

# **ANNUAL AUDIT REPORT**

**ON THE**

**CARCAR WATER DISTRICT**

**Carcar City, Cebu**

**For Calendar Year 2020**

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Carcar Water District (CWD) is a government-owned and controlled corporation created and existing by virtue of Presidential Decree No. 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.

In Calendar Year (CY) 2020, CWD received a Bronze Award (Level 2 Accreditation) from Civil Service Commission for achieving Level II maturity of the four core systems of Program to Institutionalize Meritocracy and Excellence in Human Resource Management (PRIME-HRM).

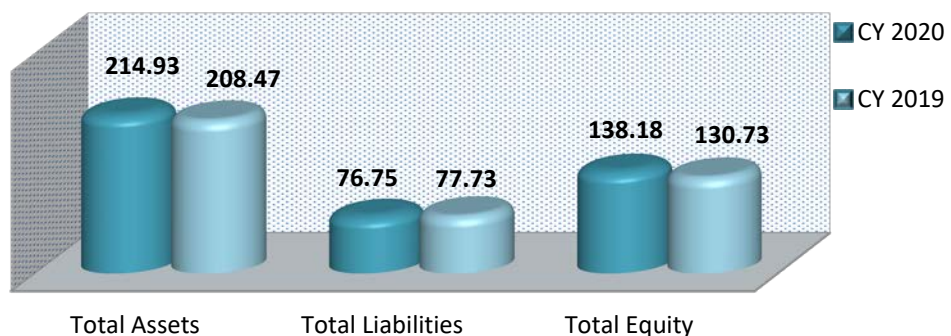
As of December 31, 2020, CWD had a total workforce of 89 employees composed of 86 regular personnel, and 3 casual employees. CWD is headed by General Manager Edward L. Remo.

### B. FINANCIAL HIGHLIGHTS

The financial position and results of operations for CYs 2019 and 2020 are summarized in the following graphs:

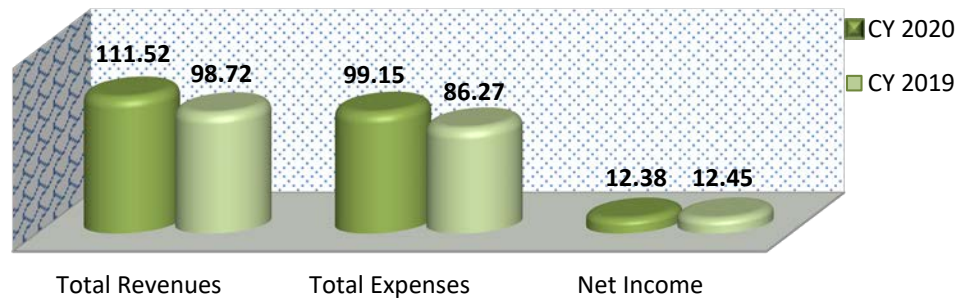
#### Financial Position

in Millions of  
Philippine Pesos



**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 2020 as compared with that of the previous year:

Category	2020	2019	Increase (Decrease)
<b>Service Connections</b>			
Total Services	22,746	21,216	1,530
Total Active	20,751	19,379	1,372
Total Metered	20,751	19,379	1,372
Total Billed	20,618	19,277	1,341
<b>Concessionaires</b>			
<b>Water Production</b>			
Pumped	2,689,894 m <sup>3</sup>	3,039,813 m <sup>3</sup>	(349,919) m <sup>3</sup>
Gravity	3,739,862 m <sup>3</sup>	2,826,399 m <sup>3</sup>	913,463 m <sup>3</sup>

**D. SCOPE OF AUDIT**

The audit covered the financial transactions of CWD for CY 2020. 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’ unimplemented 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 2020 Audit of the Water Districts were likewise considered, when applicable.

## **E. AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

We rendered an unmodified opinion on the fairness of presentation of the financial statements of the CWD as at December 31, 2020.

## **F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

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

1. The use of Emergency Procurement (Special Repeat Order) under Republic Act (RA) No. 11469 or the Bayanihan Act as the procurement modality on the purchase of 2,000 units of volumetric water meters ½” Brass totaling ₱2.290 million was deemed inappropriate and not in accordance with Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020. In addition, the mandatory requirement of posting in the GPPB online portal of the procurement data for all contracts awarded through Emergency Procurement under the Bayanihan Act was not adhered to by the Water District.

We recommended that Management: (a) require the Bids and Awards Committee (BAC) to justify/explain fully the reason/s for resorting to Special Repeat Order (Emergency Procurement) in the purchase of the volumetric water meters although one of the required conditions on the use of the said procurement modality was not met; and (b) comply with the posting requirement as mandated under GPPB Circular No. 01-2020 and GPPB-Technical Support Office Advisory 05-2020.

We further recommend that henceforth, Management and the BAC ensure that the specific conditions and requirements in the procurement as set forth in certain issuances by the GPPB are strictly complied with.

2. The payment of COVID-19 hazard pay to the security personnel engaged through Institutional Contract of Service is inconsistent with Item 3.6 of the Department of Budget and Management (DBM) Budget Circular No. 2020-01 dated March 24, 2020 and Item 6.1.4 of the Civil Service Commission-COA-DBM Joint Circular No. 1, series 2017, thus incurring irregular expenditures of ₱87,500.00.

We recommended and Management agreed to demand from the Security Agency a refund on the payment of hazard pay to its security personnel totaling ₱87,500.00 for the period covered March 30 to May 15, 2020 and ensure that the COVID-19 hazard pay shall be granted only to those

authorized to receive the said grant in accordance with the guidelines issued by the DBM and COA.

3. Annual water charges paid to the National Water Resources Board (NWRB) for CY 2020 totaling ₱40,095.77 was contrary to the decision of the Office of the Secretary of Justice (OSJ) under OSJ Case No. 01-2010 dated March 29, 2012, thus, the payment is without legal basis.

We recommended and Management agreed to request from NWRB for the refund of the payments made on the annual water charges collected and paid by the NWRB and the Water District, respectively, for lack of legal basis.

4. Copies of perfected contracts and supporting documents for various procurements aggregating ₱6.947 million including the contract of lease entered into by the Water District in CY 2020 were not submitted to the Audit Team within the prescribed period contrary to COA Circular 2009-001 dated February 12, 2009, thus prevented the timely conduct of contract review by the Auditor.

We recommended and Management agreed to require the concerned personnel to ensure that the Audit Team is furnished with copies of contracts within the period prescribed under COA Circular 2009-001 to enable the Audit Team to timely conduct the necessary legal and auditorial review.

## **G. GENDER AND DEVELOPMENT (GAD)**

The CWD's GAD Plan and Budget (GPB) for CY 2020 was formulated without the review of sex-disaggregated data and conduct of gender analysis on the policies, programs and projects, thus casting doubt whether gender gaps and challenges were correctly identified and addressed contrary to Sections 36 and 37, Chapter VI of RA No. 9710, otherwise known as the Magna Carta of Women. Also, the expenses incurred during the Family Day Celebration totaling ₱0.284 million are considered unnecessary contrary to Item 4.2 of the Philippine Commission of Women (PCW) Memorandum Circular No. 2020-003 and DBM National Budget Circular No. 580.

We recommended that Management:

- a. submit explanation/justification on the incurrence of unnecessary expenses during the Family Day Celebration, notwithstanding the issuances of PCW Memorandum No. 2020-003 and DBM National Budget Circular No. 580 on the adoption of economy measures and discontinuance of certain programs, activities and projects in view of the COVID-19 situation.

- b. require the GAD Focal Point System to conduct gender analysis of policies, programs and projects and review of sex-disaggregated data to identify priority gender issues or GAD agenda, before formulating the GPB, as mandated under PCW Memorandum Circular No. 2018-04 dated September 19, 2018, and thereafter, maintain and regularly update the GAD Database.

#### **H. 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 BIR are shown in Part II of the herein report.

#### **I. GOVERNMENT SERVICE INSURANCE SYSTEM (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 payments. These deductions and the government share of the employees' insurance premiums were remitted to the GSIS on time.

#### **J. IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS**

We followed up the actions taken by Management on the implementation of the 27 prior years' audit recommendations and noted that ten were fully implemented, seven were partially implemented and ten were not implemented as at December 31, 2020.

#### **K. STATUS OF SETTLEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

The outstanding audit disallowance of CWD as of December 31, 2020 amounted to ₱25,000.00.

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# **PART I**

## **Audited Financial Statements**

**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**

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## **PART II**

### **DETAILED OBSERVATIONS AND RECOMMENDATIONS**

## **PART III**

### **STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS**



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

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**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

Carcar Water District  
Carcar City, Cebu

**Unmodified Opinion**

We have audited the financial statements of the Carcar Water District (CWD), which comprise the Statement of Financial Position as at December 31, 2020 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, the accompanying financial statements present fairly, in all material respects, the financial position of the CWD as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

**Basis for Unmodified Opinion**

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 opinion.

**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 the events or conditions that may cast significant doubt on the CWD's ability to continue as 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 be reasonably be thought to bear on our independence and where applicable, related safeguards.

**COMMISSION ON AUDIT**

**By:**



**JENNY D. DAYOLA**  
State Auditor IV  
OIC-Supervising Auditor

15 April 2021



## CARCAR WATER DISTRICT

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Management  
System  
ISO 9001:2015




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ID 9109633697

### STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS


The Management of Carcar Water District is responsible for the preparation of the financial statements as at December 31, 2020, 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 reasonable 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 on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.



**ENGR. EDWARD L. REMO**  
General Manager



**DR. MERLEA A. CABALQUINTO**  
Chairman, Board of Directors



**JOSEFA SALVACION N. MANUGAS**  
Department Manager

**CARCAR WATER DISTRICT**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**  
(With Comparative Figures For The Year Ended December 31, 2019)

	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	₱ 16,902,219.13	₱ 23,413,541.93
Receivables	5	8,493,125.31	8,408,250.93
Inventories	6	9,177,229.85	7,562,508.72
Other Current Assets	9	821,128.66	781,552.16
<b>Total Current Assets</b>		<b>35,393,702.95</b>	<b>40,165,853.74</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	174,907,371.71	163,768,853.98
Intangible Assets	8	71,550.08	107,650.04
Other Non-Current Assets	9	4,559,071.60	4,425,150.56
<b>Total Non - Current Assets</b>		<b>179,537,993.39</b>	<b>168,301,654.58</b>
<b>Total Assets</b>		<b>₱ 214,931,696.34</b>	<b>₱ 208,467,508.32</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	10	₱ 12,706,948.85	₱ 11,985,420.15
Inter-Agency Payables	11	1,722,943.74	1,529,895.56
Trust Liabilities	12	3,580,245.53	4,096,402.74
Other Payables	13	515,196.09	546,869.05
Provisions	14	6,964,439.19	4,460,683.44
<b>Total Current Liabilities</b>		<b>25,489,773.40</b>	<b>22,619,270.94</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	10	47,786,643.85	54,868,395.76
Deferred Credits/Unearned Income	15	3,476,896.86	246,507.96
<b>Total Non-Current Liabilities</b>		<b>51,263,540.71</b>	<b>55,114,903.72</b>
<b>Total Liabilities</b>		<b>₱ 76,753,314.11</b>	<b>₱ 77,734,174.66</b>
<b>EQUITY</b>			
Government Equity		₱ 3,579,817.53	₱ 3,549,905.53
Retained Earnings/(Deficit)		134,598,564.70	127,183,428.13
<b>Total Equity</b>		<b>₱ 138,178,382.23</b>	<b>₱ 130,733,333.66</b>
<b>Total Liabilities and Equity</b>		<b>₱ 214,931,696.34</b>	<b>₱ 208,467,508.32</b>

*See accompanying Notes to Financial Statements.*

**CARCAR WATER DISTRICT**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With Comparative Figures For The Year Ended December 31, 2019)

	Note	2020	2019
<b>Income</b>			
Service and Business Income	16	₱ 106,379,060.76	₱ 98,530,610.73
Shares, Grants and Donations	16	5,062,914.02	189,210.00
Other Non-Operating Income	16	81,661.12	-
<b>Total Income</b>		<b>₱ 111,523,635.90</b>	<b>₱ 98,719,820.73</b>
<b>Expenses</b>			
Personnel Services	17	₱ 44,996,467.45	₱ 36,414,125.27
Maintenance and Other Operating Expenses	18	38,566,421.60	37,916,679.55
Financial Expenses	19	2,676,505.75	2,948,927.36
Non-Cash Expenses	20	12,907,521.58	8,992,997.86
<b>Total Expenses</b>		<b>₱ 99,146,916.38</b>	<b>₱ 86,272,730.04</b>
<b>Net Income/(Loss)</b>		<b>₱ 12,376,719.52</b>	<b>₱ 12,447,090.69</b>

*See accompanying Notes to Financial Statements.*



**CARCAR WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With Comparative Figures For The Year Ended December 31, 2019)

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Collection of Income/Revenue	₱	108,121,892.90	₱ 100,529,554.82
Trust Receipts		-	-
Other Receipts		64,998.28	281,218.84
<b>Total Cash Inflows</b>		<b>108,186,891.18</b>	<b>100,810,773.66</b>
Adjustments		1,403,144.12	925,809.42
<b>Adjusted Cash Inflows</b>		<b>109,590,035.30</b>	<b>101,736,583.08</b>
<b>Cash Outflows</b>			
Payment of Expenses		62,008,626.58	54,008,679.47
Purchase of Inventories		20,238,801.39	16,850,945.97
Grant of Cash Advances		-	-
Payments of Accounts Payable		850,618.39	443,906.48
Remittance of Personnel Benefit Contributions & Mandatory Deductions		18,189,194.85	14,917,189.72
Other Disbursements		307,509.67	326,392.79
<b>Total Cash Outflows</b>		<b>101,594,750.88</b>	<b>86,547,114.43</b>
Adjustments		850,618.39	769,516.99
<b>Adjusted Cash Outflows</b>		<b>102,445,369.27</b>	<b>87,316,631.42</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>		<b>7,144,666.03</b>	<b>14,419,951.66</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		5,416,981.09	15,794,324.45
<b>Total Cash Outflows</b>		<b>5,416,981.09</b>	<b>15,794,324.45</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>		<b>(5,416,981.09)</b>	<b>(15,794,324.45)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Payment of Long-Term Liabilities		5,562,601.99	5,243,574.63
Payment of Interest on Loans and Other Financial Charges		2,676,405.75	2,948,927.36
<b>Total Cash Outflows</b>		<b>8,239,007.74</b>	<b>8,192,501.99</b>
<b>Net Cash Provided By/(Used In) Financing Activities</b>		<b>(8,239,007.74)</b>	<b>(8,192,501.99)</b>
<b>Cash Provided by Operating, Investing and Financing Activities</b>		<b>(6,511,322.80)</b>	<b>(9,566,874.78)</b>
<b>Add: Cash and Cash Equivalents, January 1</b>		<b>23,413,541.93</b>	<b>32,980,416.71</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	4	<b>₱ 16,902,219.13</b>	<b>₱ 23,413,541.93</b>

*See accompanying Notes to Financial Statements.*

**CARCAR WATER DISTRICT**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(With Comparative Figures For The Year Ended December 31, 2019)

	Retained Earnings/ Deficit	Government Equity	TOTAL
<b>BALANCE AT DECEMBER 31, 2018</b>	<b>117,849,735.48</b>	<b>3,549,905.53</b>	<b>121,399,641.01</b>
<b>CHANGES IN EQUITY FOR 2018</b>			
Add/(Deduct):			
Comprehensive Income for the year	12,447,090.69		12,447,090.69
Other Adjustments	(3,113,398.04)		(3,113,398.04)
<b>BALANCE AT DECEMBER 31, 2019</b>	<b>127,183,428.13</b>	<b>3,549,905.53</b>	<b>130,733,333.66</b>
<b>CHANGES IN EQUITY FOR 2020</b>			
Comprehensive Income for the year	12,376,719.52		12,376,719.52
Other Adjustments	(4,961,582.95)	29,912.00	(4,931,670.95)
<b>BALANCE AT DECEMBER 31, 2020</b>	<b>₱ 134,598,564.70</b>	<b>₱ 3,579,817.53</b>	<b>₱ 138,178,382.23</b>

**CARCAR WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2020**

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**1. GENERAL INFORMATION**

Carcar Water District (CWD) is a government owned and controlled corporation created and existing by virtue of Presidential Decree 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), CWD 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 2020 financial statements of CWD were authorized for issue thru Board Resolution No. 1, series of 2020 dated February 11, 2020.

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**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 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, 2020 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. 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 Government Corporations (GCs)], property, plant and equipment (PPE) with cost below ₱15,000.00 are classified as Semi Expendable Inventory.

*PAS 16, PPE*, provides additional guidelines and clarification on recognition and measurement of items of PPE. It also provides that each part of an item, PPE with a cost that is in significant relation to the total cost of the item shall be depreciated separately. PPE 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.

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### **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 *PPE*

#### **Recognition**

An item is recognized as 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 experience.

As of the moment CWD uses a residual value equivalent to at least five per cent 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 PPE 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:

	2020	2019
Cash in Bank	₱ 12,093,625.26	₱ 18,804,922.29
Time Deposits - Local Currency	4,263,791.10	4,233,780.54
Cash on Hand	544,802.77	374,839.10
<b>Total</b>	<b>₱ 16,902,219.13</b>	<b>₱ 23,413,541.93</b>

## 5. RECEIVABLES

This account consists of:

	2020	2019
Accounts Receivable	₱ 7,977,549.89	₱ 7,640,705.41
Allowance for Impairment–Accounts Receivable	(2,451,822.50)	(163,554.86)
Net Value – Accounts Receivable	5,525,727.39	7,477,150.55
Due from Local Government Units	150,000.00	150,000.00
Other Receivables	2,729,897.18	709,888.66
Receivables – Disallowance/Charges	23,219.15	23,219.15
Due from Officers and Employees	64,281.59	47,992.57
<b>Receivables, net</b>	<b>₱ 8,493,125.31</b>	<b>₱ 8,408,250.93</b>

## 6. INVENTORIES

The details of this account are:

	<b>2020</b>	2019
<b>Inventory Held for Consumption</b>		
Beginning Balance	<b>₱ 7,562,508.72</b>	₱ 4,529,517.63
Additions/Acquisitions during the year	<b>24,491,336.72</b>	20,792,551.86
Expensed during the year except write-down	<b>(22,876,615.59)</b>	(17,759,560.77)
<b>Total Inventory Held for Consumption</b>	<b>₱ 9,177,229.85</b>	₱ 7,562,508.72

Inventories held for consumption are mainly for the consumption in the ordinary course of the operation. Office Supplies, 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. **PPE**

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, 2020</i>								
<b>Carrying Amount, January 1, 2020</b>	<b>₱ 3,511,605.84</b>	<b>₱ 84,400,291.20</b>	<b>₱ 10,477,577.01</b>	<b>₱ 10,105,442.38</b>	<b>₱ 4,391,954.18</b>	<b>₱ 784,461.48</b>	<b>₱ 50,097,521.89</b>	<b>₱ 163,768,853.98</b>
Additions/Acquisitions	0.00	10,038,543.50	34,094,515.41	7,781,589.86	499,000.00	416,756.19	17,061,430.66	<b>69,891,835.62</b>
<b>Total</b>	<b>3,511,605.84</b>	<b>94,438,834.70</b>	<b>44,572,092.42</b>	<b>17,887,032.24</b>	<b>4,890,954.18</b>	<b>1,201,217.67</b>	<b>67,158,952.55</b>	<b>233,660,689.60</b>
Disposals/ Reclassification	0.00	0.00	(1,390,528.48)	(19,642.44)	0.00	(1,735.00)	(46,700,941.89)	<b>(48,112,847.81)</b>
Depreciation	0.00	(3,858,189.92)	(3,088,257.55)	(2,344,616.74)	(653,005.59)	(240,999.48)	0.00	<b>(10,185,069.28)</b>
Impairment Loss	0.00	(107,891.47)	0.00	(270,756.58)	(63,928.64)	(12,824.11)	0.00	<b>(455,400.80)</b>
<b>Carrying Amount, December 31, 2020</b>	<b>3,511,605.84</b>	<b>90,472,753.31</b>	<b>40,093,306.39</b>	<b>15,252,016.48</b>	<b>4,174,019.95</b>	<b>945,659.08</b>	<b>20,458,010.66</b>	<b>174,907,371.71</b>
Gross Cost	3,511,605.84	152,467,199.59	49,540,694.50	25,916,653.77	7,746,346.79	2,149,639.50	20,458,010.66	<b>261,790,150.65</b>
Accumulated Depreciation	0.00	(61,886,554.81)	(9,447,388.11)	(10,393,880.71)	(3,508,398.20)	(1,191,156.31)	0.00	<b>(86,427,378.14)</b>
Accumulated Impairment Loss	0.00	(107,891.47)	0.00	(270,756.58)	(63,928.64)	(12,824.11)	0.00	<b>(455,400.80)</b>
<b>Net Book Value</b>	<b>₱ 3,511,605.84</b>	<b>₱ 90,472,753.31</b>	<b>₱ 40,093,306.39</b>	<b>₱ 15,252,016.48</b>	<b>₱ 4,174,019.95</b>	<b>₱ 945,659.08</b>	<b>₱ 20,458,010.66</b>	<b>₱ 174,907,371.71</b>

	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>								
<b>Carrying Amount, January 1, 2019</b>	<b>₱ 3,246,105.84</b>	<b>₱ 74,445,888.63</b>	<b>₱ 6,184,659.01</b>	<b>₱ 6,668,120.62</b>	<b>₱ 2,906,896.78</b>	<b>₱ 758,679.34</b>	<b>₱ 55,142,561.36</b>	<b>₱ 149,352,911.58</b>
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	<b>42,909,349.17</b>
<b>Total</b>	<b>3,511,605.84</b>	<b>89,072,525.85</b>	<b>11,115,291.09</b>	<b>11,915,770.57</b>	<b>4,941,484.78</b>	<b>1,016,739.28</b>	<b>70,688,843.34</b>	<b>192,262,260.75</b>
Disposals/ Reclassification	0.00	(1,159,399.36)	(28,642.94)	(135,172.47)	0.00	(37,202.08)	(20,591,321.45)	<b>(21,951,738.30)</b>
Depreciation	0.00	(3,512,835.29)	(609,071.14)	(1,675,155.72)	(549,530.60)	(195,075.72)	0.00	<b>(6,541,668.47)</b>
<b>Carrying Amount, December 31, 2019</b>	<b>3,511,605.84</b>	<b>84,400,291.20</b>	<b>10,477,577.01</b>	<b>10,105,442.38</b>	<b>4,391,954.18</b>	<b>784,461.48</b>	<b>50,097,521.89</b>	<b>163,768,853.98</b>
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	<b>238,747,706.32</b>
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	<b>(74,978,852.34)</b>
<b>Net Book Value</b>	<b>₱ 3,511,605.84</b>	<b>₱ 84,400,291.20</b>	<b>₱ 10,477,577.01</b>	<b>₱ 10,105,442.38</b>	<b>₱ 4,391,954.18</b>	<b>₱ 784,461.48</b>	<b>₱ 50,097,521.89</b>	<b>₱ 163,768,853.98</b>

## 8. INTANGIBLE ASSETS

The details of this account are:

	2020	2019
<b>Computer Software</b>		
<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	717,873.96	443,991.48
Adjustments/Reclassification		232,682.52
Amortization	36,099.96	41,199.96
Balance, end of the year	753,973.92	717,873.96
<b>Net Value – Computer Software</b>	₱ 71,550.08	₱ 107,650.04

## 9. OTHER ASSETS

This is composed of the following:

	2020	2019
<b>Other Current Assets</b>		
Advances	₱ 0.00	₱ 0.00
Prepayments	200,567.26	352,578.76
Deposits	620,561.40	428,973.40
<b>Total Other Current Assets</b>	821,128.66	781,552.16
<b>Other Non-Current Assets</b>		
Restricted Fund	3,394,323.14	3,386,598.87
Other Assets	1,164,748.46	1,038,551.69
<b>Total Other Non-Current Assets</b>	4,559,071.60	4,425,150.56
<b>Total Other Assets</b>	₱ 5,380,200.26	₱ 5,206,702.72

## 10. FINANCIAL LIABILITIES

These are the composition of this account:

	2020	2019
Payables		
Accounts Payable	₱ 5,283,011.33	₱ 6,259,946.28
Due to Officers and Employees	343,653.00	164,339.27

	2020	2019
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	7,080,284.52	5,561,134.60
<b>Financial Liabilities – Current</b>	<b>12,706,948.85</b>	11,985,420.15
Bills/Bonds/Loans Payable		
Loans Payable - Domestic	47,786,643.85	54,868,395.76
<b>Financial Liabilities – Non-Current</b>	<b>47,786,643.85</b>	54,868,395.76
<b>Total Financial Liabilities</b>	<b>₱ 60,493,592.70</b>	₱ 66,853,815.91

#### 11. INTER-AGENCY PAYABLES

This account is composed of the following:

	2020	2019
Due to GSIS	₱ 702,329.24	₱ 539,609.68
Due to BIR	789,587.16	824,842.01
Due to Government Corporations	75,497.15	75,497.15
Due to Pag-IBIG	103,061.58	46,943.53
Due to PhilHealth	52,468.61	43,003.19
<b>Total Inter-Agency Payables</b>	<b>₱ 1,722,943.74</b>	₱ 1,529,895.56

#### 12. TRUST LIABILITIES

This account is composed of the following:

	2020	2019
Customers' Deposits Payable	₱ 753,136.85	₱ 3,898,800.06
Guaranty/Security Deposits Payable	2,827,108.68	197,602.68
<b>Total Trust Liabilities</b>	<b>₱ 3,580,245.53</b>	₱ 4,096,402.74

#### 13. OTHER PAYABLES

This account is composed of the following:

	2020	2019
Other Payables	₱ 515,196.09	₱ 546,869.05
<b>Total</b>	<b>₱ 515,196.09</b>	₱ 546,869.05

#### 14. PROVISIONS

This account is composed of the following:

	2020	2019
Leave Benefits Payable	₱ 6,964,439.19	₱ 4,460,683.44
<b>Total</b>	<b>₱ 6,964,439.19</b>	<b>₱ 4,460,683.44</b>

#### 15. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the following:

	2020	2019
Other Unearned Revenue/Income	₱ 3,476,896.86	₱ 246,507.96
<b>Total</b>	<b>₱ 3,476,896.86</b>	<b>₱ 246,507.96</b>

#### 16. INCOME

This account consists of the following:

	2020	2019
Service and Business Income		
Waterworks System Fees	₱ 100,707,407.84	₱ 90,158,586.32
Interest Income	52,947.80	49,696.12
Fines and Penalties – Business Income	2,832,896.13	3,394,075.80
Other Business Income	2,785,808.99	4,928,252.49
<b>Total Service and Business Income</b>	<b>106,379,060.76</b>	<b>98,530,610.73</b>
Shares, Grants and Donations		
Income from Grants and Donations in Cash	5,062,914.02	189,210.00
<b>Total Shares, Grants and Donations</b>	<b>5,062,914.02</b>	<b>189,210.00</b>
Other Non-Operating Income		
Reversal of Impairment Loss	81,661.12	0.00
<b>Total Non-Operating Income</b>	<b>81,661.12</b>	<b>0.00</b>
<b>Total Income</b>	<b>₱ 111,523,635.90</b>	<b>₱ 98,719,820.73</b>



## 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.

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## 17. PERSONNEL SERVICES

Comprising this account are the following:

	2020	2019
<b>Salaries and Wages</b>	<b>₱ 23,921,840.05</b>	₱ 22,535,213.48
Other Compensation		
Personnel Economic Relief Allowance (PERA)	2,125,000.00	1,978,272.72
Representation Allowance (RA)	507,000.00	502,875.00
Transportation Allowance (TA)	507,000.00	502,875.00
Clothing/Uniform Allowance	528,000.00	450,000.00
Year End Bonus	4,256,285.00	430,000.00
Other Bonuses and Allowances	4,523,854.81	3,483,500.00
<b>Total Other Compensation</b>	<b>12,447,139.81</b>	7,347,522.72
Personnel Benefit Contributions		
Retirement and Life Insurance Premium	3,018,284.00	2,216,691.76
Pag-IBIG Contributions	106,600.00	99,690.00
Philhealth Contributions	309,643.28	234,518.35
Employees Compensation Insurance Premiums	106,600.00	99,525.85
Provident/Welfare Fund Contributions	1,535,419.13	1,328,110.41
<b>Total Personnel Benefits Contributions</b>	<b>5,076,546.41</b>	3,978,536.37
Other Personnel Benefits		
Terminal Leave Benefits	2,136,535.18	1,419,652.70
Other Personnel Benefits	1,414,406.00	1,133,200.00
<b>Total Other Personnel Benefits</b>	<b>3,550,941.18</b>	2,552,852.70
<b>Total Personnel Services</b>	<b>₱ 44,996,467.45</b>	₱ 36,414,125.27

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## 18. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019
<b>Total Traveling Expenses</b>	<b>₱ 220,391.81</b>	<b>₱ 396,648.94</b>
<b>Total Training and Scholarship Expenses</b>	<b>214,932.18</b>	<b>758,073.74</b>
Supplies and Materials Expenses		
Office Supplies Expenses	373,866.36	524,370.66
Fuel, Oil and Lubricants Expenses	1,449,952.16	1,238,512.82
<b>Total Supplies and Materials Expenses</b>	<b>1,823,818.52</b>	<b>1,762,883.48</b>
Utility Expenses		
Electricity Expense	804,088.18	834,300.84
<b>Total Utility Expenses</b>	<b>804,088.18</b>	<b>834,300.84</b>
Communication Expenses		
Postage and Courier Services	17,272.00	15,850.00
Telephone Expenses	325,340.09	362,724.64
Internet Subscription Expenses	7,375.08	0.00
<b>Total Communication Expenses</b>	<b>349,987.17</b>	<b>378,574.64</b>
Awards/Rewards, Prizes and Indemnities		
Awards/Rewards Expenses	488,096.54	173,275.00
Indemnities	2,112.40	6,151.30
<b>Total Awards/Rewards, Prizes and Indemnities</b>	<b>490,208.94</b>	<b>179,426.30</b>
<b>Total Generation, Transmission and Distribution Expenses</b>	<b>19,954,863.65</b>	<b>19,904,119.97</b>
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary & Miscellaneous Expenses	116,642.27	100,329.50
<b>Total Confidential, Intelligence and Extraordinary Expenses</b>	<b>116,642.27</b>	<b>100,329.50</b>
Professional Services		
Legal Services	7,000.00	10,000.00
Auditing Services	120,000.00	120,000.00
Other Professional Services	56,000.00	3,200.00
<b>Total Professional Services</b>	<b>183,000.00</b>	<b>133,200.00</b>
General Services		
Security Services	1,188,659.32	1,118,475.12
<b>Total General Services</b>	<b>1,188,659.32</b>	<b>1,118,475.12</b>
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure Assets	7,338,751.35	6,959,730.25
Repairs and Maintenance-Building and	18,807.80	164,667.53

	<b>2020</b>	2019
Other Structures		
Repairs and Maintenance-Machinery and Equipment	453,865.19	423,116.27
Repairs and Maintenance-Transportation Equipment	646,629.61	330,948.50
Repairs and Maintenance-Furniture and Fixtures	71,735.90	64,587.58
<b>Total Repairs and Maintenance</b>	<b>8,529,789.85</b>	7,943,050.13
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	2,197,465.85	1,869,546.35
Insurance Expense	171,118.42	255,059.95
<b>Total Taxes, Insurance Premiums &amp; Other Fees</b>	<b>2,368,584.27</b>	2,124,606.30
Other Maintenance and Operating Expenses		
Advertising Expenses	347,535.78	346,372.66
Representation Expenses	558,114.41	699,611.84
Membership Dues and Other Contributions to Organizations	0.00	1,000.00
Donations	0.00	30,608.80
Directors and Committee Members' Fees	663,390.00	700,812.00
Rent Expenses	171,434.80	
Other Maintenance and Operating Expenses	580,980.45	504,585.29
<b>Total Other Maintenance &amp; Operating Expenses</b>	<b>2,321,455.44</b>	2,282,990.59
<b>Total Maintenance and Other Operating Expenses</b>	<b>₱ 38,566,421.60</b>	₱ 37,916,679.55

## 19. FINANCIAL EXPENSES

This account is composed of the following:

	<b>2020</b>	2019
Interest Expenses	₱ 2,648,607.16	₱ 2,908,856.13
Bank Charges	27,798.59	40,071.23
Other Financial Charges	100.00	
<b>Total Financial Expenses</b>	<b>₱ 2,676,505.75</b>	₱ 2,948,927.36

## 20. NON-CASH EXPENSES

This account consists of the following:

	2020	2019
Depreciation		
Depreciation – Infrastructure Assets	₱ 3,858,189.92	₱ 3,512,835.29
Depreciation – Buildings and Other Structures	3,088,257.55	609,071.14
Depreciation – Machinery and Equipment	2,344,616.74	1,675,155.72
Depreciation – Transportation Equipment	653,005.59	549,530.60
Depreciation – Furniture, Fixtures and Books	240,999.48	195,075.72
<b>Total Depreciation</b>	<b>10,185,069.28</b>	<b>6,541,668.47</b>
<b>Amortization – Intangible Assets</b>	<b>36,099.96</b>	<b>41,199.96</b>
<b>Impairment Loss</b>		
Loans and Receivables	228,623.70	100.01
Property, Plant and Equipment	1,500.00	
<b>Total Impairment Losses</b>	<b>230,123.70</b>	<b>100.01</b>
Discounts and Rebates		
Other Discounts	86,287.93	102,158.49
Rebates	2,369,940.71	2,307,870.93
<b>Total Discounts and Rebates</b>	<b>2,456,228.64</b>	<b>2,410,029.42</b>
<b>Total Non-Cash Expenses</b>	<b>₱ 12,907,521.58</b>	<b>₱ 8,992,997.86</b>

## 21. Key Management Personnel

The key management personnel of CWD are the Board of Directors, 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 Local Government Unit. 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	₱ 6,291,527.33
Honorarium	663,330.00
Allowances	1,224,000.00
Personnel Benefit Contributions	388,555.85
Other Personnel Benefits	1,757,605.28
<b>Total</b>	<b>₱ 10,325,018.46</b>

## PART II

### DETAILED OBSERVATIONS AND RECOMMENDATIONS

#### Financial Audit and Compliance Audit

1. The accuracy and reliability of the Accounts Receivable (AR)-Trade account with a year-end balance of ₱6.922 million cannot be ascertained due to: (a) the inclusion in the AR account of the advances or excess payments from the concessionaires totaling ₱0.410 million instead of recording these as Unearned Revenue pursuant to Commission on Audit (COA) Circular 2020-002; and (b) the unresolved variance of ₱0.375 million between the balances in the General Ledger (GL) and the Aging Schedule of AR. These conditions are contrary to Paragraph 15 of Philippine Accounting Standards (PAS) 1.

Paragraph 15 of PAS 1 requires the fair presentation of Financial Statements and compliance with International Financial Reporting Standards (IFRS) 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)

Carcar Water District’s (CWD) AR as presented in the Statement of Financial Position (SFP) is composed of the following accounts as at December 31, 2020:

**Table 1 - Composition of the AR account in the SFP as at 12/31/2020**

Particulars	Balance
AR – Trade	₱6,921,613.62
AR - Unlocated Ledger *	375,309.01
AR - Application Fees	680,627.26
<b>Total</b>	<b>₱7,977,549.89</b>

\* Difference between the GL balance and Aging of AR, calendar year (CY) 2013 audit observation

Analysis of the account AR-Trade as at December 31, 2020 disclosed that overpayments from concessionaires totaling ₱410,407.74 were formed part of the said account. These overpayments were considered as advances which had reduced the actual receivable balance of CWD. The table, as shown below, illustrates how the Water District treated in its record the ₱410,407.74 advance payments from the concessionaires:

**Table 2 - Aging Schedule of AR as at December 31, 2020**

Particulars	Active	Inactive	Total
1-60 days	₱4,171,526.95	₱39,421.12	₱4,210,948.07
61-120 days	119,465.16	96,946.66	216,411.82
Over 120 days	529,121.92	2,331,009.65	2,860,131.57
<b>Total</b>	<b>₱4,820,114.03</b>	<b>₱2,467,377.43</b>	<b>₱7,287,491.46</b>
<b>Less: Advances from Customers</b>	<b>(403,131.87)</b>	<b>(7,275.87)</b>	<b>(410,407.74)</b>
<b>AR – Trade, net of Advances</b>	<b>₱4,416,982.16</b>	<b>₱2,460,101.56</b>	<b>₱6,877,083.72</b>

An overpayment or advance payment should be treated like a liability under the unearned revenue account. The advances received from the customers were actually unearned revenue as these will still be used to offset their future billings and not against the unpaid balance of the other concessionaires.

Annex C of COA Circular No. 2020-002 or the “Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019)” dated January 28, 2020 provides that **Other Unearned Revenue/Income account is credited to recognize other income/revenue received in advance not falling under any of the specific unearned revenue/income accounts**. Said account is debited when revenue is earned, and/or for adjustments.

Inquiry from the Accounting Division revealed that upon collection, the total amount paid by a concessionaire is credited to AR even if the amount is more than the recorded AR balance of the said customer.

It was also observed that even the inactive accounts contained overpayments. According to CWD Accounting, some of these overpayments were from the concessionaires who applied for temporary disconnection of service. Said concessionaires were given one year to request for reconnection. The overpayments should have been reclassified to Unearned Revenue account, and returned to the concessionaires who have no intention of availing the reconnection of service after the given period or recorded as Miscellaneous Income when there are no valid claimants.

The following are the accounts of the sampled concessionaires with advance payments as at December 31, 2020:

**Table 3 - Sampled concessionaires’ accounts with excess or advance payments**

Account No.	Name	Amount
011-102-208	Desidelia, Alfonso T. Jr.	₱2,623.33
011-102-218	Valdez, Noel S.	2,789.69
011-102-243	Dayonot, Nenebito R.	3,077.48
041-302-420	Dela Fuente, Anecita (Brato Trading)	4,203.70
043-102-010	Caday, Maribel P.	2,651.05
045-102-043	Cereno, Jovita S.	3,223.37
072-102-072	Saura, Wilma A.	2,582.23

Account No.	Name	Amount
081-102-580	Miñoza, Adelyn A.	3,084.67
111-102-127	Alcomendras, Ivieh P.	2,177.44
112-102-257	Albarico, Herminigilda L.	3,003.49
128-102-094	Lauron, Vivian L.	2,941.55
214-102-260	Gumilao, Narcisa B.	2,788.13

The aforementioned practice resulted in the understatement of the AR-Trade account balance as at December 31, 2020 by ₱410,407.74, notwithstanding the previously isolated variance of ₱375,309.01 (AR-Unlocated Ledger) which remained unreconciled since 2013.

The financial statements are used to make sound decisions not only by its internal users but also to the external users. CWD's revenue is primarily generated from the collection of the AR, thus it is only appropriate to fairly present the balances of the AR accounts.

We acknowledged the effort of the Water District to develop a system of setting up the allowance for impairment based on trend analysis and for conducting an assessment of the collectability of the inactive accounts. From ₱163,554.86 in 2019, the Allowance for Impairment-AR account balance as at December 31, 2020 totaled ₱2,451,822.50 wherein 85 per cent of the total inactive accounts were estimated to be uncollectible as the said accounts were not moving despite efforts made to collect the unpaid balances.

**We recommended and Management agreed to:**

- a. **require the Accounting Division to make the necessary adjusting entry to properly recognize the Unearned Revenue in the books of accounts in accordance with COA Circular No. 2020-002 dated January 28, 2020, using the following adjusting entry:**

Accounts	Debit	Credit
AR	410,407.74*	
<i>Other Unearned Revenue/Income</i>		410,407.74

*\*use the updated balance of the advances/overpayment of concessionaires*

- b. **instruct the Accounting Division to use the following proposed entry for the collections of water sales with overpayment from concessionaires:**

Accounts	Debit	Credit
Cash – Collecting Officers	x x x	
AR – Trade		x x x
<i>Other Unearned Revenue/Income</i>		x x x

- c. exert extra effort to trace the cause of the variance between the GL balance and the Aging of AR, and thereafter, make the necessary adjustments to fairly state the AR balance in the SFP as at year-end.
2. The existence, completeness, accuracy and valuation of the recorded balance of the Inventories account totaling ₱9.177 million as at December 31, 2020 could not be ascertained due to: (a) the absence of Report of Physical Count of Inventory (RPCI); (b) the difference of ₱15,226.00 in the balances between the GL and Subsidiary Ledger (SL) of Other Supplies and Materials Inventory account; and (c) the misclassification of the sub-accounts under the Inventories account.

The Inventories accounts totaling ₱9,177,229.85 as presented in the SFP and as reflected in the GL is composed of the following accounts as at December 31, 2020:

**Table 4 - Composition of Inventories Accounts as at 12/31/2020**

<b>Account Description</b>	<b>Balance</b>
Office Supplies Inventory	₱456,841.82
Construction Materials Inventory	33,063.18
Other Supplies and Materials Inventory	8,663,036.85
Semi-Expendable – Other Machinery and Equipment	18,788.00
Semi-Expendable - Office Equipment	5,500.00
<b>Total</b>	<b>₱9,177,229.85</b>

Review of the Inventories account disclosed some deficiencies as follows:

- a. *Absence/Non-submission of RPCI contrary to Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I, thus precluding the Audit Team to validate whether physical count was conducted by the Water District’s inventories.*

Section 490 of GAAM, Volume 1, states that:

*“Physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory-taking which is required semi-annually or annually should be regarded with importance.*

*For effective control of government property, the COA prescribes the following regulations:*

- a) *Chiefs of agencies are required to take a physical inventory of all the equipment and supplies belonging to their respective offices at least once a year, unless otherwise determined by the COA Chairman in specific cases. Such inventory shall be made as of December 31 on General Form 41 (A) (Appendix 12), and*



*submitted to the Auditor not later than January 31 of each year, unless extended by the Chairman, Commission on Audit, upon prior request of the chief of agency concerned.” (Emphasis supplied)*

The conduct of physical inventory is essential in stock management as this validates the existence and condition of the inventory items reported in the books. Our inquiry with Management disclosed that physical count of inventories of CWD as of December 31, 2020 was conducted on January 9, 2021 but no RPCI has been prepared yet since the result of the count is still being reconciled with the recorded balances in the books of accounts.

As required by the above regulation, the RPCI shall be submitted to the concerned Auditor not later than January 31 of the following year. However, as of date of writing, Management has not submitted such report which precluded the Audit Team to validate whether physical count of the Water District’s inventories was conducted.

**We recommended and Management agreed that the Inventory Committee prepare and submit the RPCI for CY 2020. Henceforth, for the ensuing years, submit to the Auditor the RPCI not later than January 31 of each year as required under the existing rules and regulations.**

*b. Difference between the GL balance and SL of Other Supplies and Materials Inventory account totaling ₱15,226.00 contrary to Section 121 (2) of Presidential Decree (PD) No. 1445*

Other Supplies and Materials Inventory which is one of the sub-accounts under the Inventories account, is composed of the following:

**Table 5 - Composition of Other Supplies and Materials Inventory Account**

<b>Account Description</b>	<b>Balance</b>
Meters	₱122,450.24
Service Connection Materials	1,467,845.21
Transmission/Distribution Pipes and Fittings	6,784,363.09
Kitchen Utensils	926.27
Tire and Accessories	302,678.04
<b>Total</b>	<b>₱8,678,262.85</b>

Verification disclosed that the SL balance was higher by ₱15,226.00, when compared against the balance reported in the Financial Statements. Inquiry from the Accounting Division disclosed that a transaction was not taken up in the SL.

Section 121(2) of PD No. 1445, states that:

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

The GL and SL are both official accounting records maintained by accounting that serve as basis in the preparation of the financial statements, hence these records should always be reconciled to support and ensure fair presentation of the financial statements.

**We recommended and Management instruct the Accounting Division to ensure that the balances in the GL and SL are reconciled to support the amounts reflected in the Financial Statements, particularly the Inventory accounts.**

*c. Misclassification of inventory sub-accounts contrary to COA Circular No. 2020-002 dated January 28, 2020*

COA Circular No. 2020-002 dated January 28, 2020 prescribes the Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019). For Inventory account, Annex C of the aforementioned COA circular provides the following accounts under Inventory Held for Consumption:

<b>Account Number/ Normal Balance</b>	<b>Account Title/ Account Description</b>
10404010 / Debit	<p>Office Supplies Inventory</p> <p><i>This account is debited to recognize the cost or value of purchased/acquired office supplies such as bond papers, pens, inks, paper clips, staple wires, rulers, and the like. This account is credited for issues to end-users, transfers, losses, other disposals, and/or adjustments.</i></p>
10404020 / Debit	<p>Accountable Forms, Plates and Stickers Inventory</p> <p><i>This account is debited to recognize the cost of any readily negotiable financial forms or non-financial forms with pecuniary or other value after being completed and authorized which is acquired for government operation. These forms are sequentially or uniquely pre-numbered and either pre-printed or electronically produced. <b>It includes accountable forms with and without face value, such as official receipts, blank checks, tickets, stickers, permit/license plates, and the like. Such forms need to be carefully monitored and controlled due to inherent risk of loss of public money or property which may be caused/ may be a result of/by an offence (e.g. fraud, bribery, theft, collusion, etc.). This account is credited for issues to end-users, transfers, losses, other disposals, and/or adjustments. (Emphasis supplied)</b></i></p>

Account Number/ Normal Balance	Account Title/ Account Description
10404030 / Debit	<p>Non-Accountable Forms Inventory</p> <p><i>This account is debited to recognize the cost of <b>non-accountable forms such as pre-printed application forms, accounting forms and the like.</b> This account is credited for issues to end-users, transfers, losses, other disposals, and/or adjustments. (Emphasis supplied)</i></p>
10404120 / Debit	<p>Chemical and Filtering Supplies Inventory</p> <p><i>This account is debited to recognize the cost of chemicals, water treatment, filtering supplies for use in government operations. This account is credited for issues to end-users, transfers, losses, other disposals, and/or adjustments.</i></p>

Review of the SL of the Inventory sub-accounts disclosed that purchases of official receipts, billing statements and other non-accountable forms were recorded under Office Supplies Inventory while the chlorine granules used for water treatment was lodged under Other Supplies and Materials Inventory account. As stated in Annex C of the above-mentioned COA Circular, Other Supplies and Materials Inventory account is debited to recognize the cost of purchased/acquired supplies and materials not falling under any of the specific inventory accounts held for consumption. Since there is a specific inventory account for chemicals, it should not be recorded under Other Supplies and Materials Inventory account. Furthermore, the official receipts should be recorded under the Accountable Forms, Plates and Stickers Inventory account, while the billing statements and other non-accountable forms are recorded under the Non-Accountable Forms Inventory account.

To emphasize, the updated revised chart of accounts has been issued to provide uniformity in the reporting of financial transactions in accordance with the Philippine Financial Reporting Standards. Proper recording helps the users understand the actual composition of certain accounts as reflected in the financial statements, in this case, the Inventory account.

**We recommended that Management instruct the Accounting Division to prepare the necessary adjusting entry on the misclassifications in the Inventory accounts and use the appropriate accounts as prescribed in COA Circular No. 2020-002 dated January 28, 2020.**

**Management's Comment:**

Management commented that the reconciliation between the RPCI and book balance is still on-going. The Inventory Committee committed to submit the RPCI as

soon as the reconciliation becomes final. Management further assured the Audit Team that all necessary adjustments will be made accordingly.

- 3. Annual water charges paid to the National Water Resources Board (NWRB) for CY 2020 totaling ₱40,095.77 was contrary to the decision of the Office of the Secretary of Justice (OSJ) under OSJ Case No. 01-2010 dated March 29, 2012, thus, the payment is without legal basis.**

Review of the following DVs of CWD disclosed payments to NWRB in CY 2020 for annual water charges and water permits, and settlement of charges and fees:

**Table 7 - Details of expenditures related to water permit application at NWRB in CY 2020**

<b>DV No./Date</b>	<b>Particulars</b>	<b>Amount</b>
20-02-0244/ Feb. 21, 2020	Cash advance for the payment of Water Permit application (3 sources) at NWRB Manila	₱25,000.00
20-02-0266/ Feb. 28, 2020	Payment for Annual Water Charges-Municipal Level III. (CWP Nos. 10-28-19-029, 10-28-19-030 and 10-28-031	15,095.77
<b>Total</b>		<b>₱40,095.77</b>
<i>Other Expenses</i>		
20-01-0087/ Jan. 21, 2020	Payment of fine to NWRB for drilling of wells prior to the issuance of a Water Permit	₱2,000.00
20-03-0296/ Mar. 4, 2020	Travel expenses during processing of Water Permit application at NWRB on February 24, 2020	1,478.50
<b>Total</b>		<b>₱3,478.50</b>

NWRB’s issuance of Statement of Account (SOA) was anchored under Article 83 of PD No. 1067 dated December 31, 1976 which states that *“The council is hereby authorized to impose and collect reasonable fees or charges for water resources development from water appropriators except when it is for purely domestic purposes.”*

Meanwhile, Section 45 of PD No. 198, as amended, provides that *“A district. . . shall be exempt from the payment of all National Government, local government and municipal taxes and fees, including any franchise, filing, recordation, license or permit fees or taxes . . .”*

The differing provisions cited above have already been resolved. In OSJ Case No. 01-2010 [*Metropolitan Cebu Water District (MCWD) vs. NWRB*], the Secretary of Justice under Decision No. LML-D-29C12-022 promulgated on March 29, 2012, ruled as follows:

*“WHEREFORE, premises considered, it is hereby declared that:*

- a. The MCWD is exempt from payment of annual water charges and fees pursuant to Section 45 of PD No. 198, as amended;*

- b. *PD No. 1067 did not expressly or impliedly repeal PD No. 198, as amended, or any of the provisions, thereof; and*
- c. *The local water districts are exempt from the administrative regulations by the NWRB.”*

The OSJ decision was reiterated by the Office of the Government Corporate Counsel (OGCC) in its letter reply dated September 3, 2019 to NWRB relative to the latter’s SOA for annual water charges issued to Calumpit Water District (CAWADI) as follows:

*“The Department of Justice’s decision is conclusive and binding and has become final and executory. Thus, the assessment of annual water charges on water districts by the NWRB should be discontinued, even as PD 1445 or the Audit Code of the Philippines prohibits disbursement of public funds without legal basis.*

*Accordingly, we request your good office to refrain from collecting annual water charges and fees from CAWADI.”*

It is clear from the pronouncements of the authorized bodies that NWRB cannot impose on water districts fees and charges, such as the annual water charges, as this is contrary to law. Accordingly, water districts have no legal basis in paying such charges.

**We recommended and Management agreed to request from NWRB for the refund of the payments made on the annual water charges collected and paid by NWRB and Water District, respectively, for lack of legal basis.**

**Management’s Comment:**

During the exit conference, the Management mentioned that they will no longer process the payment on water charges and other fees as per SOA that will be received from NWRB.

- 4. The use of Emergency Procurement (Special Repeat Order) under Republic Act (RA) No. 11469 or the Bayanihan Act as the procurement modality on the purchase of 2,000 units of volumetric water meters ½” brass totaling ₱2.290 million was deemed inappropriate and not in accordance with Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020. In addition, the mandatory requirement of posting in the GPPB online portal of the procurement data for all contracts awarded through Emergency Procurement under the Bayanihan Act was not adhered to by the Water District.**

RA No. 11469 is an Act declaring the existence of a National Emergency arising from the COVID-19. Section 4 of the said Bayanihan Act enumerates the authorized powers given to the President in order to adopt temporary emergency measures to respond to crisis brought by the pandemic.

As proactive measures, GPPB Circular No. 01-2020 dated April 6, 2020 was issued to set guidelines for Emergency Procurement under RA No. 11469.

In CY 2020, CWD procured 2,000 units volumetric water meters ½” brass with the following details:

Purchase Request (PR):	May 18, 2020	PR No. 2020-05-807
Mode of Procurement:	Special Repeat Order – Emergency Procurement under the Bayanihan Act	Per Bids and Awards Committee (BAC) Resolution No. 29, Series of 2020 dated June 2, 2020
Contract Cost:	₱2,289,760.00	Based on the previous awarded contract under the same supplier with the same quantity and amount of contract on December 6, 2019
Date of Award:	June 4, 2020	Per BAC Resolution No. 31, Series of 2020
Name of Supplier:	JB Janz Marketing	
Purchase Order (PO):	June 4, 2020	PO No. 2020-06-003

The Bids and Award Committee (BAC) through Resolution No. 29, Series of 2020 recommended the use of Emergency Procurement under the Bayanihan Act (Special Repeat Order) as the mode of procurement for the Volumetric Water Meters.

As clearly stated in GPPB Circular No. 01-2020, a Special Repeat Order may be availed by the procuring entity provided that **all** the conditions enumerated in Item 8.1 are present. Among the condition that should be met is on Item 8.1.a wherein the procurement is limited to the Goods listed in GPPB Circular No. 01-2020 or those authorized under item k of RA No. 11469 as follows:

*“Undertake the procurement of the following as the need arises, the most expeditious manner, as exemptions from the provisions of Republic Act No. 9184 or the “Government Procurement Reform Act” and other relevant laws:*

- (1) *Goods, which may include personal protective equipment such as gloves, gowns, masks, goggles, face shields; surgical equipment and supplies; laboratory equipment and its reagents; medical equipment and devices; support and maintenance for laboratory and medical equipment, surgical equipment and supplies; medical supplies, tools,*

*and consumables such as alcohol, sanitizers, tissue, thermometers, hand soap, detergent, sodium hydrochloride, cleaning materials, povidone iodine, common medicines (e.g., paracetamol tablet and suspension, mefenamic acid, vitamins tablet and suspension, hyoscine tablet and suspension); testing kits; and such other supplies or equipment as may be determined by the Department of Health and other relevant government agencies;*

- (2) *X x x . . .*
- (3) *Goods and services for social amelioration measures in favor of affected communities;*
- (4) *Lease of real property or venue for use to house health workers or serve as quarantine centers, medical relief and aid distribution locations or temporary medical facilities;*
- (5) *Establishment, construction, and operation of temporary medical facilities;*
- (6) *Utilities, telecommunications, and other critical services in relation to operation of quarantine centers, medical relief and aid distribution centers and temporary medical facilities; and*
- (7) *Ancillary services related to the foregoing.”*

Also, Section 2.2 of the GPPB Circular No. 01-2020 provides that Emergency Procurement shall apply only for the procurement of items authorized under the Bayanihan Act, in order to mitigate, if not contain, the transmission of COVID-19 in order to immediately mobilize assistance in the provision of basic necessities to families and individuals affected by the imposition of Community Quarantine.

Inquiry with the BAC Secretariat disclosed that the re-order point of CWD for its stocks of volumetric water meters is below 1,000 units. Per review of the Supplies Ledger Card (SLC), the average issuances or usage of volumetric water meters was about 230 units per month. Although the re-order point had already been reached, this did not qualify the volumetric water meters to be purchased through Special Repeat Order (Emergency Procurement under the Bayanihan Act) as the item is not among the goods to be procured as enumerated in GPPB Circular No. 01-2020.

Furthermore, the delivery of the 2,000 units of volumetric water meters was made in installment. The first shipment with 500 units was made on June 9, 2020 and was received on July 1, 2020 while the remaining 1,500 units was shipped on August 10, 2020 and was received on September 4, 2020. The second shipment was beyond the 30 days delivery terms as stated in the PO but no liquidated damages was claimed since the

supplier sent a request for extension of delivery dated July 1, 2020 which was approved by CWD on July 2, 2020.

On the other hand, the mandatory requirement of posting in the GPPB online portal of the procurement data for all contracts awarded under Emergency Procurement (*Bayanihan Act*) was not adhered to by the Water District.

Section 9 of GPPB Circular No. 01-2020 stipulates the following:

*“An online GPPB portal shall be established to promote accountability and transparency in the conduct of Emergency Procurement under the Bayanihan Act.*

***The PEs shall post in the GPPB online portal for information purposes the updated APP, NOA, and other information relative to the Procurement Projects undertaken pursuant to this Circular. This online portal shall be the source of data or information which shall be used by the GPPB and its Technical Support Office to comply with the reportorial requirements under the Bayanihan Act.***” (Emphasis Supplied)

In addition, GPPB-Technical Support Office TSO issued Advisory No. 05-2020 dated June 17, 2020 to all procuring entities which provides the following:

“2.0 *Accordingly, the GPPB-TSO issued Advisory No. 04-2020 directing, among others, all Procuring Entities (PEs) to post on the GPPB Online Portal the following information relative to the Procurement Projects undertaken through Emergency Procurement under the Bayanihan Act:*

- 2.1 *Updated Annual Procurement Plan (APP)*
- 2.2 *Project Name;*
- 2.3 *Approved Budget for the Contract;*
- 2.4 *Contract period;*
- 2.5 *Name of Winning Supplier, Distributor, Manufacturer, Contractor or Consultant;*
- 2.6 *Amount of Contract as Awarded;*
- 2.7 *Notice of Award, date of award and acceptance; and*
- 2.8 *Contract or Purchase Order*

3.0 *To ensure transparency and accountability in the implementation of the Bayanihan Act in government procurement, we wish to reiterate that the posting of the foregoing information on the GPPB Online Portal for Emergency Procurement under the Bayanihan Act is **mandatory** and all PEs are enjoined to observe strict compliance therewith.*

4.0 *The mandatory posting of the procurement data for **all contracts awarded under Emergency Procurement under the Bayanihan Act** also includes those*



*procured through the Department of Budget and Management-Procurement Service under Negotiated Procurement (Agency-to-Agency) for the purchase of Common-Use Supplies and Equipment (CSEs) or as a procurement agent for non-CSEs.*

- 5.0 *Likewise, all PEs are directed to ensure that their approved APPs are posted on the GPPB Online Portal **on or before 30 September 2020** pursuant to item 3.2 of the GPPB Circular No. 01-2020. This includes PEs which commenced with their procurement activities even without an approved APP but have shown proof that there is a budget for their respective procurement project through a document or certification for the budget officer or equivalent position.” (Underscoring Ours)*

Inquiry with the BAC Secretariat disclosed that the Water District tried to upload the required data in the GPPB Online Portal however, the portal was not available at that time. It shall be emphasized that Section 7.0 of the aforementioned Advisory provides that:

*“For clarifications and other related inquiries, please do not hesitate to email [GPPBonlineportal@gppb.gov.ph](mailto:GPPBonlineportal@gppb.gov.ph).”*

The concern on the unavailability of the online portal during the Water District’s attempt to upload the required data could have been communicated through the said email so that the matter was properly addressed by GPPB.

**We recommended that Management require the BAC to justify/explain fully the reason/s for resorting to Special Repeat Order (Emergency Procurement) in the purchase of the volumetric water meters although one of the required conditions on the use of the said procurement modality was not met and comply with the posting requirement as mandated under GPPB Circular No. 01-2020 and GPPB-TSO Advisory 05-2020.**

#### **Management’s Comment:**

In June 2020 and the weeks prior to that, the country, (and even the rest of the world) was at a standstill because of the pandemic. Ports were closed, suppliers had difficulty transporting goods to customers, supplies were difficult to procure, and every now and then health protocols were issued by the Department of Health and Inter-Agency Task Force, while various areas across the country were placed under an ECQ status. Faced with the dilemma of a diminishing supply of water meters and the uncertainty of available suppliers in the market, the BAC had to resort to Special Repeat Order under Emergency Procurement as the mode of purchase for the 2,000 water meters in order to better prepare the Water District for the worst possible scenario in the coming days.

In the meeting of the BAC, the members assumed that the procurement of water meters falls under letter k of RA No. 11469, item no. 5 which refers to utilities,

telecommunications, and other critical services. Or if not, the procurement falls under item no. 6 on related ancillary services. Again, the intention was to prepare for the worst while making sure the government will not be put at a disadvantage.

On the other hand, the failure of the office to comply with the posting requirement on the GPPB online portal was due to unavailability. The BAC Secretariat tried to upload the required data in the GPPB online portal but efforts were futile as the portal was not available at that time, not even in the days after that.

However, during the exit conference held on March 29, 2021, Management committed to comply with the posting requirements.

### **Auditor's Rejoinder:**

We took note of the comment of Management on the use of Emergency Procurement (Special Report Order) under GPPB Circular No. 01-2020, however, we maintain our stand that the use of Special Report Order as procurement modality on the purchase of volumetric water meters is not appropriate and not in accordance with existing rules and regulations.

Notwithstanding the subsequent audit action to be undertaken for this particular transaction, we further recommend that henceforth, Management and the BAC ensure that the specific conditions and requirements in the procurement as set forth in certain issuances by the GPPB are strictly complied with.

- 5. Copies of perfected contracts and supporting documents for various procurements aggregating ₱6.947 million including the contract of lease entered into by the Water District in CY 2020 were not submitted to the Audit Team within the prescribed period contrary to COA Circular 2009-001 dated February 12, 2009, thus prevented the timely conduct of contract review by the Auditor.**

COA Circular 2009-001 dated February 12, 2009 provides the following:

*“Sec. 3.1.1 – Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies and instrumentalities, including government owned and controlled corporations and their subsidiaries, a copy of said contract and each of all documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned.*

*Sec. 3.1.2 – Copies of documents required to be submitted shall include but not limited to such other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the technical evaluation hereof.*

*Sec. 3.2.1 – A copy of any purchase order (PO) irrespective of amount and each and every supporting documents, shall within five (5) working days from issuance thereof, be submitted to the Auditor concerned. Within the same period, the Auditor shall review and point out to Management defects and/or deficiencies, if any...”*

Verification of records showed that the Water District awarded infrastructure projects and procurement contracts to various suppliers/contractors totaling ₱6,946,560.00, and also entered into contract of lease during CY 2020. However, no perfected contracts were submitted to the Audit Team within the prescribed period for review and evaluation as required in COA Circular 2009-001. Some of the contracts entered into by CWD are as follows:

**Table 8 - List of contracts/POs issued in CY 2020**

<b>Description</b>	<b>Contractor/Lessor/ Supplier</b>	<b>Date of Award</b>	<b>Contract Cost</b>
2 Wells Drilling Projects at Can-asujan, Carcar City	Hanna Via Construction, Inc.	September 30, 2020	₱3,577,300.00
Special Repeat Order on the Supply and Delivery of 2,000 units Volumetric Water Meters ½” Brass	JB Janz Marketing	June 04, 2020	2,289,760.00
Supply and Delivery of 27,000 meters of P.E. Tube 13mm (1/2 SDR 9)	Streamline Marketing	July 13, 2020	904,500.00
Rental of Water Tanker Truck (23 trips at ₱5,000.00 per trip)	Narlene Trucking Services	May 11, 2020	115,000.00
Rental of 23 cubic meter Water Tanker Truck for the Supply of Water at Guadalupe and Can-asujan Area for 3 days (Direct Contracting)	Narlene Trucking Services	April 01, 2020	60,000.00
<b>Total</b>			<b>₱6,946,560.00</b>
Contract of Lease of 625 sq.m. Lot Adjacent to CWD Building (for additional working space)	Ma. Leah A. Rojo	February 27, 2020	₱16,304.35/month for five years

These contracts were attached to the DVs and were forwarded to the Audit Team only at the time of audit. The non-submission of contracts/POs within the prescribed timeline prevented the Auditor from conducting a review thereof to immediately point out defects and/or deficiencies, if any, for Management’s timely action or correction.

We recommended and Management agreed to require the concerned personnel to ensure that the Audit Team is furnished with copies of contracts within the period prescribed under COA Circular 2009-001 to enable the Audit Team to timely conduct the necessary legal and auditorial review.

6. The Water District allowed its employees to receive their salaries with net take home pay below the statutory requirement of ₱5,000.00 per month contrary to Section 47 of RA No. 11465 or the General Appropriations Act (GAA) of 2020.

Section 47 of the General Provisions of the 2020 GAA provides that:

*“Sec. 47. Authorized Deductions. Deductions from salaries, and other benefits accruing to any government employee, chargeable against the appropriations for Personnel Services, may be allowed for the payment of individual employee’s contribution or obligations due to the following -*

- a. The BIR, Philhealth, GSIS and HMDF;*
- b. Non-stock savings and loans associations and mutual benefit association duly operating under existing laws and cooperatives which are managed by and/or for the benefit of government employees;*
- c. Association or provident funds organized and managed by government employees for their benefit and welfare;*
- d. GFIs authorized by law and accredited by appropriate government regulatory bodies to engage in lending;*
- e. Licensed insurance companies; and*
- f. Thrift banks or rural banks accredited by the BSP.*

*Obligations due to the BIR, contributions due to the Philhealth, GSIS and HDMF, and GSIS and HDMF loans shall be satisfied ahead of all other obligations. The remaining obligations due to other entities listed above shall be satisfied in the order in which they were incurred.*

***In no case shall the foregoing deductions reduce the employee’s monthly net take home pay to an amount lower than Five Thousand Pesos (₱5,000.00). (CONDITIONAL IMPLEMENTATION- President’s Affirmation Message, January 6, 2020, Volume I-B, page 617, R.A. No. 11465)” (Emphasis Supplied)***

To mention, Volume I-B of the President’s Affirmation Message dated January 6, 2020, Page 617 states that:

**“D. PROTECTION TO GOVERNMENT EMPLOYEES**

*As in previous years, it does not escape my attention that some government employees are entering into loan agreements with several financing institutions. While I recognize the advantage afforded to government employees in authorizing agencies to deduct the amount of their contributions and obligations to said financing institutions, the government should not be reduced to mere collecting agent of these institutions. As such, I am placing under conditional implementation **Items (b) to (f), Section 47, General Provisions, “Authorized Deductions,” Volume I-B, page 594,** to task all government agencies to leverage the accommodation given to these financing institutions in order to secure the most favorable terms possible to uphold the rights and protect the interest of all public servants.”*

In our verification of the paid payrolls for regular employees in CY 2020, it was noted that there were some employees whose net take home pay was below of what is required by law. To illustrate, the computation of the September 2020 net take home pay for the said employees are as follows:

**Table 9 - Sampled employees with net take home pay below the mandated amount of ₱5,000.00**

Employee Name	Monthly Rate	Overtime Pay & Other Adj.	Deductions				Net Pay
			GSIS/HDMF/ Philhealth Contributions	GSIS/HDMF Loans	Provident Fund	Others*	
Abadilla, Jose Romero T.	₱13,807.00		₱(1,549.73)	₱(10,279.33 )	₱(940.00)	₱(50.00)	<b>₱987.94</b>
Amistad, Julius L.	13,807.00		(1,549.73)	(7,774.96)	(940.00)	(203.52)	<b>3,338.79</b>
Cabarida, Jhope G.	13,019.00	3,032.85	(1,466.99)	(8,770.07)	(885.57)	(509.80)	<b>4,419.42</b>
Malubay, William N.	13,807.00		(1,549.73)	(3,306.88)	(4,976.02)	(50.00)	<b>3,924.37</b>
Nacua, Joseph B.	20,388.00		(2,240.74)	(12,491.58)	(1,450.00)	(50.00)	<b>4,155.68</b>
Padin, Robert L.	13,807.00	3,239.95	(1,549.73)	(8,755.03)	(940.00)	(1,315.30 )	<b>4,486.89</b>
Pantorilla, Ariel E.	13,807.00		(1,549.73)	(3,855.60)	(4,614.79)	(691.06)	<b>3,095.82</b>
Quimson, Geongie C.	15,524.00		(1,730.02)	(4,475.69)	(4,105.97)	(440.64)	<b>4,771.68</b>
Racoma, Randel B.	13,019.00		(1,466.99)	(8,697.80)	(924.57)	(336.90)	<b>1,592.74</b>
Sabala, Mark Evan R.	17,505.00		(1,938.02)	(11,392.99)	(970.00)	(233.16)	<b>2,970.83</b>
Villarin, Eliseo D.	11,551.00	393.78	(1,312.85)	(5,985.06)	(776.53)	(322.08)	<b>3,548.26</b>
Ybañez, Fritzer S.	13,119.00	447.24	(1,477.49)	(6,528.65)	(1,325.48)	(322.08)	<b>3,912.54</b>

\* Water Bill and Employees’ Union Contributions

Provident Fund contributions, water bill and Employees' Union contributions were included as deductions from the salaries and other benefits accruing to the employees of CWD. Thus, the net take home pay of the affected employees was below the statutory requirement of ₱5,000.00.

The general intent of this legal mandate is to motivate and encourage an employee to use its credit lines with existing lending institutions wisely and discourages him to spend more than what his/her means would allow. This enables the employee to meet his daily subsistence until the next pay day. Also, providing for sufficient pay could boost employees' morale and could reduce, if not eliminate, habitual absenteeism and tardiness.

**We recommended that Management require the Accounting Division to strictly adhere to the instructions specifically provided in the GAA relative to the required monthly net take home pay for government employees in a particular year.**

**Management's Comment:**

Management commented that this concern was the result of the releases of Government Financial Assistance Loan by the Government Service Insurance System (GSIS) which did not go through the certification of the Agency Authorized Officer (AAO), thereby resulting in the net take home pay levels way below the amount as mandated for government employees. Management had communicated with the GSIS on the basis for the loan releases of the concerned employees. GSIS had acknowledged the receipt of the letter but no further action has been made.

Management added that CWD has always been prudent in the evaluation of loan applications to ensure that the net take home pay level is observed.

**COVID-19 Funds Audit**

- 7. The payment of COVID-19 hazard pay to the security personnel engaged through Institutional Contract of Service (COS) is inconsistent with Item 3.6 of the Department of Budget and Management (DBM) Budget Circular No. 2020-01 dated March 24, 2020 and Item 6.1.4 of the Civil Service Commission (CSC)-COA-DBM Joint Circular No. 1, series 2017, thus incurring irregular expenditures of ₱87,500.00.**

Proclamation No. 922 (series of 2020) declared the whole country under a State of Public Health Emergency due to COVID-19 outbreak. Relative thereto, Administrative Order (AO) No. 26 dated March 23, 2020 was issued to authorize the grant of hazard pay in an amount not exceeding ₱500.00 per day per person to government employees and workers engaged through COS or Job Order (JO), whose services are urgently necessary and who physically report for work during the period of an Enhanced Community Quarantine (ECQ) due to exposure to health risks and hazards.

In view thereof, DBM Budget Circular No. 2020-01 dated March 24, 2020 was issued to provide the implementing guidelines on the grant of the COVID-19 hazard pay. Item 3.6 thereof states that the guidelines and conditions in the circular shall cover, among others, workers engaged through COS, JO or other similar schemes.

Accordingly, DBM and COA had issued Joint Circular No. 1, series 2020 dated March 19, 2020, which provides the Interim Guidelines Governing COS and JO Workers in Government for the Duration of the State of Calamity and Community Quarantine Due to the Corona Virus Disease. Item 2.0 of the said joint circular states that Institutional COS workers assigned in government agencies to provide services such as janitorial, security, consultancy and other support services are excluded from the coverage of the Joint Circular.

To emphasize, Item 6.1.4 of CSC-COA-DBM Joint Circular No. 1, series 2017 states that the contractor or service provider shall be responsible for providing the workers with compensation and benefits compliant with existing labor law including the necessary social security and other benefits mandated by law in addition to the direct compensation as payment for their services.

Verification of the following disbursement vouchers (DVs) and its supporting documents revealed that the CWD granted COVID-19 hazard pay to outsourced personnel providing security services totaling ₱87,500.00:

**Table 6 - Details on the payment of CY 2020 Hazard Pay Institutional COS workers**

<b>DV No./ Date</b>	<b>Particulars</b>	<b>Amount Per DV</b>	<b>Amount of Hazard Pay Granted</b>
2020-06-3582/ June 1, 2020	Payment for security services rendered for the period April 16 to 30, 2020 and hazard pay for the period March 30 to April 30, 2020.	₱113,668.13	₱65,000.00
2020-08-3923 Aug. 24, 2020	Payment for security services for the period May 1 to July 31, 2020 (Hazard Pay for the period May 1 to 15, 2020)	314,247.59	22,500.00
	<b>Total</b>		<b>₱87,500.00</b>

The aforementioned Circulars clearly stipulate that the grant of COVID-19 hazard pay covers only those government employees and COS or JO workers whose services are directly engaged by government agencies. It does not include Institutional COS workers assigned in government agencies providing services such as janitorial, security, consultancy and other support services. Hence, payment of COVID-19 hazard pay to the security personnel totaling ₱87,500.00 is considered irregular expenses.

We recommended and Management agreed to demand from the Security Agency a refund on the payment of hazard pay to its security personnel totaling ₱87,500.00 for the period covered March 30 to May 15, 2020, and ensure that the COVID-19 hazard pay shall be granted only to those authorized to receive the said benefit in accordance with the guidelines issued by the DBM and COA.

**Gender and Development (GAD)**

8. The CWD’s GAD Plan and Budget (GPB) for CY 2020 was formulated without the review of sex-disaggregated data and conduct of gender analysis on the policies, programs and projects, thus casting doubt whether gender gaps and challenges were correctly identified and addressed contrary to Sections 36 and 37, Chapter VI of RA No. 9710, otherwise known as the Magna Carta of Women. Also, the expenses incurred during the Family Day Celebration totaling ₱0.284 million are considered unnecessary contrary to Item 4.2 of the Philippine Commission of Women (PCW) Memorandum Circular No. 2020-003 and DBM National Budget Circular No. 580.

CWD allocated ₱6.500 million for its GAD programs, activities and projects (PAPs) or 5.3 per cent of the total approved corporate operating budget of ₱123.20 million for CY 2020. Out of the allocated GAD budget, the Water District spent ₱7.500 million, thus the utilization exceeded by 15.4 per cent. The details are as follows (amounts in millions):

**Table 10 - Schedule of GAD Funds Utilized for CY 2020**

GAD Activity	Amount (in millions)			GAD Budget Utilization Rate
	GAD Budget	Amount Utilized	Over/Under Utilization of GAD Budget	
Organization-Focused	₱0.700	₱0.400	₱0.300	(57.14%)
Client-Focused	5.800	7.100	(1.300)	122.41%
<b>Total</b>	<b>₱6.500</b>	<b>₱7.500</b>	<b>₱1.000</b>	115.38%

The actual GAD activities in CY 2020 and their corresponding costs totaling ₱7.500 million are the following:

**Table 11 - Breakdown of the Actual GAD Funds Spent for CY 2020**

GAD PAPs	Gender Issue/Concern	GAD Activity	Cost
GAD Planning	Lack of specific GPB	Benchmarking in Davao City Water District	₱25,778.77
GAD Training	Lack of capacity in the preparation and implementation of GAD-	Accomplish Gender Mainstreaming Evaluation	0.00



<b>GAD PAPs</b>	<b>Gender Issue/Concern</b>	<b>GAD Activity</b>	<b>Cost</b>
	related activities	Framework (GMEF) Questionnaire to determine GAD Maturity Level	
Compliance with government rules and regulations	Support government programs that promote and support women's awareness of their rights in society	Participation in celebration of International Women's Month (distribution of ecobags to women concessionaires; Information, Education and Communication materials to create awareness of Women's Month celebration	37,029.50
		To comply with Proclamation No. 847 series 1996: Declaring the 4 <sup>th</sup> Sunday of September as Family Thanksgiving Day (Virtual celebration of Family Day on September 26, 2020)	283,603.90
		To comply with Presidential Proclamation No. 1172 series 2006: Declaring November 25 to December 12 of every year as the 18-Day Campaign to End Violence Against Women (VAWC)	43,592.10
Fulfilling the mandate of providing potable water to the people of Carcar City and its neighboring	Lack of type III water facilities in some barangays in the Water District service area which causes an additional burden to women and children in fetching water	Water system expansion projects implemented in 2020 (Napo, Buenavista, Perrelos, Valencia, Ocaña;	7,098,328.65

GAD PAPs	Gender Issue/Concern	GAD Activity	Cost
towns	from springs and communal water systems	Additional Pumping Station (Poblacion I)	
<b>Total</b>			<b>₱7,488,332.92</b>

Section 36, Chapter VI of RA No. 9710, otherwise known as Magna Carta of Women, states that “. . . *The development of GAD programs shall proceed from the conduct of a gender audit of the agency or the local government unit and a gender analysis of its policies, programs, services and the situation of its clientele; the generation and review of sex-disaggregated data; and consultation with gender/women’s rights advocates and agency/women clientele.*”

Verification disclosed that the gender issues in the GPB were identified by the GAD Focal Point System (GFPS) even without conducting gender audit of sex-disaggregated data and analysis of its policies, programs, services and clientele as required under Section 36 of RA No. 9710. The GFPS furnished the Audit Team with the “Results and Summary of CWD GAD Survey” dated August 11, 2017 on its survey on the same date in Tapal, Valencia, Carcar City. It shall be emphasized that the data collected in the said survey may no longer reflect the present situation, hence, updating is necessary.

Also, the conduct of gender analysis is among the steps in formulating an agency’s GAD agenda as provided under Item 5.2 of the PCW Memorandum Circular No. 2018-04 dated September 19, 2018, to wit:

*“5.2.1 The agency, led by the GFPS, shall conduct gender analysis based on the following:*

*5.2.1.1 Results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework (GMEF), Harmonized Gender and Development Guidelines (HGDG), Participatory Gender Audit (PGA), and other gender analysis tools;*

*5.2.1.2 Analysis of sex-disaggregated data and/or relevant information;*

*5.2.1.3 Review of GAD-related mandates and policies (international and local);*

*5.2.1.4 Review of sectoral and Gender Equality and Women’s Empowerment (GEWE) plans and GAD-related indicators; and*

5.2.1.5 *Issues and recommendations gathered form consultations with women’s groups/organizations working on the sector and other concerned stakeholders.*

5.2.2 *After collating the results of the gender analysis, the agency should be able to come up with a summary list of gender issues.*

5.2.3 *The gender issue could be client-and/or organization focused.*

5.2.3.1 *A client-focused gender issue refers to gap/s arising from the unequal status of women and men stakeholders (customers, clients, beneficiaries) of a particular agency including the extent of their disparity over access to benefits from and contribution to a policy, program, projects and/or services of the agency.*

5.2.3.2 *An organization-focused gender issue, on the other hand, points to the gap/s in the capacity of the organization to integrate a gender dimension in its programs, systems or structure.”*

Considering the foregoing guidelines in conducting a gender analysis, the Water District must take additional efforts in developing its GAD Database containing gender statistics and sex-disaggregated data. As required under RA No. 9710, the said database shall be systematically gathered, **regularly updated**, and subjected to gender analysis for planning, programming, and policy formulation of the Water District.

In view thereof, Management may consider the issuance of survey forms or questionnaire to its target respondents (employees and external clients) as part of data gathering activities to identify gender issues and corresponding strategies or to be able to capture a clearer picture of the respondents’ respective gender-related issues and concerns. The data generated through survey using said forms or questionnaire shall be processed and analyzed, and thereafter, gender issues may already be properly identified. The identified priority gender issued, in turn, will then be the basis for the formulation of annual PAPs on GAD to be included in the GPB of the Water District.

Furthermore, review of the expenses incurred during the celebration of the Women’s Month, Family Day and 18-Day VAWC Campaign Advocacy disclosed the following data:

**Table 12- Details of expenditures incurred during the Women’s Month and Family Day Celebrations, and 18-Day VAWC Campaign Advocacy**

<b>Particulars</b>	<b>Amount</b>
<b>Women’s Month Celebration:</b>	
Payment for T-shirt as per PO No. 2020-03-025 dated March 5, 2020	₱29,792.10
Reimbursement of the expenses paid for the printing of ecobags as	3,000.00

<b>Particulars</b>	<b>Amount</b>
token to CWD concessionaires during the International Women's Day celebration which kicked off last March 9, 2020	
Reimbursement of the expenses paid for the giveaways (Ecobags) during the Celebration of the International Women's Day on March 9, 2020	2,300.00
Replenishment of petty cash fund for the period March 6 to 16, 2020	1,937.40
<b>Sub-total</b>	<b>₱37,029.50</b>
<b>Virtual Family Day Celebration</b>	
Prizes for the Family Day Raffle on September 26, 2020 (Gift Checks)	₱186,000.00
Payment for 252 pieces of roasted chicken, 126 packs of chicharon and 126 tubs of atsara for Family Day 2020	80,390.63
Payment for 252 bottles of softdrinks for Family Day 2020	14,378.27
Reimbursement of expenses paid during the Virtual Family Day 2020	2,835.00
<b>Sub-total</b>	<b>₱283,603.90</b>
<b>18-Day VAWC Campaign Advocacy</b>	
Payment for T-shirt for 2020 18-Day VAWC Campaign Advocacy	₱21,667.10
Payment for 130 pax ice cream distributed to concessionaires as per PO No. 2020-12-012 dated 12-7-2020	20,150.00
10 Boxes Colored Disposable Mask (Orange)	1,775.00
<b>Sub-total</b>	<b>₱43,592.10</b>
<b>Grand Total</b>	<b>₱364,225.50</b>

These GAD activities were not subjected to gender analysis nor based on the sex-disaggregated data. Also, the CWD did not observe the adoption of economy measures as required under DBM National Budget Circular No. 580 dated April 22, 2020 due to the emergency health situation brought by the COVID-19 pandemic.

It is to be emphasized that PCW issued Memorandum Circular No. 2020-003 to provide guidelines on the adjustment/and or implementation of the Fiscal Year (FY) 2020 GPB in view of the COVID-19 situation. Item 4.2 of the said memorandum circular requires that the revision of the FY 2020 GPB by the government agencies including the Local Water District should be in line with the parameters set under DBM National Budget Circular No. 580 dated April 22, 2020. It was further stated that the GAD PAPs that fall under Section 4.3.1 of the National Budget Circular No. 580 shall be discontinued. Among the projects and activities to be discontinued under Section 4.3.1.5 of the National Budget Circular No. 580 is the conduct of celebrations and cultural or sports activities not related to the core function of the agency.

As can be gleaned from the table above, the expenses related to the Family Celebration on September 26, 2020 such as the giving of prizes for the Family Day Raffle, purchased of roasted chickens, chicharons and softdrinks totaling ₱283,603.90 are considered unnecessary. These expenses are not essential and they could have continued the celebration of the Family Thanksgiving Day without incurring such expenses, more

so that PCW and DBM have issued policy issuances on the discontinuance of certain activities and the adoption of economy measures in the light of the COVID-19 situation.

**We recommended that Management:**

- a. **submit explanation/justification on the incurrence of unnecessary expenses during the Family Day Celebration, notwithstanding the issuances of PCW Memorandum No. 2020-003 and DBM National Budget Circular No. 580 on the adoption of economy measures and discontinuance of certain PAPs in view of the COVID-19 situation.**
- b. **require the GFPS to conduct gender analysis of policies, programs and projects and review of sex-disaggregated data to identify priority gender issues or GAD agenda before formulating the GPB as mandated under PCW Memorandum Circular No. 2018-04 dated September 19, 2018, and thereafter, maintain and regularly update the GAD Database.**

**Management's Comment:**

Management noted the findings and committed to abide by the audit recommendations. However, Management explained that the expenses incurred during the Family Day Celebration last September 2020 was not unnecessary based on the following grounds:

- a. The conduct of a Family Day Celebration was a traditional activity of the Water District which is held annually;
- b. The expenses incurred during the Family Day were included in the budget for FY 2020;
- c. The activity was intended towards the upliftment of employee morale in the midst of the COVID-19 pandemic which has caused mental burden on the employees;
- d. The appropriate budget should have been intended for transportation, catering and entertainment of the employees and their families. Instead of spending for those items, the office resorted to a web-based Family Day with prizes so that the employees will still be able to enjoy and feel the spirit of the occasion.

**Auditor's Rejoinder:**

We recognized the good intent of the Management in uplifting the morale of its employees and even in adopting the new normal of reaching out to its employees during this time of pandemic through virtual means. However, we wish to emphasize that the

activities during the Family Day Celebration could have been pursued even without incurring enormous expenses on the part of the government. The PCW issuance is very clear on requiring all agencies in the government to make necessary adjustment or revision of the CY 2020 GPB in order to align with the directive of the President, through DBM National Budget Circular No. 580, on the adoption of the austerity measures in view of the declaration of the whole country under the state of health emergency due to COVID-19 pandemic. Hence, we maintain our stand that the said expenses are considered unnecessary.

**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 following are the details of the taxes remitted to the BIR for CY 2020:

***Table 13- Summary of Tax Remittances to BIR in CY 2020***

<b>Code</b>	<b>Tax Description</b>	<b>Amount</b>
1601-E	Expanded W/holding Tax	₱350,037.77
1601-C	W/holding Tax - Compensation	1,073,405.25
1600	VAT	2,156,135.96
2551-M	Franchise Tax	2,428,660.63
<b>Total</b>		<b>₱6,008,239.61</b>

**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 2020:

***Table 14-Summary of Remittances to GSIS in CY 2020***

<b>Transactions Covered by the Remittance</b>	<b>Amount</b>
GSIS Life and Retirement Premiums (Government Share)	₱2,896,999.70
Employees Compensation Contributions	115,600.00
GSIS Life and Retirement Premiums (Personal Share)	2,183,900.14
Consolidated Loan Repayments	1,031,916.42
Educational Assistance Loan	25,350.39
Emergency Loan	181,590.12
Policy Loan	10,222.00
GSIS Financial Assistance Loan (GFAL) II	689,394.12
<b>Total</b>	<b>₱7,134,972.89</b>

**Status of Settlement of Suspensions, Disallowances and Charges**

The following table shows the outstanding audit suspensions, disallowances and charges of CWD as of December 31, 2020:

<b>Particulars</b>	<b>Beginning Balance December 31, 2019</b>	<b>Issued and Settled in CY 2020</b>	<b>Ending Balance December 31, 2020</b>
Notice of Suspension	-	-	-
Notice of Disallowance	₱25,000.00	-	₱25,000.00
Notice of Charge	-	-	-
<b>Total</b>	<b>₱25,000.00</b>	<b>-</b>	<b>₱25,000.00</b>

### PART III

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

We followed up the actions taken by Management on the implementation of the 27 prior years' audit recommendations and noted that ten were fully implemented, seven were partially implemented and ten were not implemented as at December 31, 2020. The details are:

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
1. Completed projects totaling ₱33.188 million or 66.25 per cent 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 calendar year (CY) 2019 by ₱1.390 million.	Management instruct the Accounting Division to make the necessary adjusting entry to properly recognize the Property, Plant and Equipment (PPE) account in Carcar Water District's (CWD) books in accordance with Commission on Audit (COA) Circular No. 2015-010.	AAR CYs 2019 2016	Complied with the audit recommendation.  The reclassification and corresponding depreciation expense for the completed projects were booked on April 30, 2020 through Journal Voucher No. 20-04-0163.	Fully Implemented  Verified JV No. 20-04-0163.
	Management 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	AAR CY 2019	Complied with the audit recommendation.	Fully Implemented



<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	depreciation using the proposed adjusting entry.			
2. The valuation of the recorded PPE account balance aggregating ₱185.14 million (excluding Land and CIP) 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.	Management require the concerned personnel at the Accounting Division and Administrative 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 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.	AAR CYs 2019 2018	Impairment loss was recognized in the books through JV No. 20-05-0217 dated May 30, 2020.	Fully Implemented  CWD has already recognized Impairment Loss as at December 31, 2020, as a result of the assessment made on the valuation of the PPE by the Water District at year-end.  Verified JV No. 20-05-0217.
	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	AAR CY 2019	The disposal of the defective and unserviceable properties is for implementation in CY 2021.	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>
	Water District in the next reporting period.			
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 per cent 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.	Management identify the cause/s of the discrepancy between the balances of the GL and the Aging of AR so that appropriate adjustment/s can be effected to fairly state the AR balance in the Statement of Financial Position as at year-end.	AAR CY 2019	On-going identification on the cause of variance.	Not Implemented  Reiterated in Part II of the herein report.
	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 Philippine Financial Reporting Standard 9.	AAR CY 2019	Complied with the audit recommendation.	Fully Implemented  CWD recognized ₱2.45 million Impairment Loss as at December 31, 2020 after conducting an assessment of the AR collectibility.
4. Reconciling items in the Bank Reconciliation Statements (BRS) totaling ₱0.287 million were not recognized in the books of accounts	Management instruct the Officer-in-Charge (OIC) Division Manager-Finance to immediately effect the adjustments and corrections, if any,	AAR CYs 2019 2018	Complied with the audit recommendation.	Fully Implemented  JV No. 20-03-0109 was verified.  No

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
as at year-end, resulting in the understatement of the Cash-in-Bank (CIB) account as at December 31, 2019 by the same amount.	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.			discrepancies noted in BRS and CIB balance as at December 31, 2020.
	Management require the Finance Division to draw the adjusting journal entry for the cancellation of the stale checks using the proposed adjusting entry.	AAR CY 2019	Complied with the audit recommendation	Fully Implemented
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.	Management 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.	AAR CY 2019		Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>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.</p>	<p>Management submit the lacking documents, for review and evaluation, such as:</p> <ul style="list-style-type: none"> <li>a. Survey Plan;</li> <li>b. Certification that there is no previous pending claim and previous payment on subject property;</li> <li>c. Environmental Clearance Certificate</li> <li>d. Independent appraisal report or Committee Resolution as to the valuation of the land to determine the reasonableness of the offered price.</li> </ul>	AAR CY 2019	Management has hired a Job Order (JO) personnel to handle the processing of the title for this lot as well as other lots acquired by the Water District.	Not Implemented  Management has not yet submitted any of the lacking documents.
	<p>Management ensure that the following documents are secured prior to the full payment of the remaining balance, to wit:</p> <ul style="list-style-type: none"> <li>a. Deed of Absolute Sale registered with the Register of Deeds (now Land Registration</li> </ul>	AAR CY 2019		Partially Implemented  The Water District has not yet paid in full the payee.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	Authority) where the land is located; and b. Certified photocopy of Transfer Certificate of Title and Tax Declaration in the name of the procuring entity or previous owner with annotation of sale.			
7. The Gender and Development (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	Management 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 GPB and the GAD Accomplishment Report to LWUA for proper review and endorsement.	AAR CY 2019	Complied with the audit recommendation.	Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
is no assurance that all the listed GAD activities are addressing women concerns and gender issues.				
8. The reported Service and Business Income in CY 2018 was overstated by ₱0.139 million due to the inclusion of erroneous water consumption which was billed to one concessionaire in December 2018. Thus, affecting the fair presentation of the financial statements of the Water District.	Management implement a review mechanism on the Billing Proof List so as to detect any erroneous meter reading and effect the necessary corrections /adjustments, if any, before the closing of the books at the end of the reporting period to ensure the fair presentation of the accounts in the financial statements.	AAR CY 2018	Correcting entry was posted on January 31, 2019 through JV No. 19-01-0041 dated Jan. 31, 2019.	Fully Implemented
9. The principal loan amortizations which were paid in CY 2018 totaling ₱4.399 million was not included in the Corporate Operating Budget (COB), thus, payment was without appropriation, a violation of Section 4(1) of PD 1445.	Management submit authority from the governing board of the Water District for the release of funds appertaining to the payment of monthly principal loan amortizations for CY 2018 and obtain a post facto approval from the Department of Budget and Management, if warranted. Henceforth, ensure	AAR CY 2018	Obtained the authority from the governing board through Board Resolution No. 11 series of 2019 dated May 30, 2019.	Partially Implemented  Obtained copy of the Board Resolution, however, the post facto approval from DBM was not yet secured.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	that all expenditures are covered with approved appropriations pursuant to Section 4(1) of PD 1445.			
10. Payments of wages to JO personnel totaling ₱6.938 million in CY 2018 were not supported with duly verified Accomplishment Reports contrary to Section 4(6) of PD No. 1445 and Section 1.2.1 of COA Circular No 2012-001 thus, the validity and propriety of the transactions could not be ascertained.	Management 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.
11. Payments of monetization of 50 per cent or more of Vacation/Sick Leave credits totaling ₱206,374.01 were allowed even without the supporting document indicating the valid and justifiable reasons to explain the payment thereof, which is required under Section 23 of the Omnibus Rules on	Management require the CWD personnel who availed of the monetization of 50 per cent or more of their accumulated leave credits to submit proof that the proceeds thereof were used for reasons as cited in the MC.  Henceforth, Management ensure that monetization of 50 per cent or more of	AAR CY 2017	A letter from the General Manager addressed to the OIC-Audit Team Leader dated December 16, 2020 stated that the Water District was no longer able to obtain the supporting valid documents (receipts, Statement of Account, etc.) from the concerned employees in CY 2017 but since	Considered Fully Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
Leave and COA Circular 2012-001 dated June 14, 2012.	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.		2018, CWD already observed the audit recommendation of COA.	
12. Disbursements which were charged against the funds allocated for advertisements were not in conformity with the conditions set forth in Section 408(c) of the Government Accounting and Auditing Manual (GAAM) Volume 1 and COA Circular No. 2012-003, thus, the water district incurred an irregular expenditure aggregating ₱359,059.75.	Management strictly comply with the existing government rules and regulations as set forth in Section 408(c) of the GAAM, Volume I and reiterated in COA Circular No. 2012-003 relative to the expenses to be charged against the funds allocated for the advertisements of the water district.	AAR CY 2017		Not Implemented  Management believes that these subject expenditures will foster goodwill with the community.  These are also part of the GAD programs of the Water District as it aims to promote the local talents among the youth in Carcar City.
13. The variances between the results of the physical inventory count and the balances appearing in the	Management require the Accounting Division and the Property Unit to reconcile at the end	AAR CY 2015	Monthly reconciliation has been performed but causes for the variances had not been identified	Partially Implemented



<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>Stock Cards, Supplies Ledger Cards and GL for the three inventory accounts were not explained/ resolved at year end, which condition affects the reliability of the account balance and indicative of a breakdown in the internal controls over inventories. A difference of ₱646,298.35 was noted between the GL balance and the physical count.</p>	<p>of each month, the balances appearing in the GL, SL and Property Card to facilitate the identification of the causes for variances, if any. Thereafter, effect the necessary adjustments to correct either record.</p>		<p>yet.</p>	
<p>14. 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</p>	<p>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.</p>	<p>AAR CY 2015</p>	<p>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.</p>	<p>Partially Implemented</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
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.				
15. 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.	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.  The titling/transfer process of real estate takes a long time considering the various agencies involved. But progress has been made on some properties pertaining to securing the necessary documents and conduct of actual survey.	Partially Implemented
16. Four donated lots with a total land area of 282 square meters have not yet been recorded in the books of accounts because of	Management request the Cebu Provincial Appraisal Committee to appraise all the donated lots so that	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>
lack of valuation.	the Water District will have a reliable basis for the costing and recording of the transactions in the books of accounts.			
17. Ownership of 16 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.	Management 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
18. 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	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 Executive Order (EO) No. 298 and MC 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>
requirement under Section 2.d of LWUA MC 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 EO No. 298 and reiterated in MC No. 7, s. 2010, issued by the Office of the President on November 19, 2010.	Management 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.	??? AAR CY 2014		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 Daily Subsistence Allowance (DSA) due the employees. One official was paid the full even if the invitation was inclusive of	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, Management see to it that all regulations on foreign travel are complied with prior to the grant of the cash advance for said official travel.	??? AAR CY 2014		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>
air fare and accommodation.				
19. 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.	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 Memorandum of Agreement.	TAR CYs 2010 to 2012		Not Implemented  There has been a change in the administration of Brgy. Guadalupe and the new officials are still sorting the documents.
20. The Board of Directors was granted in CY 2011 a year-end financial assistance and cash gift without approval from the	Management require the members of the Board of Directors to refund the year-end financial assistance and cash	TAR CYs 2010 to 2012	The financial assistance were given prior to the receipt of the Memorandum which provided for the cancellation of	Not Implemented  No refund has been made to date.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
President as required under Section 8(d) of EO No. 24 dated February 10, 2011.	gift granted in CY 2011.		such benefit. Granting of year-end financial assistance and cash gift had been stopped since CY 2012.	