

ANNUAL AUDIT REPORT
ON THE
TOLEDO CITY WATER DISTRICT

Toledo City, Cebu

For Calendar Year 2020

EXECUTIVE SUMMARY

A. INTRODUCTION

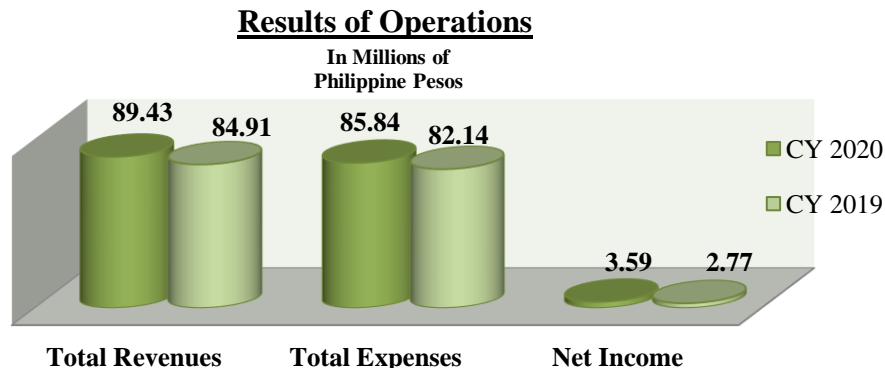
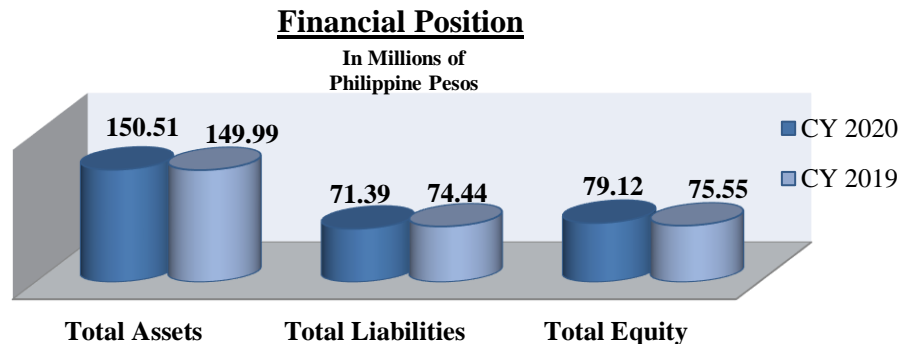
Toledo City Water District (TCWD) is a government-owned and controlled corporation created and existing by virtue of Presidential Decree (PD) No. 198, as amended. A Certificate of Conformance No. 195, was issued by the Local Water Utilities Administration (LWUA) to TCWD on September 30, 2004 validating its operations as one of the water districts of the country. In March 2012, pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters, LWUA has categorized TCWD as Category “B”.

The administration of the Water District and the exercise of its corporate powers are vested exclusively with the Board of Directors and the General Manager as authorized by the Board.

As of December 31, 2020, the Water District had a total workforce of 87 employees composed of 80 regular employees and 7 contract of service workers. Presently, the Water District is headed by Mr. Edgardo N. Nicolas, who assumed office as new General Manager effective January 16, 2020.

B. FINANCIAL HIGHLIGHTS

Below is a comparative presentation of the financial conditions and results of operations of the Water District for the Calendar Years (CYs) 2019 to 2020:



Corporate Operating Budget for CY 2020 aggregating ₱139.79 million was approved through Board Resolution No. 68-2019 on December 9, 2019.

C. OPERATIONAL HIGHLIGHTS

The following were among the reported accomplishments of the Water District for the year as compared with that of the same period last year, as furnished to the Audit Team:

Category	CY 2020	CY 2019	Increase/ (Decrease)
Service Connections			
Total Services	16,715	16,205	510
Total Active	15,417	14,936	481
Total Metered	15,417	14,936	481
Water Production			
Pumped	4,921,255 m ³	4,438,705 m ³	482,550 m ³
Purchased Water	817,578 m ³	881,019 m ³	(63,441) m ³

D. SCOPE OF AUDIT

The audit covered the financial transactions of TCWD for CY 2020. The objectives of the audit were primarily to: (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) review on a test basis, the propriety of disbursements and other financial transactions to determine adherence to pertinent laws, rules and regulations and recommend agency improvement opportunities thereon; and (c) determine the extent of implementation of prior years’ unimplemented audit recommendations.

E. AUDITOR’S REPORT

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

1. The Water District still carried in its Property, Plant and Equipment (PPE) account the unlocated properties turned over by the Local Government Unit (LGU)-Toledo City at the start of the operations of TCWD totaling ₱26.31 million and non-disclosure of the condition of these PPEs in the Notes to Financial Statements. Thus, the recorded balance of the PPE account as at December 31, 2020 with carrying amount of ₱112.57 million cannot be relied upon.
2. The results of the physical count of Inventories showed shortages and overages aggregating ₱0.61 million and ₱0.63 million, respectively, when compared with the supplies ledger cards maintained by the Accounting

Division, thus the existence, accuracy and reliability of the Inventories account balance of ₱8.01 million as at December 31, 2020 could not be ascertained.

F. OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

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

1. Unserviceable properties recorded under the PPE account with carrying amount of ₱3.59 million were still not disposed as at December 31, 2020 contrary to Section 79 of PD No. 1445, Department of Budget and Management (DBM) Manual on Disposal of Government Property, Section 7 of Commission on Audit (COA) Circular No. 89-296 dated January 27, 1989. This condition is disadvantageous to the Water District as it may result in substantial decrease of the properties' economic value due to physical deterioration.

We recommended and Management agreed to hasten the disposal of these unserviceable properties to prevent further deterioration pursuant to Section 79 of PD No. 1445 and Section 7 of COA Circular No. 89-296 and eventually derecognize these from the books of the Water District.

2. The payment of COVID-19 hazard pay aggregating ₱57,250.00 to the personnel of the Water District who reported for work during the Modified General Community Quarantine status of LGU-Toledo City is contrary to the provisions of Section 1 of Administrative Order (AO) No. 26 and Item 4.3 of DBM Budget Circular No. 2020-01 dated March 24, 2020.

We recommended and Management committed to refund the payment of hazard pay to its personnel totaling ₱57,250.00 for the month of September 2020. Likewise, ensure that the COVID-19 hazard pay be granted only to those authorized to receive the said grant in accordance with the guidelines issued by the DBM and COA.

3. The Water District purchased a service vehicle costing ₱1.20 million without securing prior approval from the DBM contrary to the provisions of DBM Budget Circular No. 2019-002.

We recommended and Management agreed to follow up the approval from the DBM on the purchase of service vehicle to avoid suspension in audit and henceforth, strictly follow the regulations particularly those activities/projects that require approval from concerned oversight agencies prior to initiating its procurement.

4. The Water District paid annual water charges to the National Water Resources Board (NWRB) aggregating ₱25,530.05 contrary to the decision rendered by the Department of Justice on Office of the Secretary of Justice Case No. 01-2010 dated March 29, 2012, thus the payment is without legal basis.

We recommended and Management agreed to make representations to NWRB for the refund of the payment made for the annual water charges for lack of legal basis. Henceforth, we recommended and Management also agreed to stop the payment of annual water fees and other charges to NWRB.

5. Cash Advances aggregating ₱132,000.00 were not liquidated as at year-end contrary to Item 5.8 of COA Circular No. 97-002 dated February 10, 1997.

We recommended and Management agreed to strictly adhere with Item 5.8 of COA Circular No. 97-002 on the full liquidation of cash advances at the end of each year.

6. The documentary requirements prescribed under Appendix A of Annex H of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 for the procurements of consulting services in CY 2020 aggregating ₱0.401 million under the Alternative Method of Procurement were not complied with by TCWD. Thus, contrary to the procurement law and wanting of any assurance that the winning suppliers are eligible to enter into contract with the government.

We recommended and Management agreed to:

- a. revisit the Request for Price Quotation and incorporate the documentary requirements as enumerated in Item II of Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 and indicate therein the stage of procurement wherein such documents shall be submitted.
 - b. see to it that the required documents as enumerated in Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 are complied with prior to the award of the contract.
7. Copies of the perfected contracts and supporting documents for various procurements aggregating ₱3.30 million were not submitted to the Audit Team within the prescribed period contrary to COA Circular 2009-001 dated February 12, 2009, thus prevented the timely conduct of contract review by the Auditor.

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

G. GENDER AND DEVELOPMENT (GAD)

The TCWD’s GAD Plan and Budget (GPB) for CY 2020 was formulated without conducting a review of sex-disaggregated data and gender analysis of the policies, programs and projects, thus casting doubt whether gender gaps and challenges were correctly identified and addressed contrary to Sections 36 and 37, Chapter VI of RA No. 9710, otherwise known as the Magna Carta of Women. Moreover, the utilization of GAD Budget was only 14.07 per cent of the GAD Budget for CY 2020, thus depriving the intended beneficiaries of the benefits that could have been derived had the GAD Budget was fully utilized.

We recommended and Management agreed to require the GAD Focal Point System (GFPS) to conduct a gender analysis of policies, programs and projects and a review of sex-disaggregated data, to be able to identify priority gender issues or GAD agenda, before formulating a GPB as mandated under Philippine Commission on Women Memorandum Circular No. 2018-04 dated September 19, 2018. Thereafter, maintain and regularly update the GAD Database.

We also recommended that henceforth, Management fully implement the activities identified in their GPB in order to achieve its objectives.

H. IMPLEMENTATION OF PRIOR YEARS’ UNIMPLEMENTED AUDIT RECOMMENDATIONS

We followed up the actions taken by Management on the implementation of the 30 prior years’ audit recommendations and noted that 14 were fully implemented, 7 were partially implemented and 9 were not implemented as at December 31, 2020.

I. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Particulars	Balance Dec. 31, 2019	Issued and Settled During the Year 2020		Balance Dec. 31, 2020
		Issued	Settled	
Suspensions	₱127,216.25	0.00	0.00	₱127,216.25
Disallowances	2,111,641.89	139,513.80	0.00	2,251,155.69
Charges	0.00	0.00	0.00	0.00
Total	₱2,238,858.14	139,513.80	0.00	₱2,378,371.94



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Toledo City Water District
Toledo City, Cebu

Qualified Opinion

We have audited the financial statements of the Toledo City Water District (TCWD), which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters discussed in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the TCWD as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for 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 Water District still carried in its Property, Plant and Equipment (PPE) account the unlocated properties turned over by the Local Government Unit-Toledo City at the start of the operations of TCWD totaling ₱26.31 million and non-disclosure of the condition of these properties in the Notes to Financial Statements. Thus, the recorded balance of the PPE account as at December 31, 2020 with carrying amount of ₱116.76 million cannot be relied upon.
2. The results of the physical count of inventories showed shortages and overages aggregating ₱0.61 million and ₱0.63 million, respectively, when compared with the supplies ledger cards maintained by the Accounting Division, thus the existence, accuracy and reliability of the Inventories account balance of ₱8.01 million as at December 31, 2020 could not be ascertained.

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

Key Audit Matters

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud, may

involve collusion, forgery, intentional omissions, misrepresentations, or other override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TCWD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the TCWD's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

COMMISSION ON AUDIT

By:


JENNY D. DAYOLA
State Auditor IV
OIC-Supervising Auditor 

30 April 2021



TOLEDO CITY WATER DISTRICT


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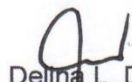
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

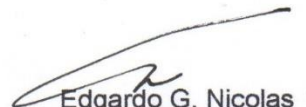
The Management of **TOLEDO CITY WATER DISTRICT** is responsible for the preparation of the financial statements as of **December 31, 2020**, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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


OSCAR A. REYES
Chairman of the Board
02/09/21
Date Signed


Delina L. Delos Reyes
Finance Department Manager
2/3/2021
Date Signed


Edgardo G. Nicolas
General Manager
2/04/21
Date Signed

**TOLEDO CITY WATER DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

(With Comparative Figures For The Year Ended December 31, 2019)

	Note	2020	2019
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	4	₱ 9,838,335.85	₱ 2,718,351.16
Receivables	5	12,271,492.12	13,635,566.85
Inventories	6	8,010,163.36	6,540,694.96
Other Current Assets	8	3,631,006.14	4,968,950.36
Total Current Assets		33,750,997.47	27,863,563.33
<u>Non-Current Assets</u>			
Property, Plant and Equipment, Net	7	116,761,691.67	122,126,429.56
Total Non-Current Assets		116,761,691.67	122,126,429.56
TOTAL ASSETS		₱ 150,512,689.14	₱ 149,989,992.89
LIABILITIES AND EQUITY			
LIABILITIES			
<u>Current Liabilities</u>			
Financial Liabilities	9	₱ 12,334,628.08	₱ 15,014,936.07
Inter-Agency Payables	10	1,307,729.92	1,540,643.27
Trust Liabilities	11	115,543.13	236,630.52
Deferred Credits	12	1,889,166.67	-
Provisions	13	4,486,156.15	3,365,229.02
Other Payables	14	425,008.60	1,298,022.86
Total Current Liabilities		20,558,232.55	21,455,461.74
<u>Non-Current Liabilities</u>			
Financial Liabilities	9	50,830,351.87	52,985,317.87
Total Non-Current Liabilities		50,830,351.87	52,985,317.87
TOTAL LIABILITIES		71,388,584.42	74,440,779.61
EQUITY			
Government Equity		67,536,729.58	67,574,453.58
Retained Earnings/(Deficit)		11,587,375.14	7,974,759.70
TOTAL EQUITY		79,124,104.72	75,549,213.28
TOTAL LIABILITIES AND EQUITY		₱ 150,512,689.14	₱ 149,989,992.89

See accompanying Notes to Financial Statements.

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

	Note	2020	2019
INCOME			
Service and Business Income	15	₱ 88,981,634.67	₱ 84,909,488.21
Shares, Grant and Donations	15	447,533.31	-
Total Income		89,429,167.98	84,909,488.21
EXPENSES			
Personnel Services	16	36,431,298.02	33,324,471.50
Maintenance and Other Operating Expenses	17	35,574,945.15	35,757,619.28
Financial Expenses	18	4,160,868.00	4,302,442.00
Non-Cash Expenses	19	9,674,397.37	8,751,997.43
Total Expenses		85,841,508.54	82,136,530.21
NET INCOME/(LOSS)		₱ 3,587,659.44	₱ 2,772,958.00

See accompanying Notes to Financial Statements.

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

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue	P	907,633.39	P 1,154,344.43
Collection of Receivables		90,277,853.48	84,434,336.15
Receipt of Inter-Agency Fund Transfers		898,198.26	1,149,130.78
Receipt of Intra-Agency Fund Transfers		6,849,420.63	546,406.73
Trust Receipts		56,308.43	53,512.50
Other Receipts		392,390.78	761,220.88
Total Cash Inflows		99,381,804.97	88,098,951.47
Adjustments		8,724,881.43	8,466,912.06
Adjusted Cash Inflows		108,106,686.40	96,565,863.53
Cash Outflows			
Payment of Expenses		21,094,727.43	19,657,115.31
Purchase of Inventories		-	-
Grant of Cash Advances		3,226,716.50	6,061,177.97
Prepayments		932,629.88	760,706.45
Payment of Accounts Payable		32,932,477.19	26,579,167.83
Remittance of Personnel Benefit Contributions and Mandatory Deductions		21,317,568.41	24,791,712.70
Release of Intra-Agency Fund Transfers		2,162,913.65	5,150,071.33
Other Disbursements		900,863.55	658,192.97
Total Cash Outflows		82,567,896.61	83,658,144.56
Adjustments		11,846,779.32	8,649,795.14
Adjusted Cash Outflows		94,414,675.93	92,307,939.70
Net Cash Provided by (Used in) Operating Activities		13,692,010.47	4,257,923.83
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		377,701.78	3,080.00
Total Cash Outflows		377,701.78	3,080.00
Net Cash Provided by (Used in) Investing Activities		(377,701.78)	(3,080.00)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Long-Term Liabilities		2,032,656.00	2,565,088.55
Payment of Interest on Loans and Other Financial Charges		4,161,668.00	4,353,093.45
Total Cash Outflows		6,194,324.00	6,918,182.00
Net Cash Provided by (Used in) Financing Activities		(6,194,324.00)	(6,918,182.00)
Cash Provided by Operating, Investing and Financing Activities		7,119,984.69	(2,663,338.17)
Add: Cash and Cash Equivalents, January 1		2,718,351.16	5,381,689.33
CASH AND CASH EQUIVALENTS, DECEMBER 31	P	9,838,335.85	P 2,718,351.16

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

	Retained Earnings/(Deficit)	Contributed Capital	Government Equity	TOTAL
Balance at January 1, 2019	₱ 12,358,376.35	₱ -	₱ 67,574,453.58	₱ 79,932,829.93
Changes in Equity for the CY 2019				-
Add/(Deduct):				-
Net Income/(Loss) for the year	2,772,958.00			2,772,958.00
Changes in Accounting Policy				-
Prior Period Errors	57,939.13			57,939.13
Other Adjustments	(7,214,513.78)	-		(7,214,513.78)
Balance at December 31, 2019	7,974,759.70	-	67,574,453.58	75,549,213.28
Changes in Equity for the CY 2019				
Add/(Deduct):				
Net Income/(Loss) for the year	3,587,659.44			3,587,659.44
Changes in Accounting Policy				-
Prior Period Errors	(85,864.75)			(85,864.75)
Other Adjustments	110,820.75		(37,724.00)	73,096.75
Balance at December 31, 2020	₱ 11,587,375.14	₱ -	₱ 67,536,729.58	₱ 79,124,104.72

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

1. GENERAL INFORMATION/ENTITY PROFILE

The financial statement of Toledo City Water District (TCWD) was authorized for issue on January 28, 2021 as shown in the Statement of Management's Responsibility for Financial Statements signed by Oscar A. Reyes, Chairman of the Board of Directors.

TCWD is a Government Owned & Controlled Corporation created on September 15, 1980 by virtue of the Toledo City's Sanguniang Panlungsod Resolution No. 54 pursuant to the provision of Presidential Decree No. 198 as amended. The Local Water Utilities Administration (LWUA) issued to TCWD a Certificate of Conformance No. 195 on April 20, 1982 validating the entity as one of the water districts of the country. However, the newly established water system was not able to operate as a Water District after its creation for unknown reasons and continued to operate under the management of Toledo City Waterworks of the Local Government.

On October 15, 2001, the TCWD was activated thru Sangguniang Panlungsod Resolution No. 2001-80. Simultaneously, all the existing water system facilities, installations, and obligations integral to the waterworks operation were transferred to the TCWD. The Water district took over full operation of the defunct Toledo Waterworks System on April 2, 2002.

On March 2012, pursuant to the Revised Local Water District Manual on Categorization, Re-Categorization and Other Related Matters, LWUA has categorized TCWD as Category "B."

Currently, TCWD provides potable water supply system to 14,825 active service connections both residential and commercial establishments in Toledo City and covers 21 component barangays. TCWD office is located at the Right Wing Terminal Building, Baybay 1, Poblacion, Toledo City, Cebu, Philippines.

2. STATEMENT COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of TCWD have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) prescribed by the Commission on Audit (COA) through COA Circular No. 2015-003 dated April 16, 2015 and COA Circular No. 2015-010 dated December 1, 2015

The accounting policies have been consistently applied throughout the year.

The financial statements of TCWD have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in peso (₱), which is also the country's functional currency.

Amounts are fully stated up to the last centavo.

The preparation of financial statements in compliance with the PFRS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Notes to Financial statement.

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

PAS 2, Inventories. Inventories are valued at the lower of cost or net realizable value. Cost is determined using the moving average method. Per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for Government Corporations), property, plant and equipment (PPE) with cost below ₱15,000 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 significant in relation to the total cost of the item shall be depreciated separately. PPE with cost below ₱15,000.00 per COA Circular No. 2015-010 dated December 1, 2015 (adoption of the Revised Chart of Accounts for Government Corporations) 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 for 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.

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 includes cash on hand and in banks. Cash equivalents are short-term, high liquid investments that are readily convertible to known amount of cash with original maturities of three months or less from date of acquisition and that are subject to an insignificant risk of change in value.

3.3 *Receivables*

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*

Construction materials and office supplies inventories are valued at costs and inventoried using the moving average method. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the TCWD.

3.5 *PPE*

Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as PPE, as follows:

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

A PPE item is recognized as an asset if:

- a. it is probable that the future economic benefits or service potential associated with the item will flow to the entity;
- b. the cost or fair value of the item can be measured reliably; and
- c. the cost is at least ₱15,000.00

Measurement and 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:

- a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. expenditure that is directly attributable to the bringing of the asset to the location and condition necessary for it to be capable of operation in the manner intended by management; and
- c. 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 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.

Depreciation Method

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

Estimated Useful Life

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

Residual Value

TCWD uses residual value equivalent to at least five per cent of the cost of the PPE.

Derecognition

TCWD 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 surplus or deficit when the asset is derecognized.

3.6 *Provisions, Contingent Liabilities and Contingent Assets*

a. Provisions

Provisions are recognized when TCWD has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

Where TCWD expects some or all of a provision to be reimbursed, for example under insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources economic benefits or service will be required to settle the obligation, the provisions are reversed.

b. Contingent Liabilities

TCWD does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying benefits or service potential is remote.

c. Contingent Assets

TCWD does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of TCWD in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and related revenue is recognized in the financial statements on the period in which the change occurs.

3.7 *Changes in Accounting Policies and Estimates*

TCWD recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

TCWD recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

TCWD corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their recovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities, and net assets/equity for the earliest prior period presented.

3.8 *Revenue from Exchange Transactions*

a. Measurement of revenue

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

TCWD recognizes revenue from rendering of services by reference to the usage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. Sale of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic

benefits or service potential associated with the transaction will flow to TCWD.

3.9 Budget Information

The annual budget is prepared on cash basis and is published in the government website. The Budget Utilization Report has also been prepared by the Water District.

3.10 Borrowing Costs

For loans borrowed directly by TCWD, the allowed alternative treatment is used.

3.11 Employee Benefits

The employees of TCWD are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage.

TCWD recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.12 Measurement of Uncertainty

The preparation of financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include useful life of capital assets, rates for amortization and impairment of assets.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

		2020		2019
Cash on Hand	₱	272,505.26	₱	300,888.51
Cash in Bank-Local Currency		9,565,830.59		2,417,462.65
Total	₱	9,838,335.85	₱	2,718,351.16

5. RECEIVABLES

Accounts Receivables and Other Receivables

This account consists of the following

	2020	2019
Accounts Receivable	₱ 24,966,687.52	₱ 25,868,293.64
<i>Allowance for Impairment- Accounts Receivable</i>	(16,169,675.44)	(16,824,352.69)
<i>Net Value-Accounts Receivable</i>	8,797,012.08	9,043,940.95
Other Receivables:		
Receivables- Disallowances/Charges	845,569.96	1,131,799.20
Due from Officers and Employees	0.00	0.00
Due from Non-Government Organization/People's Organization	105,000.00	44,605.43
Other Receivables	2,723,830.82	3,615,142.01
<i>Allowance for Impairment- Other Receivables</i>	(199,920.74)	(199,920.74)
<i>Net Value-Other Receivables</i>	3,474,480.04	4,591,625.90
Total Receivables, net	₱ 12,271,492.12	₱ 13,635,566.85

Aging/Analysis of Accounts Receivables

Accounts	Total	< 90 days	Past Due		
			91 days to 1 year	Over 1 year to 2 years	Over 2 years and onwards
Accounts Receivable	24,966,687.58	2,745,148.45	206,092.39	786,261.75	21,229,184.99

6. INVENTORIES

This account consists of the following:

	2020	2019
Inventory Held for Consumption	₱ 6,540,694.96	₱ 7,081,136.09
Additions/Acquisitions during the year	4,823,922.39	2,518,165.74
Expensed during the year except write-down	(3,354,453.99)	(3,058,606.87)
Total	₱ 8,010,163.36	₱ 6,540,694.96

7. PPE

This account comprises the following:

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Land Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
As at December 31, 2020								
Carrying Amount, January 1, 2020	₱1,831,216.00	₱97,340,703.84	₱17,687,639.96	₱2,681,122.05	₱1,266,866.08	₱72,327.76	₱1,246,553.87	₱122,126,429.56
Additions	0.00	1,443,447.91	45,700.00	2,660,789.20	1,276,000.00	0.00	109,648.42	5,535,585.53
Total	1,831,216.00	98,784,151.75	17,733,339.96	5,341,911.25	2,542,866.08	72,327.76	1,356,202.29	127,662,015.09
Cost of Completed Projects	0.00	0.00	0.00	0.00	0.00	0.00	(1,246,553.87)	(1,246,553.87)
Reclass/Adjustments:								
Cost	0.00	25,910,314.92	(26,004,030.92)	0.00	(12,921.00)	0.00	0.00	(106,637.00)
Accumulated Depreciation	0.00	(9,245,726.04)	9,268,029.48	0.00	0.00	0.00	0.00	22,303.44
Depreciation	0.00	(7,718,360.32)	(490,628.52)	(738,719.47)	(238,333.76)	(4,279.02)	0.00	(9,190,321.09)
Impairment Loss	0.00	(267,730.85)	0.00	(48,804.47)	(62,579.58)	0.00	0.00	(379,114.90)
Carrying Amount, December 31, 2020 (As per Statement of Financial Position)	1,831,216.00	107,462,649.46	506,710.00	4,554,387.31	2,229,031.74	68,048.74	109,648.42	116,761,691.67
Gross Cost (Asset Account Balance per Statement of Financial Position)	1,831,216.00	167,711,275.62	833,688.00	11,701,547.04	6,235,583.13	464,983.00	109,648.42	188,887,941.21
Accumulated Depreciation	0.00	(59,980,895.31)	(326,978.00)	(7,098,355.26)	(3,943,971.81)	(396,934.26)	0.00	(71,747,134.64)
Accumulated Impairment Loss	0.00	(267,730.85)	0.00	(48,804.47)	(62,579.58)	0.00	0.00	(379,114.90)
Carrying Amount, December 31, 2020 (As per Statement of Financial Position)	₱1,831,216.00	₱107,462,649.46	₱506,710.00	₱4,554,387.31	₱2,229,031.74	₱68,048.74	₱109,648.42	₱116,761,691.67

	Land	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment	Land Transportation Equipment	Furniture and Fixtures	Construction in Progress	Total
As at December 31, 2019								
Carrying Amount, January 1, 2019	₱1,831,216.00	₱93,251,180.00	₱18,222,584.00	₱2,828,259.66	₱1,444,203.80	₱75,938.83	₱1,285,366.97	₱118,938,749.26
Additions	0.00	2,815,631.22	0.00	464,392.77	66,921.00			3,346,944.99
Total	1,831,216.00	96,066,811.22	18,222,584.00	3,292,652.43	1,511,124.80	75,938.83	1,285,366.97	122,285,694.25
Cost of Completed Projects	0.00	0.00	0.00	0.00	0.00	0.00	(38,813.10)	(38,813.10)
Reclass/Adjustments:								
Cost	0.00	8,350,087.36	0.00	16,930.00	0.00	0.00	0.00	8,367,017.36
Accumulated Depreciation	0.00	147,554.62	0.00	1,966.52	0.00	1,778.85	0.00	151,299.99
Depreciation for the Year	0.00	(7,223,749.36)	(534,944.04)	(630,426.90)	(244,258.72)	(5,389.92)	0.00	(8,638,768.94)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)								
	1,831,216.00	97,340,703.84	17,687,639.96	2,681,122.05	1,266,866.08	72,327.76	1,246,553.87	122,126,429.56
Gross Cost (Asset Account Balance per Statement of Financial Position)	1,831,216.00	140,357,512.79	26,792,018.92	9,040,757.84	4,972,504.13	464,983.00	1,246,553.87	184,705,546.55
Accumulated Depreciation	0.00	(43,016,808.95)	(9,104,378.96)	(6,359,635.79)	(3,705,638.05)	(392,655.24)	0.00	(62,579,116.99)
Carrying Amount, December 31, 2019 (As per Statement of Financial Position)								
	₱1,831,216.00	₱97,340,703.84	₱17,687,639.96	₱2,681,122.05	₱1,266,866.08	₱72,327.76	₱1,246,553.87	₱122,126,429.56

8. OTHER ASSETS

This account consists of the following:

	2020		2019
Advances to Officers & Employees	₱ 132,000.00	₱	160,420.00
Prepayments	0.00		10,620.00
Deposits	151,698.60		151,698.60
Restricted Funds	3,347,307.54		4,646,211.76
Other Assets	0.00		0.00
Total	₱ 3,631,006.14	₱	4,968,950.36

9. FINANCIAL LIABILITIES

This account consists of the following:

	2020		2019
<i>Payables</i>			
Accounts Payable	₱ 9,957,968.24	₱	12,800,472.55
Due to Officers & Employees	221,693.84		181,807.52
<i>Bills/Bonds/Loans Payable</i>			
Loans Payable-Domestic	2,154,966.00		2,032,656.00
Total Financial Liabilities-Current	12,334,628.08		15,014,936.07
<i>Bills/Bonds/Loans Payable</i>			
Loans Payable –Domestic	50,830,351.87		52,985,317.87
Total Financial Liabilities-Non-Current	50,830,351.87		52,985,317.87
Total Financial Liabilities	₱ 63,164,979.95	₱	68,000,253.94

10. INTER-AGENCY PAYABLES

This account consists of the following:

	2020		2019
Due to BIR	₱ 805,647.51	₱	605,556.59
Due to GSIS	397,470.04		822,687.24
Due to Pag-IBIG	36,709.49		44,736.45
Due to PhilHealth	50,085.93		43,353.57
Due to Gov't Corporations	17,816.95		24,309.42
Total Inter-Agency Payables	₱ 1,307,729.92	₱	1,540,643.27

11. TRUST LIABILITIES

This account consists of the following:

		2020		2019
Guaranty/ Security Deposits Payable	₱	43,152.43	₱	143,223.71
Customer Deposits Payable		72,390.70		93,406.81
Total Trust Liabilities	₱	115,543.13	₱	236,630.52

12. DEFERRED CREDITS

This account consists of the following:

		2020		2019
Other Deferred Credits	₱	1,889,166.67	₱	0.00
Other Deferred Credits	₱	1,889,166.67	₱	0.00

13. PROVISIONS

This account consists of the following:

		2020		2019
Leave Benefits Payable	₱	4,486,156.15	₱	3,365,229.02
Total Provisions	₱	4,486,156.15	₱	3,365,229.02

14. OTHER PAYABLES

This account consists of the following:

		2020		2019
Other Payables	₱	425,008.60	₱	1,298,022.86
Total Other Payables	₱	425,008.60	₱	1,298,022.86

15. INCOME

These are the composition of this account:

		2020		2019
Service and Business Income				
Waterworks System Fees	₱	86,355,075.22	₱	80,787,487.42
<i>Sales Discounts</i>		<i>(4,160.83)</i>		<i>(5,030.38)</i>

	2020	2019
Interest Income	9,068.52	7,109.09
Fines and Penalties – Business Income	985,643.15	2,708,155.33
Other Business Income	1,636,008.61	1,411,766.75
Total Service and Business Income	88,981,634.67	84,909,488.21
Shares, Grants and Donations		
Income from Grants and Donations in Kind	447,533.31	0.00
Total Shares, Grants and Donations	447,533.31	0.00
Total Income	₱ 89,429,167.98	₱ 84,909,488.21

16. PERSONNEL SERVICES

Comprising this account are the following:

	2020	2019
Salaries & Wages		
Salaries & Wages-Regular	₱ 21,080,552.31	₱ 19,186,128.02
Total Salaries & Wages	21,080,552.31	19,186,128.02
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,847,000.00	1,788,000.00
Representation Allowance (RA)	665,375.00	609,500.00
Transportation Allowance (TA)	665,375.00	609,500.00
Clothing/Uniform Allowance	456,000.00	444,000.00
Hazard Pay	166,317.75	0.00
Overtime and Night Pay	302,330.09	299,492.19
Year End Bonus	1,856,685.00	1,707,330.00
Cash Gift	384,000.00	372,500.00
Other Bonuses and Allowances	3,134,940.00	2,940,752.00
Total Other Compensation	9,478,022.84	8,771,074.19
Personnel Benefits Contribution		
Retirement and Life Insurance Premium	2,517,052.20	2,444,135.28
PAG-IBIG Contributions	91,100.00	89,000.00
PhilHealth Contributions	294,639.18	242,315.40
Employees Compensation Insurance Premium	91,000.00	89,100.00
Provident Fund/Welfare Fund Contribution	0.00	0.00
Total Personnel Benefits Contributions	2,993,791.38	2,864,550.68
Other Personnel Benefits		
Terminal Leave Benefits	2,878,931.49	2,502,718.61
Total Other Personnel Benefits	2,878,931.49	2,502,718.61
Total Personnel Services	₱ 36,431,298.02	₱ 33,324,471.50

17. MAINTENANCE AND OTHER OPERATING EXPENSES

This account is composed of the following expenses:

	2020	2019
Total Traveling Expenses	₱ 162,693.87	₱ 400,258.67
Total Training and Scholarship Expenses	35,560.00	228,017.69
Supplies and Materials Expenses		
Office Supplies Expenses	168,732.51	285,993.62
Medical, Dental and Lab. Supplies Exp.	0.00	3,440.00
Fuel, Oil and Lubricants Expenses	474,828.02	657,182.28
Chemical & Filtering Supplies Expenses	1,005,054.84	974,247.00
Other Supplies & Materials Expenses	34,091.90	19,442.44
Total Supplies and Materials Expenses	1,682,707.27	1,940,305.34
Utility Expenses		
Water Expenses	30,592.00	26,014.00
Electricity Expenses	380,755.07	502,614.94
Total Utility Expenses	411,347.07	528,628.94
Communication Expenses		
Postage and Courier Services	5,571.35	5,852.00
Telephone Expenses	323,007.49	316,683.50
Internet Subscription Expenses	38,317.00	25,210.00
Total Communication Expenses	366,895.84	347,745.50
Total Awards/ Rewards, Prizes and Indemnities	0.00	10,149.00
Survey, Research, Exploration and Development Expenses		
Survey Expenses	19,900.00	0.00
Research, Exploration, and Development Exp.	255,000.00	
Total Survey, Research, Exploration and Development Expenses	274,900.00	0.00
Total Generation, Transmission and Distribution Expenses	23,243,927.90	22,820,440.61
Total Extraordinary and Miscellaneous Expenses	719,407.27	519,611.17
Professional Services		
Legal Services	180,000.00	165,000.00
Auditing Services	0.00	0.00
Other Professional Services	196,900.00	102,380.80
Total Professional Services	376,900.00	267,380.80
General Services		
Security Services	680,400.00	702,600.00
Total General Services	680,400.00	702,600.00
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure	1,617,511.50	1,823,938.64
Repairs and Maintenance-Buildings and Other		

	2020	2019
Structures	19,428.20	13,490.00
Repairs and Maintenance-Machinery and Equipment	197,272.74	156,734.70
Repairs and Maintenance-Transportation Equipment	156,464.19	235,848.68
Repairs & Maintenance-Furniture & Fixtures	28,720.00	4,354.00
Total Repairs and Maintenance	2,019,396.63	2,234,366.02
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	1,839,361.72	1,772,486.33
Fidelity Bond Premiums	40,350.00	33,851.25
Insurance Expense	213,372.06	152,121.39
Total Taxes, Insurance Premiums & Other Fees	2,093,083.78	1,958,458.97
Labor and Wages		
Labor and Wages	828,550.10	1,087,426.30
Total Labor and Wages	828,550.10	1,087,426.30
Total Member's Benefits	1,061.52	12,796.70
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	7,060.00	0.00
Printing and Publication Expenses	6,650.00	7,680.00
Representation Expenses	26,181.90	132,137.47
Rent/Lease Expenses	1,794,240.80	1,615,547.00
Membership Dues and Other Contributions to Organization	17,965.00	3,500.00
Director's and Committee Member's Fee	680,208.00	738,816.00
Other Maintenance & Operating Expense	145,808.20	201,753.10
Total Other Maintenance and Operating Expenses	2,678,113.90	2,699,433.57
Total Maintenance and Other Operating Expenses	₱ 35,574,945.15	₱ 35,757,619.28

18. FINANCIAL EXPENSES

This account is composed of the following;

	2020	2019
Interest Expenses	₱ 4,148,568.00	₱ 4,276,192.00
Bank Charges	12,300.00	6,250.00
Other Financial Charges	0.00	20,000.00
Total Financial Expenses	₱ 4,160,868.00	₱ 4,302,442.00

19. NON-CASH EXPENSES

This account is composed of the following expenses:

	2020	2019
Depreciation		
Depreciation-Infrastructure Assets	₱ 7,718,360.32	₱ 7,223,749.36
Depreciation-Buildings & Other Structures	490,628.52	534,944.04
Depreciation-Machinery & Equipment	738,719.47	630,426.90
Depreciation-Transportation Equipment	238,333.76	244,258.72
Depreciation- Furniture, Fixtures & Books	4,279.02	5,389.92
Total Depreciation Expense	9,190,321.09	8,638,768.94
Impairment Loss		
Impairment Loss-Receivables	104,961.38	113,228.49
Impairment Loss-PPE	379,114.90	0.00
Total Impairment Loss-Receivables	484,076.28	113,228.49
Total Non-Cash Expenses	₱ 9,674,397.37	₱ 8,751,997.43

20. RELATED PARTY TRANSACTIONS

20.1 Key Management Personnel

The key management personnel of TCWD are the General Manager, the Department Managers of the Administrative and Human Resources Services Department, Finance and Commercial Services Department and Engineering and Operations Department, Division Managers and the members of the governing body. The governing body consists of five members duly appointed by the City Mayor.

20.2 Key Management Personnel Compensation

Particulars	Aggregate Remuneration
Salaries & Wages	₱7,383,881.55
Other Compensation	3,770,084.00
Personnel Benefit Contributions	989,511.26
Other Personnel Benefits	889,622.97
Total	₱13,033,099.78

The Board of Directors of TCWD, who are the policy making body of the agency, were entitled to per diems for two meetings attended every month in the performance of their functions. Remunerations for General Manager, Department Managers and Division Managers are likewise included in the table above.

21. SUBSEQUENT EVENTS

TCWD conducted its actual physical count of inventories at least twice a year. It is a way of ensuring that TCWD's inventory management system is accurate and as a check to make sure goods are not being lost or stolen.

A detailed physical count of TCWD's entire inventory is generally taken prior to the issuance of the agency's annual financial statements. However, TCWD's inventory team finalized and submitted their report on February 4, 2021 with a discrepancy of ₱ 177,137.40 (net difference). Such amount is not considered in the preparation of financial statements.

PART II

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Financial Audit and Compliance Audit

1. The Water District still carried in its Property, Plant and Equipment (PPE) account the unlocated properties turned over by the Local Government Unit (LGU)-Toledo City at the start of the operations of the Toledo City Water District (TCWD) totaling ₱26.31 million and non-disclosure of the condition of these properties in the Notes to Financial Statements. Thus, the recorded balance of the PPE account as at December 31, 2020 with carrying amount of ₱116.76 million cannot be relied upon.

Paragraph 15 of the Philippines Accounting Standard (PAS) 1 provides for the fair presentation and the required application of International Financial Reporting Standards (IFRS) as follows:

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

The reported carrying amount of the PPE account as at December 31, 2020 aggregated to ₱116.76 million, which is composed of the following:

Table 1 - PPE Account Balances as at December 31, 2020

PPE Account	Acquisition Cost (₱)	Accumulated Depreciation (₱)	Accumulated Impairment Losses (₱)	Carrying Amount (₱)
Land	1,831,216.00	0.00	0.00	1,831,216.00
Infrastructure Assets (UPIS)	167,711,275.62	59,980,895.31	267,730.85	107,462,649.46
Buildings & Other Structures	833,688.00	326,978.00	0.00	506,710.00
Machinery & Equipment	11,701,547.04	7,098,355.26	48,804.47	4,554,387.31
Transportation Equipment	6,235,583.13	3,943,971.81	62,579.58	2,229,031.74
Furniture & Fixtures	464,983.00	396,934.26	0.00	68,048.74

PPE Account	Acquisition Cost (₱)	Accumulated Depreciation (₱)	Accumulated Impairment Losses (₱)	Carrying Amount (₱)
Construction in Progress	109,648.42	0.00	0.00	109,648.42
Total	188,887,941.21	71,747,134.64	379,114.90	116,761,691.67

Review of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31, 2020 disclosed that ₱26.31 million or 13.92 per cent of the recorded cost of ₱188.89 million pertained to the properties turned over by the LGU after the Water District took over the full operations of the defunct Toledo Waterworks System on April 2, 2002.

This matter has been brought to the attention of the Management in the calendar years (CYs) 2015 and 2019 Annual Audit Reports (AARs) and reiterated in this year's audit as it materially affects the fair presentation of the Water District's financial statements for the year ended December 31, 2020.

As gleaned from the previous AAR, the properties shown in Table 2 have always been included in the RPCPPE and carried in the books although not seen or located from the time those were transferred to the Water District by LGU-Toledo City.

Table 2 - Unlocated Properties Received by TCWD from LGU-Toledo City

Year Received from LGU	Particulars	Cost	Carrying Amount
2002	Land and Land Improvements	₱306,944.00	₱306,944.00
2002	Building & Other Structures – General Public Services	25,966,306.92	17,149,024.94
2002	Building & Other Structures – Public Service in Progress	37,724.00	16,457.97
	Total	₱26,310,974.92	₱17,472,426.91

Management informed the Audit Team that they did not get any reply from the LGU, particularly from the City Accountant with regard to the letter sent by the Water District on November 3, 2017. The Water District sought for assistance from LGU-Toledo City in the reconciliation of records related to the turned over properties. This matter is a major concern that should be given preferential attention in order to fairly present the Water District's Financial Statements as at year-end.

Moreover, on January 13, 2020, the Commission on Audit (COA) has issued Circular No. 2020-006 to provide guidelines and procedures in the conduct of physical count of PPE, recognition of PPE items found at a station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE account balances of government agencies. Item 8 thereof provides the procedures and the documentary

requirements for the derecognition of non-existing/missing PPEs without available record of accountability. We quote Items 8.1 to 8.3 of COA Circular No. 2020-006, as follows:

- “8.1 Non-existing/missing PPEs without available record of accountability shall be derecognized from the books of accounts only upon the grant of specific authority by the COA.*
- 8.2 *The Head of the Agency shall file the request for authority to derecognize non-existing/missing PPEs to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA), if the following conditions are met:*
- a. *The PPE has already exceeded its estimated useful life, hence its carrying value is equivalent to its residual value.*
 - b. *Accountability/responsibility over the missing PPE could not be pinpointed after the conduct of investigation for the purpose.*
- 8.3 *The request shall be supported with the following documents:*
- a. *List of Non-existing/Missing PPEs and their carrying values certified by the Heads of the Property Unit and the Accounting Unit and approved by the Head of the Agency;*
 - b. *Certification by the Head of the Accounting Unit that the non-existing/missing PPEs had already exceeded their estimated useful lives; and*
 - c. *Certified copy of the report of investigation conducted pursuant to Paragraph 7.9 of this Circular.” (Emphasis Supplied)*

Further, it was noted in the review of the Notes to Financial Statements for the year ended December 31, 2020 that there was no information that certain properties were missing/non-existing. This information is vital considering the substantial amount involved which could mislead the users of TCWD’s Financial Statements.

Paragraph 112 of PAS 1 on the structure of the Notes to Financial Statements provides the following requirements, quoted as follows:

“The Notes shall (a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117–124; (b) disclose the information required by IFRSs that is not presented elsewhere in the financial statements; and (c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.” (Emphasis supplied)

Also, Item 9.2 of COA Circular No. 2020-006 requires the disclosure in the Notes to Financial Statements the information on the total amount of non-existing/missing PPEs included in the PPE balance, supported with breakdown as to sub-major PPE account group, together with the additional information, such as filing of request for authority from COA for the derecognition of the properties, as applicable.

The continued inclusion of the non-existing/unlocated properties in the PPE account and the non-disclosure in the Notes to Financial Statements casts doubt on the reliability of the reported balance of the PPE account as at year-end.

We recommended and Management agreed to assign/designate personnel who will do the tracing, and to obtain the necessary documents of the unlocated properties from the Office of the City Accountant of LGU-Toledo City, in order to validate the existence and conditions of said assets, and to record them appropriately in the books of the Water District. If still unlocated, we recommended and Management agreed to request for authority from COA for the derecognition of these properties by following the procedures and complying with the documentary requirements under COA Circular 2020-006 dated January 13, 2020 on the one-time cleansing of PPE account balances.

- 2. The results of the physical count of inventories showed shortages and overages aggregating ₱0.61 million and ₱0.63 million, respectively, when compared with the supplies ledger cards maintained by the Accounting Division, thus the existence, accuracy and reliability of the Inventories account balance of ₱8.01 million as at December 31, 2020 could not be ascertained contrary to PAS 1.**

PAS 1 requires that the financial statements shall present fairly the financial position, 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, revenue, and expenses set out in the IFRS.

Verification of the Inventories account of the Water District and the comparison of the Supplies Ledger Card (SLC) maintained by the Accounting Division and the Report of Physical Count on Inventories (RPCI), showed several discrepancies, to wit:

- a. The entries in the SLC for each inventory item when compared with the RPCI showed shortages aggregating ₱0.61 million. See **Annex A** for the details.
- b. There were inventory items wherein the quantity per physical count were more than what had been recorded in the SLC, thus overages were incurred totaling ₱0.63 million. The details are shown in **Annex B**.

- c. Some of the items in the RPCI had no corresponding SLC. Samples of the items are illustrated below:

Table 3 - Sampled items without SLC

Item	Quantity per RPCI
Outer tube 2.75 x 17	11
Swing Arm Left and Right -Multicab	6
Side Mirror-Motor	3
Tail Light Assembly	1
Piston ring Oversize 22 valve scrum	3

The conduct of physical count of inventories is essential to ensure that the recorded inventory items exist, and to determine their conditions as at a given period. There should be a regular reconciliation between the balances in the SLC maintained by the Accounting Division and the Stock cards maintained by the Property Division in order to validate the balances and to attest if losses are not due to theft or other irregular activities. With the given results of the physical count conducted, Management needs to resolve or validly account such variances/discrepancies as these represent losses or unaccounted items which eventually affected the reported balance of the Inventories account as at year-end.

We recommended and Management agreed to direct the Property and Accounting Divisions to account for the shortages/overages or discrepancies that were noted during the CY 2020 physical count, in order to determine proper disposition, as these may represent losses of the Water District that must be recouped from the person/s liable or may require adjusting entries only, to fairly state the reported balance of the Inventories account as at year-end.

- 3. Unserviceable properties recorded under the PPE account with carrying amount of ₱3.59 million were still not disposed as at December 31, 2020 contrary to Section 79 of Presidential Decree (PD) No. 1445, Department of Budget and Management (DBM) Manual on Disposal of Government Property, Section 7 of COA Circular No. 89-296 dated January 27, 1989. This condition is disadvantageous to the Water District as it may result in substantial decrease of the properties' economic value due to physical deterioration.**

Section 79 of PD No. 1445, otherwise known as the Government Auditing Code of the Philippines provides:

“When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned... In the event that the public auction fails, the property may be sold at a private sale at such

price as may be fixed by the same committee or body concerned and approved by the Commission.”

Moreover, DBM Manual on Disposal of Government Property provides that the disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value. It further provides that there should be a systematic and timely disposal in order to yield benefits in terms of, among others, a higher appraised value and to make the storage areas available for other purposes.

Section B, Part II of the same Manual provides for the conditions that constitute disposable property, as follows:

- “1.0 Property which can no longer be repaired or reconditioned;*
- 2.0 Property whose maintenance cost/costs of repair outweighs the benefits and services that will be derived from its continued use;*
- 3.0 Property that has become obsolete or outmoded because of changes in technology;*
- 4.0 Serviceable property that has been rendered unnecessary due to change in the agency’s functions or mandate;*
- 5.0 Unused supplies, materials and spare parts that were procured in excess of requirements; and*
- 6.0 Unused supplies and materials that have become dangerous to use because of long storage which is determined to be hazardous.”*

On the other hand, Section 7 of COA Circular No. 89-296 dated January 27, 1989 states the following:

“In all modes or instances of disposal of government property or assets as herein above contemplated, the proceedings shall be undertaken by the appropriate authority in the presence of the Auditor or other COA representative who shall act as an intelligent, responsive and articulate witness thereto. The said act of witnessing shall not be confined merely to seeing what is being done during the proceedings but shall be related to the more meaningful discharge by the Auditor of his/her constitutional duty to examine, audit and settle all accounts pertaining to the expenditures or uses of government funds and property. Thus, the Auditor acting as such witness may verbally advise the agency head or his duly authorized representative of any objectionable feature/s of the proceedings. . . .”

Verification of the Inventory and Inspection Report of Unserviceable Properties (IIRUP) as at December 31, 2020 as prepared by the Water District’s Inventory Committee showed that 53 PPE items with carrying value of ₱3.59 million were classified as unserviceable due to wear and tear or obsolescence. These properties were stored within the premises of the Water District and still not disposed as at December 31, 2020, with summary as follows:

Table 4 - Summary of Unserviceable Properties as of December 30, 2020

Category	No. of Items	Carrying Amount
Utility Plant in Service	32	₱2,983,580.46
Office Equipment	6	57,237.40
Furniture and Fixture	1	4,662.90
IT Equipment & Software	7	79,957.88
Other Machinerics & Equipment	3	113,562.56
Motor Vehicle	4	350,706.85
Total	53	₱ 3,589,708.05

This has been in the possession of the TCWD for more than five years and this was one of the audit observations in the CY 2016 AAR. The carrying value of these unserviceable assets in 2016 were ₱3.23 million, thus there is an increase of ₱0.36 million in CY 2020 with corresponding increase in the number of unserviceable items. The recommendation to dispose the items remained unheeded.

Inquiry with Management disclosed that they are already planning to dispose the items in CY 2021 but the IIRUP they prepared was not yet formally submitted to the Audit Team for inspection of the items as they are yet to create a disposal committee.

The non-disposal of these unserviceable properties has deprived the government of additional income it could possibly earn if these assets were sold. It also unnecessarily occupies space in the Water District premises and expose these properties to further deterioration.

We recommended and Management agreed to hasten the disposal of these unserviceable properties to prevent further deterioration pursuant to Section 79 of PD No. 1445 and Section 7 of COA Circular No. 89-296 and eventually derecognize these from the books of the Water District.

- 4. The Water District paid annual water charges to the National Water Resources Board (NWRB) aggregating ₱25,530.05 contrary to the decision rendered by the Department of Justice (DOJ) on Office of the Secretary of Justice (OSJ) Case No. 01-2010 dated March 29, 2012, thus the payment is without legal basis.**

Verification of the expenses incurred by the Water District in CY 2020 showed the following payments to NWRB:

Table 5 - Summary of Payments Made to NWRB in CY 2020

DV No./Date	Particulars	Statement of Account (SOA) No.	Amount
20-12-1089/ Dec. 17, 2020	Annual Charges for Matabang Spring	AWC 20060689	₱5,104.14
20-12-1080/	Annual Charges for	AWC 20080630	5,049.96

DV No./Date	Particulars	Statement of Account (SOA) No.	Amount
Dec. 17, 2020	Cantabaco Deepwell		
20-12-1081/ Dec. 17, 2020	Annual Charges for Mainggit Spring	AWC 20080687	5,221.85
20-12-1086/ Dec. 17, 2020	Annual Charges for Banyo Spring	AWC 20080685	5,104.14
20-12-1085/ ,Dec. 17,2020	Annual Charges for Laguna Deep Well	AWC 20080750	5,049.96
Total			₱25,530.05

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

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

The opposing provisions cited above had been an issue and a subject to a case filed by the Metropolitan Cebu Water District (MCWD) versus the NWRB [OSJ Case No. 01-2010 (*MCWD vs. NWRB*)]. In resolution of the case, the Secretary of Justice under Decision No. LML-D-29C12-022 promulgated on March 29, 2012 ruled as follows:

WHEREFORE, premises considered, it is hereby declared that:

- a. The MCWD is exempt from payment of annual water charges and fees pursuant to Section 45 of PD 198, as amended;*
- b. PD 1067 did not expressly or impliedly repeal PD 198, as amended, or any of the provisions, thereof; and*
- c. The local water districts are exempt from the administrative regulations by the NWRB.*

The OSJ decision was reiterated by the Office of the Government Corporate Counsel (OGCC). In its letter reply dated September 3, 2019 to NWRB relative to the latter’s SOA for annual water charges issued to Calumpit Water District, the OGCC stated that *“The DOJ’s decision is conclusive and binding and has become final and*

executory. Thus, the assessment of annual water charges on water districts by the NWRB should be discontinued, even as PD 1445 or the Audit Code of the Philippines prohibits disbursement of public funds without legal basis.”

The decision of the Secretary of Justice and the opinion of the Government Corporate Counsel relative to the payment of water charges to NWRB is clear that the latter cannot impose on water districts fees and charges, such as the annual water charges, as this is contrary to law. Accordingly, water districts have no legal basis to pay such charge.

We recommended and Management agreed to make representations to NWRB for the refund of the payment made for the annual water charges for lack of legal basis. Henceforth, we recommended and Management also agreed to stop the payment of annual water fees and other charges to NWRB.

5. The Water District purchased a service vehicle costing ₱1.20 million without securing prior approval from DBM contrary to the provisions of DBM Budget Circular No. 2019-002

Section 4 of DBM Budget Circular No. 2019-002 dated March 4, 2019 requires government agencies to secure approval from the DBM Secretary on the acquisition of motor vehicles. Section 4.1.b specifically provides that *it requests of departments, including agencies, Government Owned and Controlled Corporations (GOCCs) and Government Financial Institutions (GFIs) attached thereto, and State Universities and Colleges (SUCs), except the OP and OEOs, for the acquisition of motor vehicles not mentioned under Section 4.1.a, such as those which are used in the exercise of executive functions and transport of personnel, equipment, supplies, products and materials, e.g., cars, Asian Utility Vehicles (AUVs), Crossover Utility Vehicles (CUVs), Multi-Purpose Vehicles (MPVs), SUVs, passenger vans and pick-ups.*

Verification of DV No. 20-11-0984 dated November 18, 2020 on the purchase by the TCWD of one unit Mitsubishi L300 Family and Business, which does not exceed 2.2 diesel, and with manual transmission costing ₱1.20 million revealed that such purchase has no prior authority from the DBM.

To recall, TCWD through Board of Director’s (BOD) Resolution Nos. 23-2018 and 24-2018 applied for a loan from the Local Water Utilities Administration (LWUA) in the amount of ₱4.10 million for the purchase of one unit AUV or CUV and four units L300 MPVs. Inquiry with the Department Manager B-Finance disclosed that after several follow-ups with LWUA, they were informed that their loan was disapproved due to the reason that the purchase of vehicle was not among the top priorities of LWUA in granting a loan to the water district.

Since the LWUA loan was disapproved, BOD Resolution No. 54-2019 dated October 13, 2019 was passed authorizing TCWD to purchase one unit service vehicle to be sourced from the internal funds of the Water District for ₱900,000.00 and seeking

further approval of such purchase from the LWUA and the DBM. However, the purchase did not materialize in CY 2019.

LWUA Memorandum Circular No. 009-13 on the subject “Implementing Guidelines on the Acquisition and Use of Motor Vehicles by Water Districts provides that *all water districts shall submit all required documents to LWUA for review and evaluation prior to endorsement to DBM. After evaluation, DBM shall forward the same to the Secretary of the Department of Public Works and Highways (DPWH) for approval in compliance with AO No. 15 dated May 25, 2011.*

In compliance with the above provision of the Memorandum Circular No. 009-13, TCWD submitted the necessary documents to LWUA for review and endorsement to DBM. TCWD was able to obtain a copy of the letter dated June 17, 2020 from LWUA endorsing their request to DPWH for approval, as required in the LWUA Memorandum. Awaiting reply from DPWH, TCWD decided to purchase one unit MPV with a specific brand name of Mitsubishi L300 Family and Business amounting to ₱1.20 million notwithstanding the absence of prior approval from the DBM, a condition which is not in accordance with DBM Budget Circular No. 2019-002.

Inquiry with the Department Manager B-Administrative and Human Relations disclosed that they decided to buy the vehicle even though they were not able to secure prior approval from the DBM due to the current condition of their service vehicles that has currently affected the mobility of the maintenance team. They further explained that it has also affected their performance especially in addressing vital activities in their operations during this time of pandemic where water availability is very essential. They asserted that the transport of personnel including monies/collections are considered very high risk if no service vehicle is available.

It is worthy to mention that National Budget Circular (NBC) No. 580 dated April 22, 2020 on the adoption of economy measures in the government due to the emergency health situation requires government agencies to implement economy measures such as discontinuance of certain programs, projects and activities. Section 4.3.1.1 of the said Budget Circular provides the discontinuance of the “*Purchase of any type of motor vehicles, except ambulances and those required by the military and uniformed personnel for the direct exercise of their public safety functions...*”

With the issuance of NBC No. 580, the more reason that Management should secure the approval from the DBM as this is one of the identified projects/activities to be discontinued. Thus, the validity of the disbursement could not be ascertained due to the lack of approval from the DBM on the purchase of motor vehicle by the Water District.

We recommended and Management agreed to follow up the approval from the DBM on the purchase of service vehicle to avoid suspension in audit and henceforth, strictly follow the regulations particularly those activities/projects that require approval from concerned oversight agencies prior to initiating its procurement.

6. Cash Advances aggregating ₱132,000.00 were not liquidated as at year-end contrary to Item 5.8 of COA Circular No. 97-002 dated February 10, 1997.

Item 58 of COA Circular No. 97-002 provides that *all cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the accountable officer shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.*

Review of the Advances for Operating Expenses account of the Water District showed that as of December 31, 2020, there were cash advances for operating expenses granted to TCWD’s officers and employees which remained unliquidated as at year-end of CY 2020 totaling ₱132,000.00, details of which are as follows:

Table 6 - Unliquidated Cash Advances as at December 31, 2020

Date	DV No.	Accountable Officer	Amount	Purpose
Dec. 17, 2020	20-12-1078	Arlene V. Mercader	₱67,000.00	To defray the expenses for: <ul style="list-style-type: none"> • Lunch and snacks for the guests during Public Hearing on Water Rate Adjustment on Dec. 22, 2020; • Token for one retiree and raffle giveaways for employees Annual Year End Assembly on Dec. 29, 2020
Dec. 28, 2020	20-12-1117	Jocelyn D. Remeticado	65,000.00	For the payment of caretakers’ honoraria for services rendered in securing the pumping stations.
Total			₱132,000.00	

The above stated cash advances should have been liquidated on or before December 31, 2020. The existing rules and regulations require that all cash advances should be fully liquidated at the end of each year and any unexpended/unutilized balance of the cash advance should be returned and duly receipted by the cashier of the Water District to properly account for the expenses utilized in the current year. Since the purpose for which the cash advance has already been accomplished, the non-liquidation thereof may result in the non-recognition of the corresponding expense on the period to which they relate.

All cash advances, except for cash advance granted for petty cash expenses, should be liquidated as of December 31 or at the close of the calendar year, regardless of when that cash advance was granted to the accountable officer.

We recommended and Management agreed to strictly adhere with Item 5.8 of COA Circular No. 97-002 on the full liquidation of cash advances at the end of each year.

7. The documentary requirements prescribed under Appendix A of Annex H of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 for the procurements of consulting services in CY 2020 aggregating ₱0.40 million under the Alternative Method of Procurement were not complied with by TCWD. Thus, contrary to the procurement law and wanting of any assurance that the winning suppliers are eligible to enter into a contract with the government.

Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 prescribes for the documents that the Bids and Awards Committee (BAC) shall require from suppliers for procurements using the Alternative Method of procurement except for Repeat Order, Shopping under Section 52.1, and Negotiated Procurement under Sections 53.1 (Two-Failed Biddings) and 53.5 (Agency-to-Agency).

The documentary requirements for procurement of consultancy services under Small Value Procurement (Section 53.9) include, among others, the following: Mayor's/Business permit, Philippine Government Electronic Procurement System (PhilGEPS) Registration Number, Income /Business Tax Return, and Omnibus Sworn Statement.

Verification of the paid DVs of TCWD for the payments of the consultancy services totaling ₱0.40 million, which were procured through Small Value Procurement, disclosed that some of the documentary requirements prescribed in Appendix A of Annex H of the Revised IRR of RA No. 9184 were not among the documents attached to the DVs, to wit:

Table 7 - List of Procurements under Small Value Procurement with Lacking Documents

DV No./ Date	Payee	Amount	Particulars	Lacking Attachment
20-10-0888/ Oct. 27, 2020	Jay E. Villaflor	₱136,900.00	Payment of professional fee for programming services	<ul style="list-style-type: none"> • Professional License/Curriculum Vitae • Mayor's Permit • PhilGEPS Registration Number • Omnibus Sworn Statement
20-11-0930/ Nov. 19, 2020	Petros Geo Environmental Consultant	245,000.00	Payment of 1 lot Geo-sensitivity	<ul style="list-style-type: none"> • Mayor's Permit • PhilGEPS Registration

DV No./ Date	Payee	Amount	Particulars	Lacking Attachment
			survey	Number • Omnibus Sworn Statement
20-12-1084/ Nov. 19, 2020	Tecson- Diango Surveying Office	19,900.00	Payment of surveying fees	• Professional License/Curriculu m Vitae • Omnibus Sworn Statement
Total		₱401,800.00		

These lacking documents were not also indicated in the Request for Quotation (RFQ) submitted by the supplier. Furthermore, it was noted that no Official Receipt was attached to DV No. 20-10-888, as proof of receipt of the payment for the services rendered, but instead an Acknowledgment Receipt was prepared by the payee, therefore the supplier was not registered with the Bureau of Internal Revenue (BIR).

The documentary requirements as clearly itemized under Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 is intended to aid the BAC/procurement unit in evaluating the eligibility of the supplier/s or contractors who proposed/offered to supply or engaged business with the government agencies, hence should be adhered to by the Water District.

We recommended and Management agreed to:

- a. **revisit the RFQ and incorporate the documentary requirements as enumerated in Item II of Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 and indicate therein the stage of procurement wherein such documents shall be submitted.**
 - b. **see to it that the required documents as enumerated in Appendix A of Annex H of the 2016 Revised IRR of RA No. 9184 are complied with prior to the award of the contract.**
- 8. Copies of the perfected contracts and supporting documents for various procurements aggregating ₱3.304 million were not submitted to the Audit Team within the prescribed period contrary to COA Circular 2009-001 dated February 12, 2009, thus prevented the timely conduct of contract review by the Auditor.**

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

Sec. 3.1.1 – That within five working days from the execution of a contract by the government or any of its subdivisions, agencies and instrumentalities, including GOCCs and their subsidiaries, a copy of said contract and each

of all documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned.

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

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

Verification of records showed that the Water District awarded several consultancy and procurement contracts to various suppliers/contractors during CY 2020. However, no perfected contracts were submitted to the Audit Team within the prescribed period, for review and evaluation as required in COA Circular 2009-001. Some of the contracts entered into by TCWD are as follows:

Table 8 - List of Contracts/POs Issued in CY 2020

Description	Contractor/Lessor/ Supplier	Date of Award	Contract Cost
1 unit submersible pump-10HP for Tubod Pump Station	Keylargo Industrial Sales*	Sept. 17, 2019	₱147,947.00
Payment of 1 pc. 6" DN gate valve nut head	JB Janz Marketing	Dec. 4, 2019	147,959.05
Programming service for meter reading using android phones for text blast	Jay E. Villaflor	Sept. 18, 2020	136,900.00
1 lot geo-resistivity survey in 3 brgys. - Ilihan, Magdugo & Cantabaco	Petros Geo-environmental Consultants Co.	July 8, 2020	245,000.00
Surveying of 1 lot Eufemia Lanipga at Bulongan	Tecson Diango Surveying Office	Aug. 24, 2020	19,900.00
86 sacks of rice for employees assistance during COVID-19 ECQ	Consumer Trend General Merchandise	Nov. 16, 2020	190,080.80
50 drums of calcium hypochlorite 70% concentration with 45 kgs. drum of weight for emergency purchase to maintain water quality amid with COVID-19 Community Quarantine (Lockdown) of the Province of Cebu	Chemtech Phils. Ind'l.Com	March 26, 2020	282,500.00

Description	Contractor/Lessor/ Supplier	Date of Award	Contract Cost
950 pieces water meters 1/2" diameter for new installation and replacement of meters of MSMC members, full delivery per PO# 2019-01-010 dated April 14, 2020	EDMI Philippines Inc.*	April 24, 2019	850,250.00
2 units laptop Lenovo 15.6 full HD, i5 for Admin & HR	Nutech Marketing	Oct. 22, 2020	103,800.00
1 unit L202 van as service vehicle	Fast Autoworld Phil. Corp.	Oct. 5, 2020	1,200,000.00
Total			₱3,304,436.85

*Paid in CY 2020

These contracts were attached to the DVs and were forwarded to the Audit Team only at the time of audit. The non-submission of contracts/POs within the prescribed timeline prevented the Auditor from conducting a review and technical inspection thereof to immediately point out defects and/or deficiencies, if any, for Management's timely action or correction. Moreover, the purchased of motor vehicle by the TCWD requires technical inspection by the COA Technical Services Office.

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

- 9. The Water District still allowed its employees to receive net take home pay of less than the statutory requirement of ₱5,000.00 per month contrary to the provisions of Section 47 of RA No. 11465 or the General Appropriations Act (GAA) of 2020.**

Review of the payrolls for the salaries and wages of the employees of TCWD for CY 2020 showed that the net take home pay they received was less than the minimum amount stipulated in Section 47 of RA No. 11465 otherwise known as the GAA of 2020.

Section 47 of the General Provisions of the 2020 General Appropriations Act (GAA) provides that:

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

- a. *The BIR, Philhealth, GSIS and HMDF;*
- b. *Non-stock savings and loans associations and mutual benefit association duly operating under existing laws and cooperatives*

- which are managed by and/or for the benefit of government employees;*
- c. Association or provident funds organized and managed by government employees for their benefit and welfare;*
 - d. GFIs authorized by law and accredited by appropriate government regulatory bodies to engage in lending;*
 - e. Licensed insurance companies; and*
 - f. Thrift banks or rural banks accredited by the BSP.*

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

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

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

"D. PROTECTION TO GOVERNMENT EMPLOYEES

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

Review of the paid payrolls for regular employees of TCWD for CY 2020 revealed that there were some employees whose net take home pay was way below of what is required by law. This is a reiteration of an audit finding in CY 2017 but the audit recommendation for this observation is still unheeded by TCWD. Samples are shown on the next page:

Table 9 - Sampled Employees with Net Take Home Pay Below the Mandated Amount of ₱5,000.00

Employee Name	Gross Monthly Rate (₱)	Month (CY 2020)	Deductions			Net Pay
			Withholding Tax/GSIS/HDMF/Philhealth Contributions and Loans	CFI/DBP/UCPB Loans/Disallowance/Mortuary Fund	Provident Fund	
Abalde, Alexander	20,883.00	January	(12,857.20)	(2,100.00)	(3,643.87)	2,281.93
		March	(12,857.18)	(2,100.00)	(2,836.56)	3,089.26
Nieves, Mayolito	21,556.00	January	(14,036.78)	(2,938.99)	(2,110.26)	2,469.97
		September	(13,993.83)	(2,938.99)	(3,635.66)	987.52
Remeticad, Jocelyn	24,674.00	March	(17,385.65)	(550.00)	(3,880.04)	2,858.31
		September	(17,110.28)	(550.00)	(5,086.92)	1,926.80
Descartin, Joy	15,516.00	July	(9,175.55)	(50.00)	(3,263.14)	3,027.31
		September	(9,588.61)	(50.00)	(4,011.04)	1,866.35
Obeso, Angelito	19,063.00	July	(13,085.46)	(550.00)	(3,609.68)	1,817.86
		September	(13,932.92)	(550.00)	(4,483.58)	96.50

In summary, we noted that from the sampled paid payrolls for the months of January, March, July and September 2020, an average of 32 employees or 42 per cent of 76 regular employees of TCWD were receiving salaries below the required minimum net pay of ₱5,000, data of which are shown below:

Month	No. of employees with net pay below ₱5,000.00
January 2020	29
March 2020	31
July 2020	33
September 2020	35
Total	128

It is also observed that the deductions for Provident Fund loans and Mortuary Fund contributions were included as deductions from the salaries and other benefits accruing to the employees of TCWD. Thus, the net take home pay of the affected employees was below the statutory requirement of ₱5,000.00. The Accounting Division should see to it that the net take home pay of their employees should not be below the mandated amount. They should institute controls so that the deductions from salaries must be sufficient enough for an employee to receive a net take home pay that is not below the mandated amount as prescribed by law in a given year.

The general intent of the legal mandate of setting a minimum amount for the employees' net pay is to motivate and encourage employees to use their credit lines with existing lending institutions wisely and discourages them to spend more than what their means would allow. This enables the employees to meet their daily subsistence until the next pay day. Also, providing for sufficient pay could boost employees' morale and could reduce, if not eliminate, habitual absenteeism and tardiness.

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

COVID-19 Audit

- 10. The payment of COVID-19 hazard pay aggregating ₱57,250.00 to the personnel of the Water District who reported for work during the Modified General Community Quarantine (MGCQ) status of LGU-Toledo City is contrary to the provisions of Section 1 of Administrative Order (AO) No. 26 and Item 4.3 of DBM Budget Circular No. 2020-01 dated March 24, 2020.**

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

In view thereof, DBM issued an implementing guideline on the grant of the COVID-19 hazard pay under Budget Circular No. 2020-001. Item 4.3 thereof states that *the personnel/workers have been authorized to physically report for work at their respective offices or work stations on the prescribed official working hours by the head of agency/office during the period of implementation of ECQ measures in the area of such office or work station.*

Verification of the disbursements disclosed that a cash advance through Disbursement Voucher (DV) No. 20-10-0851 dated October 19, 2020 was drawn by the Disbursing Officer for payment of hazard pay to 41 employees who reported to their workstation during Office lockdown in September 2020. The cash advance was liquidated on October 26, 2020 with the signed payroll of 41 personnel totaling ₱57,250.00.

The payment of hazard pay to the Water District's personnel who were required to report for duty during the month of September 2020 is contrary to the provision of AO No. 26 and DBM Budget Circular 2020-001 as the whole Province of Cebu was already declared under MGCQ status in September 2020 pursuant to the Inter Agency Task Force Resolution No. 67 Series of 2020 dated August 31, 2020.

AO No. 26 and DBM Budget Circular No. 2020-001 clearly stipulate that the payment of hazard pay should only be given to employees required to report for duty during the period of an ECQ. Hence, the payment of hazard pay during the MGCQ period is no longer allowed.

Moreover, it was also noted that the Water District included in the payroll the payment of hazard pay to the two outsourced personnel rendering security services to TCWD and who were required to report for duty in the month of September 2020.

It is to be emphasized that COA and DBM had issued Joint Circular No. 1, series 2020 dated March 19, 2020 to provide the Interim Guidelines Governing COS and JO Workers in Government for the Duration of the State of Calamity and Community Quarantine Due to COVID-19, which specifically states that:

“Institutional COS workers assigned in government agencies to provide services such as janitorial, security, consultancy and other support services are excluded from the coverage of the Joint Circular.”
(Emphasis Supplied)

Furthermore, Item 6.1.4 of Civil Service Commission (CSC)-COA-DBM Joint Circular No. 1, series 2017 on the subject: Rules and Regulations Governing COS and JO Workers in the Government states that:

“The contractor or service provider shall be responsible for providing the workers with compensation and benefits compliant with existing labor law including the necessary social security and other benefits mandated by law in addition to the direct compensation as payment for their services.” (Emphasis Supplied)

Hence, in all instances, personnel who are engaged through Institutional COS are not entitled to the grant of hazard pay based on the above stated provisions.

We recommended and Management committed to refund the payment of hazard pay totaling ₱57,250.00 for the month of September 2020 and ensure that the COVID-19 hazard pay shall be granted only to those authorized to receive the said grant in accordance with the guidelines issued by the DBM and COA.

Gender and Development (GAD)

- 11. The TCWD’s GAD Plan and Budget (GPB) for CY 2020 was formulated without conducting a review of sex-disaggregated data and gender analysis of the policies, programs and projects, thus casting doubt whether gender gaps and challenges were correctly identified and addressed contrary to Sections 36 and 37, Chapter VI of RA No. 9710, otherwise known as the Magna Carta of Women. Moreover, the utilization of GAD Budget was only 14.07 per cent of the GAD Budget for CY 2020, thus depriving the intended beneficiaries of the benefits that could have been derived had the GAD Budget was fully utilized.**

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

Our review of the CY 2020 GPB disclosed that the gender issues were identified by the GAD Focal Point System (GFPS) even without conducting gender audit of sex-disaggregated data and analysis of its policies, programs, services and clientele as required under Section 36 of RA No. 9710. Per inquiry with the GFPS, it was learned that in formulating the GPB for CY 2020, they were not able to gather sufficient data for sex-disaggregated and gender analysis but instead, they utilized the data they gathered from their survey to identify the qualified beneficiaries of the PRO POOR program of Vitens Evides International, a Dutch non-governmental organization (NGO) wherein TCWD was one of the recipients of such program.

The conduct of gender analysis is among the steps in formulating an agency's GAD agenda, the guidelines are provided under Item 5.2 of Philippine Commission on Women (PCW) Memorandum Circular No. 2018-04 dated September 19, 2018.

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

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

Moreover, TCWD allocated ₱7.69 million for its GAD PAPs or 5.51 per cent of the total approved corporate operating budget of ₱139.79 million for CY 2020. Out of the allocated GAD budget, the Water District was able to spend ₱1.08 million or only 14.07 per cent of its total GAD Budget for CY 2020. Shown on the next page is the breakdown of the utilizations in CY 2020:

Table 10 - Breakdown of the Actual Utilizations of GAD Funds for CY 2020

Gender Issues and/ GAD Mandate	Cause of the Gender Issue	GAD Activity	Cost
Awareness and Sensitivity on Gender related issues among TCWD employees, GFPS and GAD Related Committee	Insufficient GAD training for TCWD employees and GAD Committee	Conduct of basic GAD Orientation and Gender Sensitivity for all employees	₱33,282.00
Millennium Development Goals 1 and 6: No poverty and clean water and sanitation; RA No. 8425 Poverty Alleviation Program	<ul style="list-style-type: none"> Indigent families of the North, South and Central Section have no access to potable water from TCWD, thus making them vulnerable to water borne diseases, they remain unconnected to TCWD because they cannot afford the connection fee although LGU subsidizes for the minimum consumption of 10 cu. m. under the Poverty Alleviation Program. Generally, women and children in LGU- Toledo City have the burden to walk at a considerable distance to reach the unreliable source to bathe, fetch water for drinking and domestic use, wash clothes and dishes. 	<p>TCWD partners with NGO to partially subsidize the materials for household connection fees.</p> <p>NGO provides and repairs washlets and improve water system to the north and south section elementary schools.</p> <p>TCWD installs pumps and controls flow meters, power line and chlorinator sets, spring box and secondary lines.</p> <p>TCWD conducts wash program to the community: wash kits are provided.</p> <p>TCWD joins the identified elementary schools in the conduct of wash programs.</p>	1,049,859.42
Total			₱1,083,141.42

It was noted that there was underutilization of the funds allocated for the implementation of activities as identified in the GAD Plan. The GAD Accomplishment Report of TCWD for CY 2020 had attributed to COVID-19 pandemic as the reason for the non-implementation of some identified GAD activities per GAD Plan.

It is worthy to emphasize that the PCW had issued Memorandum Circular No. 2020-003 dated April 27, 2020 to provide guidance to all government agencies including the Local Water Districts on the revision and/or implementation of the Fiscal Year 2020 GPB to implement GAD PAPs that will address gender issues and concerns related to the COVID-19 situation. Had the TCWD fully implemented their GAD planned activities or made necessary revisions based on the PCW Memorandum Circular No. 2020-003, the intended beneficiaries could have availed the supposed benefits from the GAD-related program/projects/activities.

We recommended and Management agreed to require the GFPS to conduct a gender analysis of policies, programs and projects and a review of sex-disaggregated data, to be able to identify priority gender issues or GAD agenda, before formulating a GPB as mandated under PCW Memorandum Circular No. 2018-04 dated September 19, 2018. Thereafter, maintain and regularly update the GAD Database.

We also recommended and Management agreed to fully implement the activities identified in their GPB in order to achieve its objectives.

Compliance with Tax Laws

The regulations of the BIR on the withholding of required taxes were substantially complied with by TCWD. The withheld taxes were remitted regularly to the BIR along with the franchise tax due from TCWD as seller of water. The details of the taxes remitted to the BIR during the year are as follows:

Table 11 - Summary of Tax Remittances to BIR in CY 2020

Code	Tax Description	Amount
1601-E	Expanded Withholding Tax	₱352,833.68
1601-C	Withholding Tax –Compensation	1,333,311.60
1600	VAT	1,510,163.97
2551-M	Franchise Tax	1,582,789.01
Total		₱4,779,098.26

GSIS Deductions and Remittances

TCWD has consistently deducted from the salaries of their employees the mandatory GSIS Life and Retirement insurance premiums (personal share) and loan repayments. These deductions and the government share for the employees' insurance premiums were remitted to the GSIS on time. The following were remitted in CY 2020:

Table 12 - Summary of Remittances to GSIS in CY 2020

Transactions Covered by the Remittance	Amount
GSIS Life and Retirement Premiums (Government Share)	₱2,496,792.00
GSIS Life and Retirement Premiums (Personal Share)	1,872,526.38
Consolidated Loan Repayments	1,226,188.05

Transactions Covered by the Remittance	Amount
Employees Compensation Contributions	90,700.00
Educational Assistance Loan	42,467.32
Policy Loan	19,000.00
GFAL	1,610,566.36
Emergency Loan	362,684.18
Total	₱7,720,924.29

Status of Settlement of Audit Suspensions, Disallowances and Charges

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

Particulars	Balance Dec. 31, 2019	Issued and Settled During the Year 2020		Balance Dec. 31, 2020
		Issued	Settled	
Suspensions	₱127,216.25	0.00	0.00	₱127,216.25
Disallowances	2,111,641.89	139,513.80	0.00	2,251,155.69
Charges	0.00	0.00	0.00	0.00
Total	₱2,238,858.14	139,513.80	0.00	₱2,378,371.94

PART III

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

We followed up the actions taken by Management on the implementation of the 30 prior years' audit recommendations and noted that 14 were fully implemented, 7 were partially implemented and 9 were not implemented as at December 31, 2020. The details are as follows:

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>1. The recorded balance of the Property, Plant and Equipment (PPE) account as at December 31, 2019 aggregating ₱184.71 million cannot be relied upon due to the following:</p> <p>a. properties totaling ₱26.31 million which were turned over by the Local Government Unit-Toledo City at the start of Toledo City Water District's (TCWD) operation, were still carried in the PPE account even if these could not be</p>	<p>Management exhaust all efforts to seek assistance, in writing, from LGU-Toledo City in locating the pertinent documents on the cited transferred properties in order to validate the existence/condition of said assets and to record appropriately in the books of the Water District.</p>	<p>CYs 2019 2017 AAR</p>	<p>Management already sought the assistance of LGU-Toledo City but was not able to receive a response.</p>	<p>Considered Not Implemented Reiterated in Part II of this report</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>located, hence overstating the PPE account;</p> <p>b. inclusion of items in the PPE account instead of recognizing these tangible items under Repairs and Maintenance and Semi-Expendable accounts, thereby overstating the PPE account by ₱55,992.00 contrary to the provisions of Paragraph 15 of the Philippine Accounting Standards (PAS) 1 and Commission on Audit (COA) Circular No. 2016-006 dated December 29, 2016; and</p> <p>c. no impairment loss was recognized</p>	<p>Management instruct the Accounting Division to comply with the provisions of PAS 1 and Section 5.4 of COA Circular No. 2016-006 dated December 29, 2016 and to correct the misclassifications using the following proposed adjusting journal entry:</p> <p><i>Retained Earnings*</i> <i>₱ 55,992.00</i></p> <p><i>PPE (UPIS-Other Pumping Plant - 43,992.00</i></p> <p><i>PPE (UPIS-Transportation and Distribution - 12,000.00</i></p> <p><i>* Use Semi-Expendable Inventory account if the aluminum ladder amounting to ₱12,000.00 is still unissued to the end-user</i></p> <p>Management require the Disposal</p>		<p>Management had already prepared Journal Entry Voucher (JEV) No.20-02-0105 dated Feb. 20, 2020 correcting the misclassification of some PPE items.</p> <p>Disposal Committee was not able to</p>	<p>Considered Fully Implemented</p> <p>Journal Entry Voucher No. 20-02-0105 dated Feb. 20, 2020 for the correction of the misclassification of some PPE of TCWD was already verified.</p> <p>Considered Not Implemented</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>on certain PPE accounts although indications of impairment existed, thus, the affected PPE accounts are carried at more than their recoverable amount which is contrary to PAS 36.</p>	<p>Committee to expedite the preparation of the Appraisal Report and submit a copy to the Accounting Division for the proper recognition of the impairment loss, if any.</p> <p>Management instruct the Accounting Division to ensure that all PPE items reported in the financial statements at year-end are carried at no more than their recoverable amount in compliance with PAS 36.</p>		<p>provide the Accounting Division with the Appraisal Report</p> <p>Accounting Division already recognized impairment loss on some PPE accounts</p>	<p>Considered Fully Implemented</p> <p>JEV Nos. 20-08-0502 and 20-09-0575 were prepared by the Accountant for the recognition of the impairment loss of some PPE accounts.</p>
<p>2. The results of the physical count of Inventories showed shortages aggregating ₱1.86 million or 28.52% of the year-end balance of Inventories Account totaling ₱6.54 million. This condition resulted in the misstatement of the Inventories account by</p>	<p>Management direct the Warehouse Unit and Accounting Division to account for the shortages or discrepancies that were noted during CY 2019 physical count, in order to determine proper disposition, as these may represent losses that must be recouped from the person/s liable or may require adjusting entries only, to fairly state the reported</p>	<p>CY 2019 AAR</p>		<p>Considered not implemented</p> <p>Same observation has been noted in the CY 2020 audit. Thus, reiterated in Part II of this report.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>₱1.87 million, thus the existence, accuracy and reliability of the balance of Inventories account could not be ascertained contrary to the provisions of PAS 1.</p>	<p>balance of the Inventories account as at year-end.</p>			
<p>3. The Accounts Receivable (A/R)–LGU account, a subsidiary of the A/R account, was not assessed whether there is any indication that the recognized impairment loss in previous years still existed or may have decreased as required in PAS 39. This condition resulted in the overstatement of the Allowance for Impairment and understatement of the Reversal of Impairment Loss accounts for ₱0.76 million as at December 31,</p>	<p>Management instruct the Senior Accounting Processor A to draw a JEV to book the reversal of impairment loss for CY 2019 by debiting the Allowance for Impairment and crediting the Retained Earnings accounts for ₱0.76 million.</p> <p>Management revisit its accounting policy on the provision of allowance for impairment and assess at the end of each reporting period whether there is any indication that an impairment loss recognized in previous years may still exist or no</p>	<p>CY 2019 AAR</p>	<p>Management has already made a reversal entry of the impairment loss for CY 2019.</p> <p>Strict monitoring on the booking of the Allowance for Impairment of A/R is already implemented.</p>	<p>Considered Fully Implemented</p> <p>An entry was made for the reversal of the impairment loss on January 31, 2020 per JEV No. 20-01-0046.</p> <p>Considered Fully Implemented</p> <p>Accounting Division is coordinating with the Billing and Collection Division of TCWD to check on the status of the Accounts Receivable in order to take up the correct Allowance for Impairment for</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
2019.	longer exist or may have been decreased so as to fairly state the A/R account.			the year
4. The Construction in Progress (CIP) account totaling ₱1.25 million as at December 31, 2019 was composed of supplies and materials intended for projects which were discontinued by TCWD due to lack of permits/clearances. This circumstance is contrary to paragraph 15 of PAS 1 and COA Circular No. 2015-010, thereby misstating the CIP account by the same amount. Moreover, the discontinuance of these projects exposes the procured materials to loss and deterioration, thus wasting the scarce resources of the	<p>Management conduct an inventory taking to account the existence of these supplies/materials and prepare the appropriate report indicating therein the complete details of the items including their conditions, i.e. if still usable.</p> <p>Management the Accounting Division to strictly adhere to the provisions of PAS 1 and COA Circular No. 2015-010, specifically on the fair presentation of the financial statements and the proper recognition of the CIP in the TCWD's books of accounts, using the following proposed adjusting entry [with the supporting Board of Director's (BOD) resolution]:</p> <p><i>Retained Earnings/ Other Materials</i></p>	CY 2019 AAR	<p>Management has already made an entry reversing the CIP account back to Retained Earnings.</p> <p>Management is strictly monitoring all Capital Outlay Expenses (CAPEX) projects implemented.</p>	<p>Considered Fully Implemented</p> <p>JEV Nos. 20-02-0110 and 20-02-0111 dated Feb. 27, 2020 were prepared for the reversing entries.</p> <p>Considered Fully Implemented</p> <p>Accounting Division is coordinating already with the Engineering and Construction Division for the implementation and status of the implemented projects of TCWD.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
government.	<p><i>and Supplies Inventory*</i> 1,246,553.87</p> <p><i>CIP-Supply & Installation of Materials for Clustering @ Central</i> 1,212,398.87</p> <p><i>CIP-Public Infra Assets-Pipe Relocation @ Brgy. Sangi</i> 34,155.00</p> <p><u><i>*Other Materials and Supplies Inventory</i></u> if materials are not yet utilized in other projects/purpose; otherwise, use <u><i>Retained Earnings</i></u></p> <p>For future projects, Management ensure that the required clearances/permits are accordingly secured, if warranted, before any procurements are made.</p> <p>Management submit to the Audit Team the result of inventory count of the materials for these projects, for further review and</p>		<p>Management is now very careful in verifying if permits and clearances are secured before projects or procurements are made.</p> <p>Management was not yet able to provide the results of the inventory count of the materials for the project.</p>	<p>Considered Fully Implemented</p> <p>Administrative Department of TCWD is monitoring the securing of permits and clearances before projects can be started.</p> <p>Considered Not Implemented</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
	evaluation, as the transactions may warrant further audit action pursuant to COA Circular 2009-006 dated September 15, 2009 or COA's Rules and Regulations on Settlement of Accounts.			
5. The Guaranty/ Security Deposits Payable account included bidder's bond aggregating ₱0.14 million as at year-end, which were not claimed by the suppliers, notwithstanding the fulfillment of the purpose of the bond. This condition contributed to the accumulation of balances of the payable account which has been outstanding for more than two years.	<p>Management inform the concerned suppliers for the refund of their security deposits, only if the purpose of the bond has already been performed/fulfilled.</p> <p>Management require the Accounting Unit to update the Subsidiary Ledgers, incorporating therein the details of the security deposits, to facilitate in monitoring the Water District's liabilities to various suppliers/bidders.</p>	CY 2019 AAR	<p>Management already returned the bidders' bond to compliant bidders.</p> <p>Subsidiary Ledgers for the Security Deposits of suppliers already updated.</p>	<p>Considered Fully Implemented</p> <p>All unclaimed bidder's bond were already returned by TCWD as verified from the subsidiary ledger of the Security Deposits Payable account.</p> <p>Considered Fully Implemented</p> <p>Subsidiary Ledgers maintained by Accounting Division were updated as verified.</p>
6. The Water District could have generated additional revenue of	Management secure approval from Local Water Utilities Administration	CY 2019 AAR	Management will request for BOD Resolution to send letter request for approval to	Considered Not Implemented

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
<p>₱0.61 million in CY 2019 had the applicable rate been applied to Balamban Water District's (BWD) bulk water supply service connection.</p>	<p>(LWUA) on the grant of a special water rate to BWD.</p> <p>Henceforth, Management ensure that LWUA's approval is obtained prior to the grant of water rates which are not in accordance with the LWUA approved rates.</p>		<p>LWUA.</p> <p>Management already ensures to seek approval of LWUA before granting water rates which need its approval.</p>	<p>Considered Not Implemented</p> <p>There was no letter request submitted yet to LWUA for the water rates given to BWD.</p>
<p>7. The formulation/preparation of the Water Safety Plan (WSP) was not completed as at December 31, 2019, thus the Water District failed to implement and to submit its WSP to the Department of Health (DOH) through LWUA as required under DOH Administrative Order (AO) No. 2014-0027 dated September 4, 2014 and LWUA Memorandum Circular No. 010-14 dated December 1, 2014.</p>	<p>Management take appropriate action, if possible, coordinate with LWUA, in order to hasten the formulation of the required WSP as it serves as a tool for the Water District to immediately address the various risks associated with water contamination at the different points of the water system.</p> <p>Management submit the WSP to the DOH through LWUA as directed under DOH AO No. 2014-0027 and LWUA Memorandum Circular No. 010-14.</p>	<p>CYs 2019 2017 AAR</p>	<p>Management has already submitted the WSP to LWUA on Nov. 27, 2020.</p> <p>TCWD has already submitted its WSP to LWUA for review and approval.</p>	<p>Considered Fully Implemented</p> <p>Management furnished copy of the transmittal letter for the submission of their WSP to LWUA on Nov. 27, 2020.</p> <p>Considered Fully Implemented</p> <p>Verified and validated the submission of the TCWD's WSP to LWUA.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
8. The percentage of Non-Revenue Water (NRW) for CY 2019 was 32% of the total water production or 6.67% higher than the maximum acceptable rate of 30% as set under LWUA Memorandum Circular No. 011-18.	Management continue to implement additional preventive measures to eventually reduce the NRW rate to the acceptable maximum level of 30% or even lower, and accordingly prevent further revenue losses.	CYs 2019 2017 2016 AAR	Management has already started CAPEX projects to lower the NRW rate.	Considered Partially Implemented Management has applied for a 25.00 million loan from LWUA for the implementation of projects to lower the NRW and water source development particularly the East and Central Toledo area. TCWD is now sending the documents required by LWUA for the initial release of the loan.
9. The existence of several overdue and inactive accounts totaling ₱11.791 million or 44.30% of the A/R balance as at December 31, 2018 is an indication of poor collection efficiency which contravenes Section 2 of Presidential Decree (PD) No. 1445. Thus, depriving the Water District of additional	Management: a. exert extra effort to intensify the collections and formulate/ devise strategies to address the problem of collection/ reduction of overdue and inactive accounts; b. instruct the concerned personnel in charge in the collection of	CY 2018 AAR	Management continues to undertake analysis of inactive accounts based on status and availability of source documents to ensure effective prevention, management and recovery practices. Management has already instructed the personnel in-charge of the	Considered Partially implemented Demand letters were sent to long overdue accounts. Considered Not Implemented No monitoring record was noted.

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
funds that could help sustained in their operations.	<p>receivables to maintain record/s that will facilitate the monitoring of the action taken by Management for each overdue/ inactive account and the status of the subsequent action/s taken thereon;</p> <p>c. Continue the filing of appropriate legal cases against these overdue and inactive accounts to enforce collections and ensure that monitoring is likewise undertaken on the status of the case/s already filed in court.</p>		<p>A/R to maintain proper monitoring of the receivables.</p> <p>Management is now making initial steps in filing appropriate charges against long overdue and inactive accounts.</p>	Considered Partially Implemented
10. The Water District did not secure an approval from LWUA for the grant of "special" water rate of ₱15.00 per cubic meter	Management reassess the water rate granted to the aforementioned concessionaire and thereafter secure approval from LWUA on the use of a special water	CY 2018 AAR	Management had already submitted their request for approval of the special water rate to LWUA on January 15, 2021.	<p>Considered Partially Implemented</p> <p>Management is awaiting approval from LWUA.</p>

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for its bulk water sales to Cebu Energy Development Corporation. This arrangement, using the latest LWUA approved water rates, is grossly disadvantageous to the government.	rate considering that the water rate agreed upon is not in the LWUA approved water rates for TCWD.			
11. The budget allocation for Gender and Development (GAD) programs, projects and activities for CY 2018 was below the mandated 5% of the approved Corporate Operating Budget (COB) as set forth in Section 6.1 of the Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management (DBM) Joint Circular No. 2012-01. Until	Management direct the GAD Focal Person to closely monitor the implementation of the GAD Plan and Budget so that the desired benefits from the program can be fully felt by the Water District employees and clients, in the ensuing years.	CY 2018 AAR	Management had set a GAD Plan with a budget of more than the required percentage.	Considered Fully Implemented The GAD Budget was already 5.51% of the total budget per CY 2020 COB.

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<p>this requirement is complied with, the present condition will continue to deprive the agency personnel and TCWD clients of the benefits that may be derived from the GAD programs.</p>				
<p>12. Disbursements aggregating ₱1.15 million for the government's share to the Provident Fund in CY 2017 was without authority since TCWD's monetary contribution to the Provident Fund was not submitted for evaluation to the DBM as required under Section 5.3.2.2 of DBM Budget Circular No. 2008-3 dated June 30, 2008.</p>	<p>Management secure approval or authority from DBM pertaining to TCWD's share to the Provident Fund in CY 2017 so as to preclude suspension in audit.</p> <p>Management ensure that the succeeding allocations for the government's monetary contributions to the Provident Fund is submitted to the DBM for further evaluation in order to conform to the requirement of Section 5.3.2.2 of DBM Budget Circular No. 2008-003.</p>	<p>CY 2017 AAR</p>	<p>The Management already stopped permanently the giving of the government's share of Provident Fund as per management decision.</p>	<p>Considered Fully Implemented</p> <p>Management permanently stopped the giving of government share to the Employees Provident Fund.</p>
<p>13. The Water District had incurred successive net</p>	<p>Management develop strategy/ action plan to lay down specific</p>	<p>CY 2017 AAR</p>	<p>Management had already experienced net income for CYs</p>	<p>Considered Fully Implemented</p> <p>TCWD has a net</p>

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<p>losses for the two year period amounting ₱1.72 million and ₱1.98 million as reflected in its statement of Comprehensive Income for CYs 2017 and 2016 respectively, thus adversely affecting the viability of TCWD to carry out its finances and operations as required under Section 37, Chapter IX of PD 198.</p>	<p>activities to be undertaken by the Water District so as to recover the losses incurred in CYs 2016 and 2017 and ultimately attain financial sustainability.</p>		<p>2018, 2019 and 2020.</p>	<p>income for CYs 2019 and 2020 of ₱2.77 million and ₱3.59 million, respectively.</p>
<p>14. The Water District allowed its employees to receive their salaries with net take home pay below the statutory requirement of ₱4,000.00 per month, for the period October to December 2017 contrary to Section 47 of Republic Act 10924 or the General Appropriations Act (GAA) of 2017.</p>	<p>Management require the Accountant Designate to strictly adhere to the instructions specifically provided in the GAA relative to the required monthly net take home pay for government employees in a particular year.</p>	<p>CY 2017 AAR</p>	<p>Management will strictly monitor compliance with the net take home pay per GAA.</p>	<p>Considered not implemented</p> <p>This is reiterated in the Part II of this report.</p>

<i>Audit Observations</i>	<i>Audit Recommendations</i>	<i>Ref.</i>	<i>Action Taken By Management</i>	<i>Auditor's Validation Results</i>
15. Unserviceable properties with a net book value of ₱3.23 million were still not disposed as at December 31, 2016, a condition which is disadvantageous to the Water District as it may result in substantial decrease of their economic value due to further physical deterioration. On the accounting aspect, this situation would translate to considerable number of man-hours to be spent in the reclassification of the recorded items to the appropriate asset accounts to conform to PAS 16 and the recent capitalization threshold for PPE.	Management conduct the immediate disposal of the unserviceable properties that are still carried in the PPE and Other Assets accounts to clean the books of balances/ information that may mislead the users of the financial statements and to save man-hours for the accounting reclassification of said items to either PPE or Semi-Expendable Property.	CY 2016 AAR	Management is still waiting for the Appraisal Report to be submitted by the Disposal Committee.	Considered not implemented This is reiterated in Part II of this Report.
16. The PPE account with a balance of	Management fast track the titling of all the parcels of	CY 2015 AAR	Management monitors compliance with	Considered Partially implemented

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<p>₱138.72 million as at December 31, 2015 cannot be fully relied upon due to the non-titling of land in the name of TCWD that were recorded in the books of accounts which renders the claimed ownership of the Water District assailable and poses risk of adverse claims.</p>	<p>land acquired by the Water District to protect its interests as a Transfer of Certificate of Title establishes absolute ownership.</p>	<p>CYs 2009 - 2012 QAR</p>	<p>the timely submission of the required documents.</p>	<p>None has been titled under the name of TCWD as at December 31, 2020.</p>
<p>17. The ₱73.71 million project which was funded by a LWUA loan granted in 2009 was still reported as 50% completed mainly because the loan released to the Water District was only about 52.43% of the approved amount, an issue which has to be revisited/resolved to ensure completion of the project and proper re-evaluation of</p>	<p>Management revisit all the agreements and events on the ₱73.71 loan from LWUA so that new measures can be decided by top management and the BOD on how to complete the project which supposed to be fully covered/funded by the said loan.</p>	<p>CY 2014 AAR</p>	<p>Management continues to monitor the completion of the Department of Public Works and Highways project and to submit to LWUA the Program of Work of the CAPEX Projects to be initially implemented for the ₱25.00 million loan.</p>	<p>Partially implemented</p> <p>The project is still on-going as this is part of the ₱25.00 million loan applied from LWUA. They are awaiting for the initial release of the loan and required documents were already submitted to LWUA.</p>

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the project accomplishment per component as this may affect the accounting treatment of the completed components, if any.				
18. The cash deposited for Debt Service Reserve and Operation and Maintenance Reserve is still very much below the requirement under the loan agreement with LWUA. This situation is not only an "event of default" under the loan contract but may also deprive the water district of adequate/ready cash resources for extraordinary repairs and replacement of facilities.	Management secure from LWUA updated statements on the required "reserves" for its outstanding loans so that TCWD can appropriately allocate/deposit the amount in the Joint Savings account maintained for the purpose.	CYs 2009 - 2012 QAR	Management is continually depositing in the Land Bank of the Philippines Joint Saving Account to build up the cash reserve requirement.	Considered Partially implemented BOD Resolution No. 50-2018 has been issued on the allocation of 3% from the gross receipts as reserve fund to be maintained in the Joint Saving Account with LWUA at the Philippine National Bank (PNB). TCWD has consistently deposited 3% of their collections to Joint Savings Account with PNB. Their deposits already reached ₱9.80 million with a withdrawal of ₱6.46 million with the concurrence and approval of LWUA leaving a balance of ₱3.34 million as of Dec. 31, 2020. No

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				updated statement of the required reserved was obtained from LWUA.