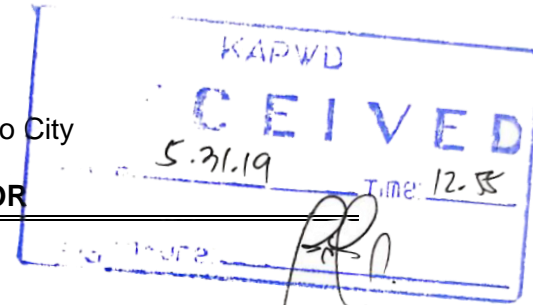




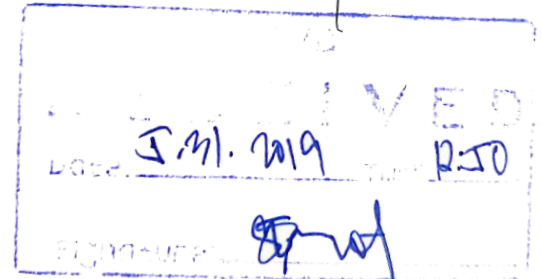
Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. 10  
J.V. Seriaña Street, Carmen, Cagayan de Oro City  
**OFFICE OF THE REGIONAL DIRECTOR**



February 22, 2019

**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, Lanaodel Norte



Dear Chairperson A. Robles and Manager C.G. Elumir :

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, 2018, 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 Opinion was rendered on the Financial Position of the Kapatagan Water District as of December 31, 2018, 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 Opinion on the fairness of the presentation of the financial statements of the Kapatagan Water District for the year 2018 due to the following exceptions:

1. Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not performed thus the existence and veracity of Property, Plant and Equipment Account as of December 31, 2018 in the amount of Php 57,443,438.35 cannot be ascertained.

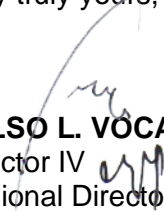
2. The validity and reliability of the Loans Payable-LWUA account amounting to Php 27,305,440.05 as of June 30, 2018 could not be ascertained due to the non-reconciliation of the balance in the District's books of account with the balance per records of LWUA which is not in accordance to Par. 29 of PAS 1 and Sec. 111 of PD 1445.

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 93 of the General Provisions of the General Appropriations Act FY 2018.

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*

*File*



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

**KAPATAGAN WATER DISTRICT**  
 For Calendar Year 2018  
 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			
2019-003 (KAPWD)	The validity and reliability of the Loans Payable-LWUA account amounting to Php 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 to 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.							
2019-003 (KAPWD)	The District paid Community Tax and Business Permit for the CY 2018 in the amount of Php 15,675.00 in contravention with Section 46 of PD 198	It is recommended that a dialogue should be conducted between the District and the municipality for its information and the							

	or Provincial Water Utilities Act of 1978 and Section 193 of RA 7160 or the Local Government Code of the Philippines.	payment of community tax and business permit be discontinued as contravenes the Section 46 of PD 198 and Section 193 of RA 7160.							
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 6 <sup>th</sup> 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.							
2018-012-KapWD	The Collecting Officers/Tellers do not maintain Cash Receipts Record and Report of Accountability for Accountable Forms in compliance with Section 40 and Section 17(k) of GAM, Vol I violating the internal control in records maintenance.	We recommend that the Management (a) stop the temporary designation of accountable officers especially those holding crucial positions like cash collections; (b) affix the period of designation to be at least 1 year, but preferably of longer period; and (c) require the designated officer to maintain a Cashbook/Cash Receipts Record or its equivalent and prepare Monthly Report of							

		Accountability for Accountable Forms.							
2019-001 (KAPWD)	Lack of meticulous and judicious planning in the preparation of the District's Annual Procurement Plan (APP) leads to the use of Alternative Method of Procurement in violation of Section 10 of the Implementing Rules and Regulation (IRR) of Republic Act (RA) 9184.	Management should prepare its Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met. The BAC should recommend the method of procurement which is to be approved by the HOPE. BAC Resolutions must be supported by concrete evidences that show the existence of conditions for the alternative methods of procurement such as certifications, responses to letters of inquiry sent by the agency, screenshots of the electronic catalog, etc.							

		that shows that said goods are not offered or available at the DBM-PS.							
2018-0015 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 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' employees will retire.</p>							
2018-010- KapWD	A total of 109 disbursements paid through the District's Petty Cash Fund costing more than P300.00 each were only supported with Reimbursement Expense Receipt (RER), contrary to the provisions of COA Circular No. 2017-001 dated June 19, 2017.	<p>We recommend to the District to stop the practice of supporting only RER for all its disbursements costing more than P300.00 each.</p> <p>Travelling expenses for the meter readers should be supported with Travel Order and Itinerary of Travel with the certification of P150.00 daily expense for each day of travel;</p> <p>Job Order contract should be executed for any repair services entered into by the District indicating</p>							

		<p>therein the type of work to be employ, duration and the reasonable daily rate of the repairman, payment in the form of Salary should be duly acknowledged (Acknowledgement Receipt showing the minimum data as follows: date of payment, name of recipient, address of the recipient, purpose of payment, and amount received); and</p> <p>Meals and other expenses during BOD and Management meetings costing more than P300.00 should be procured from registered establishments to be supported by the Attendance and Minutes of the Meeting.</p>							
2018-013-KapWD	Management failed to provide its Accountable Officers with enclosed cubicle or safe room to safeguard the cash collections from unauthorized access inducing weak internal control, which is not in compliance to Section 2 of Presidential Decree No. 1445.	We recommend that the Management provide adequate and safe room for accountable officers ensuring that physical security measures are incorporated and that employees in custody of cash are not significantly close to employees in charge of recording transactions.							
2018-014	Several Internal	Establish and observe							

(KAPWD)	Control measures was not implemented showing weakness in the handling of cash which may result loss of funds for the District.	<p>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 a 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>						
2019-004 (KAPWD)	Kapatagan Water District did not use 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	<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,</p>						



	<p>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>	<p>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>							
<p>2019-005 (KAPWD)</p>	<p>Delayed submission of the required reports to the Office of the Auditor precluded the auditor from conducting timely audit of the</p>	<p>We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or</p>							

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

Prepared by:

**CLAIR GREBERN U. ELUMIR**  
General Manager



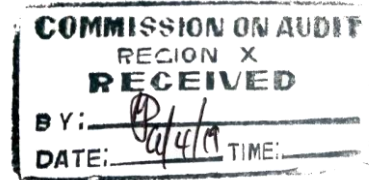
Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. 10  
Cagayan de Oro City

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

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February 22, 2019

**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, 2018 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,

  
**CECILIA A. PONTILLAS**  
State Auditor V  
Supervising Auditor 



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

**OFFICE OF THE AUDIT TEAM LEADER**

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

---

February 22, 2019

**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, 2018.

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, Part I - Audited Financial Statements, Part II - details of our significant Observations and Recommendations which were discussed with concerned management officials and staff during the exit conference held on February 21, 2019, and Part III - Status of Implementation of Prior Years' Audit Recommendations.

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,

A handwritten signature in black ink, appearing to read "Amado Peter A. Garbanzos".

**AMADO PETER A. GARBANZOS**  
State Auditor III  
Acting Audit Team Leader



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

# **ANNUAL AUDIT REPORT**

## **ON THE**

### **KAPATAGAN WATER DISTRICT Kapatagan, Lanao del Norte**

#### **For the Year Ended December 31, 2018**

## 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, 2018 with 5,060 total active service connections.

As of December 31, 2018, 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 calendar year 2018.

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, 2018, there was an increase of 2.11% in assets, decrease of 8.13% in liabilities and increase of 9.15% in government equity, summarized as follows:

#### *Financial Condition*

	2018	2017	Increase/(Decrease)
Assets	₱74,632,866.91	₱73,091,829.46	₱1,541,037.45
Liabilities	27,369,392.47	29,791,151.97	(2,421,759.50)

	2018	2017	Increase/(Decrease)
Government Equity	₱47,263,474.44	₱ 43,300,677.49	₱3,962,796.95

*Results of Operations*

	2018	2017	Increase/(Decrease)
Income	₱ 35,496,229.62	₱ 32,024,180.17	₱3,472,049.45
Expenditures	32,166,417.50	29,815,345.10	2,351,072.40
Net Operating Income	₱3,329,812.12	₱ 2,208,835.07	₱1,120,977.05

**C. Independent Auditor’s Report on the Financial Statements**

A Modified Opinion was rendered on the fairness of presentation of the financial statements due to:

- a) Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not performed thus the existence and veracity of Property, Plant and Equipment Account as of December 31, 2018 in the amount of Php 57,443,438.35 cannot be ascertained.
- b) The validity and reliability of the Loans Payable-LWUA account amounting to Php 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 to Par. 29 of PAS 1 and Sec. 111 of PD 1445.

**Summary of Significant Observations and Recommendations**

**1. The District paid Community Tax and Business Permit for the CY 2018 in the amount of Php 15,675.00 in contravention with Section 46 of PD 198 or Provincial Water Utilities Act of 1978 and Section 193 of RA 7160 or the Local Government Code of the Philippines.**

It is recommended to management that a dialogue should be conducted between the District and the municipality for its information and the payment of community tax and business permit be discontinued as contravenes the Section 46 of PD 198 and Section 193 of RA 7160.

**2. 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 recommended 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.

**3. The Collecting Officers/Tellers do not maintain Cash Receipts Record and Report of Accountability for Accountable Forms in compliance with Section 40 and Section 17(k) of GAM, Vol I violating the internal control in records maintenance.**

We recommended that the Management (a) stop the temporary designation of accountable officers especially those holding crucial positions like cash collections; (b) affix the period of designation to be at least 1 year, but preferably of longer period; and (c) require the designated officer to maintain a Cashbook/Cash Receipts Record or its equivalent and prepare Monthly Report of Accountability for Accountable Forms.

**4. Lack of meticulous and judicious planning in the preparation of the District's Annual Procurement Plan (APP) leads to the use of Alternative Method of Procurement in violation 9184.**

We recommended that Management should prepare its Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met. The BAC should recommend the method of procurement which is to be approved by the HOPE. BAC Resolutions must be supported by concrete evidences that show the existence of conditions for the alternative methods of procurement such as certifications, responses to letters of inquiry sent by the agency, screenshots of the electronic catalog, etc. that shows that said goods are not offered or available at the DBM-PS.

**5. Bank Reconciliation Statements are not prepared regularly for all accounts maintained by the district in violation of Section 74 of PD 1445.**

We recommended that Management prepare Bank Reconciliation Statements or all the District accounts regardless whether money was deposited or withdrawn from it or not for monitoring purposes.

Regularly deposit to the employees' terminal, leave benefit account so that the fund will have enough when one or several districts' employees will retire.

**6. A total of 109 disbursements paid through the District's Petty Cash Fund costing more than P300.00 each were only supported with Reimbursement Expense Receipt (RER), contrary to the provisions of COA Circular No. 2017-001 dated June 19, 2017.**

We recommended to the District to stop the practice of supporting only RER for all its disbursements costing more than P300.00 each.

Travelling expenses for the meter readers should be supported with Travel Order and Itinerary of Travel with the certification of P150.00 daily expense for each day of travel;

Job Order contract should be executed for any repair services entered into by the District indicating therein the type of work to be employ, duration and the reasonable daily rate of the repairman, payment in the form of Salary should be duly acknowledged (Acknowledgement Receipt showing the minimum data as follows: date of payment, name of recipient, address of the recipient, purpose of payment, and amount received); and

Meals and other expenses during BOD and Management meetings costing more than P300.00 should be procured from registered establishments to be supported by the Attendance and Minutes of the Meeting.



**7. Management failed to provide its Accountable Officers with enclosed cubicle or safe room to safeguard the cash collections from unauthorized access inducing weak internal control, which is not in compliance to Section 2 of Presidential Decree No. 1445.**

We recommended that the Management provide adequate and safe room for accountable officers ensuring that physical security measures are incorporated and that employees in custody of cash are not significantly close to employees in charge of recording transactions.

**8. Several Internal Control measures was not implemented showing weakness in the handling of cash which may result loss of funds for the District.**

We recommended that Management 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. Separate records should be maintained by the treasury (cashier) and accounting department to establish check and balance in the keeping of District's records. Back-up the records kept electronically by the accounting department daily in a separate soft memory storage. 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.

**9. Kapatagan Water District did not use 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.**

We recommended that management 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;

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.

**10. Delayed submission of the required reports to the Office of the Auditor precluded the auditor from conducting timely audit of the transactions.**

We recommended 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.

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

<i>Particulars</i>	<i>Balance, 12/31/2017</i>	<i>CY 2018 Issuances</i>	<i>Settlement</i>	<i>Balance, 12/31/2018</i>
Suspensions	P884,789.41.00	P983,480.00	0.00	P1,868,269.41
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 13 audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2017, 7 were fully implemented, 3 were partially implemented and 3 remained unimplemented in 2018.

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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 ACTING SUPERVISING AUDITOR**  
Audit Group CGS - Water Districts and Other CGS Stand-Alone Agencies

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**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, Lanaodel Norte

Modified Opinion

We have audited the financial statements of the **Kapatagan Water District**, Kapatagan, Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2018 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 Kolambugan Water District as at December 31, 2018 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards. (IFRS).

*Bases for Modified Opinion*

As discussed in Part II- Observations and Recommendations of this report, a modified opinion was rendered due to Inventory taking as stated in COA Circular 80-124 dated January 31, 1980 was not performed thus the existence and veracity of Property, Plant, and Equipment Account as of December 31, 2018 in the amount of Php 57, 443,438.35 cannot be ascertained and the non-reconciliation of the Loan Payable account amounting to Php 27,305,440.05.

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, 2019




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

**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

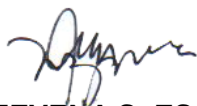
The management of the **Kapatagan Water District, Kapatagan, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. 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.

  
**ANGEL P. ROBLES**  
Chairman of the Board

Date: 2-20-19

  
**LEEVENA S. ESGUERRA**  
Accounting Processor

Date: 2-20-19

  
**CLAIR GREBERN U. ELUMIR**  
Acting General Manager

Date: 2-20-19



**KAPATAGAN WATER DISTRICT**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	₱9,764,882.84	₱8,389,029.02
Receivables	4	3,515,428.06	2,749,866.04
Inventories	5	3,888,349.54	3,737,552.41
Other Current Assets	6	20,768.12	9,225.64
<b>Total Current Assets</b>		<b>₱17,189,428.56</b>	<b>₱14,885,673.11</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	₱57,443,438.35	₱58,206,156.35
<b>Total Non-Current Assets</b>		<b>₱57,443,438.35</b>	<b>₱58,206,156.35</b>
<b>Total Assets</b>		<b>₱74,632,866.91</b>	<b>₱73,091,829.46</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	8	₱389,582.28	₱609,315.74
Inter-Agency Payables	9	647,854.14	394,912.49
Trust Liabilities	10	225,225.00	163,925.50
Deferred Credits/Unearned Income	11	0.00	160,441.19
<b>Total Current Liabilities</b>		<b>₱1,262,661.42</b>	<b>₱1,382,594.92</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities		₱28,462,557.05	₱28,462,557.05
<b>Total Non-Current Liabilities</b>		<b>₱28,462,557.05</b>	<b>₱28,462,557.05</b>
<b>Total Liabilities</b>		<b>₱ 27,369,392.42</b>	<b>₱29,791,151.97</b>
<b>EQUITY</b>			
Government Equity		₱4,000,013.34	₱4,000,013.34
Retained Earnings/(Deficit)		43,263,461.10	39,300,664.15
<b>Total Equity</b>		<b>₱47,263,474.44</b>	<b>₱43,300,677.49</b>
<b>Total Liabilities and Equity</b>		<b>₱74,632,866.86</b>	<b>₱73,091,829.46</b>

*(See Accompanying Notes to Financial Statements)*





**KAPATAGAN WATER DISTRICT**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>NOTE</u>	<u>2018</u>	<u>2017</u>
<b>Income</b>			
Service and Business Income	12	₱33,346,022.65	₱32,024,180.17
Gains		2,150,206.97	0.00
<b>Total Income</b>		<u><b>35,496,229.62</b></u>	<u><b>₱32,024,180.17</b></u>
<b>Expenses</b>			
Personnel Services Maintenance and Other Operating	13.1	₱14,530,501.52	₱15,023,556.86
Expenses	13.2	12,273,895.49	9,244,576.12
Financial Expenses	14	1,340,138.00	1,500,038.00
Non-Cash Expenses	15	<u>4,021,882.49</u>	<u>4,047,174.12</u>
<b>Total Expenses</b>		<u><b>₱32,166,417.50</b></u>	<u><b>₱29,815,345.10</b></u>
<b>Comprehensive Income/(Loss)</b>		<u><u><b>₱3,329,812.12</b></u></u>	<u><u><b>₱2,208,835.10</b></u></u>

*(See Accompanying Notes to Financial Statements)*



**KAPATAGAN WATER DISTRICT  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
<b>BALANCE AT JANUARY 1, 2018</b>	₱36,091,738.75	₱4,000,013.34	₱40,091,752.09
<b>ADJUSTMENTS:</b>			
Add/(Deduct):	0.00	0.00	0.00
<b>RESTATED BALANCE AT JANUARY 1, 2018</b>	₱36,091,738.75	₱4,000,013.34	₱40,091,752.09
<b>CHANGES IN EQUITY FOR 2018</b>			
Add/(Deduct):			
Comprehensive Income for the year	₱2,208,835.07	0.00	₱2,208,835.07
Other Adjustments (Restricted/Water Meter Maintenance Fee)	1,000,090.33	0.00	1,000,090.33
<b>BALANCE AT DECEMBER 31, 2018</b>	₱39,300,664.15	₱4,000,013.34	₱43,300,677.49
<b>CHANGES IN EQUITY FOR 2018</b>			
Add/(Deduct):			
Comprehensive Income for the year	₱3,329,812.12		₱3,329,812.12
Other Adjustments (Restricted/Water Meter Maintenance Fee)	632,984.83	0.00	632,984.83
<b>BALANCE AT DECEMBER 31, 2018</b>	₱43,263,461.10	₱4,000,013.34	₱47,263,474.44



**KAPATAGAN WATER DISTRICT  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Sale of Goods and Services	P410,126.25	P321,623.01
Collection of Income/Revenue	35,486,336.35	32,412,671.78
Collection of Receivables	384,560.00	92,126.02
Trust Receipts	633,932.20	584,633.17
Other Receipts	291,110.59	280,433.00
<b>Total Cash Inflows</b>	<b>P37,206,065.39</b>	<b>P33,691,486.98</b>
Adjustments	0.00	10,154.56
<b>Adjusted Cash Inflows</b>	<b>P37,206,065.39</b>	<b>P33,701,641.54</b>
<b>Cash Outflows</b>		
Payment of Expenses	P8,453,906.55	9,252,405.94
Purchase of Inventories	2,266,890.71	1,668,145.81
Grant of Cash Advances	12,875,689.57	11,100,605.70
Payments of Accounts Payable	3,965,011.44	3,904,745.24
Remittance of Personnel Benefit Contributions and Mandatory Deductions	4,011,391.57	3,462,536.05
<b>Total Cash Outflows</b>	<b>P31,572,889.84</b>	<b>P29,388,438.74</b>
Adjustments	<b>P31,572,889.84</b>	P0.00
<b>Adjusted Cash Outflows</b>	<b>P31,572,889.84</b>	<b>P29,388,438.74</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>P5,633,175.55</b>	<b>P4,313,202.80</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Receipt of Interest Earned	P6,010.97	P29,334.93
<b>Total Cash Inflows</b>	<b>6,010.97</b>	<b>29,334.93</b>
Adjustments	<b>P6,010.97</b>	0.00
<b>Adjusted Cash Inflows</b>	<b>P6,010.97</b>	<b>P29,334.93</b>
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	P567,368.70	P1,494,433.40
<b>Total Cash Outflows</b>	<b>P567,368.70</b>	<b>P1,494,433.40</b>
Adjustments	<b>0.00</b>	0.00
<b>Adjusted Cash Outflows</b>	<b>P567,368.70</b>	<b>P1,494,433.40</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>	<b>P(561,357.73)</b>	<b>P(1,465,098.47)</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

### Cash Inflows

<b>Total Cash Inflows</b>	<u>0.00</u>	<u>0.00</u>
Adjustments	0.00	0.00
<b>Adjusted Cash Inflows</b>	<u>0.00</u>	<u>0.00</u>

### Cash Outflows

Payment of Long-Term Liabilities	<u>₱3,695,964.00</u>	<u>₱3,695,964.00</u>
<b>Total Cash Outflows</b>	<u>₱3,695,964.00</u>	<u>₱3,695,964.00</u>
Adjustments	0.00	0.00
<b>Adjusted Cash Outflows</b>	<u>₱3,695,964.00</u>	<u>₱3,695,964.00</u>
<b>Net Cash Provided By/(Used In) Financing Activities</b>	<u>(₱3,695,964.00)</u>	<u>(₱3,695,964.00)</u>

### Effects of Exchange Rate Changes on Cash and Cash Equivalents

<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>₱1,375,853.82</u>	<u>(₱847,859.67)</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>₱8,389,029.02</u>	<u>₱9,236,888.69</u>

<b>CASH AND CASH EQUIVALENTS, DECEMBER 31, 2018</b>	<u>₱9,764,882.84</u>	<u>₱8,389,029.02</u>
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**KAPATAGAN WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
ALL FUNDS**

For the year ended December 31, 2018

**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 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:

<u>Accounts</u>	<u>2018</u>	<u>2017</u>
Cash on Hand	₱ 286,549.53	₱ 109,295.78
Cash in Bank – Local Currency	9,478,333.31	8,279,733.24
<b>TOTAL AMOUNT</b>	<b>₱ 9,764,882.84</b>	<b>₱ 8,389,029.02</b>

Details of the Cash in bank accounts are as follows:

<u>Accounts</u>	<u>2018</u>	<u>2017</u>
Cash in Bank-Local Currency, Current	₱ 1,561,759.26	₱ 1,085,029.62
Cash in Bank-Local Currency, Savings	7,916,574.05	7,194,703.62
<b>TOTAL AMOUNT</b>	<b>₱ 9,478,333.31</b>	<b>₱ 8,279,733.24</b>

- Cash in Bank-Local Currency, Current Account composes the 1<sup>st</sup> Valley Bank (22-00008-5), LBP Account No. 0802-1078-11 and LBP Account no. 0805-0712-14 are the current bank accounts of the district with different purpose; FVB and LBP 1078-11 are the general funds for daily operations of the district while LBP 0712-14 is intended for electronic remittances of HDMF and BIR.
- Cash in Bank-Local Currency, Savings Account comprises LBP Account No. 0801`-0610-87 served as the joint savings account between LWUA and KAPWD; FVB Account No. 102-051-121-235 served as trust fund for the amount collected from concessionaires for Water Meter Maintenance fee; LBP Account no. 0802-1169-18 is a savings account for Terminal Leave.

#### 4. Receivables

<u>Account</u>	<u>2018</u>	<u>2017</u>
Accounts Receivable	₱ 1,708,428.06	₱ 909,066.04
Allowance for Impairment	0.00	0.00
Receivables – Disallowances/Charges	1,807,000.00	1,820,800.00
Due from Officers and Employees	0.00	20,000.00
<b>TOTAL</b>	<b>₱ 3,515,428.06</b>	<b>₱ 2,749,866.04</b>

#### 5. Inventories

<u>Accounts</u>	<u>2018</u>	<u>2017</u>
<b><i>Inventory Held for consumption</i></b>		
- Office Supplies Inventory	₱ 8,595.00	₱ 19,610.00
- Accountable Forms, Plates & Stickers Inv.	136,000.00	6,500.00
- Non – Accountable Forms Inventory	236,670.00	53,750.00
- Chemical and Filtering Supplies Inventory	590,981.76	28,791.62
- Other Supplies and Materials Inventory	2,077,135.30	2,831,046.95
	<b>₱ 3,049,382.06</b>	<b>₱ 2,939,698.57</b>
<b><i>Semi – Expendables</i></b>		
- Machinery	-	0.00
- Office Equipment	113,614.54	61,699.00
- Communication Equipment	28,1475.00	247,875.00
- Other Machinery Equipment.	218,963.67	125,447.00
- Furniture, Fixtures & Books	₱ 224,914.27	₱ 181,556.82
<b>TOTAL</b>	<b>₱ 3,888,349.54</b>	<b>₱ 3,737,552.41</b>

#### 6. Other Current Assets

	<u>2018</u>	<u>2017</u>
Prepayments	₱ 20,768.12	₱ 9,225.64
<b>TOTAL</b>	<b>₱ 20,768.12</b>	<b>₱ 9,225.64</b>

#### 7. Property, Plant and Equipment

<u>2018</u>	<u>2017</u>
-------------	-------------

<b>Land</b>	₱	3,529,309.23	₱	3,529,309.23
<b>Land Improvements</b>		1,094,542.47		1,094,542.47
<b>Infrastructure Assets</b>				
Water Supply Systems		6,465,749.45		6,465,749.45
<i>Accumulated Depreciation</i>		(3,240,923.28)		(2,911,911.17)
Plant – Utility Plant in Service (UPIS)		59,820,150.14		58,768,142.79
<i>Accumulated Depreciation</i>		(16,113,169.76		(14,117,720.30
		)		)
<b>Buildings &amp; Other Structures</b>		3,522,907.63		3,522,907.63
<b>Other Structures</b>		506,709.03		-
<i>Accumulated Depreciation</i>		-		-
<b>Machinery and equipment</b>				
Office Equipment		1,085,497.63		1,059,089.63
<i>Accumulated Depreciation</i>		(203,465.80)		(203,465.80)
Communication equipment		28,191.49		0.00
<i>Accumulated Depreciation</i>		-		0.00
Other Equipment		961,320.00		961,320.00
<i>Accumulated Depreciation</i>		(241,071.70)		(241,071.70)
<b>Transportation Equipment</b>		902,292.00		908,292.00
<i>Accumulated Depreciation</i>		(674,600.18)		(674,600.18)
<b>Construction in Progress - UPIS</b>		-		45,572.30
<b>Total Property, Plant and Equipment</b>	₱	<b>57,443,438.35</b>	₱	<b>58,206,156.35</b>

## 8. Financial Liabilities

	<i>Accounts</i>	<u>2018</u>	<u>2017</u>
<b>Payable</b>			
- Accounts Payable	₱	389,582.28	₱ 609,315.74
<b>Bills/Bonds/Loans Payable</b>			
- Loans Payable - Domestic		28,462,557.05	28,462,557.05
<b>TOTAL FINANCIAL LIABILITIES</b>	₱	<b>28,852,139.33</b>	₱ <b>29,071,872.79</b>

## 9. Inter – Agency Payables

	<u>2018</u>	<u>2017</u>
Due to BIR	₱ 255,716.38	₱ 99,443.79
Due to GSIS	241,978.27	223,027.17
Due to Pag-ibig	123,066.00	53,591.53
Due to Philhealth	27,093.49	18,850.00
<b>TOTAL</b>	₱ <b>647,854.14</b>	₱ <b>394,912.49</b>

## 10. Trust Liabilities

	<u>2018</u>	<u>2017</u>
Trust Liabilities	₱ <b>225,225.00</b>	₱ <b>163,925.50</b>

## 11. Deferred Credits/Unearned Income

Deferred Credits to Income	<u>2018</u> ₱ <b>0.00</b>	<u>2017</u> ₱ <b>160,441.19</b>
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## 12. Income

	<u>2018</u>	<u>2017</u>
<b>SERVICE AND BUSINESS INCOME</b>		
<i>Business Income</i>		
Waterworks System Fees	32,427,736.1	30,378,684.40
Interest Income	7,633.43	11,292.05
Fines & Penalties – Business Income	831,503.12	569,914.09
Other Business Income	79,150.00	1,064,289.63
Other Gains	2,150,206.97	
<b>TOTAL BUSINESS INCOME</b>	<b>₱ 35,496,229.62</b>	<b>₱ 32,024,180.17</b>

## 13. EXPENSES

### 13.1 Personnel services

	<u>2018</u>	<u>2017</u>
<b>Salaries and Wages - Regular</b>	<b>7,658,984.5</b>	<b>7,792,683.98</b>
<b>Salaries and Wages - Casual</b>	<b>1,277,521.39</b>	<b>1,225,654.64</b>
<b>Other Compensation</b>		
Personnel Economic Relief Allowance (PERA)	1,098,000.00	1,057,000.00
Representation Allowance (RA)	119,500.00	147,000.00
Transportation Allowance (TA)	119,500.00	147,000.00
Clothing/Uniform Allowance	276,000.00	220,000.00
PEI	230,000.00	224,500.00
Overtime & Night Pay	179,547.12	768,925.33
Year – end Bonus	1,497,521.00	1,533,204.41
Cash Gift	230,000.00	222,916.70
<b>Personnel Benefit Contribution</b>		
Retirement and Life Insurance Premiums	1,077,498.3	1,089,843.18
Pag-IBIG Contributions	55,200.00	53,400.00
PhilHealth Contributions	118,184.12	102,487.50
Employees Compensation Insurance Premiums	55,197.72	53,386.51
<b>Other Personnel Benefits</b>	<b>537,847.37</b>	<b>385,554.61</b>
<b>TOTAL PERSONNEL BENEFITS</b>	<b>₱ 14,530,501.52</b>	<b>₱ 15,023,556.86</b>

### 13.2 Maintenance & Other Operating Expenses

	<u>2018</u>	<u>2017</u>
Traveling Expenses	₱ <b>998,566.04</b>	₱ <b>414,641.84</b>
Training and Scholarship	<b>439,190.00</b>	<b>149,420.00</b>



	<u>2018</u>	<u>2017</u>
<b>Expenses</b>		
<b>Supplies &amp; Materials Expenses</b>		
Fuel, Oil & Lubricants	430,284.66	165,675.20
Office Supplies	63,860.30	126,499.70
Non-Accountable Forms	-	93,550.00
Accountable Forms	-	71,500.00
Chemical & Filtering Supplies	81,214.56	417,566.66
<b>TOTAL SUPPLIES &amp; MATERIALS EXPENSES</b>	<b>₱ 575,359.52</b>	<b>₱ 874,791.56</b>
<b>Utility Expenses</b>		
Water expenses	31,869.66	31,471.36
Electricity	237,571.05	81,805.84
<b>TOTAL UTILITY EXPENSES</b>	<b>₱ 269,440.71</b>	<b>₱ 113,277.20</b>
<b>Communication Expenses</b>		
Postage & Courier Services	8,116.00	15,125.00
Telephone	36,973.72	49,322.17
Internet Subscription	41,262.00	30,076.26
<b>TOTAL COMMUNICATION EXPENSES</b>	<b>₱ 86,351.72</b>	<b>₱ 94,523.43</b>
<b>Generation, Transmission &amp; Distribution expenses</b>	<b>₱ 4,684,064.74</b>	<b>₱ 373,909.11</b>
<b>Extraordinary &amp; Miscellaneous expenses</b>	<b>₱ 631,135.55</b>	<b>₱ 491,866.02</b>
<b>Professional Services</b>		
Legal Services	41,600.00	1,000.00
Other Professional Services	8,000.00	21,900.00
<b>TOTAL PROFESSIONAL FEES</b>	<b>₱ 49,600.00</b>	<b>₱ 22,900.00</b>
<b>General Services</b>	<b>₱ 466,491.00</b>	<b>₱ 224,537.50</b>
<b>Repairs &amp; Maintenance</b>		
Infrastructure Assets	1,416,488.56	4,384,300.60
Machinery & Equipment	149,778.88	103,206.00
Transportation Equipment	343,855.44	177,373.30
Other Property, Plant and Equipment	298,201.74	0.00
<b>TOTAL REPAIRS &amp; MAINTENANCE</b>	<b>₱ 2,208,324.62</b>	<b>₱ 4,664,879.90</b>
<b>Taxes, Insurance Premiums &amp; Other Fees</b>		
Taxes, Duties & Licenses	666,313.53	567,817.91
Insurance expenses	106,653.06	133,801.10
<b>TOTAL TAXES, INSURANCE PREMIUMS &amp; OTHER FEES</b>	<b>₱ 772,966.59</b>	<b>₱ 701,619.01</b>
<b>Other Maintenance and Operating Expenses</b>		
Advertising, Promotional & Marketing	-	61,500.00
Representation Expenses	327,570.00	95,128.12
sTransportation & Delivery	-	4,529.50
Rent expenses	-	90,000.00

	<u>2018</u>	<u>2017</u>
Donations	39,800.00	7,800.00
Directors & Committee		
Member's Fees	725,035.00	846,955.93
Other Maintenance & Operating		12,297.00
<b>TOTAL OTHER MAINTENANCE &amp; OTHER OPERATING EXPENSES</b>	<b>₱ 1,092,405.00</b>	<b>₱ 1,118,210.55</b>
<b>TOTAL MAINTENANCE &amp; OTHER OPERATING EXPENSES</b>	<b>₱ 12,273,895.49</b>	<b>₱ 9,244,576.12</b>

#### 14. Financial Expenses

	<u>2018</u>	<u>2017</u>
Interest Expenses	₱ 1,340,138.00	₱ 1,500,038.00
Bank Charges	0.00	0.00
<b>TOTAL FINANCIAL EXPENSES</b>	<b>₱ 1,340,138.00</b>	<b>₱ 1,500,038.00</b>

#### 15. Non-Cash Expenses

	<b>2018</b>	<b>2017</b>
Depreciation	₱ 399,6243.12	₱ 4,012,275.72
Impairment Loss – Other Receivables	0.00	0.00
Discounts & Rebates	25,639.37	34,898.40
<b>TOTAL NON – CASH EXPENSES</b>	<b>₱ 4,021,882.49</b>	<b>₱ 4,047,174.12</b>

## **PART II – OBSERVATIONS AND RECOMMENDATIONS**



## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A.FINANCIAL AND COMPLIANCE AUDIT

1. Inventory-taking as stated in COA Circular 80-124 dated January 31, 1980 was not performed thus the existence and veracity of Property, Plant and Equipment Account as of December 31, 2018 in the amount of Php 57,443,438.35 cannot be ascertained.

1.Section V of COA Circular 80-124 dated January 31, 1980 states:

#### *V.GUIDELINES FOR INVENTORY-TAKING:*

##### *1.Creation of Inventory Committee*

*A committee shall be formed to take charge of the physical inventory-taking, consisting of two or more employees designated by the head of the agency including the property/administrative officer or custodian depending on the extent of his accountability. A representative of the Auditor shall witness the inventory-taking.*

##### *Property Identification and Coding*

*Government property shall be properly labelled and identified by the Inventory Committee. Inventory labels of special materials shall contain among others the individual property number to be provided by the corporation concerned. These numbers shall be uniformly printed in India Ink, to achieve permanence and best results, and shall be posted on a prominent but secure portion of the property for easy identification.*

##### *Memorandum Receipt*

*An officer or employee who receives and is in actual possession or physical control of the property shall sign a Memorandum Receipts for such property and shall be accountable therefor. Such Memorandum Receipts for property in the custody of an officer or employee shall be renewed every three years.*

##### *Inventory Reports*

*All inventory reports shall be prepared on the prescribed form and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The reports shall be properly reconciled with accounting and inventory records.*

The District did not perform the steps stated in the guidelines thus no inventory report was submitted to the Office of the Auditor.

The non-adherence of the District's Management to the guidelines laid down in COA Circular 80-124 dated January 31, 1980 makes the existence and the truthfulness of the Property, Plant and Equipment account in doubt.

**Recommendation:**

We recommended that management reconcile the record on accounting and property to ascertain the accuracy of the District records. Management should prepare Memorandum Receipt for the personnel who receive and in possession of District property. Property number should be assigned on District furniture and equipment for easy-inventory taking. These property number should be indicated in the inventory report and Memorandum Receipt. An invitation to the Office of the Auditor should be sent so that he or a representative can be present during inventory-taking.

**Management comment:**

The management will affirm any recommendation set by COA regarding proper handling of inventories and that any necessary documents needed regarding inventory will be complied.

**2. The validity and reliability of the Loans Payable-LWUA account amounting to Php 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 to Par. 29 of PAS 1 and Sec. 111 of PD 1445.**

Paragraph 29 of Philippine Accounting Standards (PAS) 1 provides that for the financial statements to be fairly presented, it requires the entity to present information in a manner that provides reliable information. Section 111 of PD 1445 also states that the accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

Review of the Schedule of Loans Receivable provided by LWUA and the amount as shown in the books of the District as of June 30, 2018 revealed the following:

<b>Loan No.</b>	<b>Per LWUA Books</b>	<b>Per KAPWD Books</b>	<b>Difference</b>
3-703 (RL & SL)	3,618,805.81	3,618,805.81	0.00
4-2262 (KFW RL)	12,093,923.00	12,093,923.00	0.00
4-2435 (Butadon RL)	632,631.24	603,981.24	28,650.00
9-0288 (NLIF NL)	9,935.59	10,988,730.00	(10,978,794.41)
<b>Total</b>	<b>16,355,295.64</b>	<b>27,305,440.05</b>	<b>10,950,144.41</b>

As shown above, there is a noticeable discrepancy between the amounts presented by LWUA and the books of the District. LWUA have debited the Non-LWUA Initiated Funds (NLIF) Loans Payable in amounts unknown by the District. Inquiry revealed that the NLIF loan in the amount of Php 15 million have different terms at the beginning. Of the said amount, Php 7.5 million was to be paid without interest. Then on CY 2014 LWUA issued a memo changing the terms of the loan. Still, the District continued paying the loan using the old agreement.

The non-reconciliation and reporting of incorrect Loan Payable balances question the validity and reliability of the account. The accounting department should exercise due diligence to reflect the correct balance in the financial statements.

**Recommendation:**

We recommended that management confer with LWUA and reconcile the difference in their books in order to reflect the correct amount of Loan Payable – LWUA account and record the appropriate adjustments.

**Management comment:**

The district had recently secured a Ledger for the particular loan account that has lead into unreconciled balances. Necessary documents will be submitted to COA to reconcile the said balances.

**3. The District paid Community Tax and Business Permit for the CY 2018 in the amount of Php 15,675.00 in contravention with Section 46 of PD 198 or Provincial Water Utilities Act of 1978 and Section 193 of RA 7160 or the Local Government Code of the Philippines.**

Section 46 of PD 198, or the Provincial Water Utilities Act of 1978 (as amended by Sec. 20, PD 768), provides that:

*SEC. 46. Exemption from Taxes. - A district shall (1) be exempt from paying income taxes, and (2) shall be exempt from the payment of (a) all National Government, local government and municipal taxes and fees, including any franchise, filing, recordation, license or permit fees or taxes and any fees, charges or costs involved in any court of administrative proceeding in which it may be a party and (b) all duties or imposts on imported machinery, equipment and materials required for its operations. (underscoring supplied).*

In addition, relative to the revenue-raising power of local government units, Section 193 of RA 7160 provides that:

*Section 193. Withdrawal of Tax Exemption Privileges. - Unless otherwise provided in this Code, tax exemptions or incentives granted to, or presently enjoyed by all persons, whether natural or juridical, including government-owned or controlled corporations, except local water districts, cooperatives duly registered under R.A. No. 6938, non-stock and non-profit hospitals and educational institutions, are hereby withdrawn upon the effectivity of this Code (underscoring supplied).*

Review of the disbursement vouchers of the district revealed the payment of the following:

Date	Check No.	DV Number	Payee	Purpose	Amount
1/17/2018	1232224	2018-01-35	Barangay Poblacion	CTC - For the renewal of Business Permit	6,005.00
1/22/2018	1232236	2018-01-046	MTO-Kapatagan	Renewal of Business Permit	9,670.00
<b>TOTAL</b>					<b>15,675.00</b>

Business permits are licenses issued by government agencies that allow individuals or companies to conduct business within the local government's geographical jurisdiction. It is the authorization to start a business issued by the local government. In order to apply or renew a business permit, community tax is required to be paid and a Community Tax Certificate (CTC) is issued to show that an individual whether natural or juridical is a resident of the said municipality, city or province.

Inquiry revealed that before CY 2017, the district did not pay any community tax or business permit. It was only on 2017 that the district was required to pay by the municipality said community tax and business permit and thus they continued the practice during the current year.

The payment of community tax and business permit is contrary to PD 198 and the Local Government Code as these statutes provide for the exemption of local water districts for such tax and fee. It must also be recalled that under PD 198, the creation of any local districts was through local government resolution and thus collecting business permit for its operation can be considered a redundancy of its permission. The payment of community tax and business permit in relation to juridical entities is applicable only to corporations created under the Corporation Code of the Philippines and other government owned or controlled corporations.

**Recommendation:**

We recommended that management dialogue should be conducted between the District and the municipality for its information and the payment of community tax and business permit be discontinued as contravenes the Section 46 of PD 198 and Section 193 of RA 7160.

**Management Comment:**

The management has already brought the said concern to the municipality of Kapatagan and will follow the recommendation of COA.

**4. Eight Thousand Pesos 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).**

Section 4 of PD 1445 enumerates the fundamental principles governing the financial transactions and operations of any government agency, which include among others:

*“(6) Claims against government funds shall be supported with complete documentation.”*

Meanwhile, Section 1.2.2 of COA Circular 2012-001 lists the documentary requirements to support the disbursements sourced out of the Petty Cash Fund, to include:

- ✓ Bills, receipts, sales invoices;
- ✓ Certificate of Inspection & Acceptance;



- ✓ Report of waste materials in case of replacement/repair;
- ✓ Canvass from at least three suppliers for purchases involving P1,000.00 and above, except for purchases made while on official travel;
- ✓ Summary/Abstract of canvass;
- ✓ OR in case of refund; and
- ✓ Such other supporting documents that may be required and/or required under the company policy depending on the nature of expenses.

It was observed that supporting documents for most of the disbursements taken from the Petty Cash Fund of Ms. Devaras were incomplete, but most noticeable are below enumerated disbursements which were not supported with any documents at all:

<b>Petty Cash Disbursements without Supporting Documents</b>			
PCV No.	Date	Payee / Particulars	Amount
201706021-B	6/13/2017	Racal Maintenance	1,000.00
201706016-C	6/21/2017	Snacks	500.00
201706019-C	6/22/2017	Snacks	500.00
201706021-C	6/22/2017	Office Supplies	1,000.00
201706033-C	6/28/2017	Office Supplies	1,000.00
201707027	7/20/2017	Ortiz, Jr. AC	480.00
201707028	7/20/2017	Ortiz, Jr. AC	920.00
201707030	7/20/2017	Simeon, LB	50.00
201707015-B	7/26/2017	6.5 Mineral Water Bacti-Test	100.00
201707041-B	7/29/2017	Jeanet M. Rabe	500.00
201708006	8/4/2017	Nestor Q. Mahanlud / Washing Galloper (SHJ 401)	350.00
201708013	8/29/2017	Honey's Collection	1,000.00
201712034	12/29/2017	Winefredo S. Atamosa Jr	600.00
<b>TOTAL</b>			<b>8,000.00</b>

Failure by the Petty Cash Fund Custodian to monitor every disbursement and the Accountant to review the liquidation upon replenishment attributed to the deficiency observed. After processing the request and accomplishing the petty cash voucher, PCF Custodian may have forgotten to follow-up requesting personnel on the required documents to support the claim. Also, the accountant may have placed high degree of reliance on the completeness on the Report of Disbursements submitted by the custodian.

As a result, majority of the disbursements were either incompletely supported or not supported at all, casting doubt on the propriety/validity of each transaction. With actual cash on hand, Petty Cash Fund is highly susceptible to misuse, hence the need to strengthen controls over the management of the fund.

**Recommendation:**

We recommended 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.

**Management Comment:**

The management will abide to the said recommendation and will assure strict imposition regarding disbursement of Petty Cash Fund, that any expenses disbursed should have the necessary documents attached to it.

**5. The Collecting Officers/Tellers do not maintain Cash Receipts Record and Report of Accountability for Accountable Forms in compliance with Section 40 and Section 17(k) of GAM, Vol I violating the internal control in records maintenance.**

Section 40 of GAM, Vol. I list the detailed procedures for collections and deposits through the Collecting Officer. It explicitly mentioned to record collections in the Cash Receipts Record (CRRec). Section 17(k) of the same manual also states that Report of Accountability for Accountable Forms (RAAF) shall be prepared by the Accountable Officer to monitor the movement of accountable forms. These provisions ensure that proper documentation exist for the receipts and utilization of the agency’s assets.

The Cash Receipts Record shows the cash collections and deposits as of a specific date. The Report of Accountability for Accountable Forms, on the other hand, shows the flow of documents starting from the beginning balance, the receipts and issuances for the month and the ending balance. The ending balance is used as basis for inventory as of a given period.

During the conduct of cash examination of the District’s collecting officers/tellers, an evaluation was conducted on internal control procedure on cash collections where it discloses that there were no cashbooks maintained and no reports of accountability for accountable forms prepared. The District solely relies on the Cashier’s cash account ledger and the Supply Officer’s logbook. Individual teller mainly prints the daily collection report/summary and submits the same together with cash collected to the Cashier who does the record keeping.

The non-maintenance of CRRec and RAAF has become an inherited practice of the District. Also, the ephemeral designation of tellers caused the non-maintenance of the subjected records/reports. Every now and then, different employee mans the collections for only a short period. Momentary designation is giving the perception that preparation and maintenance of regular reports are unnecessary. The District only has two units of computer and printer for collections but there are six employees collecting on random dates that even include the Accountant who is not supposed to meddle with collections. Table below shows different employees receive the collections on specified dates:

Period	Collecting Officers					
	Raul Carreon	Othello Ignacio	Jennifer Sumapig	Cheriebelle Devaras	Roberto Manatom	Leveena Esguerra
May 2017	9-10, 12, 15-17, 19, 22-26, 29-31		4-5, 8-12, 15, 18-19, 30	16, 25	2-5, 8, 10-11	18
June 2017	1-2, 5-9, 12-16, 19-23,		2, 5-7, 9, 13-16, 19-	1	8	

Period	Collecting Officers					
	Raul Carreon	Othello Ignacio	Jennifer Sumapig	Cheriebelle Devaras	Roberto Manatom	Leveena Esguerra
	27-30		22, 27-29			
July 2017	5-7, 10-14, 17-21, 24-28, 31		3-7, 13-14, 17-21, 24-28	27	4, 11-12, 18, 21	3
August 2017	1-4, 7-11, 14-18, 21-25, 29-31		1-4, 7, 10, 11, 14, 16-18, 22-24, 29-31	15-16	9, 16	9-10, 14
September 2017	4-8, 11-15, 18-20, 22, 25-27, 29		4-6, 8, 19, 22, 25-29	7, 11-15, 18, 20, 22		
October 2017	2-6, 9-13, 16-20, 23-27, 30		2-6, 9-13, 18, 25		4	16-17, 19-20, 30
November 2017	2-3, 6-10, 13-17, 20-24, 27-29	17	3, 7	2, 7-8, 10, 13-16, 20-24, 27		2, 6-7, 9, 28
December 2017	1, 5-8, 11-15, 22, 26-28	12, 27		4-8, 11, 13-15, 29		8, 18-21
January 2018	3-5, 8-12, 15, 17-19, 22-26, 29-31	10-11, 16-88, 22-24, 29-31		3-5, 8-9, 12, 15-17		10, 25-26, 31
February 2018	1-2, 5-9, 12-16, 19-23, 26-28	1-2, 5-9, 12-15, 19-20, 22-23, 26-28		20-21		15
March 2018	1, 5, 9, 12-16, 19-23, 26-28	2, 5-9, 12-16, 19-23, 26, 28	6-7	12-16		12

The lack of permanent Cashbook/Cash Receipts Record precludes the accountable officer to reconcile his cash balance and his cash on hand at the end of each day. It further hampers the quarterly reconciliation of cashbook balance and subsidiary ledger balance. Moreover, weak internal control over the recording of cash receipts increases the risk of incurrence of loss and the commission of cash collection misappropriation.

Failure to prepare the Report of Accountability for Accountable Forms also hinders reconciliation of accountability in the course of inventory of accountable forms. Unauthorized or unreported utilization of these forms may be committed in the absence of its monitoring.

**Recommendation:**

We recommend that the Management (a) stop the temporary designation of accountable officers especially those holding crucial positions like cash collections; (b) affix the period of designation to be at least 1 year, but preferably of longer period; and (c) require the

designated officer to maintain a Cashbook/Cash Receipts Record or its equivalent and prepare Monthly Report of Accountability for Accountable Forms.

**Management Comment:**

The management will meekly accept the said recommendation and insure the that said recommendation will be enforced, that Collecting Officer/Tellers will have longer designation and require them to maintain a Cashbook/Cash Receipts record or its equivalent and prepare Monthly Report of Accountability for Accountable Forms.

**6.Lack of meticulous and judicious planning in the preparation of the District's Annual Procurement Plan (APP) leads to the use of Alternative Method of Procurement in violation of Section 10 of the Implementing Rules and Regulation (IRR) of Republic Act (RA) 9184.**

All procurement shall be within the approved budget of the procuring entity and should be meticulously and judiciously planned by the procuring entity (Section 7.1 of RA 9184 IRR). In addition, all procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR (Section 10, Rule IV of RA 9184 IRR). That is, competitive bidding is the default mode of procurement.

However, whenever justified by the conditions provided in R.A 9184 and its revised IRR, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in Rule XVI of the IRR of R.A. 9184.

The Alternative Methods of Procurement shall be resorted to only in the highly exceptional cases provided for in the IRR and subject to the prior approval of the Head of the Procuring Entity (HOPE) upon recommendation of the Bids and Awards Committee (BAC). In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained. That is, conditions for the utilization of the alternative methods of procurement should be present.

Under the alternative method of procurement such as **shopping**, the following conditions stated under Section 52 of the IRR of RA 9184 should be present:

- 1) When there is an unforeseen contingency requiring immediate purchase, the amount shall not exceed Php 200,000.00 for GOCCs (as revised by Annex H of the IRR of RA 9184);
- 2) Shopping for ordinary office supplies and equipment not available in the Department of Budget and Management-Procurement Service (DBM-PS), for projects with Approved Budget for the Contract (ABC) above Php 1,000,000.00 for GOCCs (as revised by Annex H of the IRR of RA 9184). That is, the goods are offered by the DBM-PS but are not available at the time of intended purchase.

Under **Small Value Procurement**, the conditions stated for the alternative method of procurement for shopping should not exist. That is, there should be no unforeseen contingency, it is not for ordinary office supplies and equipment, and it is not offered by the DBM-PS. The threshold for Small Value Procurement is Php 1,000,000.00 for GOCCs.

The summary of the Annual Procurement Plan (APP) of the Kapatagan Water District (KAPWD) revealed the following:

<b>Goods for Procurement</b>	<b>Mode of Procurement</b>	<b>Amount</b>
Common Plumbing Supplies, Fittings and Mainline Pipes	Small Value Procurement	3,834,713.04
Common Office Supplies/ Consumables	PS-DBM	499,612.00
Common Materials for Vehicle Maintenance and Equipment	Small Value Procurement	221,890.00
Common Materials Equipment and Consumables in Pump Houses, R1 and R2	Small Value Procurement	1,316,463.00
Common Office Supplies and Equipment and Materials in Office	Shopping	167,750.00
<b>Total</b>		<b>6,040,437.00</b>

Further review revealed that the methods of procurement are already indicated in the PPMP. That is, the end-users have already suggested the procurement method to be used even if there was still no indication of the existence conditions for use of such methods, or if BAC would recommend to the HOPE such methods of procurement for approval.

Inquiry revealed that the methods of procurement indicated above was used as the default mode of procurement due to the experience of the District that said materials were usually not available at the PS-DBM. BAC Resolutions recommending the alternative method of procurement and approved by the HOPE was done after the APP was prepared and submitted to the GPPB.

The APP must be meticulously and judiciously prepared so that the principles of transparency, competitiveness, streamlined procurement, system monitoring, and public accountability can be adequately observed. The Government Procurement Reform Act or RA 9184 does not prohibit the revision of the APP when the default mode of public bidding cannot be adhered to but the conditions for alternative method of procurement must be present. Revision of APP can be made several times to reflect accurately the procurement activity of the District. The revised APP can be submitted to the GPPB at the beginning or at the middle of the year.

### **Recommendation:**

We recommended that Management prepare its Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) in accordance with the Section 7 of the IRR of RA 9184 keeping in mind that the default mode of procurement is public bidding in accordance with Section 10 of the same IRR. Alternative methods of procurement should be used only when the conditions for their utilization are met. The BAC should recommend the method of procurement which is to be approved by the HOPE. BAC Resolutions must be supported by concrete evidences that show the existence of conditions for the alternative methods of procurement such as certifications, responses to letters of inquiry sent by the agency, screenshots of the electronic catalog, etc. that shows that said goods are not offered or available at the DBM-PS.

### **Management Comment:**

Issue has been brought up to BAC members and that the purpose of going into Alternative Methods of Procurement instead of Public Bidding is that (a) Purchases made by KAPWD is under the threshold for Public Bidding set by RA 9184 that is Php 1,000,000.00 which constitute the end user to request for an Alternative modes of procurement. (b) KAPWD is a self-generating agency, it has not been inculcated into by any National Budget and that any purchases made have been gotten from its own monthly collection.

### **7. Bank Reconciliation Statements are not prepared regularly for all accounts maintained by the district in violation of Section 74 of PD 1445.**

Section 74 of PD 1445, or the State Audit Code of the Philippines, provides that: **Section 74. Monthly reports of depositories to agency head** *At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency."*

Review of the Bank Reconciliation Statements submitted during cash examination of the accountable officer revealed that not all accounts maintained by the District was reconciled Monthly by the accounting section. LBP Account Number 0802-1169-18 was opened for terminal leave of its personnel was not regularly reconciled each month as money was not regularly deposited to it and withdrawals from it occurred only when district personnel retired from service. Recognition of interest earned by the said deposit therefore was not timely

It was also noted that the accounting personnel who prepares bank reconciliation statements sometimes act as collecting officer or teller when the regular teller and his alternate tellers are absent This is a violation of sound internal control measure that prohibits the handling of cash by someone who prepares the bank reconciliation statements.

The non-preparation of Bank Reconciliation Statement for the terminal leave benefits of the employees violates the purpose of Section 74 of PD 1445 which is to monitor all of the

accounts of the agency. In addition, finding for the terminal leave benefits of the District employees may be deficient as no regular deposits were made to it.

**We recommended that management :**

1. Prepare Bank Reconciliation Statements on all the District accounts regardless whether money was deposited or withdrawn from it or not for monitoring purposes.
2. Regularly deposit to the employees' terminal, leave benefit account so that the fund will have enough when one or several District's employees will retire.

**Management Comment:**

Due to a new Accounting Program installed the submission of reports were delayed, however the accounting department was able to assess the delayed submission.

**8.A total of 109 disbursements paid through the District's Petty Cash Fund costing more than P300.00 each were only supported with Reimbursement Expense Receipt (RER), contrary to the provisions of COA Circular No. 2017-001 dated June 19, 2017.**

COA Circular No. 2017-001 provided that:

"In view of the reduced purchasing power of the peso, expenses incurred by government officials and employees in the discharge of their official functions amounting to P300.00 or less need not be supported by official receipts, except for the following:

*a. Payment of fares in public utility vehicles issuing receipts such as bus, train, vessel/ship; and*

*b. Purchases in business establishments issuing receipts."*

The same Circular likewise provided for the prescribed format of the certification that the official/employee concerned is required to submit (*Annex A*).

Review of the Disbursements paid out of the Petty Cash Fund of Ms. Cheriebelle T. Devaras, it was observed that a total of 109 disbursements costing more than P300.00 each were supported only with RER totaling to Php 65, 928.70 (see Annex A for details).

Majority of the Disbursements were from (1) the travelling expenses of the District's meter readers; (2) Labor charges for various repairs; and (3) meals/snacks and other expenses during BOD meetings.

The travelling expenses of the meter readers captioned as "Meter Reading Allowance" were actual travelling expenses of the District's personnel who periodically go around the area covered by Kapatagan Water District to read the water meter/billing of all its concessionaires. The P150.00/day travelling expenses was found reasonable which should be indicated in the Itinerary of Travel to be supported by the certification. Being a travelling expense the same should be duly supported by travel orders / locator slips, itinerary of travel and the certification per day of travel.

Labor charges for repairs on hand held radio, jack hammer, antenna, etc. are job orders whose task to be performed is specific and the period of action is defined, but the District seemed to find the duration short that the execution of contract of job order was dismissed and the attachment of RER to the claim for labor charges was practiced.

Meals, snacks and other petty expenses during BOD and Management meetings were procured from the nearby food stores not issuing official receipts, hence the use of RER on majority of its expenses. These expenses as much as possible should be procured from the entities issuing official receipts, especially when amount involved is already material.

The use of RER should be regulated to avoid abuse of its utilization, hence the provision of the maximum/ceiling amount allowed. Government money payments were acceptable Official Receipts (OR) is excused subjects the fund to high risk of being exploited.

#### **Recommendation:**

We recommended to the District to stop the practice of supporting only RER for all its disbursements costing more than P300.00 each.

- a. Travelling expenses for the meter readers should be supported with Travel Order and Itinerary of Travel with the certification of P150.00 daily expense for each day of travel;
- b. Job Order contract should be executed for any repair services entered into by the District indicating therein the type of work to be employ, duration and the reasonable daily rate of the repairman, payment in the form of Salary should be duly acknowledged (Acknowledgement Receipt showing the minimum data as follows: date of payment, name of recipient, address of the recipient, purpose of payment, and amount received); and
- c. Meals and other expenses during BOD and Management meetings costing more than P300.00 should be procured from registered establishments to be supported by the Attendance and Minutes of the Meeting.

#### **Management Comment:**

The management will abide to the said recommendation given by COA.

**9.Management failed to provide its Accountable Officers with enclosed cubicle or safe room to safeguard the cash collections from unauthorized access inducing weak internal control, which is not in compliance to Section 2 of Presidential Decree No. 1445.**

The responsibility of implementing and monitoring a sound internal control system rests directly with the head of the government agency in order to safeguard its assets, x xx encourage adherence to prescribed managerial policies (Section 2 of PD 1445)



Examination of the District's internal control on cash collections disclosed that the Tellers' Office was not enclosed. The Collecting Officers were performing their work in spaces open to other employees and visitors/concessionaires and without the privacy of a cubicle. Furthermore, the District's bookkeeper is positioned considerably close to the Tellers and the Disbursing Officer.

A safe room or enclosed cubicle is an essential part of internal control to limit access of assets to authorized personnel. It also prevents the risk of any employee or visitor perpetuating and concealing any misappropriation of cash.

Preparation/Planning for the newly constructed Administration Building of the District failed to consider the proper separation of offices. Structural security of offices/department that are handling assets susceptible to theft and/or any emergency such as fire and flood were not taken into consideration. Plan for the Administration Building likewise failed to consider a sound internal control ensuring check and balance among offices: Cashiering Unit which includes the collecting officers can freely access the Accounting Records.

Open cash collection spaces make cash and other assets received susceptible to theft and unauthorized access. The District's present arrangement of workspaces opens the door to irregularities of all sorts. Moreover, the Collecting Officer's workspace being considerably close to the Bookkeeper increases the risk of access to accounting records.

**Recommendation:**

We recommend that the Management provide adequate and safe room for accountable officers ensuring that physical security measures are incorporated and that employees in custody of cash are not significantly close to employees in charge of recording transactions.

**Management Comment:**

The management have been keenly eyeing the need of having an enclosed structure around our Accountable Officers and that the said project has been in our 2019 Corporate Budget, guaranteeing a safe room not only for our Accounting Officers but also all the Official Documents in placed for recording.

**10. Several Internal Control measures was not implemented showing weakness in the handling of cash which may result loss of funds for the District.**

Internal controls are the mechanisms, rules and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and prevent fraud. Besides complying with laws and regulations, and preventing employees from stealing assets or committing fraud, internal controls can help improve operational efficiency by improving the accuracy and timeliness of financial reporting.

Internal controls are crucial for any organization that wants to make sure its operations are not only efficient, but also meet certain ethical standards. An organization puts them in place to ensure the integrity of its finances and accounting. Internal control also help a firm meet profitability targets and maintain consistent managerial practices company-wide.

While no two companies will have identical internal controls, many basic philosophies regarding financial and accounting practices have become standards. Review of the internal control of the District revealed that several internal control measures for cash were not implemented as listed below (see Annex B for more details:

1. Submission of Accountable Officer's photo to COA.
2. Keeping of COA Regulations pertaining to the accountable officer's work.
3. Duplicate combinations of the accountable officer's safe on file with an authorized officer.
4. Daily recording of transactions.
5. Reconciliation of cashbook balances with the subsidiary ledgers at least once every quarter.
6. Maintenance of subsidiary records for each accountable officer.
7. Preparation of monthly reports of accountability for accountable forms.
<b>Collection</b>
8. Reconciliation of Cash book balance with his cash on hand at the close of each day.
<b>Disbursements</b>
9. Bank reconciliation preparation was done by employee whose duties does not involve signing of checks, recording cash transactions or handles cash.
<b>Cash Advances</b>
10. Previous cash advances are liquidated before granting another cash advance.
11. Regular submission of Reports of Disbursements from cash advances.
<b>Petty Cash Fund</b>
12. Existence of a "Ceiling" for individual payments from the fund.
13. Existence of proper internal audit for petty cash vouchers and supporting documents at the time of reimbursing the fund.

As cashbook/cash receipts record/cash receipts register was not maintained by the accountable officer for collections, regular cash advances and special cash advances the auditor have to rely on the reports made by accounting department. The accounting department in turn rely on the reports made by the tellers.

The Daily Collection Reports kept by the cashier are unreliable as these are sometimes erroneous, not updated daily, and some reports are missing. Valuable information is also missing such as to which depository banks the collections are deposited. The District kept two depository banks for collections (KVB and LBP) and there was no mention in the records maintained by the cashier where these collections are deposited. Oftentimes these records were not supported by reports from the tellers.

It is the accounting department who prepares cash receipts record/register based on the reports generated by the tellers. Records or register for regular and special cash advances was also maintained by the accounting department and not by the cashier.

Electronic records/registers are maintained in the accounting department in a desktop computer and hard copies are printed only when requested for it. There was no hard copy file

kept by the tellers, cashier and accounting department. There is a danger that the records will be lost if the computer breaks down due to electronic virus, natural hardware deterioration/glitches or some other causes.

**We recommended that management :**

1. 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.
2. Separate records should be maintained by the treasury (cashier) and accounting department to establish check and balance in the keeping of District's records.
3. Back-up the records kept electronically by the accounting department daily in a separate soft memory storage.
4. 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.

**Management Comment:**

The Management will create policies and procedures to ensure continued reliability of all accounting system. Recommendations 2, 3 and 4 were already exercised.

**11.Kapatagan Water District did not use 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.**

PCW MC 2018-04 provides that the agency, led by the GFPS, shall conduct gender analysis based on the results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework (GMEF), Harmonized Gender and Development Guidelines (HGDG), Participatory Gender Audit (PGA) and other gender analysis tools; including the use of gender statistics and sex-disaggregated data to determine the extent of the gender-responsiveness of its programs, activities, and projects.

The total budget for Gender and Development (GAD) of Kapatagan Water District for calendar year 2018 amounted to ₱ 90,000.00 per prepared Annual GAD Plan and Budget (GPB) for various activities to address gender issues of clients and the organization.

Further verification revealed that though the District created its GAD Focal Point System and conducted capability building on GAD, some elements needed in the planning and budgeting such as the agency's level of gender mainstreaming or extent of the gender-responsiveness of its policies, programs, and projects were still missing. GAD information to include gender statistics and sex-disaggregated data for both clients and the organization were not developed or integrated in its existing database that are useful in the planning, budgeting, programming, and policy formulation.

The use of the HGDG will yield a maximum score of 20 points for each program or project, and depending on the District's score on the tool, a percentage of the budget of the existing and proposed major program shall be attributed to the GAD budget as follows:

**Recommendation:**

We recommend management to:

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;

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.

**Management Comment:**

All the necessary documents specifically the GAD Budget has been submitted to PCW for approval and that to our knowledge any documents submitted to PCW is deemed approve and COAble. Any other recommendation from COA will be followed with by the management.

**12. Delayed submission of the required reports to the Office of the Auditor precluded the auditor from conducting timely audit of the transactions.**

The following reports and documents are to be submitted to the Office of the Auditor at the following dates:

<b>Documents/Reports</b>	<b>Deadline of Submission</b>	<b>Legal Basis</b>
Quarterly Trial Balance with supporting schedules	Every quarter within the 1 <sup>st</sup> 10 days of the following month	COA Circular 92-89E
Bank Reconciliation Statements	Within the first 15 days of the following month	Sec. 74 of PD 1445 Sec. 2.1.4 of COA Circular No. 125a
Property, Plant and Equipment/Materials Inventory of Reports	Every 31st day of January each year	Sec. IV of COA Circular No. 80-124
Contracts/Purchase Orders	Within 5 days after the execution of the contract / purchase orders (regardless of amount)	Sec. 1 of COA Circular 2009-001

This is a reiteration of previous year AOM. Inquiry revealed that a new accounting system have been installed and that the accounting department is still getting to know the intricacies of its utilization thus the delay in the submission of reports.

Water districts were previously audited cyclically and therefore it is understandable that they do not know where they will submit the above-mentioned reports as there is no permanent auditor assigned to them. But starting CY 2013 water districts and other stand-alone agencies have auditors assigned to them who will regularly review the accounts of the agency. Thus, regular submission of reports should now be observed. With the advent of internet, reports can now be submitted electronically.

The non-submission of the required reports hampered review of the accounts affected by the said reports. Water District personnel are reminded that non-submission of the required reports is a ground for suspension of their salary.

**Recommendation:**

We recommended 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.

**Management Comment:**

Due to a new Accounting Program installed the submission of reports were delayed, however the accounting department was able to assess the delayed submission.

**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 2017 AAR and noted the following:

<i>Status of Implementation</i>	<i>No. of Recommendations</i>
Fully Implemented	7
Partially Implemented	3
Not Implemented	3

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2018-005 (KAPWD)	<b>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.</b>	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.	Not implemented  The management has reassigned or designate another employee to perform said workload. The employee in charge promise to cope up and submit the required documents by CY 2019.
2018-004 (KAPWD)	<b>The Agency did not prepare its Corporate Operating Budget as in accordance with the provisions of DBM Corporate Budget No. 22 dated December 1, 2017 and submit it to the Department of Budget and Management within the prescribed deadline.</b>	We recommended that Management prepare its Corporate Operating Budget embodying estimates of revenues and expenditures that would serve as a guide in its operations.	Fully Implemented
2017-003 (KAPWD)	<b>Payments of salaries to Job Order personnel hired for the construction of office building implemented</b>	We recommend that the management should execute the said certifications for the JO Personnel and the	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>by administration totaling P983,480.00 were not supported with duly approved Daily Time Record as required under COA Circular 2012-001.</p>	<p>corresponding Daily Time Records must be produced as prerequisite to each payment of salaries. Also, the designated Accounting in-charge must be instructed not to process payments without complete documents attached pursuant to COA Circular 2012-001.</p>	
<p>2017-002 (KAPWD)</p>	<p>The District entered contract with a Job Order Labor Contractor for the manual labor component of its project implemented by administration contrary to the provisions in IRR of RA 9184 and GPPB Resolution No. 018-2006.</p>	<p>We recommend that the management should strictly adhere to the provisions of Appendix 1 in IRR of RA 9184 under GPPB Resolution No. 018-2006 and to submit valid justification in undertaking contract with a job order labor contractor accompanied with Cost-Benefit Analysis to substantiate its decision.</p>	<p>Fully Implemented</p>
<p>2018-006 (KAPWD)</p>	<p>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.</p>	<p>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.</p>	<p>Partially Implemented</p> <p>The district had sent email once but no response received. The management considers also the possible expenses may incur in getting the supplies.</p>
<p>2017-001 (KAPWD)</p>	<p>Mutilated coins found on hand may result to a</p>	<p>Management should remind the assigned tellers to</p>	<p>Fully Implemented</p>



Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	<p>loss of the Agency's realized income amounting to Php 3,900.00 if it can be classified into the conditions stated under Section 22, Chapter V, of Banko Sentral ng Pilipinas (BSP) Circular 829.</p>	<p>exercise utmost care in the performance of their duties so that mutilated or unfit for circulation notes and coins should not be accepted and returned to the concerned concessionaire who presented it.</p> <p>Segregate the mutilated or unfit for circulation coins according to the classification stated under Chapter V, Sections 18, 19, and 22 of BSP Circular dated March 13, 2014.</p> <p>Present the mutilated or unfit for circulation coins to their authorized depository for exchange or to the BSP Regional Office/Branch nearest to the water district, taking into account the cost that may be charged by their authorized depository bank and transporting the same to the nearest BSP Regional Office/Branch, whichever is more cost efficient or economical.</p>	
2018-009 (KAPWD)	<p>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.</p>	<p>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.</p>	<p>Not Implemented</p> <p>The management has already exerted extra ordinary efforts to resolve common problems of Water District, the NRW. But this year 2019 the district has started implementing NRW reduction program such as replacing the old meters by</p>

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
			new ones, since most of the water meters were aged 10 yrs or more as well as old pipes.
2018-007 (KAPWD)	<b>The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in LWUA Memorandum Circular No. 010.14 and DOH Administrative Order No. 2014-0027, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures.</b>	We recommend that the We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2018 as provided under DOH Administrative Order No. 2014-0027.	Fully Implemented
2018-008 (KAPWD)	<b>The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 35 of the General Appropriations Act (GAA) for FY 2018 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.</b>	We recommend that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 35 of the FY 2018 General Appropriations Act.	Fully Implemented

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
2016 AAR Finding No. 1	<b>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.</b>	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.	Partially Implemented  The management has already stopped the issuances of bonuses and other benefits with no legal basis.
2016 AAR Finding No.7	<b>Official receipts were procured from a private printing service provider without securing prior certification from the recognized government printers (RGPs) as required under the General Appropriations Act (GAA) of 2017.</b>	Strictly comply with Section 23 of the General Appropriations Act (GAA) of 2017 in contracting the services of private printers in the production of accountable forms and sensitive, high quality or high volume printing requirements.	Not Implemented  The district preferred the private printing services since they offers lower prices compared to other printing offices. But we will procure to the certified printing offices until our stocks last.
2016 AAR Finding No.8	<b>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</b>	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	Partially Implemented  The district has continued depositing intended for this purpose yet the total savings as of April 30, 2019 is

Ref.	Audit Observations	Audit Recommendations	Status of Implementation
	employee benefits.	earned leave credits of District personnel with the corresponding money value as basis in accounting of the accrued liability.	amounting to P1,850,000.
2016 AAR Finding No.9	<b>Purchase Orders were not properly accomplished contrary to Section B of COA Circular No. 96-010 dated August, 15, 1996, resulting to the inability to ascertain that the delivery of materials and supplies conform to the terms and conditions of the agreement.</b>	Require the Accountant and officials concerned to fill-up the relevant and required information on the Purchase Order and that the document must be signed and approved only when the required data are complete to ensure that the supplier will deliver the goods in accordance with the terms and conditions of the contract.	Fully Implemented
2016 AAR Finding No.10	<b>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.</b>	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 management granted said allowances to GM due to humanitarian reasons. She really needs financial support at that time for her major surgical operation.

## **IV. ANNEXES**

## Annex A

<b>List of Petty Cash Disbursements costing more than P300.00 supported only by RER</b>					
	PCV No.	Date	Payee	Particulars	Amount
1	201705011	6/1/2017	Raul P. Carreon Jr	PVC Sheet & Film	370.00
2	201705012	6/1/2017	Jeanet M. Rabe	Snacks	440.00
3	201705016	6/2/2017	Jeanet M. Rabe	Snacks	440.00
4	201705021	6/2/2017	Jeanet M. Rabe	Snacks	500.00
5	201705022	6/2/2017	Epiphane C. Encarnacion	Meter Reading Allowance	450.00
6	201705023	6/2/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
7	201705029	6/5/2017	Franz Joseph Luardo	Handheld radio repair	1,000.00
8	201705031	6/5/2017	Jeanet M. Rabe	Snacks	500.00
9	201705038	6/6/2017	Franz Joseph Luardo	Handheld radio repair	575.00
10	201705041	6/7/2017	Franz Joseph Luardo	Jack Hammer Bearing	1,000.00
11	201706003 -B	6/8/2017	Dinno B. Galbines	Rental - component for Recorida (No water announcement)	800.00
12	201706014 -B	6/8/2017	Jeanet M. Rabe	Office Supplies	500.00
13	201706023 -B	6/13/2017	Jeanet M. Rabe	Snacks	345.00
14	201706029 -B	6/14/2017	Daryl Engelbert C. Eya	Snacks	910.00
15	201706030 -B	6/14/2017	Jeanet M. Rabe	Office Supplies	500.00
16	201706031 -B	6/14/2017	Jeanet M. Rabe	Snacks	371.00
17	201706037 -B	6/16/2017	Jeanet M. Rabe	Snacks	365.00
18	201706001 -C	6/19/2017	Jeanet M. Rabe	Snacks	440.00
19	201706007 -C	6/19/2017	Franz Joseph Luardo	Handheld radio repair	550.00
20	201706020 -C	6/22/2017	Zosimo L. Janiola	Snacks	320.00
21	201706022 -C	6/22/2017	Jeanet M. Rabe	Snacks for LBP Guests	615.00
22	201706023 -C	6/23/2017		Snacks	600.00

<b>List of Petty Cash Disbursements costing more than P300.00 supported only by RER</b>					
	PCV No.	Date	Payee	Particulars	Amount
23	201706027 -C	6/27/2017	Jeanet M. Rabe	Snacks	630.00
24	201770700 3	7/13/2017	Jeanet M. Rabe	Snacks	600.00
25	201770700 9	7/17/2017	Jeanet M. Rabe	Snacks	500.00
26	201770701 2	7/17/2017	Jeanet M. Rabe	Snacks	500.00
27	201770701 9	7/18/2017	Franz Joseph M. Luardo	Jack hammer repair	1,000.00
28	201770702 0	7/18/2017	Franz Joseph M. Luardo	Labor charge	500.00
29	201770703 2	7/20/2017	Daryl Engelbert C. Eya	Labor for the measurement of LPS in water source	1,500.00
30	201770703 3	7/20/2017	Daryl Engelbert C. Eya		600.00
31	201770703 4	7/20/2017	Crown Paper & Stationer	Photo film	680.00
32	201707007 -B	7/25/2017	Nestor Q. Mahanlud	Change oil & Check- up selector pad	500.00
33	201707011 -B	7/25/2017	Jeanet M. Rabe	Snacks	358.00
34	201707021 -B	7/27/2017	Leonita B. Simeon	Wreath	800.00
35	201707039 -B	8/2/2017	Epiphanie C. Encarnacion	Meter Reading Allowance	450.00
36	201707040 -B	8/2/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
37	201708001	8/3/2017	Jeanet M. Rabe	Snacks	330.00
38	201708005	8/4/2017	Jerry M. Torres	Labor Galloper (SHJ 401)	600.00
39	201708008	8/4/2017	Epiphanie C. Encarnacion	Meter Reading Allowance	450.00
40	201708009	8/4/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
41	201708010	8/4/2017	Garry G. Reyes	Office Site Clearing	920.00
42	201708017	8/7/2017	Jeanet M. Rabe	Sacks	450.00
43	201708024	8/8/2017	Garry G. Reyes	Office Site Clearing	920.00
44	201708027	8/8/2017	Zosimo L. Janiola	Other Expenses	1,000.00
45	201708028	8/8/2017	Zosimo L. Janiola	Other Expenses	1,000.00
46	201708029	8/8/2017	Zosimo L. Janiola	Other Expenses	1,000.00

<b>List of Petty Cash Disbursements costing more than P300.00 supported only by RER</b>					
	PCV No.	Date	Payee	Particulars	Amount
47	201708030	8/8/2017	Zosimo L. Janiola	Other Expenses	1,000.00
48	201708003 -B	8/11/2017	Romel T. Enclonar	Jack hammer repair	1,000.00
49	201708009 -B	8/15/2017	Nestor Q. Mahanlud	Gravel	800.00
50	201708014 -B	8/15/2017	Cheriebelle T. Devaras	Birthday Cake	700.00
51	201708020 -B	8/17/2017	Robert C. Pagente	Sand & Labor	400.00
52	201708024 -B	8/18/2017	Jeanet M. Rabe	Snacks	450.00
53	201708028 -B	8/18/2017	Franz Joseph M. Luardo	Meals	370.00
54	201708029 -B	8/22/2017	Franz Joseph M. Luardo	Handheld radio repair	650.00
55	201708040 -B	8/23/2017	Signed but no name	Handheld radio repair	975.00
56	201708003 -B	8/24/2017	Robert C. Pagente	Sand	800.00
57	201708011 -B	8/29/2017	Villamor, RJ	Sound system	800.00
58	201708014 -B	8/29/2017	Franz Joseph M. Luardo	Tools for technical	500.00
59	201708021 -B	8/30/2017	Robert C. Pagente	Wreath	800.00
60	201708022 -B	8/30/2017	Epiphanie C. Encarnacion	Meter Reading Allowance	450.00
61	201708023 -B	8/30/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
62	201708029 -B	9/4/2017	Epiphanie C. Encarnacion	Meter Reading Allowance	600.00
63	201708030 -B	9/4/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	600.00
64	201709005	9/6/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
65	201709006	9/6/2017	Epiphanie C. Encarnacion	Meter Reading Allowance	450.00
66	201709014	9/7/2017	Jeanet M. Rabe	Snacks	387.00
67	201709037	9/18/2017	Franz Joseph M. Luardo	Handheld radio repair	720.00
68	201709038	9/18/2017	Franz Joseph M. Luardo	Handheld radio repair	350.00
69	201709042	9/18/2017	Robert C. Pagente	Sand	500.00
70	201709043	9/18/2017	Jeanet M. Rabe	Snacks	355.00



<b>List of Petty Cash Disbursements costing more than P300.00 supported only by RER</b>					
	PCV No.	Date	Payee	Particulars	Amount
71	201709030 -B	9/27/2017	Jeanet M. Rabe	Snacks	445.00
72	201709038 -B	9/29/2017	Jeanet M. Rabe	Snacks	650.00
73	201709041 -B	9/29/2017	Dinno B. Galbines	Labor for CCTV	1,000.00
74	201709044 -B	9/29/2017	Epiphannie C. Encarnacion	Meter Reading Allowance	450.00
75	201709045 -B	9/29/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
76	201709049 -B	9/29/2017	Susan O. Emot	Blessing Tithes	1,000.00
77	201710004	10/3/2017	Epiphannie C. Encarnacion	Meter Reading Allowance	450.00
78	201710005	10/3/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
79	201710008	10/3/2017	Cheribelle T. Devaras	Wreath	800.00
80	201710019	10/4/2017	Epiphannie C. Encarnacion	Meter Reading Allowance	450.00
81	201710020	10/4/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
82	201710024	10/5/2017	Dinno B. Galbines	Snacks	907.00
83	201710028	10/5/2017	Jeanet M. Rabe	Flowers	1,000.00
84	201710036	10/7/2017	Epiphannie C. Encarnacion	Meter Reading Allowance	450.00
85	201710037	10/7/2017	Winefredo S. Atamosa Jr	Meter Reading Allowance	450.00
86	201710026 -B	10/12/201 7	Franz Joseph M. Luardo	Tagad (Repair & Himo)	750.00
87	201710030 -B	10/19/201 7	Franz Joseph M. Luardo	Handhel radio repair	750.00
88	201710031 -B	10/19/201 7	Franz Joseph M. Luardo	Antenna repair	375.00
89	201708007	11/6/2017	Jeanet M. Rabe	Snacks	767.00
90	201708010	11/8/2017	Epiphannie C. Encarnacion	Meter reading allowance	450.00
91	201708011	11/8/2017	Winefredo S. Atamosa Jr	Meter reading allowance	450.00
92	201708015	11/8/2017	Honey's Collection	Office supplies	503.00
93	201708020	11/8/2017	Winefredo S. Atamosa Jr	Meter reading allowance	450.00
94	201708021	11/8/2017	Epiphannie C. Encarnacion	Meter reading allowance	450.00

<b>List of Petty Cash Disbursements costing more than P300.00 supported only by RER</b>					
	PCV No.	Date	Payee	Particulars	Amount
95	201708032	11/10/2017	Robert C. Pagente	Registration	500.00
96	201708041	11/15/2017	Dinno B. Galbines	Materials	500.00
97	201711007-B	11/16/2017	Dinno B. Galbines	Meals & Dinner	1,000.00
98	201711022-B	11/22/2017	Jeanet M. Rabe	Snacks	400.00
99	201711031-B	11/24/2017	Leonita B. Simeon	Bag for deposit & other related expenses	450.00
100	201711040-B	12/2/2017	Hingpit, CF	Meals	400.00
101	201711041-B	12/2/2017	Winefredo S. Atamosa Jr	Meter reading allowance	600.00
102	201711042-B	12/2/2017	Epiphanie C. Encarnacion	Meter reading allowance	600.00
103	201711042-B	12/1/2017	Jeanet M. Rabe	Meals	440.00
104	201712005	12/4/2017	Yonson, JS	Lunch after parade	615.00
105	201712007	12/5/2017	Winefredo S. Atamosa Jr	Meter reading allowance	750.00
106	201712008	12/5/2017	Epiphanie C. Encarnacion	Meter reading allowance	1,050.00
107	201712015	12/8/2017	Josimo L. Janiola	Meals & Travelling Expenses	640.00
108	201712020	12/20/2017	Leevena B. Esguerra	Meals	400.00
109	201712027	12/22/2017	Junmar Fajardo	Meals	450.70

**TOTAL**

Php **65,928.70**

Internal Control Measures	Rationale	Effect of Non-compliance	Recommendations
<b>General Information</b>			
14. Submission of Accountable Officer's photo to COA.	To establish completely the identity of the accountable officer in-charge of the agency's funds and property.	Possible lack of evidence when there is shortage or when the AO absconds.	Submit to COA copies of the Accountable Officer's bond application which includes the AO's photo and fidelity bond.
15. Keeping of COA Regulations pertaining to the accountable officer's work.	For the accountable officer's awareness of his duties and responsibilities.	Lack of knowledge of AO duties and responsibilities.	Keep a copy of COA Regulations especially COA Memorandum 2013-004 .
16. Enclosing the Cashier's working area .	For protection against intrusion by unauthorized persons.	Possible loss of money due to free access of cashier's area by unauthorized persons.	Partition the cashier's office so that the accountable officer is in a secure area .
17. Duplicate combinations of the accountable officer's safe on file with an authorized officer.	For data back-up purposes.	In case the cashier is absent or absconds, the vault cannot be opened.	Seal a copy of the safe's combination in an envelope to be kept by the Head of the Agency or other authorized officer.
18. Keeping of cash-book.	To record in detail the nature of transactions pertaining to cash.	Lack of check and balance as to the correctness and accountability.	Cashbook/Cash Receipts Record/ Cash Receipts Register should be maintained by the cashier and updated daily duly supported by collection reports

<b>Internal Control Measures</b>	<b>Rationale</b>	<b>Effect of Non-compliance</b>	<b>Recommendations</b>
			from the tellers.
19. Daily recording of transactions.	To keep the records up to date.	Reports is not timely and may be unreliable.	Record transactions daily in the cashbook / cash receipts record / cash receipts register.
20. Reconciliation of cashbook balances with the subsidiary ledgers at least once every quarter.	To check the correctness of the cash book and subsidiary ledger records.	Reports may be unreliable.	Reconcile cashbook balances with subsidiary ledgers to check the accuracy of the records.
21. Maintenance of subsidiary records for each account-table officer.	To record the flow of transaction and to determine accountability.	The flow of transaction cannot be traced and accountability may not be determined in case of errors such as shortage or overage.	Subsidiary records for each personnel who acts as tellers should be maintained to keep track of the transactions and accountability accurately.
22. Preparation of monthly reports of accountability for accountable forms.	To determine the issuance of account-table forms for each personnel acting as collectors and to determine accountability.	Accountability may not be established in case there is loss of accountable forms.	Each accountable officer should prepare monthly reports of accountable forms in conformity with existing auditing rules and regulations. Cashier should record the number series of official receipts received and issued to the tellers and tellers should should do the

Internal Control Measures	Rationale	Effect of Non-compliance	Recommendations
			same.
<b>Collection</b>			
23. Reconciliation of Cash book balance with his cash on hand at the close of each day.	To check the correctness of the Cashbook entry with the cash on hand. For check and balance.	Reports may be erroneous and unreliable.	Cashbook/Cash Receipts Record/ Cash Receipts Register should be kept and reconciled daily.
<b>Disbursements</b>			
24. Bank reconciliation preparation was done by employee whose duties does not involve signing of checks, recording cash transactions or handles cash.	For check and balance.	Possible manipulation of records.	Bank Reconciliation Statements should be prepared by an employee who is not involve with the signing of checks, recording cash transactions or handles cash.
<b>Cash Advances</b>			
25. Previous cash advances are liquidated before granting another cash advance.	To determine if cash advances were utilized for the purpose that it was given.	Possible utilization of cash advance for personal or other purposes from which it was given.	Previous cash advances should be liquidated before another cash advance be granted in conformity with the provisions of COA Circular 97-002.
26. Regular submission of Reports of Disbursements from cash advances.	To determine occurrence and completeness of disbursements.	Records may be incomplete resulting to unreliable reports.	Prepare Reports of Disbursements for cash advances granted (Itinerary of Travel Completed in case the cash advance was for travel or Payroll in

Internal Control Measures	Rationale	Effect of Non-compliance	Recommendations
			case the cash advance was for salary/wages).
<b>Petty Cash Fund</b>			
27. Existence of a "Ceiling" for individual payments from the fund.	To limit the amount of individual payments from the fund, making sure that only petty expenses are taken from it.	Possible abuse of Petty Cash Fund such that expenses that are not nominal in amount will be charged to the fund.	A policy should be issued to establish a ceiling for expenses to be paid from Petty Cash Fund.
28. Existence of proper internal audit for petty cash vouchers and supporting documents at the time of reimbursing the fund.	To determine occurrence, existence, correctness and legality of petty cash fund disbursements and replenishments	Possible shortage or overage of petty cash fund due to lack of internal auditing of disbursements and replenishments.	Internal audit should be established by the district. In its absence, the Accounting department should check and make sure that the occurrence, existence correctness and legality of PCF disbursements and replenishments.