



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

OFFICE OF THE REGIONAL DIRECTOR

February 24, 2022

FERNANDITO R. RIDAO
Chairperson, Board of Directors
MA. JAEVA C. QUINTAS
Acting General Manager
Kolambugan Water District
Kolambugan, Lanao del Norte

Sir/Madam:

KOLAMBUGAN WATER DISTRICT
RECEIVED

DATE: MAY 24 2022

TIME: _____

BY: *Julia*

KOLAMBUGAN WATER DISTRICT
RECEIVED

DATE: MAY 24 2022

TIME: _____

BY: *[Signature]*

We are pleased to transmit the Annual Audit Report on the audit of **Kolambugan Water District**, Kolambugan, Lanao del Norte as of December 31, 2021, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

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

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

A Modified-Qualified Opinion was rendered on the fairness of the presentation of the financial statements of the Kolambugan Water District for the year ended December 31, 2021, as discussed in the Independent Auditor's Report in Part I hereof.

We expressed Modified-Qualified Opinion on the fairness of the presentation of the financial statements of the Kolambugan Water District for the year 2021 due to the following exceptions:

1. Non-Preparation of the Bank Reconciliation Statements (BRS) on time is contrary to Section 74 of Presidential Decree (P.D.) No. 1445 and Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies, thus the accuracy and validity of the balance of Cash in Bank account at a given time could not be relied upon.
2. Accounts Receivable amounting to P 475,003.67 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2021 due to inadequate provision of Allowance for Impairment – Accounts Receivable by P 149,949.85,

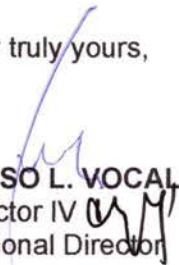
resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.

3. One-time cleansing of Property, Plant and Equipment (PPE) was not conducted as provided for in COA Circular No. 2020-006 dated January 31, 2020 thus casting doubt on the existence, completeness and valuation of the PPE accounts in the amount of P11,121,058.80 in the Financial Statements as of December 31, 2021.

We request that the remedial measures be immediately implemented, and we will appreciate being informed of the actions, plan and status of implementation thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form to the Audit Team within 60 days from receipt hereof, pursuant to Section 91 of the General Appropriations Act FY 2021.

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

Very truly yours,


CELSO L. VOCAL
Director IV
Regional Director

Copy furnished

*The President of the Philippines
Malacañang Palace, Manila*

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

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

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

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

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

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

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

File

KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPSI)

For Calendar Year 2021

As of _____

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

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan			Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date			
AOM – 2022-001	Non-Preparation of the Bank Reconciliation Statements (BRS) on time is contrary to Section 74 of Presidential Decree (P.D.) No. 1445 and Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies, thus the accuracy and validity of the balance of Cash in Bank account at a given time could not be relied upon.	We recommend that the management demand and enforce from its accounting personnel to prepare and submit the BRS not submitted; then submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor.						

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			
AOM - 2022-002	Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified that impeded the immediate verification of the transactions that may need further analysis.	We recommend that the management to demand and enforce from its accounting personnel to prepare and submit the lacking required reports to the COA Audit team.					
AOM - 2022-003	The reporting requirements of the accomplishments on the appropriated GAD projects/programs/activities for the CY 2021 was not complied with, contrary to the provisions of COA Circular No. 2014-001 dated March 18, 2014 and PCW-	We recommend to the General Manager: a. To require the GAD Focal Person to prepare the GAD Accomplishment Report and submit the same within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001; and					

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			
	DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus the implementation of the gender and development programs could not be validated as well as the determination of whether or not the amounts purposely budgeted were utilized for the purpose.	b. To copy furnish the Office of the Audit Team Leader within five (5) working days from the end of January of the preceding year as provided on the above cited rules and regulations.					
AOM – 2022-004	The Agency failed to submit the Monthly Financial Reports within the reglementary period prescribed in Section 100 and 122 of PD No. 1445 and COA Circular No. 2009-006 dated September 15, 2009, thus, completeness and accuracy of the account balances reported in the trial	We recommend to the General Manager to require the Accounting Office to submit on time and forward to the Audit Team the financial reports to facilitate the recording of the transactions in the books of accounts					

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan			Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date			
AOM – 2022-005	balance could not be determined. Power costs incurred in pumping stations amounting to P2,453,163.69 were erroneously recorded as Electricity Expense (P2,448,843.69) and Fuel, Oil and Lubricants Expenses (P4,320.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015.	We recommend to the management: a. To direct the Accountant to prepare the necessary adjusting entries for the current year's erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years' journal entries have already been closed to Accumulated Surplus/Deficit; b. Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and c. To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the						

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan		Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible			
AOM – 2022-006	Accounts Receivable amounting to P 475,003.67 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2021 due to inadequate provision of Allowance for Impairment – Accounts Receivable by P 149,949.85, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.	<p>adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.</p> <p>We recommend the Management:</p> <p>a. To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment - Accounts Receivables;</p> <p>b. Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;</p> <p>c. To set up Allowance for Impairment – Accounts Receivables based on collectability and evaluation of factors such as aging of accounts, collection experiences of the agency, expected</p>					

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan			Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date From To			
AOM – 2022-007	The agency did not take preliminary actions on the development of a Water Safety Plan (WSP) 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	<p>loss experiences and identified doubtful accounts; and</p> <p>d. Upon identification of actual unrealizable receivables, to request for write-off of accounts abiding COA Circular 2016-005 dated December 19, 2016 specifically on items 8.2. To 8.3 in order to achieve fair presentation of financial statements.</p>						

Ref.	Audit Observation	Audit Recommendation(s)	Agency Action Plan			Status of Implementation	Reason for Partial/ Delay/ Non-Implementation	Action to be Taken
			Action Plan	Person / Dept. Responsible	Target Implementation Date From To			
	been properly addressed by appropriate control measure.							
AOM – 2022-008	The District was not able to implement a Septage Management Plan (SMP) as required by RA 9275, Supreme Court mandamus of 2008, Section 5 of PD 198, as amended, and Section 3.(i). I of Administrative Order No. 16 Series of 2019 depriving its concessionaires of a sound wastewater treatment and disposal system.	We recommend to the management to prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring.						
AOM – 2022-009	Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System	We recommend that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018.						

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 - 2022-010	(GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District's PPEs to risk of loss without indemnification. One-time cleansing of Property, Plant and Equipment (PPE) was not conducted as provided for in COA Circular No. 2020-006 dated January 31, 2020 thus casting doubt on the existence, completeness and valuation of the PPE accounts in the amount of P11,121,058.80 in the Financial Statements as of December 31, 2021.	We recommend the management to: a. Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances. b. If possible, hire an employee to assist in the performance of the inventory-taking,						

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			
		bookkeeping, and accounting for the immediate implementation of the physical count.						

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

Agency Sign-off:

MA. JAEVA C. QUINTAS
Acting General Manager

Date: _____



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

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

February 22, 2022

Atty. CELSO L. VOCAL
Regional Director
COA - Regional Office No. X
Cagayan de Oro City

Sir:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines, we audited the accounts and operations of the **Kolambugan Water District**, Kolambugan, Lanao del Norte for the year ended December 31, 2021.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; and (c) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I - Audited Financial Statements; Part II - Observations and Recommendations; and Part III - Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor



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

OFFICE OF THE AUDIT TEAM LEADER

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

February 21, 2022

Ms. CECILIA A. PONTILLAS

Supervising Auditor

CGS - Water Districts and Other CGS Stand-Alone Agencies

COA - Regional Office No. X

Cagayan de Oro City

Ma'am:

In compliance with Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we conducted an audit on the accounts and operations of **Kolambugan Water District**, Kolambugan, Lanao del Norte, for the year ended December 31, 2021.

The audit was conducted to: (a) ascertain the fairness of presentation of the Financial Statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; and (c) determine the extent of implementation of prior years' audit recommendations.

The audit report consists of Part I - Audited Financial Statements; Part II - Observations and Recommendations; and Part III - Status of Implementation of Prior Years' Audit Recommendations. The observations and recommendations were communicated to Management thru Audit Observation Memorandum and discussed with management officials and staff. Their comments are included in the appropriate portion of this report.

Except for the effects of the matters discussed in Part II of this Report, there is reasonable assurance that the financial statements are free from material misstatement(s) and were prepared in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and we believe these standards provided a reasonable basis for the results of the audit. We rendered a modified-qualified opinion on the fairness of presentation of the financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Fatimah Suzzane A. Disamburun".

FATIMAH SUZZANE A. DISAMBURUN

State Auditor III

Acting Audit Team Leader



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

ANNUAL AUDIT REPORT

ON THE

KOLAMBUGAN WATER DISTRICT Kolambugan, Lanao del Norte

For the Year Ended December 31, 2021



EXECUTIVE SUMMARY

A. Introduction

The Kolambugan Water District (KOLWD) was created under a special law, Presidential Decree 198 as amended by PD Nos. 768 and 1479 better known as the "Provincial Water Utilities Act of 1973." KOLWD was awarded with the Certificate of Conditional Conformance No. 228 by the Local Water Utilities Administration (LWUA) on November 8, 1982.

The KOLWD is presently categorized as "Category D" Water District serving a total population of 27,005 as of December 31, 2020 with 2,615 total service connections.

As of December 31, 2021, 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:	Mr. Fernandito R. Ridao
Members:	Mr. Tindug O. Macarambon
	Ms. Ma. Alma C. Omictin
	Mr. Corsenia E. Torres
	Mr. Vicente P. Mejorada

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.

B. Financial Highlights

Financial Condition

	2021	2020	Increase/ (Decrease)	Percentage
Assets	₱17,510,869.25	₱15,266,517.30	₱2,244,351.95	14.70%
Liabilities	₱6,630,114.71	₱7,055,302.66	₱(425,187.95)	(6.03%)
Government Equity	₱10,880,754.54	₱8,211,214.94	₱2,669,539.60	32.51%

Results of Operations

	2021	2020	Increase/ (Decrease)	Percentage
Income	₱13,559,623.26	₱11,809,029.13	₱1,750,594.13	15%
Expenditures	₱10,720,317.18	₱10,070,345.12	₱649,972.06	6%
Net Operating Income	₱2,839,306.08	₱1,738,684.01	₱1,100,622.07	63%

C. Scope of Audit

The audit covered the examination of the accounts and operations of Kolambugan Water District, Kolambugan, Lanao del Norte for the period January 1 to December 31, 2021. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

D. Independent Auditor's Report on the Financial Statements

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

1. Non-Preparation of the Bank Reconciliation Statements (BRS) on time is contrary to Section 74 of Presidential Decree (P.D.) No. 1445 and Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies, thus the accuracy and validity of the balance of Cash in Bank account at a given time could not be relied upon.
2. Accounts Receivable amounting to P 475,003.67 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2021 due to inadequate provision of Allowance for Impairment – Accounts Receivable by P 149,949.85, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.
3. One-time cleansing of Property, Plant and Equipment (PPE) was not conducted as provided for in COA Circular No. 2020-006 dated January 31, 2020 thus casting doubt on the existence, completeness and valuation of the PPE accounts in the amount of P11,121,058.80 in the Financial Statements as of December 31, 2021.

E. Summary of Significant Observations and Recommendations

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

1. **Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified that impeded the immediate verification of the transactions that may need further analysis.**

We recommended that the management to demand and enforce from its accounting personnel to prepare and submit the lacking required reports to the COA Audit team.

2. **The reporting requirements of the accomplishments on the appropriated GAD projects/programs/activities for the CY 2021 was not complied with, contrary to the provisions of COA Circular No. 2014-001 dated March 18, 2014 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus the implementation of the gender and development programs could not be validated as well as the determination of whether or not the amounts purposely budgeted were utilized for the purpose.**

We recommended to the General Manager:

- a. To require the GAD Focal Person to prepare the GAD Accomplishment Report and submit the same within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001; and
- b. To copy furnish the Office of the Audit Team Leader within five (5) working days from the end of January of the preceding year as provided on the above cited rules and regulations.
3. **The Agency failed to submit the Monthly Financial Reports within the reglementary period prescribed in Section 100 and 122 of PD No. 1445 and COA Circular No. 2009-006 dated September 15, 2009, thus, completeness and accuracy of the account balances reported in the trial balance could not be determined.**

We recommended to the General Manager to require the Accounting Office to submit on time and forward to the Audit Team the financial reports to facilitate the recording of the transactions in the books of accounts.

4. **Power costs incurred in pumping stations amounting to P2,453,163.69 were erroneously recorded as *Electricity Expense* (P2,448,843.69) and *Fuel, Oil and Lubricants Expenses* (P4,320.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015.**

We recommend to the management:

- a. To direct the Accountant to prepare the necessary adjusting entries for the current year's erroneous recording of the electricity for the pumping stations to reclassify them

to their appropriate accounts as prior years' journal entries have already been closed to Accumulated Surplus/Deficit;

- b. Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and
- c. To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.

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

Particulars	Balance, 01/01/2021	CY 2020 Issuances	Cy 2021 Settlement	Balance, 12/31/2021
Suspensions	P 0.00	0.00	0.00	P 0.00
Disallowances	P 0.00	29,125.00	29,125.00	P 0.00
Charges	P 0.00	0.00	0.00	P 0.00

G. Status of Implementation of Prior Years' Audit Recommendations

Of the nine (9) audit recommendations contained in the Annual Audit Report on the Water District for the calendar year 2020, four (4) were fully implemented, four (4) were partially implemented, and one (1) 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

FERNANDITO R. RIDAO

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, 2021, and the related Statements of Comprehensive Income, Cash Flows and Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Modified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Kolambugan Water District as at December 31, 2021, and of its comprehensive income and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Modified-Qualified Opinion

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

1. Non-Preparation of the Bank Reconciliation Statements (BRS) on time is contrary to Section 74 of Presidential Decree (P.D.) No. 1445 and Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies, thus the accuracy and validity of the balance of Cash in Bank account at a given time could not be relied upon.
2. Accounts Receivable amounting to P 475,003.67 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2021 due to inadequate provision of Allowance for Impairment – Accounts Receivable by P 149,949.85, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.
3. One-time cleansing of Property, Plant and Equipment (PPE) was not conducted as provided for in COA Circular No. 2020-006 dated January 31, 2020 thus casting doubt on

the existence, completeness and valuation of the PPE accounts in the amount of P11,121,058.80 in the Financial Statements as of December 31, 2021.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion.

Key Audit Matters

Except for the matter described in the *Bases for Modified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and those Charged with Governance for the Financial Statements

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


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

Auditor's Responsibilities for the Audit of the Financial Statements

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

COMMISSION ON AUDIT

BY:


CECILIA A. PONTILLAS
State Auditor V
Supervising Auditor

February 22, 2022



Republic of the Philippines
Kolambugan Water District
(GOVERNMENT OWNED & CONTROLLED CORP.)
Kolambugan, Lanao del Norte
TIN: 004-365-844 CCC No. 539

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **Kolambugan Water District** is responsible for the preparation of the financial statements as at **December 31, 2021**, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material statement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 has 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.


FERNANDITO R. RIDAO
Chairman of the Board

February 14, 2022
Date Signed


KATHLEEN JOYCE G. GAGARRA
Corporate Accounts Analyst

February 14, 2022
Date Signed


MA. JAEVA C. QUINTAS
Acting General Manager

February 14, 2022
Date Signed



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

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	₱ 4,270,709.80	₱ 3,344,681.32
Receivables	6	1,316,109.08	419,193.28
Inventories	7	684,066.93	683,016.91
Other Current Assets	9	118,924.64	118,924.64
Total Current Assets		₱ 6,389,810.45	₱ 4,565,816.15
Non-Current Assets			
Property, Plant and Equipment	8	₱ 11,121,058.80	₱ 10,700,701.15
Other Non-Current Assets			
Total Non-Current Assets		₱ 11,121,058.80	₱ 10,700,701.15
Total Assets		₱ 17,510,869.25	₱ 15,266,517.30
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	₱ 329,981.05	₱ 316,010.00
Inter-Agency Payables	11	70,917.47	63,148.06
Provisions / Trust Liabilities	12	1,247,664.04	1,071,530.45
Total Current Liabilities		₱ 1,648,562.56	₱ 1,450,688.51
Non-Current Liabilities			
Financial Liabilities	10	₱ 4,981,552.15	₱ 5,604,614.15
Total Non-Current Liabilities		₱ 4,981,552.15	₱ 5,604,614.15
Total Liabilities		₱ 6,630,114.71	₱ 7,055,302.66
EQUITY			
Government Equity			
Government Equity	14	₱ 741,246.00	₱ 741,246.00
Retained Earnings/(Deficit)		10,139,508.54	7,469,968.64
Total Equity		₱ 10,880,754.54	₱ 8,211,214.64
Total Liabilities and Equity		₱ 17,510,869.25	₱ 15,266,517.30

(See Accompanying Notes to Financial Statements)



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

	<u>NOTE</u>	<u>2021</u>	<u>2020</u>
Income			
Service and Business Income	15	P 13,559,623.26	P 11,809,029.13
Other Non-operating Income			
Total Income		P 13,559,623.26	P 11,809,029.13
Expenses			
Personnel Services	16	P 4,529,001.95	P 4,852,327.82
Maintenance and Other Operating Expenses	17	5,148,851.47	4,106,449.81
Financial Expenses	18	432,329.00	485,436.00
Non-Cash Expenses	19	610,134.76	626,131.49
Total Expenses		P 10,720,317.18	P 10,070,345.12
Profit/(Loss) Before Tax		P 2,839,306.08	P 1,738,684.01
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		P 2,839,306.08	P 1,738,684.01
Net Assistance/Subsidy/ (Financial Assistance/Subsidy/ Contribution)		0.00	0.00
Net Income/(Loss)		P 2,839,306.08	P 1,738,684.01
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
Comprehensive Income/(Loss)		P 2,839,306.08	P 1,738,684.01

(See Accompanying Notes to Financial Statements)



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

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2020	P 6,335,586.28	P 741,246.00	P 7,076,832.28
ADJUSTMENTS:	0.00	0.00	0.00
RESTATED BALANCE AT JANUARY 1, 2020	<u>P 6,335,586.28</u>	<u>P 741,246.00</u>	<u>P 7,076,832.28</u>
CHANGES IN EQUITY FOR 2020			
Add/(Deduct):			
Comprehensive Income for the year	P 1,738,684.01	P 0.00	P 1,738,684.01
Other Adjustments	(604,301.65)	0.00	(604,301.65)
BALANCE AT DECEMBER 31, 2020	<u>P 7,469,968.64</u>	<u>P 741,246.00</u>	<u>P 8,211,214.64</u>
CHANGES IN EQUITY FOR 2021			
Add/(Deduct):			
Comprehensive Income for the year	P 2,839,306.08	P 0.00	P 2,839,306.08
Other Adjustments	(169,766.18)	0.00	(169,766.18)
BALANCE AT DECEMBER 31, 2021	<u><u>P 10,139,508.54</u></u>	<u><u>P 741,246.00</u></u>	<u><u>P 10,880,754.54</u></u>

(See Accompanying Notes to Financial Statements)



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

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	P 1,794,565.11	P 10,411,201.92
Collection of Receivables	10,953,072.52	1,431,804.44
Total Cash Inflows	P 12,747,637.63	P 11,843,006.36
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 12,747,637.63	P 11,843,006.36
Cash Outflows		
Payment of Expenses	P 7,561,659.25	P 9,160,745.12
Purchase of Inventories	64,923.38	49,012.33
Payments of Accounts Payable	1,281,074.38	1,288,426.69
Other Disbursements	1,107,683.59	778,129.78
Total Cash Outflows	P 10,015,340.60	P 11,276,313.92
Adjustments	0.00	0.00
Adjusted Cash Outflows	P 10,015,340.60	P 11,276,313.92
Net Cash Provided by (Used in) Operating Activities	P 10,015,340.60	P 11,276,313.92
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	P 0.00	P 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	P 751,612.55	P 764,287.32
Total Cash Outflows	P 751,612.55	P 764,287.32
Adjustments	0.00	0.00
Adjusted Cash Outflows	P 751,612.55	P 764,287.32
Net Cash Provided By/(Used In) Investing Activities	P 751,612.55	P 764,287.32

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	P 0.00	P 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	P 0.00	P 0.00
Cash Outflows		
Payment of Long-Term Liabilities	P 622,427.00	P 569,720.00
Payment of Interest on Loans and Other Financial Charges	432,229.00 0.00	485,336.00 0.00
Total Cash Outflows	P 1,054,656.00	P 1,055,056.00
Adjustments	0.00	0.00
Adjusted Cash Outflows	P 1,054,656.00	P 1,055,056.00
Net Cash Provided By/ (Used In) Financing Activities	P 1,054,656.00	P 1,055,056.00
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	P 926,028.48	P (1,252,650.88)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1, 2020	P 3,344,681.32	P 4,597,332.20
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2020	P 4,270,709.80	P 3,344,681.32

(See Accompanying Notes to Financial Statements)



KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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. Fernandito R. Ridao	Chairman	Business
Mr. Tindug O. Macarambon	V-Chairman	Civic
Ms. Ma. Alma C. Omictin	Secretary	Education
Mr. Corsenia E. Torres	Treasurer	Women
Mr. Vicente P. Mejorada	Member	Professional

2021 Operational Highlights

A comparative financial condition and results for operations for CY 2021 and 2020 is presented below:

Financial Condition

	2021	2020	Increase (Decrease)	Percentage
Assets	₱17,510,869.25	₱15,266,517.30	₱ 2,244,351.95	14.70%
Liabilities	₱ 6,630,114.71	₱ 7,055,302.66	₱ (425,187.95)	(6.03%)
Government Equity	₱10,880,754.54	₱ 8,211,214.94	₱ 2,669,539.60	32.51%

Results of Operation

	2021	2020	Increase (Decrease)	Percentage
Income	₱13,559,623.26	₱11,809,029.13	₱ 1,750,594.13	15%
Expenses	₱10,720,317.18	₱10,070,345.12	₱ 649,972.06	6%
Net Income	₱ 2,839,306.08	₱ 1,738,684.01	₱ 1,100,622.07	63%

The District is operating profitably and maintains a good financial position, indicating its capability to the system operations. As of December 31, 2021, it has 3,085 active service connections having an estimated population of 15,425.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Financial Statement Presentation

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

2.2 Significant Accounting Judgments and Estimates

The preparation of the financial statements is 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 Equivalentents

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 starts on the second month after purchase/completion of the property, plant, and equipment.

2.6.5 Construction in Progress

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

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

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

2.6.7 Liabilities

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

2.6.8 Revenues

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

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

2.6.9. Expenses

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

2.6.10 Events after the Balance Sheet Date

Any post year-end events that provide additional information about the District's position at balance sheet data (adjusting events) are reflected in the financial statements. Any post yearend 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 it 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 NO. 2004-005 dated August 9, 2004.

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

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

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

5. Cash and Cash Equivalents

This account consists of the following:

PARTICULARS	2021	2020
Cash on Hand	₱ 3,397.64	₱ 16,603.90
Cash in Bank	4,267,312.16	3,328,077.42
Total	₱ 4,270,709.80	₱ 3,344,681.32

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	2021	2020
Accounts Receivable	₱ 1,392,223.58	₱ 495,307.78
Allowance for Impairment- A/R	(76,114.50)	(76,114.50)
Total	₱ 1,316,109.08	₱ 419,193.28

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
Kulasihan	₱ 15,887.65	₱ 228.10	₱ 0.00	₱ 11,665.65	₱ 3,993.90
Muntay	49,182.06	3,971.25	6,585.55	13,433.21	25,192.05
Rebucon	8,734.30	2,075.05	4,945.75	877.50	836.00
Riverside Highway	42,858.40	3,004.95	4,990.40	1,686.20	33,176.85
Riverside Campo	38,202.57	693.80	34,577.37	0.00	2,931.40
Lower Austin	5,668.30	728.55	0.00	511.00	4,428.75
Upper Austin	12,147.37	2,057.67	1,079.25	0.00	9,010.45
Poblacion	12,931.65	1,572.90	920.45	595.90	9,842.40
Boroka	44,392.90	3,833.55	1,640.20	620.00	38,299.15
Merkado	24,346.10	1,654.80	9,757.40	1,980.45	10,953.45
Pastilan	31,968.43	702.08	16,018.70	8,562.80	6,684.85
Pantar	1,299.60	728.20	0.00	0.00	571.40
Upper Tinagsa	13,493.20	3,441.35	2,755.15	6,383.30	913.40
Lower Tinagsa	9,636.25	2,406.95	0.00	2,498.85	4,730.45
Baybay	35,220.85	1,820.70	5,038.05	9,134.30	19,227.80
Bliss Libertad	22,557.00	2,860.35	1,647.40	4,819.25	13,230.00
Lawis Libertad	36,084.79	2,837.95	23,259.39	526.50	9,460.95
Titunod	22,178.00	3,047.15	3,744.70	9,863.60	5,522.55
Bucana	11,730.75	3,045.05	0.00	1,404.65	7,281.05
Caromatan	29,186.05	161.30	5,340.00	19,054.50	4,630.25
Mukas	7,297.45	612.60	1,084.55	0.00	5,600.30
Total	₱ 475,003.67	₱ 41,484.30	₱ 123,384.31	₱ 93,617.66	₱ 216,517.40

7. Inventories

This account consists of the following:

PARTICULARS	2021	2020
Inventory Held for Consumption	₱ 684,066.93	₱ 683,016.91

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	2021	ADDITIONS	2020
Land	₱ 150,000.00	-	₱ 150,000.00
Office Equipment	858,824.03	106,981.36	751,842.67
Furniture and Fixture	124,021.27	(31,040.10)	155,061.37
Machinery	1,953,007.89	336,020.40	1,616,987.49
Reservoir	354,781.25		354,781.25
Motor vehicle	175,900.00	-	175,900.00
DRRE	52,807.75	(22,989.00)	75,796.75
Water Supply System	17,091,212.68	35,500.00	17,055,712.68
Total	₱ 606,019.75		₱ 20,336,082.21

Accumulated Depreciation

PARTICULARS	2021	ADDITIONS	2020
Land	₱ 0.00	-	₱ 0.00
Office Equipment	700,004.72	150,898.14	549,106.58
Furniture and Fixture	92,061.94	(3,550.58)	95,612.52
Machinery	777,277.99	425,218.41	352,059.58
Reservoir	354,781.25	199,100.37	155,680.88
Motor Vehicle	109,686.98	24,379.10	85,307.88
Water Supply System	11,625.58	5,466.45	8,391,454.49
DRRE	8,200,077.36	(191,377.13)	6,159.13
Total Accumulated Depreciation	₱ 10,245,515.82	610,134.76	₱ 9,635,381.06
Net Book Value	₱ 11,121,058.80	1,034,607.42	₱ 10,700,701.15

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	2021	2020
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	2021	2020
Accounts payable	₱ 329,981.05	₱ 316,010.00
Bill/Bonds /Loans Payable	4,981,552.15	5,604,614.15
Total	₱ 5,311,533.20	₱ 5,920,624.15

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

Loans Payable-Domestic represents 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	2021	2020
Due to BIR	₱ (8,105.62)	₱ (11,223.53)
Due to GSIS	63,122.30	71,349.70
Due to PAG-IBIG	21,536.99	8,907.52
Due to PHILHEALTH	(5,636.20)	(5,885.63)
Total	₱ 70,917.47	₱ 63,148.06

12. Trust Liabilities

This account consists of:

PARTICULARS	2021	2020
Leave Benefits Payable	₱ 1,247,664.04	₱ 1,071,530.45

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	2021	2020
Donated/Contributed Capital	₱ 741,246.00	₱ 741,246.00
Retained Earnings	10,139,508.54	7,469,968.64
Total	₱ 17,510,869.25	₱ 8,211,214.64

15. Service and Business Income

This account can be broken down as follows:

PARTICULARS	2021	2020
Water works system fees	₱ 12,514,126.73	₱ 10,935,064.12
Other Service Income	775,232.85	640,103.26
Fines and Penalties	270,263.68	233,861.75
Total	₱ 13,559,623.26	₱ 11,809,029.13

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	2021	2020
Salaries and Wages Regular	₱ 1,996,009.00	₱ 2,548,483.00
Salaries contractual	611,666.55	536,956.25
Honoraria	156,262.00	127,212.00
Personnel Benefits Contribution	287,388.61	353,436.51
Other Compensation	1,477,675.79	1,286,240.06
Other Personnel Benefits	-	-
Total	₱ 4,529,001.95	₱ 4,852,327.82

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 tranche 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	2021	2020
Travelling Expenses per diem	₱ 115,291.00	₱ 216,794.00
Training Expenses	27,700.00	30,000.00
Office Supplies	149,288.19	90,220.10
Accountable forms Expenses	131,379.50	130,494.88
Chemicals & Filtering Supplies Expense	81,432.00	52,349.60
Fuel, Oil and Lubricants Expense	45,807.00	89,817.03
Electricity Expense	2,590,937.07	1,892,824.20
Water Expense	3,629.75	-
Postage & deliveries / Courier Expense	3,287.00	4,175.00
Membership dues & Contributions to Organization	9,696.75	48,796.50
Telephone /Landline expenses	60,366.40	24,113.40
Cable, Satellite, Telegraph, & Radio Expenses	5,400.00	5,400.00
Rent / Lease Expense	170,700.00	198,275.00
Representation Expense	99,868.53	57,767.50
Transportation and delivery	65,980.00	54,001.48
Legal Services	11,130.00	8,500.00
Auditing Services	27,126.01	46,014.13
Awards and rewards	-	-
Taxes duties & licenses	199,474.45	187,668.02
Fidelity bond Premium	13,575.00	15,450.00
Extra-ordinary & Miscellaneous Expense	24,450.00	13,585.73
Insurance Expenses	7,095.39	-

PARTICULARS	2021	2020
Other Maintenance operating expenses	143,649.76	94,331.00
Other PPE	-	-
Other Supplies & Materials Expense	756,713.42	666,743.73
Printing and Publication Expense	143,880.00	-
Internet Expense	53,541.33	46,674.99
Labor & Wages	-	1,000.00
Repair and Maintenance	207,452.92	131,453.52
TOTAL OPERATING & MAINTENANCE EXPENSES	₱ 5,148,851.47	₱ 4,106,449.81

18. Financial Expenses

PARTICULARS	2021	2020
Bank Charges	₱ 200.00	₱ 200.00
Interest Expense	432,229.00	485,236.00
TOTAL FINANCIAL EXPENSE	₱ 432,329.00	₱ 485,436.00

19. Non-Cash Expenses:

This account consists of the following:

ACCOUNT	2021	2020
Depreciation	₱ 610,134.76	₱ 626,131.49

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, 2021 were approved by the Acting General Manager, Ma. Jaeva C. Quintas

PART II -
AUDIT OBSERVATIONS AND
RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

a. Audit Qualifications / Financial Audit Observation

1. Non-Preparation of the Bank Reconciliation Statements (BRS) on time is contrary to Section 74 of Presidential Decree (P.D.) No. 1445 and Chapter 21 of Government Accounting Manual (GAM), Volume I, for National Government Agencies, thus the accuracy and validity of the balance of Cash in Bank account at a given time could not be relied upon.

Section 74 of Presidential Decree (P.D.) No. 1445 states that *"At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency."*

Likewise, Chapter 21 of the GAM Volume I provides that the monthly BRS shall be prepared by the Chief Accountant/designated staff within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the Government Servicing Bank. In turn, the Chief accountant shall submit the BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the Head of the Agency and the COA Auditor, with all the supporting documents and journal entry vouchers.

A bank reconciliation is the process of matching information regarding cash accounts from accounting records to the corresponding information on bank statements. It needs to be done regularly to identify discrepancies before they become problem. It is a very important tool for internal control of cash flows.

The main objective of BRS is to check the correctness of both the bank's and agency's records, serve as a deterrent to fraud, and enable the agency to take up charges and credits recognized by the bank or agency but not yet known to the bank.

The Audit Team noted that the latest BRS submitted was for the month of December 2020 for LBP-Tubod Account No. 0802-1047-90 and for the month of November 2020 for LBP-Maigo Account No. 4382-1002-85.

Inquiry with the concerned official stated that she was not able to submit the BRS of the two accounts maintained by the agency from January 2021 to December 2021. The reason is that she just replaced the previous bookkeeper, and she was not informed that the submission of the BRS is monthly.

As consequence of the non-preparation of BRS and non-submission to COA, errors committed in both the bank and accounting records may not be corrected promptly and discrepancies of balances between both records may pile up.

Recommendation/s:

We recommended that the management demand and enforce from its accounting personnel to prepare and submit the BRS not submitted; then submit future BRS within twenty days after the receipt of the monthly Bank Statement (BS) to the COA Auditor.

Management Comment:

During the Exit Conference, they committed to submit the monthly BRS within twenty days after the receipt of the monthly Bank Statement (BS).

2. Accounts Receivable amounting to P 475,003.67 per Accounting Records is not fairly presented at its net receivable value as of December 31, 2021 due to inadequate provision of Allowance for Impairment – Accounts Receivable by P 149,949.85, resulting to overstatement of asset and income accounts, contrary to Philippine Accounting Standards (PAS) 39 and COA Circular No. 2016-005 dated December 19, 2016.

Philippine Accounting Standards (PAS) 39 emphasizes that an entity is required to assess at each balance sheet whether there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. If any such evidence exists, the entity is required to determine the amount of any impairment loss. The carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account.

Section 6.1 and 7.1 of the COA Circular No. 2016-005 dated December 19, 2016 provides that:

6.1 "All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable xxx."

7.1 "The Accountant shall: Conduct regular and periodic verification, analysis, and validation of the existence of the receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable officers (Regular and Special Disbursing officers, Collecting Officers, and Cashiers) and the source and implementing government entities concerned."

Section 10 of the Government Accounting Manual also states that:

"In case of Accounts Receivable, the Allowance for Impairment shall be provided in an amount based on collectability of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts."

In the event that accounts receivables are proven to be no longer realizable, these accounts may be written off, when warranted. Section 8.2 to 8.3 set out procedures in requesting for write-off of accounts, to wit:

"The Head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund

transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required.

The request shall be supported by the following documents:

- A. Schedule of dormant accounts by accountable officer/government entity and by account, certified by the accountant and approved by the Head of the government entity;
- B. Certified relevant documents validating the existence of the conditions, as applicable.”

Audit of the District’s Financial Position and Aging of Receivables as of December 31, 2021 disclosed that 3.80% of the Water Works System Fees amounting to P 12,514,126.73 were comprised of Accounts Receivable. Further verification indicated that Accounts Receivable aged over 1 year and above in the amount of P 226,064.35 accounted for 47.59% of the total Accounts Receivable. Despite that, the account for Allowance for Impairment – Accounts Receivable remained at only P 76,114.50 since CY 2016. The breakdown of receivables is as follows:

	TOTAL	Days/Years in Arrears						
		1-60 DAYS	61-180 DAYS	181-360 DAYS	1 - 5 YEARS	6 - 10 YEARS	11-15 YEARS	MORE THAN 16 YEARS
ACTIVE	158,545.46	36,480.90	81,140.71	3,960.55	33,632.35	-	3,330.95	-
INACTIVE	316,458.21	5,003.40	42,243.60	46,477.81	165,060.05	13,237.90	31,123.70	13,311.75
TOTAL	475,003.67	41,484.30	123,384.31	50,438.36	198,692.40	13,237.90	34,454.65	13,311.75

Previous years’ track record showed that a significant amount of receivables aged more than 1 year and above made up the total amount of receivables in a certain year. To illustrate, as of December 31, 2020, 47.68% of the receivables were aged more than 1 year and above, while as of December 31, 2019, it was 58.52%. That leads to an average of 53.10% per year of receivables which are aged more than 1 year and above. Current year allowance only accounted for about 16.02% of the total receivables, hence the inadequate provision. The total additional provision for Impairment of Accounts Receivable is computed in this manner:

Allowance for Impairment Losses – Accounts Receivable	
Receivables – 1-5 years (INACTIVE Account only)	P 165,060.05
Receivables – 6 - 10 YEARS	13,237.90
Receivables – 11-15 YEARS	34,454.65
Receivables – MORE THAN 16 YEARS	13,311.75
Should be allowance for Impairment-Accounts Receivable	226,064.35
Current provision for Impairment of Accounts Receivable	76,114.50
Additional provision for Impairment of Accounts Receivable	P 149,949.85

Furthermore, it is also noteworthy to consider that 66.62% of the outstanding accounts receivable as of year-end pertains to INACTIVE accounts totaling P316,458.21. This means that although only P 226,064.35 is aged more than 1 year, the probability of non-collection may reach up to P316,458.21, to include 1 year and below receivables, depending on the circumstances and the effort exerted in collection.

Inquiry with the Corporate Accounts Analyst disclosed that the provision for Impairment of Receivables was used since the previous Corporate Accounts Analyst's time and she merely followed it. She just assumed on her work in the mid 2020's. Also, it was discovered that the Management does not have a current policy in the determination of the amount that should be considered as Allowance for Impairment – Accounts Receivable and no assessment was conducted every reporting date.

Failure to assess Accounts Receivables regularly and periodically poses a risk of misstatement in the financial statements as of reporting date. The receivables account may be overstated than what may be actually realizable and income, in the same fashion, is also reported more than what represents the true condition of the district. This steers the management to make decisions based on unreliable information. This might lead them to be less stringent in their controls and procedures because at first glance, they seem to be performing well enough. But if financial statements are presented fairly and faithfully represent what is true state of the district, management will take more appropriate actions to address the issues at hand.

Recommendation/s:

We recommended the Management:

- a. To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment - Accounts Receivables;
- b. Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;
- c. To set up Allowance for Impairment – Accounts Receivables based on collectability and evaluation of factors such as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts; and
- d. Upon identification of actual unrealizable receivables, to request for write-off of accounts abiding COA Circular 2016-005 dated December 19, 2016 specifically on items 8.2. To 8.3 in order to achieve fair presentation of financial statements.

Management Comment:

During the Exit Conference, the Corporate Accounts Analyst said that she is preparing the adjusting journal entries reflecting the Allowance for Impairment – Accounts Receivable.

3. One-time cleansing of Property, Plant and Equipment (PPE) was not conducted as provided for in COA Circular No. 2020-006 dated January 31, 2020 thus casting doubt on the existence, completeness and valuation of the PPE accounts in the amount of P11,121,058.80 in the Financial Statements as of December 31, 2021.

COA Circular No. 2020-006 dated January 31, 2020 provides the guidelines and procedures in the conduct of physical count of property, plant and equipment (PPE), recognition of PPE items found at station, and disposition for non-existing/missing PPE, items, for the one-time

cleansing of PPE account balances of government agencies to establish PPE balances that are verifiable as to existence, condition and accountability. Thus:

- a. 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).
- b. 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).
- c. The members of the Inventory Committee shall be temporarily relieved of all their regular duties to devote their full time in the conduct of the physical inventory taking until, the same is completed (Section 5.3).
- d. 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 5.4).
- e. The Inventory Committee shall be responsible for the actual count to ascertain the existence, completeness and condition of all PPEs owned by the government agency (Section 5.8).
- f. In coordination with the Property Division/Unit, the Inventory Committee shall plan/strategize on how to conduct and complete the physical inventory within the prescribed period. It shall prepare a Physical Inventory Plan (PIP) containing, at the least, the specific assignments/duties of the Committee members, the cut-off date and a schedule specifying the dates and locations of the inventory taking activities from start up to the targeted completion of the physical inventory (Section 5.9).
- g. The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory taking activities (Section 5.11).
- h. 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 PPE* (Section 5.12).

Kolambugan Water District's property, plant and equipment constitute 67.02% percent of its total assets with net carrying amount of P11,121,058.80 as of December 31, 2021. However, validation on prior year's audit recommendation on the one-time cleansing of these assets revealed that the KWD failed to complete its procedures of the physical counts, recognition of PPE items found at station and disposition for non-existing, missing, and unserviceable PPE items in compliance with the regulation. Hence, KWD was not able to come up with the complete reconciled balances to be considered as the correct balances of the water district's PPE.

This observation was a reiteration of prior year's audit observation but not implemented by the District. Upon inquiry with the Accounting Unit, it was revealed that though they conducted a physical count of PPE on December 2021 but it was not for the one-time cleansing as

required in the COA Circular No. 2020-006 and recommended by the previous Audit Team. The said physical count conducted was just for the annual inventory count required for reporting purposes and that there are still unserviceable and obsolete PPEs on the record but not yet disposed of. The said physical count was also based on the records of the inventory listing of the accounting unit and conducted by the Accounting Processor, Property Custodian and a job order personnel.

Physical inventory taking is mandatory to prove the recorded PPE's existence, completeness, and valuation. Through this process the Inventory Committee will be able to determine the real condition of the District's properties. They will be able to determine the real condition of the District's properties. They will be able to identify unserviceable and obsolete properties before finally disposing the same. Moreover, properties that were already missing will be noted to determine early on the person's responsible. Only after the complete physical inventory-taking of the District's reported PPE can one ascertain the correctness of its valuation.

In view of the failure of the District to comply with the guidelines and procedures in the conduct of physical count of PPE for the one-time cleansing of PPE account balances of government agencies, the existence, completeness and valuation of the PPE accounts in the Financial Statements cannot be ascertained.

Recommendation/s:

We recommended the management to:

- a. Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances.
- b. If possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate implementation of the physical count.

Management Comment:

During the Exit Conference, the General Manager committed to accomplish the one-time cleansing during the calendar year 2022.

B. Financial Statements

4. Non submission of some of the required year-end financial statements and other related financial reports/schedules is contrary to COA Circular No. 2015-004 dated July 16, 2015, thus the accuracy and validity of the account balances could not be verified that impeded the immediate verification of the transactions that may need further analysis.

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

Section 3.1 states that the Chief Accountant/Head of Accounting Unit shall submit directly to the Government Accountancy Office (GAO), GAS, and to the Supervising Auditor (SA)/Audit

Team Leader (ATL) concerned, the following year-end financial statements and other related financial reports/schedules in accordance with the existing format and in printed and digital copies on or before February 14 of each year:

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

Kolambugan Water District has submitted on time their Financial Statements, but is incomplete. Only the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Notes to Financial Statements were submitted to the Audit Team. It was noted that almost all of the required reports were lacking, such as:

1. Pre-closing Trial Balance,
2. Post-closing Trial Balance,
3. Comparative Statement of Changes in Equity,
4. Statement/Aging of Accounts Payable,
5. Statement/Aging of Accounts Receivable,
6. Breakdown of Domestic/Foreign Loans (indicate if guaranteed by the National Government),
7. Schedule of Income Taxes Paid,
8. Schedule of Dividends Paid,
9. Schedule of Subsidies Received from National Government and other GOCCs (if any),
10. Schedule of Fund Transfer from one agency to another agency/agencies and its utilization,
11. Summary of Discretionary, Representation, Extraordinary, Promotional, Confidential and Consultancy Expenses,
12. Roster of Membership of Governing Board, and
13. Statement of Management Responsibilities

Inquiry with the concerned official stated that she was not aware of the complete year-end financial statements and other related financial reports/schedules in accordance with the existing format. When she assumed her post on May 2020, there was no proper turn-over and she was not informed the complete required reports to be submitted.

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

Recommendation/s:

We recommended that the management to demand and enforce from its accounting personnel to prepare and submit the lacking required reports to the COA Audit team.

Management Comment:

During the Exit Conference, the management had submitted the lacking required reports to the COA Audit team.

C. Other Audit Observations

5. The Agency failed to submit the Monthly Financial Reports within the reglementary period prescribed in Section 100 and 122 of PD No. 1445 and COA Circular No. 2009-006 dated September 15, 2009, thus, completeness and accuracy of the account balances reported in the trial balance could not be determined.

Section 100 of Presidential Decree (PD) 1445, provides that, "Reports of Disbursing Officers in a Government Agency – Disbursing Officers in any government agency, shall render monthly reports of their transactions pursuant to regulation of the Commission to be submitted not later than the fifth day of the ensuing month to the auditor concerned who shall conduct the necessary examination and audit within thirty days from receipt thereof."

Likewise, Section 122 of PD 1445 enunciates the duties and responsibilities of the agency head, chief accountant, cashiers/disbursing officers, and other responsible officials in the submission of monthly reports of their transactions and such other reports to the auditor concerned who shall conduct the necessary examination within thirty days from receipt thereof.

Moreover, Section 7.2 of COA Circular No.2009-006 dated September 15, 2009 states:

"7.2 Responsibility of the Agency Accountant

The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:

- a) the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month;*

- b) *the financial records are made accessible at reasonable hours to the Auditor or his duly authorized representatives when needed.*"

Furthermore Section 10, Chapter 6 of GAM for NGAs Vol. I provides that "xxx All checks drawn whether released or unreleased shall be included in the RCI, which shall be prepared daily by the Cashier. The RCI/RADAI together with the original copies of the supporting documents shall be submitted to the Accounting Unit for the preparation of JEV. xxx"

Monitoring of the submission of financial reports for CY 2021 shows that the agency failed to submit the following monthly financial reports within the prescribed period:

Financial Report	Remarks
Trial Balances (TBs)	None Submitted
Report of Checks Issued (RCI)	None Submitted

Inquiry with the concerned official stated that she was not able to submit the monthly Trial Balance and the monthly RCIs from January 2021 to December 2021. The reason is that she just replaced the previous bookkeeper and she was not aware that the submission is monthly.

The delayed or non-submission thereof impeded the immediate verification of the transactions that may need further analysis and validation to the source documents which still have to be requested from the accounting office.

As a result, the required audit of financial transactions and necessary audit decisions on the subject transactions as well as the validation on the proprietary, validity and accuracy of the account balances recorded in the books could not be immediately ascertained.

Recommendation/s:

We recommended to the General Manager to require the Accounting Office to submit on time and forward to the Audit Team the financial reports to facilitate the recording of the transactions in the books of accounts.

Management Comment:

During the Exit Conference, the management committed to submit the Monthly Financial Reports on time.

6. Power costs incurred in pumping stations amounting to P2,453,163.69 were erroneously recorded as *Electricity Expense (P2,448,843.69) and Fuel, Oil and Lubricants Expenses (P4,320.00) in the Statement of Comprehensive Income instead of Generation, Transmission and Distribution Expense, causing both expense accounts misstated, contrary to COA Circular No. 2015-010 dated December 1, 2015.*

COA Circular No. 2015-010 dated December 1, 2015 identifies the need to revise the existing chart of accounts of government-owned and controlled corporations (GOCCs) to provide new accounts for the adoption of the Philippine Public Sector Accounting Standards (PPSAS), Philippine Financial Reporting Standards (PFRS), and Philippine Accounting Standards (PAS) to enhance the accountability and transparency of the financial reports, and ensure comparability of financial statements.

In prescribing this new chart of accounts, the Commission on Audit (COA) acknowledges that a uniform chart of accounts for government corporations is essential to align their reportorial requirements with COA and other oversight bodies.

Annex A of the Circular explains in detail the account titles and codes to be used as well as an exhaustive description of each account to guide accountants of government corporations in determining which account a certain transaction should belong.

For comparison and better understanding, the following are elaborately described:

04 Utility Expenses

Account Title: Electricity Expenses
Account Number: 50204020
Normal Balance: Debit
Description: This account is used to recognize the cost of electricity consumed in government operations/projects. This account shall be closed to the Revenue/Income and Expense Summary account.

09 Generation, Transmission and Distribution Expenses

Account Title: Generation, Transmission and Distribution Expenses
Account Number: 50209010
Normal Balance: Debit
Description: This account is used to recognize the costs of generation, transmission and distribution of *water*, electricity, information/communication, power, and other related services *intended for sale and/or redistribution*. This account shall be closed to the Revenue/Income and Expense Summary account.

Audit of the Kolambugan Water District's expense accounts for CY 2021 revealed that the electricity consumed by the pumping stations were erroneously recorded under the Electricity Expense account with the following details:

DATE of check (date of payment)	PERIOD	ELECTRICITY EXPENSE			
		AUSTIN HEIGHTS deep well	MAPIOT pumping station	MUNTAY shallow well	KULASIHAN light house
January 1, 2021	Nov 25, 2020 to Dec 25, 2020	16,497.83	144,931.61	7,791.87	75.99
February 3, 2021	Dec 25, 2020 to Jan 25, 2021	23,195.93	156,725.44	11,222.07	75.99
March 4, 2021	Jan 25, 2021 to Feb 25, 2021	26,374.95	168,919.80	13,111.46	75.99
April 5, 2021	Feb 25, 2021 to Mar 25, 2021	22,092.85	153,188.66	1,697.44	75.99

DATE of check (date of payment)	PERIOD	ELECTRICITY EXPENSE			
		AUSTIN HEIGHTS deep well	MAPIOT pumping station	MUNTAY shallow well	KULASIHAN light house
May 4, 2021	Mar 25, 2021 to Apr 25, 2021	23,642.02	164,988.68	6,037.52	75.99
June 2, 2021	Apr 25, 2021 to May 25, 2021	21,796.73	164,208.80	6,466.61	75.99
July 1, 2021	May 25, 2021 to June 25, 2021	21,577.73	163,226.64	6,513.51	75.99
August 2, 2021	June 25, 2021 to July 25, 2021	21,709.66	157,807.05	6,181.34	75.99
September 1, 2021	July 25, 2021 to Aug 25, 2021	22,954.19	173,491.43	7,934.63	75.99
October 4, 2021	Aug 25, 2021 to Sep 25, 2021	22,724.23	178,138.39	8,131.23	75.99
November 2, 2021	Sep 25, 2021 to Oct 25, 2021	24,233.10	179,082.46	7,824.39	75.99
December 1, 2021	Oct 25, 2021 to Nov 25, 2021	26,318.77	188,601.60	8,591.19	75.99
TOTAL		273,117.99	1,993,310.56	181,503.26	911.88
GRAND TOTAL					P 2,448,843.69

Also, audit of fuel, oil and lubricants expense account revealed that the pumping stations in relation to generation of water in times of power interruption consumed a total of 100 liters of diesel fuel or P4,320.00.

Although these are electricity and fuel costs per se, the more appropriate classification for them should be Generation, Transmission and Distribution Expenses because these are costs of generating, transmitting, and distributing water *intended for sale and/or redistribution* while Electricity Expense and Fuel, Oil and Lubricants Expenses accounts refer to those incurred *for use* in government operations/projects.

Interview with the Corporate Accounts Analyst disclosed that it has already been their practice to charge the power costs to the Electricity Expense Account even before her assumption and that distinction of these accounts have not been paid particular attention.

Proper classification of expenses contributes to the fair presentation of the financial statements at reporting date. The adoption of the Revised Chart of Accounts (RCA) further simplifies accounting for government corporations, outlining in detail all possible account titles applicable and their specific descriptions.

Not using the proper account classification poses a risk of interpreting financial data inaccurately. The treatment of the pumping power costs as Electricity Expenses gives the notion that administrative costs in the form of utility expenses are extremely high in Water Districts. Whereas if the proper account Generation, Transmission and Distribution Expenses is used, this will merely be considered as *variable costs* of selling and distributing water for

public consumption and are matched with the revenue account, Waterworks System Fees, in the period these are earned.

Recommendation/s:

We recommended to the management:

- a. To direct the Accountant to prepare the necessary adjusting entries for the current year's erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years' journal entries have already been closed to Accumulated Surplus/Deficit;
- b. Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and
- c. To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.

Management Comment:

During the Exit Conference, they had already complied the Audit Recommendations of the COA.

D. Establishment of Water Safety Plan

7. The agency did not take undertake preliminary actions on the development of a Water Safety Plan (WSP) 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 measure.

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 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 plans for their water supply systems within three years after the issuance of this Order and ensure its implementation after its approval."*

Inquiry with Management revealed that the Agency did not undertake the initial steps in the development of the Water Safety Plan (WSP) as required by the above stated provisions. And there were no compensatory actions to insure the quality safety of the water provided.

The General Manager (GM) reasoned that they were not able to undertake the steps required to develop the WSP as they do not know how to start the development of such plan. They haven't undergone any training or seminar in relation to the preparation of such plan

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 safety 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 the 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 comprehensive risk assessment and risk management approach encompassing all steps in water supply from water source and public health.

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/s:

We recommended to the management to immediately carry out the necessary steps in the preparation and development of a Water Safety Plan as provided under DOH Administrative Order No. 2014-0027.

Management Comment:

During the Exit Conference, the General Manager will find ways to familiarize the steps for the preparation and submission of their Water Safety Plan.

E. Septage Management Plan

8. The District was not able to implement a Septage Management Plan (SMP) as required by RA 9275, Supreme Court mandamus of 2008, Section 5 of PD 198, as amended, and Section 3.(i). I of Administrative Order No. 16 Series of 2019 depriving its concessionaires of a sound wastewater treatment and disposal system.

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

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

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

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

Section 8.6 of RA 9275 IRR provides that:

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

To monitor the compliance on the SC Mandamus, LWUA ordered the Local Water Districts (LWDs) through MC No. 008.16 to submit a five year plan (2016-2020) to comply with the said mandamus and that sanitation programs and facilities should be fully operational by December 31, 2020.

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

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

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

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

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

implement the SMP, waste water discharged by the different households and commercial establishments may continue to leak and flow to our river systems and contaminate the water.

Recommendation/s:

We recommended to the management to prepare its Septage Management Plan (SMP) providing for a strategic objective of the District, the courses of action to be undertaken with its desired/expected outcomes and outputs, target timelines, accountabilities, means of monitoring and evaluation, and key performance indicators, among other items, for an effective and efficient implementation and monitoring.

Management Comment:

During the Exit Conference, the General Manager has expressed that they will initiate the preparation of the SMP by benchmarking with the other Water Districts.

F. Gender and Development Fund

9. The reporting requirements of the accomplishments on the appropriated GAD projects/programs/activities for the CY 2021 was not complied with, contrary to the provisions of COA Circular No. 2014-001 dated March 18, 2014 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus the implementation of the gender and development programs could not be validated as well as the determination of whether or not the amounts purposely budgeted were utilized for the purpose.

COA Circular No. 2014-001 emphasizes the responsibility of the audited agency which is to "submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case maybe. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year".

Furthermore, the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 provides the necessary guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of the agency annual GAD plans and budgets and GAD accomplishment reports. And also, the mechanics for the development programs, activities and projects (PAPs) to respect, protect and fulfill the rights of women at the socio-cultural, economic and political spheres were provided in the said circular.

In the course of our audit for the Year 2021, it was noted that the agency failed to provide the required reports on the GAD programs and activities that were implemented.

According to the concerned official, they were not able to submit the required reports due to unfamiliarity of the requirements.

As a result, the budgeted plan and activities that were slated for the period and the utilization of funds in accordance with such purpose as well as the accomplishment of objectives of the GAD in promoting women's economic empowerment could not be validated. Moreover, the team could not review if there are monitoring processes, particularly in the formulation, assessment and updating of the annual agency plan on the continuing basis so that GAD consciousness can serve as the foundation of its commitments to the program and no specific

GAD Focal Point who facilitates not only the preparation of agency GAD plan, catalyzes, coordinates, provide directions but also monitors the implementation of programs/projects on gender and development concerns of the agency.

Recommendations:

We recommended to the General Manager:

- a. To require the GAD Focal Person to prepare the GAD Accomplishment Report and submit the same within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001; and
- b. To copy furnish the Office of the Audit Team Leader within five (5) working days from the end of January of the preceding year as provided on the above cited rules and regulations.

Management Comment:

During the Exit Conference, the management committed to comply the Audit Recommendations for CY 2022.

G. Compliance with RA No. 656 or the Property Insurance Law

10. Insurable properties of the Agency, except for the Transportation Equipment, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in Republic Act (R.A.) No. 656 or Property Insurance Law and COA Circular No. 2018-002 dated May 31, 2018 exposes the District's PPEs to risk of loss without indemnification.

Republic Act (RA) No. 656, otherwise known as the Property Insurance Law, as amended by Presidential Decree (PD) No. 245, requires *all government agencies to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the Government Service Insurance System (GSIS).*

COA Circular No. 2018-002 dated May 31, 2018 provides that *"heads of government agencies shall direct the pertinent official under his/her supervision to:*

- a. Secure directly from the GSIS GIF, all insurances or bonds covering properties, contracts, rights of action, and other insurable risks of their respective offices;
- b. Prepare the Property Inventory Form (PIF) listing of all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information;
- c. Extract from the Report on the Physical Count of Property, Plant and Equipment, as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties for disposal);

- d. Cause the appraisal of the insurable properties and other assets of their respective offices. xxx;
- e. Submit the consolidated PIF to the Supervising Auditor / Audit Team Leader and the GIF, GSIS, not later than April 30 of each year;
- f. Include in the agency annual budget the amount of premiums for the general insurance covering all insurable properties and other assets and ensure its payment to the GSIS; and
- g. Endure centralized payment of insurance premiums of all assets/property, whether located in the Central/Head Office (C/HO) or Regional/District Offices, Branches and/or Operating Units (R/Dos/Bs/OU) in order to avoid double payment. xxx"

Verification of the District's PPE disclosed that insurable assets, such as machineries, furniture and fixtures, equipment and other PPE except for the Transportation Equipment are not insured with the GIF of the GSIS.

Upon query, it was revealed that the District has not yet insured the insurable assets with the GSIS. It was only their motor vehicles that were insured as it is required when renewing the registration of the said vehicles or the submission of Property Insurance Form to GSIS and COA.

The District's PPEs are at risk of loss without indemnification for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty.

Recommendation/s:

We recommended that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the COA Circular No. 2018-002 dated May 31, 2018.

Management Comment:

During the Exit Conference, the management will comply the Audit Recommendation and is going to visit the GSIS office to ask for the forms for insuring their insurable properties.

H. Compliance with Tax laws, Rules, and Regulations

Kolambugan WD regularly remitted to the Bureau of Internal Revenue (BIR) taxes withheld from compensations and VAT from purchased goods and services. For the period ended December 31, 2021, taxes collected amounted to P210,633.85 from Suppliers and P38,185.26 from compensation, for a total of P248,819.11.

I. Compliance with RA No. 8291 on Deduction of GSIS Premiums and Remittances

For the period ended December 31, 2021, Kolambugan WD deducted from its personnel a total P179,480.97 GSIS premiums and remitted the same with GSIS as of year-end. On the other hand, the total government share in the GSIS premiums of its officials and employees amounting to P239,307.96 was also remitted as of December 31, 2021.

J. 13. Status of Suspensions, Disallowances and Charges

Particulars	Beginning Balance (01/01/2021)	CY 2021 Issuances	CY 2021 Settlement	Ending Balance (12/31/2021)
Notice of Suspension	-	-	-	-
Notice of Disallowance	P 0.00	29,125.00	29,125.00	P 0.00
Notice of Charge	-	-	-	-
Total	P 0.00	29,125.00	29,125.00	P 0.00

PART III –

**STATUS OF IMPLEMENTATION OF PRIOR
YEARS' AUDIT RECOMMENDATIONS**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We made a follow-up on the action taken by the District to implement the recommendations of CYs 2020 and 2019 AAR and noted the following:

<i>Status of Implementation</i>	<i>No. of Recommendations</i>
Fully Implemented	4
Partially Implemented	4
Not Implemented	1

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
AAR 2020 Finding No. 1	Physical count of Property, Plant and Equipment was not conducted as provided for in Section 5 of COA Circular No. 2020-006 thus placing the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱10,347,924.09 is of doubtful validity.	We recommended that the District comply strictly with Section 5 of COA Circular No. 2020-006 in the conduct of inventory taking for its PPE accounts.	Partially Implemented (Reiterated this CY Audit Recommendation)
AAR 2020 Finding No. 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 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

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
AAR 2020 Finding No. 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.	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.	Fully Implemented
AAR 2020 Finding No. 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).	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 in the grant of Hazard Pay during the time of locally declared ECQ.	Fully Implemented (Notice of Disallowance are fully settled)
AAR 2020 Finding No. 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.	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 30 th day of April.	Partially Implemented (only Motor Vehicle was insured and reiterated this CY Audit Recommendation)

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
AAR 2020 Finding No. 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.	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.	Fully Implemented
AAR 2020 Finding No. 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.	<p>We recommended that management:</p> <p>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 HG DG 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;</p> <p>If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through</p>	<p>Partially Implemented</p> <p>(Reiterated this CY Audit Recommendation)</p>

Ref.	Audit Observations	Audit Recommendation(s)	Status of Implementation
		<p>the Board of Directors to request for training and workshop from accredited institutions.</p> <p>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.</p>	
AAR 2020 Finding No. 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.	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.	Not Implemented (Reiterated this CY Audit Recommendation)
AAR 2020 Finding No. 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.	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.	Fully Implemented