



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Carmen, Cagayan de Oro City

ANNUAL AUDIT REPORT

ON THE

KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

For the Year Ended December 31, 2023



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For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. INTRODUCTION

The Kapatagan Water District (KAPWD) was created under a special law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the "Provincial Water Utilities Act of 1973." KAPWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

The KAPWD is presently categorized as "Category C" Water District serving 6,487 total active service connections as of December 31, 2023.

As of December 31, 2023, the governing board is composed of personalities representing the different sectors and organizations within the Municipality of Kapatagan who were appointed by the Local Chief Executive. They exercise corporate powers and determine policies for the operations of the District. They are as follows:

Chairperson:	Angelita P. Robles
Members:	Jocelyn N. Orlanes
	Lito P. Castellano, Sr.
	Manolito Pactol
	Romulo R. Insoy

All local water districts were declared as Government-Owned and Controlled Corporations (GOCC) by the Supreme Court on September 13, 1991, in the case docketed as GR Nos. 95237-38.

An audit was conducted on the accounts and operations of Kapatagan Water District for the calendar year 2023.

The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances. It was also made to determine whether the district's financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently, and effectively in the implementation of its programs, projects, and activities.

B. FINANCIAL HIGHLIGHTS

Financial Condition

As of December 31, 2023, there was a decrease of 1.42 percent in assets, decrease of 9.44 percent in liabilities and increase of 3.98 percent in government equity, summarized as follows:

	2023	2022	Increase/(Decrease)
Assets	83,282,893.48	84,479,940.36	(1,197,046.88)
Liabilities	30,760,655.53	33,965,691.43	(3,205,035.90)
Equity	52,522,237.95	50,514,248.93	2,007,989.02

Results of Operations

The operation of the agency for CY2023 yielded a increase of ₱1.28 Million in net income resulting from an increase of ₱3.74 Million in net of sales revenue and an increase of ₱2.46 Million in expenses.

	2023	2022	Increase/(Decrease)
Income	49,214,183.72	45,474,535.46	3,739,648.26
Expenditures	47,749,531.69	45,292,077.32	2,457,454.37
Net Operating Income	1,464,652.03	182,458.14	1,282,193.89

C. SCOPE OF AUDIT

The audit covered the examination of the accounts and operations of Kapatagan Water District, Kapatagan, Lanao del Norte for the period January 1 to December 31, 2023. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A Modified-Qualified Opinion was rendered on the fairness of presentation of the financial statements due to the following exceptions:

1. Accounts Receivable amounting to P2,587,055.80 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2023 due to inadequate provision of Allowance for Impairment- Accounts Receivable of only P398,363.71, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.
2. The existence, accuracy and completeness of the recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P59,444,166.96 as at December 31, 2023 could not be ascertained due to the (a) non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (b) non-disposal of unserviceable properties and are still carried out in the books, inconsistent with Section 79 of PD No. 1445.

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition to the forecited reasons for a Modified Qualified Opinion, the following were noted:

1. Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.

We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.

2. The District was unable to prepare a comprehensive plan, provide adequate budgetary allocations and implement various projects, activities and programs concerning Disaster Risk Reduction and Management (DRRM) inconsistent with the provisions of Republic Act (RA) No. 10121 and Section 40, Volume I of General Appropriations Act of 2023 (RA 11936) thus, leaving the District incapable of being ready prior to, during and after every disaster.

We recommended the management to:

- Allocate adequate budget for DRRM programs and activities;
- Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and
- Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2024.

F. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE AND CHARGES AS OF YEAR-END

Particulars	Balance, 01/01/2023	CY 2023 Issuances	CY 2023 Settlement	Balance, 12/31/2023
Suspensions	₱ 1,189,289.41	₱ 0.00	₱ 0.00	₱ 1,189,289.41
Disallowances	₱ 2,385,376	₱ 0.00	₱ 0.00	₱ 2,385,376
Charges	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the fifty-five (55) prior years' audit recommendations embodied in the CY 2023, 2022, 2021, 2020 and 2019 Annual Audit Report (AAR), thirty-one (31) or 56.36% were fully implemented and twenty-four (24) or 43.64% were not implemented.

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**PART I –
AUDITED FINANCIAL STATEMENTS**



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

MS. ANGELITA P. ROBLES

Chairperson, Board of Directors
Kapatagan Water District
Kapatagan, Lanao del Norte

Mr. CLAIR GREBERN U. ELUMIR

General Manager
Kapatagan Water District
Kapatagan, Lanao del Norte

Modified-Qualified Opinion

We have audited the financial statements of the **Kapatagan Water District**, Kapatagan, Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2023, and the related 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 Bases for Modified-Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kapatagan Water District as at December 31, 2023, and its comprehensive income and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Modified-Qualified Opinion

As discussed in Part II- Observations and Recommendations of this report, a Modified-Qualified opinion was rendered due to the following exceptions:

1. Accounts Receivable amounting to P2,587,055.80 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2023 due to inadequate provision of Allowance for Impairment- Accounts Receivable of only P398,363.71, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.
2. The existence, accuracy and completeness of the recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P59,444,166.96 as at December 31, 2023 could not be ascertained due to the (a) non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (b) non-disposal of unserviceable

properties and are still carried out in the books, inconsistent with Section 79 of PD No. 1445.

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

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 Responsibility 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 Modified-Qualified Opinion.

Key Audit Matters

Except for the matter described in the *Bases for Modified-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 the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (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 District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain a 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 a 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 aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of the financial statements.

COMMISSION ON AUDIT

BY:



FLORITA K. KIONISALA
State Auditor V
Supervising Auditor

March 14, 2024



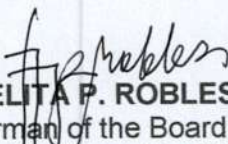
Republic of the Philippines
KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

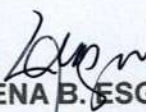
**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of the **Kapatagan Water District**, Kapatagan, Lanao del Norte is responsible for the preparation of the financial statements as of December 31, 2023, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstance.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors, and other users.

The Commission on Audit had audited the financial statements of the Kapatagan Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


ANGELITA P. ROBLES
Chairman of the Board
Date: February 14, 2024


LEEVENA B. ESGUERRA
Accounting Processor – A
Date: February 14, 2024


CLAIR GREBERN UY ELUMIR, MBA
General Manager - C
Date: February 14, 2024



KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	<u>NOTE</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	₱ 8,899,797.01	₱ 8,623,097.69
Receivables	4	4,751,296.87	4,594,496.85
Inventories	5	8,922,670.78	6,085,856.59
Other Current Assets	6	1,800.00	20,000.00
Total Current Assets		₱ 22,575,564.66	₱ 19,323,451.13
Non-Current Assets			
Property, Plant and Equipment	7	₱ 59,444,166.96	₱ 65,131,027.48
Other Non-current assets		1,263,161.86	25,461.75
Total Non-Current Assets		₱ 60,707,328.82	₱ 65,156,489.23
TOTAL ASSETS		₱ 83,282,893.48	₱ 84,479,940.36
LIABILITIES			
Current Liabilities			
Financial Liabilities	8	₱ 4,706,582.60	₱ 4,556,989.27
Inter-Agency Payables	9	941,223.45	1,148,971.36
Trust Liabilities	10	2,000.00	-
Deferred Credits/Unearned Income		175,000.00	139,000.00
Other Payables		9,600.00	9,600.00
Total Current Liabilities		₱ 5,834,406.05	₱ 5,854,560.63
Non-Current Liabilities			
Financial Liabilities		₱ 14,379,936.24	₱ 17,469,858.81
Provisions		4,525,228.42	4,620,187.17
Other Payables		6,021,084.82	6,021,084.82
Total Non-Current Liabilities		₱ 24,926,249.48	₱ 28,111,130.80
TOTAL LIABILITIES		₱ 30,760,655.53	₱ 33,965,691.43

	<u>NOTE</u>	<u>2023</u>	<u>2022</u>
EQUITY			
Government Equity		P 4,000,013.34	P 4,000,013.34
Retained Earnings/(Deficit)		48,522,224.61	46,514,235.59
Members Equity		-	-
Total Equity		<u>P 52,522,237.95</u>	<u>P 50,514,248.93</u>
TOTAL LIABILITIES AND EQUITY		<u>P 83,282,893.48</u>	<u>P 84,479,940.36</u>

(See Accompanying Notes to Financial Statements)



KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>NOTE</u>	<u>2023</u>	<u>2022</u>
Income			
Service and Business Income	11	₱ 47,298,828.00	₱ 43,986,254.53
Gains		542,522.99	613,576.94
Other Non-Operating Income		1,372,832.73	874,703.99
Total Income		₱ 49,214,183.72	₱ 45,474,535.46
Expenses			
Personnel Services	12	₱ 26,448,273.70	₱ 23,276,906.78
Maintenance and Other Operating Expenses	13	14,342,112.85	15,767,905.51
Financial Expenses	14	534,231.00	711,779.00
Non-Cash Expenses	15	6,424,914.14	5,535,486.03
Total Expenses		₱ 47,749,531.69	₱ 45,292,077.32
Comprehensive Income/(Loss)		₱ 1,464,652.03	₱ 182,458.14

(See Accompanying Notes to Financial Statements)



**KAPATAGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2022	₱ 41,645,446.01	₱ 4,000,013.34	₱ 45,645,459.35
ADJUSTMENTS:			
Add/(Deduct):	₱ 0.00	₱ 0.00	₱ 0.00
RESTATED BALANCE AT JANUARY 1, 2022	₱ 41,645,446.01	₱ 4,000,013.34	₱ 45,645,459.35
CHANGES IN EQUITY FOR 2022			
ADJUSTMENTS:			
Add/(Deduct):			
Comprehensive Income for the year	₱ 182,458.14	₱ 0.00	₱ 182,458.14
Other Adjustments (Restricted/Water Meter Maintenance Fee)	4,686,331.44	0.00	4,686,331.44
BALANCE AT DECEMBER 31, 2022	₱ 46,514,235.59	₱ 4,000,013.34	₱ 50,514,248.93
CHANGES IN EQUITY FOR 2023			
ADJUSTMENTS:			
Add/(Deduct):			
Comprehensive Income for the year	₱ 1,464,652.03	₱ 0.00	₱ 1,464,652.03
Other Adjustments (Restricted/Water Meter Maintenance Fee)	543,336.99	0.00	543,336.99
BALANCE AT DECEMBER 31, 2023	₱ 48,522,224.61	₱ 4,000,013.34	₱ 52,522,237.95



**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	P 315.00	P 46,848.70
Collection of Income/Revenue	47,757,951.58	46,053,373.85
Collection of Receivables	63,416.54	128,846.79
Trust Receipts	-	-
Other Receipts	3,093,706.87	531,197.50
Total Cash Inflows	P 50,915,389.99	P 46,760,266.84
Adjustments	(92,320.34)	20,000.00
Adjusted Cash Inflows	P 50,823,069.65	P 46,760,266.84
Cash Outflows		
Payment of Expenses	P 19,440,880.64	P 17,027,128.95
Purchase of Inventories	1,519,563.60	3,223,482.98
Grant of Cash Advances	3,853,152.26	3,668,070.25
Payments of Accounts Payable	12,434,237.94	9,528,819.66
Remittance of Personnel Benefit	9,942,239.46	8,679,999.86
Contributions and Mandatory Deductions	-	-
Other disbursements	-	-
Total Cash Outflows	P 47,190,073.90	P 42,127,501.70
Adjustments	-	10,594.96
Adjusted Cash Outflows	P 47,190,073.90	P 42,127,501.70
Net Cash Provided by/ (Used in) Operating Activities	P 3,632,995.75	P 4,642,170.18
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	P 0.00	P 0.00
Total Cash Inflows	P 0.00	P 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 0.00	P 0.00

Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	₱ 403,218.62	₱ 787,449.29
Total Cash Outflows	₱ 403,218.62	₱ 787,449.29
Adjustments	-	-
Adjusted Cash Outflows	₱ 403,218.62	₱ 787,449.29
Net Cash Provided By/ (Used In) Investing Activities	₱ (403,218.62)	₱ (787,449.29)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash Inflows		
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00
Cash Outflows		
Payment of Long-Term Liabilities	₱ 2,953,077.81	₱ 3,067,248.00
Total Cash Outflows	₱ 2,953,077.81	₱ 3,067,248.00
Adjustments		0.00
Adjusted Cash Outflows	₱ 2,953,077.81	₱ 3,067,248.00
Net Cash Provided By/ (Used In) Financing Activities	₱ (2,953,077.81)	₱ (3,067,248.00)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ 276,699.32	₱ 787,472.89
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱ -	₱ -
CASH AND CASH EQUIVALENTS, JANUARY 1, 2023	₱ 8,623,097.69	₱ 7,835,624.80
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2023	₱ 8,899,797.01	₱ 8,623,097.69



KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

1. General/Brief Historical Background

The Kapatagan Water District (KAPWD) is a Government-Owned & Controlled Corporation (GOCC) that was officially created on September 12, 1988 by virtue of SB Res. No. 177-C in accordance with Sec. 6 of P.D. 198 of the Provincial Water Utilities Act of 1973.

On October 24, 1989, KAPWD was issued a Certificate of Conditional Conformance (CCC418) by the Local Water Utilities Administration (LWUA).

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and standards and pertinent provisions contained in the Commercial Practices Manual for Local Water Utilities Administration and the New Government Accounting system (NGAS).

The accrual method of accounting is adopted for both income and expenses.

In recording expenditures, the voucher system is followed in which vouchers is credited prior to payment and debited when paid.

Property, Plant and Equipment is carried at cost less accumulated depreciation. Depreciation is computed on a straight-line method based on the estimated useful life ranging from five (5) to ten (10) years in accordance with COA Circular No. 2003-007 dated December 11, 2003.

3. Cash and Cash Equivalents

This account consists of:

Particulars	2023	2022
Cash on Hand	₱ 144,606.10	₱ 205,738.85
Cash in Bank-Local Currency, Current Account	8,755,190.91	8,417,358.84
TOTAL	₱ 8,899,797.01	₱ 8,623,097.69

Details of the Cash in bank accounts are as follows:

Particulars	2023	2022
Cash in Bank-Local Currency, Current Account	₱ 2,696,431.28	₱ 2,599,394.38
Cash in Bank-Local Currency, Savings Account	6,058,759.63	5,817,964.46
TOTAL	₱ 8,755,190.91	₱ 8,417,358.84

Cash in Bank-Local Currency, Current Account composes the following:

1. LBP – Kapatagan Branch – General fund where the daily deposits and disbursements were made.

Cash in Bank-Local Currency, Savings Account comprises:

1. LBP Account No. 0801`-0610-87 - served as the joint savings account of LWUA and KAPWD.
2. LBP Account no. 0802-1169-18 - savings account for Terminal Leave.

4. Receivables

Particulars	2023	2022
Accounts Receivable	₱ 2,587,055.80	₱ 2,276,173.26
Allowance for Impairment – Accounts Receivable	(398,363.71)	(327,307.19)
Receivables– Disallowances/Charges	2,263,676.00	2,362,676.00
Due from Officers and Employees	52,499.61	36,525.61
Due from Local Government Units - Kapatagan	133,936.00	133,936.00
Due from Government Corporations – Other Water District	112,493.17	112,493.17
TOTAL	₱ 4,751,296.87	₱ 4,594,496.85

5. Inventories

Particulars	2023	2022
Inventory Held for consumption		
Office Supplies Inventory	₱ 357,764.58	₱ 198,255.53
Accountable Forms, Plates & Stickers Inventory	61,200.00	36,700.00
Non – Accountable Forms Inventory	23,000.00	225,000.00
Chemical and Filtering Supplies Inventory	78,200.00	777,567.92
Other Supplies and Materials Inventory	8,166,763.84	4,848,333.14
Semi-Expendable Machinery and Equipment		
Semi – Expendable Office Equipment	0.00	0.00
Semi – Expendable Communication Equipment	0.00	0.00
Semi – Expendable Other Machinery and Equipment	0.00	0.00
Semi-Expendable Furniture, Fixtures & Books	0.00	0.00
TOTAL	₱ 8,686,928.42	₱ 6,085,856.59

6. Other Current Assets

Particulars	2023	2022
Advances		
- Advances for Operating expenses	₱ 0.00	₱ 0.00
- Advances to Officers & Employees	1,800.00	20,000.00
Prepayments	0.00	25,461.75
TOTAL	₱ 1,800.00	₱ 45,461.75

7. Property, Plant and Equipment

Particulars	2023	2022
Land	₱ 5,804,309.23	₱ 5,804,309.23
Land Improvements	1,213,723.87	1,218,292.47
Accumulated Depreciation	(269,547.34)	(219,292.74)
Infrastructure Assets		
Water Supply Systems	16,643,499.52	16,522,999.52
Accumulated Depreciation	(5,425,176.09)	(4,720,541.88)
Plant – Utility Plant in Service (UPIS)	65,064,769.62	64,904,648.59
Accumulated Depreciation	(32,933,426.33)	(28,140,240.75)
Buildings & Other Structures		
Buildings	3,522,907.63	3,522,907.63
Accumulated Depreciation	(951,184.88)	(792,654.08)
Other Structures	4,385,752.58	4,287,343.85
Accumulated Depreciation	(769,993.77)	(535,839.24)
Machinery and equipment		
Office Equipment	2,010,481.79	1,963,482.79
Accumulated Depreciation	(890,976.85)	(649,075.97)
Communication equipment	357,966.49	357,966.49
Accumulated Depreciation	(23,917.50)	(17,033.22)
Other Equipment	1,150,656.07	1,129,656.07
Accumulated Depreciation	(286,594.62)	(200,783.58)
Transportation Equipment	993,392.00	908,292.00
Accumulated Depreciation	(832,865.28)	(822,346.56)
Furniture & Fixtures	673,970.78	654,370.78
Accumulated Depreciation	(84,824.96)	(45,433.92)
Construction in Progress-UPIS	-	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	₱ 59,444,166.96	₱ 65,131,027.48

8. Financial Liabilities

Particulars	2023	2022
Accounts Payable	₱ 4,675,982.60	₱ 3,229,489.01
Loans Payable - Domestic	-	-

Particulars	2023	2022
Due to Officers & Employees	-	8,763.85
Accrued Benefits Payable	30,600.00	1,318,736.41
TOTAL	₱ 4,706,582.60	₱ 4,556,989.27

9. Inter – Agency Payables

Particulars	2023	2022
BIR	₱ 164,731.47	₱ 223,861.23
GSIS	609,136.09	768,784.13
Pag-ibig	105,065.25	102,981.25
PhilHealth	62,290.64	53,344.75
TOTAL	₱ 941,223.45	₱ 1,148,971.36

10. Service and Business Income

Particulars	2023	2022
Business Income		
Waterworks System Fees	₱ 45,597,413.81	₱ 42,515,093.70
Interest Income	993.96	973.18
Fines & Penalties – Business Income	1,505,446.07	1,148,714.96
Other Business Income	194,974.16	321,472.69
TOTAL BUSINESS INCOME	47,298,828.00	43,986,254.53
Gains on Sale of Inventory	542,522.99	613,576.94
Miscellaneous Income	1,372,832.73	874,703.99
TOTAL INCOME	₱ 49,214,183.72	₱ 45,474,535.46

11. Personnel services

Particulars	2023	2022
Salaries and Wages – Regular	₱ 12,087,363.12	₱ 11,348,282.69
Salaries and Wages – Casual	2,502,584.01	2,319,633.45
Other Compensation		
<i>Personnel Economic Relief Allowance (PERA)</i>	1,240,000.00	1,240,000.00
<i>Representation Allowance (RA)</i>	222,000.00	223,500.00
<i>Transportation Allowance (TA)</i>	222,000.00	223,500.00
<i>Clothing/Uniform Allowance</i>	312,000.00	312,000.00
<i>PEI</i>	-	-
<i>Hazard pay</i>	-	-
<i>Overtime & Night Pay</i>	397,025.27	456,680.35
<i>Year – end Bonus</i>	1,185,988.00	1,138,942.00
<i>Cash Gift</i>	252,000.00	260,000.00

Particulars	2023	2022
Other Bonuses & Allowances	3,077,488.64	1,845,579.00
Personnel Benefit Contribution		
<i>Retirement and Life Insurance Premiums</i>	1,690,009.36	1,557,669.68
<i>Pag-IBIG Contributions</i>	60,600.00	62,800.00
<i>PhilHealth Contributions</i>	278,944.22	247,995.79
<i>Employees Compensation Insurance Premiums</i>	56,800.00	62,800.00
Other Personnel Benefits	1,555,000.00	1,335,000.00
Terminal Leave Benefits	1,308,471.08	642,523.82
TOTAL PERSONNEL BENEFITS	₱ 26,448,273.70	₱ 23,276,906.78

12. Maintenance & Other Operating Expenses

Particulars	2023	2022
Traveling Expenses	₱ 993,946.82	₱ 696,412.66
Training and Scholarship expenses	₱ 285,200.00	₱ 89,400.00
Supplies & Materials Expenses		
<i>Office Supplies Expenses</i>	66,150.46	175,664.28
<i>Accountable Forms Expenses</i>	156,600.00	86,600.00
<i>Non-Accountable Forms Expenses</i>	205,000.00	7,000.00
<i>Fuel, Oil & Lubricants expenses</i>	939,649.13	772,023.30
<i>Chemical & Filtering Supplies expenses</i>	1,317,369.92	1,568,249.41
Total Supplies & Materials Expenses	₱ 2,684,769.51	₱ 2,609,536.99
Utility Expenses		
<i>Water expenses</i>	-	44,274.45
<i>Electricity</i>	4,676,424.19	315,949.67
Total Utility Expenses	₱ 4,676,424.19	₱ 360,224.12
Communication Expenses		
<i>Postage & Courier Services</i>	1,915.00	2,668.00
<i>Telephone expenses</i>	46,890.00	42,150.00
<i>Internet Subscription Expenses</i>	34,561.30	33,478.86
Total Communication Expenses	₱ 83,366.30	₱ 78,296.86
Survey Expenses	₱ 8,000.00	₱ 15,000.00
Generation, Transmission & Distribution expenses	₱ -	₱ 6,177,815.87
Extraordinary & Miscellaneous expenses	₱ 781,646.27	₱ 495,705.88
Professional Services		
<i>Legal Services</i>	8,100.00	700.00
<i>Other Professional Services</i>	-	4,700.00
<i>Auditing Services</i>	46,840.48	30,228.51
TOTAL PROFESSIONAL FEES	₱ 54,940.48	₱ 35,628.51
General Services	₱ 1,611,193.20	₱ 1,461,299.92
Repairs & Maintenance		

Particulars	2023	2022
<i>Infrastructure Assets</i>	1,257,761.37	1,280,142.51
<i>Machinery & Equipment</i>	103,512.04	48,980.00
<i>Buildings & Other Structures</i>	101,653.00	-
<i>Transportation Equipment</i>	222,030.04	196,519.40
<i>Other Property, Plant and Equipment</i>	178,223.00	108,903.15
Total Repairs & Maintenance	₱ 1,863,179.45	₱ 1,634,545.06
Taxes, Insurance Premiums & Other Fees		
<i>Taxes, Duties & Licenses</i>	37,811.79	722,430.23
<i>Fidelity Bond Premiums</i>	26,625.00	26,625.00
<i>Insurance expenses</i>	48,468.32	58,132.76
Total Taxes, Insurance Premiums & Other Fees	₱ 112,905.11	₱ 807,187.99
Other Maintenance and Operating Expenses		
<i>Advertising, Promotional & Marketing Expenses</i>	187,000.00	182,000.00
<i>Representation Expenses</i>	542,159.60	449,186.65
<i>Transportation & Delivery expenses</i>	5,511.92	-
<i>Donations</i>	580.00	3,000.00
<i>Directors & Committee Member's Fees</i>	451,290.00	458,640.00
<i>Transportation & Delivery expenses</i>	-	214,025.00
Total Other Maintenance & Other Operating Expenses	₱ 1,186,541.52	₱ 1,306,851.65
TOTAL MAINTENANCE & OTHER OPERATING EXPENSES	₱ 14,342,112.85	₱ 15,767,905.51

13. Non-Cash Expenses

Particulars	2023	2022
Depreciation		
Depreciation-Land Improvements	₱ 54,823.2	₱ 54,823.18
Depreciation-Infrastructure Assets	5,499,980.40	4,537,452.70
Depreciation-Buildings and Other Structures	392,931.60	528,488.76
Depreciation-Machinery and Equipment	334,596.20	240,992.88
Depreciation-Transportation Equipment	10,518.72	41,598.00
Depreciation-Furniture, Fixtures and Books	35,748.24	24,142.08
Total Depreciation	₱ 6,328,598.36	₱ 5,427,497.60
Impairment Loss – Loans & Receivables	74,056.52	86,872.90
Discounts & Rebates	22,259.26	21,115.53
TOTAL NON – CASH EXPENSES	₱ 6,424,914.14	₱ 5,535,486.03

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. AUDIT QUALIFICATIONS/FINANCIAL AUDIT OBSERVATIONS

Accounts Receivable

1. **Accounts Receivable amounting to P2,587,055.80 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2023 due to inadequate provision of Allowance for Impairment- Accounts Receivable of only P398,363.71, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.**

1.1. Philippine Accounting Standards (PAS) 39 emphasizes that an entity is required to assess at each balance sheet whether there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. If any such evidence exists, the entity is required to determine the amount of any impairment loss. The carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account.

1.2. Section 6.1 and 7.1 of the COA Circular No. 2016-005 dated December 19, 2016 provides that:

6.1 *"All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable xxx."*

7.1 *"The Accountant shall: Conduct regular and periodic verification, analysis, and validation of the existence of the receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable officers (Regular and Special Disbursing officers, Collecting Officers, and Cashiers) and the source and implementing government entities concerned."*

1.3. Section 10 of the Government Accounting Manual also states that:

"In case of Accounts Receivable, the Allowance for Impairment shall be provided in an amount based on collectability of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts."

1.4. In the event that accounts receivables are proven to be no longer realizable, these accounts may be written off, when warranted. Section 8.2 to 8.3 set out procedures in requesting for write-off of accounts, to wit:

"The Head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances,

and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required.

The request shall be supported by the following documents:

1. Schedule of dormant accounts by accountable officer/government entity and by account, certified by the accountant and approved by the Head of the government entity;
2. Certified relevant documents validating the existence of the conditions, as applicable.”

- 1.5. The Accounts Receivable-Customer as of December 31, 2023 and its aging showed the following:

	1-60 Days	61-90 Days	911-364 Days	Over 1 Year
A/R	910,221.73	410,368.66	363,275.94	903,189.44
Allowance for Impairment	1%	2%	3%	5%

- 1.6. Previous years' track record showed that a significant amount of receivables aged more than 1 year and above made up the total amount of receivables in a certain year. Despite that, the account Allowance for Impairment- Accounts Receivable is computed using the rates shown above.
- 1.7. Inquiry with the Corporate Accounts Analyst disclosed that the provision for Impairment of Receivables was used since the previous Corporate Accounts Analyst's time and she merely followed it. Also, it was discovered that the Management does not have a current policy in the determination of the amount that should be considered as Allowance for Impairment – Accounts Receivable and no assessment was conducted every reporting date.
- 1.8. Failure to assess Accounts Receivables regularly and periodically poses a risk of misstatement in the financial statements as of reporting date. The receivables account may be overstated than what may be actually realizable as income, in the same fashion, is also reported more than what represents the true condition of the district. This steers the management to make decisions based on unreliable information. This might lead them to be less stringent in their controls and procedures because at first glance, they seem to be performing well enough. But if financial statements are presented fairly and faithfully represent what is true state of the district, management will take more appropriate actions to address the issues at hand.
- 1.9. **We recommended that Management:**
- **To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment - Accounts Receivables;**
 - **Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;**

- To set up Allowance for Impairment – Accounts Receivables based on collectability and evaluation of factors such as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts; and
- Upon identification of actual unrealizable receivables, to request for write-off of accounts abiding COA Circular 2016-005 dated December 19, 2016 specifically on items 8.2. to 8.3 in order to achieve fair presentation of financial statements.

Management Comment/s:

- 1.10. Management is amenable with the audit findings and recommendations. They averred that they had already employed collection strategies that would improve their collections efficiency. They had also started sending demand letters for those clients who can still be located and will further issue follow up demand letters. Furthermore, they stated that they would request for authority to write-off dormant receivable accounts upon completion of gathering of supporting documents for such request as well as reclassify the accounts in compliance with the audit recommendations.

Property, Plant and Equipment

2. The existence, accuracy and completeness of the recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P59,444,166.96 as at December 31, 2023 could not be ascertained due to the (a) non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (b) non-disposal of unserviceable properties and are still carried out in the books, inconsistent with Section 79 of PD No. 1445.

- 2.1. As of December 31, 2023, the carrying amount of the PPE accounts presented in the Statement of Financial Position amounted to P59,444,166.96 as shown below:

PPE Account	Gross Amount	Accumulated Depreciation	Net Value
Land	P5,804,309.23		P5,804,309.23
Land Improvement	1,213,723.87	269,547.34	944,176.53
Infrastructure Assets	81,708,269.14	38,358,602.42	43,349,666.72
Buildings & Other Structures	7,908,660.21	1,721,178.65	6,187,481.56
Machinery and Equipment	3,519,104.35	1,201,488.97	2,317,615.38
Transportation Equipment	993,392.00	832,865.28	160,526.72
Furnitures, Fixtures and Books	673,970.78	84,824.96	589,145.82
Construction in Progress			91,245.00
Total	P101,821,429.58	P42,468,507.62	P59,444,166.96

- a) *Non-reclassification of tangible properties with cost below P50,000.00 capitalization threshold*

2.2. Section 4 of COA Circular 2022-004, dated May 31, 2022, prescribes that:

- 4.1 *Tangible items which meet the definition and recognition criteria of PPE but the cost is below Fifty Thousand Pesos (P50,000) shall be accounted in the books of accounts of the agencies as semi-expendable property. This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship user of the property. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk acquisition such as library books, small equipment, computer peripherals, work animals and the like, will need to meet the amount below P50,000 to be recognized as semi-expendable property.*
- 4.2 *The increase in capitalization threshold from P15,000 to P50,000 shall be considered change in accounting policy and shall be applied retrospectively. It means that the new capitalization threshold of P50,000 shall be applied for all tangible items purchased in the calendar year (CY) 2022 onwards and in the prior years.*
- 4.3 *For issued tangible items acquired prior to CY 2022 with amounts from P15,000.00 to below P50,000.00 previously classified as PPE:*
- a. *The carrying amount shall be expensed/charged to the following accounts, as applicable.*
- xxx
- ii) *Retained Earnings/(Deficit) for GCs classified as Commercial Public Sector Entities; or*
- xxx
- b. *The corresponding accumulated depreciation and accumulated impairment loss shall be closed in the books of accounts.*

2.3. *Furthermore, Item 4.6 of the above-cited COA Circular also states that A change in accounting policy requires retrospective application. The entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. It means that the entity shall restate the amounts for prior period/s in the comparative financial statements to reflect the change in accounting policy.*

2.4. *Review of the PPE account revealed that there were items of PPE with costs below the capitalization threshold of P50,000.00 that are still recorded under the PPE account.*

2.5. *Non-implementation of the new capitalization threshold negatively affects the fair presentation of the affected accounts. Recording of the non-capitalizable*

tangible items as PPE resulted in the overstatement of PPE and its related Accumulated Depreciation and Retained Earnings.

b) *Non-disposal of unserviceable properties*

- 2.6. Section 79 of PD 1445 provides that *when government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned, and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission.*
- 2.7. Likewise, COA Circular No. 89-296 provides the audit guidelines on the divestment or disposal of property and other assets of National Government Agencies and Instrumentalities. Local Government Units and Government-Owned or Controlled Corporations and their Subsidiaries.
- 2.8. Moreover, Section 6.3.1.h of COA Circular 2020-006 provides that the property unit prepare the Inventory and Inspection Report of Unserviceable Properties (IRUP) using the format prescribed under the Accounting Manuals of the respective Sectors for all PPEs found unserviceable, obsolete and/or no longer needed.
- 2.9. Upon review of the PPE accounts, it was found that unserviceable properties were still recorded and not disposed of in accordance with the guidelines. Management has acknowledged the issue and committed to addressing it by disposing of the unserviceable properties as soon as possible.
- 2.10. Failure to dispose of unserviceable properties can accumulate unnecessary clutter and occupy valuable storage space, which could have been used for more productive purposes. It could result in potential safety hazards and environmental concerns. Furthermore, the PPE account could be overstated by the cost of unserviceable properties which are still recorded in the books. Therefore, the District must dispose of these unserviceable properties promptly and appropriately to avoid these negative consequences.
- 2.11. **We recommended the Management to:**
- **draw the necessary adjusting entries to charge to expenses or Retained Earnings the carrying values of the tangible properties with cost below the P50,000 capitalization threshold to accurately reflect the correct balances of the PPE, Accumulated Depreciation and Retained Earnings in the FS;**
 - **observe the P50,000 capitalization threshold when classifying and recording tangible items as PPE in compliance with COA Circular 2022-004 dated May 31, 2022;**
 - **establish a Disposal and Appraisal Committee that will oversee and manage the disposal of unserviceable properties in**

- compliance with existing regulations. This will prevent further deterioration and depreciation in the value of these assets.
- adopt and implement the guidelines and procedures set forth under COA Circular 2020-006 for the one-time cleansing of PPE account balances of government agencies to reconcile the PPE accounts with the latest inventory and appraisal reports to ensure that the balance of their PPE accounts is accurate and reliable.

Management Comment/s:

- 2.12. The Management disclosed during the Exit Conference that they have already identified the PPE for reclassification and for disposal. They would comply and implement the audit recommendations as soon as possible.

Land

3. **The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.**

- 3.1. Section 39 (2) of PD No.1445 which provides that *"In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in the government."*

- 3.2. Furthermore, Sections 51 and 52 of PD No. 1529 provide, among others, that:

Section 51. Conveyance and other dealings by registered owner. An owner of registered land may convey, mortgage, lease, charge or otherwise deal with the same in accordance with existing laws. He may use such forms of deeds, mortgages, leases or other voluntary instruments as are sufficient in law. But no deed, mortgage, lease, or other voluntary instrument, except a will purporting to convey or affect registered land shall take effect as a conveyance or bind the land, but shall operate only as a contract between the parties and as evidence of authority to the Register of Deeds to make registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under this Decree, the registration shall be made in the office of the Register of Deeds for the province or city where the land lies.

Section 52. Constructive notice upon registration. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the Register of Deeds for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

- 3.3. Verification of the Schedule of Land as of December 31, 2023 disclosed that the District's three (3) parcels of land with total cost of P2,804,309.23 were not yet titled under the name of the Water District. The District only holds the Deeds of Sale and Deeds of Donation on said parcels of land as proof of ownership. The details are presented below.

Description	Unit Value	Location	Remarks
R1, R2, Pumphouse lot	P529,309.23	Cathedral falls	Transfer to Water District's name is on process
Mario Conde's Lot – Lot No. 2-A-9-09 G	700,000.00	Annex pumping station	Transfer to Water District's name is on process
Alexis Aaron P. Conde Lot No. 2-A-9-09-H	1,575,000.00	Annex pumping station	Transfer to Water District's name is on process
Total	P2,804,309.23		

- 3.4. Inquiry with the management disclosed that they are already taking the necessary steps for the titling of the lots owned by the District.
- 3.5. The absolute ownership of the land and its land rights are established only on the basis of genuine TCTs, duly registered with the Register of Deeds, free from any lien and encumbrance. The absence of covering TCTS on these lots may pose problems on lack of absolute ownership such as, but not limited to, untoward action that the seller/his heirs may initiate in the future.
- 3.6. **We recommended the General Manager to instruct the concerned personnel to accelerate efforts to facilitate the transfer of the titles of the aforementioned parcels of land in the name of the District to ascertain absolute ownership of the District and to protect its interest.**

Management Comment/s:

- 3.7. During the Exit Conference, Management stated that they will comply with the audit recommendation. They added that they have already started working on the processing of transfer of titles.

B. OTHER AUDIT OBSERVATIONS

Disaster Risk Reduction and Management Fund

4. **The District was unable to prepare a comprehensive plan, provide adequate budgetary allocations and implement various projects, activities and programs concerning Disaster Risk Reduction and Management (DRRM) inconsistent with the provisions of Republic Act (RA) No. 10121 and Section 40, Volume I of General Appropriations Act of 2023 (RA 11936) thus, leaving the District incapable of being ready prior to, during and after every disaster.**

- 4.1. Section 4, Rule 1 of the Implementing Rules and Regulations (IRR) of RA No. 10121 or the Philippine Disaster Risk Reduction and Management Act provides for the development of policies and plans and the implementation of actions and the implementation of actions and measures pertaining to all aspects of disaster risk reduction and management, including good governance, risk assessment, early warning, knowledge building and awareness raising, reducing underlying risk factors, preparedness for effective response and early recovery. These shall apply to all levels of government, civil societies, private sectors and all other DRRM stakeholders.
- 4.2. Section 5, Rule 19 of the same IRR states that all departments, bureaus, offices and agencies of the government are authorized to use a portion of their appropriation to implement projects designated to address DRRM activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the DBM.
- 4.3. In addition, Section 40, Volume I of the General Appropriations Act of 2023 (RA 11936) on Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures Incorporated All Agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation. xxx
- 4.4. This year, the Management has again failed to develop policies and plans and implement actions pertaining to disaster risk reduction. This is despite that they have allotted P2,946,013.00 budget for DRRM Fund out of P58,920,263.00 Corporate Operating Budget for CY 2023. Hence, only few projects, activities and programs were implemented despite the prior year findings and recommendation.
- 4.5. The DRRM Officer reasoned that they were not able to prepare and submit a comprehensive Disaster Risk Reduction and Management Plan and Budget due to the lack of profound knowledge as to the programs, activities and projects ascribable to DRRMF.
- 4.6. The District should prepare a DRRM Plan which includes plans and actions to mitigate risks, increase awareness and preparedness for quick response in cases of calamities and disasters such as floods and earthquakes. Management should be aware and be concerned about the occurrence of these calamities. To ensure the general welfare of its concessionaires, the District is expected to be at the frontline of adopting emergency measures to avert water contamination, prevent prolonged disruption of water services, and avoid water loss through wastage due to lengthy repair response time, among others. Additionally, the absence of plan deprived the targeted beneficiaries of the benefit of being informed about disaster preparedness or safety measures in times of calamity.
- 4.7. **We recommended the management to:**
 - **Allocate adequate budget for DRRM programs and activities;**

- **Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and**
- **Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2024.**

Management Comment/s:

- 4.8. The DRRM Officer stated that he will further study the DRRM Law and is willing to attend to seminars or conferences regarding the subject in order to develop and implement a more responsive DRRM programs, projects and activities. Also, he undertook to submit DRRM Plans and Programs on time.

Gender and Development

5. **Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women (PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.**

- 5.1. PCW-DBM-NEDA Joint Memorandum Circular No. 2012-01 or the Guidelines on the Preparation of Annual Gender and Development Plans and Budgets (GPB) and Accomplishment Reports to Implement the Magna Carta of Women states that:

2.3 *Pursuant to the MCW and the General Appropriations Act (GAA, all government departments, including their attached agencies, offices bureaus, state university and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein.*

3.2 *GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The PAPs in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan (WFP) of concerned offices or units within the agency or department.*

- 5.2. *The GAD budget, which is the cost of implementing the GAD plan shall form part of, and is not in addition to the agencies' approved budget.*

- 5.3. Additionally, COA Circular 2014-001 dated March 18, 2014, prescribes the audit of GAD, stating in Section V the responsibility of the audited agency as follows:

"The audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days; from the receipt of the approved plan from the DILG/ PCW. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year."

- 5.4. Contrary to the forgoing, the Water District failed to submit the copy of the GAD Plan and Budget for CY 2023 to this Office, which would supposedly present the GAD issues identified. Also, GAD Accomplishment Report was not submitted.
- 5.5. Inquiry with the Management revealed that they prepared GAD Plan and Budget but failed to submit and furnish copy to this office. Similarly, GAD programs and activities were implemented but they were not able to prepare the corresponding Accomplishment Report as they were also not aware of said requirement.
- 5.6. Non- submission of GAD Plan and Budget prevented the Audit Team from determining gender issues identified were approved by LWUA/PCW and whether the gender issues had been fully addressed. Also, we were not able to conduct validation and evaluation of the effectivity and efficiency of GAD programs, projects and activities implemented during the year.
- 5.7. **We recommended the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.**

Management Comment/s:

- 5.8. The Management commented that they are still having a hard time identifying programs, projects and activities that are chargeable to GAD Funds. Nonetheless, they will comply with the audit recommendations. They have already attended seminars on GAD to further expand their knowledge on GAD.

C. REMITTANCE OF GSIS, PHILHEALTH AND PAG-IBIG PREMIUMS

6. The Water District complied with the obligation to deduct from officer's and employee's compensation the mandatory employee's contribution and the corresponding employer's share for CY 2023 and remitted the same (1) to the GSIS pursuant to Sections 5 and 6 of RA No. 8291 or the Revised Government Service Insurance Act of 1997 and (2) to the PHIC pursuant to RA No. 10606, an act amending RA No, 7875, otherwise known as the National Health Insurance Act of 1995, as amended, and for other purposes. Furthermore, the District substantially complied with the provisions of

Rule VII of IRR 9670 dated July 21, 2009 and HDMF Circular No. 275 dated January 22, 2010.

D. COMPLIANCE WITH TAX LAWS, RULES AND REGULATIONS INCLUDING REMITTANCES TO BIR

7. Taxes withheld from the salaries and benefits of employees, payments for the purchase of materials and services, franchise tax and other related taxes for CY 2023, were regularly withheld and remitted to the BIR in compliance with Revenue Regulations No. 2-98 dated April 17, 1998.

E. STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

8. The total audit suspension, disallowances and charges found in the audit of various transactions of the agency as of December 31, 2023 is P3,574,665.41, based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by the Commission, as summarized below

Particulars	Balance, 01/01/2023	CY 2023 Issuances	CY 2023 Settlement	Balance, 12/31/2023
Suspensions	P 1,189,289.41	0.00	0.00	P 1,189,289.41
Disallowances	P 2,385,376.00	0.00	0.00	P 2,385,376.00
Charges	P 0.00	0.00	0.00	P 0.00

**PART III –
STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

**Part III- STATUS OF IMPLEMENTATION OF
PRIOR YEARS' AUDIT RECOMMENDATIONS**

We made a follow-up on the action taken by the District to implement the recommendations of CY 2023, 2022, 2021, 2020, and 2019 AARs and noted the following:

Status of Implementation	No. of Recommendations	Percentage
Fully Implemented	31	56.37%
Not Implemented (For Implementation)	24	43.64%

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2022 Finding No.1	The existence and accuracy of the Property, Plant and Equipment (PPE) account with net value of P65,131,027.48 as at December 31, 2022 cannot be ascertained due to the inability of the agency to fully implement the guidelines and procedures in the one-time cleansing of PPE account balances contrary to COA Circular No. 2020-006 dated January 31, 2020.	We recommended the Management to: <ul style="list-style-type: none"> Require the Accounting and Property Unit to conduct the required preliminary activities as provided in Section 6.1 of COA Circular No. 2020-006 and submit the documents or reports gathered to the Inventory Committee as basis in the preparation of Physical Inventory Plan; 	Fully Implemented ₀₁
		<ul style="list-style-type: none"> Require the Inventory Committee to prepare the Physical Inventory Plan and submit to COA the approved copy at least ten (10) calendar days before the scheduled start of inventory taking activities; 	Fully Implemented ₀₂
		<ul style="list-style-type: none"> Require the Inventory Committee to ensure strict compliance with the guidelines and procedures in the conduct of physical count of PPEs; and 	Not Implemented ₀₁ The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report.
		<ul style="list-style-type: none"> Submit the RPCPPE to the Audit Team. 	Not Implemented ₀₂ The Management has not fully implemented the

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
			One-Time Cleansing procedures, thus, reiterated in this report.
AAR 2022 Finding No.2	Past due and dormant Receivables aging one to more than three years amounting P3,410,866.07 remained uncollected and were classified under current assets contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005 dated December 19, 2016.	<p>We recommended that Management:</p> <ul style="list-style-type: none"> Require the Accountant to classify these past-due and dormant accounts receivable, aging one year and over, as non-current in the financial statements pursuant to PAS 1; Exert efforts to collect the receivables thru demand letters; and File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016. 	Not Implemented ₀₃
AAR 2022 Finding No.3	The District remains non-compliant with the requirement under Section 22 of the Philippine Disaster Risk Reduction and Management Act of 2010 (RA 10121) and Section 37 of General Appropriations Act of 2021 (RA 11518) to adopt and implement a Disaster Risk Reduction and Management Program.	<p>We recommended the management to:</p> <ul style="list-style-type: none"> Develop a DRRM Program and have a framework for disaster preparedness, response, prevention and mitigation, and rehabilitation and recovery, pursuant to RA 10121; and Prepare and submit to the Audit Team a Disaster Risk Reduction and Management (DRRM) Plan and Budget for CY 2022. 	Not Implemented ₀₆
AAR 2022 Finding No.4	The effectiveness of the District's GAD programs and activities cannot be properly evaluated due to deficiencies in GAD Planning procedures and the allocation of GAD Budget below five per cent (5%) of the District's Corporate Operating Budget for the year.	<p>We recommended that the agency:</p> <ul style="list-style-type: none"> Assess and identify gender and development issues within the organization and those of the outside stakeholders; Establish policies, strategies, and initiatives to 	Not Implemented ₀₇
			Not Implemented ₀₈

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		address the identified gender and development issues whether within or outside the organization;	
		<ul style="list-style-type: none"> Allocate at least 5 per cent of the total budget of the agency for the implementation of gender and development programs, project and activities for every fiscal year either by specific appropriation or by attribution; 	Fully Implemented ⁰⁴
		<ul style="list-style-type: none"> Formulate annual GAD Plan and Budget within the context of the District's mandate and submit the same together with the GAD Accomplishment Report for the previous year to PCW for review and endorsement to DBM; 	Not Implemented ⁰⁹
		<ul style="list-style-type: none"> Implement gender and development programs, project and activities within the bounds of economy, efficiency and effectiveness; and 	Not Implemented ¹⁰
		<ul style="list-style-type: none"> Establish performance indicators which will serve as bases for evaluating gender and development programs, project and activities; and 	Not Implemented ¹¹
		<ul style="list-style-type: none"> Evaluate implemented gender and development programs, project and activities using set performance indicators and existing standards on gender and development. 	Not Implemented ¹²
AAR 2022 Finding No.5	The Non-Revenue Water (NRW) of the District is equivalent to 29.55 per cent which exceeded the 20 percent maximum acceptable	<p>We recommended the management to:</p> <ul style="list-style-type: none"> Conduct regular performance audit on all its water meters (i.e., flow 	Fully Implemented ⁰⁵

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	NRW prescribed by LWUA resulting to unaccounted water losses, which is not in accord with LWUA Memorandum Circular No. 014-10 dated December 2, 2010 and LWUA Resolution No. 444 series of 2009, hence, resulting to additional losses to the District.	meters and service meters) and pipes to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and <ul style="list-style-type: none"> • Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA. 	Not Implemented ¹³
AAR 2021 Finding No.1	The Cash in Bank in the amount of P7,647,380.08 could not be ascertained as to its accuracy and correctness due to the non-submission of monthly Bank Reconciliation Statements (BRS), including its supporting documents, contrary to 74 of PD No. 1445 and Sections 5 and 7, Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies.	We recommend that the management require its accounting personnel to prepare and submit the BRS not submitted to the Audit Team. Moreover, to submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor for Auditor's verification.	Fully Implemented ⁰⁶
AAR 2021 Finding No.2	The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2022 cannot be ascertained due to the write-offs made in the amount of P4,550,413.80 to cover differences between the accounting and property records in violation of the Section 7 of COA Circular No. 2020-006 on the guidelines and procedures for the One-Time Cleansing of PPE account balances of Government Agencies.	We recommend the Management to: <ul style="list-style-type: none"> • instruct the Accounting Processor to reverse the accounting entries made in writing-off various PPE accounts; • direct the Inventory Committee, Supply Officer and Accounting personnel to dutifully follow the guidelines and procedures on inventory taking, recognition of those found at the station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts of government agencies as provided for in COA Circular No. 2020-006. 	Fully Implemented ⁰⁷ Not Implemented ¹⁴ The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2021 Finding No.3	The District's inadequate monitoring and evaluation of its Other Accounts Receivable in the amount of P1,807,000.00, as well as its lax collection practices, have led to build-up of past due accounts aging over two (2) years contrary to Philippine Accounting Standards (PAS) 1 and 39 and COA Circular No. 2016-005, thus, deprived the District of additional funds to finance its operations and may have overstated the District's Other Accounts Receivable account with the amount that could no longer be collected.	We recommend that Management: • Exert efforts to collect the receivables thru demand letters;	Fully Implemented ⁰⁸
		• Consider incorporating payment plans/schedules in their courses of action to encourage gradual settlement of accounts;	Fully Implemented ⁰⁹
		• Require the Accountant to classify these past-due and dormant accounts receivable, as non-current in the financial statements pursuant to PAS 1;	Not Implemented ¹⁵ The Accountant was not able to reclassify the account receivables.
		• File the request for authority to write-off dormant receivable accounts following the provisions of COA Circular No. 2016-005 dated December 19, 2016; and • Conduct regular monitoring and review of accounts receivable as well as formulate and implement an effective collection strategy.	Not Implemented ¹⁶ The Management is still in the process of gathering the required supporting documents. Fully Implemented ¹⁰
AAR 2021 Finding No.4	Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus, the accuracy and validity of the account balances could not be verified.	We recommend that the management to require its accounting personnel to prepare and submit the lacking required reports to the COA Audit team and submit future Annual Financial Statements in accordance with COA Circular No. 2015-004.	Fully Implemented ¹¹
AAR 2021 Finding No.5	Annual GAD Plan and Budget (GPB) and Accomplishment Report were not submitted contrary to Joint Circular No. 2012-001 of Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and Philippine Commission on Women	We recommend the Management to submit the GAD Plan and Budget and the Accomplishment Report within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001.	Fully Implemented ¹²

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	(PCW) thereby bringing difficulty to determine whether the gender issues identified were approved by DILG/ PCW and whether the gender issues had been fully addressed.		
AAR 2021 Finding No.6	The agency failed to submit the Disaster Risk Reduction and Management Plan and Budget, as well as implement programs and activities therein, contrary to Section 37 of General Appropriations Act of 2022 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121).	<p>We recommend that the Management require the DRRM Officer to:</p> <ul style="list-style-type: none"> • formulate and implement programs and activities intended to address Disaster Risk Reduction and Management issues particularly those that are doable even with the current pandemic; • and submit Disaster Risk Reduction and Management Plan and Budget within the prescribed period. 	<p>Not Implemented¹⁷</p> <p>The Management has formulated and implemented programs but was not able to address issues within the agency and community.</p>
AAR 2021 Finding No.7	The District failed to prepare its Septage Management Plan (SMP) as required by RA 9275 and PD 198 depriving its concessionaires of a sound wastewater treatment and disposal system.	We recommend that Management prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring.	<p>Not Implemented¹⁸</p> <p>Management has included this program in their 10-year Business Plan but has not initiated any procedure in preparing a plan.</p>
AAR 2020 Finding No.1	Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the	We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.	<p>Not Implemented¹⁹</p> <p>The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report.</p>

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	amount of ₱68,828,956.05 is of doubtful validity.		
AAR 2020 Finding No.2	Collections amounting to ₱ 15,593,872.60 were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II -Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).	We recommended that Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided.	Fully Implemented ¹⁴
AAR 2020 Finding No.3	Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,376,328.29.	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The reconciliation report should reflect the quantity per books and per supply ledger cards, indicating any variance and the Journal Entry Voucher Number for the adjustment of the variance. The Auditor or his/her representative should be present when physical	Not Implemented ²⁰ The Management has not fully implemented the inventory procedures, thus, reiterated in this report.

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.	
AAR 2020 Finding No.4	Compliance to Section 3.2 of Civil Service Commission MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 (Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government During the Period of State of National Emergency Due to COVID-19 Pandemic) in the payment of Hazard Pay for those who was on skeleton (skeletal) force during the Enhanced Community Quarantine (ECQ) of the Province of Lanao del Norte amounting to ₱304,500.00 cannot be ascertained due to lack of supporting documents.	<p>We recommended that Management comply strictly with CSC MC No. 10 as amended by CSC MC No. 18, both series of 2020 dated May 7, 2020 and October 15, 2020 respectively, in the payment of COVID-19 Hazard Pay. Submit to this office the following documents to justify the payment of COVID-19 Hazard Pay:</p> <ul style="list-style-type: none"> • Board Resolution stating that the District was adopting an alternative work arrangement, specifically skeleton (skeletal) staffing and stating therein the maximum number or percentage of employees to report per day; • Board Resolution granting COVID-19 Hazard Pay to District employees assigned to be part of the skeleton (skeletal) force including the specific rate per day per person; • Office Order from the General Manager including a list of employees scheduled to be part of the skeleton (skeletal) force and the dates/time when such personnel should report to the office; • Daily Time Records (DTR) of each personnel as proof of compliance to the office order. 	Fully Implemented ¹⁵

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2020 Finding No.5	Conformity of the Kapatagan Water District to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292 in the amount of ₱1,033,032.16 cannot be ascertained due to lack of proper supporting documents.	We recommend to strictly adhere to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292. Submit copies of leave application with leave credit balance certified the Human Resource Office including the leave card of the concerned employee reflecting therein the balances of earned leave credits before and after monetization. For monetization of 50 percent or more of earned leave credits submit the clinical abstract/medical procedures to be undertaken in case of health, medical and hospital needs. In case of financial assistance brought about by calamities, typhoons fire etc., submit Barangay Certification.	Fully Implemented ¹⁶
AAR 2020 Finding No.6	Grant of Anniversary Bonus in the amount of ₱138,000.00 did not conform to the guidelines stated in Sections 2.3 through 2.5 of Administrative Order (AO) No. 263 dated March 26, 1996 and Section 3.2 of the Department of Budget and Management National Budget Circular (NBC) No. 452 dated May 20, 1996.	We recommended the Management should strictly adhere to the provisions of Administrative Order 263 dated March 26, 1996 and the Department of Budget and Management National Budget Circular No.452 dated May 20, 1996 on the grant of Anniversary Bonus. Justify the grant of Anniversary Bonus which is not in accordance with Administrative Order 263 dated March 26, 1996 and the Department of Budget and Management National Budget Circular No.452 dated May 20, 1996.	Fully implemented ¹⁷
AAR 2020 Finding No.7	District projects were advertised in a newspaper of general nationwide circulation amounting to ₱19,376.00 in	We recommend to strictly adhere to Section 21.2.1 (c) of the revised Implementing Rules and Regulations of	Fully Implemented ¹⁸ A Notice of Disallowance has

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	<p>contravention to the sunset provision of Section 21.2.1(c) of the Revised Implementing Rules and Regulation (IRR) of Republic Act 9184 dated August 9, 2016 and Section 3.3 of Government Procurement Policy Board (GPPB) Circular 08-2018 dated October 18, 2018.</p>	<p>Republic Act 9184 dated August 9, 2016 and Section 3.3 of GPPB Circular 08-2018 dated October 18, 2018. specifically on the sunset provision in the advertisement of procurement of infrastructure projects, goods or consulting services in newspapers of general circulation. Checks should be drawn in the name of the institution where services or goods are procured and not in the name of their agent in adherence to sound internal control policy.</p>	<p>been issued and the management is yet to refund.</p>
<p>AAR 2020 Finding No.8</p>	<p>Obligation Request and Status were not prepared for almost all obligations and attached to the District's disbursement vouchers amounting to ₱40,898,670.02 in violation of Section 11 and 12, Chapter 3, Volume I of the Government Accounting Manual</p>	<p>We recommend preparation of an Obligation Request and Status in strict adherence to Sections 11 and 12, Chapter 3, Volume 1 of the General Accounting Manual in every obligation incurred. Have the Sections A, B and C signed or filled up by the appointed or designated personnel and to attach a copy of the said document to the disbursement voucher. Obligation Request and Status forms should be used as the Budget Utilization Request form.</p>	<p>Fully Implemented¹⁹</p>
<p>AAR 2020 Finding No.9</p>	<p>The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties with a book value or replacement value of ₱54,461,698.56 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events (Acts of God) and/or force majeure.</p>	<p>We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising</p>	<p>Fully Implemented²⁰</p>

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		Auditor/Audit Team Leader every 30th day of April.	
AAR 2020 Finding No.10	Reports to be prepared by the Treasury Section as provided by Appendix 29 and 47 of Volume II of the General Accounting Manual were prepared by the bookkeeper thus violating the internal control of separation between treasury and accounting functions.	We recommended that preparation of reports pertaining to cash collections, deposits, and disbursements, such as the Cash Receipts Record and Report of Checks Issued be maintained by the treasury unit or cashiering section of the District.	Fully Implemented ²¹
AAR 2020 Finding No.11	Delayed/non-submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies.	We recommended that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001.	Fully Implemented ²²
AAR 2020 Finding No.12	Fidelity Bond was not secured for all the District's accountable officers as required by Section 101 of Presidential Decree No. 1445, Section 4.1 of Treasury Circular 02-2009, dated August 6, 2009 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.	We recommended strict adherence to Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006 for the posting of fidelity bond for accountable officers handling government funds and property. Renewal of the fidelity bonds should be done promptly on the month of their expiration. Furnish a copy of the Fidelity Bonds to the Auditor's Office for information and filing.	Fully Implemented ²³
AAR 2020 Finding No.13	Notices of Awards, Purchase Orders, Notices to Proceed including Inspection and	We recommended that the date of receipt of Purchase Orders be indicated for the	Fully Implemented ²⁴

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 5,648,598.40 have blank date of receipt by the suppliers or agency personnel thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).	purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Notices of Award and Notices to Proceed should be issued for procurement where applicable. The mode of procurement should indicate specifically if it is by competitive bidding and any of the alternative modes of procurement as provided in RA 9184. Indicate a reasonable period of delivery for suppliers located outside the District's locality.	
AAR 2019 Finding No.1	Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱55,575,988.81 is of doubtful validity.	We recommended that physical count of property, plant and equipment should be conducted and reconciliation of Report on the Physical Count of Property Plant and Equipment to the Accounting unit's Property Plant and Equipment Ledger Card and the Property and Supply unit's Property Card be undertaken. The results of such reconciliation should be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.	Not Implemented ²¹ The Management has not fully implemented the inventory procedures, thus, reiterated in this report.
AAR 2019 Finding No.2	Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the	Not Implemented ²² The Management has not fully implemented the inventory procedures, thus,

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		Auditor/Audit Team Leader every 30th day of April.	
AAR 2019 Finding No.6	Regular expenses amounting to ₱381,416.92 were paid out from the Petty Cash Fund which is not in accordance with Section 4.3.2 of COA Circular 97-002 dated February 10, 1997.	We recommended that Management should stop the practice of charging regular expenses to petty cash fund. Purchase office supplies, supplies and materials in bulk, enough for two to three months consumption which is more advantageous to the government. Establish credit line from nearby gasoline stations taking into consideration the provisions of RA 9184 and other conditions advantageous to the District and the government. Take into consideration emergency repairs and rentals of equipment in planning and drawing up the budget for the District.	Fully Implemented ²⁷
AAR 2019 Finding No.7	The estimated 611,670.68 cu.m. of unaccounted water incurred by the District costing P1,220,950.36 for CY 2019 is 8.78% more than the maximum acceptable level of Non-Revenue Water (NRW) of 20% prescribed by LWUA thru Resolution No. 444, series of 2009.	We recommended to the District to improve its efficiency level by significantly reducing water loss to at least the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.	Not Implemented ²⁴ An intensive NRW Plan and Budget was made but not yet effective. This finding is reiterated in this report.
AAR 2019 Finding No.8	Reimbursement Expense Receipts were used to liquidate cash advances from Petty Cash Fund instead of Acknowledgement Receipts which is not in accordance with COA Circular 2004-006 dated September 9, 2004 regarding acceptability of evidence of receipt of payment for disbursements.	We recommended that Management should stop the practice of using RER to liquidate or "pre-liquidate" cash advances given to district personnel as it is not in accordance with COA Circular 2004-006 dated September 9, 2004. Submit proper evidence of receipt of payment such as Acknowledgement Receipts (ARs) to support liquidation of cash advances from the PCF.	Fully Implemented ²⁸

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
AAR 2019 Finding No.9	Fidelity Bond was not posted or insufficient for accountable officers who handles government cash or property as required by Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006.	We recommended strict adherence to Section 101 of Presidential Decree No. 1445 and Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006 for the posting of fidelity bond for accountable officers handling government funds and property. The amount of bond premium should correspond to their maximum accountability as provided for in by Treasury Circular No. 02-2009 dated August 6, 2009. The designated accountant should be prohibited in doing collecting functions in adherence to sound internal control of segregation of duties custody of assets, authorization, approval and recording or reporting of related transactions affecting those assets. Submit a copy of the Fidelity Bonds to the Auditor's Office for information and filing.	Fully Implemented ²⁹
AAR 2019 Finding No.10	Collections were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II -Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).	Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Tellers and alternate tellers should be	Fully Implemented ³⁰

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		<p>provided with his own account in the collection system. Access to other tellers' account in the collection system should not be allowed. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided. The teller's password to the collection system and combination to the cash box should be written and put in a sealed envelope with access limited to the teller concerned, the cashier and the head of the agency.</p>	
<p>AAR 2019 Finding No.11</p>	<p>KAPWD still accepts Checks from concessionaires which have a history of dishonored checks (NSF Checks) due to insufficiency of funds in violation of COA Memorandum 2013-004 dated July 9, 2013 Chapter II, Section 28, regarding dishonored checks.</p>	<p>We recommended that a policy be promulgated which adheres strictly to the provisions of COA Memorandum 2013-004 dated July 9, 2013 in refusing to accept check payment from concessionaires which has a history of dishonored checks and accepting only cash or certified check. If the payor is a government entity, check payment should be accepted only when it is accompanied by a bank advice duly stamped received by the drawee bank.</p>	<p>Fully Implemented₃₁</p>



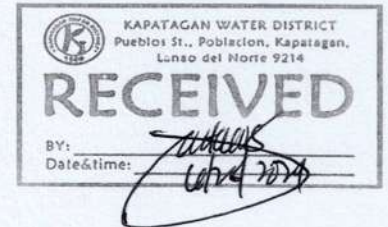
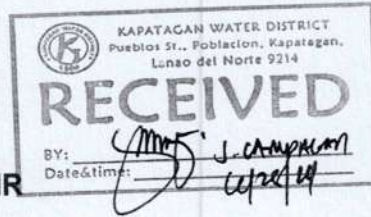
Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Serifa Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

March 15, 2024

Ms. ANGELITA P. ROBLES
Chairperson, Board of Directors

Mr. CLAIR GREBERN U. ELUMIR
General Manager
Kapatagan Water District
Kapatagan, Lanao del Norte



Madam/Sir:

We are pleased to transmit the Annual Audit Report on the audit of **Kapatagan Water District**, Kapatagan, Lanao del Norte as of December 31, 2023, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with law, rules, and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

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

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe these standards provided a reasonable basis for the audit results.

A Modified-Qualified Opinion was rendered on the fairness of the presentation of the financial statements of the Kapatagan Water District for the year ended December 31, 2023, as discussed in the Independent Auditor's Report in Part I hereof.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of the Kapatagan Water District for the year 2023 due to the following exceptions:

1. Accounts Receivable amounting to P2,587,055.80 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2023 due to inadequate provision of Allowance for Impairment- Accounts Receivable of only P398,363.71, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.
2. The existence, accuracy and completeness of the recorded balance of Property, Plant and Equipment (PPE) account with carrying amount of P59,444,166.96 as at

December 31, 2023 could not be ascertained due to the (a) non-reclassification of tangible properties with cost below the P50,000.00 capitalization threshold contrary to COA Circular 2022-004 dated May 31, 2022, and (b) non-disposal of unserviceable properties and are still carried out in the books, inconsistent with Section 79 of PD No. 1445.

3. The existence, completeness, accuracy, and ownership rights of the Land account amounting to P2,804,309.23 as of December 31, 2023, could not be ascertained due to Management's failure to expedite the transfer of the titles of three (3) lots in the name of the District, contrary to Section 39 (2) of PD No. 1445, Sections 51 and 52 of Presidential Decree (PD) No. 1529, Philippine Accounting Standards (PAS) 1 and PFRS Framework.

We request that the remedial measures be immediately implemented, and we will appreciate being informed, through our Auditors, of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form to the Audit Team within 60 days from receipt hereof, pursuant to Section 99 of the General Provisions of the General Appropriations Act FY 2023.

We appreciate the invaluable support and cooperation extended by the officials and staff of the Agency to the Audit Team which facilitated the completion of the report.

Very truly yours,



MATHEW REY M. MAGNO
Director IV
Regional Director

Copy furnished:

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
11F, Robinson Cybergate Plaza,
EDSA cor. Pioneer St.,
Mandaluyong, 1550, Metro Manila*

*The President of the Senate
Room 606 & 512B, 20, 211 (Extension)
GSIS Bldg., Financial Center,
Diokno Boulevard, Pasay City*

*The Speaker of the House of Representatives
HOR Complex, Constitution Hills, Quezon City*

*The Chairman
Senate Finance Committee
Senate of the Philippines
Roxas Boulevard, Pasay City*

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 5,648,598.40 have blank date of receipt by the suppliers or agency personnel thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).	purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Notices of Award and Notices to Proceed should be issued for procurement where applicable. The mode of procurement should indicate specifically if it is by competitive bidding and any of the alternative modes of procurement as provided in RA 9184. Indicate a reasonable period of delivery for suppliers located outside the District's locality.	
AAR 2019 Finding No.1	Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱55,575,988.81 is of doubtful validity.	We recommended that physical count of property, plant and equipment should be conducted and reconciliation of Report on the Physical Count of Property Plant and Equipment to the Accounting unit's Property Plant and Equipment Ledger Card and the Property and Supply unit's Property Card be undertaken. The results of such reconciliation should be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.	Not Implemented ²¹ The Management has not fully implemented the inventory procedures, thus, reiterated in this report.
AAR 2019 Finding No.2	Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by	We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the	Not Implemented ²² The Management has not fully implemented the inventory procedures, thus,



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE SUPERVISING AUDITOR
R10 - CGAS Water Districts and Other Stand-Alone Agencies

March 14, 2024

MATHEW REY M. MAGNO
Regional Director
COA - Regional Office No. X
Cagayan de Oro City

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of the **Kapatagan Water District**, Kapatagan, Lanao del Norte for the year ended December 31, 2023.

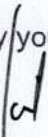
The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided reasonable basis for the results of the audit. We rendered a Modified-Qualified Opinion on the fairness of presentation of the financial statements.

Very truly yours,


FLORITA K. KIONISALA
State Auditor V
Supervising Auditor



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
Cagayan de Oro City

OFFICE OF THE AUDIT TEAM LEADER

R10 - CGAS Water Districts and Other Stand-Alone Agencies - Team 05

February 28, 2024

Ms. FLORITA K. KIONISALA

Supervising Auditor
CGAS Water Districts and Other Stand-Alone Agencies
COA - Regional Office No. X
Cagayan de Oro City

Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted an audit on the accounts and operations of **Kapatagan Water District**, Kapatagan, Lanao del Norte, for the year ended December 31, 2023.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fatimah Suzzane A. Disamburun".

FATIMAH SUZZANE A. DISAMBURUN
State Auditor IV
Audit Team Leader