



INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Calabanga Water District
San Antonio, Calabanga, Camarines Sur

Qualified Opinion

We have audited the financial statements of Calabanga Water District, Calabanga, Camarines Sur, which comprise the Statement of Financial Position as at December 31, 2018, 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 matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Calabanga Water District as at December 31, 2018, and its comprehensive income and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

As discussed in Part II of the Report:

1. The accuracy of Accounts Receivable is doubtful because of the discrepancy of ₱1.87 million between the General Ledger balances of ₱7.36 million and the Aging of Accounts Receivable/Subsidiary Ledger balance of ₱5.49 million.
2. The Property, Plant and Equipment (PPE) is overstated by ₱1.30 million and Retained Earnings by the net book value of the semi-expendable properties previously recognized as PPE amounting to ₱380,854 due to non-compliance with the policy stated in paragraph 5.4 of COA Circular No. 2016-06.

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 ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 matter 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 for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, 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.

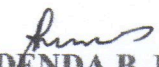
Those charged with governance are responsible for overseeing the WD's financial reporting process.

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.

COMMISSION ON AUDIT

By:


ADENDA B. DEVORA
State Auditor IV
OIC – Office of the
Supervising Auditor

March 27, 2019