



## LOCAL WATER UTILITIES ADMINISTRATION

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### MEMORANDUM CIRCULAR

010,16

TO : All Water Districts

SUBJECT : ISSUANCE OF CERTIFICATE OF AVAILABILITY OF FUNDS (CAF) BY WDS ON THE BASIS OF CAF ISSUED BY LWUA FOR BIDDING PURPOSES

DATE : 31 AUGUST 2016

For your information and guidance, attached is a copy of the Opinion dated 12 August 2016 of the Legal Affairs Office, Legal Services Sector, of the Commission On Audit (COA), stating, among others, as follows :

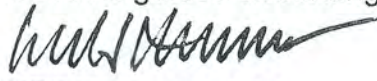
*"This Office believes that for purposes of bidding, the CAF issued by the IFSG of LWUA will suffice to meet the requirement of Section 86 of PD No. 1445. Nonetheless, considering that under Section 86 the CAF shall be issued by the proper accounting official of the agency concerned, the accountant of the LWD or LGU concerned may issue a CAF himself/herself by making reference to the CAF issued by IFSG. Strict observance however, of the conditions mentioned by the SA-LWUA is enjoined."*

Relatedly, the said COA Opinion cited the position taken by the Office of the Supervising Auditor of LWUA (SA-LWUA) to the effect that the LWD may use the CAF issued by the Investment Finance Services Group (IFSG) of LWUA, provided the following conditions are present :

- a. The name of the water district is included in LWUA's Capital investment Program and in the list of WDS/beneficiaries duly approved by LWUA's Board of Trustees and the source agencies;
- b. The subsidy from the Source Agencies is already received by LWUA pursuant to Section 86 of PD No. 1445; and
- c. The amount to be released covers the CAF issued by LWUA to the WDS.

Further, the Office of the SA-LWUA opined that on the basis of the CAF issued by LWUA, (i) there is no restriction on the part of the LWD's accountant to issue a separate CAF for the projects that they will implement, and (ii) the CAF that may be issued by the LWD accountant should be limited only to the Proposed Program of Work as covered by a particular SARO and identified in the LWUA- issued CAF for the release of the subsidy.

Please be guided accordingly.

  
**ANDRES F. IBARRA**  
Administrator



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines  
**LEGAL SERVICES SECTOR**  
**Legal Affairs Office**

August 12, 2016

**Mr. ANDRES F. IBARRA**  
Administrator  
Local Water Utilities Administration  
Katipunan Road, Balara  
Quezon City

RECEIVED  
AUG 23 2016  
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Dear Administrator Ibarra:

This refers to your letter dated April 11, 2016 to the Chairperson, this Commission, seeking opinion on whether the Chief Accountant/Head of the Accounting Unit of Local Water Districts (LWD) and Local Government Units (LGU) may issue a Certificate of Availability of Funds (CAF) (covering water supply/sewerage projects), on the strength of a CAF issued by the Investment and Finance Services Group (IFSG) of the LWUA, pursuant to Special Allotment Release Order (SARO) and Notice of Cash Allocation (NCA) issued by the Department of Budget and Management (DBM).

You mentioned that Chief Accountants/Head of Accounting Units of LWDs/LGUs require the actual transfer of funds to the agencies as a pre-condition to the issuance of CAFs, citing as basis Section 36(c) of the General Accounting Manual. Nonetheless, it is your representation that under LWUA policies, project funds are released to LWDs or LGUs in tranches after the completion of public bidding by the Bids and Awards Committee of the agencies concerned, hence, it is your position that the LWDs/LGUs may issue the CAFs on the basis of LWUA's CAF which specifies the beneficiary LWD, the project description, the SARO and NCA issued by the DBM.

The matter was referred to the Supervising Auditor (SA), LWUA, for comment, and through a 2<sup>nd</sup> Indorsement dated May 3, 2016, she opined that:

xxx the general rule is that CAF is prepared by the proper accounting official of the agency concerned that funds have been duly appropriated/allotted for the purpose of entering into a contract.

However, in this instance, the LWUA is the one who received funds from the National Government and other government agencies for programs and projects of the various water districts (WD). Hence, it is our opinion that WD may use the CAF issued by the Investment and Finance Services Group of the LWUA, provided the following conditions are present:

- a. The name of the water district is included in the LWUA's Capital Investment Program and in the list of WDs/beneficiaries duly approved by the LWUA's Board of Trustees and the Source Agencies.
- b. The subsidy from the Source Agencies is already received by the LWUA pursuant to Section 86 of PD No. 1445.
- c. The amount to be released covers the CAF issued by the LWUA to the WDs.

The Director, Cluster 3 – Public Utilities, Corporate Government Sector, in a 3<sup>rd</sup> Indorsement dated July 27, 2016 concurs with the SA in citing the above three conditions. She further opined, however, that:

On the basis of such CAF issued by LWUA, there is no restriction on the part of the LWD's accountant to issue a separate CAF for the projects that they will implement.

xxx

The CAF that may be issued by the LWD accountant should be limited only to the proposed Program of Work as covered by a particular SARO and identified in the LWUA-issued CAF for the release of the subsidy.

This Office believes that for purposes of bidding, the CAF issued by the IFSG of LWUA will suffice to meet the requirement of Section 86 of PD No. 1445. Nonetheless, considering that under Section 86 the CAF shall be issued by the proper accounting official of the agency concerned, the accountant of the LWD or LGU concerned may issue a CAF himself/herself by making reference to the CAF issued by the IFSG. Strict observance, however, of the conditions mentioned by the SA-LWUA is enjoined

  
EDNA P. BORTO  
Director IV

Copy furnished:

Office of the General Counsel  
This Commission

ESZ/EPF/FED/ARA/ECR