



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

OFFICE OF THE REGIONAL DIRECTOR

February 22, 2021

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 (KAPWD)**, Kapatagan, Lanao del Norte as of December 31, 2020, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

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

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

A Modified-Qualified Opinion was rendered on the Financial Position of the Kapatagan Water District as of December 31, 2020, and the results of operations and cash flows for the year then ended, as presented in the financial statements accompanying this report.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of the Kapatagan Water District for the year 2020 due to the following exceptions:

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 doubtful validity.

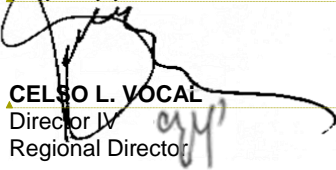
2. Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱4,253,460.02.

The above and other observations, together with the recommended courses of action which were discussed by the Audit Team with you and other officials of the agency in the exit conference are discussed in detail on Part II of the Report.

We request that a status report, by accomplishing the attached Agency Action Plan and Status of Implementation form, on the actions taken on the audit recommendations be submitted within 60 days from receipt of this report, pursuant to Section 89 of the General Provisions of the General Appropriations Act FY 2020.

We appreciate the invaluable support and cooperation extended by the officials of that 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*

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Republic of the Philippines
COMMISSION ON AUDIT
 Provincial Satellite Auditing Office
 Iligan City
 R10-05, Water Districts

KAPATAGAN WATER DISTRICT
 For Calendar Year 2020
 Agency Action Plan and Status of Implementation
 (AAPSI)

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 – 2021-001	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 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.							
AOM – 2021-002	Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the	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							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	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.	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.							
AOM – 2021- 003	Collections amounting to ₱ 15,593,872.60 were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II - Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).	We recommended that collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
		collection summary so that mixing up of collections can be avoided.							
AOM – 2021- 004	Compliance to Section 3.2 of Civil Service Commission Memorandum Circular (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 Lanao del Norte amounting to ₱304,500.00 cannot be ascertained due to lack of supporting documents.	<p>We recommended Complying strictly with Civil Service Commission Memorandum Circular (CSC MC) No. 10 as amended by CSC MC No. 18, both series of 2020 dated May 7, 2020 and October 15, 2020 respectively, in the payment of COVID-19 Hazard Pay. Submit to this office the following documents to justify the payment of COVID-19 Hazard Pay:</p> <ul style="list-style-type: none"> a. Board Resolution stating that the District was adopting an alternative work arrangement, specifically skeleton (skeletal) staffing and stating therein the maximum number or percentage of employees to report per day. 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. c. Office Order from the General Manager 							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
		<p>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>d. Daily Time Records (DTR) of each personnel as proof of compliance to the office order.</p>							
AOM – 2021- 005	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.							
AOM 2021- 006	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties	We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	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.	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.							
AOM – 2021-007	Reports to be prepared by the Treasury Section as provided by Appendix 29 and 47 of Volume II of the General Accounting Manual were prepared by the bookkeeper thus violating the internal control of separation of treasury and accounting functions.	We recommended that preparation of reports pertaining to cash collections, deposits, and disbursements, such as the Cash Receipts Record and Report of Checks Issued be maintained by the treasury unit or cashiering section of the District.							
AOM – 2021-008	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	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							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	detection/correction of possible deficiencies.	compliance with COA Circular No. 2009-001.							
AOM – 2021-009	Notices of Awards, Purchase Orders, Notices to Proceed including Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 5,648,598.40 have blank date of receipt by the suppliers or agency personnel thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).	We recommended that the date of receipt of Purchase Orders be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Notices of Award and Notices to Proceed should be issued for procurement where applicable. The mode of procurement should indicate specifically if it is by competitive bidding and any of the alternative modes of procurement as provided in RA 9184. Indicate a reasonable period of delivery for suppliers located outside the District's locality.							
AOM 2021-010	District projects were advertised in a newspaper of general nationwide circulation	We recommend to strictly adhere to Section 21.2.1 (c) of the revised Implementing Rules and Regulations of							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	<p>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.</p>	<p>Republic Act 9184 dated August 9, 2016 and Section 3.3 of GPPB Circular 08-2018 dated October 18, 2018. specifically on the sunset provision in the advertisement of procurement of infrastructure projects, goods or consulting services in newspapers of general circulation. Checks should be drawn in the name of the institution where services or goods are procured and not in the name of their agent in adherence to sound internal control policy.</p>							
AOM 2021-011	<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</p>							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
		credits before and after monetization. For monetization of 50 percent or more of earned leave credits submit the clinical abstract/medical procedures to be undertaken in case of health, medical and hospital needs. In case of financial assistance brought about by calamities, typhoons fire etc., submit Barangay Certification							
AOM 2021-12	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.							
AOM – 2020-007	Fidelity Bond was not secured for all the District's accountable officers as required by Section 101 of Presidential Decree	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							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of	Reason for	Action to
	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.	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.							

Prepared by:

CLAIR GREBERN U. ELUMIR
General Manager



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 19, 2021

ATTY.CELSO L. VOCAL

Regional Director
COA - Regional Office No. X
Cagayan de Oro City

Sir:

We are submitting the Annual Audit Report on the Kapatagan Water District for the year ended December 31, 2020 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, offense known as the Government Auditing Code of the Philippines.

The audit was conducted to (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of three parts, namely: 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.

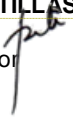
Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) and we believe that the audit evidence we have obtained provide reasonable basis for our audit opinion/report.

Very truly yours,

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CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor



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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 19, 2021

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, we conducted a financial audit on the accounts and operations of the **Kapatagan Water District**, Kapatagan, Lanao del Norte, as of December 31, 2020.

The audit was conducted to ascertain the propriety of the financial transactions and determine the extent of compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of the financial records and reports, as well as the fairness of the presentations of the financial statements.

The audit report consists of three parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; and Part III - Status of Implementation of Prior Year's 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 (ISSAI) and we believe these standards provide reasonable basis for the results of the audit.

Very truly yours,

AMADO PETER A. GARBANZOS
State Auditor IV
Audit Team Leader

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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, 2020

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, 2020, 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: Enrico P. Eya
Lito P. Castellano, Sr.
Raul C. Carreon, Sr.
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 2020.

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, 2020, there was an increase of 6.08% in assets, increase of 2.81% in liabilities and increase of 7.85% in government equity, summarized as follows:

Financial Condition

	2020	2019	Increase/(Decrease)
Assets	₱ 79,004,345.56	₱ 74,474,962.62	₱ 4,529,382.94
Liabilities	₱ 26,813,177.80	₱ 26,081,588.62	₱ 731,589.18
Government Equity	₱ 52,191,167.76	₱ 48,393,374.00	₱ 3,797,793.76

Results of Operations

	2020	2019	Increase/(Decrease)
Income	₱ 36,483,634.50	₱ 38,552,045.08	₱ (2,068,410.58)
Expenditures	₱ 36,157,179.86	₱ 34,802,326.20	₱ 1,354,853.66
Net Operating Income	₱ 326,454.64	₱ 3,749,718.88	₱ (3,423,264.24)

C. 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:

- a) 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 doubtful validity.
- b) 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.

Summary of Significant Observations and Recommendations

1. Collections amounting to ₱ 15,593,872.60 were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II -Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).

We recommended that Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided.

2. Compliance to Section 3.2 of Civil Service Commission Memorandum Circular (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 Lanao del Norte amounting to ₱304,500.00 cannot be ascertained due to lack of supporting documents.

We recommended that Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided.

3. 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 where services or goods are procured and not in the name of their agent in adherence to sound internal control policy.

4. Conformity of the Kapatagan Water District to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292 in the amount of ₱1,033,032.16 cannot be ascertained due to lack of proper supporting documents.

We recommend to strictly adhere to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292. Submit copies of leave application with leave credit balance certified the Human Resource Office including the leave card of the concerned employee reflecting therein the balances of earned leave credits before and after monetization. For monetization of 50 percent or more of earned leave credits submit the clinical abstract/medical procedures to be undertaken in case of health, medical and hospital needs. In case of financial assistance brought about by calamities, typhoons fire etc., submit Barangay Certification.

5. 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.

6. 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.

7. Reports to be prepared by the Treasury Section as provided by Appendix 29 and 47 of Volume II of the General Accounting Manual were prepared by the bookkeeper thus violating the internal control of separation between treasury and accounting functions.

We recommended that preparation of reports pertaining to cash collections, deposits, and disbursements, such as the Cash Receipts Record and Report of Checks Issued be maintained by the treasury unit or cashiering section of the District.

8. 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.

9. 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.

10. 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.

11. Notices of Awards, Purchase Orders, Notices to Proceed including Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 5,648,598.40 have blank date of receipt by the suppliers or agency personnel thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).

We recommended that the date of receipt of Purchase Orders be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Notices of Award and Notices to Proceed should be issued for procurement where applicable. The mode of procurement should indicate specifically if it is by competitive bidding and any of the alternative modes of procurement as provided in RA 9184. Indicate a reasonable period of delivery for suppliers located outside the District's locality.

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

Particulars	Balance, 12/31/2019	CY 2020 Issuances	Settlement	Balance, 12/31/2020
Suspensions	₱ 884,789.41	₱ 0.00	₱ 0.00	₱ 884,789.41
Disallowances	₱ 2,366,000.00	₱ 0.00	₱ 0.00	₱ 2,366,000.00
Charges	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00

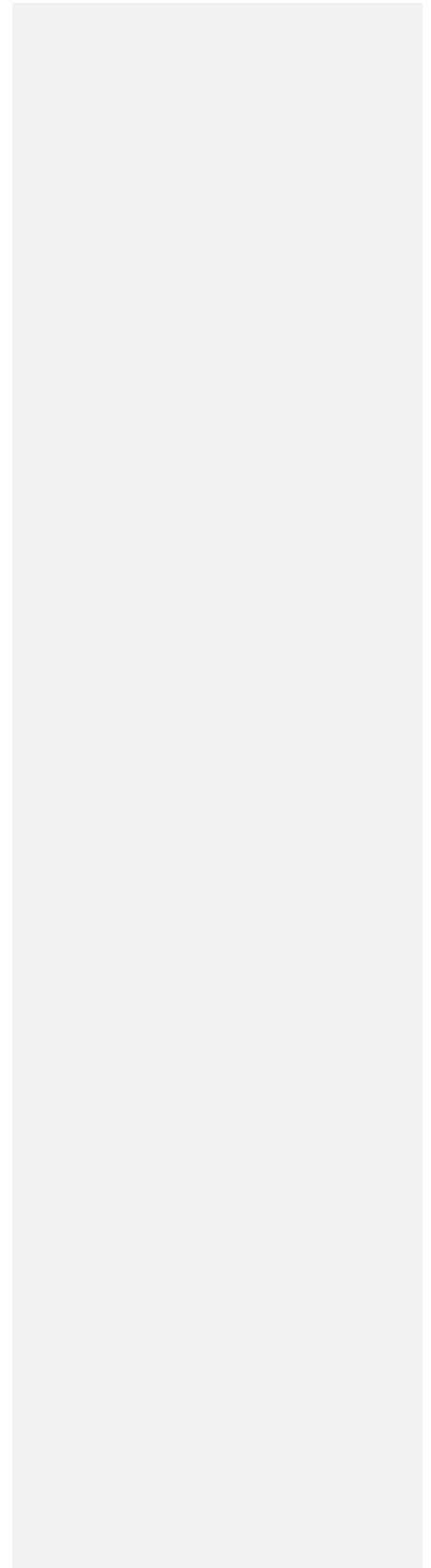
B. Status of Implementation of Prior Year's Audit Recommendations

Of the 25 audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2019, 10 were fully implemented, 12 were partially implemented and 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, 2020 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, 2020 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards. (IFRS).

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:

- a) 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 doubtful validity.
- b) 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 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

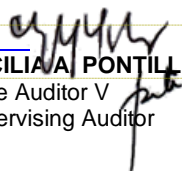
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from 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


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor

February 22, 2021

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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, 2020, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstance.

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

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

ANGELITA P. ROBLES
Chairman of the Board
Date: February 12, 2021

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LEEVENA S. ESGUERRA
Accounting Processor
Date: February 12, 2021

CLAIR GREBERN U. ELUMIR
Acting General Manager
Date: February 12, 2021

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**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	₱ 6,766,062.75	₱ 10,318,816.57
Receivables	4	4,300,890.18	6,069,699.35
Inventories	5	4,253,460.02	4,376,328.29
Other Current Assets	6	186,560.00	9,225.64
Total Current Assets		₱ 15,506,972.95	₱ 20,774,069.85
Non-Current Assets			
Property, Plant and Equipment	7	₱ 63,480,105.50	₱ 53,700,892.77
Other Non-current assets		17,267.11	
Total Non-Current Assets		₱ 63,497,372.61	₱ 53,700,892.77
TOTAL ASSETS		₱ 79,004,345.56	₱ 74,474,962.62
LIABILITIES			
Current Liabilities			
Financial Liabilities	8	₱ 3,660,521.44	₱ 1,517,551
Inter-Agency Payables	9	741,476.55	411,889.91
Trust Liabilities	10	335,787.00	255,224.90
Deferred Credits/Unearned Income		50,000.00	
Total Current Liabilities		₱ 4,787,784.99	₱ 2,184,665.81
Non-Current Liabilities			
Financial Liabilities		₱ 22,025,392.81	₱ 23,896,922.81
Total Non-Current Liabilities		₱ 22,025,392.81	₱ 23,896,922.81
TOTAL LIABILITIES		₱ 26,813,177.80	₱ 26,081,588.6262 27,369,392.42

EQUITY

Government Equity	₱ 4,000,013.34	₱ 4,000,013.34	
	<u>47,286,178.62</u>	<u>43,443,393,360.66</u>	
Retained Earnings/(Deficit)	<u>6246,653,193.79</u>	<u>43,698,124.86</u>	
	<u>904,975.80</u>	<u>6951,328,220.63</u>	
Members Equity	<u>537,960.63</u>	<u>695,235.80</u>	
Total Equity	<u>₱ 52,191,167.76</u>	<u>₱ 48,393,374.0000</u>	
		<u>40,721,594.63</u>	
TOTAL LIABILITIES AND EQUITY	<u>₱ 79,004,345.56</u>	<u>₱ 74,474,962.62</u>	

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(See Accompanying Notes to Financial Statements)



**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>NOTE</u>	<u>2020</u>	<u>2019</u>
Income			
Service and Business Income	11	₱ 35,783,230.61	₱ 37,773,522.34
Gains		695,503.89	778,522.74
Other Non-Operating Income		4,900.00	
Total Income		₱ 36,483,634.50	₱ 38,552,045.08
Expenses			
Personnel Services	12	₱ 18,632,906.52	₱ 17,109,824.77
Maintenance and Other Operating Expenses	13	11,901,396.52	12,476,723.27
Financial Expenses	14	940,114.00	1,171,883.00
Non-Cash Expenses	15	4,682,762.82	4,043,895.16
Total Expenses		₱ 36,157,179.86	₱ 34,802,326.20
Comprehensive Income/(Loss)		₱ 326,454.64	₱ 3,749,718.88

(See Accompanying Notes to Financial Statements)



**KAPATAGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Retained Earnings /(Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2019	₱ 39,948,405.98	₱ 4,000,013.34	₱ 43,948,419.32
ADJUSTMENTS:			
Add/(Deduct):	0.00	0.00	0.00
RESTATED BALANCE AT JANUARY 1, 2019	₱ 39,948,405.98	₱ 4,000,013.34	₱ 43,948,419.32
CHANGES IN EQUITY FOR 2019			
ADJUSTMENTS:			
Add/(Deduct):			
Comprehensive Income for the year	₱ 3,749,718.88	₱ 0.00	₱ 3,749,718.88
Other Adjustments (Restricted/Water Meter Maintenance Fee)	695,235.80	0.00	695,235.80
BALANCE AT DECEMBER 31, 2019	₱ 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

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**KAPATAGAN WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	₱	₱ 240,535.20
Collection of Income/Revenue	35,534,159.83	36,462,935.84
Collection of Receivables	133,684.51	383,488.69
Trust Receipts	696,458.26	695,235.80
Other Receipts	1,012,090.94	453,217.25
Total Cash Inflows	₱ 37,376,393.54	₱ 38,235,412.78
Adjustments	239,371.74	0.00
Adjusted Cash Inflows	₱ 37,615,765.28	₱ 38,235,412.78
Cash Outflows		
Payment of Expenses	₱ 20,165,482.50	₱ 18,549,918.44
Purchase of Inventories	1,608,371.18	1,407,778.18
Grant of Cash Advances	3,515,388.64	5,988,044.47
Payments of Accounts Payable	3,768,641.62	2,776,191.54
Remittance of Personnel Benefit	4,908,818.56	5,347,976.70
Contributions and Mandatory Deductions	25,000.00	
Other disbursements	25,000.00	
Total Cash Outflows	₱ 33,991,702.50	₱ 34,069,909.93
Adjustments	690,000.00	0.00
Adjusted Cash Outflows	₱ 34,681,702.50	₱ 34,069,909.93
Net Cash Provided by/ (Used in) Operating Activities	₱ 2,934,062.78	₱ 4,165,503.45
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	₱ 0.00	₱ 4,806.16
Total Cash Inflows	₱ 0.00	₱ 4,806.16
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 0.00	₱ 4,806.16
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	₱ 3,675,172.60	₱ 234,769.88
Total Cash Outflows	₱ 3,675,172.60	₱ 234,769.88
Adjustments	0.00	0.00

Adjusted Cash Outflows	₱ 3,675,172.60	₱ 234,769.88
Net Cash Provided By/ (Used In) Investing Activities	₱ (3,675,172.60)	₱ 229,963.72
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	₱ 0.00	₱ 0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00
Cash Outflows		
Payment of Long-Term Liabilities	₱ 2,811,644.00	₱ 3,381,606.00
Total Cash Outflows	₱ 2,811,644.00	₱ 3,381,606.00
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 2,811,644.00	₱ 3,381,606.00
Net Cash Provided By/ (Used In) Financing Activities	₱ (2,811,644.00)	₱ 3,381,606.00
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ (3,552,753.82)	₱ 553,933.73
Effects of Exchange Rate Changes on Cash and Cash Equivalents	₱ 0.00	₱ 0.00
CASH AND CASH EQUIVALENTS, JANUARY 1, 2019	₱ 10,318,816.57	₱ 9,764,882.84
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2020	₱ 6,766,062.75	₱ 10,318,816.57



KAPATAGAN WATER DISTRICT
Kapatagan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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	2020	2019
Cash on Hand	P 124,465.17	P 413,376.23
Cash in Bank-Local Currency, Current Account	6,641,597.58	9,905,440.34
TOTAL	P 6,766,062.75	P 10,318,816.57

Details of the Cash in bank accounts are as follows:

Particulars	2020	2019
Cash in Bank-Local Currency, Current Account	P 1,589,858.89	P 4,936,843.44
Cash in Bank-Local Currency, Savings Account	5,051,738.69	4,968,596.90
TOTAL	P 6,641,597.58	P 9,905,440.34

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

1. 1st Valley Bank (22-00008-5) – General Fund and is subject for closure since the last transaction was CY 2018.
2. LBP Account No. 0802-1078-11 – Tubod Branch – General Fund but no transaction of deposits and disbursement. It will be close after the salary loan balances of employees will be fully paid.
3. LBP Account no. 0805-0712-14 - is intended for electronic remittances of HDMF and BIR.
4. LBP Account No. 0802-1078-11 – Kapatagan Branch – General fund where the daily deposits and disbursements were made.

Cash in Bank-Local Currency, Savings Account comprises:

1. LBP Account No. 0801-0610-87 - served as the joint savings account of LWUA and KAPWD.
2. FVB Account No. 102051136992 - served as trust fund for the amount collected from concessionaires for Water Meter Maintenance fee.
3. LBP Account no. 0802-1169-18 - savings account for Terminal Leave.

4. Receivables

Particulars	2020	2019
Accounts Receivable	P 2,493,890.18	P 4,262,699.35
Receivables– Disallowances/Charges	1,807,000.00	1,807,000.00
TOTAL	P 4,300,890.18	P 6,069,699.35

5. Inventories

Particulars	2020	2019
Inventory Held for consumption		
Office Supplies Inventory	P 0.00	P 27,000.00
Accountable Forms, Plates & Stickers Inventory	73,800.00	72,000.00
Non – Accountable Forms Inventory	74,250.00	400
Chemical and Filtering Supplies Inventory	160,500.00	90,000.00
Other Supplies and Materials Inventory	3,085,393.21	3,334,751.48
Semi-Expendable Machinery and Equipment		
Semi – Expendable Office Equipment	113,614.54	113,614.54
Semi – Expendable Communication Equipment	281,475.00	281,475.00
Semi – Expendable Other Machinery and Equipment	226,303.67	218,963.67
Semi-Expendable Furniture, Fixtures & Books	238,123.60	238,123.60
TOTAL	P 4,253,460.02	P 4,376,328.29

6. Other Current Assets

Particulars	2020	2019
Prepayments	₱ 0.00	₱ 9,225.64
Advances		
- Advances for Operating expenses	105,000.00	0.00
- Advances to Officers & Employees	81,560.00	0.00
TOTAL	₱ 186,560.00	₱ 9,225.64

7. Property, Plant and Equipment

Particulars	2020	2019
Land	₱ 5,804,309.23	₱ 4,229,309.23
Land Improvements	1,218,292.47	1,218,292.47
Accumulated Depreciation	(109,646.36)	(54,823.16)
Infrastructure Assets		
Water Supply Systems	8,269,584.97	6,465,749.45
Accumulated Depreciation	(3,816,385.32)	(3,511,947.48)
Plant – Utility Plant in Service (UPIS)	63,702,778.45	60,666,855.48
Accumulated Depreciation	(19,556,282.81)	(19,494,757.49)
Buildings & Other Structures	3,522,907.63	3,522,907.63
Accumulated Depreciation	(475,592.48)	(317,061.68)
Other Structures	921,562.03	921,562.03
Accumulated Depreciation	(82,940.64)	0.00
Machinery and equipment		
Office Equipment	1,287,844.01	1,111,624.30
Accumulated Depreciation	(356,620.01)	(252,935.45)
Communication equipment	28,191.49	28,191.49
Accumulated Depreciation	(7,611.66)	(5,074.38)
Other Equipment	827,320.00	1,059,820.00
Accumulated Depreciation	(77,545.50)	(306,861.70)
Transportation Equipment	908,292.00	902,292.00
Accumulated Depreciation	747,387.65	(710,993.93)
Furniture & Fixtures	239,091.18	0.00
Accumulated Depreciation	(7,454.40)	0.00
Construction in Progress-UPIS	1,987,398.87	0.00
TOTAL PROPERTY, PLANT AND EQUIPMENT	₱ 63,480,105.50	₱ 55,575,988.81

8. Financial Liabilities

Particulars	2020	2019
Accounts Payable	₱ 3,607,383.1	₱ 2,074,705.06
Loans Payable - Domestic	0.00	23,896,922.81
Due to Officers & Employees	53,138.34	0.00
TOTAL FINANCIAL LIABILITIES	₱ 3,660,521.44	₱ 25,971,627.87

9. Inter – Agency Payables

Particulars	2020	2019
BIR	₱ 174,890.12	₱ 33,893.16
GSIS	433,777.03	300,766.92
Pag-ibig	88,567.07	56,841.96
PhilHealth	44,242.33	20,387.87
TOTAL INTER – AGENCY PAYABLES	₱ 741,476.55	₱ 411,889.91

10. Trust Liabilities

Particulars	2020	2019
TRUST LIABILITIES	₱ 0.00	₱ 255,224.90

11. Service and Business Income

Particulars	2020	2019
Waterworks System Fees	₱ 34,642,793.75	₱ 36,741,216.64
Interest Income	2,319.65	6,007.70
Fines & Penalties – Business Income	1,036,886.75	946,598.00
Other Business Income	101,230.46	79,700.00
Other Gains	0.00	778,522.74
TOTAL BUSINESS INCOME	₱ 35,783,230.61	₱ 38,552,045.08

EXPENSES

12. Personnel services

Particulars	2020	2019
Salaries and Wages – Regular	₱ 9,004,511.51	₱ 8,447,248.94
Salaries and Wages – Casual	1,398,591.18	1,050,638.68
Other Compensation		
<i>Personnel Economic Relief Allowance (PERA)</i>	1,107,000.00	1,098,000.00
<i>Representation Allowance (RA)</i>	132,000.00	132,000.00
<i>Transportation Allowance (TA)</i>	132,000.00	132,000.00
<i>Clothing/Uniform Allowance</i>	276,000.00	276,000.00
<i>PEI</i>	0.00	230,000.00

Hazard pay	304,500.00	
Overtime & Night Pay	336,299.89	446,716.32
Year – end Bonus	0.00	1,653,298.00
Cash Gift	230,000.00	230,000.00
Other Bonuses & Allowances	2,802,136.00	0.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premiums	1,251,584.03	1,121,620.14
Particulars	2020	2019
Pag-IBIG Contributions	59,300.00	55,200.00
PhilHealth Contributions	156,386.91	119,066.58
Employees Compensation Insurance Premiums	55,700.00	55,200.00
Other Personnel Benefits	1,386,897.00	1,810,836.11
TOTAL PERSONNEL BENEFITS	P 18,632,906.52	P 17,109,824.77

13. Maintenance & Other Operating Expenses

Particulars	2020	2019
Traveling Expenses	P 127,056.55	P 749,799.64
Training and Scholarship expenses	P 19,600.00	P 205,300.00
Supplies & Materials Expenses		
Office Supplies Expenses	112,633.58	116,780.36
Accountable Forms Expenses	145,200.00	0.00
Non-Accountable Forms Expenses	88,150.00	0.00
Fuel, Oil & Lubricants expenses	343,490.24	430,224.27
Chemical & Filtering Supplies expenses	445,059.50	59,214.08
Total Supplies & Materials Expenses	P 1,134,533.32	P 606,218.71
Utility Expenses		
Water expenses	P 72,834.86	P 31,536.00
Electricity	343,508.60	258,085.21
Total Utility Expenses	P 416,343.46	P 289,621.21
Communication Expenses		
Postage & Courier Services	P 6,653.00	P 7,323.00
Telephone expenses	42,000.00	42,000.00
Internet Subscription Expenses	34,787.00	34,787.00
Total Communication Expenses	P 83,440.00	P 84,110.00
Generation, Transmission & Distribution expenses	P 3,613,077.34	P 4,619,936.81
Extraordinary & Miscellaneous expenses	P 344,079.27	P 620,654.20
Professional Services		
Legal Services	P 15,750.00	P 0.00
Other Professional Services	9,600.00	25,800.00
Auditing Services	561,802.05	0.00
TOTAL PROFESSIONAL FEES	P 587,152.05	P 25,800.00
General Services	P 1,266,965.00	P 1,185,163.50

Particulars	2020	2019
Repairs & Maintenance		
<i>Infrastructure Assets</i>	P 1,538,811.22	P 1,235,770.20
<i>Machinery & Equipment</i>	137,314.40	171,183.22
<i>Transportation Equipment</i>	250,106.02	193,254.36
<i>Other Property, Plant and Equipment</i>	472,808.81	586,806.17
Total Repairs & Maintenance	P 2,399,040.45	P 2,187,013.95
Taxes, Insurance Premiums & Other Fees		
<i>Taxes, Duties & Licenses</i>	P 840,679.12	P 686,738.37
<i>Insurance expenses</i>	14,464.71	41,134.40
Total Taxes, Insurance Premiums & Other Fees	P 855,143.83	P 727,872.77
Other Maintenance and Operating Expenses		
<i>Advertising, Promotional & Marketing Expenses</i>	P 147,688.00	P 135,000.00
<i>Representation Expenses</i>	194,026.10	288,359.82
<i>Donations</i>	20,500.00	67,500.00
<i>Directors & Committee Member's Fees</i>	682,951.15	684,372.66
<i>Transportation & Delivery expenses</i>	9,800.00	0.00
Total Other Maintenance & Other Operating Expenses	P 1,054,965.25	P 1,175,232.48
TOTAL MAINTENANCE & OTHER OPERATING EXPENSES	P 11,901,396.52	P 12,476,723.27

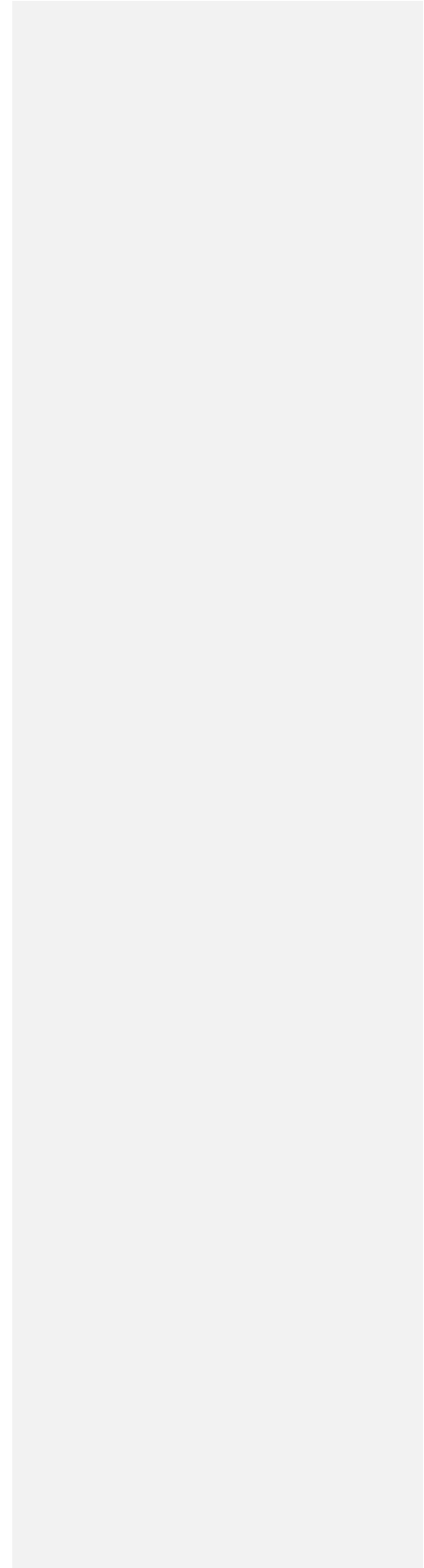
14. Financial Expenses

Particulars	2020	2019
Interest Expenses	P 0.00	P 1,171,883.00

15. Non-Cash Expenses

Particulars	2020	2019
Depreciation	P 4,656,004.08	P 4,012,222.80
Discounts & Rebates	26,758.74	31,672.36
TOTAL NON – CASH EXPENSES	P 4,682,762.82	P 4,043,895.16

**PART II –
OBSERVATIONS AND
RECOMMENDATIONS**



PART II - AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

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 doubtful validity.

Section 5 of COA Circular No. 2020-006 prescribes the general guidelines and procedures on inventory taking which includes among other things:

1. Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station (*Section 5.1*).
2. The Head of the Agency shall create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Units of the agency (*Section 5.2*).
3. The entire inventory taking shall be witnessed by the Commission on Audit (COA) Auditor. The Audit Team Leader and/or any of his/her audit team members may be assigned for the purpose (*Section 5.3*).
4. The PIP shall be approved by the Head of the Agency (*Section 5.10*).
5. The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory (*Section 5.11*)
6. Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs (*Section 5.12*)

The District admits that they were not able to undertake inventory count thus there was no invitation from the District to the COA Auditor or his representative to witness the said inventory. The audit team has to resort to alternative means of validating the existence of the items in the PPE. Of the total PPE items amounting to ₱79,004,345.56, only ₱10,175,389.51 can be validated thus, ₱68,828,956.05 is of doubtful validity.

In addition, due to non-submission/delayed submission of PPE reports, analysis of the accounts as to existence and propriety of items composing the respective asset accounts cannot be undertaken on time as the inventory report submitted does not include the specific locations where the properties are located, and inquiry revealed that there are specific items cannot be verified due to its inaccessibility.

The actual physical count of assets and its corresponding reconciliation with the accounting records is of paramount importance not only to comply with laws, rules, and regulations but also to determine that assets recorded in the books actually exist. It also ensures that they are utilized and maintained properly.

As inventory taking is an indispensable procedure considering the materiality of the amount of the PPE Accounts, the presence of the COA Auditor or his representative to witness the inventory taking is necessary for the confirmation of the declared PPE account in the financial statements.

Recommendation:

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.

Management Comments:

A system has been set by the Property Custodian and had already conducted Physical Count but due to the Pandemic we were not able to conduct the Physical Count of Property, Plant and Equipment properly, that is inviting COA to verify the legitimacy of the Physical Count.

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).

Section 69 of PD 1445 provides that public officers authorized to receive and collect money arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amount so received and collected by them to the treasury of the agency concerned and credited to the particular accounts to which the said money belong.

The frequency of depositing collections is determined by travel time and amount of accumulated collections. 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) provides that all Collecting Officers (COs) shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with authorized government depository bank (AGDB) daily or not later than the next banking day and where collections are minimal and daily deposit thereof becomes costly and impractical, the COs shall deposit their collections at least once a week, or as soon as the collections reach P10,000.00. They shall record all deposits made in the Cash Receipts Record (CRR).

Review of collections and deposits for the period covering January to September 2020 revealed that collections were not deposited intact the next available banking day in **258** instances with delays ranging from 1 to 44 days, taking into consideration whether the collection was received during Fridays or before a local or national holiday. The frequency and total late deposits is shown in the table below (See Annex A for details).

Month	Total Late Deposits	Frequency of Late Deposits
January	₱ 1,111,207.05	25
February	1,718,440.41	30
March	1,377,953.46	38

Month	Total Late Deposits	Frequency of Late Deposits
April	2,434,361.37	31
May	2,740,296.18	30
June	2,477,187.48	44
July	1,549,597.36	29
August	1,764,493.41	24
September	420,335.88	7
Total	₱ 15,593,872.60	258

Inquiry revealed that delays in the deposit are due to late remittance of some tellers of their collection to the cashier. It is also revealed that most of the time; the cashier does not review immediately the tellers' remittances to her as evidenced by her not signing the daily collector's report. They also cited the bank's shortened time of operation in this time of pandemic.

The justification given by the District's treasury section, in view of the high number of frequency of late deposits with the highest number of frequency occurring after the nationwide community quarantine is lifted, is untenable especially that the District have opened a checking account at the Landbank – Kapatagan Branch on March 2019, a mere 100 meters away from the district.

Non-remittance or non-deposition of funds is considered a "prima facie" presumption under Article 217 of the Revised Penal Code that such funds have been malversed or used personally by the teller or cashier for his own benefit. Failure to account shall likewise constitute violation of Article 218 of the Revised Penal Code and of Section 89 of PD 1445 which is punishable under Section 128 of the same Code. Thus the teller or cashier can be subjected to administrative and criminal charges for failure to remit or deposit it intact. This is a reiteration of a prior years' finding.

Recommendation:

We recommended that Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the remittance. Each teller should be provided with a cash box where they can put their collections and should be surrendered to the cashier together with their collection summary so that mixing up of collections can be avoided.

Management Comments:

Due to Scheduled Bank Transactions during the Pandemic the collections has not been done daily. The Management strongly adheres to the recommendation of COA and has done so by the year 2021.

3. Non-submission of the Result of Physical Count of Inventory duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the

Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II of the Government Accounting Manual, puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 4,376,328.29.

In filling out the Report of Physical Count of Inventory (RPCI), Section C, D and E, Appendix 66 of Volume II of the Government Accounting Manual (GAM) provides:

- C. The report shall be reconciled with the Supply Ledger Cards (SLCs) and Stock Cards (SCs) maintained by the accounting Division/Unit and Proper and /or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.*
- D. The reports shall be prepared in four (4) copies and certified correct by the Inventory Committee, approved by the Head of Agency or his/her authorized representative, and verified by the COA Auditor. This shall be distributed as follows:*
- E. Original - COA Auditor, through the Accounting Division/Unit
 Copy 2 - Supply and/or Property Division/Unit
 Copy 3 - Inventory Officer/Committee
 Copy 4 - Accounting Division/Unit*
- F. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.*

It can be surmised from the above instructions that physical count of inventory should be conducted semi-annually and a copy of the RCPI showing the reconciliation between Accounting and Supply/Property Division/Unit should be submitted to the Office of the Auditor.

The RPCI indicating therein the reconciliation made was not submitted to this office on the required deadlines and therefore verification and analysis of the accounts as to valuation and propriety of items composing the respective inventory accounts cannot be undertaken.

The District admits that no physical count of their inventory was undertaken because of intervening events or activities and therefore they have not reconciled it to the individual SLC and PC thus they did not submit it to the Office of the Auditor.

The actual physical count of inventory and its corresponding reconciliation with the accounting records and property/supply records is of paramount importance not only to comply with laws, rules, and regulations, ensuring that they are utilized and maintained properly, but also to determine that assets recorded in the books actually exist. As inventory taking is an indispensable procedure for checking the integrity of property and supply custodianship, reconciliation of said RPCI with the Property and Supply Unit's PC and the Accounting Units SLC is equally indispensable for accuracy of the account and acts as check and balance or internal control to the said account. Considering the materiality of the amount of the inventory accounts in the financial statements and the risk of misstatement

attached thereto, reconciliation of the inventory accounts should be given utmost importance in addition to its inventory taking.

Recommendation:

We recommended the submission to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The reconciliation report should reflect the quantity per books and per supply ledger cards, indicating any variance and the Journal Entry Voucher Number for the adjustment of the variance. The Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.

Management Comment:

With the complexity of the required documents needed and the lack of experience from the part of the Designate Property Custodian we cannot submit documents needed just for the sake of submission. The management values the validity of its data and will comply accordingly with the recommendation of COA.

4. Compliance to Section 3.2 of Civil Service Commission Memorandum Circular (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 Lanao del Norte amounting to ₱304,500.00 cannot be ascertained due to lack of supporting documents.

Administrative Order No. 26, s. 2020 dated March 23, 2020 and DBM Budget Circular No. 2020-1, s. 2020 dated March 24, 2020 authorizes the grant of Hazard Pay, to be called as COVID-19 Hazard Pay, to government employees and workers engaged through contract of service (COS) or job order (JO) basis who physically report for work during the implementation of an Enhanced Community Quarantine in an amount not exceeding P500/day per person. This is further refined by Section 3.2 of Civil Service Commission Memorandum Circular (CSC MC) No. 10, series of 2020 dated May 7, 2020 (amended by CSC MC No. 18, series of 2020 dated October 15, 2020) which provides that only those government agencies observing skeleton (skeletal) staffing are entitled to grant Covid-19 Hazard Pay to its personnel who was ordered to report for work during MECQ or ECQ. The rate of ₱500 per day per employee is not a fixed rate as a lower amount can be granted if the government agency has insufficient funds to cover for the rate.

The MECQ and ECQ categorization of a city or province can issued by the local chief executive in coordination and approval of IATF to prevent or mitigate the transmission and spread of the corona virus disease 2019 (COVID-19). When a city or province declares MECQ or ECQ for their respective jurisdiction, the general rule should be that the populace should stay at home and exceptions to this rule should be that it is necessary, critical, and urgent or there was an order from his or her superior to be outside of their residence.

The Province of Lanao del Norte declared ECQ for the entire province on March 22, 2020 by virtue of Executive Order (EO) No. 6 from the Office of the Provincial Governor of Lanao del Norte. The said categorization of the Province of Lanao del Norte as ECQ was lifted by virtue of EO No. 8 dated May 3, 2020 when the Inter-Agency Task Force for the Management of Emerging Infectious Disease (IATF) categorized the province to General Community Quarantine (GCQ) status as of April 24, 2020.

Review of disbursements made by KAPWD revealed that the District granted COVID-19 Hazard Pay to its personnel for the following period:

Date	Check No.	DV No.	Particulars	Amount
4/3/20	37226	2020-240	Job Order Employees	₱ 20,750.00
4/3/20	37227	2020-239	Casual Employees	19,750.00
4/3/20	37228	2020-241	Regular Employees	74,000.00
4/17/20	37252	2020-259	Regular Employees	62,500.00
4/17/20	37253	2020-257	Casual Employees	14,000.00
4/17/20	37254	2020-258	Job-Order Employees	19,000.00
5/6/20	37270	2020-276	Casual Employees	18,700.00
5/6/20	37271	2020-275	Job Order Employees	11,100.00
5/6/20	37275	2020-274	Regular Employees	64,700.00
			Total	₱ 304,500.00

The above disbursements were only supported by payrolls of employees and copies of AO No. 26 dated March 23, 2020. Documents showing that the District opted to adopt the alternative work arrangement of skeleton (skeletal) staffing and office orders requiring the District employees to report for work during ECQ was not attached.

Management claimed that Board Resolutions were passed adopting skeleton (skeletal) staffing and granting the payment of COVID-19 Hazard Pay but they inadvertently forgot to attach it to the above vouchers.

The COVID-19 virus is contagious just like most coronaviruses but can cause acute respiratory distress syndrome which is fatal if not treated right away. The reason that enhanced community quarantines are imposed because hospitals and other health facilities might not be able to accommodate patients if there are numerous patients infected by the disease. Personnel who are necessary for the operation of the agency or if there are urgent and emergency repairs to be done, should be the only ones ordered to work to minimize exposure to the COVID-19 virus. It must be shown that the presence of these personnel is critical and they are not blatantly disregarding the Executive Order issued by the Provincial Governor.

COVID-19 Hazard Pay is justifiably granted to frontline workers as they are exposing themselves to a hazardous environment but is an additional financial burden to the District. Health and safety of the District personnel should be weighed against the needs of the District and its financial capacity. These disbursements will be suspended in audit awaiting the submission of additional supporting documents. Payment of hazard pay when the ECQ category of the province was already lifted will be disallowed in audit.

Recommendation:

We recommended that Management comply strictly with Civil Service Commission Memorandum Circular No. 10 as amended by Civil Service Commission Memorandum Circular 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 maximum number or percentage of employees to report per day;
- 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;
- 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;
- d. Daily Time Records (DTR) of each personnel as proof of compliance to the office order.

Management Comments:

The Management takes action on the recommendation of COA and has done so by completing the necessary documents needed for the suspension to be dismissed.

5. Conformity of the Kapatagan Water District to Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292 in the amount of ₱1,033,032.16 cannot be ascertained due to lack of proper supporting documents.

4.

Section 22 of the Omnibus Rule on Leave, Rule xvi of the Omnibus Rules Implementing Book V of Executive Order 292 also known as the Administrative Code of 1987 provide that officials and employees in the career and non-career service, whether permanent, temporary, casual or coterminous, who have accumulated 15 days of vacation leave (VL) credits shall be allowed to monetize a minimum of 10 days, provided that at least 5 days is retained after monetization and provided further that a maximum of 30 days may be monetized in a given year.

Under section 23 of the Omnibus Rules on Leave, monetization of 50 percent or more of the accumulated leave credits may be allowed for valid and justifiable reasons especially if it affects the employee or this/her immediate family, such as:

- a. Health, medical and hospital needs
- b. Financial aid and assistance brought about by force majeure events such as calamities, typhoons, fire, earthquake and accidents that affect the life, limb and property
- c. Educational needs
- d. Payment of mortgages and loans

- e. Extreme financial needs where the present sources of income are not enough to fulfill their basic needs
- f. Other analogous cases

In cases where an employee availed of the more than 50 percent of his accumulated leave credits, the 5 days retention of VL credits should still be adhered to as Section 25 of the Omnibus Rules on Leave require that official and employees shall be required to go on a 5 days forced/mandatory leave.

Review of Kapatagan Water District's transactions revealed the following personnel have monetized their accumulated leave credits above the 30 days maximum:

Name	No. of times availed	Total Days Monetized	Amount
1. A. Ortiz	2	40	₱ 57,100.63
2. C. Devaras	4	55	59,903.53
3. R. Carreon. Jr.	4	70	59,583.03
4. D. Eya	4	50	101,186.34
5. D. Galbines	3	50	84,588.79
6. R. Manatom	2	40	46,172.94
7. C. Elumir	5	85	447,898.85
8. J. Sumapig	5	70	82,840.95
9. L. Simeon	3	35	35,978.75
10. W. Atamosa	2	40	26,822.12
11. J. Yonson	2	40	30,956.23
Total	36	575	₱1,033,032.16

Request letters were attached in the application for monetization of these leave credits by the concerned employee and approved by the head of the agency but the balances of accumulated leave credits were not reflected in the said application. Signature of the Certification by the Head of the Human Resource Office is sometimes absent and there are instances where the said application did not show the balances at all.

Further review also revealed that in the instances where accumulated leave credits are shown in the application form, balances of vacation leave fell below the 5 day requirement as shown below:

Name	VL Beginning Balance	Monetized	Balance	Remarks
1. A. Ortiz, Jr.	22.91	20	2.91	
2. R. Carreon. Jr.	12.40	10	2.40	
3. D. Eya	13.41	10	3.41	
4. S. Emot	12.68	10	2.68	
5. D. Eya	9.16	5	4.16	
6. C. Elumir	4.97	-	4.97	Application form reflects ending balance only
7. J. Escala	12.25	10	2.25	

Name	VL Beginning Balance	Monetized	Balance	Remarks
8. J. Torrenueva	13.70	10	3.70	
9. K. Insoy	4.66	10	4.66	
10. A. Molig	13.75	10	3.75	

As these commutation of leave credits do not have proper documentation or lacks proper documentation and sometimes have fallen below the allowable balance as provided by Section 22, 23 and 25 of the Omnibus Rules on Leave, Rule XVI on the Omnibus Rules Implementing Book V of Executive Order 292, these disbursement will be suspended until the required supporting documents are submitted to the Auditor's office.

Recommendation:

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 by the Human Resource Office including the leave card of the concerned employee reflecting therein the balances of earned leave credits before and after monetization. For monetization of 50 percent or more of earned leave credits submit the clinical abstract/medical procedures to be undertaken in case of health, medical and hospital needs. In case of financial assistance brought about by calamities, typhoons fire etc., submit Barangay Certification.

Management Comment:

The management will adhere to the recommendations of COA and has inform the officer in charge of the computations of leave credits to properly exercise the recommendations and to secure transparency of records and correctness of the data she presented.

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.

Sections 2.3 through 2.5 of AO 263 provide that an Anniversary Bonus shall be granted during milestone years of a government agency. A milestone year is referred to as the 15th anniversary of the agency and every fifth year thereafter. The amount of Anniversary Bonus is Three Thousand Pesos (₱ 3,000.00). This is reiterated by Department of Budget and Management (DBM) NBC No. 452 dated May 20, 1996 stressing that the counting of milestone should start when the government entity was created regardless of whether it was subsequently renamed or reorganized provided that its original primary functions have not substantially changed.

Records reveal that the Kapatagan Water District was officially created on September 12, 1988 by virtue of SB Res. No. 177-C in accordance with Sec.6, P.D. 198 otherwise known as the Provincial Water Utilities Act of 1973. On October 24, 1989 KAPWD was issued a Certificate of Conditional Conformance (CCC 418) by the Local Water Utilities Administration (LWUA). Based on the date of creation of the district, its 15th year

Anniversary was on September 12, 2003 and will have its milestones on years 2008, 2013, 2018, 2023 and so on and so forth.

Review of transactions revealed that the Kapatagan Water District granted an Anniversary Bonus for CY 2020 to its personnel at ₱3,000.00 pesos per qualified personnel amounting to ₱138,000.00 as shown below:

Date	Check No.	DV No.	Payee	Amount
17-Mar-20	37197	2020-210	L. Simeon, et.al	₱ 69,000.00
1-Apr-20	37213	2020-229	Various Payroll Acct of KAPWD Employees	42,000.00
1-Apr-20	37216	2020-225	Various Payroll Acct of KAPWD Employees	27,000.00
			Total	₱138,000.00

There was no explanation given as to the grant of Anniversary Bonus when it is clearly not a milestone year for the District.

The Anniversary Bonus granted by the District does not conform to the guidelines as mandated by AO 263 dated March 26, 1996 and DBM NBC 452 dated May 20, 1996. Exceptions to its grant such as absence without leave (AWOL), disconnection from service or a verdict of guilty either to administrative or criminal offense during the five-year interval may not be adhered to due to its premature grant.

This disbursement will be disallowed in audit and as provided by Section 4 of AO 263 and Section 5 of DBM NBC 452, heads of concerned government entities shall be held responsible and personally liable for any payment of Anniversary Bonus which is not in conformity with their provisions. This is without prejudice to the refund of any excess payment by the employee concerned.

Recommendation:

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.

Management Comments:

The Management has no previous knowledge on granting of the anniversary bonus and by our calculation our employees has gone through four milestones without compensating our employees. The management decided to compensate one milestone to make up to the previous milestone it has gone through because the management felt it is depriving for our employees to not be compensated to the Bonuses and Grants set by our Government.

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.

Section 21.2.1(c) of the revised IRR of RA 9184 sets the minimum amount of approved budget to which a government procurement activity should be advertised in a newspaper with general nationwide circulation. Specifically, for infrastructure projects, only those above ₱15 million should be publicized. For procurement of goods, only those above ₱10 million should be publicized. And for consulting services, only those above ₱5 million should be publicized. But this section have a sunset provision which mandates that two (2) years after the effectivity of the said IRR, advertisement in a newspaper of general nationwide circulation shall no longer be required. This is line with the cost cutting measures of the government which includes reducing government expenditures for newspaper advertisement. However, a Procuring Entity that cannot post its opportunities in the PhilGEPS for justifiable reasons shall continue to publish its advertisements in a newspaper of general nationwide circulation. Section 3.3 of GPPB Circular 08-2018 sets the end of the two-year period at October 28, 2018.

Review of Kapatagan Water District's Disbursement Vouchers revealed the following:

Date	Check No.	Payee	Particulars	Amount
2/3/2020	37060	C. Dumapas	Publication of Invitation to bid for drilling project	₱ 9,688.00
8/24/2020	56541	Cindy Mae Dumapas	Payment of Publication of Invitation to Bid at Manial Bulletin for purchase of Multimedia Filtration	9,688.00
			Total	₱19,376.00

Inquiry revealed that Ms. Cindy Mae Dumapas is an employee of the Manila Bulletin, Davao office. The district drew the checks after her as it is their custom and they trust her as the said projects was actually published on the said newspaper. The official receipts would be later sent to them. There was no attached menu or catalog of advertising rates to validate if the district is paying the right price.

Further review also revealed that the above-mentioned projects have approved budgets of ₱857,000.00 and ₱1,817,395.00 respectively which is below the amounts set by Section 21.2.1(c) of the revised IRR of RA 9184 to be publicized.

The said practice of the District to name the check after the liaison officer is contrary to internal control policy that checks should be drawn in the name of an institution or business entity to which the goods or services are procured. The advertisement of the said projects in the light of the sunset provision of Section 21.2.1(c) of the revised IRR of RA 9184 dated August 9, 2016 and Section 3.3.of GPPB Circular 08-2018 dated October 18, 2018 have become unnecessary. Notices of Disallowance will be issued for these disbursements.

Recommendation:

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 where services or goods are procured and not in the name of their agent in adherence to sound internal control policy.

Management Comment:

BAC has observed the proper guidelines set by the Provisions of RA 9184. The BAC followed the provisions which they had attended seminars that is the inclusion of posting purchases to be made in the National Circulation (newspaper). The assumption is made in good faith and regarding the new provisions of RA 9184 the BAC as a body haven't attended seminars which talks about the exclusion of posting in the National Circulation (Newspaper) in line with a corresponding threshold. With the recommendation of COA the BAC together with the HOPE will implement strict adherence of the new provision of RA 9184

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.

Section 11, Chapter 3 of Volume 1 of the Government Accounting Manual (GAM) provides that Obligation Request and Status (ORS) shall be issued in the incurrence of obligations. The ORS shall be prepared by the Requesting/Originating Office supported by valid claim documents like DVs, payrolls, purchase/job orders, itinerary of travel, etc. The Head of the Requesting/Originating Office or his/her authorized representative shall certify in the Section A of the ORS as to the necessity and legality of charges to the budget under his/her supervision, and validity, propriety and legality of supporting documents. The Head of the Budget Division/Unit shall certify to the availability of allotment and such is duly obligated by signing in Section B of the ORS.

Furthermore, Section 12 of Chapter 3 of Volume 1 of GAM provides that a subsidiary record to monitor a particular obligation shall be maintained by the Budget Division/Unit in Section C of the ORS. It shall contain the original amount of obligation, payable (goods delivered and services rendered) and the actual amount paid. The ORS shall be prepared in 3 copies with the original kept by the Budget Section, the second copy attached to the disbursement voucher and the third copy given to the accounting section.

Review of the District's disbursements reveal that of the ₱40,898,670.02 total disbursements for the year 2020, only ₱7,600.00 was issued a Budget Utilization Request (BUR) and this was for the payment of a job order wage. Nevertheless, this is still non-compliance with Section 11 and 12, Chapter 3, Volume 1 of the GAM.

Management claims that they are preparing Budget Utilization Request (BUR) for every obligation that they are incurring but the Budget Unit just failed to attach the said document to the disbursement vouchers.

ORS should be attached to every incurrence of an obligation not only for the reason that it is required by Section 11 of Volume 1 of GAM but also because it is a means to monitor the

budget of the District and to see if the District did not go over the limit or have incurred overdraft in the utilization of their budget.

Recommendation:

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.

Management Comment:

In view of the recommendations set by COA, the management will strict fully implement the attachments of ORS and properly monitor the budget allocations in line of section 11 & 12 of chapter 3 volume I of the GAM and inform the budget officer to use ORS instead of BUR.

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.

Section 5 of Republic Act 656 or the Property Insurance Law provides:

“Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies: Provided, however, That the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for: Provided, further, That such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. A municipal government below first class may upon application insure its properties in the Fund under such rules and regulations as the System may prescribe.”

As can be gleaned from above, the Government Service Insurance System (GSIS) is the official government insurer and provides insurance coverage to government assets and properties that have government insurable interests. Insurable interest, as defined in RA No. 10607 (PD No. 612, as amended), otherwise known as the Insurance Code and Administrative Order No. 33 mean every interest in property, whether real or personal, or any relation, thereto, or liability in respect thereof, of such nature that a contemplated peril might directly damnify the insured.

In this connection, COA Circular 2018-002 dated May 31, 2018 was issued by the Commission reiterating adherence to RA No. 656 and to requiring government agencies to submit the Property Inventory Form (PIF) to the GSIS and to the Office of the Supervising Auditor/Audit Team Leader not later than April 30 of each year. Examination of records reveal that the District has properties that have insurable interest having a book value or replacement value in the amount of ₱ 54,559,538.56 as shown below:

Particulars	Book Value
Infrastructure Assets, net	₱ 44,125,899.96
Buildings and Other Structures, net	4,127,407.98
Machinery and Equipment, net	1,634,764.26
Transportation Equipment	197,298.07
Furniture, Fixtures and Books	97,840.00
Inventories	4,376,328.29
Total	₱ 54,559,538.56

Of the above-mentioned properties, only the motor vehicles or transportation equipment was insured. The rest of the properties of the District with a book value of amounting to ₱54,461,698.56 was not covered by insurance.

Inquiry revealed that the District did not know about insuring properties with the GSIS other than the transportation equipment/motor vehicles as it is required when renewing the registration of the said vehicles. They have no knowledge either of the submission of PIF to GSIS and COA.

In these times of uncertainty, adherence to Section 5 of RA 656 by the District is important not because it is in compliance with laws, rules and regulations and provides the GSIS additional premium income for the General Insurance Fund (GIF), but it also protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty.

Recommendation:

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.

Management Comment:

We already made a step to get our Properties Insured in accordance with the Law, especially those of involved in the transmission of our water but GSIS were requiring us to give a Title of the Land which we can't give since the Land which our facilities situated is not owned by KAPWD at the moment, but the management will do everything to comply all the necessary Properties that needs to be Insured.

10. Reports to be prepared by the Treasury Section as provided by Appendix 29 and 47 of Volume II of the General Accounting Manual were prepared by the bookkeeper thus violating the internal control of separation between treasury and accounting functions.

Internal controls are the rules and procedures, or practices implemented to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. Among these practices provides that personnel who has access to accounting records should not have access to cashiering/treasury functions such as in the preparation of Cash Receipts Record (CRR) and Reports of Checks Issued (RCI).

Instructions for the preparation of CRR provide that each Collecting Officer/Accountable Officer shall maintain the said record to monitor his/her accountability. All transactions for the day shall be recorded immediately and a balance or the undeposited collection shall be extracted (Section A, Appendix 29, GAM Volume II). Also, in the preparation of RCI (Section A, Appendix 47 of GAM, Volume II), it is provided that it shall be prepared in 3 copies by the Treasurer's/Cashier's Office and to be distributed to the Auditor's Office (original), accounting section (2nd copy) and cashiering section (3rd copy).

Review of the reports submitted to this Office reveal that the CRR and RCI were both prepared by the bookkeeper and the one who will review them as to its correctness is the Cashier. In addition, review of the said reports by the cashier cannot be verified the Cashier failed to sign these reports.

Inquiry revealed that it was the usual practice of the District for the bookkeeper to prepare these reports and they have no knowledge that an internal control protocol was violated by the said practice.

Letting the bookkeeper prepare these reports is a violation of the internal control practice of separation of treasury and accounting functions. Letting a person who has access to accounting records prepare these reports may result to undetected errors at the very least and in the worst-case scenario, fraud can be committed through manipulation of the report and accounting records.

Recommendation:

We recommended that preparation of reports pertaining to cash collections, deposits, and disbursements, such as the Cash Receipts Record and Report of Checks Issued be maintained by the treasury unit or cashiering section of the District.

Management comment:

The Accounting Section has been doing the CRR and RCI knowing previously that the management has handed the workload to us to work on, but this matter has been resolved and all the necessary documents and reports has been handed to the cashier with the correct and complete recordings for her to continue.

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.

Section 3 of COA Circular No. 2009-001 dated February 12, 2009 provides that Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract/purchase orders and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned irrespective of their amount.

On June 4, 2020, this Office reminded the District about their duty to submit their monthly, quarterly, semi-annual reports as travel is limited due to the pandemic and the said

submission could be done electronically. Audit disclosed that copies of contracts as well as purchase orders were not submitted on time, thus, evaluation on the reasonableness of costs and compliance with the provisions of Republic Act No. 9184 were not immediately conducted.

The non-submission of the purchase orders and contract documents precluded the audit team prior review of these procurement transactions in its entirety as intended by the regulations, and further hindered the conduct of the review of propriety and compliance of the transactions to provisions of R.A. No. 9184 until the disbursement vouchers covering these transactions are finally submitted for post-audit several months later. As a result, evaluation of the reasonableness of costs as well as auditorial review of compliance to applicable rules and regulations was not done and in effect, detection and/or correction of possible defects and deficiencies were not permitted.

Attention is hereby invited to Section 4 of COA Circular 2009-001 that provides that any unjustified failure of the officials and employees concerned to comply with the requirement herein imposed shall be subject to the administrative disciplinary action provided in (a) Section 127 of PD 1445; (b) Section 55, Title I-B, Book V of the Revised Administrative Code of 1987, and Section 11 of R.A. No. 6713.

Recommendation:

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.

Management Comments:

The Management has directed the BAC and BAC Secretary about this matter and will comply by the recommendation after the completion of any Purchases the Agency will be having.

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.

Fidelity Bond is an insurance of bondable public officer under the Fidelity Fund to assure faithfully performance all the duties imposed by law upon him and for faithful account of all funds and public property coming into his possession, custody, or control.

Section 101 of Presidential Decree No. 1445 mandates that every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof in conformity with law and shall be properly bonded in accordance with law.

In addition, Section 7.1 of COA Circular 97-002 dated February 10, 1997 as amended by COA Circular 2006-005 dated July 13, 2006 provides each accountable officer whose total cash accountability is **not less than P5,000** shall be bonded. The amount of bond shall depend on the total accountability of the officer fixed by the Head of the Agency. An official

or employee who has both money and property accountability shall be bonded only once to cover both accountabilities, but the amount of bond shall be in accordance with the Schedule issued by the Bureau of Treasury.

Review of the copies of fidelity bond for the District's accountable officers submitted to this office revealed that four (4) of the accountable officers whose fidelity bond expired last October 2019 was renewed only in December 2019. Another five (5) accountable officers whose fidelity bond expired in April of 2020 was still not renewed as of the present. It was also revealed that one of the collectors who was previously bonded and whose bond expired last October 2019 was inadvertently excluded in the renewal of fidelity bonds.

Inquiry revealed that fidelity bonds for all the accountable officers of the District were not renewed on time by the personnel assigned to process it. The one in-charge admitted that she was delayed in submitting the application for the renewal of fidelity bonds by at least two months for the ones which expired last October 2019. For the ones which expired last April 2020, she claimed that due to the nationwide declaration of enhanced community quarantine (ECQ), processing and issuance of fidelity bonds was also delayed. She did not give any reason why she was not able to process the renewal of fidelity bonds after the ECQ was lifted.

Fidelity bonds are important as it ensures replacement for loss due to defalcations, shortages, and unrelieved losses in the accounts of bonded public officers. It is also for the payment of fees and costs incident to civil proceedings brought against them for improper or unauthorized use or misapplication, by himself or any person who he may be responsible, of public funds and property including, damages or deterioration due to negligence in the use of such property whether it is at his custody at that time or not. Non-adherence to the bonding requirement of the law puts the funds and property of the District at risk for unindemnifiable loss in cases of the aforementioned situations.

Recommendation:

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.

Management Comments:

The agency has already instructed full implementation of securing the necessary fidelity bonds needed for accountable officers but due to Pandemic traveling to Iligan City is a hesitation for the person working the papers out, so it is a bit of a delay, but all requisite has been complied with and we are waiting for the confirmation by the Bureau of Treasury.

13. Notices of Awards, Purchase Orders, Notices to Proceed including Inspection and Receiving Reports for purchases of goods, materials, and supplies amounting to ₱ 5,648,598.40 have blank date of receipt by the suppliers or agency personnel thus circumventing imposition of liquidated damages in contravention to Section 3.1 and 3.2 of Annex D of the Implementing Rules and Regulation of Contract Implementation

Guidelines for the Procurement of Goods, Supplies and Materials of the Government Procurement Reform Act (Republic Act 9184).

In the procurement of goods, materials, and supplies, the purchase order (PO) is the contract between the procuring entity and the supplier. Section 3.1 and 3.2 of Annex D of the implementing rules and regulation of RA 9184 which relates to contract implementation guidelines for the procurement of goods, supplies, and materials provides that liquidated damages must be imposed when the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity concerned. The procuring entity need not prove that it has incurred actual damages to be entitled to liquidated damages. Such amount shall be deducted from any money due, or which may become due to the supplier, or collected from any securities or warranties posted by the supplier, whichever is convenient to the procuring entity concerned. In no case shall the total sum of liquidated damages exceed ten percent (10%) of the total contract price, in which event the procuring entity concerned shall automatically rescind the contract and impose appropriate sanctions over and above the liquidated damages to be paid.

Review of Kapatagan Water District's Disbursement Vouchers with its accompanying supporting documents of Purchase Orders (POs) for the purchase of supplies and materials revealed that it includes the provision for liquidated damages. Further review also revealed that POs, with an aggregate amount of ₱ 5,648,598.40, does not indicate the date it was accepted or signed by the supplier and also does not indicate the delivery period. The mode of procurement always indicates that it is done "by canvass" which is not specific to any modes of procurement allowed by RA 9184. Notices of Award (NOA), Notices to Proceed (NTP) were not attached, and Inspection and Acceptance Reports (IAR) also does not indicate the date of receipt by the District. There was no explanation why details such as the dates of receipt were left blank and most of the times not signed by the suppliers.

The lack of information as to the date of receipt of PO, NOA and NTP circumvents Section 3.1 and 3.2 of Annex D of the IRR of RA 9184 as liquidated damages cannot be computed or determined. Liquidated damages can be used as savings to be utilized by the District for other projects, personnel benefits, and honoraria to BAC Members if they are entitled to it. If the supplier cannot deliver the goods, supplies and materials on the date as indicated in the PO, NOA and NTP they can ask for an extension on the date of delivery as provided by Section 3.1 of Annex D of the RA 9184 IRR, which should not be more than the period as indicated in the contract.

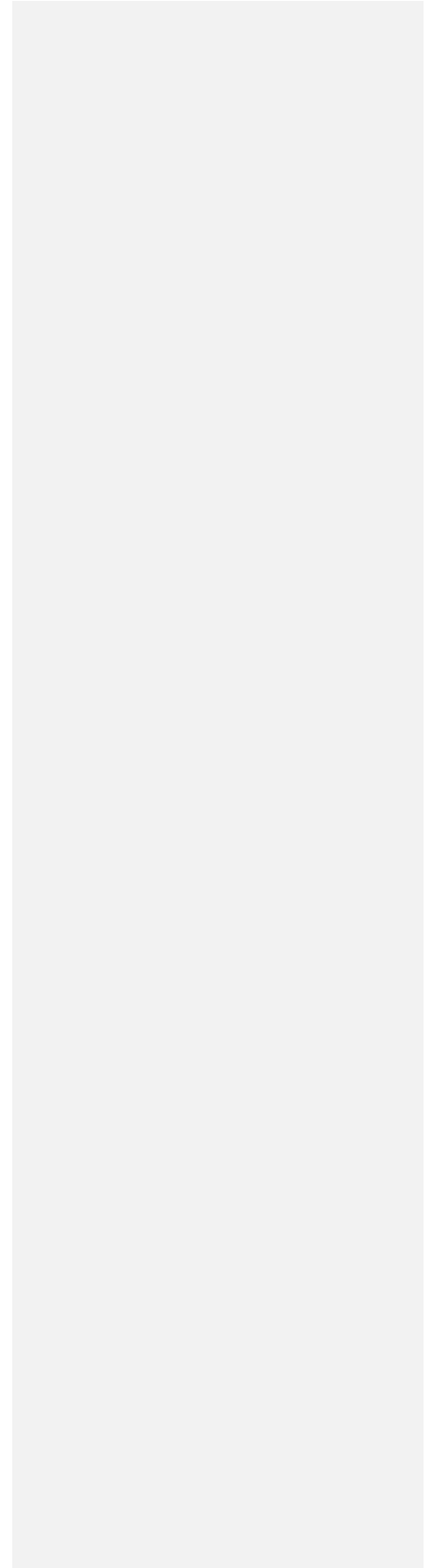
Recommendation:

We recommended that the date of receipt of Purchase Orders be indicated for the purpose of imposing liquidated damages in cases where delay was committed inclusive of duly granted extensions. Notices of Award and Notices to Proceed should be issued for procurement where applicable. The mode of procurement should indicate specifically if it is by competitive bidding and any of the alternative modes of procurement as provided in RA 9184. Indicate a reasonable period of delivery for suppliers located outside the District's locality.

Management comment:

The matter has been brought to the Bids and Awards Committee and all Employees involved in the Procurement Process to tick and indicate full information regarding the purchases made carefully and correctly.

**PART III –
STATUS OF IMPLEMENTATION OF PRIOR
YEAR’S AUDIT RECOMMENDATIONS**



STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS

We made a follow-up on the action taken by the District to implement the recommendations of CY 2019 AAR and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	10
Partially Implemented	12
Not Implemented	1

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AOM No. 2019-005 (KAPWD)	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
AOM No. 2019-006 (KAPWD)	Collections were not deposited daily and intact in violation of Section 69 of Presidential Decree No. 1445 and Paragraph 32, Remittances/Deposits Section, Chapter II -Laws and Rules Relevant to Cash Examination of the Revised Cash Examination Manual (COA Memorandum 2013-004 dated July 9, 2013).	Collections should be deposited intact the next available banking day. The cashier should be vigilant in her duties in reviewing the remittances given to her by the tellers and should count the money remitted in the presence of the teller and compare it with submitted collection summary to check that it is intact. Any discrepancy should be noted such as missing or cancelled ORs, shortage, and overage in the	Partially Implemented Cashier and Tellers has been issued Office Order #13 which follows the Audit Recommendation of COA but there are occurrences where the Tellers were not able to submit its respective Collection to the Cashier in time for deposit. But the

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		<p>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 so that mixing up of collections can be avoided. The teller's password to the collection system and combination to the cash box should be written and put in a sealed envelope with access limited to the teller concerned, the cashier and the head of the agency.</p>	<p>management addresses these concerns already and will fully implement all the necessary recommendation set by COA.</p>
<p>AOM No. 2019-007 (KAPWD)</p>	<p>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.</p>	<p>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 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</p>	<p>Partially implemented.</p> <p>Due to the COVID 19 Pandemic the designated person assigned to submit all the documents in time was not able to do so due to fear of the Virus but with the advent of online transactions set by BOT, the assigned person had already begun to submit all the documents online with the adjustment as to the sufficiency of the amount for each accountable officer.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
		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.	
AOM No. 2019-008 (KAPWD)	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
AOM No. 2019-009 (KAPWD)	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 the District.	Partially Implemented Office supplies were procured in bulk. However, due to Covid 19 deliveries of materials used for Maintenance of transmission were delayed which resorts the management to procure fitting materials with the use of Petty cash fund locally to attend to the problem immediately.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
AOM No: 2020-001 (KAPWD)	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 The management had already laid down programs to reduce NRW up to the lowest of lows but due to the amount of money it may take KAPWD could not drastically reduce the percentage, and also KAPWD adheres to LWUA Memorandum Circular #001-19 sec. II which states that NRW should not exceed up to 30%.
AOM No: 2020-002 (KAPWD)	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
AOM No: 2020-003 (KAPWD)	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 Sec. 9 of the Government Accounting Manual (GAM), Vol. I thus, casting doubts on the fairness of the presentation of the	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 write-off of dormant accounts with COA, if necessary.	Partially Implemented KAPWD only allocates ₱100,000.00 for its Doubtful accounts knowing that portion of the Accounts Receivable will be collected.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	financial statements.		
AOM No: 2020-004 (KAPWD)	Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱55,575,988.81 is of doubtful validity.	We 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.	Partially Implemented The management has already created a team to conduct procedures on physically counting the materials and to fully implement the process set by Sec. 38 & 42 Vol 1 of GAM.
AOM No: 2020-005 (KAPWD)	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	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	Partially Implemented The assigned storekeeper and Designate Property Custodian has already installed a program for its inventory but failed to submit due to the health condition of our designate Property Custodian which leads to non-submission of Physical count. But

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	amount of ₱ 4,376,328.29.	is to be conducted and therefore notice should be given beforehand when there is such an activity.	KAPWD will adhere to the recommendations by COA and will fully integrate system which allows the person involved to exercise the submission of documents to COA.
AOM No: 2020-006 (KAPWD)	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 KAPWD assigns a person to properly address these concerns but was not able to do so because of the complexity of the process it has in GSIS, but the assigned person has gradually gathered all the necessary data and documents needed for the recommendations be applied with. We already made a step to get our Properties Insured in accordance with the Law, especially those of involved in the transmission of our water but GSIS were requiring us to give a Title of the Land which we can't give since the Land which our facilities situated is not owned by KAPWD at the moment, but the management will do everything to comply all the necessary Properties that needs

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			to be Insured.
2019-003 (KAPWD)	The validity and reliability of the Loans Payable-LWUA account amounting to 27,305,440.05 as of June 30, 2018 could not be ascertained due to the non-reconciliation of the balance in the District's books of account with the balance per records of LWUA which is not in accordance with Par. 29 of PAS 1 and Sec. 111 of PD 1445.	We recommend that Management confer with LWUA and reconcile the differences in their books in order to reflect the correct amount of Loans Payable-LWUA account and record the appropriate adjustments.	Partially Implemented Still waiting for the new amortization schedule for the new rate of NLIF loan. Since said loan is the reason for the un-reconciled balance of our books vs. LWUA's record. However, we will be sending a follow up letter to LWUA regarding this concern before this month end just in case no updates will be received from their office
2018-011- KapWD	P8,000.00 worth of expenses disbursed out of the Petty Cash Fund were not supported with any documents to prove its propriety, contrary to the 6th fundamental principle for every government financial transaction and operation prescribed under Section 4 of the State Audit Code of the Philippines (PD 1445).	We recommend to the District through the Petty Cash Fund Custodian and the Accounting Office to submit the necessary supporting documents on the subjected transactions, and to ensure that all present and future claims against the Petty Cash Fund are adequately supported.	Fully implemented. The petty cash custodian implements strict rules and regulations regarding issuance of petty cash funds with proper supporting documents.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2018-005 (KAPWD)	Bank Reconciliation Statements are not prepared regularly for all accounts maintained by the district in violation of Section 74 of PD 1445.	<p>Prepare Bank Reconciliation Statements or all the District accounts regardless of whether money was deposited or withdrawn from it or not for monitoring purposes.</p> <p>Regularly deposit to the employees' terminal, leave benefit account so that the fund will have enough when one or several districts 'employee's wil1 retire.</p>	<p>Fully implemented.</p> <p>Monthly Bank Reconciliation Statements were being updated and monitored monthly.</p>
2018-014 (KAPWD)	Several Internal Control measures was not implemented showing weakness in the handling of cash which may result loss of funds for the District.	<p>Establish and observe internal control measures for Cash especially in the keeping of records, granting of cash advances and internal audit of Petty Cash Fund.</p> <p>Separate records should be maintained by the treasury (cashier) and accounting department to establish check and balance in the keeping of District's records.</p> <p>Back-up the records kept electronically by the accounting department daily in separate soft memory storage.</p> <p>Hard copies should be printed daily and kept by the section concerned. Copies should be provided for the District's COA Auditor for easy reference and retrieval.</p>	<p>Fully implemented.</p> <p>The Management had taken notes on the recommendations of COA and had taken actions providing measures needed for maintaining and proper handling of cash and documents to avoid losses it may incur during the operation of KAPWD.</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2019-004 (KAPWD)	Kapatagan Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2018, thereby making the attribution of the GAD budget doubtful.	<p>We recommend management to:</p> <p>Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget; If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;</p> <p>Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments.</p>	Fully implemented. . The management thru the HRMO had implemented a GAD plan and budget for CY 2019, 2020, 2021 and GAD accomplishment for CY 2019 and 2020.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2019-005 (KAPWD)	Delayed submission of the required reports to the Office of the Auditor precluded the auditor from conducting timely audit of the transactions.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.	Fully implemented. The accounting department is fully committed in providing accurate and up to date submission of reports needed by COA.
2018-005 (KAPWD)	The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P58,206,156.35 and P3,737,552.41 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence, and accuracy of reported balances as of year-end.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.	Partially implemented. The property custodian continues to verify and account all the materials in our PPE and inventory.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2018-006 (KAPWD)	The Agency did not procure common use supplies and materials from the Procurement Service (PS), which is not in compliance with the provisions of Administrative Order No. 17.	We recommended that Management start procuring common use supplies and materials from the Procurement Service pursuant to the provisions of Administrative Order No. 17. In cases that these items are not available from the PS, the management must secure a certification that said supplies and materials are not available before procuring the same from other suppliers. The procurement of supplies regularly needed by the Agency should be done on a quarterly basis.	Partially implemented. The management continues to purchase supplies locally since there is no reply in the email sent to PS-DBM.
2018-009 (KAPWD)	The estimated 620,461.60 cu.m. of unaccounted water incurred by the District for CY 2018 is 13.92% more than the maximum acceptable level of 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 the allowable level of 20% through formulation of a more effective and intensive NRW Reduction Plan and Budget.	Partially implemented. The management continues to implement its program regarding reducing the NRW. Replacements of old water meters was not yet completed because of its huge quantity but as to implementation of the said recommendation it is an on-going process, and the management is hopeful that it will observe gradual reduction of NRW by the coming years base on the computation of the engineering section.

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2016 AAR Finding No. 1	Monthly allowances were granted to the Board of Directors (BODs) and payments of per diem for their attendance to board meetings exceed the maximum allowable amount per month contrary to Executive Order No. 65 and Local Water Utility Administration (LWUA) Memorandum Circular No. 015-12 dated November 22, 2012.	Require the BODs to refund the full amount so received in connection to the overpayment of per diems and allowances for lack of legal basis. Stop the granting of monthly allowances and other benefits to its BODs without legal basis; and Strictly adhere to Executive Order 65 and LWUA Memorandum Circular No. 015-12 relative to the compensation of the BODs of the District.	Fully implemented. The management with the recommendation of COA, had foregone execution of releasing allowances to both BOD and employees without any proper basis and guidelines.
2016 AAR Finding No.8	The accrual of liability for the earned leave benefits of employees totaling P2, 702,878.98 was not provided by the district contrary to PAS 19 on the accounting for employee benefits.	Provide annual budget for the earned leave benefits of the employees; and Require the Human Resource Officer to furnish the Accounting Section with a copy of the schedule of earned leave credits of District personnel with the corresponding money value as basis in accounting of the accrued liability.	Fully implemented. The management continues to deposit money intended for employees leave benefits.
2016 AAR Finding No.10	The General Manager was granted with Representation and Transportation Allowance (RATA) amounting to P17,000 while on a 2-month Special Leave contrary to Department of Budget Management (DBM) National Budget Circular No. 548 dated May 15, 2013.	Require Management to strictly comply with the guidelines in the grant of RATA to the General Manager pursuant to DBM National Budget Circular No. 548; and that the General Manager refund the RATA so received.	Not Implemented The said general manager could not refund said amount since she had retired last CY 2017

**PART IV –
ANNEXES**

