



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 21, 2020

Dr. VICENTE B. MEJORADA

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

Engr. LIONEL ALFREDO A. INFANTE

General Manager
Kolambugan Water District
Kolambugan, Lanao del Norte

Dear Chairperson V. Mejorada and Manager L. A. Infante

We are pleased to transmit the Annual Audit Report on the audit of **Kolambugan Water District**, Kolambugan, Lanao del Norte, for Calendar Year 2019 pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of 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 attached report consists of Part I – Audited Financial Statements, Part II –Observations and Recommendations and Part III – Status of Implementation of Prior Years' Audit Recommendations, which were discussed with the officials and staff concerned.

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

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of the Kolambugan Water District for the year 2019 due to the following exceptions:

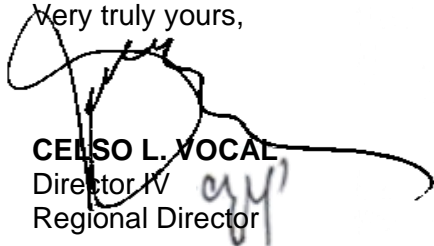
1. Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱9,660,293.00 is of doubtful validity.
2. Physical Count of Inventory was not conducted as mandated by Section 13, Volume 1 of the Government Accounting Manual and duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II puts in

3. doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱489,626.19.
4. Water sales for the month of December 2019 amounting to P95,415.35 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts

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

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*

*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

KOLAMBUGAN WATER DISTRICT
 For Calendar Year 2019
 Agency Action Plan and Status of Implementation
 (AAPSI)

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
AOM No. 2020-001 (KOLWD)	Water sales for the month of December 2019 amounting to P95,415.35 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	We recommend that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.							
AOM No. 2020-002 (KOLWD)	The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P257,461.63 contravenes Sec. 2 of P.D. 1445 and	We recommend that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts							

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			
	unfavorably affects the Water District operations.	duly supported with the relevant documents.							
AOM No. 2020-003 (KOLWD)	The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.	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 37 of the FY 2019 General Appropriations Act.							
AOM No. 2020-004 (KOLWD)	Kolambugan 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 2019, thereby making the	We recommend management to: 1. 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							

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			
	attribution of the GAD budget doubtful.	<p>various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;</p> <p>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>2. 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</p>							

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			
		accomplishments.							
AOM No. 2020-005 (KOLWD)	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.	We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2019 as provided under DOH Administrative Order No. 2014-0027.							
2020-006 (KOLWD)	Physical Count of Inventory was not conducted as mandated by Section 13, Volume 1 of the Government Accounting Manual and duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and	We recommend that physical count of inventory be conducted. Submit to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the							

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date				
					From	To			
	the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 489,626.19.	Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.							
2020-007 (KOLWD)	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties valuing ₱10,033,918.19 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events and/or force majeure.	We recommend that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to							

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			
		the Office of the Supervising Auditor/Audit Team Leader every 30 th day of April.							
2020-008 (KOLWD)	Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱9,660,293.00 is of doubtful validity.	We recommend that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30 th day of April.							

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

Prepared by:

ENGR. LIONEL ALFREDO A. INFANTE
General Manager



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

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

February 21, 2020

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 Kolambugan Water District for Calendar Year 2019 pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the Audit 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 four parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; Part III - Status of Implementation of Prior Year's Audit Recommendations and Part IV – Appendix. 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.

A modified-qualified opinion was rendered on the fairness of the presentation of the financial statements of which the observations affecting the financial statements were discussed in Part II of the report.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

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 21, 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, otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of **Kolambugan Water District**, Kolambugan, Lanao del Norte, as of December 31, 2019.

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 four 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, Part III - Status of Implementation of Prior Years' Audit Recommendations, and Part IV - Appendix.

A modified-qualified opinion was rendered on the fairness of the presentation of the financial statements of which the observations affecting the financial statements were discussed in Part II of the report.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results.

Very truly yours,

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

AMADO PETER A. GARBANZOS
State Auditor IV
Audit Team Leader



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

ANNUAL AUDIT REPORT

ON THE

KOLAMBUGAN WATER DISTRICT Kolambugan, Lanao del Norte

For the Year Ended December 31, 2019

EXECUTIVE SUMMARY

A. Introduction

The Kolambugan Water District (KOLWD) 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.” KOLWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

The KOLWD is presently categorized as “Category D” Water District serving a total population of 27,005 as of December 31, 2019 with 2,615 total service connections.

As of December 31, 2019, the governing board is composed of directors representing the different sectors and organizations within the municipality of Kolambugan 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: Vicente P. Mejorada
Members: Luthgarda C. Villanueva
Lucia B. Sudaria
Fernandito R. Ridao
Tindug O. Macarambon

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 Kolambugan Water District for calendar year 2019. 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.

B. Financial Highlights

Financial Condition

	December 2019	December 2018	Increase/(Decrease)
Assets	₱ 15,230,009.65	₱ 13,566,880.00	₱ 1,663,129.65
Liabilities	₱8,156,177.37	₱ 8,955,505.95	₱ (799,328.58)
Government Equity	₱7,076,832.28	₱ 4,611,374.05	₱ 2,465,458.23

Results of Operations

	December 2019	December 2018	Increase/(Decrease)
Income	₱11,582,556.13	₱ 10,640,885.18	₱ 941,670.95
Expenditures	₱9,359,559.53	₱ 8,718,488.00	₱ 641,071.53
Net Operating Income	₱2,222,996.60	₱ 1,922,397.18	₱ 300,599.42

C. Independent Auditor's Report on the Financial Statements

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

- a) Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱9,660,293.00 is of doubtful validity.
- b) Physical Count of Inventory was not conducted as mandated by Section 13, Volume 1 of the Government Accounting Manual and duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 489,626.19.
- c) Water sales for the month of December 2019 amounting to P95,415.35 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

D. Summary of Significant Observations and Recommendations

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

1. **The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties valuing ₱10,033,918.19 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events and/or force majeure.**

We recommended that adherence to Section 5 of RA 656 to protect the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.

2. **The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P257,461.63 contravenes Sec. 2 of P.D. 1445 and unfavorably affects the Water District operations.**

We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.

3. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.

We recommended 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 37 of the FY 2019 General Appropriations Act.

4. Kolambugan 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 2019, 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 5. District, as well as proper charging of the object of expenditures on actual accomplishments.

5. 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.

We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2019 as provided under DOH Administrative Order No. 2014-0027.

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

Particulars	<i>Balance, 12/31/2018</i>	<i>CY 2019 Issuances</i>	<i>Settlement</i>	<i>Balance, 12/31/2019</i>
Suspensions	-	-	-	-
Disallowances	-	-	-	-
Charges	-	-	-	-

F. Status of Implementation of Prior Years' Audit Recommendations

Of the 13 audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2018, 3 were fully implemented, 1 was partially implemented, and 9 remained unimplemented in 2018.

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PART 1 –

AUDITED FINANCIAL STATEMENTS



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

OFFICE OF THE SUPERVISING AUDITOR

Audit Group CGS - Water Districts and Other CGS Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

DR. VICENTE B. MEJORADA

Chairman, Board of Directors
Kolambugan Water District
Kolambugan, Lanao del Norte

ENGR. LIONEL ALFREDO A. INFANTE

General Manager
Kolambugan Water District
Kolambugan, Lanao del Norte

Modified-Qualified Opinion

We have audited the financial statements of the **Kolambugan Water District**, Kolambugan Lanao del Norte which comprise the Statement of Financial Position as at December 31, 2019 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, 2019 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

Bases for Modified-Qualified Opinion

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

1. Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱9,660,293.00 is of doubtful validity.
2. Physical Count of Inventory was not conducted as mandated by Section 13, Volume 1 of the Government Accounting Manual and duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 489,626.19.

3. th of December 2019 amounting to P95,415.35 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

We 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 International Financial Reporting Standards (IFRS) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

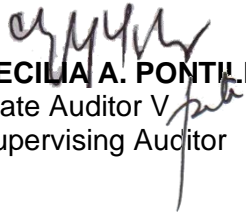
Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of the financial statements.

COMMISSION ON AUDIT

BY:


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor

February 21, 2020



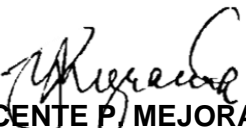
Republic of the Philippines
KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of the **Kolambugan Water District, Kolambugan, Lanao del Norte** is responsible for the preparation of the financial statements as at December 31, 2019, 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 Kolambugan 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.


VICENTE P. MEJORADA
Chairman of the Board

Date: February 27, 2020


HERMINIA C. BERGADO
Accounting Processor
Date: February 27, 2020


ENGR. LIONEL ALFREDO A. INFANTE
General Manager
Date: February 27, 2020



**KOLAMBUGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	₱ 4,597,332.20	₱ 4,176,528.43
Receivables	6	363,833.62	350,174.63
Inventories	7	489,626.19	232,198.90
Other Current Assets			
Total Current Assets		₱ 5,569,716.65	₱ 4,877,826.60
Non-Current Assets			
Property, Plant and Equipment	8	₱ 9,660,293	₱ 8,689,053.40
Other Non-Current Assets	9	-	118,924.64
Total Non-Current Assets		₱ 9,660,293	₱ 8,807,978.04
Total Assets		₱ 15,230,009.65	₱ 13,685,804.64
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	₱ 295,377.90	₱ 672,361.50
Inter-Agency Payables	11	158,047.48	58,342.46
Total Current Liabilities		₱ 453,425.38	₱ 730,703.96
Non-Current Liabilities			
Financial Liabilities	10	₱ 6,174,334.15	₱ 6,699,384.15
Provisions		1,525,417.84	1,525,417.84
Total Non-Current Liabilities		₱ 7,699,751.99	₱ 8,224,801.99
Total Liabilities		₱ 8,153,177.37	₱ 8,955,505.95
EQUITY			
Government Equity			
Government Equity		₱ 741,246	₱ 741,246.00
Retained Earnings/(Deficit)		6,335,586.28	3,870,128.05
Total Equity		₱ 7,076,832.28	₱ 4,611,374.05
Total Liabilities and Equity		₱ 15,230,009.65	₱ 13,566,880.00

(See Accompanying Notes to Financial Statements)



**KOLAMBUGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>NOTE</u>	<u>2019</u>	<u>2018</u>
Income			
Service and Business Income	13	₱ 11,582,556.13	₱ 9,761,780.74
Other Non operating Income			879,104.44
Total Income		11,582,556.13	₱ 10,640,885.18
Expenses			
Personnel Services	14	₱ 5,167,503.61	₱ 4,344,282.02
Maintenance and Other Operating Expenses	15	3,047,113.40	3,265,575.18
Financial Expenses		530,306.00	571,509.00
Non-Cash Expenses	16	614,636.52	537,121.80
Total Expenses		₱ 9,359,559.53	₱ 8,718,488.00
Profit/(Loss) Before Tax		₱ 2,222,996.60	₱ 1,922,397.18
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		₱ 2,222,996.60	₱ 1,922,397.18
Net Assistance/Subsidy/ (Financial Assistance/Subsidy/ Contribution)		0.00	0.00
Net Income/(Loss)		₱ 2,222,996.60	₱ 1,922,397.18
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
Comprehensive Income/(Loss)		₱ 2,222,996.60	₱ 1,922,397.18

(See Accompanying Notes to Financial Statements)



**KOLAMBIGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2018	₱ 1,973,904.29	₱ 741,246.00	₱ 2,715,150.29
ADJUSTMENTS:	0.00	0.00	0.00
RESTATED BALANCE AT JANUARY 1, 2018	<u>₱ 1,973,904.29</u>	<u>₱ 741,246.00</u>	<u>₱ 2,715,150.29</u>
CHANGES IN EQUITY FOR 2018			
Add/(Deduct):			
Comprehensive Income for the year	₱ 1,922,397.18	₱ 0.00	₱ 1,922,397.18
Other Adjustments	(26,173.42)	0.00	(26,173.42)
BALANCE AT DECEMBER 31, 2018	<u>₱ 3,870,128.05</u>	<u>₱ 741,246.00</u>	<u>₱ 4,611,374.05</u>
CHANGES IN EQUITY FOR 2019			
Add/(Deduct):			
Comprehensive Income for the year	₱ 2,222,996.60	₱ 0.00	₱ 2,222,996.60
Other Adjustments	242,461.63	0.00	242,461.63
BALANCE AT DECEMBER 31, 2019	<u>₱ 6,335,586.28</u>	<u>₱ 741,246.00</u>	<u>₱ 7,076,832.28</u>



**KOLAMBUGAN WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	₱ 10,315,876.22	₱ 10,511,646.51
Collection of Receivables	1,092,063.30	14,147.00
Total Cash Inflows	₱ 11,407,939.52	₱ 10,525,793.51
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 11,407,939.52	₱ 10,525,793.51
Cash Outflows		
Payment of Expenses	₱ 7,787,643.88	₱ 7,024,843.03
Purchase of Inventories	282,717.14	82,996.50
Payments of Accounts Payable	1,595,762.71	1,078,110.79
Other Disbursements	265,646.02	133,282.78
Total Cash Outflows	₱ 9,931,769.75	₱ 8,319,233.10
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 9,931,769.75	₱ 8,319,233.10
Net Cash Provided by/(Used in) Operating Activities	₱ 1,476,169.77	₱ 2,206,560.41
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	₱ 0.00	₱ 2,223.08
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 0.00	₱ 2,223.08
Cash Outflows		
Total Cash Outflows	₱ 0.00	₱ 0.00
Adjustments	0.00	0.00
Adjusted Cash Outflows	0.00	0.00
Net Cash Provided By/(Used In) Investing Activities	₱ 0.00	₱ 2,223.08

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00
Cash Outflows		
Payment of Long-Term Liabilities	₱ 525,060.00	₱ 483,847.00
Payment of Interest on Loans and Other	530,306.00	571,509.00
Financial Charges	0.00	0.00
Total Cash Outflows	₱ 1,055,366.00	₱ 1,055,356.00
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 1,055,366.00	₱ 1,055,356.00
Net Cash Provided By/(Used In) Financing Activities	₱ (1,055,366.00)	₱ (1,055,356.00)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ 420,803.77	₱ 1,153,427.49
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1, 2019	₱ 4,176,528.43	₱ 3,023,100.94
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2019	₱ 4,597,332.20	₱ 4,176,528.43



KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

I. Agency Background

Kolambugan Water System, known as Kolambugan Water District was created under special law, Presidential Decree 198 amended by Pd Nos. 768 and 1479 better known as the Provincial Utilities Act of 1973” KOLWD was awarded with the Certificate of Conditional Conformance no. 539 by Local Water Utilities Administration (LWUA) on July 28, 1994. All local Water District were declared as Government-owned and Controlled Corporations September 13, 1991 in case docketed as GR Nos. 95237-38

Mission:

Committed to provide adequate safe potable and affordable water supply 24 hours a day with a service that is transparent and accountable to the Residents of the Municipality of Kolambugan.

Vision:

To be a progressive economically viable effective partner in the community in providing adequate safe potable and affordable water 24 hours a day through outstanding service with a good management.

The policy-making body of the Kolambugan Water District is the Board of Directors, composed of five members:

Name	Designation	Sector
Mr. Vicente P. Mejorada	Chairman	Professional
Mrs. Lucia B. Sudaria	Secretary	Women
Mrs. Luthgarda Villanueva	Member	Education
Mr. Tindug O Macarambon	Member	Civic
Mr. Fernandito R.Ridao	Treasurer	Business

2019 Operational Highlights

A comparative financial Condition and results for operations for CY 2019 and 2018 is presented below:

Financial Condition

	2019	2018	Increase (Decrease)	Percentage
Assets	₱15,230,009.65	₱13,566,880.00	₱ 1,663,129.65	11%
Liabilities	₱ 8,153,177.37	₱ 8,955,505.95	₱ 802,328.58	10%
Government Equity	₱ 7,076,832.28	₱ 4,611,374.05	₱ 2,465,000.00	35%

Results of Operation

	2019	2018	Increase (Decrease)	Percentage
Income	₱11,505,041.41	₱10,640,885.18	₱ 864,156.23	8%
Expenses	₱ 9,282,044.81	₱ 8,718,488.00	₱ 563,556.81	6%
Net Income	₱ 2,222,996.60	₱ 1,922,397.18	₱ 300,599.42	14%

The District is operating profitably and maintains a good financial position, indicating its capability to the system operations. As of December 31, 2019, it has 2,851 active service connections having and estimated population of 27,005.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

2.1 Basis of Financial Statement Presentation

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PRFS) and the Revised Chart of Accounts (RCA) for Government Corporations (GCs) classified as Government Business Enterprises (GBEs) under COA Circular NO. 2015-010.

2.2 Significant Accounting Judgments and Estimates

The preparation of the financial statements are in accordance with the PFRS which require the use of certain critical accounting estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses, It also requires management to exercise its judgment in applying the district's accounting policies. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

2.3 Basis of Recording

Accrual method of accounting was used. Revenues are recorded in the period in which service is given (although collections may be received in prior or subsequent period) and expenses are recorded in the period in which the benefits are received (although payments may be made in prior or subsequent period).

2.4 Monetary Denomination Used

These financial statements are presented in Philippine Peso as its monetary denomination used to facilitate proper recording and reporting of the transactions except when otherwise indicated.

2.5 Methods of Accounting

The District uses the Revised Chart of Accounts prescribed under COA Circular NO. 2015-010 dated December 01, 2016 effective January 01, 2017.

2.6 Significant accounting policies observed for each account

2.6.1 Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash is valued at face value.

Petty Cash Fund is maintained under the Imprest system. All replenishment is directly charged to appropriate expenses account.

2.6.2 Receivables

Receivables are stated at face value less allowance for impairment.

2.6.3 Inventories

Regular purchase are coursed thru the inventory account and issuances thereof are recorded as they take place except those purchased out of Petty Cash Fund which shall be for immediate use and not for stock. Such case shall be charged immediately to the appropriate expenses account.

Purchase of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period is recorded as inventory following the perpetual inventory method.

Inventories include assets for consumption in the normal course of operations. Inventories of the District include materials and supplies that are kept in stock for future use in operations. These are grouped into office supplies inventory, accountable forms, plates and stickers inventory and other supplies and materials inventory.

2.6.4 Property, Plant and Equipment

Property, Plant and Equipment consist of infrastructure assets, machinery and equipment, transportation equipment and construction in progress. The District's PPE are recorded at cost.

Initial Recognition

The initial cost of property and equipment consists of its purchase price, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use like transportation, freight, installation costs, etc. in the books of accounts, the purchase is immediately recorded as asset.

Subsequent recognition

Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to Maintenance and Other Operating Expenses (MOOE) in the period in which the costs are incurred.

Derecognition

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Depreciation

The straight-line method of depreciation is used over the estimated useful lives of the assets. A residual value equivalent to five percent (5%) of the cost is set-up and depreciation starts on the second month after purchase/completion of the property, plant and equipment.

2.6.5 Construction in Progress

Construction in-progress is stated at cost. While the construction of the project is in progress, no provision for depreciation is recognized.

Construction in-progress is transferred to the related Property, Plant and Equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use have been completed, and the property, plant and equipment are ready for service.

This includes the Storage reservoirs, water system (pipelines & valves), land, fire hydrants.

2.6.7 Liabilities

Liabilities are recognized only when goods are delivered and/or services rendered or when suppliers bills are received.

2.6.8 Revenues

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collect ability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable is recognized as an expense, rather than as an adjustment of the amount of revenue originally recognized.

When bill is imposed and not paid on time or after the lapse of due date, the district recognizes such delays as Fines and Penalties-Business Income.

2.6.9. Expenses

All expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate.

2.6.10 Events after the Balance Sheet Date

Any post year-end events that provide additional information about the District's position at balance sheet date (adjusting events) are reflected in the financial statements. Any post year –end that is not adjusting event is disclosed in the notes to financial statements, when material.

2.6.11 Employee benefits

The employees of the District are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The District recognizes the undiscounted amount of short term employee benefits, such as salaries, wages, bonuses, allowances, etc., as expense.

2.6.12. Changes in accounting policies and estimates

The District recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The District recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

2.6.13 Correction Errors

Fundamental errors of prior years were corrected using the Prior Year's Adjustment account while errors affecting the current year's operation were affected to the current year accounts.

3. Significant Management's Accounting Judgements and Estimates

The preparation of the District's financial statements in conformity with Philippines Financial Reporting Standards requires Management to make judgments, estimates and assumptions that affect the amounts reported in the District's financial statements and accompanying notes.

The estimates and assumptions used in the District's financial statements are based upon Management's evaluation of relevant facts and circumstances as of the date of the District's financial statements.

Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.1. Key Sources of Estimation Uncertainty

In the application of the District's accounting policies, Management is required to make, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the District's financial statements.

Estimated useful Lives of Property and Equipment

The District estimates the useful lived of property, plant and equipment based in the COA Circular NO. 2004-005 dated August 9, 2004.

Depreciation and amortization are calculated on a straight-line basis, and assets are depreciated over the following estimated useful lives as follows.

PROPERTY, PLANT & EQUIPMENT

_ACCOUNT	DEPRECIATION METHOD	USEFUL LIFE
Office Furniture & Equipment	Straight-line Method	5 years
Information and communication Technology equipment	Straight-line Method	5 years
Technical and scientific equipment	Straight-line Method	10 years
Other Equipment	Straight-line Method	3-5 years
Motor vehicle	Straight –line Method	8 years
Water Supply system	Straight- line Method	5-20 years

4. Budget Information

Section 3.3 of DBM Corporate Circular NO. 20 dated April 27, 2005 states that any increase in the approved principal corporate operating budget in the course of the budget year, as may be warranted by additional corporate receipts, shall require submission and approval of a supplemental corporate budget to cover the additional expenditures in line with the national government decentralization policy.

The Department of Budget and Management authorized augmentation of funds or realignment of savings within the expense class without the need of prior approval.

5. Cash and Cash Equivalent

This account consists of the following:

Account	2019	2018
Cash on Hand	₱ 14,770.47	₱ 33,178.10
Cash in Bank	4,582,561.73	4,143,350.33
Total	₱ 4,597,332.20	₱ 4,176,528.43

Cash on hand in the position of the cashier to be deposited the next day and the cash in bank deposited at LBP-Tubod.

6. Receivables

This account can be broken down as follows:

Account	2019	2018
Accounts Receivable	₱ 439,948.12	₱ 426,289.13
Allowance for Impairment- A/R	(76,114.50)	(76,114.50)
Total	₱ 363,833.62	₱ 350,174.63

Accounts Receivables are open receivables arising from services rendered to customers for water sales and other incidental services. The concessionaires are categorized as Residential, and Commercial. Other Receivables are from Contractor, Officers & employees.

The aging of receivables is detailed as follows;

ZONE	Balance Arrears	1-60 days	181 days	360 days	Over 1 year
1	₱ 5,771.35	₱ 1,643.50	₱ 900.10	₱ 0.00	₱ 3,227.75
2	58,794.70	10,508.55	9,598.05	3,827.60	34,860.50
3	4,742.70	877.50	628.05	0.00	3,237.15
4A	39,896.60	5,980.85	1,507.75	3,960.40	28,447.60
4B	29,536.22	2,558.75	1,459.20	1,166.20	24,352.07
5a	7,107.25	421.15	1,409.65	1,167.40	4,109.05
5b	52,755.94	1,834.65	43,745.29	7,176.00	0.00
6a	18,384.80	1,819.95	3,166.15	2,714.50	10,684.20
6b	43,282.40	3,784.20	3,294.20	0.00	36,204.00
6C	23,008.85	1,138.00	4,518.60	1,518.25	15,834.00
6d	12,277.70	728.65	2,087.35	2,005.80	7,455.90
7	1,526.50	390.95	1,135.55	0.00	0.00
8a	20,969.25	918.80	2,671.00	1,561.30	15,818.15
8b	7,864.75	700.75	1,446.05	1,610.20	4,107.15
8c	28,678.00	2,994.00	5,280.15	2,976.25	17,427.60
9a	31,701.00	2,903.40	6,234.85	2,348.35	20,214.40
9b	22,906.66	2,117.30	3,603.25	1,233.45	15,952.66
10a	9,360.10	558.65	832.45	0.00	7,969.00
10b	6,747.05	1,805.20	0.00	446.30	4,495.55
11	2,296.75	0.00	0.00	835.75	1,461.00
12	175.50	175.50	0.00	0.00	0.00
13	6,705.45	315.75	1,759.45	4,630.25	0.00
14	5,458.60	2,527.45	339.15	988.70	1,603.00
Total	₱ 439,948.12	₱ 46,703.50	₱ 95,616.29	₱ 40,166.70	₱ 257,461.63

7. Inventories

This account consists of the following:

ACCOUNT	2019	2018
Inventory Held for Consumption	₱ 489,626.19	₱ 232,198.90

Inventories are stated at cost using the perpetual inventory method and/or the moving/weighted average or simple average method required under existing CO regulations (COA Circular 2005-001).

8. Property, Plant and Equipment

This account consists of the following:

Account	2018	Additions	2019
Land	₱ 50,000.00	₱ 0.00	₱ 50,000.00
Office Furniture & Equip	681,709.97	42,874.00	724,583.97
Machinery	1,141,614.94	82,440.00	1,224,054.94,
Other Equipment	354,781.25	0.00	354,781.25
Motor vehicle	64,400.00	88,000.00	152,400.00
Water Supply System	14,678,674.95	1,485,047.46	16,163,722.41
Total	₱16,971,181.11	₱1,698,361.46	₱18,669,542.57

2019	Accumulated Depreciation	Additions	2019
Land	₱ 0.00	₱ 0.00	₱ 0.00
Office Equipment & furniture	422,105.17	42,211.05	464,316.22
Machinery	257,900.11	25,789.89	283,690.00
Other equipment	135,528.61	13,552.86	149,081.47
Motor Vehicle	0.00	86,399.00	86,399.00
Water Supply System	7,466,593.82	559,169.06	8,025,762.88
Total Accumulated Depreciation	₱ 8,282,127.71	₱ 727,121.86	₱ 9,009,249.57
Net Book Value	₱ 8,689,053.40	₱ 971,239.60	₱ 9,660,293

Accumulated Depreciation

Infra Assets represent the project funded from LWUA received as regular loan and soft loan and of the Management initiative.

9. Other Assets

This account consists of the following:

ACCOUNT	2019	2018
Advance Rental (2) months	₱ 20,000.00	₱ 20,000.00
Laneco guaranty deposit	98,924.64	98,924.64
Total	₱ 118,924.64	₱ 118,924.64

Other Assets represent guaranty deposit to Laneco for transformer installed an 2 months advance rental KOLWD office.

10. Financial Liabilities

This account consists of the following:

ACCOUNT	2019	2018
Accounts payable	₱ 295, 377.90	₱ 672,361.50
Bill/Bonds /Loans Payable	6,174,334.15	6,699,384.15
Total	₱ 6,469,712.05	₱ 7,371,745.65

Accounts Payable represents liabilities from suppliers and other payables which are due and demandable within one year from reporting date

Loans Payable-Domestic represent the first availed loan from LWUA to finance projects of the water district

11. Inter-Agency Payables

This account can be broken down as follows:

ACCOUNT	2019	2018
Due to BIR	₱ 20,714.22	₱ 14,812.02
Due to GSIS	96,391.02	20,391.03
Due to PAG-IBIG	35,659.62	20,907.34
Due to PHILHEALTH	5,282.62	2,232.07
Total	₱ 158,047.48	₱ 58,342.46

12. Other Payables

This account represents installment balance for COA audit services and for salaries and wages of employees, unpaid mandatory remittances, and all other statutory obligations.

13. Service and Business Income

This account can be broken down as follows:

ACCOUNT	2019	2018
Water works system fees	₱ 10,320,622.90	₱ 9,761,780.74
Other Service Income	915,525.00	628,588.07

Fines and Penalties	268,893.51	250,516.37
Total	₱ 11,505,041.41	₱ 10,640,885.18

As part of the Kolambugan Water District metering program, every concessionaire is installed with a water meter to ensure an accurate reading of consumption. Considering the number of connections and the depreciable life span of water meter its acquisition forms part of the Kolambugan water district capital expenditures.

The concessionaire shall pay the current replacement cost of the water meter in case of damage, loss due to theft, negligence or carelessness.

14. Personnel Services

This account can be broken down as follows:

ACCOUNT	2019	2018
Salaries and Wages Regular	₱ 2,838,256.08	₱ 2,363,123.10
Salaries contractual	359,874.50	555,864.77
Honoraria	139,992.00	142,272.00
Personnel Benefits Contribution	391,688.61	377,611.52
Other Compensation	556,889.60	344,227.47
Other Personnel Benefits	880,802.82	561,183.16
Total	₱ 5,167,503.61	₱ 4,344,282.02

The District implemented the 1st Tranche per Executive Order No. 201, s. 2016.

Total Personnel Services for the year 2019 is higher by 10% compared to last year. The substantial increase from previous year was attributed to the increase of salaries of the employees and other bonuses of the District due to the implementation of 1st tranche per executive order no.2016

Salaries and Wages regular account are salaries given to permanent employees..It represents the employees earnings at a particular period. Salaries contractual and job order, represents honorarium of watchmen and job order at a particular period. . This is the gross amount before deduction of taxes and other statutory and contractual obligations. Payroll preparation is scheduled twice a month, 2working days before the 15th and 30th day of each month.

Other compensation includes allowances and other bonuses granted to employees during a particular period.

Personnel Benefits Contribution is statutory and contractual obligations. This represents the government/employer counterpart.

Honoraria represent the Bod per diem of the Board of directors during Bod meeting twice a month.

15. Maintenance and Other Operating Expenses

This account is consists of the following:

Account	2019	2018
Travelling Expenses per diem	₱ 187,637.16	₱ 158,880.81
Training Expenses	147,854.36	318,442.00
Office Supplies	106,785.07	88,059.90
Accountable forms Expenses	221,749.00	191,536.01
Chemicals	62,320.00	47,093.75
Gasoline oil and Lubricants	136,794.02	15,595.79
Electricity	1,458,902.74	1,502,686.81
Postage & deliveries	8,683.00	8,527.00
Membership dues	7,631.00	0.00
Telephone Mobile expenses	53,586.58	36,709.54
Satellite	5,400.00	5,400.00
Rent Expense	138,750.00	155,000.00
Representation	61,836.88	39,864.50
Transportation and delivery	14,264.00	2,616.00
Legal Services	5,200.00	2,377.00
Auditing Services	48,083.75	200,457.30
Awards and rewards	10,000.00	0.00
Taxes duties & licenses	202,267.60	164,655.49
Fidelity bond Premium	15,045.00	18,750.00
Extra ordinary Expense	5,370.00	188,446.25
Insurance Expenses	1,356.89	1,374.28
Other Maintenance operating expenses	32,065.40	5,279.20
Other Property Plant & Equipt	115,530.95	113,823.55
TOTAL OPERATING & MAINTENANCE EXPENSES	₱3,047,113.40	₱3,265,575.18

16. Non-Cash Expenses:

This account is consists of the following:

ACCOUNT	2019	2018
Depreciation	₱ 537,121.80	₱ 537,121.80

17. Events after Balance Sheet Date

Any post year-end events that provide additional information about the district's position at balance sheet date (adjusting events) are reflected in the financial statements. Any post year-end event that is not adjusting event is disclosed in the notes to financial statements, when material.

17. Authority to Issue Financial Statements

The Financial Statements for the year ended December 31, 2019 were approved by the General Manager, Engr. Lionel Alfredo A. Infante.

PART III -

**AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AND COMPLIANCE AUDIT

1. Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱9,660,293.00 is of doubtful validity.

Section 38 of Volume 1 of the General Accounting Manual (GAM) provides:

Sec. 38. Physical Count of Property, Plant and Equipment (PPE). The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.

In addition, Section 42, Volume 1 of the GAM provides:

Sec. 42. Accounting and Property Records to be maintained for Property Plant and Equipment (PPE). The Chief Accountant shall maintain the Property Plant and Equipment Ledger Cards (PPELC) for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain Property Card (PC) for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

As of December 31, 2020, the balance of Property, Plant and Equipment (PPE) amounted to ₱9,660,293.00 as shown below:

Particulars	Gross Amount	Accumulated Depreciation	Net Amount
Land	₱ 50,000.00		₱ 50,000.00
Infrastructure Assets	354,781.25	₱ 149,081.47	205,699.78
Machinery and Equipment	1,224,054.94	283,690.00	940,364.94
Transportation Equipment	152,400.00	86,399.00	66,001.00
Furniture, Fixtures and Books	724,583.97	464,316.22	260,267.75
Other Property, Plant and Equipment	16,163,722.41	8,025,762.88	8,137,959.53
Total	₱ 18,669,542.57	₱ 9,009,249.57	₱ 9,660,293.00

Verification and analysis of the accounts as to ownership, valuation and propriety of items composing the respective asset accounts cannot be undertaken as no inventory-taking was conducted and therefore no RPCPPE with corresponding analysis of changes as compared with the individual Property Plant and Equipment Ledger Cards (PPELC) kept by the Accounting unit and Property Cards (PC) kept by the Property and Supply unit, was not submitted to this office.

The District revealed that they have plans to conduct physical inventory of their PPE but because of intervening events or activities, they have not carried it out and therefore no reconciliation to the individual PPELC and PC was undertaken which resulted to no submission the Office of the Auditor of the said report. It was also revealed that Property Acknowledgement Receipt (PAR) or Memorandum Receipt (MR) for fixed assets was not renewed every three (3) years as provided by Section V, paragraph 3 of COA Circular 80-124 dated January 18, 1980.

The actual physical count of assets and its corresponding reconciliation with the accounting records is of paramount importance not only to comply with laws, rules and regulations, ensuring that they are utilized and maintained properly, but also to determine that assets recorded in the books actually exist. As inventory taking is an indispensable procedure for checking the integrity of property and custodianship, reconciliation of said RPCPPE with the Property and Supply unit's PC and the Accounting Units PPELC is indispensable to prove the accuracy of the said account, serving as check and balance or its internal control. Considering the materiality of the amount of the property, plant and equipment accounts in the financial statements and the risk of misstatement attached thereto, physical count of property, plant and equipment and reconciliation of the said accounts should be given utmost importance.

Recommendation:

We recommended that physical count of property, plant and equipment should be conducted and reconciliation of Report on the Physical Count of Property Plant and Equipment to the Accounting unit's Property Plant and Equipment Ledger Card and the Property and Supply unit's Property Card be undertaken. The results of such reconciliation should be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years.

Management Comment:

The District is going to conduct a physical count of Property , Plant and Equipment amounting to P 9,660,293.00 . We are going to send the said documents later.

2. Physical Count of Inventory was not conducted as mandated by Section 13, Volume 1 of the Government Accounting Manual and duly reconciled with the Supplies Ledger Cards and Stock Cards kept by the Accounting Unit and the

Property/Supply Unit respectively as provided by Section C, D and E, Appendix 66, Volume II puts in doubt the validity of the amount of Inventory as reflected in the financial statements of in the amount of ₱ 489,626.19.

Section 13, Volume 1 of the General Accounting Manual (GAM) provides that physical count of inventories should be conducted twice a year as it is an indispensable procedure of checking the integrity of property custodianship. In addition, instructions to fill up the Report of Physical Count of Inventory (RPCI), Section C, D and E, Appendix 66 of Volume II of the Government Accounting Manual (GAM) states:

C. The report shall be reconciled with the Supply Ledger Cards (SLCs) and Stock Cards (SCs) maintained by the accounting Division/Unit and Proper and /or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.

D. The reports shall be prepared in four (4) copies and certified correct by the Inventory Committee, approved by the Head of Agency or his/her authorized representative, and verified by the COA Auditor. This shall be distributed as follows:

Original - COA Auditor, through the Accounting Division/Unit
Copy 2 - Supply and/or Property Division/Unit
Copy 3 - Inventory Officer/Committee
Copy 4 - Accounting Division/Unit

E. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

As of December 31, 2020, the balance of Inventory as reflected in the financial statements amounted to ₱ 489,626.19 as shown below:

Particulars	Amount
Accountable Forms, Plates & Stickers Inventory	₱ 56,056.00
Other Supplies and Materials Inventory	433,570.19
TOTAL	₱ 489,626.19

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

The District have not undertaken physical count of their inventory and therefore have not reconciled it to the individual SLC and PC maintained by the Accounting and Property/Supply unit respectively

Inventory taking is an indispensable procedure for checking the integrity of property and supply custodianship and should be concluded by reconciliation of said RPCI with the

Property and Supply Unit's PC and the Accounting Units SLC to determine the accuracy of the account. It acts as a check and balance or internal control to the said account. Considering the materiality of the amount of the inventory accounts in the financial statements and the risk of misstatement attached thereto, reconciliation of the inventory accounts should be given utmost importance in addition to its inventory taking. Physical count of inventory and its corresponding reconciliation with the accounting records and property/supply records is of paramount importance not only to comply with laws, rules and regulations, ensuring that they are utilized and maintained properly, but also to determine that assets recorded in the books actually exist.

Recommendation:

We recommended that physical count of inventory be conducted. Submit to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity.

Management Comment:

The District has not yet insured the property plant and equipment cause the District has no idea on how to process the said documents . The District is going to visit GSIS office to ask query regarding the processing of the said insurance KOLWD District property.

3. The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties valuing ₱10,033,918.19 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events and/or force majeure.

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

Section 5. Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies: Provided, however, That the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for: Provided, further, That such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. A municipal government below first class may upon application insure its properties in the Fund under such rules and regulations as the System may prescribe.

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

In this connection, COA Circular 2018-002 dated May 31, 2018 was issued by the Commission reiterating adherence to RA No. 656 and to requiring government agencies to submit the Property Inventory Form (PIF) to the GSIS and to the Office of the Supervising Auditor/Audit Team Leader not later than April 30 of each year.

Examination of records reveal that the District has properties that have insurable interest having a book value or replacement value in the amount of ₱ 54,559,538.56 as shown below:

Particulars	Amount
Infrastructure Assets, net	₱ 205,699.78
Machinery and Equipment, net	940,364.94
Transportation Equipment	66,001.00
Furniture, Fixtures and Books	260,267.75
Other Property, Plant and Equipment	8,137,959.53
Inventories	489,626.19
Total	₱10,099,919.19

Of the above-mentioned properties, only the vehicles or transportation equipment was insured. The rest of the properties of the District with a book value of amounting to ₱10,033,918.19 was not covered by insurance.

Inquiry revealed that the District did not know about insuring properties with the GSIS other than the transportation equipment/vehicle as it is required when renewing the registration of the said vehicles or the submission of PIF to GSIS and COA.

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

Recommendation:

We recommended that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government

Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April.

Management Comment:

The District has conducted a physical count on materials and supplies Inventory last January 2020 . We are going to send the said reports of inventory later.

4. The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P257,461.63 contravenes Sec. 2 of P.D. 1445 and unfavorably affects the Water District operations.

Sec. 10 of the District's Service Concession Contract provides that:

"In ten (10) working days from billing date within which he may pay with out penalty. All water unpaid after due date shall be considered delinquent and subject to ten (10) percent surcharge of the total bill within 5 days as penalty. If still unpaid, on the 6th day from the due date, disconnection of water service will follow or a payment P100.00 a continue service connection."

Review of the District's Aging of Accounts Receivables disclosed that receivables amounting to P257,461.63 is classified under the "over 1 year" column but further inquiry with the District personnel revealed that some of this amount has actually remained in the asset account for over 5 years.

It is the policy of the agency to disconnect the water supply for default concessionaires 1 month from due date. However, due to the promises of the consumers to pay at a later date, the usual practice is to wait for 2 to 3 months before they finally disconnect their water supply. These inactive accounts mostly belong to concessionaires who have moved or left the area. The Management, however, failed to demand payments or follow up on their receivables.

The District relies on its own generated income to meet its obligations. Some of the inactive accounts have not moved for more than 10 years, thus, depriving the District of the use of needed funds. Disregarding the collection of these receivables unfavorably affects agency operations.

Recommendation:

We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents.

Management Comment:

The District is going to collect the said outstanding amount on an installment basis and we'll be sending a demand letter. And if the account is deemed uncollectible the management will

then request for write off of their accounts. But some of the amounts under over a year are due to leaking which the concessionaires are paying through an installment basis

5. Water sales for the month of December 2019 amounting to P95,415.35 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.

Philippine Accounting Standards (PAS) 18 provided for the guideline on measuring, recognition and disclosure requirements of revenues arising from certain types of transactions and events. Revenue is recognized when it is probable that any economic benefit will flow to the entity and measured reliably.

Further, PAS 1 enumerates the general feature and overall presentation of Financial Statements for the fair presentation and compliance with the Philippine Financial Reporting Standards (PFRS). One of its considerations is the accrual basis of accounting. Accrual basis is the method of recording accounting transactions for revenue when earned and expense when incurred.

Further, according procedures requires for accruals made at the end of the accounting period, particularly for affected real accounts such as assets and liabilities, to be reversed on the first day of the following accounting period to avoid double recording of revenues and expenses to facilitate the regular or usual entry of transactions.

Review of District's billing summary disclosed that water meter reading is cut off every 8th of the month. This means that billed water for 26 days in a 31-month period pertained to the water consumption of concessionaires of the previous month. It was estimated that P632,532.02 and P727,947.37 out of the reported billing summary for the months of January 2019 and January 2020 respectively pertained to December 2018 and December 2019 water sales thus the recorded income for the year ended 2019 is understated by a net estimate of P95,415.35.

Refer to the table below for the computation of the net understatement:

Billing period	January 2019	January 2020	Net estimate
Water Sales	₱ 754,172.79	₱ 867,937.25	
Portion pertaining to previous month	26 out of 31 days	26 out of 31 days	
Water Sales pertaining to previous month	₱ 632,532.02*	₱ 727,947.37*	₱ 95,415.35*
	*(754,172.79 x 26/31 = 632,532.02)	*(867,937.25 x 26/31 = 727,947.37)	*(632,532.02 - 727,947.37 = (95,415.35)
Effect to 2019 Income	Overstatement	Understatement	Understatement

Inquiry revealed that it was the usual practice of the District not to accrue their income and recognize it only after the billing summary was submitted to them. To prevent errors on certain accounts, the agency needs to differentiate between the revenue that they have earned versus revenue that they have not earned yet.

The non-accrual and non-recognition of the accrued income resulted to understatement of both income from water sales and accounts receivable accounts, thereby affecting the accuracy and reliability of the reported revenues for the year ended December 31, 2019.

Recommendation:

We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements.

Management Comment:

The District is going to start recognizing the accrued income from water sales and adjust the necessary accounts for a more accurate and reliable balance in financial statements immediately.

6. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 37 of the General Appropriations Act (GAA) for FY 2019 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.

Section 4 of the Implementing Rules and Regulation of Republic Act 10121 (*An Act Strengthening the Philippine Disaster Risk Reduction and Management System, Providing for the National Disaster Risk Reduction and Management Framework and Institutionalizing the National Disaster Risk Reduction and Management Plan, Appropriating Funds therefor and for Other Purposes*) provides for the scope of disaster risk reduction and mitigation preparation shall be at all levels of the government.

Moreover, in compliance with the above provision, Section 37 of 2019 General Appropriations Act mandates that the agencies of the government shall implement programs, projects and activities designed to enhance climate change adaptation and mitigation.

This is a reiteration of previous year AOM. Inquiry revealed that Management still has no definite plans, programs and projects designed to address disasters, or to mitigate the adverse effects of it due to climate change in their area or jurisdiction.

Although Management and other agency personnel was invited by the provincial / local government in consultative meetings, symposia and the likes for disaster risk reduction and mitigation, it seems that the importance of having concrete plans, programs and projects to address disasters due to climate change was not emphasized.

Water is indispensable for human survival. Disasters which has stricken the nation during recent years have shown that water supply was the first to be affected and local water districts as a forefront agency should provide for alternative source of water in cooperation with the local government unit where they belong should disasters strike.

Recommendation:

We recommended 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 37 of the FY 2019 General Appropriations Act.

Management Comment:

The District has not yet implemented the rules and regulations of the Republic Act 10121 and section 37 of the General Appropriation Act 10121 in section 37 of the General Appropriation Act (GAA) for FY 2019 to implement programs, project activities to adverse effects of climate change and disaster risk reduction and mitigation. To date, the district has been planning a program for shallow wells development in preparation for the loss of spring water due to climate change.

7. Kolambugan 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 2019, 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 Kolambugan Water District for calendar year 2019 amounted to P 834,926.14 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:

HGDG Score	Description	Corresponding Budget for the Year of the Program that may be Attributed to the GAD Budget
Below 4.0	GAD is invisible	0% or no amount of the program budget for the year may be attributed to the GAD Budget
4.0 – 7.9	Promising GAD Prospects (conditional pass)	25% of the budget for the year of the program may be attributed to the GAD Budget
8.0 – 14.9	Gender sensitive	50% of the budget for the year of the program may be attributed to the GAD Budget
15.0 – 19.9	Gender-responsive	75% of the budget for the year of the program may be attributed to the GAD Budget
20.0	Fully gender-responsive	100% of the budget for the year of the program may be attributed to the GAD Budget

GAD Plan and Budget of the District not duly supported with gender analysis tool whereby the extent of its PAPs gender-responsiveness cannot be determined as well as the lack of gender statistics and sex-disaggregated data resulted to doubtful attribution of its GAD budget.

Recommendation:

We recommended that management:

- a. 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;

- b. Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the 5.

5. District, as well as proper charging of the object of expenditures on actual accomplishments.

Management Comment:

The District agrees with the auditors' comments, and the following steps will be taken to take this into action. The District will assign a unit to plan for the process of gathering data as well as the overall scheme of the GAD plan. We will then use certain tools for the analysis of the data in the assistance of an expert. Then we will enhance such database or data to properly utilize budget, programs, and even policy formulation of the District.

8. 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.

LWUA Memorandum Circular No. 010.14 provides that:

“The Department of Health (DOH) has issued on September 4, 2014, Administrative Order (AO) No. 2014-0027 declaring the development and implementation of Water Safety Plan (WSP) by all drinking-water service providers as a national policy for drinking-water quality management. In support of the objectives of the DOH and in compliance with the AO, LWUA is Adopting the 11-step process of the World Health Organization (WHO) as the main guideline in developing WSP for all WD and RWSA; and Directing all water districts and RWSA to develop and implement WSP and comply with the provisions of DOH AO No. 2014-0027.”

Also, Item VI.A of DOH Administrative Order No. 2014-0027 dated September 4, 2014 provides the guidelines that:

“All drinking water service providers shall develop water safety plan for their water supply systems within three years after the issuance of this Order and ensure its implementation after its approval.”

Water supply system is vulnerable to contamination due to extreme weather events brought by global warming and climate change and occurrences of disasters. These threaten the safe quality of water, thus, DOH in accordance with its mandate of being primarily responsible for the formulation, planning, implementation and coordination of policies and programs in the field of health, strongly supports the application of a risk management approach, known as Water Safety Plan, by all water service providers.

The WSP is a management tool that can be applied to all types of water systems to ensure the safe quality of supplied water. The WSP uses a comprehensive risk assessment and risk management approach encompassing all steps in water supply from water source to consumer.

This is a reiteration of previous year AOM. Inquiry with Management revealed that the Agency still has not undertaken the initial steps in the development of the Water Safety Plan as required by the above stated provisions.

The Agency has its water sample undergo a monthly bacteriological test to ensure that the water supply passes the requirements set by the Philippine National Standards for Drinking Water for bacteriological quality, however, this will not guaranty a 100% safe quality of water due to the uncontrolled risk brought by current environmental changes, human activities and natural events that threaten the safe quality of water.

The WSP aims to prevent or minimize contamination of water source, remove contamination thru treatment and prevent re-contamination during storage, distribution and handling of drinking-water. The preparation and development of the WSP, together with the application of the appropriate control measures, will properly address the risks that threaten the safe quality of water and public health.

Recommendation:

We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2019 as provided under DOH Administrative Order No. 2014-0027.

Management Comment:

The District has not yet implemented the Water Supply Plan as to date, because as of now the District has no idea in the preparation of the said plan. The District is still waiting for a schedule of training in the preparation of the water safety plan.

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 2018 AAR and noted the following:

<i>Status of Implementation</i>	<i>No. of Recommendations</i>
Fully Implemented	3
Partially Implemented	1
Not Implemented	9

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
2019-006 (KOLWD)	Delayed submission of the required reports, especially the report on physical count of PPE with net book value of P8,689,053.40, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balance as of year-end.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.	Not Implemented Reports are still being submitted very late.
2018-008 (KOLWD)	The reliability of the reported Cash in Bank balance amounting to 1,137,284.43 cannot be ascertained because (a) cashbook maintained by the Cashier is not regularly reconciled with the accounting records and (b) book reconciling items and other accounting errors remained unadjusted for a long period of time in the books of account contrary to Section 3 of GAM, Vol. I.	We recommend that (a) the Cashier and Bookkeeper coordinate with each other and reconcile the cashbook balances with the accounting records monthly or at least quarterly for timely adjustments of discrepancies/errors, (b) the Bookkeeper prepare Journal Entry Voucher to effect the adjustments of the reconciling items appearing in the BRS in order to reflect the correct balance of the cash in bank account,	Fully Implemented

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
		and (c) the personnel concerned to exert effort in identifying the unlabeled reconciling items.	
2018-007 (KOLWD)	The accuracy and validity of the Cash Balances of the District could not be ascertained as accounting control on cash accounts was inadequate contrary to Section 111 of PD 1445 and Section 12 of GAM Vol. I.	We recommend that the Management direct the Bookkeeper to maintain subsidiary ledgers and ensure that accounting records are updated regularly.	Fully Implemented
2019-001 (KOLWD)	The accuracy and correctness of Inventories account amounting to P252,034.90 could not be ascertained due to the use of the FIFO Costing Method contrary to Section 6, Chapter 8 of GAM requiring the application of Weighted Average Method.	We recommend that (a) the Inventories be valued using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment.	Not Implemented District has opted to use FIFO Costing.
2019-005 (KOLWD)	Properties totaling P 217,846.03 remained unserviceable for as long as 15 years and were still carried under the PPE account in the Books of Account contrary to Section 79 of PD 1445.	We recommend to the Management to (1) Strictly adhere to the provisions of Section 79 of PD 1445 on the disposal of unserviceable properties, and (2) Form an Inventory & Disposal Committee in charge of (a) sorting out the serviceable and unserviceable assets to prevent its accumulation and consistent recording in the Books of Account and (b) disposal or divestment of the properties through any of the following modes: public auction, sale thru negotiation, barter, transfer to other government agencies	Not Implemented Properties are due for disposal.

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
		and destruction/condemnation. (Refer to COA Circular No. 89-296)	
2018-009 (KOLWD)	Travel expenses claimed by the District's officials were in excess of the allowable expenses pursuant to Section 4 of Executive Order No. 298 that resulted to excessive disbursement of funds contrary to COA Circular No. 2012-003.	We recommend that (a) management explain and justify the hotel/lodging expenses in excess of the allowable amount and (b) agency officials and employees attending seminars and conventions should abide with the provisions of Executive Order No. 298 in the incurrence of travel expenses.	Fully Implemented
2018-006 (KOLWD)	Management failed to provide its Accountable Officer with a safe/vault or its equivalent to safeguard the cash collections and accountable forms of the agency to prevent its loss or misuse.	We recommend that the Management provide the Accountable Officer a safety vault or its equivalent to ensure the security of cash collections and unused accountable forms.	Partially Implemented Safe/Vault is quite expensive. Cabinet is temporarily being used.
2019-004 (KOLWD)	Kolambugan 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 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	Not Implemented District has not undertaken initial steps in preparation of GAD Plan.

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
		<p>determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;</p> <p>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</p>	
2019-003 (KOLWD)	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.	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.	Not Implemented District has not undertaken initial steps in preparation of Water Safety Plan.

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
2019-002 (KOLWD)	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 2017 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation.	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 2017 General Appropriations Act.	Not Implemented District has not undertaken initial steps in preparation of DRRMP.
2018-002 (KOLWD)	The non-submission of reports, especially the report on physical count of PPE and Inventory with net book value of P8,053,969.60 and P344,432.65 respectively, precluded the auditor from conducting timely audit and from ascertaining the validity, existence and accuracy of reported balances as of year-end.	We recommend that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it.	Not Implemented The agency is still in the process of summarizing PPE and inventory items.
2018-004 (KOLWD)	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.	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.	Not Implemented The District lacks knowledge on the preparation of Water Safety Plan. They have not yet attended any seminar regarding it.

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
2018-005 (KOLWD)	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.	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 2017 General Appropriations Act.	Not Implemented The District still has no idea about the kind of programs and projects to be implemented.