

## EXECUTIVE SUMMARY

### A. Introduction

#### The Agency

The Metro Carigara Water District (MCWD) was created on January 25, 1983, by virtue of the resolutions passed by the municipal councils of the municipalities of Carigara, Barugo and Tunga. MCWD had been operating under the Conditional Certificate of Conformance (CCC) No. 246 issued by the Local Water Utilities Administration (LWUA) on August 5, 1983. MCWD became a government-owned and controlled corporation in 1992 when the Supreme Court pronounced on February 12, 1992 in the case of Davao City Water District, et. al., vs CSC, et. al., that local water districts are government-owned and controlled corporations.

MCWD is responsible for providing water to the municipalities of Carigara, Capoocan, Tunga, and Barugo, all of the Province of Leyte. MCWD has been classified as a Category B water district in August 27, 2020. MCWD serves a total of 11,059 active service connection as of December 2020 with an estimated population served of 55,295 in a total of 64 barangays.

The Board of Directors (BOD) as of December 31, 2020 was composed of five members, listed in Table 1.

*Table 1. MCWD Board of Directors as of December 31, 2020*

No.	Name	Designation	Sector	Term of Office
1.	Engr. Roque U. Aguilar, ChE	Chairperson	Business Sector	until December 31, 2020
2.	Baltazar C. Esquibel	Vice-Chairperson	Civic Sector	January 2019 to December 2023
3.	Damiana C. Makabenta	Secretary	Education Sector	January 2017 to December 2021
4.	Charita E. Macapus	Member	Women Sector	January 2017 to December 2021
5.	Lucila A. Benusa	Member	Professional Sector	until December 31, 2020

As of December 31, 2020, MCWD had 63 regular employees, four casual employees and 29 job orders or a total of 96 workforces, excluding those who were hired for specific projects, headed by the General Manager, Atty. Regidor V. Caballes, CE.

Pursuant to COA Circular No. 2015-003 dated April 16, 2015, water districts were among those identified under Annex A thereto as Government Business

Enterprises (GBE), for the purpose of determining the applicable Financial Reporting Framework in the preparation of their financial statements.

### **Audit Scope and Methodology**

The audit covered the review of the accounts and operations of MCWD for the biennium period January 1, 2019 to December 31, 2020. The audit was conducted to: (a) 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; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementation of prior years’ audit recommendations

### **B. Financial Highlights**

The comparative financial position and comprehensive income for Calendar Years (CYs) 2020, 2019, and 2018 are shown in Table 2. The comparative budget and actual expenditures for CYs 2020 and 2019 are shown in Table 3 and Table 4, respectively.

*Table 2. Comparative Financial Position and Comprehensive Income for CYs 2020, 2019, and 2018*

<b>Account</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Assets	₱162,075,520.52	₱125,575,519.51	₱114,516,725.50
Liabilities	49,706,630.40	22,170,383.99	17,241,938.32
Equity	112,368,890.12	103,405,135.52	97,274,787.18
Income	52,087,602.24	50,375,153.80	47,671,510.90
Expenses	42,986,702.32	40,880,100.00	32,970,036.82
Comprehensive Income/(Loss)	9,100,899.92	9,495,053.80	14,701,474.08

*Table 3. Comparative Budget vis-à-vis Actual Expenditures, CY 2020*

<b>Particulars</b>	<b>Budget</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Personnel Services	₱44,517,007.13	₱27,780,080.23	₱16,736,926.90
Maintenance and Other Operating Expenses	22,462,898.80	11,507,139.54	10,955,759.26
Capital Outlay	194,996,933.75	29,171,648.62	165,825,285.13
Total	₱261,976,839.68	₱68,458,868.39	₱193,517,971.29

Table 4. Comparative Budget vis-à-vis Actual Expenditures, CY 2019

Particulars	Budget	Actual Expenditures	Variance
Personnel Services	₱38,645,241.00	₱23,822,430.75	₱14,822,810.25
Maintenance and Other Operating Expenses	23,641,445.20	13,659,112.75	9,982,332.45
Capital Outlay	197,459,613.00	4,437,697.16	193,021,915.84
Total	₱259,746,299.20	₱41,919,240.66	₱217,827,058.54

### C. State Auditor's Opinion on the Financial Statements

We expressed a qualified opinion on the fairness of presentation of the financial statements of MCWD for the biennium period January 1, 2019 to December 31, 2020. As discussed in Part II – Audit Observations and Recommendations of this Report, the Metro Carigara Water District:

1. Failed to recognize, measure, present and disclose the following transactions, at the transaction date, inconsistent with the PFRS:
  - a) Impairment losses for:
    - 1) Property, Plant and Equipment (PPEs), excluding the Land and the Construction in Progress accounts, with carrying values totaling ₱56,330,161.60;
    - 2) Receivable accounts totaling ₱15,967,441.39;
  - b) Leave Benefits Payable account for accumulated leave credits of officers and employees, ₱292,274.80;
2. Doubtful balances of the following accounts:
  - a) PPE accounts, excluding the Land and the Construction in Progress accounts, with carrying values totaling ₱56,330,161.60, due to non-preparation of Report on the Physical Count of PPE (RPCPPE), and recognition of depreciation over the depreciable cost;
  - b) Receivable accounts totaling ₱15,967,441.39 due to absence of subsidiary ledgers and non-reconciliation of records by the Accounting and the Billing and Commercial Sections;
  - c) Inventories aggregating ₱10,955,893.38 due to non-conduct of physical inventories, non-preparation of Report on the Physical Count of Inventories (RPCI) and non-reconciliation of inventory records of the Accounting and the Property/Supplies Sections;
  - d) Accounts Payable account of ₱7,597.89 due to absence of supporting documents and identified creditors;

3. Misclassification and errors in recording:
  - a) Recognition to the Retained Earnings/(Deficit) account instead of the Deferred Revenue from Grants and Donations account the 50% grant from the Non-Local Water Utilities Administration Initiated Fund-National Government (NLIF-NG) Subsidy 2012 – [Sagana at Ligtas na Tubig para sa Lahat (SALINTUBIG)], ₱9,145,000.00;
  - b) Recognition to the Other Assets account instead of the Plant-Utility Plant in Service (UPIS), the Construction in Progress-Infrastructure Assets, and the Construction in Progress-Buildings and Other Structures accounts of the Engineering Study Cost (ESC), Construction Supervision Cost (CSC) and review fee billed by LWUA, ₱5,298,445.36;
  - c) Recognition to the Due to Other Government Corporations account instead of the Due to NGAs account the COA bill for audit services rendered, ₱362,116.43;
  - d) Recognition to the Due to Other Government Corporations account instead of the Interest Payable account the accrued loan interest, ₱176,740.82;
  - e) Recognition to the Labor and Wages account instead of the Construction in Progress-Buildings and Other Structure account the labor cost for project, ₱44,093.24; and
  - f) Cash in Bank accounts for presence of long outstanding reconciling items, ₱11,479.81.

#### **D. Summary of Other Significant Observations and Recommendations**

The following are the other significant audit observations and recommendations, which are discussed in detail in Part II of this Report.

1. Corporate Fund for the costs of labor and construction materials amounting to ₱167,011.56 and ₱93,723.90, respectively, or a total of ₱260,735.46, used in CYs 2012 to 2016 in the pipe-laying projects under the NLIF-NG Subsidy 2012 (SALINTUBIG) remained not paid from the SALINTUBIG Fund due to absence of supporting documents.

We recommended that Management:

1. Require the personnel concerned to retrieve the necessary supporting documents for the costs of labor and construction materials totaling ₱260,735.46 charged against the Corporate Fund that were used in CYs 2012 to 2016 in the pipe-laying projects under the NLIF-NG Subsidy 2012 (SALINTUBIG), and pay the amount from the SALINTUBIG fund; and
2. Submit the legal basis and authority for the use of Corporate Funds on the SALINTUBIG projects from CYs 2012 to 2014, which occurred before January 26, 2015, the date of the FAC and before June 25, 2015, the date

when the initial fund for SALINTUBIG was actually received by MCWD from LWUA.

2. MCWD did not insure with the Government Service Insurance System (GSIS) its physical assets, except for motor vehicles due to non-submission of the accomplished Property Inventory Form (PIF) to GSIS.

We recommended that Management:

1. Require the Inventory Committee to finish its physical count and submit the RPCPPE; and
  2. Submit the PIF to GSIS and insure all insurable assets with the GSIS.
3. The Corporate Operating Budget (COB) for CYs 2020 and 2019 of MCWD did not conform to the prescribed budget forms because they followed the format prescribed by LWUA.

We recommended that Management, during the preparation of COB, also prepare the duly-accomplished budget forms prescribed by the DBM.

4. MCWD did not fully incorporate the Gender and Development (GAD) perspective in its policies, programs, activities and projects.

We recommended that Management prepare and submit the GPB and GAD AR to LWUA in the manner prescribed under PCW-NEDA-DBM JC No. 2012-01 and PCW MC No. 2015-03 as extended under PCW MC No. 2016-06 to make LWD compliant with the mandate of EO No. 273. Further, we recommended that the GFPS be capacitated by sending them to trainings on GAD and the preparation of GPB and AR, including gender analysis, gender mainstreaming/attribution and the use of HGDDG.

5. MCWD had efficiently maintained the Non-Revenue Water (NRW) at 17.49% in CY 2020 and 17.16% in CY 2019, which were below the maximum acceptable level of 20%.

We commended Management for its exemplary effort of maintaining low level of NRW, and we recommended that it maintain, if not further enhance, the measures and strategies already in place to further reduce NRW in order to generate more revenues to finance its operations and projects for the improvement of the water system.

### E. Summary of Total Suspensions, Disallowances and Charges

The Summary of Suspensions, Disallowances and Charges (SASDC) as of December 31, 2020 is shown in Table 5.

Table 5. *Suspensions, Disallowances and Charges as of December 31, 2020*

Particulars	Beginning Balance as of Dec. 31, 2018	This Period		Ending Balance as of Dec. 31, 2020
		Jan. 1, 2019 to Dec. 31, 2020		
		NS/ND/NC	NSSDC	
Suspensions	₱754,408.66	₱2,216,717.17	₱0.00	₱2,971,125.83
Disallowances	2,104,141.40	0.00	0.00	2,104,141.40
Charges	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>₱2,858,550.06</u>	<u>₱2,216,717.17</u>	<u>₱0.00</u>	<u>₱5,075,267.23</u>

### F. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Out of the 27 audit recommendations contained in CYs 2007, 2014 - 2018 Annual Audit Reports (AARs), thirteen were implemented and fourteen were not implemented.