

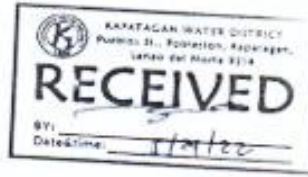


Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. 10
J.V. Seraña Street, Carmen, Cagayan de Oro City

OFFICE OF THE REGIONAL DIRECTOR

February 24, 2022

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, 2021, 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; and (c) 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, 2021, 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 2021 due to the following exceptions:

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.
2. The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2021 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 request that the remedial measures be immediately implemented, and we will appreciate being informed 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 91 of the General Appropriations Act FY 2021.

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,


CELSO L. VOCAL
Director IV
Regional Director

Copy furnished

*The President of the Philippines
Malacañang Palace, Manila*

*The Vice-President of the Philippines
Coconut Palace, F. Maria Guerrero St., CCP Complex, Pasay City*

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

*The Chairman-Appropriations Committee
House of Representatives
HOR Complex, Constitutional Hills, Quezon City*

*The Secretary of the Budget and Management
Department of Budget and Management
G. Solano St., San Miguel, Manila*

*The Administrator
Local Water Utilities Administration (LWUA)
MWSS-LWUA Complex, Katipunan Avenue
Balara, Quezon City*

*The Director
National Library of the Philippines
T.M. Kalaw, Ermita, Manila*

*The Chief of Office
UP Law Center, UP, Diliman, Quezon City*



File

KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)

For Calendar Year 2021

As of _____

Sector: Corporate Sector
Auditee: Kapatagan Water District
Audit Period: Calendar Year 2021

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
AOM No. 2022-001(21) KapWD	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 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121).	We recommend that the Management require the DRRM Officer to: <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 coordinate with the Local Disaster Risk Reduction and Management. 							
AOM No. 2022-	Annual GAD Plan and Budget (GPB) and	We recommend the Management to submit the							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
002(21) KapWD	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.	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.							
AOM No. 2022-003(21) KapWD	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	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.							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	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.								
AOM No. 2022-004(21) KapWD	The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2021 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. 							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
AOM No. 2022-005(21) KapWD	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.							
AOM No. 2022-006(21) KapWD	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	We recommend that Management: <ul style="list-style-type: none"> • Exert efforts to collect the receivables thru demand letters; • Consider incorporating payment plans/schedules in their courses of action to encourage gradual settlement of accounts; • Require the Accountant to classify these past-due and dormant accounts receivable, as non-current in the financial statements pursuant to PAS 1; • File the request for authority to write-off dormant receivable accounts following the 							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	and may have overstated the District's Other Accounts Receivable account with the amount that could no longer be collected.	provisions of COA Circular No. 2016-005 dated December 19, 2016; and <ul style="list-style-type: none"> • Conduct regular monitoring and review of accounts receivable as well as • formulate and implement an effective collection strategy. 							
AOM No. 2022-007(21) KapWD	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.							

Note: Status of Implementation may either be (a) Fully Implemented, (b) On-going, (c) Not Implemented, (d) Partially implemented or (e) Delayed

Agency Sign-off:

CLAIR GREBERN U. ELUMIR
General Manager

Date: _____



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

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

February 22, 2022

Atty. CELSO L. VOCAL

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, 2021.

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; and (c) 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,

A handwritten signature in black ink, appearing to read "Cecilia A. Pontillas".

CECILIA A. PONTILLAS
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

R10-05, CGS – Water Districts and Other CGS Stand-Alone Agencies

February 21, 2022

Ms. CECILIA A. PONTILLAS

Supervising Auditor

CGS - Water Districts and Other CGS 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, 2021.

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; and (c) 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 III

Audit Team Leader



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, 2021

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 a total population of 27,165 as of December 31, 2020, with 5,060 total active service connections.

As of December 31, 2021, 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 2021.

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

As of December 31, 2021, there was an increase of 1.76% in assets, increase of 29.60% in liabilities and decrease of 12.54% in government equity, summarized as follows:

Financial Condition

	2021	2020	Increase/(Decrease)
Assets	₱ 80,394,330.57	₱ 79,004,345.56	₱ 1,389,985.01
Liabilities	₱ 34,748,871.22	₱ 26,813,177.80	₱ 7,935,693.42
Equity	₱ 45,645,459.35	₱ 52,191,167.76	₱ (6,545,708.41)

Results of Operations

	2021	2020	Increase/(Decrease)
Income	₱ 44,164,693.42	₱ 36,483,634.50	₱ 7,681,058.92
Expenditures	₱ 41,105,069.82	₱ 36,157,179.86	₱ 4,947,889.96
Net Operating Income	₱ 3,059,623.60	₱ 326,454.64	₱ 2,733,168.96

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, 2021. 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:

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.
2. The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2021 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.

E. Summary of Significant Observations and Recommendations

1. **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 recommended that Management:

- a. Exert efforts to collect the receivables thru demand letters;

- b. Consider incorporating payment plans/schedules in their courses of action to encourage gradual settlement of accounts;
 - c. Require the Accountant to classify these past-due and dormant accounts receivable, as non-current in the financial statements pursuant to PAS 1;
 - d. 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
 - e. Conduct regular monitoring and review of accounts receivable as well as formulate and implement an effective collection strategy.
- 2. 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 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121)**

We recommended that

- a. 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;
 - b. and coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community.
- 2. 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 that 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.

- 3. 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 recommended 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.

- 4. 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 recommended 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.

F. Summary of Total Suspension, Disallowance and Charges as of Year-End

Particulars	Balance, 01/01/2020	CY 2021 Issuances	Settlement	Balance, 12/31/2021
Suspensions	P 884,789.41	1,050,376.46	745,876.46	P 1,189,289.41
Disallowances	P 2,366,000.00	19,376.00		P 2,385,376
Charges	P 0.00	0.00	0.00	P 0.00

G. Status of Implementation of Prior Years' Audit Recommendations

Of the twenty-four (24) audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2020, eighteen (18) were fully implemented, five (5) were partially implemented and one (1) remained unimplemented.

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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
Audit Group CGS - Water Districts and Other CGS 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 of December 31, 2021, and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity 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 Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kapatagan Water District as of December 31, 2021, and of its comprehensive income and its cash flows for the year 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 opinion was rendered due to the following:

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 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.
2. The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2021 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 conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 opinion.

Key Audit Matters

Except for the matter described in the *Bases for Modified 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 ISSAI 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:



CECILIA A. PONTILLAS

State Auditor V
Supervising Auditor

February 22, 2022




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, 2021, 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:


LEEVENA B. ESGUERRA
Accounting Processor – A
Date:


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



KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	₱ 7,835,624.80	₱ 6,766,062.75
Receivables	4	4,674,532.11	4,300,890.18
Inventories	5	3,533,354.91	4,253,460.02
Other Current Assets	6	30,000.00	186,560.00
Total Current Assets		₱ 16,073,511.82	₱ 15,506,972.95
Non-Current Assets			
Property, Plant and Equipment	7	₱ 64,311,203.40	₱ 63,480,105.50
Other Non-current assets		9,615.35	17,267.11
Total Non-Current Assets		₱ 64,320,818.75	₱ 63,497,372.61
TOTAL ASSETS		₱ 80,394,330.57	₱ 79,004,345.56
LIABILITIES			
Current Liabilities			
Financial Liabilities	8	₱ 2,041,446.86	₱ 3,660,521.44
Inter-Agency Payables	9	884,465.67	741,476.55
Trust Liabilities	10	296,798.48	335,787.00
Deferred Credits/Unearned Income		133,000.00	50,000.00
Total Current Liabilities		₱ 3,355,711.01	₱ 4,787,784.99
Non-Current Liabilities			
Financial Liabilities		₱ 19,825,327.81	₱ 22,025,392.81
Provisions		5,287,042.22	
Other Payables		6,280,790.18	
Total Non-Current Liabilities		₱ 31,393,160.21	₱ 22,025,392.81
TOTAL LIABILITIES		₱ 34,748,871.22	₱ 26,813,177.80

NOTE

EQUITY

Government Equity	₱ 4,000,013.34	₱ 4,000,013.34
Retained Earnings/(Deficit)	41,645,446.01	46,653,193.79
Members Equity		₱1,537,960.63
Total Equity	₱ 45,645,459.35	₱ 52,191,167.76
TOTAL LIABILITIES AND EQUITY	₱ 80,394,330.57	₱ 79,004,345.56

(See Accompanying Notes to Financial Statements)



KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
Income			
Service and Business Income	11	₱ 42,465,231.13	₱ 35,783,230.61
Gains		927,094.88	695,503.89
Other Non-Operating Income		772,367.41	4,900.00
Total Income		₱ 44,164,693.42	₱ 36,483,634.50
Expenses			
Personnel Services	12	₱ 19,788,612.95	₱ 18,632,906.52
Maintenance and Other Operating Expenses	13	14,664,009.11	11,901,396.52
Financial Expenses	14	867,183.00	940,114.00
Non-Cash Expenses	15	5,785,264.76	4,682,762.82
Total Expenses		₱ 41,105,069.82	₱ 36,157,179.86
Comprehensive Income/(Loss)		₱ 3,059,623.60	₱ 326,454.64

(See Accompanying Notes to Financial Statements)



**KAPATAGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2020	₱ 44,393,360.66	₱ 4,000,013.34	₱ 48,393,374.00
ADJUSTMENTS:			
Add/(Deduct):	₱ 0.00	₱ 0.00	₱ 0.00
RESTATED BALANCE AT JANUARY 1, 2020	₱ 44,393,360.66	₱ 4,000,013.34	₱ 48,393,374.00
CHANGES IN EQUITY FOR 2020			
ADJUSTMENTS:			
Add/(Deduct):			
Comprehensive Income for the year	₱ 326,454.64	₱ 0.00	₱ 326,454.64
Other Adjustments (Restricted/Water Meter Maintenance Fee)	3,471,339.12	0.00	3,471,339.12
BALANCE AT DECEMBER 31, 2020	₱ 48,191,154.42	₱ 4,000,013.34	₱ 52,191,167.76
CHANGES IN EQUITY FOR 2021			
ADJUSTMENTS:			
Add/(Deduct):			
Comprehensive Income for the year	₱ 3,059,623.60	₱ 0.00	₱ 3,059,623.60
Other Adjustments (Restricted/Water Meter Maintenance Fee)	(9,605,332.01)	0.00	(9,605,332.01)
BALANCE AT DECEMBER 31, 2021	₱ 41,645,446.01	₱ 4,000,013.34	₱ 45,645,459.35



**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	₱ 79,774.80	₱ -
Collection of Income/Revenue	43,921,595.71	35,534,159.83
Collection of Receivables	259,174.66	133,684.51
Trust Receipts	-	696,458.26
Other Receipts	242,231.99	1,012,090.94
Total Cash Inflows	₱ 44,502,777.16	₱ 37,376,393.54
Adjustments	51,130.97	239,371.74
Adjusted Cash Inflows	₱ 44,553,908.13	₱ 37,615,765.28
Cash Outflows		
Payment of Expenses	₱ 15,827,111.41	₱ 20,165,482.50
Purchase of Inventories	2,033,295.55	1,608,371.18
Grant of Cash Advances	3,950,893.37	3,515,388.64
Payments of Accounts Payable	10,277,477.24	3,768,641.62
Remittance of Personnel Benefit	7,148,153.49	4,908,818.56
Contributions and Mandatory Deductions	5,000.00	25,000.00
Other disbursements	5,000.00	25,000.00
Total Cash Outflows	₱ 39,241,931.06	₱ 33,991,702.50
Adjustments	-	690,000.00
Adjusted Cash Outflows	₱ 39,241,931.06	₱ 34,681,702.50
Net Cash Provided by/ (Used in) Operating Activities	₱ 5,311,977.07	₱ 2,934,062.78
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	₱ 0.00	₱ 0.00
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00

Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	₱ 1,175,167.02	₱ 3,675,172.60
Total Cash Outflows	₱ 1,175,167.02	₱ 3,675,172.60
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 1,175,167.02	₱ 3,675,172.60
Net Cash Provided By/ (Used In) Investing Activities	₱ (1,175,167.02)	₱ (3,675,172.60)

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	₱ 3,067,248.00	₱ 2,811,644.00
Total Cash Outflows	₱ 3,067,248.00	₱ 2,811,644.00
Adjustments		0.00
Adjusted Cash Outflows	₱ 3,067,248.00	₱ 2,811,644.00
Net Cash Provided By/ (Used In) Financing Activities	₱ (3,067,248.00)	₱ (2,811,644.00)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ 1,069,562.05	₱ (3,552,753.82)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱ 0.00	₱ 0.00
CASH AND CASH EQUIVALENTS, JANUARY 1, 2019	₱ 6,766,062.75	₱ 10,318,816.57
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2019	₱ 7,835,624.80	₱ 6,766,062.75



KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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	2021	2020
Cash on Hand	₱ 188,244.72	₱ 124,465.17
Cash in Bank-Local Currency, Current Account	7,647,380.08	6,641,597.58
TOTAL	₱ 7,835,624.80	₱ 6,766,062.75

Details of the Cash in bank accounts are as follows:

Particulars	2021	2020
Cash in Bank-Local Currency, Current Account	₱ 2,643,130.18	₱ 1,589,858.89
Cash in Bank-Local Currency, Savings Account	5,004,249.90	5,051,738.69
TOTAL	₱ 7,647,380.08	₱ 6,641,597.58

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

1. LBP – Kapatagan Branch – General fund where the daily deposits and disbursements were made.
2. LBP - Kapatagan Branch – Special account for online remittances of Pag-Ibig contribution and loans. However, it is subject for closure since the online remittances for PAG-IBIG, GSIS & Phil Health were paid thru General fund account at LBP Kapatagan Branch.

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	2021	2020
Accounts Receivable	₱ 2,913,658.78	₱ 2,493,890.18
Allowance for Impairment – Accounts Receivable	(240,434.29)	-
Receivables– Disallowances/Charges	1,807,000.00	1,807,000.00
Due from Officers and Employees	468.06	-
TOTAL	₱ 4,674,532.11	₱ 4,300,890.18

5. Inventories

Particulars	2021	2020
Inventory Held for consumption		
Office Supplies Inventory	₱ 29,567.10	₱ 0.00
Accountable Forms, Plates & Stickers Inventory	119,700.00	73,800.00
Non – Accountable Forms Inventory	90,000.00	74,250.00
Chemical and Filtering Supplies Inventory	504,033.00	160,500.00
Other Supplies and Materials Inventory	2,790,054.81	3,085,393.21
Semi-Expendable Machinery and Equipment		
Semi – Expendable Office Equipment	-	113,614.54
Semi – Expendable Communication Equipment	-	281,475.00
Semi – Expendable Other Machinery and Equipment	-	226,303.67
Semi-Expendable Furniture, Fixtures & Books		
	-	238,123.60
TOTAL	₱ 3,533,354.91	₱ 4,253,460.02

6. Other Current Assets

Particulars	2021	2020
Prepayments	₱ 0.00	₱ 0.00
Advances		
- Advances for Operating expenses	30,000.00	105,000.00
- Advances to Officers & Employees	9,615.35	81,560.00
TOTAL	₱ 39,615.35	₱ 186,560.00

7. Property, Plant and Equipment

Particulars	2021	2020
Land	₱ 5,804,309.23	₱ 5,804,309.23
Land Improvements	1,218,292.47	1,218,292.47
Accumulated Depreciation	(164,469.56)	(109,646.36)
Infrastructure Assets		
Water Supply Systems	15,343,451.23	8,269,584.97
Accumulated Depreciation	(4,123,384.56)	(3,816,385.32)
Plant – Utility Plant in Service (UPIS)	60,666,547.75	63,702,778.45
Accumulated Depreciation	(24,214,204.54)	(19,556,282.81)
Buildings & Other Structures	3,522,907.63	3,522,907.63
Accumulated Depreciation	(634,123.28)	(475,592.48)
Other Structures	4,110,643.85	921,562.03
Accumulated Depreciation	(165,881.28)	(82,940.64)
Machinery and equipment		
Office Equipment	1,353,038.78	1,287,844.01
Accumulated Depreciation	(479,604.65)	(356,620.01)
Communication equipment	357,966.49	28,191.49
Accumulated Depreciation	(10,148.94)	(7,611.66)
Other Equipment	1,047,306.10	827,320.00
Accumulated Depreciation	(136,146.30)	(77,545.50)
Transportation Equipment	1,138,332.00	908,292.00
Accumulated Depreciation	(780,748.56)	747,387.65
Furniture & Fixtures	478,411.38	239,091.18
Accumulated Depreciation	(21,291.84)	(7,454.40)
Construction in Progress-UPIS	-	1,987,398.87
TOTAL PROPERTY, PLANT AND EQUIPMENT	₱ 64,311,203.40	₱ 63,480,105.50

8. Financial Liabilities

Particulars	2021	2020
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Particulars	2021	2020
Accounts Payable	₱ 2,041,236.36	₱ 3,607,383.1
Loans Payable - Domestic	-	-
Due to Officers & Employees	210.50	53,138.34
TOTAL	₱ 2,041,446.86	₱ 3,660,521.44

9. Inter – Agency Payables

Particulars	2021	2020
BIR	₱ 114,292.86	₱ 174,890.12
GSIS	628,370.09	433,777.03
Pag-ibig	103,787.25	88,567.07
PhilHealth	38,015.47	44,242.33
TOTAL	₱ 884,465.67	₱ 741,476.55

10. Trust Liabilities

Particulars	2021	2020
TRUST LIABILITIES	₱ 296,798.48	₱ 335,787.00

11. Service and Business Income

Particulars	2021	2020
Waterworks System Fees	₱ 41,051,927.79	₱ 34,642,793.75
Interest Income	950.60	2,319.65
Fines & Penalties – Business Income	1,273,200.14	1,036,886.75
Other Business Income	139,152.60	101,230.46
Other Gains	0.00	0.00
TOTAL BUSINESS INCOME	₱ 42,465,231.13	₱ 35,783,230.61

EXPENSES

12. Personnel services

Particulars	2021	2020
Salaries and Wages – Regular	₱ 10,264,662.06	₱ 9,004,511.51
Salaries and Wages – Casual	1,528,392.63	1,398,591.18
Other Compensation		
<i>Personnel Economic Relief Allowance (PERA)</i>	1,146,000.00	1,107,000.00
<i>Representation Allowance (RA)</i>	195,000.00	132,000.00
<i>Transportation Allowance (TA)</i>	195,000.00	132,000.00
<i>Clothing/Uniform Allowance</i>	282,000.00	276,000.00
<i>PEI</i>	0.00	0.00
<i>Hazard pay</i>	0.00	304,500.00
<i>Overtime & Night Pay</i>	84,101.99	336,299.89

Particulars	2021	2020
<i>Year – end Bonus</i>	1,023,251.00	0.00
<i>Cash Gift</i>	240,000.00	230,000.00
<i>Other Bonuses & Allowances</i>	1,634,372.00	2,802,136.00
Personnel Benefit Contribution		
<i>Retirement and Life Insurance Premiums</i>	1,385,188.43	1,251,584.03
Particulars	2021	2020
<i>Pag-IBIG Contributions</i>	56,900.00	59,300.00
<i>PhilHealth Contributions</i>	164,399.28	156,386.91
<i>Employees Compensation Insurance Premiums</i>	56,900.00	55,700.00
Other Personnel Benefits	1,532,445.56	1,386,897.00
TOTAL PERSONNEL BENEFITS	₱ 19,788,612.95	₱ 18,632,906.52

13. Maintenance & Other Operating Expenses

Particulars	2021	2020
Traveling Expenses	₱ 362,685.86	₱ 127,056.55
Training and Scholarship expenses	₱ 86,500.00	₱ 19,600.00
Supplies & Materials Expenses		
<i>Office Supplies Expenses</i>	243,335.66	112,633.58
<i>Accountable Forms Expenses</i>	99,800.00	145,200.00
<i>Non-Accountable Forms Expenses</i>	148,250.00	88,150.00
<i>Fuel, Oil & Lubricants expenses</i>	542,086.76	343,490.24
<i>Chemical & Filtering Supplies expenses</i>	243,335.66	445,059.50
Total Supplies & Materials Expenses	₱ 1,910,961.00	₱ 1,134,533.32
Utility Expenses		
<i>Water expenses</i>	₱ 71,562.85	₱ 72,834.86
<i>Electricity</i>	462,983.96	343,508.60
Total Utility Expenses	₱ 534,546.81	₱ 416,343.46
Communication Expenses		
<i>Postage & Courier Services</i>	₱ 9,488.00	₱ 6,653.00
<i>Telephone expenses</i>	42,000.00	42,000.00
<i>Internet Subscription Expenses</i>	34,793.00	34,787.00
Total Communication Expenses	₱ 86,281.00	₱ 83,440.00
Generation, Transmission & Distribution expenses	₱ 3,895,596.42	₱ 3,613,077.34
Extraordinary & Miscellaneous expenses	₱ 658,416.96	₱ 344,079.27
Professional Services		
<i>Legal Services</i>	₱ 900.00	₱ 15,750.00
<i>Other Professional Services</i>	5,300.00	9,600.00
<i>Auditing Services</i>	43,999.75	561,802.05
TOTAL PROFESSIONAL FEES	₱ 50,199.75	₱ 587,152.05

Particulars	2021	2020
General Services	₱ 1,825,626.28	₱ 1,266,965.00
Repairs & Maintenance		
<i>Infrastructure Assets</i>	₱ 1,480,750.09	₱ 1,538,811.22
<i>Machinery & Equipment</i>	45,254.13	137,314.40
<i>Transportation Equipment</i>	228,029.41	250,106.02
<i>Other Property, Plant and Equipment</i>	247,264.84	472,808.81
Total Repairs & Maintenance	₱ 2,001,298.47	₱ 2,399,040.45
Taxes, Insurance Premiums & Other Fees		
<i>Taxes, Duties & Licenses</i>	₱ 882,706.42	₱ 840,679.12
<i>Fidelity Bond Premiums</i>	28,125.00	0.00
<i>Insurance expenses</i>	66,797.39	14,464.71
Total Taxes, Insurance Premiums & Other Fees	₱ 977,628.81	₱ 855,143.83
Other Maintenance and Operating Expenses		
<i>Advertising, Promotional & Marketing Expenses</i>	₱ 167,938.00	₱ 147,688.00
<i>Representation Expenses</i>	336,237.18	194,026.10
<i>Donations</i>	110,000.00	20,500.00
<i>Directors & Committee Member's Fees</i>	626,620.15	682,951.15
<i>Transportation & Delivery expenses</i>	0.00	9,800.00
Total Other Maintenance & Other Operating Expenses	₱ 1,240,795.33	₱ 1,054,965.25
TOTAL MAINTENANCE & OTHER OPERATING EXPENSES	₱ 14,664,009.11	₱ 11,901,396.52

14. Financial Expenses

Particulars	2021	2020
Interest Expenses	₱ 867,183.00	₱ 940,114.00

15. Non-Cash Expenses

Particulars	2021	2020
Depreciation	₱ 5,492,536.68	₱ 4,656,004.08
Impairment Loss – Loans & Receivables	240,434.29	0.00
Discounts & Rebates	52,293.79	26,758.74
TOTAL NON – CASH EXPENSES	₱ 5,785,264.76	₱ 4,682,762.82

**PART II –
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. AUDIT QUALIFICATIONS/FINANCIAL AUDIT OBSERVATIONS

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 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.

Section 74 of P.D 1445 states that: *“At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”*

Similarly, Section 5, Chapter 21 of the GAM Volume I provides that: *“The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.”*

In addition, Section 7 thereof requires that the Chief Accountant shall submit the Bank Reconciliation Statement (BRS) within twenty days after the receipt of the monthly BS to the Head of the Agency and the COA Auditor, with all the supporting documents and journal entry vouchers.

Verification of Cash in Bank balance in the amount of P7,647,380.08 showed that the Accounting Processor has not prepared and submitted the monthly BRS including its supporting documents such as Bank Statement, paid checks, direct memo and credit memo of the Water District to the Audit Team. The agency maintains Current Account Numbers 0805-0712-14 and 4232-1008-05 with Land Bank of the Philippines- Kapatagan Branch and Savings Account Numbers 0801-0610-87 and 0802-1169-18 with Land Bank of the Philippines- Tubod Branch.

Upon interview with the Accounting Processor, she stated that she has prepared BRS but was not able to submit the same to the Audit Team because she was not aware that it is required to be submitted.

BRS provides the necessary control mechanism to help protect cash from unauthorized transactions by uncovering irregularities. It helps management in identification of errors in the accounting records and the bank's records. It also helps in the regular monitoring of cash flows. The management was not able to attain these objectives and purposes primarily because there was no preparation of BRS on a regular monthly basis as required by COA Rules. It has also constrained our verification of the Cash in Bank- Local Currency balance as presented in the Financial Statement, thus casting doubt as to its accuracy.

Recommendation/s:

We recommended 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.

Management Comments:

The Management, particularly the Accounting Processor, committed to comply with the audit recommendation. She explained that she did not know of the prescribed period of submission of BRS. She was able to submit unsubmitted BRS of the prior months and promised to regularly and promptly submit future BRS.

2. The accuracy and reliability of the Property, Plant and Equipment (PPE) account amounting to P64,311,203.40 as of December 31, 2021 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.

COA Circular No. 2020-006 prescribes 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 to establish PPE balances that are verifiable as to existence, condition, and accountability.

Specifically, Sections 7 thereof stipulates that:

7.0 DISPOSITION PROCEDURES FOR NON-EXISTING/MISSING PPEs

- 7.1 *For the non-existing/missing PPEs, the Property Unit shall:
 - a. Verify if the PPE items were already disposed with supporting IIRUP or transferred/donated to other government agencies with supporting Property Transfer Report (PTR); and
 - b. Submit to the Accounting Unit the original copies of the IIRUP and PTRs for disposed and transferred PPE items, for recording in the books of accounts.*
- 7.2 *The Accounting Unit shall take up the necessary accounting entries to derecognize disposed or transferred PPEs based on original copies of the IIRUP and PTR.*
- 7.3 *The Head of the Property Unit shall be responsible in determining the person/s accountable for non-existing/missing PPEs not otherwise disposed or transferred. The accountability shall be verified from the Property Unit's file/copy of the PARs, PCs and other available property records.*
- 7.4 *If there is a pending Request for Relief for any of the non-existing/missing PPEs, such fact shall be indicated under the "Remarks" column of the list.*
- 7.5 *The Property Unit shall inform the Head of the Agency of the non-existing/missing PPEs without pending Request for Relief and shall prepare letters addressed to each concerned accountable officer/personnel demanding the production of the PPE he/she is*

- accountable for. The accountable officer/personnel shall be given five (5) calendar days to respond to the demand letter.
- 7.6 The demand letters shall be signed by the Head of the Agency or designated representative and immediately issued by the Property Unit to the concerned accountable officers/personnel.
- 7.7 If the accountable officer/personnel was able to produce the PPE item demanded from him/her, the Property Unit shall indicate under the "Remarks" column of the List of Non-Existing PPEs that the item was "produced/presented upon demand" and, subsequently, inform the Inventory Committee of such changes in order to amend the RPCPPE.
- 7.8 If the accountable officer/personnel was not able to produce the PPE item, such fact shall be indicated under the "Remarks" column of the List of Non-Existing PPEs.
- 7.9 After gathering all the necessary information by performing the preceding procedures, the Property Unit shall submit to the Accounting Unit the List of Non-Existing/Missing PPEs, with complete information on which PPEs could not be produced upon demand and those which have pending Requests for Relief, as well as the corresponding accountable officers/personnel.
- 7.10 The Accounting Unit shall take up the necessary accounting entries to recognize in the books of accounts the loss of PPE and to set up the corresponding receivables from concerned accountable officers/personnel for the non-existing/missing PPEs that could not be produced upon demand. It shall likewise check if appropriate accounting entries were already taken up recognizing the loss of PPE and setting up of accountability for those with pending Requests for Relief; otherwise, it shall affect the necessary accounting entries. The amount to be set up as receivables over the loss of depreciable assets shall be based on depreciated replacement cost, which is replacement cost (current market price) less accumulated depreciation calculated on the basis of replacement cost.
- 7.11 If there are non-existing/missing PPEs for which accountability could not be established despite exhaustion of all diligent efforts, the following procedures shall be followed:
- a. The Head of the Agency shall cause the conduct of an investigation to determine the last known location/office where the missing PPE items were issued/installed, person accountable, circumstances of the loss, and the persons responsible for the loss, among others;
 - b. If accountability/responsibility over the missing PPE was pinpointed after investigation, demand shall be made from the accountable personnel to produce the item or pay the depreciated replacement cost thereof;
 - c. The Accounting Unit shall be furnished the certified copy of the investigation report and demand letter to be used as basis to recognize loss of PPE and to set up the corresponding receivables from the concerned accountable officer/personnel; and
 - d. If accountability/responsibility over the missing PPE could not be pinpointed after investigation, authority for derecognition thereof

from the books of accounts may be requested from the COA, in accordance with Paragraph 8 of this Circular. Pending the grant of authority by the COA, the said PPEs shall remain in the books of accounts.

The Water District's PPE account constitutes 79.99% of its assets with net carrying amount of P64,311,203.40 as of December 31, 2021. During the year, the agency conducted physical inventory of all its property, plant, and equipment. After such inventory, a reconciliation was executed between the result of physical inventory with the property and accounting records. The Accounting Processor then made an accounting entry writing-off various PPE accounts to make necessary adjustments for PPEs which are non-existing/missing. as follows:

PPE Account Written-off	Amount
Water Supply System	P 514,923.29
Plant- Utility Plant in Service	3,489,401.36
Office Equipment	378,400.78
Other Equipment	73,389.97
Furnitures and Fixtures	94,298.40
Total	P 4,550,413.80

Per interview with the Accounting Processor, she stated that she made the corresponding adjusting entries to reconcile the physical count result with the accounting records as she is not cognizant of the disposition procedure for non-existing or missing PPEs.

The automatic writing-off of PPE accounts without undertaking the necessary procedures of derecognizing it would deprive the government of its PPE assets entrusted to its personnel for custody and safekeeping. It would render futile the laws and regulations on property accountability of government personnel. It would also put various PPE assets against possible misuse, mismanagement and exploitation. Lastly, the accuracy and reliability of the reported balance of PPE account could not be relied upon, thus, affecting the fair presentation of the financial statement.

Recommendation/s:

We recommended the Management to:

- a. instruct the Accounting Processor to reverse the accounting entries made in writing-off various PPE accounts;
- b. 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.

Management Comments:

The management followed the audit recommendation. The Accounting Processor already made the necessary accounting entries to reverse the erroneous entry. They also committed to faithfully comply with the procedures provided in the COA Circular No. 2020-006.

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.

Paragraph 15 of PAS 1 states that:

“The financial statements must “present fairly” the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation.”

Also, paragraph 58 of PAS 39 provides that “[a]n entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss.”

Paragraph 63 states that if there is objective evidence that an impairment on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the assets shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in profit or loss.

In addition, COA Circular No. 2016-005 dated December 19, 2016 states 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 collectible.”

Review of Other Accounts Receivable account revealed that receivables due to disallowances in the amount of P1,807,000.00 were past due and remained outstanding for eight (8) years, breakdown of which is as follows:

PARTICULARS	AMOUNT
Dir. Angelita P. Robles	P 431,250.00
Dir. Enrico P. Eya	431,250.00
Dir. Raul C. Carreon, Sr.	431,250.00
Dir. Jimmy D. Pamotongan	431,250.00
Dir. Lito P. Catillano, Sr.	431,250.00
Cherriebelle T. Devaras	96,250.00
Sub-Total	2,252,500.00

PARTICULARS	AMOUNT
Settled	455,500.00
Total	P 1,807,000.00

During the inquiry with the Accounting Processor, it was disclosed that they were initially able to deduct such disallowances to the respective salaries of concerned officials, but it was stopped when the previous General Manager said that they would instead file an appeal for the disallowance. However, no appeal was recorded or received by the then Auditors. It should be noted, some of these officials already departed.

Considering the amount involved, Management should seriously consider exploring ways and means of collecting these accounts. Without effective program on collection and effort from the District to collect, the possibility that such will not be collected will be higher. Thus, the District's asset account is more likely overstated with the corresponding amount of doubtful account. More importantly, it will deprive the District of additional income to finance its operations and needed improvement.

It is emphasized that fiscal responsibility rests directly with the chief or head of the agency, thus, he or the governing board is obliged to prudently exercise this assigned or imputed authority in the management of the agency's financial resources emphasizing on economical, efficient, effective, and adequate monitoring of the Accounts Receivable.

Recommendation/s:

We recommended that Management:

- a. Exert efforts to collect the receivables thru demand letters;
- b. Consider incorporating payment plans/schedules in their courses of action to encourage gradual settlement of accounts;
- c. Require the Accountant to classify these past-due and dormant accounts receivable, as non-current in the financial statements pursuant to PAS 1;
- d. 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
- e. Conduct regular monitoring and review of accounts receivable as well as formulate and implement an effective collection strategy.

Management Comments:

The Management admitted the lax in their collection efforts of the said accounts receivable. They promised to adhere with the audit recommendations and exert efforts to collect such receivables, and if proven to be uncollectible, make the necessary steps to request for write-off. They also agreed to review their collection practices and implement effective collection strategies.

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.

COA Circular No. 2015-004 prescribes for the guidelines and procedures on the submission of Year-End Financial Statements and Other Financial Reports/Schedules of the GOCCs starting FY 2014.

Section 3.1 states that the Chief Accountant/Head of Accounting Unit shall submit directly to the Government Accountancy Office (GAO), GAS, and to the Supervising Auditor (SA)/Audit Team Leader (ATL) concerned, the following year-end financial statements and other related financial reports/schedules in accordance with the existing format and in printed and digital copies on or before February 14 of each year:

- Pre-closing Trial Balance
- Post-closing Trial Balance
- Comparative Detailed Statement of Financial Position
- Comparative Detailed Statement of Financial Performance
- Comparative Statement of Changes in Equity
- Comparative Statement of Cash Flows (Direct Method)
- Notes to Financial Statements
- Statement/Aging of Accounts Payable
- Statement/Aging of Accounts Receivable
- Breakdown of Domestic/Foreign Loans (indicate if guaranteed by the National Government)
- Schedule of Income Taxes Paid
- Schedule of Dividends Paid
- Schedule of Subsidies Received from National Government and other GOCCs (if any)
- Schedule of Fund Transfer from one agency to another agency/agencies and its utilization
- Summary of Discretionary, Representation, Extraordinary, Promotional, Confidential and Consultancy Expenses
- Roster of Membership of Governing Board
- Statement of Management Responsibilities

The Water District has submitted on time their Financial Statements but is incomplete. Only the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Notes to Financial Statements were submitted to the Audit Team.

Inquiry with the concerned official stated that she was not aware of the complete year-end financial statements and other related financial reports/schedules in accordance with the existing format. She was unacquainted to submit the complete required reports to the Audit team.

As a result of the non-submission of the required reports to COA impeded the immediate verification of the transactions that may need further analysis. Furthermore, the required audit of financial transactions and necessary audit decisions on the subject transactions as well as the validation on the proprietary, validity and accuracy of the account balances recorded in the books could not be immediately ascertained.

Recommendation/s:

We recommended 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.

Management Comments:

The Management undertook to implement the audit recommendations. They were able to submit the lacking report for the current year and they promised to promptly submit the next reports.

B. OTHER AUDIT OBSERVATIONS

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.

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.

3.3 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.

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.”

Contrary to the forgoing, the Water District did not submit the copy of the GAD Plan and Budget for CY 2021 to this Office, which would supposedly present the GAD issues identified. Also, GAD Accomplishment Report was not submitted.

Inquiry with the Management revealed that they prepared GAD Plan and Budget but was not able to furnish copy to this office because they were not aware of the need to submit such. 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.

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.

Recommendation/s:

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 Comments:

The GAD Focal Person conformed to abide with the audit recommendation to submit the GAD reports in the prescribed period. He also committed to submit GAD reports due that were not yet submitted.

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 2021 (RA 11518) and Section 5, Rule 19 of Philippine Disaster Risk Reduction and Management Act of 2010 (RA10121)

Section 37 of the General Provisions of RA 11518 or the General Appropriations Act (GAA) of 2021 provides that:

*“Sec. 37. Disaster Risk Reduction and Climate Change Adaptation and Mitigation Measures Incorporated in All Agencies Projects. All agencies of the government should implement projects incorporating risk reduction, climate change adaptation, and where feasible, climate change mitigation.
xxx”*

Furthermore, Section 5, Rule 19 of the Implementing Rules and Regulations of RA 10121, also known as Philippine Disaster Risk Reduction and Management Act of 2010 states that:

“Section 5. Funding for DRRM Projects. All departments, bureaus, offices and agencies of the government are hereby authorized to use a portion of their appropriations to implement projects designed to address DRRM

activities in accordance with the guidelines to be issued by the NDRRMC in coordination with the DBM.”

Verification of the status of the Agency’s compliance with the above-stated provisions disclosed that a Disaster Risk Reduction and Management Plan and Budget was prepared but was not submitted to the Audit Team. However, a copy was sent to the Office of Civil Defense for approval.

Upon inquiry with the focal person, they were not able to furnish this office with copy of the report because they were not aware of such requirement. Also, the only activity implemented was the conference as to the roles and responsibilities of each member of the committee, mainly due to Covid-19 pandemic.

DRRM Plan and Budget must include programs and activities regarding preparedness, mitigation, prevention, response, and rehabilitation before, during and after a disaster. Non-implementation of these programs and activities, including climate change adaptation and mitigation programs, for CY 2021 is contrary to cited laws. The Water District’s role and contribution to disaster-resilient community has not been achieved. Additionally, it casts doubt on the capacity of the agency to prepare for and respond to national disasters and calamities, thus, increasing the risk not only to the agency but also to the community.

Recommendation/s:

We recommended that the Management require the DRRM Officer to:

- a. 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;
- b. and coordinate with the Local Disaster Risk Reduction and Management Council as to possible programs and activities that involves the community.

Management Comments:

The management promised to adhere with the audit recommendation. They agreed to incorporate the recommendation in the incoming year’s DRRM Plan and Budget. They also committed to submit the required reports in the prescribed period.

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.

Presidential Decree No. 198 date May 25, 1973, as amended by PD Nos. 789 and 1479, and Republic Act. No. 9286, provides for the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply and wastewater disposal system for population centers of the Philippines as a national policy of high priority.

Further, Sec. 5 of PD 198 provides that Local Water Districts may be formed with the following purpose:

- a. *Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal, and agricultural uses for residents and lands within the boundaries of such districts,*
- b. *Providing, maintaining, and operating wastewater collection, treatment and disposal facilities, and*
- c. *Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose. (emphasis added)*

Republic Act 9275 also known as the “Philippine Clean Water Act of 2004,” approved on March 22, 2004, provides for a comprehensive water quality management in line with the State’s policy of economic growth in a manner consistent with the protection, preservation and revival of the quality of our fresh, brackish and marine waters.

Section 8.6 of RA 9275 IRR provides that:

“8.6 Role of Water Supply Utilities. In the case of HUCs, non-HUCs and LGUs where water districts, water utilities and LGU water works have already been constituted operational, the water supply utility provider shall be responsible for the sewerage facilities and the main lines pursuant to P.D. No. 198 and other relevant laws. In areas where there are no existing facilities, the LGUs, water districts or water utilities may adopt septage management program or other sanitation alternatives.”

To date, the Water District does not have its Septage Management Plan (SMP).

During the interview with the Management, they acknowledged that they do not have a Septage Management Plan. They further explained that have not taken any preliminary actions on preparing the plan because they do not know how to start preparation of the plan as none of the present employees of the District have attended a seminar related to the SMP.

Aside from being a requirement of law, the SMP will also act as a vehicle for communicating about the resources, activities, and outcomes to program staff, development partners, or other stakeholders. The SMP can also be an important tool in illustrating to the beneficiaries or community what a project is meant to achieve.

The SMP underpins a strategic planning process and serves as a living management tool-fostering ownership and consensus, guiding corrective actions, facilitating the coordination of development efforts, charting the course for achieving a strategic objective, and ultimately serving as key accountability tool for evaluation.

Further, non-compliance to these laws deprives its clients of a comprehensive water quality management, including wastewater disposal system that is consistent with the protection, preservation, and revival of the quality of its fresh, brackish and marine waters.

Recommendation/s:

We recommended 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.

Management Comments:

The audit observation was well-taken by the Management. They explained that compliance with the said law requires extensive efforts as it requires collaboration with the LGU, and it also involves a huge amount of resources. Nonetheless, they committed to make initial steps to comply with the law.

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

The Water District has complied with the existing rules and regulations on the deductions and remittances of compulsory contributions to the GSIS, HDMF and Philhealth.

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

The Water District has complied with existing tax laws, rules and regulations by withholding taxes and promptly and regularly remits the same to the Bureau of Internal Revenue.

E. STATUS OF NOTICE OF DISALLOWANCE, NOTICE OF SUSPENSION AND NOTICE OF CHARGE

Particulars	Balance, 01/01/2021	CY 2021 Issuances	CY 2021 Settlement	Balance, 12/31/2021
Suspensions	P 884,789.41	1,050,376.46	745,876.46	P 1,189,289.41
Disallowances	P 2,366,000.00	19,376.00		P 2,385,376
Charges	P 0.00	0.00	0.00	P 0.00

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

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 CYs 2020 and 2019 AAR and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	18
Partially Implemented	5
Not Implemented	1

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
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 amount of ₱68,828,956.05 in of doubtful validity.	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.	Fully Implemented
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	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		the cashier together with their collection summary so that mixing up of collections can be avoided.	
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 ₱4,253,460.02.	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 Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.	Fully Implemented
AAR 2020 Finding No. 4	Compliance to Section 3.2 of CSC 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	We recommended Complying 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: a. Board Resolution stating that the District was adopting an alternative work arrangement, specifically skeleton (skeletal) staffing and stating therein the	Partially Implemented No DTRs were submitted to our office as of this date.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>Lanao del Norte amounting to ₱304,500.00 cannot be ascertained due to lack of supporting documents.</p>	<p>maximum number or percentage of employees to report per day.</p> <p>b. 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.</p> <p>c. 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,</p> <p>Daily Time Records (DTR) of each personnel as proof of compliance to the office order.</p>	
<p>AAR 2020 Finding No. 5</p>	<p>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.</p>	<p>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</p>	<p>Fully Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		undertaken in case of health, medical and hospital needs. In case of financial assistance brought about by calamities, typhoons fire etc., submit Barangay Certification	
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
AAR 2020 Finding No. 7	District projects were advertised in a newspaper of general nationwide circulation amounting to ₱19,376.00 in 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.	We recommend to strictly adhere to Section 21.2.1 (c) of the revised Implementing Rules and Regulations of 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	Fully Implemented Notice of Disallowance was issued on this matter.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		where services or goods are procured and not in the name of their agent in adherence to sound internal control policy.	
AAR 2020 Finding No. 8	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.	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 is already obsolete.	Fully Implemented
AAR 2020 Finding No. 9	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.	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 Auditor/Audit Team Leader every 30th day of April.	Partially Implemented Only Motor Vehicles were insured by the Water District.
AAR 2020 Finding	Reports to be prepared by the Treasury Section as provided by Appendix	We recommended that preparation of reports pertaining to cash	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
No. 10	29 and 47 of Volume II of the General Accounting Manual were prepared by the bookkeeper thus violating the internal control of separation of treasury and accounting functions.	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.	
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.	Not Implemented No copies of Contracts or Purchase Orders were submitted to our office.
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
AAR 2020 Finding No. 13	Notices of Awards, Purchase Orders, Notices to Proceed including Inspection and Receiving Reports for	We recommended that the date of receipt of Purchase Orders be indicated for the purpose of imposing liquidated damages in	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>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).</p>	<p>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.</p>	
<p>AAR 2019 Finding No. 1</p>	<p>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.</p>	<p>We recommend 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.</p>	<p>Fully Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
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 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 recommend 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 Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.	Fully Implemented
AAR 2019 Finding No. 3	Water sales for the month of December 2019 amounting to ₱74,181.97 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.	Fully Implemented
AAR 2019 Finding No. 4	The District did not provide Allowance for Doubtful Accounts for Accounts Receivable from water sales totaling P3,663,351.17 as of December 31, 2019, respectively, contrary	We recommend that Management employ the accounting policy based on Sec. 9 of the Government Accounting Manual (GAM), Vol. on setting up Allowance for Doubtful Accounts and request for	Partially Implemented They were able to set-up Allowance for Doubtful Accounts but with a very minimal amount,

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	Sec. 9 of the Government Accounting Manual (GAM), Vol. I thus, casting doubts on the fairness of the presentation of the financial statements.	write-off of dormant accounts with COA, if necessary.	thus, not reflective of the realistic AFDA.
AAR 2019 Finding No. 5	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.	We recommend 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 Auditor/Audit Team Leader every 30th day of April.	Partially Implemented They are yet to submit to the GSIS the required documents for insurance of properties.
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.	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	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		the District.	
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 recommend 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.	Partially Implemented They were able to improve their efficiency level but with a minimal rate.
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.	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
AAR 2019 Finding No. 9	Fidelity Bond was not posted or insufficient for accountable officers who handle 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 recommend 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	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>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.</p>	
<p>AAR 2019 Finding No. 10</p>	<p>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).</p>	<p>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 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</p>	<p>Fully Implemented</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		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.	
AAR 2019 Finding No. 11	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.	We recommend 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.	Fully Implemented