



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

ANNUAL AUDIT REPORT

ON THE

CARCAR WATER DISTRICT

(CWD)

For the Year Ended December 31, 2022

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.

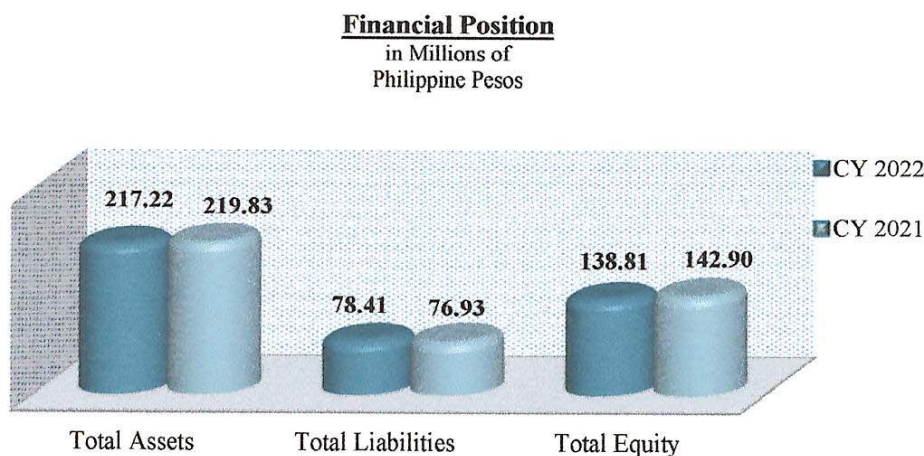
The primary objective of CWD is to provide sufficient potable water to the residents of Carcar City utilizing available sources of water and applying appropriate water treatment measures to ensure that water is safe for the consumption of its concessionaires.

As of December 31, 2022, CWD had a total workforce of 116 regular employees. CWD is headed by General Manager Edward L. Remo.

CWD's Non-Revenue Water (NRW) as of December 31, 2022 was 19% which is within the maximum acceptable rate of 20%, as set under the Local Water Utilities Administration (LWUA) Board Resolution No. 444, series of 2009 as amended. CWD is also International Organization for Standardization (ISO) - Certified since 2016.

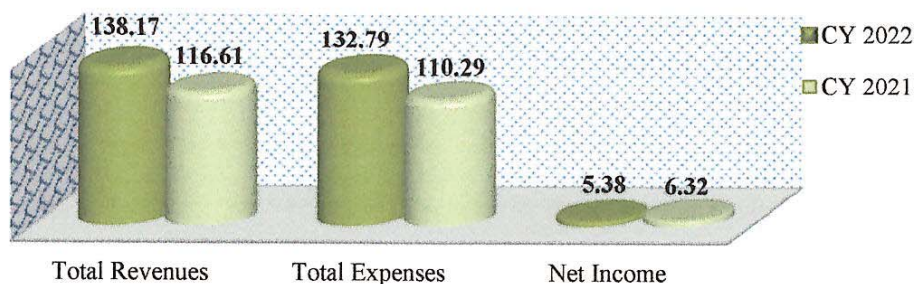
B. FINANCIAL HIGHLIGHTS

The financial position and results of operations for CYs 2021 and 2022 are summarized in the following graphs:



Results of Operations

in Millions of
Philippine Pesos



C. OPERATIONAL HIGHLIGHTS

The following are among the reported accomplishments of the Water District for the year 2022 as compared with that of the previous year:

| Category | 2022 | 2021 | Increase (Decrease) |
|------------------------------|--------------------------|--------------------------|------------------------|
| Service Connections | | | |
| Total Services | 27,011 | 24,667 | 2,344 |
| Total Active | 24,426 | 20,529 | 3,897 |
| Total Metered | 24,426 | 20,529 | 3,897 |
| Total Billed Concessionaires | 24,034 | 22,482 | 1,552 |
| Water Production | | | |
| Pumped | 4,209,566 m ³ | 3,766,276 m ³ | 443,290 m ³ |
| Gravity | 2,791,431 m ³ | 2,740,366 m ³ | 51,065 m ³ |

D. SCOPE OF AUDIT

The audit covered the financial transactions of CWD for CY 2022. 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 2022 Audit of the Water Districts were likewise considered, when applicable.

E. AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor expressed a qualified opinion on the fairness of presentation of the financial statements of CWD in view of the following exceptions noted that need immediate action:

1. The accuracy and reliability of the Inventory accounts totaling ₱11.295 million as at December 31, 2022 is doubtful due to:

(a) variances noted between the Supplies Ledger Card (SLC) and the General Ledger (GL) aggregating ₱1.212 million, contrary to Section 121 (2) of Presidential Decree (PD) No. 1445 and Paragraph 15 of the Philippine Accounting Standards (PAS) 1.

(b) Shortages and overages reflected in the Report on Physical Count of Inventories (RPCI) totaling ₱162.00 and ₱94,138.20, respectively, which were not adjusted in the books of accounts after conducting the investigation/verification to correct the year-end balance of the Inventories account contrary to Paragraph 15 of the PAS 1.

2. The reliability of the reported Construction in Progress (CIP) account balance totaling ₱13.92 million as at December 31, 2022 is doubtful due to inclusion of projects the status of which cannot be identified/traced totaling ₱431,676.82; and payment of expenses erroneously charged to CIP aggregating ₱137,000.01, contrary to Section 111(2) of PD No. 1445 and Paragraph 15 of the PAS 1.

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. Accounts Receivable (AR) totaling ₱2,984,922.98, or 41.74 per cent of the total AR balance of ₱7,151,595.50 as at December 31, 2022, were overdue and inactive, which indicates low collection efficiency. Further, the disconnection policy, as stated in Sections 12.2, 12.3 and 15 of the CWD Utility Rules and Regulations (URR), was not fully implemented. These are contrary to Section 2 of PD No. 1445, thus, depriving the Water District of additional funds that could help sustain its operation.

We recommended that Management exert extra effort to intensify the collections and formulate additional strategies to address the problem of collection/reduction of overdue and inactive accounts. Furthermore, be consistent in the implementation of the disconnection policy of six days from due date with unpaid water bill as provided under Section 12.3 of the CWD URR to avoid accumulation of water consumption and water bill of the delinquent concessionaires.

We also recommended that Management consider requiring concessionaires to pay security/guaranty deposits upon approval of their water service contract, as protection in case of unpaid water bills.

2. Due from LGU account amounting ₱150,000.00 was not refunded by the implementing agency within the prescribed period and has been dormant/outstanding for more than 10 years contrary to COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2016-005 dated December 19, 2016, thus, affecting the fair presentation of the financial statements as required under PAS 1.

We recommended for Management to make representation or call the attention of responsible officials of the barangay to enforce/demand the refund from barangay Guadalupe, Carcar City, Cebu of the long outstanding fund transfer amounting to ₱150,000.00.

3. Several disbursements through Petty Cash Fund (PCF) were not supported with complete documentation contrary to Section 4.6 of PD No. 1445, COA Circular No. 2012-001 dated June 14, 2012 and the CWD Internal Policy/Guidelines for petty cash transactions.

We recommended that Management instruct the PCF custodian to ensure that the required supporting documents for petty expenses are complete in order to fully establish the validity of the claims against the petty cash fund. We also recommended for Management to direct the Accountant to make sure that the replenishment of the PCF is supported with complete documents before processing the same.

4. CWD did not prepare a Septage Management Plan (SMP) as required by PD No. 198 and Republic Act (RA) No. 9275, depriving its concessionaires of a sound waste water treatment and disposal system.

We recommended that Management prepare a concrete SMP as required by the above-mentioned laws, to address wastewater and sanitation concerns of the concessionaires. We also recommended for Management to regularly coordinate and propose a written formal program to the LGU of Carcar City, on the necessity and importance of the SMP in the improvement of water quality, sanitation and public health conditions.

G. IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 19 prior years' audit recommendations and noted that two audit observations were merged with a similar observation reported in CYs 2020 and 2019, six were fully implemented and 11 were not implemented as at December 31, 2022.

H. STATUS OF SETTLEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES

The outstanding audit disallowance of CWD as of December 31, 2022 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

Notes to Financial Statements



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Carcar Water District
Carcar City, Cebu

Qualified Opinion

We have audited the financial statements of the Carcar Water District (CWD), which comprise the Statement of Financial Position as at December 31, 2022 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 and other explanatory information.

In our opinion, except for the effects of the matters discussed in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the CWD as at December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

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

1. The accuracy and reliability of the Inventory accounts totaling ₱11.295 million as at December 31, 2022 is doubtful due to:
 - (a) variances noted between the Supplies Ledger Card (SLC) and the General Ledger (GL) aggregating ₱1.212 million, contrary to Section 121 (2) of Presidential Decree (PD) No. 1445 and Paragraph 15 of the Philippine Accounting Standards (PAS) 1.

(b) Shortages and overages reflected in the Report on Physical Count of Inventories (RPCI) totaling ₱162.00 and ₱94,138.20, respectively, which were not adjusted in the books of accounts after conducting the investigation/verification to correct the year-end balance of the Inventories account contrary to Paragraph 15 of the PAS 1.

2. The reliability of the reported Construction in Progress (CIP) account balance totaling ₱13.92 million as at December 31, 2022 is doubtful due to inclusion of projects the status of which cannot be identified/traced totaling ₱431,676.82; and payment of expenses erroneously charged to CIP aggregating ₱137,000.01, contrary to Section 111(2) of PD No. 1445 and Paragraph 15 of the PAS 1.

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 thought to bear on our independence and where applicable, related safeguards.

COMMISSION ON AUDIT

By:


ALITA R. FERNANDO
State Auditor IV 
OIC-Supervising Auditor

20 April 2023



CARCAR WATER DISTRICT
San Vicente St., Pobl. I. Carcar City, Cebu, Philippines
Tel. No. 520-4949
www.carcarwaterdistrict.gov.ph



Management
System
ISO 9001:2015

www.tuv.com
ID 9108533697



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, 2022, 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.


DR. MERLEA A. CABALQUINTO
Chairman, Board of Directors

1/18/2023

Date Signed


ENGR. EDWARD L. REMO
General Manager

1/18/2023

Date Signed


JOSEFA SALVACION N. MANUGAS
Department Manager

1/18/2023

Date Signed

PROVIDING YOUR NEED

CARCAR WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
CORPORATE FUND
AS AT DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

| | Note | 2022 | 2021 |
|--------------------------------------|------|-------------------------|-------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 4 | ₱ 7,095,352.12 | ₱ 6,456,769.36 |
| Receivables | 5 | 9,503,595.98 | 11,355,492.75 |
| Inventories | 6 | 11,294,968.39 | 6,801,928.67 |
| Other Current Assets | 9 | 7,333,102.93 | 1,280,361.24 |
| Total Current Assets | | 35,227,019.42 | 25,894,552.02 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 7 | 180,181,055.21 | 187,403,909.09 |
| Intangible Assets | 8 | 35,260.00 | 25,000.00 |
| Other Non-Current Assets | 9 | 1,775,466.34 | 6,501,746.81 |
| Total Non - Current Assets | | 181,991,781.55 | 193,930,655.90 |
| Total Assets | | ₱ 217,218,800.97 | ₱ 219,825,207.92 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Financial Liabilities | 10 | ₱ 17,755,780.90 | ₱ 19,569,045.69 |
| Inter-Agency Payables | 11 | 2,197,844.59 | 2,012,683.41 |
| Other Payables | 13 | 3,543,357.32 | 2,050,641.01 |
| Total Current Liabilities | | 23,496,982.81 | 23,632,370.11 |
| Non-Current Liabilities | | | |
| Financial Liabilities | 10 | 40,376,480.31 | 40,376,480.31 |
| Trust Liabilities | 12 | 3,773,075.53 | 3,940,692.43 |
| Deferred Credits/Unearned Income | 15 | 1,241,261.74 | 538,480.05 |
| Provisions | 14 | 9,517,705.52 | 8,441,232.77 |
| Total Non-Current Liabilities | | 54,908,523.10 | 53,296,885.56 |
| Total Liabilities | | ₱ 78,405,505.91 | ₱ 76,929,255.67 |
| EQUITY | | | |
| Government Equity | | ₱ 3,579,817.53 | ₱ 3,579,817.53 |
| Retained Earnings/(Deficit) | | 135,233,477.53 | 139,316,134.72 |
| Total Equity | | ₱ 138,813,295.06 | ₱ 142,895,952.25 |
| Total Liabilities and Equity | | ₱ 217,218,800.97 | ₱ 219,825,207.92 |

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

| | Note | 2022 | 2021 |
|--|------|-------------------------|-------------------------|
| Income | | | |
| Service and Business Income | 16 | P 134,104,012.15 | P 110,941,124.25 |
| Shares, Grants and Donations | 16 | 3,468,914.67 | 5,524,436.22 |
| Other Non-Operating Income | 16 | 599,931.21 | 146,468.31 |
| Total Income | | P 138,172,858.03 | P 116,612,028.78 |
| Expenses | | | |
| Personnel Services | 17 | P 53,334,694.71 | P 51,096,481.38 |
| Maintenance and Other Operating Expenses | 18 | 60,893,923.79 | 41,444,077.18 |
| Financial Expenses | 19 | 2,072,541.23 | 2,380,078.35 |
| Non-Cash Expenses | 20 | 16,494,598.43 | 15,370,566.96 |
| Total Expenses | | P 132,795,758.16 | P 110,291,203.87 |
| Comprehensive Income/(Loss) | | P 5,377,099.87 | P 6,320,824.91 |

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

| | Note | 2022 | 2021 |
|---|----------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Inflows | | | |
| Collection of Income/Revenue | P | 137,203,254.45 | P 107,356,998.95 |
| Collection of Receivables | | 6,103,639.55 | 5,932,110.84 |
| Trust Receipts | | - | 69,400.00 |
| Other Receipts | | 2,170,306.66 | 256,429.50 |
| Total Cash Inflows | | 145,477,200.66 | 113,614,939.29 |
| Adjustments | 22 | 443,292.33 | 674,264.54 |
| Adjusted Cash Inflows | | 145,920,492.99 | 114,289,203.83 |
| Cash Outflows | | | |
| Payment of Expenses | | 78,233,760.20 | 59,532,240.00 |
| Purchase of Inventories | | 8,008,456.12 | 8,219,565.47 |
| Grant of Cash Advances | | - | - |
| Payments of Accounts Payable | | 6,828,699.40 | 1,447,308.29 |
| Remittance of Personnel Benefit Contributions & Mandatory Deductions | | 27,212,736.26 | 22,244,610.71 |
| Other Disbursements | 22 | 692,130.00 | 669,652.00 |
| Total Cash Outflows | | 120,975,781.98 | 92,113,376.47 |
| Adjustments | 22 | 1,082,318.86 | 1,175,490.17 |
| Adjusted Cash Outflows | | 122,058,100.84 | 93,288,866.64 |
| Net Cash Provided by (Used in) Operating Activities | | 23,862,392.15 | 21,000,337.19 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash Inflows | | | |
| Proceeds from Sale/Disposal of Property, Plant and Equipment | | 23,294.00 | - |
| Total Cash Inflows | | 23,294.00 | - |
| Cash Outflows | | | |
| Purchase/Construction of Property, Plant and Equipment | | 13,764,498.62 | 21,987,830.95 |
| Total Cash Outflows | | 13,764,498.62 | 21,987,830.95 |
| Net Cash Provided by (Used in) Investing Activities | | (13,741,204.62) | (21,987,830.95) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash Outflows | | | |
| Payment of Long-Term Liabilities | | 7,410,163.54 | 7,080,284.52 |
| Payment of Interest on Loans and Other Financial Charges | | 2,072,441.23 | 2,377,671.49 |
| Total Cash Outflows | | 9,482,604.77 | 9,457,956.01 |
| Net Cash Provided By/(Used In) Financing Activities | | (9,482,604.77) | (9,457,956.01) |
| Cash Provided by Operating, Investing and Financing Activities | | 638,582.76 | (10,445,449.77) |
| Add: Cash and Cash Equivalents, January 1 | | 6,456,769.36 | 16,902,219.13 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | 4 | P 7,095,352.12 | P 6,456,769.36 |

See accompanying Notes to Financial Statements.

CARCAR WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
CORPORATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures For The Year Ended December 31, 2021)

| | Note | Retained Earnings/ (Deficit) | Government Equity | TOTAL |
|-------------------------------------|------|---------------------------------|-----------------------|-------------------------|
| BALANCE AT JANUARY 1, 2021 | | ₱ 134,598,564.70 | ₱ 3,579,817.53 | 138,178,382.23 |
| CHANGES IN EQUITY FOR 2021 | | | | |
| Comprehensive Income for the year | | 6,320,824.91 | | 6,320,824.91 |
| Other Adjustments | 21 | (1,603,254.89) | | (1,603,254.89) |
| BALANCE AT DECEMBER 31, 2021 | | ₱ 139,316,134.72 | ₱ 3,579,817.53 | ₱ 142,895,952.25 |
| CHANGES IN EQUITY FOR 2022 | | | | |
| Comprehensive Income for the year | | 5,377,099.87 | | 5,377,099.87 |
| Other Adjustments | 21 | (9,459,757.06) | | (9,459,757.06) |
| BALANCE AT DECEMBER 31, 2022 | | ₱ 135,233,477.53 | ₱ 3,579,817.53 | ₱ 138,813,295.06 |

CARCAR WATER DISTRICT
Notes to Financial Statements
For the year ended December 31, 2022

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 2022 financial statements of CWD were authorized for issue thru Board Resolution No. 2, series of 2023 dated January 18, 2023.

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, 2022 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. 2022-004 dated May 31, 2022 [adoption of the Revised Chart of Accounts for Government Corporations (GCs)], property, plant and equipment (PPE) with cost below ₱50,000.00 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 ₱50,000.00 per COA Circular No. 2022-004 dated May 31, 2022 (adoption of the Revised Chart of Accounts for GCs) are reclassified as Semi-Expendable Equipment.

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

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

2.2 *Basis of Preparation of Financial Statements*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

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

3.2 *Cash and Cash Equivalents*

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three

months or less from dates of acquisition and that are subject to an insignificant risk of changes in values. Due to the short-term maturity of the transaction, the fair value of cash and cash equivalents approximates the amount at the time of initial recognition. These deposits earn interest at the prevailing market rate.

3.3 *Receivable*

Receivables are recognized and carried at original billed amount. Allowance for Impairment-Accounts Receivable is set-up in order to serve as back-up for potential losses on receivables.

3.4 *Inventories*

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

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

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

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

3.5 *Prepaid Expenses*

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

3.6 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:

| | 2022 | 2021 |
|--------------------------------|-----------------------|-----------------------|
| Cash in Bank | ₱ 3,641,111.47 | ₱ 1,939,782.35 |
| Time Deposits - Local Currency | 2,792,477.28 | 2,781,830.85 |
| Cash on Hand | 661,763.37 | 1,735,156.16 |
| Total | ₱ 7,095,352.12 | ₱ 6,456,769.36 |

5. RECEIVABLES

This account consists of:

| | 2022 | 2021 |
|--|-----------------------|------------------------|
| Accounts Receivable | ₱ 9,300,636.50 | ₱ 11,163,753.83 |
| Allowance for Impairment–Accounts Receivable | (2,691,524.53) | (2,473,009.93) |
| Net Value – Accounts Receivable | 6,609,111.97 | 8,690,743.90 |
| Due from Local Government Units | 150,000.00 | 150,000.00 |
| Other Receivables | 2,642,234.81 | 2,426,549.27 |
| Receivables – Disallowance/Charges | 23,219.15 | 23,219.15 |
| Due from Officers and Employees | 79,030.05 | 64,980.43 |
| Receivables, net | ₱ 9,503,595.98 | ₱ 11,355,492.75 |

6. INVENTORIES

The details of this account are:

| | 2022 | 2021 |
|---|------------------------|-----------------|
| Inventory Held for Consumption | | |
| Beginning Balance | ₱ 6,801,928.67 | ₱ 9,177,229.85 |
| Additions/Acquisitions during the year | 31,404,962.60 | 24,167,450.98 |
| Expensed during the year except write-down | (26,911,922.88) | (26,542,752.16) |
| Total Inventory Held for Consumption | ₱ 11,294,968.39 | ₱ 6,801,928.67 |

Inventories held for consumption are mainly for the consumption in the ordinary course of the operation. Office Supplies, Chemical and Filtering Supplies, Accountable Forms, Plates and Stickers Inventory, Construction Materials Inventory, Semi-Expendable 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, 2022</i> | | | | | | | | |
| Carrying Amount, January 1, 2022 | ₱3,511,605.84 | ₱ 96,831,564.63 | ₱ 43,646,733.03 | ₱ 17,674,904.26 | ₱3,649,721.38 | ₱1,571,755.16 | ₱ 20,517,624.79 | ₱187,403,909.09 |
| Additions/Acquisitions | 130,524.74 | 12,929,645.41 | 1,735,189.11 | 1,703,148.75 | 210,000.00 | 294,229.32 | 7,658,828.22 | 22,926,406.44 |
| Total | 3,642,130.58 | 109,761,210.04 | 45,381,922.14 | 19,378,053.01 | 3,859,721.38 | 1,865,984.48 | 26,176,483.01 | 210,330,315.53 |
| Disposals/Reclassification | 0.00 | (2,035,904.42) | (84,738.96) | (2,483,252.34) | (9,517.28) | (221,541.93) | (14,260,118.48) | (17,359,884.30) |
| Depreciation | 0.00 | (4,260,922.70) | (4,862,810.83) | (2,839,681.56) | (583,482.78) | (199,266.95) | 0.00 | (12,746,164.82) |
| Impairment Loss/Impairment Loss Reversal | 0.00 | (39,045.70) | 0.00 | (4,165.50) | 0.00 | 0.00 | 0.00 | (43,211.20) |
| Carrying Amount, December 31, 2022 | 3,642,130.58 | 103,425,337.22 | 40,434,372.35 | 14,050,953.61 | 3,266,721.32 | 1,445,175.60 | 13,916,364.53 | 180,181,055.21 |
| Gross Cost | 3,642,130.58 | 171,800,351.06 | 58,732,578.14 | 25,820,408.86 | 7,545,424.20 | 2,546,564.73 | 13,916,364.53 | 284,003,822.10 |
| Accumulated Depreciation | 0.00 | (68,335,968.14) | (18,298,205.79) | (11,765,289.75) | (4,278,702.88) | (1,101,389.13) | 0.00 | (103,779,555.69) |
| Accumulated Impairment Loss | 0.00 | (39,045.70) | 0.00 | (4,165.50) | 0.00 | 0.00 | 0.00 | (43,211.20) |
| Net Book Value | ₱3,642,130.58 | ₱ 103,425,337.22 | ₱ 40,434,372.35 | ₱ 14,050,953.61 | ₱3,266,721.32 | ₱1,445,175.60 | ₱ 13,916,364.53 | ₱180,181,055.21 |

| | Land | Infrastructure Assets | Buildings and Other Structures | Machinery and Equipment | Transportation Equipment | Furniture & Fixtures | Construction in Progress | Total |
|--|---------------|-----------------------|--------------------------------|-------------------------|--------------------------|----------------------|--------------------------|------------------|
| <i>As at December 31, 2021</i> | | | | | | | | |
| Carrying Amount, January 1, 2021 | ₱3,511,605.84 | ₱ 90,472,753.31 | ₱ 40,093,306.39 | ₱ 15,252,016.48 | ₱ 4,174,019.95 | ₱ 945,659.08 | ₱ 20,458,010.66 | ₱ 174,907,371.71 |
| Additions/Acquisitions | 0.00 | 10,616,482.81 | 7,807,435.29 | 6,045,266.62 | 0.00 | 924,692.83 | 59,614.13 | 25,453,491.68 |
| Total | 3,511,605.84 | 101,089,236.12 | 47,900,741.68 | 21,297,283.10 | 4,174,019.95 | 1,870,351.91 | 20,517,624.79 | 200,360,863.39 |
| Disposals/Reclassification | 0.00 | (142,522.45) | 0.00 | (602,391.00) | (8,678.08) | (7,079.70) | 0.00 | (760,671.23) |
| Depreciation | 0.00 | (4,106,335.58) | (4,254,008.65) | (3,108,851.56) | (568,520.28) | (296,221.85) | 0.00 | (12,333,937.92) |
| Impairment Loss/Impairment Loss Reversal | 0.00 | (8,813.46) | 0.00 | 88,863.72 | 52,899.79 | 4,704.80 | 0.00 | 137,654.85 |
| Carrying Amount, December 31, 2021 | 3,511,605.84 | 96,831,564.63 | 43,646,733.03 | 17,674,904.26 | 3,649,721.38 | 1,571,755.16 | 20,517,624.79 | 187,403,909.09 |
| Gross Cost | 3,511,605.84 | 163,043,410.58 | 57,348,129.79 | 31,473,211.39 | 7,746,346.79 | 3,074,332.33 | 20,517,624.79 | 286,714,661.51 |
| Accumulated Depreciation | 0.00 | (66,095,141.02) | (13,701,396.76) | (13,616,414.27) | (4,085,596.56) | (1,494,457.86) | 0.00 | (98,993,006.47) |
| Accumulated Impairment Loss | 0.00 | (116,704.93) | 0.00 | (181,892.86) | (11,028.85) | (8,119.31) | 0.00 | (317,745.95) |
| Net Book Value | ₱3,511,605.84 | ₱ 96,831,564.63 | ₱ 43,646,733.03 | ₱ 17,674,904.26 | ₱ 3,649,721.38 | ₱1,571,755.16 | ₱ 20,517,624.79 | ₱ 187,403,909.09 |

8. INTANGIBLE ASSETS

The details of this account are:

| | 2022 | 2021 |
|--------------------------------------|--------------------|--------------------|
| Computer Software | | |
| <i>Cost</i> | | |
| Beginning Balance | ₱ 825,524.00 | ₱ 825,524.00 |
| Additions | 0.00 | 0.00 |
| Disposals/Reclassification | 205,200.00 | 0.00 |
| Balance, end of the year | 1,030,724.00 | 825,524.00 |
| <i>Accumulated Amortization</i> | | |
| Beginning Balance | 800,524.00 | 753,973.92 |
| Adjustments/Reclassification | 194,940.00 | |
| Amortization | 0.00 | 46,550.08 |
| Balance, end of the year | 995,464.00 | 800,524.00 |
| Net Value – Computer Software | ₱ 35,260.00 | ₱ 25,000.00 |

A Window Installer costing ₱205,200.00 with Accumulated Depreciation of ₱194,940.00 as at February 28, 2022 was reclassified from Office Equipment to Intangible Assets – Computer Software.

9. OTHER ASSETS

This is composed of the following:

| | 2022 | 2021 |
|---------------------------------------|-----------------------|-----------------------|
| Other Current Assets | | |
| Prepayments | ₱ 774,722.32 | ₱ 491,799.84 |
| Deposits | 918,561.40 | 788,561.40 |
| Deferred Charges | 5,639,819.21 | 0.00 |
| Total Other Current Assets | 7,333,102.93 | 1,280,361.24 |
| Other Non-Current Assets | | |
| Restricted Fund | 1,769,768.49 | 3,396,078.31 |
| Other Assets | 5,697.85 | 3,105,668.50 |
| Total Other Non-Current Assets | 1,775,466.34 | 6,501,746.81 |
| Total Other Assets | ₱ 9,108,549.27 | ₱ 7,782,108.05 |

10. FINANCIAL LIABILITIES

These are the composition of this account:

| | 2022 | 2021 |
|--|------------------------|------------------------|
| Payables | | |
| Accounts Payable | ₱ 14,902,062.90 | ₱ 10,977,786.70 |
| Due to Officers and Employees | 2,853,718.00 | 1,181,095.45 |
| Bills/Bonds/Loans Payable | | |
| Loans Payable - Domestic | 0.00 | 7,410,163.54 |
| Financial Liabilities – Current | 17,755,780.90 | 19,569,045.69 |
| Bills/Bonds/Loans Payable | | |
| Loans Payable - Domestic | 40,376,480.31 | 40,376,480.31 |
| Financial Liabilities – Non-Current | 40,376,480.31 | 40,376,480.31 |
| Total Financial Liabilities | ₱ 58,132,261.21 | ₱ 59,945,526.00 |

11. INTER-AGENCY PAYABLES

This account is composed of the following:

| | 2022 | 2021 |
|------------------------------------|-----------------------|-----------------------|
| Due to GSIS | ₱ 831,670.25 | ₱ 880,127.99 |
| Due to BIR | 1,043,296.57 | 887,836.37 |
| Due to Government Corporations | 75,497.15 | 75,497.15 |
| Due to Pag-IBIG | 143,063.62 | 94,935.45 |
| Due to PhilHealth | 104,317.00 | 74,286.45 |
| Total Inter-Agency Payables | ₱ 2,197,844.59 | ₱ 2,012,683.41 |

12. TRUST LIABILITIES

This account is composed of the following:

| | 2022 | 2021 |
|------------------------------------|-----------------------|-----------------------|
| Customers' Deposits Payable | ₱ 539,160.85 | ₱ 539,160.85 |
| Guaranty/Security Deposits Payable | 3,233,914.68 | 3,401,531.58 |
| Total Trust Liabilities | ₱ 3,773,075.53 | ₱ 3,940,692.43 |

13. OTHER PAYABLES

This account is composed of the following:

| | 2022 | 2021 |
|----------------------------------|-----------------------|-----------------------|
| Premiums Payable | ₱ 810.00 | ₱ 810.00 |
| Other Payables - BAC | (2,680.50) | 2,739.00 |
| Other Payables – Provident Fund | 3,411,971.44 | 1,942,392.76 |
| Other Payables – CFI Cooperative | 31,723.15 | 4,853.04 |
| Other Payables – DBP | 48,040.84 | 15,881.80 |
| Other Payables – CAWDEU* | 46,300.00 | 15,800.00 |
| Other Payables – Payment Centers | 3,164.40 | 0.00 |
| Other Payables – Others | 4,027.99 | 3,164.41 |
| Other Payables – JO Gratuity Pay | 0.00 | 65,000.00 |
| Total | ₱ 3,543,357.32 | ₱ 2,050,641.01 |

**Carcar Water District Employees' Union Contributions*

14. PROVISIONS

This account is composed of the following:

| | 2022 | 2021 |
|------------------------|-----------------------|-----------------------|
| Leave Benefits Payable | ₱ 9,517,705.52 | ₱ 8,441,232.77 |
| Total | ₱ 9,517,705.52 | ₱ 8,441,232.77 |

15. DEFERRED CREDITS/UNEARNED INCOME

This account is composed of the advance payments made by the concessionaires on their water bills.

| | 2022 | 2021 |
|--|-----------------------|---------------------|
| Other Unearned Revenue/Income | ₱ 169,196.29 | ₱ 538,480.05 |
| Deferred Revenue from Grants and Donations | 699,890.66 | 0.00 |
| Other Deferred Credits | 372,174.79 | 0.00 |
| Total | ₱ 1,241,261.74 | ₱ 538,480.05 |

16. INCOME

This account consists of the following:

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| Service and Business Income | | |
| Waterworks System Fees | ₱ 125,549,912.54 | ₱ 103,315,463.39 |
| Interest Income | 15,298.41 | 24,506.56 |
| Fines and Penalties – Business Income | 4,103,875.35 | 3,305,096.41 |
| Other Business Income | 4,434,925.85 | 4,296,057.89 |
| Total Service and Business Income | 134,104,012.15 | 110,941,124.25 |
| Shares, Grants and Donations | | |
| Income from Grants and Donations in Cash | 3,093,492.18 | 4,943,268.22 |
| Income from Grants and Donations in Kind | 375,422.49 | 581,168.00 |
| Total Shares, Grants and Donations | 3,468,914.67 | 5,524,436.22 |
| Other Non-Operating Income | | |
| Reversal of Impairment Loss | 0.00 | 146,468.31 |
| Proceeds from Insurance | 599,931.21 | 0.00 |
| Total Non-Operating Income | 599,931.21 | 146,468.31 |
| Total Income | ₱ 138,172,858.03 | ₱ 116,612,028.78 |

Shares, Grants and Donations

Carcar Water District has been chosen by Vitens Evides International, a registered Limited Liability Company with the Dutch Chamber of Commerce, to implement the Performance Enhancement Water Utilities Project (PEWUP) in the Philippines. The overall objective of the project is to enhance the performance of the water districts through benchmarking and collective learning that sets the conditions for the sustainable provision of safe drinking water and sanitation to all residents and organizations within the service areas. The agreement started on January 1, 2018 and ended on December 31, 2021. The intention of both parties is to extend the cooperation to year 2030.

Proceeds from Insurance

This pertains to the claims on insurance of CWD facilities from GSIS after the Super Typhoon Odette.

17. PERSONNEL SERVICES

Comprising this account are the following:

| | 2022 | 2021 |
|---|------------------------|------------------------|
| Salaries and Wages | ₱ 32,385,893.46 | ₱ 28,648,783.25 |
| Other Compensation | | |
| Personnel Economic Relief Allowance (PERA) | 2,857,090.91 | 2,524,727.26 |
| Representation Allowance (RA) | 551,750.00 | 535,750.00 |
| Transportation Allowance (TA) | 551,750.00 | 535,750.00 |
| Clothing/Uniform Allowance | 702,000.00 | 534,000.00 |
| Mid-Year and Year End Bonus | 5,816,376.00 | 4,849,040.00 |
| Other Bonuses and Allowances | 2,267,684.20 | 4,375,660.03 |
| Total Other Compensation | 12,746,651.11 | 13,354,927.29 |
| Personnel Benefit Contributions | | |
| Retirement and Life Insurance Premium | 3,790,606.29 | 3,101,563.44 |
| Pag-IBIG Contributions | 139,300.00 | 126,100.00 |
| Philhealth Contributions | 607,476.50 | 398,985.87 |
| Employees Compensation Insurance Premiums | 141,200.00 | 116,700.00 |
| Provident/Welfare Fund Contributions | 1,461,102.51 | 1,563,084.72 |
| Total Personnel Benefits Contributions | 6,139,685.30 | 5,306,434.03 |
| Other Personnel Benefits | | |
| Terminal Leave Benefits | 1,932,464.84 | 2,339,608.81 |
| Other Personnel Benefits | 130,000.00 | 1,446,728.00 |
| Total Other Personnel Benefits | 2,062,464.84 | 3,786,336.81 |
| Total Personnel Services | ₱ 53,334,694.71 | ₱ 51,096,481.38 |

18. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Traveling Expenses | ₱ 269,013.87 | ₱ 75,185.00 |
| Training and Scholarship Expenses | 675,161.75 | 119,876.64 |
| Supplies and Materials Expenses | | |
| Office Supplies Expenses | 985,076.48 | 767,975.77 |
| Fuel, Oil and Lubricants Expenses | 2,078,801.94 | 1,593,335.58 |
| Semi-Expendable Machinery and Equipment Expenses | 464,029.05 | 0.00 |
| Total Supplies and Materials Expenses | 3,527,907.47 | 2,361,311.35 |

| | 2022 | 2021 |
|--|----------------------|----------------------|
| Utility Expenses | | |
| Electricity Expense | 1,503,401.63 | 902,086.41 |
| Total Utility Expenses | 1,503,401.63 | 902,086.41 |
| Communication Expenses | | |
| Postage and Courier Services | 22,840.00 | 15,133.00 |
| Telephone Expenses | 419,471.96 | 353,803.35 |
| Internet Subscription Expenses | 0.00 | 8,698.49 |
| Cable, Satellite, Telegraph and Radio Expenses | 18,750.00 | 0.00 |
| Transportation and Delivery Expenses | 36,000.00 | 0.00 |
| Total Communication Expenses | 497,061.96 | 377,634.84 |
| Awards/Rewards, Prizes and Indemnities | | |
| Awards/Rewards Expenses | 419,439.00 | 310,195.00 |
| Indemnities | 22,243.00 | 4,511.00 |
| Total Awards/Rewards, Prizes and Indemnities | 441,682.00 | 314,706.00 |
| Total Generation, Transmission and Distribution Expenses | 31,710,977.66 | 19,353,953.05 |
| Confidential, Intelligence and Extraordinary Expenses | | |
| Extraordinary & Miscellaneous Expenses | 123,962.49 | 107,843.87 |
| Total Confidential, Intelligence and Extraordinary Expenses | 123,962.49 | 107,843.87 |
| Professional Services | | |
| Legal Services | 16,149.80 | 10,000.00 |
| Auditing Services | 450,000.00 | 200,000.00 |
| Other Professional Services | 121,461.00 | 56,000.00 |
| Total Professional Services | 587,610.80 | 266,000.00 |
| General Services | | |
| Security Services | 1,241,197.82 | 1,182,393.76 |
| Total General Services | 1,241,197.82 | 1,182,393.76 |
| Repairs and Maintenance | | |
| Repairs and Maintenance-Infrastructure Assets | 13,033,376.24 | 8,763,693.16 |
| Repairs and Maintenance-Building and Other Structures | 511,786.27 | 178,535.36 |
| Repairs and Maintenance-Machinery and Equipment | 1,236,411.43 | 715,633.55 |
| Repairs and Maintenance-Transportation Equipment | 1,023,839.09 | 464,684.94 |
| Repairs and Maintenance-Furniture and Fixtures | 51,347.76 | 129,794.61 |
| Total Repairs and Maintenance | 15,856,760.79 | 10,252,341.62 |

| | 2022 | 2021 |
|---|------------------------|------------------------|
| Taxes, Insurance Premiums and Other Fees | | |
| Taxes, Duties and Licenses | 673,355.95 | 2,570,298.09 |
| Insurance Expense | 536,791.91 | 459,606.42 |
| Total Taxes, Insurance Premiums & Other Fees | 1,210,147.86 | 3,029,904.51 |
| Other Maintenance and Operating Expenses | | |
| Fidelity Bond Premium | 15,000.00 | 0.00 |
| Advertising Expenses | 492,285.52 | 377,511.50 |
| Representation Expenses | 1,053,502.20 | 608,144.55 |
| Membership Dues and Contributions to Organizations | 6,000.00 | |
| Cultural and Athletic Expenses | 133,050.86 | 0.00 |
| Directors and Committee Members' Fees | 707,616.00 | 707,616.00 |
| Rent Expenses | 194,489.28 | 318,166.46 |
| Other Maintenance and Operating Expenses | 647,093.83 | 1,089,401.62 |
| Total Other Maintenance & Operating Expenses | 3,249,037.69 | 3,100,840.13 |
| Total Maintenance and Other Operating Expenses | ₱ 60,893,923.79 | ₱ 41,444,077.18 |

19. FINANCIAL EXPENSES

This account is composed of the following:

| | 2022 | 2021 |
|---------------------------------|-----------------------|-----------------------|
| Interest Expenses | ₱ 2,026,334.18 | ₱ 2,356,213.20 |
| Bank Charges | 45,854.05 | 23,615.15 |
| Other Financial Charges | 353.00 | 250.00 |
| Total Financial Expenses | ₱ 2,072,541.23 | ₱ 2,380,078.35 |

20. NON-CASH EXPENSES

This account consists of the following:

| | 2022 | 2021 |
|---|----------------|----------------|
| Depreciation | | |
| Depreciation – Infrastructure Assets | ₱ 4,260,922.70 | ₱ 4,106,335.58 |
| Depreciation – Buildings and Other Structures | 4,862,810.83 | 4,254,008.65 |

| | 2022 | 2021 |
|--|------------------------|------------------------|
| Depreciation – Machinery and Equipment | 2,839,681.56 | 3,108,851.56 |
| Depreciation – Transportation Equipment | 583,482.78 | 568,520.28 |
| Depreciation – Furniture, Fixtures and Books | 199,266.95 | 296,221.85 |
| Total Depreciation | 12,746,164.82 | 12,333,937.92 |
| Amortization – Intangible Assets | 0.00 | 46,550.08 |
| Impairment Loss | | |
| Loans and Receivables | 218,514.60 | 21,187.43 |
| Inventories | 0.00 | 218,346.47 |
| Property, Plant and Equipment | 43,211.20 | 8,813.46 |
| Total Impairment Losses | 261,725.80 | 248,347.36 |
| Discounts and Rebates | | |
| Other Discounts | 63,782.82 | 60,101.66 |
| Rebates | 3,422,924.99 | 2,681,629.94 |
| Total Discounts and Rebates | 3,486,707.81 | 2,741,731.60 |
| Total Non-Cash Expenses | ₱ 16,494,598.43 | ₱ 15,370,566.96 |

21. PRIOR PERIOD ADJUSTMENTS

The Carcar Water District has determined the following errors which were charged as direct adjustments to prior years:

| Adjustments | 2022 | 2021 |
|--|-----------------------|-----------------------|
| Prior Year Expenses | (4,142,062.64) | (222,762.42) |
| Adjustment to Payables | (29,385.36) | (404,619.69) |
| Adjustments to Prior Year receivables | (4,540.51) | (905,131.33) |
| Adjustments to Inventory accounts | (1,025,241.62) | (70,741.45) |
| Adjustment to PPE | 5,612.39 | 0.00 |
| COA Circular 2022-004 (Capitalization Threshold) | (4,264,139.32) | 0.00 |
| Total | (9,459,757.06) | (1,603,254.89) |

As a result, the balance of Retained Earnings for CYs 2022 and 2021 were decreased by ₱9,459,757.06 and ₱1,603,254.89, respectively.

22. ADJUSTMENTS IN STATEMENT OF CASH FLOWS

| Adjustments | 2022 | 2021 |
|---|------|-----------|
| Cash Flows from Operating Activities: | | |
| Adjustments in Cash Inflows | | |
| Restoration of cash for cancelled/lost/stale checks/ADA | 0.00 | 99,953.51 |

| Adjustments | 2022 | 2021 |
|---|---------------------|---------------------|
| Restoration of cash for unreleased check | 427,993.92 | 565,261.25 |
| Other adjustments-Inflow (Interest earned on deposits) | 15,298.41 | 9,049.78 |
| Total | 443,292.33 | 674,264.54 |
| Other Disbursements – Cash Outflows | | |
| Refund of guaranty/security deposits | 573,130.00 | 569,652.00 |
| Other Disbursements | 119,000.00 | 100,000.00 |
| Total | 692,130.00 | 669,652.00 |
| Adjustments in Cash Outflows | | |
| Reversing entry for unreleased checks in previous year | 565,261.25 | 1,175,490.17 |
| Other adjustments- Outflow (Transfer to restricted funds) | 517,057.61 | |
| Total | 1,082,318.86 | 1,175,490.17 |

23. 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 | ₱ 7,012,314.52 |
| Honorarium | 765,116 |
| Allowances | 1,256,318.19 |
| Personnel Benefit Contributions | 846,641.38 |
| Other Personnel Benefits | 1,793,709.46 |
| Total | ₱ 11,674,099.55 |

PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

Financial Audit

1. The accuracy and reliability of the Inventory accounts totaling ₱11.295 million as at December 31, 2022 is doubtful due to:

(a) variances noted between the Supplies Ledger Card (SLC) and the General Ledger (GL) aggregating ₱1.212 million, contrary to Section 121 (2) of Presidential Decree (PD) No. 1445 and Paragraph 15 of the Philippine Accounting Standards (PAS) 1.

(b) Shortages and overages reflected in the Report on Physical Count of Inventories (RPCI) totaling ₱162.00 and ₱94,138.20, respectively, which were not adjusted in the books of accounts after conducting the investigation/verification to correct the year-end balance of the Inventories account contrary to Paragraph 15 of the PAS 1.

The balance of the Inventories account as at December 31, 2022 is composed of the following:

Table 1- Composition of Inventory accounts as at 12/31/2022

| Account Description | Amount |
|--|------------------------|
| Office Supplies Inventory | ₱ 129,011.08 |
| Chemical and Filtering Supplies Inventory | 214,050.85 |
| Construction Materials Inventory | 815,974.79 |
| Other Supplies and Materials Inventory | 10,026,324.49 |
| Accountable Forms, Plates and Stickers Inventory | 61,322.06 |
| Semi-Expendable Inventory | 48,285.12 |
| Total | ₱ 11,294,968.39 |

Review of the Inventory account balances as reflected in the Water District's financial statements as at the end of calendar year (CY) 2022 disclosed deficiencies, as discussed in the succeeding paragraphs:

- a.) *The balance in the SLCs as at December 31, 2022 and the balance appearing in the GL differed by ₱1.212 million, which is contrary to Section 121 (2) of PD No. 1445 and Paragraph 15 of the PAS 1.*

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

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

Paragraph 15 of the PAS 1 provides for the fair presentation and compliance with International Financial Reporting Standards (IFRSs) as follows:

“Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. **Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework.** The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.” (Emphasis supplied)

The Government Accounting Manual (GAM), Volume II provides for the records, forms and reports to be prepared and/or maintained by the National Government Agencies which is normally mirrored for adoption by Government Corporations. The instructions on Appendix 57, Volume II thereof state, among others that:

“c. Supplies Ledger Card (SLC) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. **It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials.** The IAR, RIS, RSMI, PO and DR serve as the original sources of information for making entries on the card.” (Emphasis supplied)

Review of the Inventory balances per GL and the SLC, the unit price of which was used in the preparation of the RPCI, revealed variances totaling ₱1,212,448.63, as presented below:

Table 2- Comparison Between the GL and SLC of Inventory Accounts as at 12/31/2022

| Inventory Account | Per GL | Per SLC | Variance |
|---|-----------------------|-----------------------|----------------------|
| 1. Office Supplies Inventory | ₱ 129,011.08 | ₱ 214,645.87 | ₱ 85,634.79 |
| 2. Chemical and Filtering Supplies Inventory | 214,050.85 | 200,577.60 | 13,473.25 |
| 3. Construction Materials Inventory | 815,974.79 | 353,692.59 | 462,282.20 |
| 4. Other Supplies and Materials Inventory | 10,026,324.49 | 9,383,717.41 | 642,607.08 |
| 5. Accountable Forms, Plates and Stickers Inventory | 61,322.06 | 61,322.00 | 0.06 |
| 6. Semi-Expendable Inventory | 48,285.12 | 39,833.87 | 8,451.25 |
| Total | ₱11,294,968.39 | ₱10,253,789.34 | ₱1,212,448.63 |

We noticed during the review of the RPCI that the balances in the SLCs were included in the said report and the same items were subjected to the physical count. However, upon comparison of the balances in the RPCI and SLC as against the General Ledger (GL)/Subsidiary (SL) balances, variances were noted as shown in Table 2 above.

Inquiry with the Sr. Corporate Accountant C disclosed that upon checking, it was found out that one of the causes of the variances was the duplicate entries of the Construction Materials and Other Supplies and Materials Inventory (Fittings) totaling ₱37,328.10 and ₱865,843.64, respectively. The other variances are still for tracing.

We recommended that Management require the Sr. Corporate Accountant C to immediately trace and reconcile the variances noted between the Inventories' GL balance and the SLC as at December 31, 2022 to establish the accuracy and reliability of the Inventory accounts presented in the financial statements

Henceforth, we recommended that Management require the Sr. Corporate Accountant to proactively perform strict monitoring, proper recording and regular reconciliation of balances per GL and SLC to avoid or minimize incurrence of variances and make immediate adjustment thereof when necessary.

Management's Comment:

The Sr. Corporate Accountant explained that the duplicate entries totaling ₱903,171.74 were already corrected in the books of accounts in March 2023 hence, the remaining misstatement in the Inventory account as of March 22, 2023 was only ₱309,276.89. The Finance Division also replied that they will devote its efforts to tracing and reconciling the differences between the Inventories' GL balance and the SLC as of December 31, 2022. SLC and SL will also be reconciled.

Auditor's Rejoinder:

The journal entries are yet to be verified as of the report date.

b.) The RPCI showed shortages and overages totaling ₱162.00 and ₱94,138.20, respectively, which were not adjusted in the books of accounts after conducting the investigation/verification, contrary to Paragraph 15 of the PAS 1.

Review of the RPCI as of December 31, 2022 revealed that after conducting a re-count and effecting adjustments, there were still shortages and overages totaling of ₱162.00 and ₱94,138.20, respectively.

According to the Sr. Corporate Accountant C, the shortages are subject for refund while the overages will be adjusted in the books of accounts. However, they were not able to prepare the necessary adjusting journal entry after conducting the investigation/verification, whether these were due to negligence/fraud or errors, to correct the year-end balance. Also, there was no refund that was made at year-end. Hence, the total Inventory accounts as at December 31, 2022 is overstated by a net overage of ₱93,976.20.

We recommended that Management require the Sr. Corporate Accountant C to draw the necessary adjusting journal entry for the recognition of the shortages and

overages in the books of accounts after securing sufficient supporting documents to ensure the accuracy of the reported Inventories account in the financial statements.

Require refund from the persons responsible for the shortages noted, if warranted.

Management's Comment:

During the exit conference, the Sr. Corporate Accountant mentioned that the overages were already recorded in February 2023 under JL-2023-03-55918. Meanwhile, the shortages were set-up as receivable from employee and recorded in January 2023 under RS-2023-01-1048. The RPCI, in which the overages and shortages were reported, was completed on January 30, 2023 and the FS accounts had been finalized already. As a result, any adjustments discovered during the physical count were accounted for in the CY 2023 books.

The Finance Division committed to immediately record any necessary adjustments (overages and shortages) resulting from physical count in the books as soon as possible. As a result, the date of the physical inventory count shall be earlier than the first Saturday of the following year to allow for adequate time for report preparation.

2. **The reliability of the reported Construction in Progress (CIP) account balance totaling ₱13.92 million as at December 31, 2022 is doubtful due to inclusion of projects the status of which cannot be identified/traced totaling ₱431,676.82; and payment of expenses erroneously charged to CIP aggregating ₱137,000.01, contrary to Section 111(2) of PD No. 1445 and Paragraph 15 of the PAS 1.**

Section 111 (2) of PD No. 1445 requires the highest standards in the keeping of accounts.

Paragraph 15 of the PAS 1 provides for the fair presentation of the financial statements and compliance with IFRSs.

Review of the SLs and the schedule that was provided by the Sr. Corporate Accountant to the Audit Team, which shows the breakdown of the CWD's CIP account as at December 31, 2022, disclosed the following (with details in **Annex A**):

Table 3. Construction in Progress Breakdown as at December 31, 2022

| Description | Amount |
|---|------------------------|
| On-going Projects | ₱ 13,347,687.70 |
| Projects for Tracing | 431,676.82 |
| To be re-classed to Repairs & Maintenance account | 137,000.01 |
| Total | ₱ 13,916,364.53 |

The above on-going projects were properly reported in CWD's Quarterly Report on Government Projects and appropriately recorded as CIP as at December 31, 2022. The projects for tracing are the Vitens-Evides International (VEI)-sponsored projects, the details of which

cannot be easily identified. According to the Sr. Corporate Accountant, they will trace the documents to establish the details of these projects for proper classification and treatment in the books of accounts. There were also repairs and maintenance expenses that were erroneously booked under the CIP account. Hence, the CIP account was not fairly stated in the financial statements as at year-end.

We recommended that Management require the Sr. Corporate Accountant to fast-track the tracing of the details of the projects, the status of which cannot be identified/traced, in order to facilitate the proper recording and recognition of these in the books of accounts.

We also recommended that Management instruct the Sr. Corporate Accountant to prepare the necessary adjusting journal entry to correct the erroneous recording of the repairs and maintenance expense in the CIP account using the following proposed adjusting journal entry:

| Account Title | Debit | Credit |
|--|------------|------------|
| Retained Earnings/Deficit | 137,000.01 | |
| Construction in Progress – Infrastructure Assets | | 137,000.01 |

Management's Comment:

The Management commented that the Finance Division will record the reclassification entry. The VEI-related projects were already traced as of March 23, 2023. The necessary adjusting journal entry will be booked accordingly.

Compliance Audit

3. **Accounts Receivable (AR) totaling ₱2,984,922.98, or 41.74 per cent of the total AR balance of ₱7,151,595.50 as at December 31, 2022, were overdue and inactive, which indicates low collection efficiency. Further, the disconnection policy as stated in Sections 12.2, 12.3 and 15 of the CWD Utility Rules and Regulations (URR) was not fully implemented. These are contrary to Section 2 of PD No. 1445, thus, depriving the Water District of additional funds that could help sustain its operation.**

Section 2 of PD No. 1445 provides that, "It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."

The CWD's URR provides information on the policies for applications of a service connection, its maintenance, billing and water rates, miscellaneous service charges and how

the water utility operates in order to attain availability. Section 15 thereof provides reasons for the disconnection of service, to wit:

- a. **Non-payment of water bills**
- b. Voluntary disconnection
- c. Illegal acts committed (tampering of meters, water pilferages and other similar acts).

Moreover, the same URR enumerates the Concessionaires' Obligations, as follows:

"12.2 Concessionaires are given fifteen (15) calendar days after its billing date (meter reading date) to pay their bills on time (due date). Likewise, a grace period of five (5) calendar days after due date, with a corresponding penalty equivalent ten (10) percent, shall be charged on the bill if payment is made after due date.

12.3 If after six (6) days from due date the bill remains unpaid, water service will be disconnected without prior notice regardless of the amount and will only be restored after all the requirements for its reopening are complied with."

Verification of the Aging of AR showed that the Water District has total AR balance of ₱7,151,595.50 as at December 31, 2022. ₱4,166,672.52 or 58.26 percent of which are active accounts. The details are as follows:

Table 4: Aging of A/R as of December 31, 2022

| Aging | Active (₱) | Inactive (₱) | Total (₱) |
|-------------------------------|-----------------------|-------------------------|----------------------|
| Current | 2,101,732.56 | 23,384.01 | 2,125,116.57 |
| 16-30 days | 1,242,809.90 | 23,561.65 | 1,266,371.55 |
| 31-60 days | 242,089.12 | 85,988.02 | 328,077.14 |
| 61-90 days | 54,173.40 | 91,317.25 | 145,490.65 |
| 91-120 days | 41,551.15 | 104,097.49 | 145,648.64 |
| over 120 days | 484,316.39 | 2,656,574.56 | 3,140,890.95 |
| Total | 4,166,672.52 | 2,984,922.98 | 7,151,595.50 |
| Percentage | 58.26% | 41.74% | 100.00% |
| No. of Concessionaires | 7,164 | 1,641 | 8,805 |

As can be seen above, the inactive accounts totaled ₱2,984,922.98 or 41.74 per cent of the total AR as at December 31, 2022. These accounts represent the unpaid water bills of several concessionaires whose water services were already disconnected as at December 31, 2022.

We also observed that the active accounts include balances in arrears aging from 31 to over 120 days totaling ₱822,130.06 (242,089.12+54,173.40, 41,551.15 and 484,316.39). This may indicate that the disconnection policy as stated in the CWD URR was not fully implemented.

The Commercial Division Manager explained that the water district has four disconnection teams that facilitate the disconnection of water services of those concessionaires who were not able to pay within the due date and the grace period of six days. However, there are instances when the number of concessionaires for disconnection reaches around 300, which will take more than a day, or even months, before the 100% completion of the said disconnection. The Team who disconnects the water services is also the same Team who facilitates the reconnection of those who were already able to pay their unpaid balances. They can accommodate an average of 52 accounts for disconnection and 38 accounts for reconnection daily. Hence, some of the concessionaires with unpaid water bills still accumulate additional outstanding balances and were not disconnected.

In some cases, previous concessionaires with arrears applied for reconnection of service with a request of staggered payment of their unpaid balance. CWD approved the request of these concessionaires and so far they were able to pay regularly, thus the incurrence of arrears despite being categorized as active concessionaires.

The Commercial Division Manager also added that the Water District is consistent in sending monthly demand letters to the active and inactive accounts with unpaid balances. They even send text blast after the meter reading, informing the concessionaires of the amount of their water bill - before the due date and two days before the disconnection. However, there are concessionaires with inactive accounts who are no longer residing in the area where their water connection was previously installed and there are also some who are already dead. Despite the CWD officials' knowledge on how to request from COA for write-off of receivables that have remote chances of collection, CWD has difficulty in complying some of the requirements, like the Death Certificates.

As also mentioned by the Commercial Division Manager, the large amount of the inactive accounts come from the lot owners where the pumping stations are located and where some of the pipelines of the water district pass through. These lot owners refuse to pay their water bills since their properties are used by CWD. This is already under legal arrangement with the said lot owners. The following are the inactive accounts receivable from the lot owners:

| Account Number | Amount |
|-----------------------|-----------------------|
| 101-102-180 | ₱ 455,799.92 |
| 102-102-030 | 235,235.39 |
| 101-102-160 | 98,003.15 |
| 102-102-025 | 70,256.14 |
| 192-102-466 | 60,300.00 |
| 101-102-020 | 40,032.50 |
| 102-102-095 | 37,358.39 |
| 104-102-605 | 36,739.96 |
| 104-102-280 | 28,297.88 |
| Total | ₱ 1,062,023.33 |

Further inquiry revealed that the CWD does not require concessionaires to pay security/guaranty deposits for every connection granted. They have no policy adopted for this purpose. It is prudent for the water district to require security/guaranty deposits as protection in case of unpaid bills. This could also minimize the accumulation of inactive accounts, and could cushion the impact of lost revenues due to non-payment by consumers.

Section 28 of PD No. 198 states that, "The district shall have the power to sell water, pursuant to generally applicable rules and regulations, to any person for use within the district. **As a condition of such sale, the district may require the filing of a written application for service, payment of established charges or deposits and execution of water service contract.**" (Emphasis ours).

Although we acknowledge the efforts of CWD in their strategies to increase collections, the high percentage of inactive accounts is an indication that the collection effort is not enough as significant amounts remain uncollected as at year-end, thus, foregoing the opportunity to realize additional funds that could help sustain the operations of the Water District.

It is also worthy to mention that CWD recognized a total of ₱2,691,524.53 Allowance for Impairment of AR as of December 31, 2022 based on their assessment and policy on the recognition of the said allowance for impairment in their books of accounts.

We recommended that Management exert extra effort to intensify the collections and formulate additional strategies to address the problem of collection/reduction of overdue and inactive accounts. Furthermore, be consistent in the implementation of the disconnection policy of six days from due date with unpaid water bill as provided under Section 12.3 of the CWD URR to avoid accumulation of water consumption and water bill of the delinquent concessionaires.

We also recommended that Management consider requiring concessionaires to pay security/guaranty deposits upon approval of their water service contract as protection in case of unpaid water bills.

Management's Comment:

The Management has noted the audit finding and recommendations. Starting CY 2022, to strengthen the implementation of the disconnection policy of CWD, two additional personnel were assigned to the disconnection team. As a result, the number of accounts in the disconnection list has significantly decreased in comparison to previous years.

The Management is still on the process of assessing the necessity of the security/guaranty deposits upon approval of water service contract since this will be a burden to the incoming concessionaires. They are planning to impose this to delinquent concessionaires only upon request for reconnection due to default of at least one due date.

4. **Due from LGU account amounting ₱150,000.00 was not refunded by the implementing agency within the prescribed period and has been dormant/outstanding for more than 10 years contrary to COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2016-005 dated December 19, 2016, thus, affecting the fair presentation of the financial statements as required under PAS 1.**

COA Circular No. 94-013 dated December 13, 1994 prescribes the rules and regulations in the grant, utilization and liquidation of funds transferred to implementing agencies. Under the general guidelines of said circular, the Source Agency (SA) shall provide/transfer the fund/check in the name of the Implementing Agency (IA) for deposit to the trust account of the IA's authorized depository bank. The IA shall issue its official receipt in acknowledgement. Within 10 days after the end of the month or agreed period for the project, the IA shall submit the report on the utilization of the funds, audited by the IA auditor, to SA for recording in the books. Any unused balance of the fund shall be returned by the IA and duly receipted by the SA. Both the SA and IA are required to maintain subsidiary ledgers/records for each project.

Further, COA Circular No. 2016-005 was issued to prescribe the guidelines and procedures in reconciling and cleaning the books of accounts of government agencies with dormant unliquidated fund transfers, among others, for the fair presentation of accounts in the Financial Statements. Section 5.6 thereof defines dormant Unliquidated Fund Transfers as advances granted by the source entity to implementing entity for the implementation of programs/projects which remained non-moving for 10 years or more and where settlement could no longer be ascertained.

The financial statements of the water district as of December 31, 2022 show the Due from LGU account in the amount of ₱150,000.00 which had remained unrefunded and dormant for more than 10 years because management was not able to strictly enforce the liquidation or refund.

Further verification revealed that the account represents the financial assistance to barangay Guadalupe, Carcar City on December 5, 2011 for the watershed management program. However, the audit of the liquidation report of the said transaction, as reported in the Triennium Audit Report for calendar years 2010-2012 of the water district, disclosed that the same was not related to reforestation but was instead used for the regular operating expenses of the barangay.

Thus, COA recommended that management require barangay Guadalupe to refund the ₱150,000.00 that was erroneously used by the barangay so that the funds can be used for watershed management program as agreed upon in the MOA.

However, as of December 31, 2022, the same was not implemented and no demand letter was sent to the barangay for the refund of the transferred fund. As a result, the outstanding balance remains in the books and dormant for more than 10 years already.

We recommended for Management to make a representation or call the attention of responsible officials of the barangay to enforce/demand the refund from barangay Guadalupe, Carcar City, Cebu of the long outstanding fund transfer amounting to ₱150,000.00.

Management may initiate the writing-off of these dormant unliquidated fund transfer by following the guidelines and procedures prescribed under COA Circular No. 2016-005 dated December 19, 2016, if conditions thereof are existing and applicable.

Management's Comment:

The Management agreed to comply with the audit recommendation. The General Manager scheduled a visit to the officials of Barangay Guadalupe right after the exit conference on March 22, 2023.

5. **Several disbursements through PCF were not supported with complete documentation contrary to Section 4.6 of PD No. 1445, COA Circular No. 2012-001 dated June 14, 2012 and the CWD Internal Policy/Guidelines for petty cash transactions.**

Section 4.6 of PD No. 1445 provides that claims against government funds shall be supported with complete documentation. In relation thereof, Section 1.2.2 of the COA Circular No. 2012-001 provides for the necessary supporting documents for liquidations or reimbursements of expenses through PCF. Presented below are the pertinent documentary requirements:

1. Approved purchase request with certificate of Emergency Purchase, if necessary;
2. Canvass from at least three suppliers for purchases involving ₱1,000 and above, except for purchases made while on official travel;
3. Summary/Abstract of Canvass.

Moreover, the internal policy/guidelines of CWD on the utilization of PCF dated March 23, 2022 provides the following:

| Purchases | Documentary Requirements |
|--|---|
| Urgent/emergency minor repairs of equipment/materials and office facilities as recommended by the concerned division | Petty Cash Voucher + Official Receipt/Sales Invoice or RER/CENRR* + Approved purchase request with a certificate of emergency purchase, if necessary (Emphasis supplied) |

**Reimbursement Expense Receipt (RER)/Certification of Expenses Not Requiring Receipts (CENRR)*

Review of the liquidations/replenishments for the PCF from January to December 2022 revealed that several transactions lacked some of the supporting documents required by pertinent rules and regulations, as shown in **Annex B**.

Various payments for snacks during meetings, purchases of supplies, body camera to be used by personnel in-charge of water supply disconnection, and other materials for emergency cases were not supported with approved Purchase Request (PR), Canvass from at least three suppliers and Summary/Abstract of Canvass (for purchases involving ₱1,000 and above).

Upon inquiry from the Corporate Accountant, we were informed that the PR, as stated in their internal policy on the utilization of PCF, is only required when it is necessary. However, it was also mentioned that the Management was not able to specify the ceiling of the amount that would require the attachment of PR and even the canvass from at least three suppliers.

We wish to remind Management that under COA Circular No. 2012-001, a PR is required in the utilization of the PCF, regardless of the amount.

These deficiencies cast doubt whether the purchases were conducted at the most advantageous manner to CWD. Also, the lack of documentary requirements to support the payments out of the PCF indicates lapses as to the implementation of the administrative controls and contravenes PD No. 1445 and COA Circular No. 2012-001, thereby affecting the validity of these claims against government funds.

We recommended that Management instruct the PCF custodian to ensure that the required supporting documents for petty expenses are complete, in order to fully establish the validity of the claims against the PCF. We also recommended for Management to direct the Accountant to make sure that the replenishment of the PCF is supported with complete documents before processing the same.

Management's Comment:

The Management discussed during the exit conference that they have complied with the audit recommendations. The guidelines for PCF transactions were already revised.

- 6. CWD did not prepare a Septage Management Plan (SMP) as required by PD No. 198 and Republic Act (RA) No. 9275, depriving its concessionaires of a sound waste water treatment and disposal system.**

PD No. 198 dated May 25, 1973 or the Provincial Water Utilities Act of 1973, as amended by PD Nos. 768 and 1479, and RA No. 9286 provide for the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply and wastewater disposal system for population centers of the Philippines as a national policy of high priority.

Section 5 of PD No. 198 provides among others that, Local Water Districts may be formed with the following purpose:

b) providing, maintaining and operating wastewater collection, treatment and disposal facilities.

Moreover, RA No. 9275, also known as the Philippine Clean Water Act of 2004 which was approved on March 22, 2004, provides for a comprehensive water quality management in line with the State's policy of economic growth in a manner consistent with the protection, preservation and revival of the quality of our fresh, brackish and marine waters.

The Department of Health (DOH), in coordination with other government agencies, shall formulate guidelines and standards for the collection, treatment and disposal of sewage including guidelines for the establishment and operation of centralized sewage treatment system.

Section 8.6 of the Implementing Rules and Regulations (IRR) of the Philippine Clean Water Act of 2004 provides that:

8.6 Role of Water Supply Utilities. In the case of HUCs, non-HUCs and LGUs where water districts, water utilities and LGU water works have already been constituted and operational, **the water supply utility provider shall be responsible for the sewerage facilities and the main lines pursuant to PD 198** and other relative laws. In areas where there are no existing facilities, the LGUs, water districts or water utilities may adopt septage management program or other sanitation alternatives.

Despite the above laws, the water district has not yet prepared its SMP. As per inquiry with the General Manager, the water district is inclined to prepare and implement an SMP and already conducted a feasibility for such. However, they are dependent on the LGU if this program will be implemented or not, and are currently waiting for the City Ordinance. Further inquiry revealed that the water district has mentioned this verbally to the LGU, yet no reply is received as of date.

The absence of proper septage management may result in waste water being discharged by different households and commercial establishments to leak and flow to our river systems and ultimately contaminate the water supply system, which is detrimental to public health and the environment.

We recommended that Management prepare a concrete SMP as required by the above-mentioned laws, to address wastewater and sanitation concerns of the concessionaires. We also recommended for Management to regularly coordinate and propose a written formal program to the LGU of Carcar City, on the necessity and importance of the SMP in the improvement of water quality, sanitation and public health conditions.

Management's Comment:

We quote the Management's reply as follows:

“The SMP is an integral part of the Strategic Business Plan of the water district. It is also integrated in the Vision statement of the office- to become the most outstanding sanitation services provider in the country by 2023.

The office has been preparing for the crafting of a comprehensive septage management program, whether on its own or in coordination with the LGU. In fact, a number of studies had been purposely conducted to determine the feasibility of its implementation. The delay in the preparation of the SMP is due to the fact that the local government of the City has not yet passed the Ordinance that is required in the implementation of the SMP. The specific roles of the LGU and the Water District will most likely be identified in the Ordinance as well as the schedule of tariff that may be charged on the consumers.

Anent to this, the office will send communication within the month to the local chief executive of the City to inform him of the willingness of the water district to assist in the crafting and implementation of the SMP, lobby for the passage of the pertinent ordinance, provide its legal bases, and explain the mechanisms on how to go about in the implementation of a comprehensive septage management program.

With this, it is hoped that we are able to justify and explain why the water district has yet to implement a septage management program within its service area.”

Gender and Development (GAD)

CWD had prepared a Gender and Development (GAD) Plan and Budget (GPB) for CY 2022 which allotted ₱12.843 million for GAD activities or 6.45% of the total budget of ₱199.105 million. The total utilization for GAD activities was ₱8.509 million or about 66.25% of the GAD Budget, and 4.27% of CWD’s budget.

Compliance with Tax Laws

The regulations of the Bureau of Internal Revenue (BIR) on the withholding of required taxes were substantially complied with by CWD. The withheld taxes were remitted regularly to the BIR along with the franchise tax due from CWD as seller of water. The following are the details of the taxes remitted to the BIR for CY 2022:

Table 5- Summary of Tax Remittances to BIR in CY 2022

| Code | Tax Description | Amount |
|--------------|------------------------------|-----------------------|
| 1601-E | Expanded W/holding Tax | ₱ 492,340.84 |
| 1601-C | W/holding Tax - Compensation | 1,697,785.74 |
| 1600 | VAT | 2,661,244.24 |
| 2551-M | Franchise Tax | 2,348,656.29 |
| Total | | ₱ 7,200,027.11 |

Compliance with RA No. 8291 (GSIS Act of 1997)

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 2022:

Table 6-Summary of Remittances to GSIS in CY 2022

| Transactions Covered by the Remittance | Amount |
|--|------------------------|
| GSIS Life and Retirement Premiums (Government Share) | ₱ 3,794,891.67 |
| Employees Compensation Contributions (ECC) | 141,600.00 |
| GSIS Life and Retirement Premiums (Personal Share) | 2,845,864.94 |
| Consolidated Loan Repayments | 449,946.97 |
| Educational Assistance Loan | 10,833.50 |
| Emergency Loan | 246,510.67 |
| Policy Loan | 8,400.00 |
| Multi-Purpose Loan | 1,507,732.69 |
| Computer Loan | 18,683.27 |
| GSIS Financial Assistance Loan (GFAL) II | 1,252,378.53 |
| Unlimited Life Insurance | 2,844.00 |
| Total | ₱ 10,279,686.24 |

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, 2022:

| Particulars | Beginning Balance December 31, 2021 | Issued and Settled in CY 2022 | Ending Balance December 31, 2022 |
|------------------------|--|--|---|
| Notice of Suspension | - | - | - |
| Notice of Disallowance | ₱25,000.00 | - | ₱25,000.00 |
| Notice of Charge | - | - | - |
| Totals | ₱25,000.00 | - | ₱25,000.00 |

**PART III - STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 19 prior years' audit recommendations and noted that two audit observations were merged with a similar observation reported in CYs 2020 and 2019, six were fully implemented and 11 were not implemented as at December 31, 2022. 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. The accuracy and existence of the recorded Property, Plant and Equipment (PPE) with net carrying amount of ₱163.37 million as at December 31, 2021 cannot be totally ascertained due to: (a) variance between the balance in the General Ledger (GL) and the results of the physical count of PPE with net book value of ₱8,560.00; and (b) inclusion of several items totaling ₱38,472.80 which are below the capitalization threshold. These are contrary to Paragraph 15 of Philippine Accounting Standards (PAS) 1 and Section 5.4 of COA Circular No. 2016-006 | We recommended and Management agreed to require the Inventory Committee and the Accounting Division to trace the whereabouts of the unlocated PPE items. The Accounting Division must make the necessary adjusting entries in the books of accounts, if the Inventory Committee ascertain that the unlocated PPE items were already disposed (with proper supporting documents). | AAR CY 2021 | Complied with the audit recommendation. | Fully Implemented The GL and the RPCPPE are already reconciled as at December 31, 2022. |
| | We also recommended that Management instruct the Accounting Division to draw the adjusting journal entry to correct the | | Complied with the Audit recommendations. | Fully Implemented The adjusting journal entry was already prepared. |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|--|--|-------------------|--|--|
| | erroneous recognition of the items below the capitalization threshold of ₱15,000.00 in the PPE account. | | | |
| 2. There were indications of splitting of some purchase contracts in the procurement of goods, contrary to Section 54.1 of the Revised Implementing Rules and Regulations (RIRR) of RA 9184 and COA Circular No. 76-41. As a result, posting requirements under the procurement law was avoided. | We recommended that Management instruct the BAC to follow strictly the provisions of COA Circular No. 76-41 and the RIRR of RA 9184, particularly on the splitting of government contracts. This is to avoid disallowance of the said transactions/ payments. | AAR CY 2021 | Implemented. BAC Secretariat closely monitored and verified all Purchase Requests. | Fully Implemented No similar observations noted in CY 2022. |
| 3. Disbursements for goods and other expenses amounting to ₱101,451.00 were made thru reimbursement instead of checks to the supplier, contrary to Section 172 of the Government Accounting and Auditing Manual (GAAM), Volume I and the provisions of 2016 RIRR of R.A. No. 9184. Further, | We recommended that Management discontinue the procurement of goods and services thru reimbursement; and to pay the same through check. Transactions which cannot be paid practically in check may pay using the petty cash fund, where applicable. The BAC shall resort to public | AAR CY 2021 | Implemented on March 23, 2022 | Fully Implemented No similar observations noted as at December 31 2022. |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|---|---|--------------------------------|---|---|
| these were not supported with the required documents, contrary to COA Circular no. 2012-001. | bidding and alternative modes of procurement, where applicable, based on the approved annual procurement plan, as required under the RIRR of RA 9184. | | | |
| 4. Net take home pay of some CWD employees fall below the statutory requirement of ₱5,000.00 per month, which is contrary to Section 49 of RA No. 11518 or the General Appropriations Act (GAA) of FY 2021. | We recommended that Management require the Accounting Division and the Human Resource Division to strictly adhere to the instructions specifically provided in the GAA relative to the required monthly net take home pay for government employees. | AAR CY 2021 AAR CY 2020 | On-going monitoring and implementation. | Not Implemented There are still employees whose net take home pay were below the mandatory minimum take home pay in CY 2022. |
| 5. 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 the unresolved variance of ₱0.375 million between the balances in the General Ledger (GL) and the Aging Schedule of AR. These conditions are | We recommended and Management agreed to 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. | AAR CY 2020 AAR CY 2019 | The details of the unlocated balance (difference between GL and Aging) can no longer be traced. | Not Implemented Management considered presenting this audit observation to the Board of Directors for proposal to initiate the process of writing-off. |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|---|---|-------------------|--|--|
| contrary to Paragraph 15 of Philippine Accounting Standards (PAS) 1. | | | | |
| 6. 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 NWRB and Water District, respectively, for lack of legal basis. | AAR CY 2020 | The Management requested for comments from NWRB and received a reply from the said agency to continue their payments on annual water charges and other permit fees while the contradicting interpretation between the NWRB and Local Water Districts is pending for resolution before the Office of the President. | Not Implemented The Management did not request for refund from the NWRB. The issue raised was only on the cessation from the payments of annual dues. |
| 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 | 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 | AAR CY 2020 | Complied with the audit recommendation. Full refund was made on February 18, 2022 under DV No. 2022-02-6122. | 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> |
|---|---|-------------------|--|---|
| of the Civil Service Commission (CSC)-COA-DBM Joint Circular No. 1, series 2017, thus incurring irregular expenditures of ₱87,500.00. | authorized to receive the said benefit in accordance with the guidelines issued by the DBM and COA. | | | |
| 8. 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 immediate disposal of the defective and unserviceable properties, which were already inspected by the COA Technical Engineer, so that these items can already be derecognized from the books of the Water District in the next reporting period. | AAR CY 2019 | Disposal of unserviceable properties was held last May 31, 2022. | Fully Implemented |
| 9. 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 | Management submit the lacking documents, for review and evaluation, such as: a. Survey Plan; b. Certification that there is no previous pending claim | 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. |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|---|--|-------------------|--|--|
| 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>and previous payment on subject property;</p> <p>c. Environmental Clearance Certificate</p> <p>d. Independent appraisal report or Committee Resolution as to the valuation of the land to determine the reasonableness of the offered price.</p> | | | |
| | <p>Management ensure that the following documents are secured prior to the full payment of the remaining balance, to wit:</p> <p>a. Deed of Absolute Sale registered with the Register of Deeds (now Land Registration Authority) where the land is located; and</p> <p>b. Certified photocopy of Transfer Certificate of Title and Tax Declaration in</p> | AAR CY 2019 | The Management is still on the process of securing the required documents. | <p>Not Implemented</p> <p>The Water District has not yet paid in full the payee, since the documents presented by the seller are not yet complete.</p> |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|---|--|-------------------|---|---|
| | the name of the procuring entity or previous owner with annotation of sale. | | | |
| 10. Abnormal and dormant balances including one erroneous subsidiary account balance which was the outcome of the inappropriate accounting treatment of the covering transactions still formed part of the year-end account balance of various asset and liability accounts, a condition which may mislead users of the financial statements in making sound economic decisions. This situation also suggests that the Finance Services Department has not regularly monitored the disposal of these cases that resulted in the carry-over of the above-mentioned balances in the next accounting period. | Management require the Finance Services Department to set a timetable for the re-verification/ analysis of the abnormal and dormant account balances including the errors noted with a deadline for drawing the adjustments on these deficiencies. | AAR CY 2015 | All efforts had been exerted to trace the supporting documents of these accounts, but to no avail. Thus, Management considered presenting this audit observation to the Board of Directors for proposal to initiate the process of writing-off. | Not Implemented The Management exerted efforts to trace the abnormal and dormant balances but was not able to secure supporting documents. |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|--|---|-------------------|---|--|
| 11. 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 the 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. | Not Implemented The Management is still on the process of securing the pertinent documents. |
| 12. Four donated lots with a total land area of 282 square meters have not yet been recorded in the books of accounts because of lack of valuation. | Management request the Cebu Provincial Appraisal Committee to appraise all the donated lots so that the Water District will have a reliable basis for the costing and recording of the transactions in the books of accounts. | AAR CY 2015 | Still for implementation by Management. | Not Implemented The donated lots remained unrecorded in the books of accounts. No documents submitted to prove that the Management requested for appraisal from the Cebu Provincial |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|---|---|-------------------|---|--|
| | | | | Appraisal Committee. |
| 13. 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 the land is on-going. | Not Implemented The Management hired a Job Order Personnel to facilitate the monitoring and processing of the titling of the parcels of land. However, titling of the land is on-going. |
| 14. Several government regulations on foreign travel were not complied with either during the release of the travel cash advance or at the time of the liquidation thereof, as follows: a. Foreign travels of three officials with a total cost of ₱53,795.88 were not supported with the approved Authority to Travel Abroad, a requirement | 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 | The concerned employees plan to refund the total cost of the foreign travel since the Management can no longer secure an "after the fact" approval from LWUA due to changes in personnel and administrators of the latter since 2014. | Not Implemented Management stopped the practice and already secured approval from the BODs on foreign travels. However, the concerned officials have yet to secure an "after the fact" |

| <i>Audit Observations</i> | <i>Audit Recommendations</i> | <i>Ref</i> | <i>Action Taken By Management</i> | <i>Auditor's Validation Results</i> |
|--|--|----------------------------------|---|--|
| under Section 2.d of LWUA MC No. 010-10. | | | | approval from LWUA. |
| 15. 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 | There has been a change in the administration of Brgy. Guadalupe and the new officials are still sorting the documents. | Not Implemented |

PART IV - ANNEXES

Annex A

Carcar Water District

Carcar City, Cebu

Composition and Status of CIP-Infrastructure Assets

As at December 31, 2022

| Name of Project | Account Code | Amount (P) | Status |
|---|-----------------|----------------------|--|
| <i>CIP - Infrastructure Assets</i> | 10699020 | | |
| Water System Expansion at Takdog, Poblacion III | 10699020-10 | 3,380,811.41 | On-going |
| 160 L.M. Perimeter Fence - Takdog, Poblacion 3 | 10699020-12 | 2,982,468.62 | On-going |
| Water System Expansion @ Lumbia Can-asujan, Carcar City, Cebu | 10699020-50 | 941,852.11 | On-going |
| Proposed Generator House @ Caipilan, Poblacion 1, Carcar | 10699020-61 | 53,424.25 | On-going |
| Proposed Generator House @ Yalaya, Bolinawan, Carcar | 10699020-62 | 78,182.65 | On-going |
| Water System Expansion @ Napo (phase 2) | 10699020-65 | 2,387,661.05 | On-going |
| Proposed Pipeline Improvement @ Ka-awa, Perrelos | 10699020-68 | 886,710.48 | On-going |
| Pumping Station @ Hillside Guadalupe | 10699020-71 | 44,239.77 | On-going |
| Pumping Station @ Camagayan, Perrelos | 10699020-75 | 1,483,620.89 | On-going |
| Pumping Station @ Siervas Poblacion 1 | 10699020-76 | 142,417.48 | On-going |
| Pipeline Expansion @ Carcar City Hall Poblacion 3 | 10699020-78 | 966,298.99 | On-going |
| Sub-total | | 13,347,687.70 | |
| VEI Project | 10699020-16 | 286,888.48 | For Tracing |
| VEI Project - CWD Contributions | 10699020-21 | 144,788.34 | |
| Transfer of Tapstand | 10699020-59 | 137,000.01 | To be re-classified to Repairs & Maintenance account |
| Sub-total | | 568,676.83 | |
| Total CIP – Infrastructure Assets | | 13,916,364.53 | |

Annex B

Carcar Water District Sampled Petty Cash Transactions With Incomplete Documentation For the Period January to June 2022

| DV No./ Date | PCV* No./ Date | Concerned Employee | Particulars | Amount (₱) | Attachments | Lacking Documents |
|-----------------------------|-----------------------------|---------------------|---|------------|---|---|
| 2022-03-6288/ 03/25/2022 | 2022-03-0622/ 03/23/2022 | Ren Anthony Paredes | Supplies for Admin | 873.90 | CENRR, IAR and Sales Invoice | Approved PR |
| | 2022-03-0636/ 03/25/2022 | Eva Lourdes Leret | Reimbursement for expenses paid for tokens for OSH Training Batch 8 | 780.00 | Sales Invoice | Approved PR, IAR |
| | 2022-03-0645/ 03/23/2022 | Ted Rafael Tupas | Purchase of body camera | 4,493.50 | Letter of justification on the purchase of body cam, Lazada Order Documents | Sales Invoice, Approved PR, IAR, Canvass from at least 3 suppliers, summary/abstract of canvass |
| | 2022-03-0627/ 03/23/2022 | Archie Campañon | Motolite Battery (12V) | 850.00 | Sales Invoice & IAR | Approved PR |
| 2022-05-6501/ 05/13/2022 | 2022-05-1013/ 05/11/2022 | Jarrynn Alanta | Purchase of ST. Elbow 1/2", Nipple Reducer Easyflow | 754.00 | Certificate of Emergency Purchase, Sales Invoice/Receipt, IAR** | Approved PR*** |
| | 2022-05-1016/ 05/11/2022 | Julie Bucao | Purchase of umbrella for installation team for use during meter rehab | 579.00 | Sales Invoice, IAR | Approved PR |

| DV No./Date | PCV* No./Date | Concerned Employee | Particulars | Amount (₹) | Attachments | Lacking Documents |
|-------------|-----------------------------|--------------------|---|------------|---|--|
| | 2022-05-1017/ 05/11/2022 | Karen Joy Carreon | Purchase of snacks for quizbowl (CWD Anniversary Activity) | 3,790.00 | Sales Invoice/Quiz Bowl Mechanics, Attendance Sheet | Approved PR, Canvass from at least 3 suppliers, summary/abstract of canvass, IAR |
| | 2022-05-1025/ 05/10/2022 | Yves Umbay | Purchase of Izumi Tube, Bearing 6304 for TMX 877539 | 740.00 | Certificate of Emergency Purchase, Sales Invoice, IAR | Approved PR |
| | 2022-05-1026/ 05/12/2022 | Eva Lourdes Leret | Purchase of snacks for CBHRS Day 2 Seminar Attendees | 879.65 | Sales Invoice, Attendance Sheet (Photocopy) | Approved PR |
| | 2022-05-1028/ 05/11/2022 | Yves Umbay | Banjo Washer, Hose Clamp, Radiator Cap, Fan Belt, Oil Filter for Genset VEI Maintenance | 895.00 | Certificate of Emergency Purchase, Sales Invoice, IAR | Approved PR |
| | 2022-05-1031/ 05/12/2022 | Yves Umbay | Steering Rack End Link | 600.00 | Certificate of Emergency Purchase, Sales Invoice, IAR | Approved PR |
| | 2022-05-1033/ 05/12/2022 | Yves Umbay | Front Light Assy, Oil Seal, Oring, Wiper Blade | 735.00 | Certificate of Emergency Purchase, Sales Invoice, IAR | Approved PR |
| | 2022-05-1039/ 05/13/2022 | Mark Puaben | Respirator, 7" TTY Special | 1,058.00 | Certificate of Emergency Purchase, Sales Invoice, IAR | Approved PR, Canvass from at least 3 suppliers, summary/abstract of canvass |

| DV No./ Date | PCV* No./ Date | Concerned Employee | Particulars | Amount (P) | Attachments | Lacking Documents |
|-----------------------------|-----------------------------|---------------------|--|------------|---|--|
| | 2022-05-1041/ 05/13/2022 | Eva Lourdes Leret | Snacks for CBHRS Day 3 Seminar Attendees | 825.00 | Sales Invoice, Attendance Sheet (Photocopy) | Approved PR, IAR |
| 2022-06-6597/ 06/02/2022 | 2022-06-1181/ 06/01/2022 | A. Leelian | 12 pcs 5kg rice, 1 roll ribbon for raffle prizes | 3,330.00 | Sales Invoice, IAR, Attendance Sheet, | Approved PR, Canvass from at least 3 suppliers, summary/abstract of canvass |
| | 2022-06-1182/ 06/01/2022 | Karen Joy Carreon | Lunch during the visit of the VEI Director | 10,364.00 | Official Receipt and Attendance Sheet | Approved PR, Canvass from at least 3 suppliers, summary/abstract of canvass, IAR |
| | 2022-05-1168/ 05/27/2022 | Ren Anthony Paredes | Flowers for Holy Mass during the CWD Anniversary | 600.00 | RER | Approved PR, IAR |
| | 2022-06-1184/ 06/01/2022 | Karen Joy Carreon | Snacks during the visit of the VEI Regional Director | 5,072.50 | Sales Invoice, CENRR, Attendance sheet | Approved PR, Canvass from at least 3 suppliers, summary/abstract of canvass, IAR |

**Petty Cash Voucher*

***Inspection and Acceptance Report*

****Purchase Request*