



Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

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August 4, 2013

ENGR. JOEL FELIX H. BERNARDO

General Manager
Sta. Rosa Water District
Sta. Rosa, Nueva Ecija

Dear Manager Bernardo:

We are pleased to transmit the Financial Audit Report on the audit of the Sta. Rosa Water District for the year ended December 31, 2012 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 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.

The attached report consists of Part I - the Audited Financial Statements, Part II - the Observations and Recommendations, and Part III - Status of Implementation of Prior Year's Audit Recommendations which were discussed with the officials and staff concerned.

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

We rendered a qualified opinion on the fairness of presentation of the financial statements for the year ended December 31, 2012. The significant observations are presented below followed immediately by the corresponding recommendations:

- 1) The balance of Guaranty Deposits Payable amounting to P954,630.34 included accounts that have remained outstanding from five to over 17 years due to lack of prescriptive period these balances may be carried in the books resulting in the inconvenience in maintaining records and periodic reporting of the balances in the books of accounts some of which may no longer represent valid liabilities of the District.

We recommended and management agreed to (a) conduct thorough verification of all guaranty deposits payable for possible offsetting from any unpaid/past due bill of concessionaires; (b) verify/confirm existence of

creditors; (c) make representation with the Board of Directors for the issuance of a resolution to close the balances aging more than ten years and those non-existing to Government Equity account; and (d) request also the BOD for an authority to lessen the carrying period of all guarantee deposits payable for convenience. A prescriptive period may be introduced in the agreement between the District and the concessionaires.

- 2) The Santa Rosa Water District paid contributions to the employees Provident Fund in the total amount of P395,442.25 in CY 2012 contrary to existing regulations and constituted irregular disbursement of government funds.

We recommended that management cause the refund of the amount of P395,442.25 paid in CY 2012 to the Provident Fund of the SRWD. Moreover, ensure that all payments are covered with legal basis or proper authorization to avoid disallowance in audit.

- 3) The Santa Rosa Water District paid its employees Rice Allowance, Financial Assistance and Medical and Dental benefit in the total amount of P1,368,455.81 without legal basis.

We recommended that management of the WD refund the amount of P1,368,455.81 and ensure that all payments are covered with legal basis or proper authorization to avoid disallowance in audit.

We request that a status report on the action taken on the audit recommendations be submitted within sixty days from receipt of this report, pursuant to Section 91 of the General Provisions of the General Appropriations Act of 2012.

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

Very truly yours,



MA. MILEGUAS M. LEYNO
Regional Director