Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

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

**OFFICE OF THE REGIONAL DIRECTOR**

March 17, 2023

**FERNANDITO R. RIDAO**

Chairperson, Board of Directors

**Engr. ISAGANE J. SOTTO**

General Manager

Kolambugan Water District

Kolambugan, Lanao del Norte

Sir/Madam:

We are pleased to transmit the Annual Audit Report on the audit of **Kolambugan Water District**, Kolambugan, Lanao del Norte as of December 31, 2022, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

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

The audit report consists of Part I- Audited Financial Statements, Part II- Observations and Recommendations, and Part III- Status of Implementation of Prior Years’ Audit Recommendations, 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, 2022, 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 2022 due to the One-time cleansing of Property, Plant and Equipment (PPE) which 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 P11,811,173.99 in the Financial Statements as of December 31, 2022.

We request that the remedial measures be immediately implemented, and we will appreciate being informed, through our Auditors, 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 97 of the General Provisions of the General Appropriations Act FY 2022.

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

Very truly yours,

****

**MATHEW REY M. MAGNO**

Director III

OIC- Regional Director

*Copy furnished:*

**

*The President of the Philippines*

*Malacañang Palace, Manila*

*The Vice-President of the Philippines*

*Quezon City Reception House*

*Barangay Mariana, New Manila, Quezon City*

*President of the Senate*

*Senate of the Philippines*

*Roxas Boulevard, Pasay City*

*Speaker of the House of Representatives*

*House of Representatives*

*HOR Complex, Constitutional Hills, Quezon 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 Chairman*

*Governance Commission for Government-Owned or Controlled Corporations*

*Paseo de Roxas Avenue, Makati City*

*The Administrator*

*Local Water Utilities Administration (LWUA)*

*MWSS-LWUA Complex, Katipunan Avenue, Balara, Quezon City*

*The Undersecretary (e-copy)*

*Presidential Management Staff*

*New Executive Building, J. P. Laurel St., San Miguel, Manila*

*The Director (e-copy)*

*National Library of the Philippines*

*T.M. Kalaw, Ermita, Manila*

*The Chief of Office (e-copy)*

*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 2022

As of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Sector: Corporate Sector

Auditee: Kolambugan Water District

Audit Period: Calendar Year 2022

| 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 |
| AAR 2022 Finding No. 1 | 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 P11,811,173.99 in the Financial Statements as of December 31, 2022. | We recommended the management to:1. 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; and
2. 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.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 2 | The dormant accounts receivable that has been outstanding for more than ten (10) years amounting to P69,147.10 were still carried in the books as of December 31, 2022, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end. | We recommended the management to:1. Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;
2. Request authority from the Commission on Audit for the write-off of the District’s dormant receivables; and
3. Continuously monitor and implement strategies on how to collect the inactive accounts receivables.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 3 | The District’s NRW as of December 31, 2022 reached up to 24.72 per cent, which exceeded the maximum acceptable NRW level of 20 per cent provided under LWUA Memorandum Circular (MC) No. 004-10 or an excess of 4.72 per cent, thereby affecting the District’s operational efficiency and reflecting water loss equivalent to 40,313.60 cubic meters (m3) costing ₱80,627.20. | We recommended the management to:1. Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and
2. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 4 | The GAD Plan and Budget (GPB) was prepared without conducting gender analysis using GAD database containing gender statistics and sex-disaggregated data of its employees and concessionaires nor did it utilize the Harmonized Gender and Development Analysis (HGDG) to determine the gender responsiveness and amount of budget to be attributed for the identified GAD PAPs, thus casting doubt on the appropriateness of the identified gender issues, the appropriateness of the identified gender issues, the responsiveness of the program/activity planned to address the said issues, and the accuracy of the cost attributed to the GPB. | We recommended the Management through the GAD Focal Point System:1. To fully utilize its GAD budget for GAD-related activities which shall be integrated in its projects and programs;
2. To collect and generate sex-disaggregated data and submit a report thereon as mandated by PCW MC No. 2014-05;
3. To perform gender analysis using the HGDG in the preparation of GPB for the determination of the gender responsiveness and amount of budget to be attributed for the identified GAD PAPs; and
4. To attend capacity trainings and seminars to implement GAD concerns as provided under PCW-NEDA-DBM JC No. 2012-01.
 |  |  |  |  |  |  |  |
| AAR 2022 Finding No. 5 | The District reported a net loss amounting to P150,324.70 in CY 2022 due to the increase in Personnel Services and Maintenance and Other Operating Services thus sustainability of operation and implementation/expansion of government projects may be hampered. | We recommended the management to undertake transactions to increase sales, intensify collection of outstanding receivables, and minimize operating expenditures in order to recover the loss incurred in CY 2022. |  |  |  |  |  |  |  |

*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:

**Engr. ISAGANE J. SOTTO** Date: \_\_\_\_\_\_\_\_\_\_

General Manager

Republic of the Philippines

**COMMISSION ON AUDIT**

Regional Office No. 10

Cagayan de Oro City

**OFFICE OF THE SUPERVISING AUDITOR**

R10 - CGAS Water Districts and Other Stand-Alone Agencies

March 16, 2023

**MATHEW REY M. MAGNO**

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, 2022.

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; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years’ audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years’ Audit Recommendations. 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 - CGAS Water Districts and Other Stand-Alone Agencies - Team 05

February 21, 2023

**Ms. CECILIA A. PONTILLAS**

Supervising Auditor

CGAS Water Districts and Other 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, 2022.

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; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years’ audit recommendations.

The audit report consists of Part I- Audited Financial Statements; Part II- Observations and Recommendations; and Part III- Status of Implementation of Prior Years’ Audit Recommendations. 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,

**FATIMAH SUZZANE A. DISAMBURUN**

State Auditor III

OIC - 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, 2022**

**EXECUTIVE SUMMARY**

1. **INTRODUCTION**

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

The KOLWD is presently categorized as “Category D” Water District serving a total population of 15,845 as of December 31, 2022 with 3,169 total service connections.

As of December 31, 2022, 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 2022. The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances. It was also made to determine whether the district’s financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed.

1. **FINANCIAL HIGHLIGHTS**

*Financial Condition*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase/ (Decrease)** | **Percentage** |
| Assets | ₱17,078,559.00 | ₱17,510,869.25 | ₱ (432,310.25) | 2.47% |
| Liabilities | ₱ 6,077,477.55 | ₱ 6,630,114.71 | ₱ (552,637.16) | 8.34% |
| Government Equity | ₱11,001.081.45 | ₱10,880,754.54 | ₱ 120,326.91 | 1.11% |

*Results of Operations*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase/****(Decrease)** | **Percentage** |
| Income | ₱13,471,634.27 | ₱13,559,623.26 | ₱ (87,988.99) | 0.65% |
| Expenditures | ₱13,621,958.97 | ₱10,720,317.18 | ₱ 2,901,641.79 | 27.07% |
| Net Operating Income | ₱ (150,324.70) | ₱ 2,839,306.08 | ₱(2,989,630.78) | 105.29% |

1. **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, 2022. 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.

1. **INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS**

A Modified-Qualified Opinion was rendered on the fairness of presentation of the financial statements due to the One-time cleansing of Property, Plant and Equipment (PPE) which 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 P11,811,173.99 in the Financial Statements as of December 31, 2022.

1. **SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

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

* + - 1. The dormant accounts receivable that have been outstanding for more than ten (10) years amounting to P69,147.10 were still carried in the books as of December 31, 2022, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end.

We recommended the management to:

1. Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;
2. Request authority from the Commission on Audit for the write-off of the District’s dormant receivables; and
3. Continuously monitor and implement strategies on how to collect the inactive accounts receivables.
4. The District’s NRW as of December 31, 2022 reached up to 24.72 per cent, which exceeded the maximum acceptable NRW level of 20 per cent provided under LWUA Memorandum Circular (MC) No. 004-10 or an excess of 4.72 per cent, thereby affecting the District’s operational efficiency and reflecting water loss equivalent to 40,313.60 cubic meters (m3) costing ₱80,627.20.

We recommended the management to:

* + - * 1. Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and
				2. Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.
1. The GAD Plan and Budget (GPB) was prepared without conducting gender analysis using GAD database containing gender statistics and sex-disaggregated data of its employees and concessionaires nor did it utilize the Harmonized Gender and Development Analysis (HGDG) to determine the gender responsiveness and amount of budget to be attributed for the identified GAD PAPs, thus casting doubt on the appropriateness of the identified gender issues, the appropriateness of the identified gender issues, the responsiveness of the program/activity planned to address the said issues, and the accuracy of the cost attributed to the GPB.

We recommended the Management through the GAD Focal Point System:

1. To fully utilize its GAD budget for GAD-related activities which shall be integrated in its projects and programs;
2. To collect and generate sex-disaggregated data and submit a report thereon as mandated by PCW MC No. 2014-05;
3. To perform gender analysis using the HGDG in the preparation of GPB for the determination of the gender responsiveness and amount of budget to be attributed for the identified GAD PAPs; and
4. To attend capacity trainings and seminars to implement GAD concerns as provided under PCW-NEDA-DBM JC No. 2012-01
5. The District reported a net loss amounting to P150,324.70 in CY 2022 due to the increase in Personnel Services and Maintenance and Other Operating Services thus sustainability of operation and implementation/expansion of government projects may be hampered.

We recommended the management to undertake transactions to increase sales, intensify collection of outstanding receivables, and minimize operating expenditures in order to recover the loss incurred in CY 2022.

1. **SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE AND CHARGES AS OF YEAR-END**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Beginning Balance (01/01/2022)** | **CY 2022 Issuances** | **CY 2022****Settlement** | **Ending Balance (12/31/2022)** |
| Notice of Suspension | P 0.00 | P 0.00 | P 0.00 | P 0.00 |
| Notice of Disallowance | P 110,000.00 | P 0.00 | P 17,600.00 | P 92,400.00 |
| Notice of Charge | P 0.00 | P 0.00 | P 0.00 | P 0.00 |

1. **STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS**

Out of the thirty-five (35) audit recommendations embodied in the CY 2021, 2020, and 2019 Annual Audit Reports (AARs), twenty (20) or 57.14 per cent were fully implemented, fourteen (14) or 40.00 per cent were partially implemented, and one (1) or 2.86 per cent was not implemented.

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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 Director

Kolambugan Water District

Kolambugan, Lanao del Norte

**Engr. ISAGANE J. SOTTO**

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, 2022, and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows 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, 2022, 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 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 P11,811,173.99 in the Financial Statements as of December 31, 2022, and

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-Qualified Opinion.

*Key Audit Matters*

Except for the matter described in the *Bases for Modified-Qualified 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

March 16, 2023

**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 statement as at **December 31, 2022**, 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.



**DIR. FERNANDITO R. RIDAO**

Chairman of the Board

**February 13, 2023**

Date Signed



**KATHLEEN JOYCE G. GAGARRA ENGR. ISAGANE J. SOTTO**

 Corporate Accounts Analyst General Manager

 **February 13, 2023** **February 13, 2023**

 Date Signed Date Signed

|  |  |
| --- | --- |
|

|  |
| --- |
| KolWD Logo.png**KOLAMBUGAN WATER DISTRICT** |

 |
| **CONDENSED STATEMENT OF FINANCIAL POSITION** |
| **AS AT DECEMBER 31, 2022**  |
|  |  |  |  |  |  |  |  |
|  |  | **NOTE** |  | **2022** |  |  | **2021** |
|  |  |  |  |  |  |  |  |
| **ASSETS** |
| **Current Assets** |  |  |  |  |  |  |
|  |  Cash and Cash Equivalents | 5 | ₱ | 3,372,768.45 |  | ₱ | 4,270,709.80 |
|  |  Receivables | 6 |  |  1,222,717.39  |  |  | 1,316,109.08 |
|  |  Inventories | 7 |  |  552,974.53  |  |  |  684,066.93  |
|  |  Other Current Assets | 9 |  | 118,924.64 |  |  | 118,924.64 |
| **Total Current Assets** |  | ₱ | **5,267,385.01** |  | ₱ | **6,389,810.45** |
|  |  |  |  |  |  |  |
| **Non-Current Assets** |  |  |  |  |  |  |
|  |  Property, Plant and  | 8 | ₱ | **11,811,173.99** |  | ₱ | **11,121,058.80** |
|  |  Equipment |  |  |  |  |  |  |
|  |  Other Non-Current Assets |  |  |  |  |  |  |
|  **Total Non-Current Assets** |  | ₱ | **11,811,173.99** |  | ₱ | **11,121,058.80** |
| **Total Assets** |  | ₱ | **17,078,559.00** |  | ₱ | **17,510,869.25** |
|  |  |  |   |  |  |  |
| **LIABILITIES** |
|  | **Current Liabilities** |  |  |  |  |
|  |  Financial Liabilities  | 10 | ₱ |  380,284.00  |  | ₱ |  329,981.05  |
|  |  Inter-Agency Payables | 11 |  |  93,943.71  |  |  |  70,917.47  |
|  |  Provisions / Trust Liabilities | 12 |  | 1,291,794.69 |  |  | 1,247,664.04 |
|  |  **Total Current Liabilities** |  | ₱ | **1,766,022.40** |  | ₱ | **1,648,562.56** |
|  |  |  |  |  |  |  |  |
|  | **Non-Current Liabilities** |  |  |  |  |  |  |
|  |  Financial Liabilities  | 10 | ₱ | **4,311,455.15** |  | ₱ | **4,981,552.15** |
|  |  **Total Non-Current Liabilities** |  | ₱ | **4,311,455.15** |  | ₱ | **4,981,552.15** |
|  | **Total Liabilities** |  | ₱ | **6,077,477.55** |  | ₱ | **6,630,114.71** |
|  |  |  |  |  |  |  |
| **EQUITY** |
|  | **Government Equity** |  |  |  |  |  |  |
|  |  Government Equity | 14 | ₱ | **741,246.00** |  | ₱ | **741,246.00** |
|  |  Retained Earnings/(Deficit) |  |  | 10,259,835.45 |  |  | 10,139,508.54 |
|  |  **Total Equity** |  | ₱ | **11,001,081.45** |  | ₱ | **10,880,754.54** |
|  | **Total Liabilities and Equity** |  | ₱ | **17,078,559.00** |  | ₱ | **17,510,869.25** |

*(See Accompanying Notes to Financial Statements)*

|  |
| --- |
| E:\mom\kolambugan.png**KOLAMBUGAN WATER DISTRICT** |
| **CONDENSED STATEMENT OF COMPREHENSIVE INCOME** |
| **FOR THE YEAR ENDED DECEMBER 31, 2022** |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **NOTE** |  |  | **2022** |  |  | **2021** |
|  |  |  |  |  |  |  |  |  |
| **Income** |  |  |  |  |  |  |  |
| Service and Business Income | 15 |  | ₱ | 13,471,634.27 |  | ₱ | 13,559,623.26 |
| Other Non-operating Income |  |  |  |  |  |  |  |
|  **Total Income** |  |  | **₱** | **13,471,634.27** |  | **₱** | **13,559,623.26** |
|  |  |  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |  |
| Personnel Services | 16 |  | ₱ |  6,096,683.44  |  | ₱ |  4,529,001.95  |
| Maintenance and Other Operating Expenses | 17 |  |  |  6,521,792.39  |  |  |  5,148,851.47  |
| Financial Expenses |  18 |  |  | 385,559.00 |  |  |  432,329.00  |
| Non-Cash Expenses | 19 |  |  | 617,924.14 |  |  | 610,134.76 |
|  **Total Expenses** |  |  | ₱ | **13,621,958.97** |  | **₱** | **10,720,317.18** |
|  |  |  |  |  |  |  |  |  |
| **Profit/(Loss) Before Tax** |  |  | ₱ | **(150,324.70)** |  | ₱ | **2,839,306.08** |
| **Income Tax Expense/(Benefit)** |  |  |   | 0.00 |  |   | 0.00 |
| **Profit/(Loss) After Tax** |  |  | ₱ | **(150,324.70)** |  | **₱** | **2,839,306.08** |
| **Net Assistance/Subsidy/ (Financial Assistance/Subsidy/ Contribution)** |  |  |  | 0.00 |  |  | 0.00 |
| **Net Income/(Loss)** |  |  | **₱** | **(150,324.70)** |  | **₱** | **2,839,306.08** |
| **Other Comprehensive Income/(Loss) for the Period** |  |  |  | 0.00 |  |  | 0.00 |
| **Comprehensive Income/(Loss)** |  |  | **₱** | **(150,324.70)** |  | **₱** | **2,839,306.08** |

*(See Accompanying Notes to Financial Statements)*

|  |
| --- |
| **KOLAMBUGAN WATER DISTRICT** |
| **STATEMENT OF CHANGES IN EQUITY** |
| **FOR THE YEAR ENDED DECEMBER 31, 2022** |
|  |  |  |  |  |  |  |  |  |
|  | **Retained Earnings/ (Deficit)** |  | **Contributed Capital** |   | **TOTAL** |
|  |   |  |  |  |  |  |  |  |
| **BALANCE AT JANUARY 1, 2020** | ₱ | 1,738,684.01 |  | ₱ | 0.00  |  | ₱ | 1,738,684.01 |
| **ADJUSTMENTS:** |   | (604,301.65) |   |   | 0.00  |   |   | (604,301.65) |
| **RESTATED BALANCE AT JANUARY 1, 2021** | ₱ | **7,469,968.64** |  | ₱ | **741,246.00** |  | ₱ | **8,211,214.64** |
|   |   |   |   |   |   |   |   |   |
| **CHANGES IN EQUITY FOR 2020** |   |   |   |   |   |   |   |   |
| Add/(Deduct): |  |   |   |   |   |   |   |   |
| Comprehensive Income for the year | ₱ | 2,839,306.08 |  | ₱ | 0.00  |  | ₱ | 2,839,306.08 |
| Other Adjustments |   | (169,766.18) |   |   | 0.00  |   |   | (169,766.18) |
| **BALANCE AT DECEMBER 31, 2021** | ₱ | **10,139,508.54** |  | ₱ | **741,246.00** |  | ₱ | **10,880,754.54** |
|  |   |  |  |  |  |  |  |  |
| **CHANGES IN EQUITY FOR 2022** |   |   |   |   |   |   |   |   |
| Add/(Deduct): |  |   |   |   |   |   |   |   |
| Comprehensive Income for the year | ₱ | (150,324.70) |  | ₱ | 0.00  |  | ₱ | (150,324.70) |
| Other Adjustments |   | 270,651.61 |   |   | 0.00  |   |   | 270,651.61 |
| **BALANCE AT DECEMBER 31, 2022** | ₱ | **10,259,835.45** |  | ₱ | **741,246.00** |  | ₱ | **11,001,081.45** |

*(See Accompanying Notes to Financial Statements)*

|  |
| --- |
| **KOLAMBUGAN WATER DISTRICT** |
| **CONDENSED STATEMENT OF CASH FLOWS** |
| **FOR THE YEAR ENDED DECEMBER 31, 2022**  |
|  |  |  |  |  |  |  |  |
|  |  |  |  | **2022** |  |  | **2021** |
|  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Cash Inflows** |  |  |  |  |  |
|  |  | Collection of Income/Revenue | ₱ |  1,011,608.62  |  | ₱ | 1,794,565.11 |
|  |  | Collection of Receivables |  | 12,512,680.52  |  |  | 10,953,072.52 |
|  | **Total Cash Inflows** | **₱** | **13,524,289.14** |  | **₱** | **12,747,637.63** |
|  |  | Adjustments |  | 0.00 |  |  | 0.00  |
|  | **Adjusted Cash Inflows** | ₱ | **13,524,289.14** |  | ₱ | **12,747,637.63** |
|  |  |  |  |  |  |  |  |
| **Cash Outflows** |  |  |  |  |  |
|  | Payment of Expenses | ₱ | 10,299,722.69  |  | ₱ |  7,561,659.25  |
|  | Purchase of Inventories |  |  62,454.04  |  |  |  64,923.38  |
|  | Payments of Accounts Payable |  |  1,107,361.74  |  |  |  1,281,074.38  |
|  | Other Disbursements |  |  1,409,809.48  |  |  |  1,107,683.59  |
| **Total Cash Outflows** | **₱** | **12,879,347.95** |  | **₱** | **10,015,340.60** |
|  | Adjustments |  | 0.00  |  |  | 0.00  |
|  | **Adjusted Cash Outflows** | **₱** | **12,879,347.95** |  | **₱** | **10,015,340.60** |
| **Net Cash Provided by (Used in) Operating Activities** | **₱** | **12,879,347.95** |  | **₱** | **10,015,340.60**  |
|  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Cash Inflows** |  |  |  |  |  |
|  | Total Cash Inflows | ₱ | 0.00 |  | ₱ | 0.00  |
|  | Adjustments |  | 0.00  |  |  | 0.00  |
|  | **Adjusted Cash Inflows** | **₱** | **0.00** |  | **₱** | **0.00**  |
|  |  |  |  |  |  |  |  |
| **Cash Outflows** |  |  |  |  |  |
|  Purchase/Construction of Property,  Plant and Equipment | ₱ | 487,926.54 |  | ₱ | 751,612.55 |
|  | **Total Cash Outflows** | **₱** | **487,926.54** |  | **₱** | **751,612.55** |
|  | Adjustments |  | 0.00 |  |  | 0.00  |
|  | **Adjusted Cash Outflows** | **₱** | **487,926.54** |  | **₱** | **751,612.55** |
| **Net Cash Provided By/(Used In) Investing Activities** | **₱** | **487,926.54** |  | **₱** | **751,612.55** |
|  |  |  |  |  |  |  |  |
|  |  |  |  | **2022** |  |  | **2021** |
|  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Cash Inflows** |  |  |  |  |  |
|  | **Total Cash Inflows** | **₱** | 0.00  |  | **₱** |  0.00 |
|  |  Adjustments |  | 0.00  |  |  | 0.00  |
|  | **Adjusted Cash Inflows** | **₱** | **0.00**  |  | **₱** | **0.00**  |
|  |  |  |  |  |  |  |  |
| **Cash Outflows** |  |  |  |  |  |
|  | Payment of Long-Term Liabilities | ₱ | 670,097.00 |  | ₱ | 622,427.00 |
|  | Payment of Interest on Loans and Other  |  | 384,859.00 |  |  | 432,229.00 |
|  | Financial Charges |  |  |  | 0.00 |
|  | **Total Cash Outflows** | **₱** | **1,054,956.00** |  | **₱** | **1,054,656.00** |
|  | Adjustments |  | 0.00  |  |  | 0.00  |
|  | **Adjusted Cash Outflows** | **₱** | **1,054,956.00** |  | **₱** | **1,054,656.00** |
| **Net Cash Provided By/ (Used In) Financing Activities** | **₱** | **1,054,956.00** |  | **₱** | **1,054,656.00** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **₱** | **(897,941.35)** |  | **₱** | **926,028.48** |
|  | **Effects of Exchange Rate Changes on Cash and Cash Equivalents** |  | 0.00 |  |  | 0.00  |
| **CASH AND CASH EQUIVALENTS, JANUARY 1, 2021** | **₱** | **4,270,709.80** |  | **₱** | **3,344,681.32** |
|  |  |  |  |  |  |  |  |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31, 2021** | **₱** | **3,372,768.45** |  | **₱** | **4,270,709.80** |

*(See Accompanying Notes to Financial Statements)*

**KOLAMBUGAN WATER DISTRICT**

**Kolambugan, Lanao del Norte**



**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022**

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 |

**2022 Operational Highlights**

A comparative financial condition and results for operations for CY 2022 and 2021 is presented below:

**Financial Condition**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase (Decrease)** | **Percentage** |
|  Assets | ₱17,078,559.00 | ₱17,510,869.25 | ₱ (432,310.25) | 2.47% |
|  Liabilities | ₱ 6,077,477.55 | ₱ 6,630,114.71 | ₱ (552,637.16) | 8.34% |
| Government Equity | ₱11,001.081.45 | ₱10,880,754.54 | ₱ 120,326.91 | 1.11% |

**Results of Operation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2022** | **2021** | **Increase****(Decrease)** | **Percentage** |
| Income | ₱13,471,634.27 | ₱13,559,623.26 | ₱ (87,988.99) | 0.65% |
| Expenses | ₱13,621,958.97 | ₱10,720,317.18 | ₱ 2,901,641.79  | 27.07% |
| Net Income | ₱ (150,324.70) | ₱ 2,839,306.08 | ₱(2,989,630.78) | 105.29% |

The District had incurred a net loss for 2022 due to increase of expenses with the addition of five (5) regular and employees and increase of electricity rate. As of December 31, 2022, it has 3,169 active service connections having an estimated population of 15,845.

**2. Summary of Significant Accounting Policies**

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

**2.1 Basis of Financial Statement Presentation**

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PRFS) and the Revised Chart of Accounts (RCA) for Government Corporations (GCs) classified as Government Business Enterprises (GBEs) under COA Circular N0. 2015-010.

**2.2 Significant Accounting Judgments and Estimates**

The preparation of the financial statements 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 Equivalents**

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

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

**2.6.2 Receivables**

Receivables are stated at face value less allowance for impairment.

**2.6.3 Inventories**

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

Purchase of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period is recorded as inventory following the Weight Average Method -Perpetual Inventory Method.

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

**2.6.4 Property, Plant and Equipment**

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

*Initial Recognition*

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

*Subsequent recognition*

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

*Derecognition*

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

*Depreciation*

The straight-line method of depreciation is used over the estimated useful lives of the assets. A residual value equivalent to five percent (10%) of the cost is set-up and depreciation stats on the second month after purchase/completion of the property, plant, and equipment.

**2.6.5 Construction in Progress**

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

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

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

**2.6.7 Liabilities**

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

**2.6.8 Revenues**

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

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

**2.6.9. Expenses**

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

**2.6.10 Events after the Balance Sheet Date**

Any post year-end events that provide additional information about the District’s position at balance sheet data (adjusting events) are reflected in the financial statements. Any post 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 the affects both current and future periods.

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

**Estimated useful Lives of Property and Equipment**

The District estimates the useful life of the property, plant and equipment based in the COA Circular N0. 2004-005 dated August 9, 2004.

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

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

**4. Budget Information**

Section 3.3 of DBM Corporate Circular N0. 20 dated April 27, 2005 states that any increase in the approved principal corporate operating budget in the course of the budget year, as may be warranted by additional corporate receipts, shall require submission and approval of a supplemental corporate budget to cover the additional expenditures in line with the national government decentralization policy.

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

**5. Cash and Cash Equivalents**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2022** | **2021** |
| Cash on Hand | ₱ 11,848.15 | ₱ 3,397.64  |
| Cash in Bank | 3,360,920.30 | 4,267,312.16 |
| **Total** | **₱ 3,372,768.45** | **₱ 4,270,709.80** |

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** | **2022** | **2021** |
| Accounts Receivable | ₱ 1,377,134.27 |  ₱ 1,392,223.58 |
| Allowance for Impairment- A/R | (154,416.88) | (76,114.50) |
| **Total** |  **₱ 1,222,717.39** |  **₱ 1,316,109.08** |

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** | **Less than a year** | **1-5 Years** | **6-10 Years** | **11-15 Years** | **16-20 Years** | **Grand****Total** |
| --- | --- | --- | --- | --- | --- | --- |
| Kulasihan |  ₱ 13,753.20  |  ₱ 8,624.95  | ₱ -  | ₱ -  | ₱ 900.10  | **₱ 23,278.25**  |
| Muntay |  8,693.75  |  6,929.05  |  3,881.75  |  25,047.70  |  -  |  **44,552.25**  |
| Rebucon |  2,629.75  |  2,771.75  |  -  |  -  |  -  |  **5,401.50**  |
| Riverside Highway |  7,984.10  |  21,755.75  |  7,146.50  |  2,239.90  |  -  |  **39,126.25**  |
| Riverside Campo |  16,828.26  |  2,931.40  |  -  |  -  |  -  |  **19,759.66**  |
| Lower Austin |  4,899.00  |  831.20  |  889.25  |  3,219.30  |  -  |  **9,838.75**  |
| Upper Austin |  44,532.22  |  1,756.85  |  1,951.55  |  5,773.05  |  608.25  |  **54,621.92**  |
| Poblacion |  2,793.15  |  9,631.20  |  -  |  807.10  |  -  |  **13,231.45**  |
| Highway |  3,960.45  |  5,422.20  |  30,621.70  |  4,479.45  |  -  |  **44,483.80**  |
| Merkado |  2,553.25  |  13,991.40  |  1,901.20  |  3,368.25  |  -  |  **21,814.10**  |
| Pastilan |  4,995.00  |  27,366.25  |  792.80  |  140.30  |  2,403.80  |  **35,698.15**  |
| Pantar |  1,276.45  |  571.40  |  -  |  -  |  -  |  **1,847.85**  |
| Upper Tinagsa |  4,858.45  |  3,923.25  |  -  |  -  |  -  |  **8,781.70**  |
| Lower Tinagsa |  5,381.95  |  4,018.55  |  748.60  |  701.50  |  1,760.65  |  **12,611.25**  |
| Baybay |  6,543.05  |  22,662.20  |  564.90  |  3,849.55  |  -  |  **33,619.70**  |
| Bliss Libertad |  6,557.30  |  5,017.35  |  8,665.20  |  1,822.80  |  1,128.60  |  **23,191.25**  |
| Lawis Libertad |  9,129.17  |  8,392.40  |  2,501.35  |  4,876.05  |  245.10  |  **25,144.07**  |
| Titunod |  15,440.35  |  5,519.10  |  3,748.15  |  -  |  -  |  **24,707.60**  |
| Bucana |  8,889.00  |  1,415.40  |  -  |  5,775.65  |  -  |  **16,080.05**  |
| Sucodan |  3,477.65  |  6,657.55  |  1,761.00  |  -  |  -  |  **11,896.20**  |
| Sto Niño |  1,481.80  |  -  |  -  |  -  |  -  |  **1,481.80**  |
| Caromatan |  12,186.20  |  24,594.95  |  -  |  -  |  -  |  **36,781.15**  |
| Mukas |  17,386.15  |  5,028.70  |  -  |  -  |  -  |  **22,414.85**  |
| **Total** |  **₱ 206,229.65**  |  **₱ 189,812.85**  | **₱ 65,173.95**  |  **₱ 62,100.60**  |  **₱ 7,046.50**  | **₱530,363.55**  |

**7. Inventories**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2022** | **2021** |
| Inventory Held for Consumption | ₱ 552,974.53 | ₱ 684,066.93 |

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** | **2022** | **ADDITIONS** | **2021** |
| Land |  **₱** 150,000.00  | - |  **₱** 150,000.00  |
| Office Equipment  | 1,005,689.03 | 146,865.00 | 858,824.03 |
| Furniture and Fixture | 253,396.28 | 129,375.01 | 124,021.27 |
| Machinery | 2,061,987.89 | 108,980.00 | 1,953,007.89  |
| Reservoir | 354,781.25 | - | 354,781.25  |
| Motor vehicle | 175,900.00 | - | 175,900.00 |
| DRRE | 67,057.75 | 14,250.00 | 52,807.75 |
| Water Supply System | 19,286,171.96 | 2,194,959.28 | 17,091,212.68 |
| Construction in Progress | - | (606,019.75) | 606,019.75 |
| **Total** | **₱23,354,984.16**  | **₱ 1,988,409.54** | **₱ 21,366,574.62** |

**Accumulated Depreciation**

|  |  |  |  |
| --- | --- | --- | --- |
| **PARTICULARS** | **2022** | **ADDITIONS** | **2021** |
| Land | ₱ 0.00 | **₱** 0.00 | ₱ 0.00 |
| Office Equipment  | 798,602.08 | 98,597.36 | 700,004.72 |
| Furniture and Fixture | 130,650.60 | 38,588.66 | 92,061.94 |
| Machinery | 980,318.18  | 203,040.19 | 777,277.99  |
| Reservoir |  354,781.25 | 0.00 |  354,781.25 |
| Motor Vehicle | 123,254.17  | 13,567.16 | 109,686.98  |
| Water Supply System | 18,957.94 | 7,332.36 | 11,625.58 |
| DRRE | 9,137,245.95 | 937,168.59 | 8,200,077.36 |
| **Total Accumulated Depreciation** | **₱ 11,543,810.17** | **₱ 1,298,294.32** | **₱ 10,245,515.82**  |
| **Net Book Value** | **₱ 11,811,173.99**  | **₱ 690,115.22** | **₱ 11,121,058.80** |

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** | **2022** | **2021** |
| 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** | **2022** | **2021** |
| Accounts payable | ₱ 380,284.00 | ₱329,981.05 |
| Bill/Bonds /Loans Payable | 4,311,455.15 |  4,981,552.15 |
| **Total** | **₱ 4,691,739.15** | **₱ 5,311,533.20** |

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** | **2022** | **2021** |
| Due to BIR | ₱ 12,434.39 | ₱ (8,105.62) |
| Due to GSIS | 68,014.50 | 63,122.30 |
| Due to PAG-IBIG | 16,537.98 | 21,536.99 |
| Due to PHILHEALTH | (3,043,16) | (5,636.20) |
| **Total** | **₱ 93,943.71** | **₱ 70,917.47** |

**12. Trust Liabilities**

This account consists of:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2022** | **2021** |
| Leave Benefits Payable | **₱** 1,291,794.69 | **₱** 1,247,664.04 |

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** | **2022** | **2021** |
| Donated/Contributed Capital | ₱ 741,246.00 | **₱** 741,246.00 |
| Retained Earnings | 10,259,835.45 | 10,139,508.54 |
| **Total** | **₱ 11,001,081.45** | **₱ 10,880,754.54** |

**15. Service and Business Income**

This account can be broken down as follows:

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2022** | **2021** |
| Water works system fees | ₱ 12,434,835.80 | ₱ 12,514,126.73 |
| Other Service Income |  732,649.00 |  775,232.85 |
| Fines and Penalties | 304,149.47 | 270,263.68 |
| **Total** | **₱ 13,471,634.27** | **₱ 13,559,623.26** |

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** | **2022** | **2021** |
| Salaries and Wages Regular | ₱ 2,738,927.55 | ₱ 1,996,009.00 |
| Salaries contractual | 615,870.84 | 611,666.55 |
| Honoraria | 157,122.00 | 156,262.00 |
| Personnel Benefits Contribution | 368,912.89 | 287,388.61 |
| Other Compensation | 1,999,124.97 | 1,477,675.79 |
| Other Personnel Benefits | 216,725.19 | - |
| **Total** | **₱ 6,096,683.44** | **₱ 4,529,001.95** |

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

Total Personnel Services for the year 2022 is lower by 6% compared to last year. The substantial decrease from previous year was attributed to the retirement of three (3) personnel despite the increase of salaries of the employees and other bonuses of the District in the implementation of 2nd trancehe per Executive Order No. 201 s., 2016.

Salaries and Wages regular account are salaries given to permanent employees. It represents the employees’ earnings at a particular period. Salaries – contractual and job order account, represents honorarium of watchmen and job order at a particular period. This is the gross amount before deduction of taxes and other statutory and contractual obligations.

Payroll preparation is scheduled twice a month, 2 working days before the 15th and 30th day of each month.

Other compensation includes allowances and other bonuses granted to employees during a particular period. Personnel Benefits Contribution is statutory and contractual obligations. This represents the government/employer counterpart. Honoraria represent the BOD per Diem of the Board of Directors during BOD meeting twice a month.

**17. Maintenance and Other Operating Expenses**

This account consists of the following:

| **PARTICULARS** | **2022** | **2021** |
| --- | --- | --- |
| Travelling Expenses per diem | **₱** 166,150.90 | ₱ 115,291.00 |
| Training Expenses | 147,347.00 | 27,700.00 |
| Office Supplies  | 207,027.60 | 149,288.19 |
| Accountable forms Expenses | 135,665.66 | 131,379.50 |
| Chemicals & Filtering Supplies Expense | 169,195.04 | 81,432.00 |
| Non-Accountable Forms Expenses | 5,060.00 | - |
| Drugs and Medicines Expenses | 17,464.48 | - |
| Generation, Transmission and Distribution Expenses | 3,273,244.87 | - |
| Fuel, Oil and Lubricants Expense | 57,238.65 | 45,807.00 |
| Electricity Expense | 218,134.57 | 2,590,937.07 |
| Water Expense | 3,400.70 | 3,629.75 |
| Postage & deliveries / Courier Expense | 3,610.00 | 3,287.00 |
| Membership dues & Contributions to Organization | 10,180.50 | 9,696.75 |
| Telephone /Landline expenses | 97,400.00 | 60,366.40 |
| Cable, Satellite, Telegraph, & Radio Expenses | 1,350.00  | 5,400.00  |
| Rent / Lease Expense | 203,200.00 | 170,700.00 |
| Representation Expense | 177,072.85 | 99,868.53 |
| Transportation and delivery | 69,235.00 | 65,980.00 |
| Legal Services | 3,600.00 | 11,130.00 |
| Auditing Services | 34,928.29 | 27,126.01 |
| Awards and rewards | - | - |
| Taxes duties & licenses | 221,214.72 | 199,474.45 |
| Fidelity bond Premium | 22,200.00 | 13,575.00 |
| Extra-ordinary & Miscellaneous Expense | 8,599.75 | 24,450.00 |
| Insurance Expenses | 3,669.57 | 7,095.39 |
| Other Maintenance operating expenses | - | 143,649.76 |
| Other PPE | 172,342.50 | - |
| Other Supplies & Materials Expense | 737,431.28 | 756,713.42 |
| Printing and Publication Expense | 79,200.00 | 143,880.00 |
| Internet Expense | 44,096.64 | 53,541.33 |
| Labor & Wages | - | - |
| Repair and Maintenance | 232,531.82 | 207,452.92 |
| **TOTAL OPERATING & MAINTENANCE EXPENSES** | **₱ 6,521,792.39** | **₱ 5,148,851.47** |

**18. Financial Expenses**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** | **2022** | **2021** |
| Bank Charges | ₱ 700.00 | ₱ 200.00 |
| Interest Expense | 384,859.00 | 432,229.00 |
| **TOTAL FINANCIAL EXPENSE** | **₱ 385,559.00** | **₱ 432,329.00** |

**19. Non-Cash Expenses:**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
| **ACCOUNT** | **2022** | **2021** |
| Depreciation | ₱ 539,621.76 | ₱ 610,134.76 |
| Impairment Loss – Loans and Receivables | 78,302.38 |  |
| **TOTAL NON-CASH EXPENSE** | **₱ 617,924.14** | **₱ 610,134.76** |

**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, 2022 were approved by the General Manager, Engr. Isagane J. Sotto.

**PART II -**

**AUDIT OBSERVATIONS AND**

**RECOMMENDATIONS**

**Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS**

1. **AUDIT QUALIFICATIONS / FINANCIAL AUDIT OBSERVATION**

*Property, Plant and Equipment*

1. **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 P11,811,173.99 in the Financial Statements as of December 31, 2022.**
	1. 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:
2. *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).*
3. *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).*
4. *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).*
5. *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).*
6. *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).*
7. *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).*
8. *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).*
9. *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).*
	1. Kolambugan Water District’s property, plant and equipment constitute 69.16% 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.
	2. 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 April 2022 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.
	3. 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 persons responsible. Only after the complete physical inventory-taking of the District’s reported PPE can one ascertain the correctness of its valuation.
	4. 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.
	5. **We recommended the management to:**
10. **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.**
11. **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/s:**

* 1. The management will comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking. The property custodian will prepare the inventory plan and schedule the one-time cleansing on August 2023.

*Accounts Receivable*

1. **The dormant accounts receivable that have been outstanding for more than ten (10) years amounting to P69,147.10 were still carried in the books as of December 31, 2022, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account in the Financial Statements as at year-end.**
	1. COA Circular No. 2016-005 dated December 19, 2016 provides the guidelines and procedures on the write-off of dormant receivable accounts, among others. Item 5.4 thereof provides that receivables are said to be dormant if the balances of which have remained inactive or non-moving in the books of accounts for ten years or more and where settlement/collectability could no longer be ascertained. The procedures on how to request for write off are as follows:

*8.2 The Head of the government entity shall file the request for authority to write off dormant receivable accounts, xxx No filing fee is required;*

*8.3 The request shall be supported by the following documents:*

1. *Schedule of dormant accounts by accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the government entity;*
2. *Certified relevant documents validating the existence of the conditions, as applicable, such as:*

*b.1 Death Certificate issued by the Philippine Statistics Authority*

*b.2 Proof of Insolvency*

*b.3 Certification from the Department of Trade and Industry that the debtor has no registered business*

*b.4 Certification from the Securities and Exchange Commission that the Corporation is no longer active*

*b.5 Certificate of no residence in the barangay of the municipality/city of last known address*

*b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters*

*b.7 Certification by Legal Officer of the entity of no pending case relative to the account*

*b.8 Certification by the responsible officials of the entity to the effect that there are no records/documents available to validate claim. xxx*

* 1. As of December 31, 2022, the balance of the Accounts Receivable (AR) per Statement of Financial Position and AR Aging Schedule amounted to P 1,377,134.27. Of this amount, P 357,760.05 or 26% were classified as inactive accounts aged 1 day to more than 11 years. Moreover, of this amount, a total of P69,147.10 have been outstanding for more than 11 years. Details are as follows:

|  |
| --- |
| Aging of Accounts Receivable as of December 31, 2022 |
|   | Less than 30 days | Less than a year | 1-5 years | 6-10 years | more than 11 years | TOTAL | % |
| ACTIVE | 846,770.72  | 138,053.15  | 32,310.45  |  | 2,239.90  | 1,019,374.22  | 74% |
| INACTIVE |  | 68,176.50  | 157,502.40  | 65,173.95  | 66,907.20  | 357,760.05  | 26% |
| TOTAL | 846,770.72  | 206,229.65  | 189,812.85  | 65,173.95  | 69,147.10  | 1,377,134.27  | 100% |

* 1. Inquiry with the management revealed that they have yet to send demand letters to the inactive account concessionaires. They made a survey first who among the inactive accounts that is already dead so that they can ask a death certificate from the PSA. After these, they can already start to send demand letters to them.
	2. Inclusion of these dormant accounts in the books cast doubt on the accuracy and validity of the reported accounts receivable balance amounting to P 1,377,134.27 as of December 31, 2022
	3. **We recommended the management to:**
	4. **Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;**
	5. **Request authority from the Commission on Audit for the write-off of the District’s dormant receivables;**
	6. **Continuously monitor and implement strategies on how to collect the inactive accounts receivables.**

**Management Comment/s:**

* 1. The management will send demand letters to inactive consumers that have been outstanding for more than ten 10 years, request for assistance of the barangay officials through certification of consumers that are no longer in Kolambugan, Lanao del Norte and cannot be demanded for payment due to change of location/address. The accounting personnel will then request for a write-off of districts dormant receivables.
1. **NON-FINANCIAL AUDIT OBSERVATION**

*Non-Revenue Water*

1. **The District’s NRW as of December 31, 2022 reached up to 24.72 per cent, which exceeded the maximum acceptable NRW level of 20 per cent provided under LWUA Memorandum Circular (MC) No. 004-10 or an excess of 4.72 per cent, thereby affecting the District’s operational efficiency and reflecting water loss equivalent to 40,313.60 cubic meters (m3) costing ₱80,627.20.**
	1. Local Water Utilities Administration (LWUA) Board of Trustees Resolution No. 444 Series of 2009 adopted on September 15, 2009 provides for the approval of the reduction of the maximum acceptable Non-Revenue Water (NRW) from 25% to 20%. Excerpts of the Board Resolution states:

*“WHEREAS, in order to accelerate further improvement in the efficiency level of the Water Districts, there shall be a reduction in the maximum acceptable non-revenue water from the existing 25% to 20%;*

*NOW, THEREFORE, BE IT RESOLVED, as it is hereby resolved, to approve the immediate implementation in the reduction of the maximum acceptable non-revenue water from the existing 25% to 20% applicable to all Water Districts, effective upon its approval.”*

* 1. Recognizing the need to effectively and efficiently manage the water resources, LWUA issued Memorandum Circular No. 014-10 dated December 2, 2010 which provides:

*“There is a need for Water Districts to reduce the Non-Revenue Water (NRW) in order to enhance its operational efficiency and improve financial viability. All Water Districts are therefore enjoined to periodically conduct performance audit of water meters being used by customers to ensure its accuracy.”*

* 1. NRW is the volume of water actually produced by the District but is not billed to concessionaires due to either physical or commercial loss. Physical loss is caused by errors in production meters and overflows and leaks and bursts in the distribution lines while commercial loss is caused by errors in meter reading and billing, illegal connections and theft, among others. It is the water that has been produced but is lost along the way before it reaches the consumers. It is the difference between the amount of water produced and the amount of water billed to concessionaires.
	2. Information gathered from the management revealed that its NRW is at 24.72 per cent as of December 31, 2022, which is equivalent to 210,967 cu.m., of which 4.72 per cent or 40,313.6 cu.m. costing P**80,627.20** is deemed excessive loss.

| **Month** | **Actual Production** | **Total Billed (cu.m)** | **Non-Revenue Water (cu.m)** | **% Of NRW** |
| --- | --- | --- | --- | --- |
| **(cu.m)** |
|   | (A) | (B) | (C) = (A-B) | (D) = C/A |
| JANUARY | 66,958.00 | 47,893.00 | 19,065.00 | 28.47% |
| FEBRUARY | 69,901.00 | 53,878.00 | 16,023.00 | 22.92% |
| MARCH | 55,264.00 | 41,709.00 | 13,555.00 | 24.53% |
| APRIL | 67,384.00 | 53,184.00 | 14,200.00 | 21.07% |
| MAY | 67,252.00 | 51,342.00 | 15,910.00 | 23.66% |
| JUNE | 68,770.00 | 49,735.00 | 19,035.00 | 27.68% |
| JULY | 74,086.00 | 57,809.00 | 16,277.00 | 21.97% |
| AUGUST | 60,050.00 | 44,462.00 | 15,588.00 | 25.96% |
| SEPTEMBER | 69,584.00 | 52,911.00 | 16,673.00 | 23.96% |
| OCTOBER | 67,240.00 | 49,685.00 | 17,555.00 | 26.11% |
| NOVEMBER | 64,633.00 | 50,041.00 | 14,592.00 | 22.58% |
| DECEMBER | 122,145.00 | 89,651.00 | 32,494.00 | 26.60% |
| **TOTAL** | **853,267.00** | **642,300.00** | **210,967.00** | **24.72%** |

|  |
| --- |
| **Computation of Cost of Excessive or Unacceptable NRW** |
| NRW as of 12/31/2022 (cu.m) | 210,967.00 |
| Less: Maximum Acceptable NRW (853,267 \* 20%) | 170,653.4 |
| NRW in excess of the maximum acceptable level | 40,313.6 |
|  Multiplied by P2 *(average cost of water production)* | P 2.00 |
| Monetary value of 4.72% unacceptable NRW | **P 80,627.20** |

* 1. Upon inquiry, the Management claimed that this is due to some of their water meters is not generating the exact reading and there were leaks of their pipe lines due to the road construction and road widening projects in the national highway. And also, their old pipes were already 23 years and were buried deep down.
	2. With this, the current and existing NRW reduction efforts do not comprehensively address the identified and other possible causes of the District's NRW and that by nature, the existing measures are more corrective rather than preventive. As a result, NRW as of year-end is high at 24.72 percent and these have significant effects on the operational efficiency and financial viability of the District.
	3. **We recommended the management to:**
	4. **Conduct regular performance audit on all its water meters (i.e., flow meters and service meters) to be able to detect and replace all those that are defective and prepare a report for easier monitoring; and**
	5. **Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.**

**Management Comment/s:**

* 1. The management will come up with a NRW reduction plan to lower the Non-Revenue water to 20% which is the acceptable performance indicator set by LWUA. A pipeline mapping chart will be used to determine the location of old pipes and detection of leakages.

*Gender and Development Fund*

1. **The GAD Plan and Budget (GPB) was prepared without conducting gender analysis using GAD database containing gender statistics and sex-disaggregated data of its employees and concessionaires nor did it utilize the Harmonized Gender and Development Analysis (HGDG) to determine the gender responsiveness and amount of budget to be attributed for the identified GAD PAPs, thus casting doubt on the appropriateness of the identified gender issues, the appropriateness of the identified gender issues, the responsiveness of the program/activity planned to address the said issues, and the accuracy of the cost attributed to the GPB.**
	1. Paragraph 4 of the PCW Memorandum Circular (MC) No. 2014-05 dated November 28, 2014 states that:

*In this regard, all government agencies mandated to implement provisions of the MCW and its Implementing Rules and Regulations (IRR) are enjoined to generate timely, accurate and sex-disaggregated data support to the MCW indicators (attached to this Memorandum Circular) according to the following:*

1. *Agencies shall regularly collect and generate sex-disaggregated data and statistics in support of the MCW indicators relevant to their agency. Such data shall be stored and maintained in the agency's GAD database or similar system, updated as needed, and used in their policy and program development to address gender issues in their respective sectors, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports;*

*xxx.*

* 1. Furthermore, Sections 3.4, 4.4, 6.4.1 and 6.4.4 of the PCW-NEDA-DBM JC No. 2012-01 states that:

*3.4 To aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the HGDG, to ensure that the different concerns of women and men are addressed equally and equitably in their PAPs. Activities to address these differential concerns through capacity development on GAD or GAD-focused activities shall be included in agency GPBs. xxx*

*4.4 Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.*

*6.4.1 If an agency intends to attribute a portion or the whole budget of major programs during the GAD planning and budgeting phase, it may subject the program to gender analysis using the HGDG tool. If the agency is not yet trained on the use of the tool, it may include said training in its GPB and may seek the assistance of an expert on gender analysis using the HGDG.*

*6.4.4 During the preparation of its GAD AR, the agency will again administer the HGDG test to determine the extent that the targeted HGDG score is attained. This score will be the basis in determining actual expenditure that can be attributed to the GAD budget.*

* 1. Verification of the status of the Agency’s compliance with the above-stated provisions disclosed that the District was able to prepare GAD Plan and Budget (GPB) and GAD Accomplishment Report CY 2022 and allocated 5% of its total budget appropriations to GAD PAPs.
	2. However, we noted that the District did not fully utilize its GAD budget. Information and data on the provision of budget and actual expenditures related to GAD for CY 2022 are presented below:

|  |
| --- |
| GAD Budget vs Actual Expenditure |
| **Provision for GAD Budget** | **GAD Expenditure** |
| **Agency’s Total Corporate Operating Budget (COB)** | **5% of Agency’s Total COB** | **Actual GAD Budget** | **% Of Actual GAD Budget to Agency’s Total COB** | **GAD Related Activities (Amount)** | **% To Total COB** |
| P21,629,457.42 | P1,081,536.50 | P1,081,000.00 | 5% | P362,856.67 | 1.68% |

* 1. As shown in the table above, only P362856.67 or 1.68% of its CY 2022 COB was utilized for GAD activities contrary to Section 34 of FY 2022 General Appropriations Act (GAA) which states that:

*“All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions under RA No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2011-2016). The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five per cent (5%) of their respective budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfillment of women’s human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.”*

* 1. Moreover, the District was not able to collect and generate sex-disaggregated data and statistics that can be used to identify gender issues in the preparation of GPB contrary to the provision of PCW MC No. 2014-05.
	2. Additionally, we also noted that the GPB was prepared without the aid of HGDG tool. There is therefore, no assurance that PPAs planned for CY 2022 address existing and valid gender-related issues, thus the objectives of the GAD program may not be fully satisfied. The non-usage of the HGDG tool does not only provide a way to measure on the responsiveness of GAD PPAs but also a means to confirm the accuracy of the cost attributed to the GPB.
	3. Upon inquiry with the GAD Focal point person, she is aware of the above cited provisions. But the only problem is that she does not know how to implement these. She has not attended any GAD trainings and seminars and she admitted that HGDG tool or checklist was not used in computing the amount attributed to GAD
	4. The District’s GAD related activities many not be gender responsive due to the absence of gender analysis using the HGDG tool thereby making the propriety of the attribution of the GAD budget doubtful. The failure of the District to comply with the provisions of PCW MC No. 2014-05 hindered them to properly identify GAD PAPs that will address the gender issues supposedly identified based from the sex-disaggregated data.
	5. **We recommended the Management through the GAD Focal Point System:**
	6. **To fully utilize its GAD budget for GAD-related activities which shall be integrated in its projects and programs;**
	7. **To collect and generate sex-disaggregated data and submit a report thereon as mandated by PCW MC No. 2014-05;**
	8. **To perform gender analysis using the HGDG in the preparation of GPB for the determination of the gender responsiveness and amount of budget to be attributed for the identified GAD PAPs; and**
	9. **To attend capacity trainings and seminars to implement GAD concerns as provided under PCW-NEDA-DBM JC No. 2012-01**

**Management Comment/s:**

* 1. The management had used the HGDG but only for the major projects, the management will use Harmonized Gender and Development Analysis (HGDG) in all GAD – related activities that the district will include in GAD Budget and Plan. The GAD focal person and members will attend to trainings and seminars to implement GAD concerns.

*Net Loss*

1. **The District reported a net loss amounting to P150,324.70 in CY 2022 due to the increase in Personnel Services and Maintenance and Other Operating Services thus sustainability of operation and implementation/expansion of government projects may be hampered.**
	1. Section 2 of Presidential Decree No. 1445, otherwise known as the State Audit Code of the Philippines, provides that:

*It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government and the responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.*

* 1. Moreover, Section 5, Chapter II of PD No. 198, as amended, provides the purpose of LWDs that Local water districts may be formed pursuant to this Title for the purposes of (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 waste-water collection, treatment and disposal facilities, and (c) conducting such other functions and operation incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.
	2. Review of the Statement of Comprehensive Income (SCI) for CY 2022 revealed that the WD has incurred a loss amounting to P150,324.70 as shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| **PARTICULARS** | **CY 2022** | **CY 2021** | **INCREASE OR (DECREASE)** |
| **Income** |   |   |   |
| Service and Business Income | P13,471,634.27 | P13,559,623.26 | P (87,988.99) |
| Other Non-operating Income |   |   | 0.00 |
|  **Total Income** | **13,471,634.27** | **13,559,623.26** | (87,988.99) |
| **Expenses** |   |   |  |
| Personnel Services | 6,096,683.44 | 4,529,001.95 | 1,567,681.49 |
| Maintenance and Other Operating Expenses | 6,521,792.39 | 5,148,851.47 | 1,372,940.92 |
| Financial Expenses | 385,559.00 | 432,329.00 | (46,770.00) |
| Non-Cash Expenses | 617,924.14 | 610,134.76 | 7,789.38 |
|  **Total Expenses** | **13,621,958.97** | **10,720,317.18** | 2,901,641.79 |
| **Profit/(Loss) Before Tax** | **P (150,324.70)** | **P 2,839,306.08** | P (2,989,630.78) |

* 1. As can be gleaned from the table, the total income of P13,471,634.27 was insufficient to cover the expenses of the WD amounting to P13,621,958.97, thus, resulting in a **loss of P150,324.70** for CY 2022.
	2. Comparison of the SCI for CY 2022 and CY 2021, as shown in the table, revealed that there was a decrease in the total income amounting to P87,988.99 and increase in the total expenses amounting to P2,901,641.79. Thus, a decrease in net income for P2,989,630.78 for CY 2022.
	3. Inquiry with the management disclosed that the increase in the total expenses was attributable to the Personnel Services (PS) because the position of General Manager was filled out last August 2022. Hence, there was an increase in the PS account.
	4. With this, a decrease in net profit of the District affects its sustainability of operation and implementation/expansion of government projects. And also, this will raise doubt on the district’s ability to continue as a going concern or to remain in business.
	5. **We recommended the management to undertake transactions to increase sales, intensify collection of outstanding receivables, and minimize operating expenditures in order to recover the loss incurred in CY 2022.**

**Management Comment/s:**

* 1. The management will increase its water rates, prepare the necessary documents for the water rates to be review by LWUA. NRW will be reduced so that the Billing of Consumption will increase and strict collection of billing for the month and arrears of current and previous years.
1. **COMPLIANCE WITH TAX LAWS, RULES, AND REGULATIONS**
2. Kolambugan WD complied with the provisions of Revenue Memorandum Circular No. 23-007 dated March 20, 2007 of the Bureau of Internal Revenue (BIR) on the withholding of taxes from salaries of officials and employees, payments to suppliers and dealers and the remittance thereof within ten days of the ensuing month.
3. The details of the withholding of applicable taxes for each month from the employees’ compensation, honoraria and payments of goods and services with their respective monthly remittances are shown below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Taxes withheld** | **Remittance** | **Balance** |
| Beginning Balance | 16,684.14 |  | 16,684.14 |
| January 2022 | 55,582.12 | 16,684.14 | 55,582.12 |
| February 2022 | 27,404.02 | 55,582.12 | 27,404.02 |
| March 2022 | 21,834.10 | 27,404.02 | 21,834.10 |
| April 2022 | 18,827.37 | 21,834.10 | 18,827.37 |
| May 2022 | 31,854.15 | 18,827.37 | 31,854.15 |
| June 2022 | 14,525.34 | 31,854.15 | 14,525.34 |
| July 2022 | 28,447.46 | 14,525.34 | 28,447.46 |
| August 2022 | 33,837.85 | 28,447.46 | 33,837.85 |
| September 2022 | 30,206.46 | 33,837.85 | 30,206.46 |
| October 2022 | 25,595.60 | 30,206.46 | 25,595.60 |
| November 2022 | 31,097.05 | 25,595.60 | 31,097.05 |
| December 2022 | 36,921.83 | 31,097.05 | **36,921.83** |

1. **COMPLIANCE WITH RA NO. 8291 ON DEDUCTION OF GSIS PREMIUMS AND REMITTANCES**
2. Kolambugan WD substantially complied with the monthly withholding of employees’ contributions and their remittances together with the employer’s share to the Government Service Insurance System (GSIS) within the first ten (10) days of the calendar month following the month to which contributions apply pursuant to Section 6(b) of RA 8291, the GSIS Act of 1997.
3. The details of the monthly contributions and remittances to the GSIS are shown below:

|  | **GSIS Contributions** | **Remittances** | **Balance** |
| --- | --- | --- | --- |
| Beginning Balance | 56,604.47 |  | 56,604.47 |
| January 2022 | 50,025.17 | 56,604.47 | 50,025.17 |
| February 2022 | 55,844.77 | 50,025.17 | 55,844.77 |
| March 2022 | 57,698.02 | 55,844.77 | 57,698.02 |
| April 2022 | 59,448.03 | 57,698.02 | 59,448.03 |
| May 2022 | 59,448.03 | 59,448.03 | 59,448.03 |
| June 2022 | 57,201.99 | 59,448.03 | 57,201.99 |
| July 2022 | 58,185.32 | 57,201.99 | 58,185.32 |
| August 2022 | 64,942.86 | 58,185.32 | 64,942.86 |
| September 2022 | 83,260.25 | 64,942.86 | 83,260.25 |
| October 2022 | 86,850.96 | 83,260.25 | 86,850.96 |
| November 2022 | 86,850.96 | 86,850.96 | 86,850.96 |
| December 2022 | 88,894.51 | 86,850.96 | **88,894.51** |

1. **COMPLIANCE WITH RA 11223 ON PHILHEALTH CONTRIBUTIONS AND REMITTANCES**
2. The District has complied with the provisions of Section 38 of Republic Act (RA) No. 11223 also known as the Universal Health Care Act and PhilHealth Circular No. 0001 S. 2014 on the proper withholding of employees’ contributions and remittances of employees’ and employer’s share within the prescribed period.
3. The recorded monthly remittance of the employees’ and employer’s share for CY 2022 is shown below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Phil Health Contributions** | **Remittances** | **Balance** |
| Beginning Balance | 4,990.44 |  | 4,990.44 |
| January 2022 | 5,211.11 | 4,990.44 | 5,211.11 |
| February 2022 | 5,211.11 | 5,211.11 | 5,211.11 |
| March 2022 | 5,367.55 | 5,211.11 | 5,367.55 |
| April 2022 | 5,211.11 | 5,367.55 | 5,211.11 |
| May 2022 | 5,211.11 | 5,211.11 | 5,211.11 |
| June 2022 | 6,948.28 | 5,211.11 | 6,948.28 |
| July 2022 | 6,426.32 | 6,948.28 | 6,426.32 |
| August 2022 | 8,528.08 | 6,426.32 | 8,528.08 |
| September 2022 | 20,413.43 | 8,528.08 | 20,413.43 |
| October 2022 | 11,728.08 | 20,413.43 | 11,728.08 |
| November 2022 | 11,728.08 | 11,728.08 | 11,728.08 |
| December 2022 | 11,728.08 | 11,728.08 | **11,728.08** |

1. **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Beginning Balance (01/01/2022)** | **CY 2022 Issuances** | **CY 2022****Settlement** | **Ending Balance (12/31/2022)** |
| Notice of Suspension | P 0.00 | P 0.00 | P 0.00 | P 0.00 |
| Notice of Disallowance | P 110,000.00 | P 0.00 | P 17,600.00 | P 92,400.00 |
| Notice of Charge | P 0.00 | P 0.00 | P 0.00 | P 0.00 |

**PART III –**

**STATUS OF IMPLEMENTATION OF**

**PRIOR YEARS’ AUDIT RECOMMENDATIONS**

**Part III- 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 CY 2021, 2020, and 2019 AARs and noted the following:

|  |  |  |
| --- | --- | --- |
| **Status of Implementation** | **No. of Recommendations** | **Percentage** |
| Fully Implemented | 20 | 57.14% |
| Partially Implemented | 14 | 40.00% |
| Not Implemented | 1 | 2.86% |

| **Ref.** | **Audit Observation** | **Audit Recommendation(s)** | **Status of Implementation** |
| --- | --- | --- | --- |
|
|
| AAR 2021 Finding No.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.  | 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. | Fully Implemented1 |
| AAR 2021 Finding No.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. | We recommend the Management: 1. To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment - Accounts Receivables;
 | Partially Implemented1Management has already asked assistance from a lawyer as to the demand letters. |
| 1. Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;
 | Fully Implemented2 |
| 1. 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
 | Fully Implemented3 |
| 1. 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.
 | Not Implemented1Management is still in the process of gathering supporting documents for the request for write-off. |
| AAR 2021 Finding No.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 recommend the management to:1. 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.
 | Partially Implemented2The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report. |
| 1. 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.
 | Fully Implemented4 |
| AAR 2021 Finding No.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. | 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. | Fully Implemented5 |
| AAR 2021 Finding No.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. | 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 | Fully Implemented6 |
| AAR 2021 Finding No.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. | We recommend to the management:1. 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;
 | Fully Implemented7 |
| 1. Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and
 | Fully Implemented8 |
| 1. 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.
 | Fully Implemented9 |
| AAR 2021 Finding No.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. | We recommend 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. | Partially Implemented3Management has initiated steps in preparing WSP by referring from other Water Districts as to procedures due to lack of Technical Knowledge.  |
| AAR 2021 Finding No.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. | 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. | Partially Implemented4Management has initiated steps in preparing WSP by referring from other Water Districts as to procedures due to lack of Technical Knowledge. |
| AAR 2021 Finding No.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. | We recommend to the General Manager:1. 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
 | Fully Implemented10 |
| 1. 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.
 | Fully Implemented11 |
| AAR 2021 Finding No.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. | 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. | Fully Implemented12 |
| 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 Implemented5The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report. |
| 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 Implemented6The Management has not fully implemented the inventory procedures, thus, reiterated in this report. |
| 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 Implemented13 |
| 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 Implemented14 |
| 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 30th day of April. | Fully Implemented15 |
| 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 Implemented16 |
| 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. | We recommended that management:1. Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions.
 | Partially Implemented7Management has not used HGDG in all of its GAD programs, projects, and activities. |
| 1. Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the 5.District, as well as proper charging of the object of expenditures on actual accomplishments.
 | Partially Implemented8Management has not utilized SDD in all of its GAD programs, projects, and activities. |
| 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. | Partially Implemented9Management has initiated steps in preparing WSP by referring from other Water Districts as to procedures due to lack of Technical Knowledge. |
| 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 Implemented17 |
| AAR 2019 Finding No. 1 | Physical count of Property, Plant and Equipment was not conducted as mandated by Section 38, Volume I of the Government Accounting Manual (GAM) thus the amount of the fixed assets account balances reflected in the financial statements in the amount of ₱9,660,293.00 is of doubtful validity. | We recommended that physical count of property, plant and equipment should be conducted and reconciliation of Report on the Physical Count of Property Plant and Equipment to the Accounting unit’s Property Plant and Equipment Ledger Card and the Property and Supply unit’s Property Card be undertaken. The results of such reconciliation should be submitted to the Office of the Auditor as provided by Section 38 and 42, Volume 1 of the Government Accounting Manual. Property Accountability Receipt for these assets should be renewed every three (3) years. | Partially Implemented10The Management has not fully implemented the inventory procedures, thus, reiterated in this report. |
| AAR 2019 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 ₱489,626.19. | We recommended that physical count of inventory be conducted. Submit to the Office of the Auditor a copy of Report on the Physical Count of Inventory, duly reconciled with the Supply Ledger Cards maintained by the Accounting unit and Stock Cards maintained by the Property and Supply unit as provided by Sections C, D and E of Appendix 66, Government Accounting Manual, Volume II. The Auditor or his/her representative should be present when physical count of inventory is to be conducted and therefore notice should be given beforehand when there is such an activity. | Partially Implemented11The Management has not fully implemented the inventory procedures, thus, reiterated in this report. |
| AAR 2019 Finding No. 3 | The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties valuing ₱10,033,918.19 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events and/or force majeure. | We recommended that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30th day of April. | Fully Implemented18 |
| AAR 2019 Finding No. 4 | The failure of the District to collect long outstanding and inactive Accounts Receivables amounting to P257,461.63 contravenes Sec. 10 of the District’s Service Concession Contract and unfavorably affects the Water District operations. | We recommended that Management closely monitor the receivables and intensify its collection, otherwise, file the appropriate request for authority to write-off for the dormant accounts duly supported with the relevant documents. | Partially Implemented12Management is still in the process of gathering supporting documents for the request for write-off. |
| AAR 2019 Finding No. 5 | Water sales for the month of December 2019 amounting to P95,415.35 were not accrued and recognized as income contrary to the Philippine Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts. | We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect a more accurate and reliable balance in the financial statements. | Fully Implemented19 |
| AAR 2019 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 2019 to implement programs, projects and activities to address the adverse effects of climate change and disaster risk reduction and mitigation. | We recommended that plans, programs, projects and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 37 of the FY 2019 General Appropriations Act. | Fully Implemented20 |
| AAR 2019 Finding No. 7 | Kolambugan Water District did not use not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2019, thereby making the attribution of the GAD budget doubtful. | We recommended that management:1. Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget; If the district is not yet trained on the use of the tool, or the GFPS is not capacitated to conduct such gender analysis, it is recommended to seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;
 | Partially Implemented13Management has not used HGDG in all of its GAD programs, projects, and activities. |
| 1. Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the 5. 5.District, as well as proper charging of the object of expenditures on actual accomplishments.
 | Partially Implemented14Management has not utilized SDD in all of its GAD programs, projects, and activities. |
| AAR 2019 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, as a consequence, risks that threaten the safe quality of drinking water and public health may not have been properly addressed by appropriate control measures. | We recommended that Management carry out the necessary steps in the preparation and development of a Water Safety Plan this CY 2019 as provided under DOH Administrative Order No. 2014-0027. |  |