21
Net Cash Provided by (Used in) Investing Activities		(15,794,324.45)	(34,350,596.21)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Domestic and Foreign Loans		-	32,900,000.00
Total Cash Inflows		-	32,900,000.00
Cash Outflows			
Payment of Long-Term Liabilities		5,243,574.63	4,399,125.29
Payment of Interest on Loans and Other Financial Charges		2,948,927.36	2,065,631.32
Total Cash Outflows		8,192,501.99	6,464,756.61
Net Cash Provided By/(Used In) Financing Activities		(8,192,501.99)	26,435,243.39
		(9,566,874.78)	11,866,908.50
Cash Provided by Operating, Investing and Financing Activities			
Add: Cash and Cash Equivalents, January 1		32,980,416.71	21,113,508.21
CASH AND CASH EQUIVALENTS, DECEMBER 31	4 P	23,413,541.93	P 32,980,416.71

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Figures For The Year Ended December 31, 2018)

	Note	2019	2018
Income			
Service and Business Income	16	₱ 98,530,610.73	₱ 86,842,386.84
Shares, Grants and Donations		189,210.00	226,782.88
Total Income		₱ 98,719,820.73	₱ 87,069,169.72
Expenses			
Personnel Services	17	₱ 36,414,125.27	₱ 31,802,865.49
Maintenance and Other Operating Expenses	18	37,916,679.55	29,727,876.14
Financial Expenses	19	2,948,927.36	2,065,731.32
Non-Cash Expenses	20	8,992,997.86	7,290,939.70
Total Expenses		₱ 86,272,730.04	₱ 70,887,412.65
Net Income/(Loss)		₱ 12,447,090.69	₱ 16,181,757.07

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

(With Comparative Figures For The Year Ended December 31, 2018)

	Note	2019		2018
ASSETS				
Current Assets				
Cash and Cash Equivalents	4	₱ 23,413,541.93	₱	32,980,416.71
Receivables	5	8,408,250.93		7,662,345.11
Inventories	6	7,562,508.72		4,529,517.63
Other Current Assets	9	781,552.16		389,458.14
Total Current Assets		40,165,853.74		45,561,737.59
Non-Current Assets				
Property, Plant and Equipment	7	163,768,853.98		149,352,911.58
Intangible Assets	8	107,650.04		381,532.52
Other Non-Current Assets	9	4,425,150.56		4,098,340.19
Total Non - Current Assets		168,301,654.58		153,832,784.29
Total Assets		₱ 208,467,508.32	₱	199,394,521.88
LIABILITIES AND EQUITY				
LIABILITIES				
Current Liabilities				
Financial Liabilities	10	₱ 11,985,420.15	₱	11,376,484.36
Inter-Agency Payables	11	1,529,895.56		1,112,096.90
Trust Liabilities	12	4,096,402.74		4,179,984.59
Other Payables	13	546,869.05		77,333.67
Provisions	14	4,460,683.44		-
Total Current Liabilities		22,619,270.94		16,745,899.52
Non-Current Liabilities				
Financial Liabilities	10	54,868,395.76		61,000,473.39
Deferred Credits/Unearned Income	15	246,507.96		248,507.96
Total Non-Current Liabilities		55,114,903.72		61,248,981.35
Total Liabilities		₱ 77,734,174.66	₱	77,994,880.87
EQUITY				
Government Equity		₱ 3,549,905.53	₱	3,549,905.53
Retained Earnings/(Deficit)		127,183,428.13		117,849,735.48
Total Equity		₱ 130,733,333.66	₱	121,399,641.01
Total Liabilities and Equity		₱ 208,467,508.32	₱	199,394,521.88

See accompanying Notes to Financial Statements.

**CARCAR WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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 2019 financial statements of the Carcar Water District were authorized for issue thru Board Resolution No. 1, series of 2020 dated February 11, 2020.

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, 2019 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.

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:

	2019	2018
Cash in Bank	₱ 18,804,922.29	₱ 28,431,318.94
Time Deposits - Local Currency	4,233,780.54	4,195,214.36
Cash on Hand	374,839.10	353,883.41
Total	₱ 23,413,641.93	₱ 32,980,416.71

5. RECEIVABLES

This account consists of:

	2019	2018
Accounts Receivable	₱ 7,640,705.41	₱ 7,276,950.37
Allowance for Impairment–Accounts Receivable	(163,554.86)	(163,454.85)
Net Value – Accounts Receivable	7,447,150.55	7,113,495.52
Due from Local Government Units	150,000.00	150,000.00
Other Receivables	710,681.52	318,217.55
Receivables – Disallowance/Charges	23,219.15	26,369.15
Due from Officers and Employees	47,199.71	54,262.89
Receivables, net	₱ 8,408,250.93	₱ 7,662,345.11

6. INVENTORIES

The details of this account are:

	2019	2018
Inventory Held for Consumption		
Beginning Balance	₱ 4,529,517.63	₱ 5,698,395.74
Additions/Acquisitions during the year	20,792,551.86	17,296,496.09
Expensed during the year except write-down	(17,759,560.77)	(18,465,374.20)
Total Inventory Held for Consumption	₱ 7,562,508.72	₱ 4,529,517.63

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, 2019</i>								
Carrying Amount, January 1, 2019	₱ 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
Additions/Acquisitions	265,500.00	14,626,637.22	4,930,632.08	5,247,649.95	2,034,588.00	258,059.94	15,546,281.98	42,909,349.17
Total	3,511,605.84	89,072,525.85	11,115,291.09	11,915,770.57	4,941,484.78	1,016,739.28	70,688,843.34	192,262,260.75
Disposals/ Reclassification	0.00	(1,159,399.36)	(28,642.94)	(135,172.47)	0.00	(37,202.08)	(20,591,321.45)	(21,951,738.30)
Depreciation	0.00	(3,512,835.29)	(609,071.14)	(1,675,155.72)	(549,530.60)	(195,075.72)	0.00	(6,541,668.47)
Carrying Amount, December 31, 2019	3,511,605.84	84,400,291.20	10,477,577.01	10,105,442.38	4,391,954.18	784,461.48	50,097,521.89	163,768,853.98
Gross Cost	3,511,605.84	142,428,656.09	15,446,179.09	18,248,813.31	7,247,346.79	1,767,583.31	50,097,521.89	238,747,706.32
Accumulated Depreciation	0.00	(58,028,364.89)	(4,968,602.08)	(8,143,370.93)	(2,855,392.61)	(983,121.83)	0.00	(74,978,852.34)
Net Book Value	₱ 3,511,605.84	₱ 84,400,291.20	₱ 10,447,577.01	₱ 10,105,442.38	₱ 4,391,954.18	₱ 784,461.48	₱ 50,097,521.89	₱ 163,768,853.98

	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

8. INTANGIBLE ASSETS

The details of this account are:

	2019	2018
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	443,991.48	396,491.52
Adjustments/Reclassification	232,682.52	(500.00)
Amortization	41,199.96	47,999.96
Balance, end of the year	717,873.96	443,991.48
Net Value – Computer Software	₱ 107,650.04	₱ 381,532.52

9. OTHER ASSETS

This is composed of the following:

	2019	2018
Other Current Assets		
Advances	₱ 0.00	₱ 20,319.58
Prepayments	352,578.76	60,125.00
Deposits	428,973.40	309,013.56
Total Other Current Assets	781,552.16	389,458.14
Other Non-Current Assets		
Restricted Fund	3,386,598.87	3,385,693.33
Other Assets	1,038,551.69	712,646.86
Total Other Non-Current Assets	4,425,150.56	4,098,340.19
Total Other Assets	₱ 5,206,702.72	₱ 4,487,798.33

10. FINANCIAL LIABILITIES

These are the composition of this account:

	2019	2018
Payables		
Accounts Payable	₱ 6,259,946.28	₱ 6,703,852.76
Due to Officers and Employees	164,339.27	0.00
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	5,561,134.60	4,672,631.60
Financial Liabilities – Current	11,985,420.15	11,376,484.36
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	54,868,395.76	61,000,473.39
Financial Liabilities – Non Current	54,868,395.76	61,000,473.39
Total Financial Liabilities	₱ 66,853,815.91	₱ 72,376,957.75

11. INTER-AGENCY PAYABLES

This account is composed of the following:

	2019	2018
Due to GSIS	₱ 539,609.68	₱ 302,608.29
Due to BIR	824,842.01	693,761.21
Due to Government Corporations	75,497.15	75,497.15
Due to Pag-IBIG	46,943.53	40,458.29
Due to PhilHealth	43,003.19	(228.04)
Total Inter-Agency Payables	₱ 1,529,895.56	₱ 1,112,096.90

12. TRUST LIABILITIES

This account is composed of the following:

	2019	2018
Customers' Deposits Payable	₱ 3,898,800.06	₱ 3,982,381.91
Guaranty/Security Deposits Payable	197,602.68	197,602.68
Total Trust Liabilities	₱ 4,096,402.74	₱ 4,179,984.59

13. OTHER PAYABLES

This account is composed of the following:

	2019	2018
Other Payables	₱ 546,869.05	₱ 77,333.67
Total	₱ 546,869.05	₱ 77,333.67

14. PROVISIONS

This account is composed of the following:

	2019	2018
Leave Benefits Payable	₱ 4,460,683.44	₱ 0.00
Total	₱ 4,460,683.44	₱ 0.00

15. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2019	2018
Other Unearned Revenue/Income	₱ 246,507.96	₱ 248,507.96
Total	₱ 246,507.96	₱ 248,507.96

16. INCOME

This account consists of the following:

	2019	2018
Service and Business Income		
Waterworks System Fees	₱ 90,158,586.32	₱ 80,202,175.94
Interest Income	49,696.12	49,544.30
Fines and Penalties – Business Income	3,394,075.80	3,043,767.22
Other Business Income	4,928,252.49	3,546,899.38
Total Service and Business Income	98,530,610.73	86,842,386.84
Shares, Grants and Donations		
Income from Grants and Donations in Cash	189,210.00	226,782.88
Total Shares, Grants and Donations	189,210.00	226,782.88
Total Income	₱ 98,719,820.73	₱ 87,069,169.72

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.

17. PERSONNEL SERVICES

Comprising this account are the following:

	2019	2018
Salaries and Wages	₱ 22,535,213.48	₱ 20,643,736.82
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,978,272.72	1,821,727.27
Representation Allowance (RA)	502,875.00	522,000.00
Transportation Allowance (TA)	502,875.00	522,000.00
Clothing/Uniform Allowance	450,000.00	450,000.00
Year End Bonus	430,000.00	380,000.00
Other Bonuses and Allowances	3,483,500.00	2,192,314.75
Total Other Compensation	7,347,522.72	5,888,042.02
Personnel Benefit Contributions		
Retirement and Life Insurance Premium	2,216,691.76	1,825,083.60
Pag-IBIG Contributions	99,690.00	90,700.00
Philhealth Contributions	234,518.35	205,216.36
Employees Compensation Insurance Premiums	99,525.85	83,652.55
Provident/Welfare Fund Contributions	1,328,110.41	1,159,589.41
Total Personnel Benefits Contributions	3,978,536.37	3,364,241.92
Other Personnel Benefits		
Terminal Leave Benefits	1,419,652.70	0.00
Other Personnel Benefits	1,133,200.00	1,906,844.73
Total Other Personnel Benefits	2,552,852.70	1,906,844.73
Total Personnel Services	₱ 36,414,125.27	₱ 31,802,865.49

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2019	2018
Total Traveling Expenses	₱ 396,648.94	₱ 381,716.40
Total Training and Scholarship Expenses	758,073.74	626,304.00
Supplies and Materials Expenses		
Office Supplies Expenses	524,370.66	453,547.86
Fuel, Oil and Lubricants Expenses	1,238,512.82	1,207,028.42
Total Supplies and Materials Expenses	1,762,883.48	1,660,576.28
Utility Expenses		
Electricity Expense	834,300.84	820,705.63
Total Utility Expenses	834,300.84	820,705.63
Communication Expenses		
Postage and Courier Services	15,850.00	16,570.00
Telephone Expenses	362,724.64	276,440.62
Total Communication Expenses	378,574.64	293,010.62
Awards/Rewards, Prizes and Indemnities		
Awards/Rewards Expenses	173,275.00	152,450.00
Indemnities	6,151.30	6,535.00
Total Awards/Rewards, Prizes and Indemnities	179,426.30	158,985.00
Total Generation, Transmission and Distribution Expenses	19,904,119.97	14,992,621.15
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary & Miscellaneous Expenses	100,329.50	111,455.94
Total Confidential, Intelligence and Extraordinary Expenses	100,329.50	111,455.94
Professional Services		
Legal Services	10,000.00	0.00
Auditing Services	120,000.00	8,319.00
Other Professional Services	3,200.00	0.00
Total Professional Services	133,200.00	8,319.00
General Services		
Security Services	1,118,475.12	1,056,448.93
Total General Services	1,118,475.12	1,056,448.93
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure Assets	6,959,730.25	4,610,677.53
Repairs and Maintenance-Building and Other Structures	164,667.53	66,191.51

	2019	2018
Repairs and Maintenance-Machinery and Equipment	423,116.27	357,756.84
Repairs and Maintenance-Transportation Equipment	330,948.50	443,715.34
Repairs and Maintenance-Furniture and Fixtures	64,587.58	6,229.50
Total Repairs and Maintenance	7,943,050.13	5,484,570.72
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	1,869,546.35	1,703,674.63
Insurance Expense	255,059.95	139,345.80
Total Taxes, Insurance Premiums & Other Fees	2,124,606.30	1,843,020.43
Other Maintenance and Operating Expenses		
Advertising Expenses	346,372.66	406,127.66
Representation Expenses	699,611.84	566,438.73
Membership Dues and Other Contributions to Organizations	1,000.00	19,353.00
Donations	30,608.80	31,197.08
Directors and Committee Members' Fees	700,812.00	699,192.00
Other Maintenance and Operating Expenses	504,585.29	567,833.57
Total Other Maintenance & Operating Expenses	2,282,990.59	2,290,142.04
Total Maintenance and Other Operating Expenses	₱ 37,916,679.55	₱ 29,727,876.14

19. FINANCIAL EXPENSES

This account is composed of the following:

	2019	2018
Interest Expenses	₱ 2,908,856.13	₱ 2,023,076.96
Bank Charges	40,071.23	42,654.36
Total Financial Expenses	₱ 2,948,927.36	₱ 2,065,731.32

20. NON-CASH EXPENSES

This account consists of the following:

	2019	2018
Depreciation		
Depreciation – Infrastructure Assets	₱ 3,512,835.29	₱ 2,381,882.11
Depreciation – Buildings and Other Structures	609,071.14	392,847.20
Depreciation – Machinery and Equipment	1,675,155.72	1,016,996.81
Depreciation – Transportation Equipment	549,530.60	471,849.36
Depreciation – Furniture, Fixtures and Books	195,075.72	165,959.45
Total Depreciation	6,541,668.47	4,429,534.93
Amortization – Intangible Assets	41,199.96	47,999.96
Impairment Loss – Loans and Receivables	100.01	2,516.29
Losses		
Loss on Sale of Assets	0.00	653,585.24
Total Losses	0.00	653,585.24
Discounts and Rebates		
Other Discounts	102,158.49	101,325.26
Rebates	2,307,870.93	2,055,978.02
Total Discounts and Rebates	2,410,029.42	2,157,303.28
Total Non-Cash Expenses	₱ 8,992,997.86	₱ 7,290,939.70

21. 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	₱ 5,169,141.00
Honorarium	221,904.00
Allowances	1,215,500.00
Personnel Benefit Contributions	533,722.32
Other Personnel Benefits	1,620,916.87
Total	₱ 8,761,184.19

PART II

OBSERVATIONS AND RECOMMENDATIONS

Financial Audit

1. Completed projects totaling ₱33.188 million or 66.25 percent of the Construction in Progress (CIP) account balance of ₱50.098 million as at December 31, 2019 were still not reclassified to their appropriate asset accounts. This condition resulted in the non-provision of the related depreciation, which has an impact on the valuation of the reported assets, and understatement of expenses account in CY 2019 by ₱1.390 million.

Paragraph 15 of the PAS 1 provides for the fair presentation and compliance with IFRSs as follows:

“Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation 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. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.” (Emphasis supplied)

COA Circular No. 2015-010 Annex A, **Construction in Progress-Infrastructure Assets** account is used to recognize the accumulated cost or other appropriate value of **infrastructure assets which are still in the process of construction or acquisition**. Said account is credited for reclassification to the proper Infrastructure Assets account upon completion.

Review of the CIP account of CWD revealed the composition of the said account as at December 31, 2019, as follows:

Construction in Progress (CIP) – Plant	Amount
On-going Projects (included in the QRGPPAs*)	₱ 16,311,445.71
On-going Projects (not included in the QRGPPAs) **	431,676.82
Subtotal – On-going Projects	16,743,122.53
Completed Project (2 nd Quarter, 2019)	8,172,543.54
Completed Projects (3 rd Quarter, 2019)	24,974,366.16
Projects under Commercial Division***	40,867.10
Subtotal – Completed Projects	33,187,776.80
Total CIP – Plant	₱ 49,930,899.33
Construction in Progress (CIP) – Buildings & Other Structures	

On-going Project (included in the QRGPPAs)	₱	166,122.56
Cost of an on-going project but recorded under the Subsidiary Ledger (SL) of a closed project (cost not included in the QRGPPAs)		500.00
Total CIP – Buildings & Other Structures	₱	166,622.56
TOTAL CIP AS AT DECEMBER 31, 2019	₱	50,097,521.89

*Quarterly Report on Government Projects/Programs/Activities (QRGPPA)-regularly submitted to COA

**Pro-poor project under VEI (Vitens) – for inclusion in the QRGPPAs

***On-going Clustering of Water Meters but completed clustering are regularly closed at year- end by the Commercial Division

Inquiry with the Operations and Maintenance Division disclosed that the completed projects were not yet closed in the CIP account because the site development office was still under construction and these was part of the Water Treatment Plant project. The projects that comprised the completed portions of the Water Treatment Plant are as follows:

Table 1- Completed projects which were still booked under the CIP account

Project Name	Amount	Status
Water Treatment Plant (Takdog)	₱ 23,687,579.52	Completed (3 rd quarter, 2019)
Water Treatment Plant - Clarifier/Tank	8,172,543.54	Completed (2 nd quarter, 2019)
Water Treatment Plant - Filter Shed	1,286,786.64	Completed (3 rd quarter, 2019)
Total	₱ 33,146,909.70	

These completed projects were already used in operations hence, would no longer qualify as CIP. The aforementioned projects should have been closed in the CIP account and transferred to its appropriate Property, Plant and Equipment (PPE) account for proper recognition of the depreciation expense. Paragraph 55 of Philippine Accounting Standards (PAS) 16 provides that, “*Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.*”

Inquiry with the Administration and Finance Services Department Manager disclosed that the clustering will be done per location and will be scheduled when there are enough personnel to implement it (i.e. no disconnection schedule and other urgent works.) While according to the Operations and Maintenance Division, the clustering of water meters was not included in the QRPGPPAs since this was handled and monitored by the Commercial Division. The clustered water meters are usually closed in the CIP account at year-end but was overlooked by the Commercial Division in CY 2019

Aside from the misclassification of the asset accounts, the CY 2019 expenses were also understated by ₱1,390,528.48 due to the non-recognition of the depreciation expense as shown in the following computation:

Table 2- Computation of Unrecognized Depreciation Expense as at 12/31/2019

Name of Project	Depreciable Amount (₱) (Net of 5%)	Useful Life	Monthly Depreciation (₱)	Date of Completion	Start of Depreciation	Acc. Depreciation in CY 2019 (₱)
Water Treatment Plant - Clarifier/Tank (Takdog)	7,763,916.36	10	64,699.30	May 16, 2019	June, 2019	452,895.12
Water Treatment Plant	22,503,200.54	10	187,526.67	July 31, 2019	August, 2019	937,633.36
Water Treatment Plant - Filter Shed, Takdog	1,222,447.31	10	10,187.06	Dec. 13, 2018	January, 2020	-
Transfer of Meter and Service Connection II	35,983.25	25	119.94			
Brass Water Meter Repair	2,840.50	25	9.47			
Total						1,390,528.48

The non-recognition of the related depreciation expense for these completed projects resulted in the understatement of the expenses and the overstatement of reported income by ₱1,390,528.48. It has also affected the valuation of the Water District's reported assets in CY 2019.

We recommended and Management agreed to instruct the Accounting Division to make the necessary adjusting entry to properly recognize the PPE account in CWD's books in accordance with COA Circular No. 2015-010. We proposed the following adjusting entry:

Accounts	Debit	Credit
<i>Buildings and Other Structures</i>	33,187,776.80	
<i>CIP-Water Treatment Plant - Clarifier/Tank (Takdog)</i>		23,687,579.52
<i>CIP-Water Treatment Plant</i>		8,172,543.54
<i>CIP-Water Treatment Plant - Filter Shed, Takdog</i>		1,286,786.64
<i>CIP-Transfer of Meter & Service Connection II</i>		37,877.10
<i>CIP-Brass Water Meter Repair</i>		2,990.00

We further recommended and Management agreed to require the Accounting Division to compute the depreciation expense starting the following month after the completion of the project and to record the corresponding accumulated depreciation using the proposed adjusting entry, as follows:

Accounts	Debit	Credit
<i>Retained Earnings</i>	1,390,528.48	
<i>Accumulated Depreciation Expense</i>		1,390,528.48

2. **The valuation of the recorded Property, Plant and Equipment (PPE) account balance aggregating ₱185.14 million (excluding Land and Construction in Progress) with net carrying amount of ₱110.16 million as at December 31, 2019 cannot be ascertained due to the non-recognition of impairment loss on certain PPE accounts, although indications of impairment existed, which is contrary to PAS 1 and 36.**

PAS 36 deals with impairment testing for all tangible and intangible assets, except for assets that are covered by other IFRS. Paragraph 8 thereof states that: “*An asset is impaired when its carrying amount exceeds its recoverable amount*”. Furthermore, Paragraph 9 of the said standard provides 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. Paragraph 12 of PAS 36 enumerated several external and internal sources of information which will guide the agency on how to determine or to assess whether there is any indication of impairment on its assets.

Review of the submitted Report on the Physical Count of PPE (RPCPPE) as at December 31, 2019 disclosed that the report included information on the conditions of the Water District’s assets such as defective and unserviceable, with summary as follows:

Table 3- Summary of defective and unserviceable properties of the CWD as at 12/31/2019

Account Description	Quantity	Total Cost (₱)
Defective:	18	846,711.59
Infrastructure Assets	4	99,618.59
Other Machineries and Equipment	14	747,093.00
Unserviceable:	59	2,346,210.97
Infrastructure Assets	14	421,797.28
Office Equipment	21	737,729.00
Land Transport Equipment	5	481,922.59
Other Machineries & Equipment	15	579,874.00
Furnitures and Fixtures	4	124,888.10
Total	77	3,192,922.56

Further verification disclosed that the total defective and unserviceable properties totaling ₱1,649,510.59 were already reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) for CYs 2017, 2018 and 2019 (₱22,500.00, ₱537,054.12 and ₱1,089,956.47, respectively). According to the Disposal Committee, another IIRUP will be prepared in CY 2020 on the remaining defective and unserviceable properties

reported in the CY 2019 RPCPPE to facilitate the request for disposal to the Commission on Audit (COA)

These defective and unserviceable properties are clear indications that impairment of Water District's assets existed. To illustrate, the properties included in the CY 2019 IIRUP costing ₱1,089,956.47 had a total carrying amount of ₱265,463.70 as per CWD's Lapsing Schedule as at December 31, 2019, but the total appraised value of these properties as shown in the IIRUP was only ₱10,520.00. In fact, these properties were already inspected by the COA Technical Services and was determined to be already dilapidated, beyond repair and considered junk or scrap.

This audit observation is a reiteration of the audit finding in CY 2018 AAR which remained unresolved as at December 31, 2019.

The non-recognition of the impairment loss in CWD's books of accounts casts doubt on the proper valuation of its PPE items as at reporting date.

We reiterated our prior year's audit recommendation and Management agreed to require the concerned personnel at the Accounting and Admin Divisions 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 still existed, to ensure that the affected PPE accounts are carried at not more than their recoverable amount in compliance with PAS 1 and 36.

We further recommended that Management require the immediate disposal of the defective and unserviceable properties, which were already inspected by the COA Technical Engineer, so that these items can already be derecognized from the books of the Water District in the next reporting period.

Management will proceed with the disposal upon receipt of the Appraisal Report from COA Technical Services Office.

- 3. The accuracy and reliability of the Accounts Receivable (AR)-Trade with year-end balance of ₱6.502 million cannot be ascertained due to: (a) variance between the General Ledger (GL) balance and aging of AR totaling ₱0.771 million; and (b) the Allowance for Impairment amounting to ₱0.164 million or 2.5 percent of the year-end balance of the AR-Trade was not adequate, notwithstanding the CY 2019 aging/status of CWD's unpaid accounts, to fairly present the AR at its estimated realizable value.**

Presented on the next page are the balances of the Accounts Receivable-Trade per GL and Aging of AR as at December 31, 2019:

Particulars	Balance
Accounts Receivable - Trade	₱6,126,686.40
Accounts Receivable - Unlocated Ledger *	375,309.01
Total	₱6,501,995.41
Aging of AR balance	₱6,106,006.42
Discrepancy as of December 31, 2019	₱395,988.99
<i>*- Difference between the GL balance and Aging of AR, CY 2013 audit observation</i>	

Analysis of the account AR-Trade disclosed the following deficiencies as discussed in the succeeding paragraphs:

- a. **Variance between the GL balance and aging of AR totaling ₱0.396 million, resulting in the misstatement of the AR-Trade account by the same amount which is contrary to Paragraph 15 of PAS 1.**

CWD has been utilizing two systems that affect the AR-Trade account, the Full Utilities Billing and Collection System for the billing and collection, and the Accounting System for the recording of the transactions in the books. For the AR account, the former's output is the Aging of the AR while the latter is the General Ledger. The two systems had been linked and yet, the GL balance of the AR account showed a discrepancy when compared with the Aging of the AR.

This audit observation had been brought to Management's attention in our CY 2013 Annual Audit Report. The GL balance then was higher than the Aging of AR balance by ₱375,309.01. This was reclassified to a separate subsidiary ledger under AR account referred to as the AR-Unlocated Ledger, pending identification of the cause/s of the variance for adjustment. In CY 2019, notwithstanding the previously isolated balance of ₱375,309.01, the GL balance was still higher than the Aging of AR by ₱395,998.99.

CWD's revenue is primarily generated from the collection of the Accounts Receivable. In this instance, the GL balance is greater than the Aging of AR, it can be deduced that the Water District has outstanding AR in its books that do not exist in the records of the Billing and Collection System, thereby casting doubt on the accuracy and reliability of these records.

We recommended and Management agreed to identify the cause/s of the discrepancy between the balances of the General Ledger and the Aging of Accounts Receivable so that appropriate adjustment/s can be effected to fairly state the Accounts Receivable balance in the Statement of Financial Position as at year-end.

Management commented that identification of the causes of the discrepancy is an on-going process.

- b. **The Allowance for Impairment amounting to ₱0.164 million or 2.50 percent of the year-end balance of the AR-Trade was not adequate, notwithstanding the CY 2019 aging/status of CWD’s unpaid accounts, to fairly present the AR balance at its estimated realizable value.**

The Philippine Financial Reporting Standards (PFRS) 9 – Financial Instruments, provides, among others, that financial assets shall be recognized initially at fair value plus transaction costs that are directly attributable to the acquisition. For short term receivables, the fair value is equal to the face value or original invoice amount. The accounts receivable shall be measured at net realizable value or the amount of cash expected to be collected or recovered from concessionaires. Allowance for Impairment is established when receivables are first estimated to be of doubtful collection. Usually, the amount will be based on the evaluation of factors such as aging of the accounts, collection experiences of the agency, the expected loss experiences and identified doubtful accounts.

The following are the details relative to the AR-Trade account of CWD as at year-end:

Table 4- Composition of receivable accounts Per Aging of AR

Status of Account	AR Balance	%
Active Accounts	₱ 3,840,696.98	62.90
Inactive Accounts	2,265,309.44	37.10
Total	₱ 6,106,006.42	100.00

Table 5- Computation of Allowance for Impairment

Age of AR				Total AR per Aging
1-60 Days	61-180 Days	181 Days-1 year	<1 year	
₱3,371,162.88	₱144,091.17	₱128,810.39	₱2,461,941.98	₱6,106,006.42
1%	2%	3%	5%	
₱33,711.63	₱2,881.82	₱3,864.31	₱123,097.10	₱163,554.86

In CY 2019, the AR balance for inactive accounts aggregated ₱2,265,309.44 but the Allowance for Impairment was only ₱163,554.86 or 7.22% of the inactive accounts. Our inquiry and review of the computation as shown in Table 5 disclosed that CWD was using the method and percentages provided in the NGAS Manual Volume I in setting up the Allowance for Impairment of AR. There was no indication that CWD conducted an assessment to determine the certainty of collectability of receivables from its concessionaires.

In order to fairly present the AR balance at its estimated realizable value, Management has to conduct an objective assessment on the collectability of these inactive accounts, as this is a vital condition so as to arrive a sound policy of providing the allowance for impairment of its outstanding AR.

We recommended that Management develop a system of setting up of allowance for impairment based on their objective assessment on the collectability of the AR account in accordance with the provisions of PFRS 9.

Management has formulated a new policy on setting up the Allowance for impairment for Accounts Receivable which was approved by the Board of Directors through Board Resolution No. 16 series of 2020.

4. Reconciling items in the Bank Reconciliation Statements (BRS) totaling ₱0.287 million were not recognized in the books of accounts as at year-end, resulting in the understatement of the Cash-in-Bank (CIB) account as at December 31, 2019 by the same amount.

The review of the CIB account of CWD as at December 31, 2019 noted variances between the Subsidiary Ledgers (SLs) and the BRS prepared by the Water District with the following details:

Table 6-Summary of Variances between the SLs and BRS

CIB Account	Balance		Variance (Short)/Over (in ₱)	Remarks
	Per SL (in ₱)	Per BRS (in ₱)		
Cash in Bank - Local Currency, CA LBP	11,613,499.16	11,898,036.44	(284,537.28)	3 rd quarter Vitens Evides International Payment - ₱282,808.53; Others - ₱1,728.75
Cash in Bank - Local Currency, CA DBP	7,191,423.13	7,193,951.16	(2,528.03)	Manager's Check, Interest Income and Withholding Tax
Time Deposits - Local Currency, DBP	4,233,780.54	4,233,780.54*	0.00	
Total	23,038,702.83	23,325,768.14	(287,065.31)	

* Balance reported in the BRS as of Nov. 19, 2019 (as per validation in the passbook)

Inquiry with the Finance Division disclosed that some of the reconciling items in the BRS were not yet available at the time of the Financial Statements (FS) preparation. The cut-off for the financial transactions to be included in the FS as at December 31, 2019 was made as early as second week of January, 2020 due to the January 15, 2020 deadline set by the Bureau of Internal Revenue (BIR) on the submission of their FS. Although, it is to be emphasized that Section 41 (2) of PD 1445 requires all government agencies to submit the financial statements to COA not later than February 14 of the following year.

The reconciling items in Land Bank of the Philippines (LBP) Current Account for CY 2019 which were recorded in January, 2020, are as follows:

Table 7- Reconciling items recorded in January 2020

Journal Voucher (JV) No.	JV Date	Reconciling Item	Amount
JV-20-01-004	01/17/2020	3 rd Quarter VEI Payment 12-17-2019	₱282,808.53
JV-20-01-005	01/17/2020	Acquisition of 5 pcs. Checkbooks 11-08-2019	(3,000.00)
JV-20-01-006	01/17/2020	Erroneous Entry Collection Notice502043 DV 19-12-1419	(1.00)
JV-20-01-007	01/17/2020	Interest Earned and Tax Withheld	2,493.14
JV-20-01-036	01/31/2020	JV-19-12-0404	0.01
Total			₱282,300.68

These reconciling items were already adjusted in the ensuing year, but still the reported balance as at December 31, 2019 did not reflect the actual balance of the CIB account which might mislead the users of CWD’s financial reports.

It was also noted that stale checks totaling ₱10,724.16 were still reported as Outstanding Checks in the BRS as at year-end. One of the stale checks amounting to ₱7,724.16 was issued by the Water District’s LBP-Current Account on July 30, 2018 but remained outstanding as at December 31, 2019. It was found out during the audit that the store of the named supplier in the stale check was no longer operational due to fire accident. We were informed that the owner and his wife were already deceased and so far, no claims were made by the heirs.

On the other hand, the other stale check dated September 28, 2018 amounting to ₱3,000.00 was reprocessed upon receipt of the written request from the payee. However, the entry made for the cancellation of the stale check under JV-19-08-219 was a debit to Retained Earnings and credit to Training Expense. The said entry was erroneous since the entry made should have been a debit to Cash in Bank and credit to Retained Earnings accounts (*since it was not formerly accrued under Accounts Payable account*). To mention, the Water District was not able to present to the Audit Team the disbursement voucher (DV) with reference No. 19-08-0995 that was issued to reprocess the aforementioned stale check. We were informed by the Cashier that she will inquire with the payee as the DV might have been left by the personnel who was tasked to deliver the check in the premises of the payee.

Although we acknowledge the effort of the Water District in tracing the unreconciled balance as at December 31, 2018, we reiterate that preparing the BRS and not adjusting the reconciling items as at December 31, 2019 defeats its purpose. Delaying the recording of the reconciling items may also lead to difficulty in tracing the variances if there’s any.

This audit recommendation had been brought to the attention of the Management in the CY 2018 Annual Audit Report (AAR). Until fully complied, the above issue has to be reiterated considering its effect in the balances of the affected accounts as at year-end.

We recommended and Management agreed to instruct the OIC Division Manager-Finance to immediately effect the adjustments and corrections, if any, in the Water District’s books of accounts at the end of each reporting date to comply with the requirement of Paragraph 15 of PAS 1.

We further recommended that Management require the Finance Division to draw the adjusting journal entry for the cancellation of the stale checks using the following proposed adjusting entry:

Accounts	Debit	Credit
<i>Cash in Bank</i>	<i>10,724.16</i>	
<i>Retained Earnings</i>		<i>10,724.16</i>

The adjusting entries for the two stale checks had been posted through JEV Nos. 20-03-109 and 20-03-110.

- 5. Service and Business Income account as reported in the CY 2019 Statement of Comprehensive Income was understated by ₱140,745.56 due to erroneous account used for the adjustments of billed water consumption for December 2018 and which affects the fair presentation of the financial statements of the Water District.**

Billing Adjustment Memos (BAM) are adjustments to the previous month’s water usage, amount of bill, and penalty due to erroneous readings, stacked water meters, among others. They are made/posted manually in the succeeding month through a Journal Entry Voucher (JEV) as an adjustment to Accounts Receivable (AR) and Service/Business Income accounts. Our review of the transactions affecting the AR account for CY 2019 disclosed that that the BAM for December 2018 was posted on January 31, 2019 through JEV Nos. 41 and 43 amounting to ₱140,406.73 and ₱338.83 respectively. The account credited was the AR account and debited the Service and Business Income account, instead of Retained Earnings, since the adjustment pertained to previous year’s income. Subsequent transactions were checked if such erroneous posting was reversed, but there was none.

Inquiry with the Department Manager–Finance disclosed that the recording of the usual entry in posting the BAM has been done monthly. However, for December 2018, it was overlooked as this was adjusted only in the early part of 2019, resulting in the understatement of the reported Service and Business Income in the Statement Comprehensive Income as at year-end which is contrary to PAS 1 on fair presentation of financial statements.

We recommended and Management agreed to adhere on the accounting standards in recording the income of CWD to ensure that the financial reports conform to the accounting framework as adopted by the Water District.

Other Audit Observation

6. Disbursement amounting to **₱100,000.00**, as partial payment of the cost of a parcel of land with an area of 100 square meters, was made despite absence of complete documents as required under Sections 13.1 and 13.2 of COA Circular No. 2012-001. This circumstance is not only contrary to Section 4(6) of Presidential Decree (PD) 1445 but may also lead to delay in the titling of land in the name of the Water District.

Section 4(6) of PD 1445, known as the Government Auditing Code of the Philippines mandates that, *“Claims against government funds shall be supported with complete documentation.”*

COA Circular No. 2012-001 dated June 14, 2012 treats on the subject: Prescribing the Revised Guidelines and Documentary Requirements for Common Government Transactions. Section 13.1 enumerates the documentary requirements for the acquisition of land as follows:

“Documentary Requirements common to both Negotiated Purchase and Payment by Court Decision

- *Project parcellary survey plan showing that said lot and structures are within the boundaries of the right-of-way;*
- *Structural Mapping Plan of the lot affected;*
- *Certification from the Head of the Implementing Office that there is no previous pending claim and previous payment on subject property;*
- *Environmental Clearance Certificate (ECC) as required under Section 8 of RA No. 8974;*

Additional Documentary Requirements

- *Independent Appraisal Report/Regional Committee Resolution indicating the valuation of the land. Valuation should be based on the provisions of RA No. 8974;*
- *Applicable BIR Zonal Value;*
- *Deed of Absolute Sale registered with the Register of Deeds (now Land Registration Authority (LRA)) where the land is located;*
- *Certified Photocopy of Tax Clearance from Assessor’s Office where the land is located*
 - *Certificate Authorizing Registration (CAR)*
 - *Capital Gains Tax (CGT)*

- *Documentary Stamp Tax (DST)*
- *Transfer Tax*
- *If registered land*
 - *If portion of lot is acquired, certified photocopy of Transfer Certificate of Title (TCT) and TD in the name of the procuring entity or previous owner **with annotation of sale** (Emphasis Supplied)*

Verification disclosed that CWD acquired a parcel of land with an area of 100 square meters costing ₱200,000.00 on December 27, 2018 intended to be used as well drilling site in Luan-luan, Poblacion I, Carcar City. This parcel of land was part of the 14,669 square meter lot owned by Ms. Estela Sarmiento under Tax Declaration No. 50764. On January 14, 2019, check no. 64070818 amounting to ₱100,000.00 was issued representing 50% partial payment of the total price under Disbursement Voucher (DV) No. 19-01-0045. The said payment was supported with a Deed of Acknowledgment of Receipt of Payment dated January 14, 2019 which was duly signed by the Vendor/Payee. The Deed of Absolute Sale executed between the Vendor and the Water District specifically stated that the remaining 50% will be paid upon annotation of the sale in the Tax Declaration of the property.

However, in our review of the supporting documents of DV No. 19-01-0045, it was noted that the only documents attached were:

1. Applicable BIR Zonal Valuation;
2. BOD Resolution authorizing for the purchase of lot;
3. Offer to Purchase with conformity from the lot owner dated October 1, 2018;
4. Tax Declaration of the property purchased under the name of Vendor (no annotation of the sale)
5. Deed of Absolute Sale (not yet registered with the LRA)
6. Declaration of Ownership from the Vendor
7. Tax Clearance of the subject property

The rest of the required supporting documents required under COA Circular No. 2012-001 dated June 14, 2012 were not attached in the DV. A demand of the said supporting documents was made through email on March 11, 2020 but no official reply was given by Management.

It can be clearly construed that Management has allowed the payment for the said lot acquisition even if the basic documents required for the transaction have not yet been submitted/completed which is contrary to Section 4(6) of PD 1445.

We recommended and Management agreed to submit the lacking documents, for review and evaluation, such as:

- a. Survey Plan;
- b. Certification that there is no previous pending claim and previous payment on subject property;
- c. Environmental Clearance Certificate
- d. Independent appraisal report or Committee Resolution as to the valuation of the land to determine the reasonableness of the offered price.

We also recommended and Management agreed to ensure that the following documents are secured prior to the full payment of the remaining balance, to wit:

1. Deed of Absolute Sale registered with the Register of Deeds (now Land Registration Authority) where the land is located; and
 2. Certified photocopy of Transfer Certificate of Title (TCT) and TD in the name of the procuring entity or previous owner with annotation of sale
7. The GAD Plan and Budget (GPB) for CY 2019 was not submitted to the Philippine Commission on Women (PCW) through the Local Water Utilities Administration (LWUA) for review and endorsement as required under PCW Memorandum Circular (MC) No. 2015-03 which was further extended under MC No. 2016-06 dated October 10, 2016. Thus, without LWUA's review and endorsement by the PCW, there is no assurance that all the listed GAD activities are addressing women concerns and gender issues.

PCW-NEDA-DBM Joint Circular No. 2012-01 sets forth the revised Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budgets (GPBs) and Accomplishment Reports (ARs) to Implement the Magna Carta of Women. This Joint Circular supersedes the DBM-NEDA-NCRFW Joint Circular No. 2004-1 dated April 5, 2004. It took effect beginning 2013 for the GAD planning and budgeting process of FY 2014 and the ensuing years until repealed.

For Local Water Districts (LWDs), the guidelines on the review and endorsement of the annual GPBs was issued by PCW under Memorandum Circular No. 2015-03 dated May 19, 2015, quoted as follows:

“In the case of water districts, this Memorandum Circular sets the Local Water Utilities Administration (LWUA), which exercises regulatory jurisdiction over water districts, as the preliminary reviewer of water district GPBs. Xxx... The LWUA shall then forward the reviewed GPBs to the PCW for final review and endorsement.” (Emphasis supplied)

“Given, however, that the LWUA needs time to build its personnel's knowledge and skill on gender mainstreaming, particularly on GAD planning and budgeting, to be able to effectively carry out the review of GPBs, a

moratorium on the review and endorsement of water district GPBs is, hereby, imposed for fiscal years 2016 and 2017.

During the moratorium period, the LWUA and the water districts shall continue to prepare and submit their annual GPBs and GAD ARs online through the GMMS or in hard copies to the LWUA, which shall then compile and transmit these to PCW for inclusion in the annual GAD budget report and other purposes.

Thereafter, starting with the GAD planning and budgeting cycle for fiscal year 2018, all water district GPBs and GAD ARs shall be submitted online through the GMMS and reviewed by the LWUA before being submitted to the PCW for its final review and endorsement.”

The said moratorium was further extended under PCW MC No. 2016-06 dated October 10, 2016, due to the need to clarify the operational procedures for the submission, review and endorsement of LWD GPBs, and the on-going enhancement of the Gender Mainstreaming Monitoring System (GMMS) considering the large number of LWDs. As mentioned also in the Circular:

“3.0 Nonetheless, during the moratorium period, LWDs shall continue to prepare their annual GPBs and GAD ARs in line with the GAD planning and budgeting provisions under Section 36 of Republic Act No. 9710 or the Magna Carta of Women. The preparation of GPBs and GAD ARs shall follow the parameters set under PCW MC 2015-03 and PCW-NEDA-DBM Joint Circular 2012-01, particularly on the identification of gender issues/GAD mandates and the development of corresponding GAD programs, activities and projects (PAPs) to address these.

4.0 All LWD GPBs and GAD ARs shall be submitted to the LWUA. In addition, for Categories A, B and C LWDs, their GPBs shall be reviewed by LWUA, but will not be reviewed nor endorsed by PCW during the moratorium period.

5.0 Xxx..

6.0 Xxx..

7.0 The moratorium shall take effect immediately and shall be in force until a new Memorandum Circular has been issued to lift it.”
(Emphasis supplied)

For CY 2019, CWD allotted GAD Budget (GPB) amounting to ₱6.73 million or 5.34% of the total approved budget of ₱126.06 million. About ₱5.46 million were utilized for its GAD related activities or 81% of the GAD allocation. The said GPB was not submitted to the LWUA for review, instead, it was attached to the CY 2019 Corporate Operating Budget which was submitted to the Department of Budget and Management

(DBM). It is informed however, that the CY 2020 GPB and the CY 2019 AR were already emailed to LWUA in March, 2020.

Nevertheless, the failure to submit the CY 2019 GPB to LWUA raises the question on whether the listed GAD activities are addressing women concerns and gender issues.

We recommended and Management agreed to strictly comply with the requirements set under the PCW MC Nos. 2016-06 dated October 10, 2016 and 2015-003 dated May 19, 2015 particularly on the submission of the GAD Plan and Budget and the GAD Accomplishment Report to LWUA for proper review and endorsement.

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:

Table 8- Summary of Tax Remittances to BIR in CY 2019

Code	Tax Description	Amount
1601-E	Expanded W/holding Tax	₱ 389,491.00
1601-C	W/holding Tax - Compensation	875,163.40
1600	VAT	2,267,206.43
2551-M	Franchise Tax	1,744,389.38
Total		₱ 5,276,250.21

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 2019:

Table 9- Summary of Remittances to GSIS in CY 2019

Transactions Covered by the Remittance	Amount
GSIS Life and Retirement Premiums (Government Share)	₱ 2,216,691.76
Employees Compensation Contributions	99,525.85
GSIS Life and Retirement Premiums (Personal Share)	1,712,924.99
Consolidated Loan Repayments	1,454,775.29
Educational Assistance Loan	42,250.65
Emergency Loan	304,313.12
Policy Loan	20,750.00
Total	₱ 5,851,231.66

Status of Settlement of Suspensions, Disallowances and Charges

In CY 2019, CWD has an unsettled disallowance on the payment of annual town fiesta souvenir program and anniversary bonus to contractual personnel.

Particulars	Beginning Balance December 31, 2018	Issued and Settled in CY 2019	Balance December 31, 2019
Notice of Suspension	-	-	-
Notice of Disallowance	₱ 144,000.00	(₱ 119,000.00)	₱ 25,000.00
Notice of Charge	-	-	-
Total	₱ 144,000.00	(₱ 119,000.00)	₱ 25,000.00

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 29 prior years' audit recommendations and noted that 10 were fully implemented, six partially implemented and 15 were not implemented as at December 31, 2019. 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>
<p>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:</p> <p>(a) discrepancy between the balances as presented in the Statement of Financial Position and the supporting General Ledger;</p> <p>(b) unaccounted properties which were included in the CY 2018 Report on Physical</p>	<p>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.</p>	AAR CY 2018	<p>The discrepancies had been accounted.</p>	<p>Fully Implemented</p> <p>Already corrected by Management, as at year-end, there was no discrepancy noted between the balances in the Statement of Financial Position and the supporting General Ledgers.</p>
	<p>We recommended that Management to require the Administrative Division Manager to conduct an investigation relative to these missing items/properties. If</p>	AAR CY 2018 & AAR CY 2017	<p>Missing PPEs were located and accounted.</p>	<p>Fully Implemented</p> <p>No unaccounted PPEs for CY 2019.</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>Count of Property, Plant and Equipment (RPCPPE); and</p> <p>(c) no impairment loss was recognized on the affected asset accounts although indications of impairment existed.</p>	<p>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</p>			
	<p>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</p>	<p>AAR CY 2018</p>	<p>No impairment loss for PPEs had been recognized yet.</p>	<p>Not Implemented. Still included in this year's audit observations</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	Standards (PAS) 36.			
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).	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.	AAR CY 2018	The variance had been traced but still not recognized in the books.	Not Implemented Still included in this year's audit observations
	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.	AAR CY 2018	Monthly review had been practiced but no JEV was prepared to recognize all reconciling items in the books.	Not Implemented Still included in this year's audit observations
3. The reported Service and Business Income in CY 2018 was overstated by ₱0.139 million due to the inclusion of	We recommended and Management agreed to implement a review mechanism on the Billing Proof List so as to detect	AAR CY 2018	Review of the Billing Proof List had been implemented but the necessary adjustment/	Not Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
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.	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.		correction was not yet made.	
<p>4. The balance of the Advances to Offices and Employees account amounting to ₱20,319.58 cannot be relied upon due to the following:</p> <p>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.</p>	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.	AAR CY 2018	Discrepancy has been adjusted/reconciled.	Fully Implemented Balance appearing in the GL was checked against balances in the Trial Balance and Statement of Financial Position.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
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.	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.	AAR CY 2018	Liquidation reports had been submitted to support the liquidation of Cash Advances.	Fully Implemented Liquidation Reports were checked for every liquidation of Cash Advances that were recorded in the books.
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	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	AAR CY 2018	The Accounts Payable was reversed to Retained Earnings on Dec. 27, 2019 through JEV No. 19-12-0368.	Fully Implemented JEV 19-12-0368 was obtained.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
on the reversion of unliquidated balances of accounts payable and transfer of unexpended balances to the general fund.	Sections 98 and 99 of P.D. 1445.			
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.	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.	AAR CY 2018	The retention fee and accrual of leave benefits had been reclassified to Guaranty/Security Deposits Payable and Leave Benefits Payable account, respectively.	Fully Implemented Reclassification of the balances to their appropriate account was already verified.
7. The Principal loan amortizations which were paid in CY 2018 totaling ₱4.399 million was not included in the Corporate	We thus, recommended that Management submit authority from the governing board of the Water District for the release of funds	AAR CY 2018	Obtained the authority from the governing board through Board Resolution No. 11 series of 2019	Partially Implemented Obtained copy of the Board Resolution.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
Operating Budget (COB), thus, payment was without appropriation, a violation of Section 4 (1) of PD 1445.	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.		dated May 30, 2019.	Post facto approval from DBM was not secured.
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.	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.	AAR CY 2018	Water rates of the concessionaires cited had been reclassified to commercial rates.	Fully Implemented Applied water rates classifications for the cited concessionaires were verified and had already changed it to commercial .

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
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.	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.	AAR CY 2018	Accomplishment Reports were submitted.	Fully Implemented The DVs were verified and all paid transactions were supported with Accomplishment Reports.
	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.	AAR CY 2018		Not Implemented JOs were still hired for CWD's Team Building and GAD activities.
10. Payments of monetization of 50% or more of Vacation/Sick Leave credits totaling ₱206,374.01 were	We recommended that Management require the CWD personnel who availed of the monetization of 50% or more of	AAR CY 2017	The letter requests for leave credit monetization were filed	Not Implemented No supporting documents were

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>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.</p>	<p>their accumulated leave credits to submit proof that the proceeds thereof were used for reasons as cited in the Memorandum Circular.</p> <p>Henceforth, we recommend that Management ensure that monetization of 50% or more of the 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>together with the DVs.</p>	<p>submitted as proof that the proceeds were used for reasons cited in the Memorandum Circular.</p>
<p>11. 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</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</p>	<p>AAR CY 2017</p>		<p>Not Implemented</p> <p>Management believes that these subject expenditures will foster goodwill with the community. These are also part of the</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
(GAAM) Volume 1 and COA Circular No. 2012-003, thus, the water district incurred an irregular expenditure aggregating ₱359,059.75.	to the expenses to be charged against the funds allocated for the advertisements of the water district.			GAD programs of the Water District as it aims to promote the local talents among the youth in Carcar City.
12. 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.	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.	AAR CY 2016		Not Implemented Still included in this year's audit observations
13. The General Ledger (GL) account balances of five PPE accounts cannot be relied upon since their balances had not been reconciled	We reiterate our recommendation for management to direct the Accounting Division and the Supply Unit to reconcile the	AAR CY 2015	PPE GL balances had been reconciled with the lapsing schedule and the results of the physical count.	Fully Implemented GL balances were verified against the lapsing schedule and

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
with the lapsing schedule and the results of the physical inventory count.	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.			results of the physical count.
14. The variances between the results of the physical inventory count and the balances appearing in the 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	We recommended that management require the Accounting Division and the Property Unit to reconcile at the end of each month, the balances appearing in the GL, SL and PC to facilitate the identification of the causes for variances, if any. Thereafter, effect the necessary adjustments to correct either record.	AAR CY 2015	Monthly reconciliation has been performed but causes for the variances had not been identified yet.	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>
GL balance and the physical count.				
15. 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 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.	We recommend that Management require the Finance Services Department to set a timetable for the re-verification/analysis of the abnormal and dormant account balances including the errors noted with a deadline for drawing the adjustments on these deficiencies.	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 observation to the Board of Directors for proposal to initiate the process of writing-off.	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>
16. 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 Sections 13.1 and 13.2 of COA Circular No. 2012-001. This circumstance is not only a violation of Section 4(6) of PD 1445 but may also lead to delay in the titling of the land in the name of the Water District.	We recommended that management secure the required documents to validate the purchase transaction, which papers will simultaneously fast track the titling of the acquired lot in the name of the Water District.	AAR CY 2015	The process of titling of this land is on-going.	Partially Implemented
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 recommended 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.	AAR CY 2015	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>
c.) Ownership of sixteen parcels of land which were either donated to or purchased by the Water District with a total approximate land 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.	We reiterated our previous years' audit recommendation for management to closely monitor the titling of the lots donated and/or purchased by the Water District to certainly establish ownership.	AAR CY 2015	The process of titling of this land is on-going.	Partially Implemented
17. 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	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		Not Implemented The concerned officials have yet to secure these documents.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
Circular No. 010-10.				
B. All the officials who were on foreign travel have not submitted a 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.	Submit the Statement on the Travelling Expenses and 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.			Not Implemented The concerned 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.	For the refund of the DSA granted for the Malaysia trip as the accommodation which was paid by the sponsoring organization and for other similar claims, see to it that all regulations on foreign travel are complied with prior to the grant of the cash advance for said official travel.			Not Implemented Management deemed it reasonable to grant the DSA to cover for the incidental expenses for the said travel.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
18. 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 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.	We recommend that management direct the Department Manager C-Finance to close the asset 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.	CYs 2010-2012	Correcting entry was posted on April 30, 2013 through Journal Voucher No. 13-04-0086.	Fully Implemented JV No. 13-04-0086 was checked.
	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.			Not Implemented There has been a change in the administration of Barangay Guadalupe and the new officials are still sorting the documents.
19. The Board of Directors was granted in CY 2011 a Year-End	We recommend that management require the members of the	CYs 2010-2012	Granting of Year-end Financial Assistance and	Not Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
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.	Board of Directors to refund the Year-End Financial Assistance and Cash Gift granted in CY 2011.		Cash Gift had been stopped since CY 2012.	No refund has been made until to date.