



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

Tel. Nos. (045) 455-42-69 to 73 * Fax No. (045) 455-4273 • Website: www.coa.gov.ph

August 7, 2015

Engr. JOEL FELIX H. BERNARDO

General Manager
Santa Rosa Water District
Santa Rosa, Nueva Ecija

Dear **Manager Bernardo**:

We are pleased to transmit the Financial Audit Report on the audit of the Santa Rosa Water District for the Calendar Years 2014 and 2013 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

The audit was conducted to (a) ascertain the degree of reliance that may be placed on Management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because the effect of the deviations from the prescribed procedures materially affected the account balances. The significant observations and recommendations requiring immediate actions are as follows:

1. The total reported balance of Land account of ₱6,798,957.85 as of December 31, 2014 was unreliable due to non-recognition in the books of the District of the Land acquired through donation in violation of Section 63 of PD No. 1445 which resulted in the understatement of the Land and the Equity accounts. (*Observation No. 1*)

We recommended and Management agreed to (a) continue working on the completion of documentation and transfer of ownership of the donated lots to facilitate recording thereof in the books of the District; and (b) create an appraisal committee to come up with the appraised value of the land as basis for the recording thereof.

2. The total reported balance of Property, Plant and Equipment (PPE) of ₱134,265,830.82 with a net book value of ₱100,638,952.45 is unreliable due to (a) inventories erroneously recorded as PPE amounting to ₱439,537.63; and (b) non-

reclassification of unserviceable properties/equipment with carrying amount of ₱2,795,695.58. (*Observation No. 2*)

We recommended and Management agreed that the Accounting Processor (a) reclassify the various small tangible inventory items to Construction Materials Inventory account and require the Property/Supply Officer to issue and maintain Inventory Custodian Slips for the said items; (b) reclassify to Other Assets account property, plant and equipment which are unserviceable or those properties which do not provide future economic benefit to the District; and (c) the Property Unit and the Appraisal and Disposal Committee identify all unserviceable District's properties and undertake the proper disposal thereof pursuant to Section 79 of PD No. 1445.

3. The granting, utilization and liquidation of cash advances were not in accordance with COA Circular No. 97-002 and Sections 89 and 101 of Presidential Decree (PD) No. 1445, casting doubt on the legality and propriety of the accounts and exposing the funds to the risk of possible loss and misuse. (*Observation No. 3*)

We recommended and Management agreed to (a) refrain from granting cash advances to employees who are not bonded and not designated as disbursing officer to protect the interest of the District; (b) stop granting cash advances for disbursements that can be conveniently paid by check directly to the claimant/creditor; (c) refrain from granting cash advances to any official or employee unless the previous cash advance given is first settled or a proper accounting thereof is made; (d) refrain from granting cash advances for disbursements not duly supported by detailed list/estimate of expenses to avoid excessive cash advances; and (e) strictly observe the provisions of Sections 89 and 101 of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997 for a more efficient and effective control over the granting, utilization and liquidation of cash advances.

4. The District registered an average rate of 14.90% and 15.64% of Non-Revenue Water (NRW) in CYs 2013 and 2014, respectively, which were safely within than the maximum acceptable NRW of 20% set by the LWUA under Resolution No. 444. (*Observation No. 4*)

We commended Management for diligently maintaining an average of 15.27% of NRW for CYs 2013 and 2014 which is well within the 20% maximum acceptable NRW set by the LWUA.

The other audit observations, together with the recommended courses of actions are discussed in detail in Part II of the report. These along with the prior year's findings not yet or partially acted upon and included in Part III of the report, were discussed with the officials and employees of the District during the exit conference conducted on July 30, 2015.

We request that a status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, on the actions taken on the audit recommendations be submitted within sixty days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act of FY 2014.

We appreciate the invaluable support and cooperation extended by the officials and staff of that Agency.

Very truly yours,



ELENITA DV. LUMONGSOB

Assistant Regional Director
(Officer-In-Charge)