Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

J.V. Seriña Street, Carmen, Cagayan de Oro City

**OFFICE OF THE REGIONAL DIRECTOR**

February 22, 2021

**Dr. VICENTE B. MEJORADA**

Chairperson, Board of Directors

**MA. JAEVA C. QUINTAS**

Acting General Manager

Kolambugan Water District

Kolambugan, Lanao del Norte

Sir/Madam:

We are pleased to transmit the Annual Audit Report on the audit of Kolambugan **Water District**, Kolambugan, Lanao del Norte, for Calendar Year 2020 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.

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

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

1. Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱10,347,924.09 in 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 ₱683,016.9.

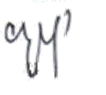
The above and other observations, together with the recommended courses of action which were discussed by the Audit Team with you and other officials of the agency in the exit conference are discussed in detail on Part II of the Report.

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

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



Very truly yours,

**CELSO L. VOCAL**

Director IV

Regional Director

*Copy furnished*

*The President of the Philippines*

*Malacañang Palace, Manila*

*The Vice-President of the Philippines*

*Coconut Palace, F. Maria Guerrero St.*

*CCP Complex, Pasay City*

*The Chairman-Senate Finance Committee*

*Senate of the Philippines*

*Roxas Boulevard, Pasay City*

*The Chairman-Appropriations Committee*

*House of Representatives*

*HOR Complex, Constitutional Hills, Quezon City*

*The Secretary of the Budget and Management*

*Department of Budget and Management*

*G. Solano St., San Miguel, Manila*

*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 2020

Agency Action Plan and Status of Implementation

(AAPSI)

| Ref. | Audit Observation | Audit Recommendation(s) | Agency Action Plan | | | | Status of Implementation | Reason for Partial/ Delay/ Non-Implementation | Action to be Taken |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Action Plan | Person / Dept. Responsible | Target Implementation Date | |
| From | To |
| AOM – 2021-001 | Payment of Hazard Pay in the amount of ₱26,250.00 is not in conformity with Section 3.2 of Civil Service Commission Memorandum Circular (CSC MC) No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 (Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government During the Period of State of National Emergency Due to COVID-19 Pandemic). | We recommended that the District strictly adhere to the provisions Section 3.2 of Civil Service Commission Memorandum Circular (CSC MC) No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020. of in the grant of Hazard Pay during the time of locally declared ECQ. |  |  |  |  |  |  |  |
| AOM -2021-002 | Payroll Disbursement Vouchers (DVs) in the total amount of P1,596,530.25 disclosed lack of supporting documents or incomplete documentation as required under COA Circular No. 2012-001 and in violation of Section 4 of PD 1445. The propriety of the accounting entries made could not be ascertained because of the lack of supporting data to establish the validity of the accounts. | We recommended that the accountant obtain and update the list of supporting documents for payroll transactions and ensure that these are completely attached to the disbursement vouchers upon processing. |  |  |  |  |  |  |  |
| AOM – 2021-003 | Kolambugan Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2020, thereby making the attribution of the GAD budget doubtful. | 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.District, as well as proper charging of the object of expenditures on actual accomplishments. |  |  |  |  |  |  |  |
| AOM – 2021-004 | 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, therefore, 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 2020 as provided under DOH Administrative Order No. 2014-0027. |  |  |  |  |  |  |  |
| AOM 2021-005 | Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱10,347,924.09 in doubtful validity. | We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts. |  |  |  |  |  |  |  |
| AOM 2021-006 | 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 ₱ 683,016.19. | 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. |  |  |  |  |  |  |  |
| AOM -2021-007 | 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 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. |  |  |  |  |  |  |  |
| AOM – 2021-008 | Delayed/non-submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies. | We recommend that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001. |  |  |  |  |  |  |  |
| AOM – 2021-009 | The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 36 of the General Appropriations Act (GAA) for FY 2020 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 36 of the FY 2020 General Appropriations Act. |  |  |  |  |  |  |  |

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

Prepared by:

**MA. JAEVA C. QUINTAS**

Acting General Manager

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

CGS -Water Districts and Other CGS Stand-Alone Agencies

February 19, 2021

**ATTY.CELSO L. VOCAL**

Regional Director

COA - Regional Office No. X

Cagayan de Oro City

Sir:

We are submitting the Annual Audit Report on the Kolambugan Water District for Calendar Year 2020 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.

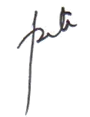
The audit report consists of four parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; Part III - Status of Implementation of Prior Year’s Audit Recommendations and Part IV – Appendix. The observations and recommendations were communicated to Management thru 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 19, 2021

**Ms. CECILIA A. PONTILLAS**

Supervising Auditor

CGS – Water Districts and Other CGS Stand-Alone Agencies

COA - Regional Office No. X

Cagayan de Oro City

Ma’am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, 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, 2020.

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

The audit report consists of three parts, namely: Part I - Audited Financial Statements; Part II – Observations and Recommendations; and Part III - Status of Implementation of Prior Year’s Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff during the exit conference held in March 18, 2021. 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,



**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, 2020**

**EXECUTIVE SUMMARY**

1. **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, 2020 with 2,615 total service connections.

As of December 31, 2020, 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: Ma. Alma C. Omictin

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 2020. The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances. It was also made to determine whether the district’s financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed.

1. **Financial Highlights**

*Financial Condition*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2019** | **Increase/ (Decrease)** | **Percentage** |
| Assets | **₱**15,266,517.30 | **₱** 15,230,009.65 | ₱36,507.65 | 2% |
| Liabilities | **₱** 7,055,302.66 | **₱** 8,156,177.37 | ₱ 1,097,874.71 | 13% |
| Government Equity | **₱** 8,211,214.94 | **₱** 7,076,832.28 | ₱ 1,134,382.66 | 16% |

*Results of Operations*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2019** | **Increase/**  **(Decrease)** | **Percentage** |
| Income | **₱**11,809,029.13 | **₱**11,582,556.13 | **₱** 941,670.95 | 2% |
| Expenditures | **₱**10,070,345.12 | **₱**9,359,559.53 | **₱** 641,071.53 | 6% |
| Net Operating Income | **₱** 1,738,684.01 | **₱**2,222,996.60 | **₱** 300,599.42 | 22% |

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

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

1. Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱10,347,924.09 in 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 ₱ 683,016.19.
3. **Summary of Significant Observations and Recommendations**

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

**1. Payment of Hazard Pay in the amount of ₱26,250.00 is not in conformity with Section 3.2 of Civil Service Commission Memorandum Circular (CSC MC) No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 (Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government During the Period of State of National Emergency Due to COVID-19 Pandemic).**

We recommend that the District strictly adhere to the provisions Section 3.2 of Civil Service Commission Memorandum Circular (CSC MC) No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020. in the grant of Hazard Pay during the time of locally declared ECQ.

**2. Payroll Disbursement Vouchers (DVs) in the total amount of P1,596,530.25 disclosed lack of supporting documents or incomplete documentation as required under COA Circular No. 2012-001 and in violation of Section 4 of PD 1445. The propriety of the accounting entries made could not be ascertained because of the lack of supporting data to establish the validity of the accounts**.

We recommended that the accountant obtain and update the list of supporting documents for payroll transactions and ensure that these are completely attached to the disbursement vouchers upon processing.

**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.**

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.

**4. The Agency did not comply with Section 4 of the Implementing Rules and Regulations of Republic Act 10121 and Section 36 of the General Appropriations Act (GAA) for FY 2020 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 36 of the FY 2020 General Appropriations Act.

**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, therefore, 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 2020 as provided under DOH Administrative Order No. 2014-0027.

**6. Delayed/non-submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies.**

We recommend that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001.

**7. Kolambugan Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2020, 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.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | ***Balance, 12/31/2019*** | ***CY 2020 Issuances*** | ***Settlement*** | ***Balance, 12/31/2020*** |
| Suspensions | - | - | - | - |
| 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 2019, 6 were fully implemented, 4 were partially implemented, and 3 remained unimplemented.

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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

**MA. JAEVA C. QUINTAS**

Acting 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, 2020 and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Modified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kolambugan Water District as at December 31, 2020 and of its comprehensive income and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

*Bases for Modified-Qualified Opinion*

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

1. Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱10,347,924.09 in 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 ₱ 683,016.91.

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.

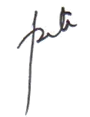
*Auditor’s Responsibilities for the Audit of the Financial Statements*

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 22, 2021

Republic of the Philippines

**KOLAMBUGAN WATER DISTRICT**

Kolambugan, Lanao del Norte

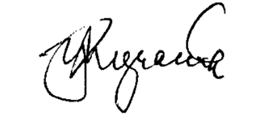
**STATEMENT OF MANAGEMENT RESPONSIBILITY**

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

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

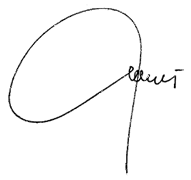
The Commission on Audit had audited the financial statements of the Kolambugan Water District in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

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**VICENTE P. MEJORADA**

Chairman of the Board

Date: February 10, 2021

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|  |  |
| --- | --- |
| **KATHLEEN JOYCE GAGARA** | **MA. JAEVA R. QUINTAS** |
| Accounting Processor | Acting General Manager |
| Date: February 10, 2021 | Date: February 10, 2021 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  | | --- | | KolWD Logo.png**KOLAMBUGAN WATER DISTRICT** | | | | | | | | | |
| **CONDENSED STATEMENT OF FINANCIAL POSITION** | | | | | | | | |
| **AS AT DECEMBER 31, 2020** | | | | | | | | |
|  |  |  |  |  |  |  |  |
|  |  | **NOTE** |  | **2020** |  |  | **2019** |
|  |  |  |  |  |  |  |  |
| **ASSETS** | | | | | | | | |
| **Current Assets** | |  |  |  |  |  |  |
|  | Cash and Cash Equivalents | 5 | ₱ | 3,344,681.32 |  | ₱ | 4,597,332.20 |
|  | Receivables | 6 |  | 419,193.28 |  |  | 363,833.62 |
|  | Inventories | 7 |  | 683,016.91 |  |  | 489,626.19 |
|  | Other Current Assets | 9 |  | 118,924.64 |  |  |  |
| **Total Current Assets** | |  | ₱ | **4,565,816.15** |  | ₱ | **5,569,716.65** |
|  | |  |  |  |  |  |  |
| **Non-Current Assets** | |  |  |  |  |  |  |
|  | Property, Plant and | 8 | ₱ | **10,700,701.15** |  | ₱ | **9,660,293.00** |
|  | Equipment |  |  |  |  |  |  |
|  | Other Non-Current Assets |  |  | - |  |  |  |
| **Total Non-Current Assets** | |  | ₱ | **10,700,701.15** |  | ₱ | **9,660,293.00** |
| **Total Assets** | |  | ₱ | **15,266,517.30** |  | ₱ | **15,230,009.65** |
|  | |  |  |  |  |  |  |
| **LIABILITIES** | | | | | | | | |
|  | **Current Liabilities** |  |  | |  | |  |
|  | Financial Liabilities | 10 | ₱ | **316,010.00** |  | ₱ | **295,377.90** |
|  | Inter-Agency Payables | 11 |  | 63,148.06 |  |  | 158,047.48 |
|  | **Total Current Liabilities** |  | ₱ | **379,158.06** |  | ₱ | **453,425.38** |
|  |  |  |  |  |  |  |  |
|  | **Non-Current Liabilities** |  |  |  |  |  |  |
|  | Financial Liabilities | 10 | ₱ | **5,604,614.15** |  | ₱ | **6,174,334.15** |
|  | Provisions / Trust Liabilities | 12 |  | 1,071,530.45 |  |  | 1,525,417.84 |
|  | **Total Non-Current Liabilities** |  | ₱ | **5,604,614.15** |  | ₱ | **7,699,751.99** |
|  | **Total Liabilities** |  | ₱ | **7,055,302.66** |  | ₱ | **8,153,177.37** |
|  |  |  |  |  |  | |  |
| **EQUITY** | | | | | | | | |
|  | **Government Equity** |  |  |  |  |  |  |
|  | Government Equity | 14 | ₱ | **741,246.00** |  | ₱ | **741,246.00** |
|  | Retained Earnings/(Deficit) |  |  | 7,469,968.64 |  |  | 6,335,586.28 |
|  | **Total Equity** |  | ₱ | **8,211,214.64** |  | ₱ | **7,076,832.28** |
|  | **Total Liabilities and Equity** |  | ₱ | **15,266,517.30** |  | ₱ | **15,230,009.65** |

*(See Accompanying Notes to Financial Statements)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **KOLAMBUGAN WATER DISTRICT** | | | | | | | | |
| E:\mom\kolambugan.png**CONDENSED STATEMENT OF COMPREHENSIVE INCOME** | | | | | | | | |
| **FOR THE YEAR ENDED DECEMBER 31, 2020** | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **NOTE** |  |  | **2020** |  |  | **2019** |
|  |  |  |  |  |  |  |  |  |
| **Income** | |  |  |  |  |  |  |  |
| Service and Business Income | 15 |  | ₱ | 11,809,029.13 |  | ₱ | 11,582,556.13 |
| Other Non-operating Income |  |  |  |  |  |  |  |
| **Total Income** | |  |  |  | **11,809,029.13** |  | **₱** | **11,582,556.13** |
|  |  |  |  |  |  |  |  |  |
| **Expenses** | |  |  |  |  |  |  |  |
| Personnel Services | 16 |  | ₱ | 4,852,327.82 |  | ₱ | 5,167,503.61 |
| Maintenance and Other Operating Expenses | 17 |  |  | 4,106,449.81 |  |  | 3,047,113.40 |
| Financial Expenses | 18 |  |  | 485,436.00 |  |  | 530,306.00 |
| Non-Cash Expenses | 19 |  |  | 626,131.49 |  |  | 614,636.52 |
| **Total Expenses** | |  |  | ₱ | **10,070,345.12** |  | **₱** | **9,359,559.53** |
|  |  |  |  |  |  |  |  |  |
| **Profit/(Loss) Before Tax** | |  |  | ₱ | **1,738,684.01** |  | ₱ | **2,222,996.60** |
| **Income Tax Expense/(Benefit)** | |  |  |  | 0.00 |  |  | 0.00 |
| **Profit/(Loss) After Tax** | |  |  | ₱ | **1,738,684.01** |  | **₱** | **2,222,996.60** |
| **Net Assistance/Subsidy/ (Financial Assistance/Subsidy/ Contribution)** | |  |  |  | 0.00 |  |  | 0.00 |
| **Net Income/(Loss)** | |  |  | **₱** | **1,738,684.01** |  | **₱** | **2,222,996.60** |
| **Other Comprehensive Income/(Loss) for the Period** | |  |  |  | 0.00 |  |  | 0.00 |
| **Comprehensive Income/(Loss)** | |  |  | **₱** | **1,738,684.01** |  | **₱** | **2,222,996.60** |

*(See Accompanying Notes to Financial Statements)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **KOLAMBUGAN WATER DISTRICT** | | | | | | | | |
| **STATEMENT OF CHANGES IN EQUITY** | | | | | | | | |
| **FOR THE YEAR ENDED DECEMBER 31, 2020** | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  | **Retained Earnings/ (Deficit)** | |  | **Contributed Capital** | |  | **TOTAL** | |
|  |  |  |  |  |  |  |  |  |
| **BALANCE AT JANUARY 1, 2019** | ₱ | 3,870,128.05 |  | ₱ | 741,246.00 |  | ₱ | 4,611,374.05 |
| **ADJUSTMENTS:** |  | 0.00 |  |  | 0.00 |  |  | 0.00 |
| **RESTATED BALANCE AT JANUARY 1, 2019** | ₱ | **3,870,128.05** |  | ₱ | **741,246.00** |  | ₱ | **4,611,374.05** |
|  |  |  |  |  |  |  |  |  |
| **CHANGES IN EQUITY FOR 2018** |  |  |  |  |  |  |  |  |
| 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** | ₱ | **6,335,586.28** |  | ₱ | **741,246.00** |  | ₱ | **7,076,832.28** |
|  |  |  |  |  |  |  |  |  |
| **CHANGES IN EQUITY FOR 2020** |  |  |  |  |  |  |  |  |
| Add/(Deduct): |  |  |  |  |  |  |  |  |
| Comprehensive Income for the year | ₱ | 1,738,684.01 |  | ₱ | 0.00 |  | ₱ | 1,738,684.01 |
| Other Adjustments |  | (604,301.65) |  |  | 0.00 |  |  | (604,301.65) |
| **BALANCE AT DECEMBER 31, 2020** | ₱ | **7,469,968.64** |  | ₱ | **741,246.00** |  | ₱ | **8,211,214.64** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **KOLAMBUGAN WATER DISTRICT** | | | | | | | |
| **CONDENSED STATEMENT OF CASH FLOWS** | | | | | | | |
| **FOR THE YEAR ENDED DECEMBER 31, 2020** | | | | | | | |
|  |  |  |  |  |  |  |  |
|  |  |  |  | **2020** |  |  | **2019** |
|  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Cash Inflows** | | |  |  |  |  |  |
|  |  | Collection of Income/Revenue | ₱ | 10,411,201.92 |  | ₱ | 10,315,876.22 |
|  |  | Collection of Receivables |  | 1,431,804.44 |  |  | 1,092,063.30 |
|  | **Total Cash Inflows** | | **₱** | **11,843,006.36** |  | **₱** | **11,407,939.52** |
|  |  | Adjustments |  | 0.00 |  |  | 0.00 |
|  | **Adjusted Cash Inflows** | | ₱ | **11,843,006.36** |  | ₱ | **11,407,939.52** |
|  |  |  |  |  |  |  |  |
| **Cash Outflows** | | |  |  |  |  |  |
|  | Payment of Expenses | | ₱ | 9,160,745.12 |  | ₱ | 7,787,643.88 |
|  | Purchase of Inventories | |  | 49,012.33 |  |  | 282,717.14 |
|  | Payments of Accounts Payable | |  | 1,288,426.69 |  |  | 1,595,762.71 |
|  | Other Disbursements | |  | 778,129.78 |  |  | 265,646.02 |
| **Total Cash Outflows** | | | **₱** | **11,276,313.92** |  | **₱** | **9,931,769.75** |
|  | Adjustments | |  | 0.00 |  |  | 0.00 |
|  | **Adjusted Cash Outflows** | | **₱** | **11,276,313.92** |  | **₱** | **9,931,769.75** |
| **Net Cash Provided by (Used in) Operating Activities** | | | **₱** | **11,276,313.92** |  | **₱** | **1,476,169.77** |
|  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Cash Inflows** | | |  |  |  |  |  |
|  | Total Cash Inflows | | ₱ | 0.00 |  | ₱ | 0.00 |
|  | Adjustments | |  | 0.00 |  |  | 0.00 |
|  | **Adjusted Cash Inflows** | | **₱** | **0.00** |  | **₱** | **0.00** |
|  |  |  |  |  |  |  |  |
| **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** |  | **₱** | **0.00** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | **2020** |  |  | **2019** |
|  |  |  |  |  |  |  |  |
| **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 | | ₱ | 569,720.00 |  | ₱ | 525,060.00 |
|  | Payment of Interest on Loans and Other | |  | 485,336.00 |  |  | 530,306.00 |
|  | Financial Charges | |  | 0.00 |  | 0.00 |
|  | **Total Cash Outflows** | | **₱** | **1,055,056.00** |  | **₱** | **1,055,366.00** |
|  | Adjustments | |  | 0.00 |  |  | 0.00 |
|  | **Adjusted Cash Outflows** | | **₱** | **1,055,056.00** |  | **₱** | **1,055,366.00** |
| **Net Cash Provided By/ (Used In) Financing Activities** | | | **₱** | **1,055,056.00** |  | **₱** | **(1,055,366.00)** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | | **₱** | **(1,252,650.88)** |  | **₱** | **420,803.77** |
|  | **Effects of Exchange Rate Changes on Cash and Cash Equivalents** | |  | 0.00 |  |  | 0.00 |
| **CASH AND CASH EQUIVALENTS, JANUARY 1, 2020** | | | **₱** | **4,597,332.20** |  | **₱** | **4,176,528.43** |
|  |  |  |  |  |  |  |  |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31, 2020** | | | **₱** | **3,344,681.32** |  | **₱** | **4,597,332.20** |

**KOLAMBUGAN WATER DISTRICT**

**Kolambugan, Lanao del Norte**



**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020**

1. **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 |
| Ms. Ma. Alma C. Omictin | Secretary | Education |
| Ms. Lucia B. Sudaria | Member | Women |
| Mr. Tindug O. Macarambon | Member | Civic |
| Mr. Fernandito R. Ridao | Treasurer | Business |

**2020 Operational Highlights**

A comparative financial condition and results for operations for CY 2020 and 2019 is presented below:

**Financial Condition**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2019** | **Increase (Decrease)** | **Percentage** |
| Assets | **₱**15,266,517.30 | **₱**15,230,009.65 | ₱ 36,507.65 | 2% |
| Liabilities | **₱** 7,055,302.66 | **₱** 8,153,177.37 | ₱ 1,097,874.71 | 13% |
| Government Equity | **₱** 8,211,214.94 | **₱** 7,076,832.28 | ₱ 1,134,382.66 | 16% |

**Results of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2020** | **2019** | **Increase**  **(Decrease)** | **Percentage** |
| Income | **₱**11,809,029.13 | **₱**11,505,041.41 | **₱** 226,473.00 | 2% |
| Expenses | **₱**10,070,345.12 | **₱** 9,282,044.81 | **₱** 710,785.59 | 6% |
| Net Income | **₱** 1,738,684.01 | **₱** 2,222,996.60 | **₱** 484,312.59 | 22% |

The District is operating profitably and maintains a good financial position, indicating its capability to the system operations. As of December 31, 2020, it has 2,979 active service connections having an estimated population of 14,895.

**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 N0. 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 N0. 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 is 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 Weight Average Method -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 (10%) of the cost is set-up and depreciation stats 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 data (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 life of the property, plant and equipment based in the COA Circular N0. 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.

| **PARTICULARS** | **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 N0. 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 Equivalents**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Cash on Hand | ₱ 16,603.90 | ₱ 14,770.47 |
| Cash in Bank | 3,328,077.42 | 4,582,561.73 |
| **Total** | **₱ 3, 344,681.32** | **₱ 4,597,332.20** |

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

**6. Receivables**

This account can be broken down as follows:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Accounts Receivable | ₱ 495,307.78 | ₱ 439,948.12 |
| Allowance for Impairment- A/R | (76,114.50) | (76,114.50) |
| **Total** | **₱ 419,193.28** | **₱ 363,833.62** |

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** | **61-180 days** | **181-360 days** | **Over 1 year** |
| --- | --- | --- | --- | --- | --- |
| 1 | ₱ 5,771.35 | ₱ 0.00 | ₱  **1**4,416.60 | ₱ 0.00 | ₱ 3,993.90 |
| 2 | 67,927.86 | 6,423.00 | 24,714.61 | 5,793.70 | 30,996.55 |
| 3 | 10,230.35 | 4,675.75 | 4,543.10 | 0.00 | 1,011.50 |
| 4A | 42,674.25 | 3,877.95 | 4,671.75 | 3,297.50 | 30,827.05 |
| 4B | 16,029.04 | 1,672.90 | 11,424.74 | 828.80 | 2,102.60 |
| 5a | 6,081.15 | 1,652.40 | 0.00 | 0.00 | 4,428.75 |
| 5b | 36,494.93 | 26,782.28 | 0.00 | 0.00 | 9,712.65 |
| 6a | 16,332.20 | 5,386.05 | 682.85 | 0.00 | 10,263.30 |
| 6b | 45,967.95 | 2,299.15 | 4,520.15 | 0.00 | 39,148.65 |
| 6C | 17,578.20 | 1,738.00 | 4,886.75 | 0.00 | 10,953.45 |
| 6d | 33,410.13 | 8,238.28 | 7,956.40 | 1,479.30 | 15,736.15 |
| 7 | 1,179.75 | 0.00 | 0.00 | 0.00 | 1,179.75 |
| 8a | 24,237.45 | 5,450.55 | 6,104.05 | 2,626.00 | 10,056.85 |
| 8b | 8,224.10 | 1,553.50 | 1,940.15 | 0.00 | 4,730.45 |
| 8c | 37,882.65 | 6,854.55 | 7,907.80 | 3,118.70 | 20,001.60 |
| 9a | 22,304.00 | 4,484.60 | 4,589.40 | 1,091.30 | 12,138.70 |
| 9b | 32,419.53 | 9,867.15 | 13,091.43 | 0.00 | 9,460.95 |
| 10a | 19,734.50 | 7,569.25 | 6,642.70 | 0.00 | 5,522.55 |
| 10b | 10,498.80 | 1,646.90 | 1,570.85 | 0.00 | 7,281.05 |
| 11 | 2,449.50 | 988.50 | 0.00 | 0.00 | 1,461.00 |
| 12 | 4,582.95 | 344.20 | 4,238.75 | 0.00 | 0.00 |
| 13 | 9,096.30 | 0.00 | 3,959.30 | 0.00 | 5,137.00 |
| 14 | 11,561.69 | 2,301.10 | 2,948.89 | 6,311.70 | 0.00 |
| **Total** | **₱ 495,307.78** | **₱ 103,806.06** | **₱ 130,810.27** | **₱ 24,547.00** | **₱ 236,144.45** |

**7. Inventories**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Inventory Held for Consumption | ₱ 683,016.91 | ₱ 489,626.19 |

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:

**Acquisition Cost**

|  |  |  |  |
| --- | --- | --- | --- |
| **PARTICULARS** | **2020** | **ADDITIONS** | **2019** |
| Land | ₱ 150,000.00 | ₱ 100,000.00 | ₱ 50,000.00 |
| Office Equipment | 751,842.67 | 106,100.00 | 645,742.67 |
| Furniture and Fixture | 155,061.37 | 76,220.07 | 78,841.30 |
| Machinery | 1,616,987.49 | 392,932.55 | 1,224,054.94 |
| Reservoir | 354,781.25 | 0.00 | 354,781.25 |
| Motor vehicle | 175,900.00 | 23,500 | 152,400.00 |
| DRRE | 75,796.75 | 75,796.75 | 0.00 |
| Water Supply System | 17,055,712.68 | 891,990.27 | 16,163,722.41 |
| **Total** | **₱ 20,336,082.21** | **₱ 1,666,539.64** | **₱ 18,669,542.57** |

**Accumulated Depreciation**

|  |  |  |  |
| --- | --- | --- | --- |
| **PARTICULARS** | **2020** | **ADDITIONS** | **2019** |
| Land | ₱0.00 | ₱0.00 | ₱0.00 |
| Office Equipment | 549,106.58 | 171,962.50 | 377,144.08 |
| Furniture and Fixture | 95,612.52 | 8,440.38 | 87,172.14 |
| Machinery | 352,059.58 | 68,369.58 | 283,690.00 |
| Reservoir | 155,680.88 | 6,599.41 | 149,081.47 |
| Motor Vehicle | 85,307.88 | (1,091.12) | 86,399.00 |
| Water Supply System | 8,391,454.49 | 365,691.61 | 8,025,762.88 |
| DRRE | 6,159.13 | 6,159.13 |  |
| **Total Accumulated Depreciation** | **₱ 9,635,381.06** | **₱ 626,131.49** | **₱ 9,009,249.57** |
|  |  |  |  |
| **Net Book Value** | **₱ 10,700,701.15** | **₱ 1,040,408.15** | **₱ 9,660,293.00** |

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:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| 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 and 2 months advance rental KOLWD office.

**10. Financial Liabilities**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Accounts payable | ₱ 316,010.00 | ₱295, 377.90 |
| Bill/Bonds /Loans Payable | 5,604,614.15 | 6,174,334.15 |
| **Total** | **₱ 5,920,624.15** | **₱ 6,469,712.05** |

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 for the finance projects of the Water District.

**11. Inter-Agency Payables**

This account can be broken down as follows:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Due to BIR | ₱ (11,223.53) | ₱ 20,714.22 |
| Due to GSIS | 71,349.70 | 96,391.02 |
| Due to PAG-IBIG | 8,907.52 | 35,659.62 |
| Due to PHILHEALTH | (5,885.63) | 5,282.62 |
| **Total** | **₱ 63,148.06** | **₱ 158,047.48** |

**12. Trust Liabilities**

This account consists of:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Leave Benefits Payable | ₱ 1,071,530.45 | ₱ 1,525,417.84 |

Leave Benefits Payable this trust fund is intended for the Terminal Leave Benefits of the regular employees of Kolambugan Water District.

**13. 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.

**14. Equity**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Donated/Contributed Capital | **₱** 741,246.00 | **₱** 741,246.00 |
| Retained Earnings | 7,469,968.64 | 6,335,586.28 |
| **Total** | **₱ 8,211,214.64** | **₱ 7,076,832.28** |

**15. Service and Business Income**

This account can be broken down as follows:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Water works system fees | **₱** 10,935,064.12 | **₱** 10,320,622.90 |
| Other Service Income | 640,103.26 | 915,525.00 |
| Fines and Penalties | 233,861.75 | 268,893.51 |
| **Total** | **₱ 11,809,029.13** | **₱ 11,505,041.41** |

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.

**16. Personnel Services**

This account can be broken down as follows:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Salaries and Wages Regular | **₱** 2,548,483.00 | **₱** 2,838,256.08 |
| Salaries contractual | 536,956.25 | 359,874.50 |
| Honoraria | 127,212.00 | 139,992.00 |
| Personnel Benefits Contribution | 353,436.51 | 391,688.61 |
| Other Compensation | 1,286,240.06 | 556,889.60 |
| Other Personnel Benefits | - | 880,802.82 |
| **Total** | **₱ 4,852,327.82** | **₱ 5,167,503.61** |

The District implemented the 2nd Tranche per Executive Order No. 201 s. 2016.

Total Personnel Services for the year 2020 is lower by 6% compared to last year. The substantial decrease from previous year was attributed to the retirement of three (3) personnel despite the increase of salaries of the employees and other bonuses of the District in the implementation of 2nd trancehe per Executive Order No. 201 s., 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 account, 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, 2 working 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.

**17. Maintenance and Other Operating Expenses**

This account consists of the following:

| **PARTICULARS** | **2020** | **2019** |
| --- | --- | --- |
| Travelling Expenses per diem | ₱ 216,794.00 | ₱ 187,637.16 |
| Training Expenses | 30,000.00 | 147,854.36 |
| Office Supplies | 90,220.10 | 106,785.07 |
| Accountable forms Expenses | 130,494.88 | 221,749.00 |
| Chemicals & Filtering Supplies Expense | 52,349.60 | 62,320.00 |
| Fuel, Oil and Lubricants Expense | 89,817.03 | 136,794.02 |
| Electricity Expense | 1,892,824.20 | 1,458,902.74 |
| Postage & deliveries / Courier Expense | 4,175.00 | 8,683.00 |
| Membership dues & Contributions to Organization | 48,796.50 | 7,631.00 |
| Telephone /Landline expenses | 24,113.40 | 53,586.58 |
| Cable, Satellite, Telegraph, & Radio Expenses | 5,400.00 | 5,400.00 |
| Rent / Lease Expense | 198,275.00 | 138,750.00 |
| Representation Expense | 57,767.50 | 61,836.88 |
| Transportation and delivery | 54,001.48 | 14,264.00 |
| Legal Services | 8,500.00 | 5,200.00 |
| Auditing Services | 46,014.13 | 48,083.75 |
| Awards and rewards | - | 10,000.00 |
| Taxes duties & licenses | 187,668.02 | 202,267.60 |
| Fidelity bond Premium | 15,450.00 | 15,045.00 |
| Extra-ordinary & Miscellaneous Expense | 13,585.73 | 5,370.00 |
| Insurance Expenses | - | 1,356.89 |
| Other Maintenance operating expenses | 94,331.00 | 32,065.40 |
| Other PPE | - | 115,530.95 |
| Other Supplies & Materials Expense | 666,743.73 | - |
| Internet Expense | 46,674.99 | - |
| Labor & Wages | 1,000.00 | - |
| Repair and Maintenance | 131,453.52 | **-** |
| **TOTAL OPERATING & MAINTENANCE EXPENSES** | **₱ 4,106,449.81** | **₱ 3,047,113.40** |

**18. Financial Expenses**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2020** | **2019** |
| Bank Charges | **₱** 200.00 | **₱** 400.00 |
| Interest Expense | 485,236.00 | 529,906.00 |
| **TOTAL FINANCIAL EXPENSE** | **₱ 485,436.00** | **₱ 530,306.00** |

**19. Non-Cash Expenses:**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **ACCOUNT** | **2020** | **2019** |
| Depreciation | **₱** 626,131.49 | 614,636.52 |

**20. Events after Balance Sheet Date**

Any post year-end events that provide additional information about the district’s position at balance sheet data (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.

**21. Authority to Issue Financial Statements**

The Financial Statements for the year ended December 31, 2020 were approved by the Acting General Manager, Ma. Jaeva C. Quintas.

**PART II -**

**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 provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱10,347,924.09 in doubtful validity.**

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

* + - 1. Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station (*Section 5.1*).
      2. The Head of the Agency shall create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Units of the agency *(Section 5.2)*.
      3. The entire inventory taking shall be witnessed by the Commission on Audit (COA) Auditor. The Audit Team Leader and/or any of his/her audit team members may be assigned for the purpose *(Section 5.3)*.
      4. The PIP shall be approved by the Head of the Agency *(Section 5.10)*.
      5. The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (I0) calendar days before the scheduled start of inventory *(Section 5.11)*
      6. Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs (*Section 5.12*)

The District have undertaken inventory count on December 29, 2020 but failed to submit the PIP on the required deadline. In addition, there was no invitation from the District to the COA Auditor or his representative to witness the said inventory. The audit team have to resort to alternative means of validating the existence of the items in the PPE. Of the total PPE items amounting to P10,700,701.15, only ₱352,777.06 can be validated thus, P10,347,924.09 is of doubtful validity.

Due to non-submission/delayed submission of PIP, analysis of the accounts as to existence and propriety of items composing the respective asset accounts cannot be undertaken. Inquiry with the District personnel to ascertain the location of specific items cannot establish the existence of PPEs due to its inaccessibility.

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

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

**Recommendation:**

We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.

**Management Comments:**

The Kolambugan WD Management had conducted a Physical Count last December 29, 2020 and submitted to COA last February 11, 2021 but the Auditors were not notified during the Physical Count. And it was agreed to have a one-time cleansing together with the COA Personnel on May 2021.

**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 ₱ 683,016.91.**

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:

1. *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.*
2. *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*

1. *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.*

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 did not undertake 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 conducted a physical count on materials and supplies Inventory last December 2020. We are going to send the said reports of inventory later.

**3. Payroll Disbursement Vouchers (DVs) in the total amount of P1,596,530.25 disclosed lack of supporting documents or incomplete documentation as required under COA Circular No. 2012-001 and in violation of Section 4 of PD 1445. The propriety of the accounting entries made could not be ascertained because of the lack of supporting data to establish the validity of the accounts.**

COA Circular No. 2012-001 prescribes the revised guidelines and documentary requirements for common government transactions. The Circular requires that claims against government funds should be supported with complete documentations and there should be sufficient and relevant documents to establish validity of the claim.

Furthermore, Section 4, PD 1445 provides that claims against government funds shall be supported with complete documentation.

Post audit made on the financial transactions of the District revealed that payroll accounts for regular personnel were processed for obligation, certified as to complete supporting documents, approved, recorded, and paid, yet the review disclosed that the payment thereof could be held in abeyance or deferred because of lack of supporting documents and lack of approval as required.

Regular Salary Payroll to personnel and Overtime payments were paid without complete supporting documents. It was observed that there were no Daily Time Records and Accomplishment Reports prepared and attached to the claims. It was only until requested that the District submitted Daily Time Records which mostly lacked signatures either of the employee or the General Manager. Furthermore, official businesses written on the Daily Time Records were not supported by Travel Orders and Itinerary of Travels.

Because of the absence of substantial amount of documentary requirements, the reliability and validity of the transactions could not be ascertained. Notice of Suspensions shall be issued to avoid pecuniary loss of the government.

**Recommendation:**

We recommended that the accountant obtain and update the list of supporting documents for payroll transactions and ensure that these are completely attached to the disbursement vouchers upon processing.

**Management Comments:**

The Kolambugan WD Management is willing to pay back the said amount.

**4. Payment of Hazard Pay in the amount of ₱26,250.00 is not in conformity with Section 3.2 of CSC MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 (Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government During the Period of State of National Emergency Due to COVID-19 Pandemic).**

Administrative Order No. 26, s. 2020 dated March 23, 2020 and DBM Budget Circular No. 2020-1, s. 2020 dated March 24, 2020 authorizes the grant of Hazard Pay, to be called as COVID-19 Hazard Pay, to government employees and workers engaged through contract of service (COS) or job order (JO) basis who physically report for work during the implementation of an Enhanced Community Quarantine in an amount not exceeding P500/day per person. This is further refined by Section 3.2 of Civil Service Commission Memorandum Circular (CSC MC) No. 10, series of 2020 dated May 7, 2020 (amended by CSC MC No. 18, series of 2020 dated October 15, 2020) which provides that only those government agencies observing skeleton (skeletal) staffing are entitled to grant Covid-19 Hazard Pay to its personnel, specifically to those who was ordered to report for work during MECQ or ECQ. The rate of ₱500.00 per day per employee is not a fixed rate as a lower amount can be granted if the government agency has insufficient funds to cover for the aforementioned rate.

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

This District issued Office Memo No. 1, s. 2020 dated March 13, 2020 which provided for a 4-day work schedule of the employees as provided by CSC MC No. 7, S. 2020 and Board Resolution No. 5, S. 2020. Board Resolution No. 08, s. 2020 dated March 26, 2020 reiterates the 4-day work schedule for office personnel while pumping operation will still be on the regular shifting schedule. The same BOD Resolution provides that the District would pay hazard pay in the amount of ₱375.00 per person per day effective March 17, 2020.

Review of the agency’s disbursements revealed that the District granted Hazard Pay to regular and job order personnel who reported to work for the period of March 17-31, 2020 at ₱250.00 per day per personnel amounting to ₱26,250.00 as evidenced by Disbursement Voucher No. 2020-03-141 dated April 6, 2020 and LBP Check No. 1460868 dated April 7, 2020.

Inquiry revealed that the rate of ₱250.00 per day per person, instead of the P375.00 per day per person, was agreed upon by the employees and management as it was deemed that their locality was not really in danger of contacting the COVID-19 virus and the District could use the savings as additional funding to pay the District’s obligations.

The rationale of granting Hazard Pay during ECQ is to incentivize or encourage for the employees to come to work despite of hazardous situations or physical hardship. Management’s actions of not fully implementing the Hazard Pay rate of ₱375.00 as provided by BOD Resolution No. 08, S. 2020 dated March 26, 2020 reveal what they believe all along that the employees were not really in danger of contracting the COVID-19 virus thus it is against the spirit to which such incentive was granted. The payment of hazard pay will be disallowed as it is not in accordance with Section 3.2 of CSC MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020. The District did not observe skeleton force staffing but a 4-day workweek for office personnel and regular work schedule for pumping operations personnel.

**Recommendation:**

We recommended that the District strictly adhere to the provisions Section 3.2 of CSC MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020. of in the grant of Hazard Pay during the time of locally declared ECQ.

**Management Comments:**

The Kolambugan WD Accountant has started gathering the supporting documents for the payroll transactions.

**5. 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 not yet insured the property plant and equipment because 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.

**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 2020 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 therefore 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 2020 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 2020 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 2020 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 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 2020, 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 2020 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:

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 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.

1. 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.

**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, therefore, 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 2020 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.

**9. Delayed/non-submission of copies of Contracts/Purchase Orders in violation Section 3 of COA Circular No. 2009-001 precluded the auditorial and technical review of the procurement transactions and prompt detection/correction of possible deficiencies**.

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

On June 4, 2020, this Office reminded the District about their duty to submit their monthly, quarterly, semi-annual reports as travel is limited due to the pandemic and the said submission could be done electronically. Audit disclosed that copies of contracts as well as purchase orders were not submitted on time, thus, evaluation on the reasonableness of costs and compliance with the provisions of Republic Act No. 9184 were not immediately conducted.

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

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

**Recommendation:**

We recommend that management furnish the Auditor copy of the purchase orders and contract documents not later than five (5) working days after the perfection of contracts/purchase orders together with duly accomplished supporting documents for technical review and evaluation in compliance with COA Circular No. 2009-001.

**Management comment:**

The Kolambugan WD Management will provide the purchase orders and abstract to COA five (5) working days after the perfection of the contracts/ purchase orders with an agreed amount of P 15,000.00 above.

**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:

|  |  |
| --- | --- |
| ***Status of Implementation*** | ***No. of Recommendations*** |
| Fully Implemented | 5 |
| Partially Implemented | 5 |
| Not Implemented | 3 |

| **Ref.** | **Audit Observations** | **Audit Recommendation(s)** | **Status of Implementation** |
| --- | --- | --- | --- |
| 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 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. | Fully Implemented |
| 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. 10 of the District’s Service Concession Contract 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. | Fully Implemented |
| 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 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. | Not Implemented  The District is waiting for semi-nars/ trainings re-garding effective programs/projects/activities to address the adverse effects of climate change and DRR in order for us to be guided with pro-per instructions and materials needed for it to be planned well. But with regards to equipment for possible fortui-tous events we had purchased enough equip-ment. |
| AOM No. 2020-004 (KOLWD) | Kolambugan Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2019, thereby making the attribution of the GAD budget doubtful. | We recommended that management:   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 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;   1. 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. | Not Implemented  The District is waiting for seminars/ trainings regarding GAD Plan in order for us to be guided with proper instructions and materials needed for it to be planned well. But we had assigned a unit to plan and process our GAD plan. |
| 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. | Not Implemented  The District is waiting for a seminars/training regarding Water Safety Plan in order for us to be guided with proper instructions and materials needed for it to be planned well. |
| 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 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. | 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. | Partially Implemented |
| 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 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. | Partially Implemented  The District has started processing for an Insurance Policy. |
| 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 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. | Partially Implemented |
| 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 recommended that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it. | 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 recommended that (a) the Inventories be valued using the Weighted Average Method and (b) the Bookkeeper record the necessary adjustment. | Fully Implemented |
| 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 recommended 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 and destruction/condemnation. (Refer to COA Circular No. 89-296) | Partially Implemented  Inventory Report of the Unserviceable Property, Plant and Equipment is prepared. Destruction or condemnation will be used for disposal. |
| 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 recommended that the Management provide the Accountable Officer a safety vault or its equivalent to ensure the security of cash collections and unused accountable forms. | Fully Implemented |
| 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 recommended that reports should be submitted to the Auditor regularly in accordance with the above-mentioned circulars either in soft or hard copy. If said reports are too bulky to be sent electronically, notice should be given so that the auditor or its representative can be sent to review it. | Partially Implemented |