



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

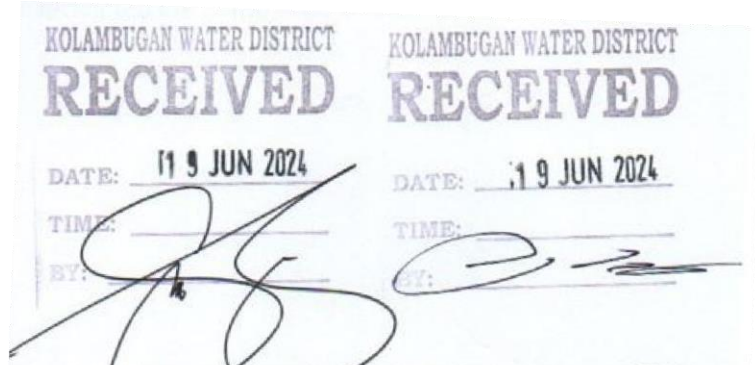
OFFICE OF THE REGIONAL DIRECTOR

March 15, 2024

TINDUG O. MACARAMBON
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, 2023, 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, 2023, 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 2023 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 P9,115,665.86 in the Financial Statements as of December 31, 2023.

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 99 of the General Provisions of the General Appropriations Act FY 2023.

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*

LBC INVOICE No: I6N0710000107904

*The Vice-President of the Philippines
11F, Robinson Cybergate Plaza,
EDSA cor. Pioneer St.,
Mandaluyong, 1550, Metro Manila*

LBC INVOICE No: I6N0710000107906

*The President of the Senate
Room 606 & 512B, 20, 211 (Extension)
GSIS Bldg., Financial Center,
Diokno Boulevard, Pasay City*

LBC INVOICE No: I6N0710000107900

*The Speaker of the House of Representatives
HOR Complex, Constitution Hills, Quezon City*

LBC INVOICE No: I6N0710000107999

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

LBC INVOICE No: I6N0710000107905

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

LBC INVOICE No: I6N0710000107902

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

LBC INVOICE No: I6N0710000107901

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

LBC INVOICE No: I6N0710000107903

*Presidential Management Staff
Office of the President*

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

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

File

KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION (AAPS)

For Calendar Year 2023

As of _____

Sector: Corporate Sector
Auditee: Kolambugan Water District
Audit Period: Calendar Year 2023

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			

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
General Manager

Date: _____



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 14, 2024

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, 2023.

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,

FLORITA K. KIONISALA
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 28, 2024

Ms. FLORITA K. KIONISALA

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, 2023.

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,

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

FATIMAH SUZZANE A. DISAMBURUN

State Auditor IV

Audit Team Leader



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

ANNUAL AUDIT REPORT

ON THE

KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. INTRODUCTION

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

The KOLWD is presently categorized as “Category D” Water District serving a total population of 16,065 as of December 31, 2023 with 3,213 total service connections.

As of December 31, 2023, 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:

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

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 2023. The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances. It was also made to determine whether the district’s financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed.

B. FINANCIAL HIGHLIGHTS

Financial Condition

	2023	2022	Increase/ (Decrease)	Percentage
Assets	₱14,802,961.14	₱17,078,559.00	₱(2,275,597.86)	13%
Liabilities	₱ 5,437,448.59	₱ 6,077,477.55	₱ (640,028.96)	11%
Government Equity	₱ 9,365,512.55	₱11,001,081.45	₱(1,635,568.90)	15%

Results of Operations

	2023	2022	Increase/ (Decrease)	Percentage
Income	₱14,441,265.14	₱13,471,634.27	₱ 969,630.87	7%
Expenditures	₱13,724,737.36	₱13,621,958.97	₱ 102,778.39	.75%
Net Operating Income	₱ 716,527.78	₱ (150,324.70)	₱ (866,852.48)	5.75%

C. SCOPE OF AUDIT

The audit covered the examination of the accounts and operations of Kolambugan Water District, Kolambugan, Lanao del Norte for the period January 1 to December 31, 2023. The audit consisted of review of operating procedures, inspection of programs and projects, testing the adequacy of the related systems and controls set by the agency, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees, and the application of other audit procedures considered necessary under the circumstances.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

A Modified-Qualified Opinion was rendered on the fairness of presentation of the financial statements due to 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 P9,115,665.86 in the Financial Statements as of December 31, 2023.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

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

1. Dormant Accounts Receivable aged ten (10) years and above totaling P58,413.15 were still carried in the books as of December 31, 2023, 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:

- Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;
 - Request authority from the Commission on Audit for the write-off of the District's dormant receivables; and
 - Continuously monitor and implement strategies on how to collect the inactive accounts receivables.
2. The Corporate Operating Budget (COB) of the district for Fiscal Year (FY) 2023 was not submitted for review and evaluation to the DBM contrary to Section 3 of Corporate Budget Circular No. 22 dated December 1, 2013 and was not prepared in accordance

with the forms prescribed as required in Corporate Budget Memorandum (CBM) No. 44 dated January 17, 2022.

We recommended the management to:

- Submit for review their board-approved annual Corporate Budget every year to the Department of Budget and Management, in compliance with the requirement under CBC No. 22 dated December 1, 2016; and
- Prepare the COB using the prescribed forms in the annually issued corporate budget call.

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

Particulars	Beginning Balance (01/01/2023)	CY 2023 Issuances	CY 2023 Settlement	Ending Balance (12/31/2023)
Notice of Suspension	₱ 0.00	-	-	₱ 0.00
Notice of Disallowance	₱ 0.00	-	-	₱ 0.00
Notice of Charge	₱ 0.00	-	-	₱ 0.00

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the forty-eight (48) prior years' audit recommendations embodied in the CY 2023, 2022, 2021, 2020 and 2019 Annual Audit Report (AAR), thirty-two (32) or 66.67% were fully implemented and sixteen (16) or 33.33% were 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
R10 - CGAS Water Districts and Other Stand-Alone Agencies

INDEPENDENT AUDITOR'S REPORT

TINDUG O. MACARAMBON

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, 2023, 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-Qualified 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, 2023, 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 P9,115,665.86 in the Financial Statements as of December 31, 2023.

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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of the financial statements.

COMMISSION ON AUDIT

BY:



FLORITA K. KIONISALA

State Auditor V
Supervising Auditor

March 14, 2024



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, 2023**, 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.

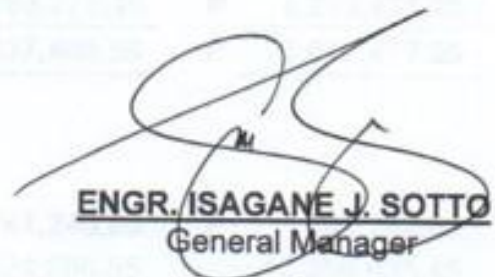
The Commission on Audit has audited the financial statements of the **Kolambugan Water District** in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


DIR. TINDUG O. MACARAMBON
Chairman of the Board

February 14, 2024
Date Signed


KATHLEEN JOYCE G. GAGARRA
Corporate Accounts Analyst

February 14, 2024
Date Signed


ENGR. ISAGANE J. SOTTO
General Manager

February 14, 2024
Date Signed



KOLAMBUGAN WATER DISTRICT
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	<u>NOTE</u>		<u>2023</u>		<u>2022</u>
ASSETS					
Current Assets					
Cash and Cash Equivalents	5	₱	2,587,859.62	₱	3,372,768.45
Receivables	6		1,204,866.45		1,222,717.39
Inventories	7		1,625,644.57		552,974.53
Other Current Assets	9		118,924.64		118,924.64
Total Current Assets		₱	<u>5,537,295.28</u>	₱	<u>5,267,385.01</u>
Non-Current Assets					
Property, Plant and Equipment	8	₱	9,265,665.86	₱	11,811,173.99
Other Non-Current Assets					
Total Non-Current Assets		₱	<u>9,265,665.86</u>	₱	<u>11,811,173.99</u>
Total Assets		₱	<u>14,802,961.14</u>	₱	<u>17,078,559.00</u>
LIABILITIES					
Current Liabilities					
Financial Liabilities	10	₱	-	₱	380,284.00
Inter-Agency Payables	11		85,208.18		93,943.71
Provisions / Trust Liabilities	12		1,768,462.92		1,291,794.69
Total Current Liabilities		₱	<u>1,853,671.10</u>	₱	<u>1,766,022.40</u>
Non-Current Liabilities					
Financial Liabilities	10	₱	<u>3,583,777.49</u>	₱	<u>4,311,455.15</u>
Total Non-Current Liabilities		₱	<u>3,583,777.49</u>	₱	<u>4,311,455.15</u>
Total Liabilities		₱	<u>5,437,448.59</u>	₱	<u>6,077,477.55</u>
EQUITY					
Government Equity					
Government Equity	14	₱	<u>741,246.00</u>	₱	<u>741,246.00</u>
Retained Earnings/(Deficit)			8,624,266.55		10,259,835.45
Total Equity		₱	<u>9,365,512.55</u>	₱	<u>11,001,081.45</u>
Total Liabilities and Equity		₱	<u>14,802,961.14</u>	₱	<u>17,078,559.00</u>

(See Accompanying Notes to Financial Statements)



KOLAMBUGAN WATER DISTRICT
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>NOTE</u>	<u>2023</u>	<u>2022</u>
Income			
Service and Business Income	15	₱ 14,441,265.14	₱ 13,471,634.27
Other Non-operating Income			
Total Income		₱ 14,441,265.14	₱ 13,471,634.27
Expenses			
Personnel Services	16	₱ 7,310,996.55	₱ 6,096,683.44
Maintenance and Other Operating Expenses	17	5,665,244.57	6,521,792.39
Financial Expenses	18	331,899.00	385,559.00
Non-Cash Expenses	19	416,597.24	617,924.14
Total Expenses		₱ 13,724,737.36	₱ 13,621,958.97
Profit/(Loss) Before Tax		₱ 716,527.78	₱ (150,324.70)
Income Tax Expense/(Benefit)		0.00	0.00
Profit/(Loss) After Tax		₱ 716,527.78	₱ (150,324.70)
Net Assistance/Subsidy/ (Financial Assistance/Subsidy/ Contribution)		0.00	0.00
Net Income/(Loss)		₱ 716,527.78	₱ (150,324.70)
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
Comprehensive Income/(Loss)		₱ 716,527.78	₱ (150,324.70)

(See Accompanying Notes to Financial Statements)



**KOLAMBUGAN WATER DISTRICT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2022	₱ 10,139,508.54	₱ 741,246.00	₱ 10,880,754.54
ADJUSTMENTS:			
RESTATED BALANCE AT JANUARY 1, 2022	<u>₱ 10,139,508.54</u>	<u>₱ 741,246.00</u>	<u>₱ 10,880,754.54</u>
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	<u>₱ 10,259,835.45</u>	<u>₱ 741,246.00</u>	<u>₱ 11,001,081.45</u>
CHANGES IN EQUITY FOR 2023			
Add/(Deduct):			
Comprehensive Income for the year	₱ 716,527.78	₱ 0.00	₱ 716,527.78
Other Adjustments	(2,352,096.68)	0.00	(2,352,096.68)
BALANCE AT DECEMBER 31, 2023	<u>₱ 8,624,266.55</u>	<u>₱ 741,246.00</u>	<u>₱ 9,365,512.55</u>

(See Accompanying Notes to Financial Statements)



KOLAMBUGAN WATER DISTRICT
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	₱ 1,647,064.71	₱ 1,011,608.62
Collection of Receivables	12,890,508.41	12,512,680.52
Total Cash Inflows	₱ 14,537,573.12	₱ 13,524,289.14
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 14,537,573.12	₱ 13,524,289.14
Cash Outflows		
Payment of Expenses	₱ 10,406,059.99	₱ 10,299,722.69
Purchase of Inventories	63,628.51	62,454.04
Payments of Accounts Payable	1,710,169.77	1,107,361.74
Other Disbursements	1,899,004.86	1,409,809.48
Total Cash Outflows	₱ 14,078,863.13	₱ 12,879,347.95
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 14,078,863.13	₱ 12,879,347.95
Net Cash Provided by (Used in) Operating Activities	₱ 14,078,863.13	₱ 12,879,347.95
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	₱ 188,662.16	₱ 487,926.54
Total Cash Outflows	₱ 188,662.16	₱ 487,926.54
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 188,662.16	₱ 487,926.54
Net Cash Provided By/(Used In) Investing Activities	₱ 188,662.16	₱ 487,926.54

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	₱ 0.00	₱ 0.00
Adjustments	0.00	0.00
Adjusted Cash Inflows	₱ 0.00	₱ 0.00
Cash Outflows		
Payment of Long-Term Liabilities	₱ 727,677.66	₱ 670,097.00
Payment of Interest on Loans and Other Financial Charges	327,279.00	384,859.00
Total Cash Outflows	₱ 1,054,956.66	₱ 1,054,956.00
Adjustments	0.00	0.00
Adjusted Cash Outflows	₱ 1,054,956.66	₱ 1,054,956.00
Net Cash Provided By/ (Used In) Financing Activities	₱ 1,054,956.66	₱ 1,054,656.00
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	₱ (784,908.83)	₱ (897,941.35)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1, 2022	₱ 3,372,768.45	₱ 4,270,709.80
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2022	₱ 2,587,859.62	₱ 3,372,768.45

(See Accompanying Notes to Financial Statements)



KOLAMBUGAN WATER DISTRICT
Kolambugan, Lanao del Norte

NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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

2023 Operational Highlights

A comparative financial condition and results for operations for CY 2023 and 2022 is presented below:

Financial Condition

	2023	2022	Increase (Decrease)	Percentage
Assets	₱14,802,961.14	₱17,078,559.00	₱(2,275,597.86)	13%
Liabilities	₱ 5,437,448.59	₱ 6,077,477.55	₱ (640,028.96)	11%
Government Equity	₱ 9,365,512.55	₱11,001,081.45	₱(1,635,568.90)	15%

Results of Operation

	2023	2022	Increase (Decrease)	Percentage
Income	₱14,441,265.14	₱13,471,634.27	₱ 969,630.87	7%
Expenses	₱13,724,737.36	₱13,621,958.97	₱ 102,778.39	.75%
Net Income	₱ 716,527.78	₱ (150,324.70)	₱ (866,852.48)	5.75%

The District had put a compelling effort to deviate from the last year's net loss. It is now operating profitably, indicating its capability to the system operations. As of December 31, 2023, it has 3,213 active consumers having an estimated population of 16,065.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Financial Statement Presentation

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

2.2 Significant Accounting Judgments and Estimates

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

2.3 Basis of Recording

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

2.4 Monetary Denomination Used

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

2.5 Methods of Accounting

The District uses the Revised Chart of Accounts prescribed under COA Circular N0. 2015-010 dated December 01, 2016 effective January 01, 2017.

2.6 Significant accounting policies observed for each account

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

2.6.5 Construction in Progress

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

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

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

2.6.7 Liabilities

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

2.6.8 Revenues

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the enterprise. However, when an uncertainty arises about the collectability 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 NO. 2004-005 dated August 9, 2004.

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

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

4. Budget Information

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

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

5. Cash and Cash Equivalent

This account consists of the following:

PARTICULARS	2023	2022
Cash on Hand	₱ 7,330.72	₱ 11,848.15
Cash in Bank	2,580,528.90	3,360,920.30
Total	₱ 2,587,859.62	₱ 3,372,768.45

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	2023	2022
Accounts Receivable	₱ 1,398,051.15	₱ 1,377,134.27
Allowance for Impairment- A/R	(193,184.70)	(154,416.88)
Total	₱ 1,204,866.45	₱ 1,222,717.39

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.

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	More than 20 Years	Grand Total
1	₱ 6,137.16	₱ 21,835.15	-	-	₱ 900.10	-	₱ 28,873.41
2	99,916.80	16,684.60	3,881.75	17,238.25	-	-	137,721.40
3	42,152.71	5,100.25	-	-	-	-	47,252.96
4	45,238.91	22,247.10	7,146.50	944.75	-	-	75,577.26
5	45,210.53	4,099.80	-	-	-	-	49,310.33
6	151,281.51	2,267.85	2,840.80	5,773.05	3,827.55	-	165,990.76
7	54,261.84	28,664.05	30,317.80	3,780.60	1,505.95	-	118,530.24
8	82,543.14	24,926.70	2,646.90	3,368.25	1,466.15	-	114,951.14
9	47,794.29	23,410.50	526.50	3,007.75	841.80	-	75,580.84
10	73,841.05	9,115.40	1,123.00	701.50	938.75	-	85,719.70
11	5,380.13	746.90	-	-	-	-	6,127.03
12	56,839.72	6,435.00	8,836.30	1,822.80	1,128.60	-	75,062.42
13	80,496.17	8,573.55	2,361.05	5,016.35	-	245.10	96,692.22
14	68,392.02	23,056.20	3,617.95	5,905.85	-	-	100,972.02
15	11,767.62	7,303.45	-	-	-	-	19,071.07
16	14,525.42	1,462.05	-	-	-	-	15,987.47
17	79,423.27	22,115.23	-	-	-	-	101,538.50
18	72,622.15	10,470.23	-	-	-	-	83,092.38
TOTAL PAST DUE (Active + Inactive)	₱1,037,824.44	₱238,515.01	₱63,298.55	₱47,559.15	₱10,608.90	₱245.10	₱1,398,051.15

7. Inventories

This account consists of the following:

PARTICULARS	2023	2022
Inventory Held for Consumption	₱ 1,625,644.57	₱ 552,974.53

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	2023	ADDITIONS	2022
Land	₱ 150,000.00	-	₱ 150,000.00
Office Equipment	50,000.00	(955,689.03)	1,005,689.03
Furniture and Fixture	-	(253,396.28)	253,396.28
Machinery	1,395,300.00	(666,687.89)	2,061,987.89
Reservoir	354,781.25	-	354,781.25
Motor vehicle	175,900.00	-	175,900.00
DRRE	-	(67,057.75)	67,057.75
Water Supply System	19,215,921.96	(70,250.00)	19,286,171.96
Construction in Progress – Infra	25,960.00	25,960.00	-
Development in Progress – Computer Software	160,000.00	160,000.00	-
Total	₱ 21,527,863.21	₱ (1,827,120.95)	₱ 23,354,984.16

Accumulated Depreciation

PARTICULARS	2023	ADDITIONS	2022
Land	₱ -	₱ 0.00	₱ -
Office Equipment	16,625.00	(781,977.08)	798,602.08
Furniture and Fixture	-	(130,650.60)	130,650.60
Machinery	171,206.13	(809,112.05)	980,318.18
Reservoir	354,781.25	0.00	354,781.25
Motor Vehicle	123,454.48	200.31	123,254.17
Water Supply System	-	(18,957.94)	18,957.94
DRRE	11,596,130.49	2,458,884.54	9,137,245.95
Total Accumulated Depreciation	₱ 12,262,197.35	₱ 718,387.18	₱ 11,543,810.17
Net Book Value	₱ 9,265,665.86	(₱2,545,508.13)	₱ 11,811,173.99

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	2023	2022
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	2023	2022
Accounts payable	₱ -	₱ 380,284.00
Bill/Bonds /Loans Payable	3,583,777.49	4,311,455.15
Total	₱ 3,583,777.49	₱ 4,691,739.15

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

Loans Payable-Domestic represents the first availed loan from LWUA for the finance projects of the Water District.

11. Inter-Agency Payables

This account can be broken down as follows:

PARTICULARS	2023	2022
Due to BIR	₱ (10,207.40)	₱ 12,434.39
Due to GSIS	82,786.40	68,014.50
Due to PAG-IBIG	15,662.95	16,537.98
Due to PHILHEALTH	(3,033.77)	(3,043.16)
Total	₱ 93,943.71	₱ 93,943.71

12. Trust Liabilities

This account consists of:

PARTICULARS	2023	2022
Leave Benefits Payable	₱ 1,768,462.92	₱ 1,291,794.69

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	2023	2022
Donated/Contributed Capital	₱ 741,246.00	₱ 741,246.00
Retained Earnings	8,624,266.55	10,259,835.45
Total	₱ 9,365,512.55	₱ 11,001,081.45

15. Service and Business Income

This account can be broken down as follows:

PARTICULARS	2023	2022
Water works system fees	₱ 13,001,279.28	₱ 12,434,835.80
Other Service Income	1,174,330.00	732,649.00
Fines and Penalties	265,655.86	304,149.47
Total	₱ 14,441,265.14	₱ 13,471,634.27

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	2023	2022
Salaries and Wages Regular	₱ 3,753,984.00	₱ 2,738,927.55
Salaries contractual	451,645.42	615,870.84
Honoraria	159,322.00	157,122.00
Personnel Benefits Contribution	552,983.25	368,912.89
Other Compensation	2,393,061.88	1,999,124.97
Other Personnel Benefits	-	216,725.19
Total	₱ 7,310,996.55	₱ 6,096,683.44

The District implemented the 4th Tranche per National Budget Circular No. 588 effective January 1, 2023.

The increase of salaries of the employees and other bonuses of the District in the implementation of 4th tranche per National Budget Circular No. 591.

Salaries and Wages regular account are salaries given to permanent employees. It represents the employees' earnings at a particular period. Salaries contractual and job order, represents honorarium of watchmen and job order at a particular period.

This is the gross amount before deduction of taxes and other statutory and contractual obligations. Payroll preparation is scheduled twice a month, 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	2023	2022
Traveling Expenses per diem	₱ 346,989.00	₱ 166,150.90
Training Expenses	53,700.00	147,347.00
Office Supplies Expense	153,003.90	207,027.60
Accountable forms Expenses	164,493.14	135,665.66
Chemical & Filtering Supplies Expense	100,601.92	169,195.04
Non-Accountable Forms Expense	6,520.00	-
Fuel, Oil and Lubricants Expenses	38,867.00	57,238.65
Generation, Transmission, Distribution Expense	2,886,846.47	3,273,244.87
Electricity Expense	163,984.15	218,134.57
Water Expense	4,405.06	3,400.70
Postage & Courier Expense	4,560.00	3,610.00
Membership Dues & Contributions to Organization	10,457.70	10,180.50
Telephone/Landline Expenses	113,000.00	97,400.00
Cable, Satellite, Telegraph & Radio Expenses	-	1,350.00
Rent/Lease Expense	150,200.00	203,200.00
Representation Expense	115,631.60	177,072.85
Transportation and delivery	41,315.00	69,235.00
Legal Services	4,170.00	3,600.00
Auditing Services	51,523.48	34,928.29
Taxes Duties & Licenses	231,493.31	221,214.72
Fidelity bond Premium	17,580.00	22,200.00
Extraordinary & Miscellaneous Expenses	7,000.00	8,599.75
Insurance Expenses	48,370.76	3,669.57
Other Maintenance operating expenses	229,160.00	172,342.50
Other Supplies & Materials Expense	517,851.52	737,431.28
Printing and Publication Expense	-	79,200.00
Internet Expense	75,699.95	44,096.64
Repairs and Maintenance	127,820.61	232,531.82

PARTICULARS	2023	2022
TOTAL OPERATING & MAINTENANCE EXPENSES	₱ 5,665,244.57	₱6,521,792.39

18. Financial Expenses

PARTICULARS	2023	2022
Bank Charges	₱ 4,620.00	₱ 700.00
Interest Expense	327,279.00	384,859.00
TOTAL FINANCIAL EXPENSE	₱ 331,899.00	₱ 385,559.00

19. Non-Cash Expenses:

This account consists of the following:

ACCOUNT	2023	2022
Depreciation	₱ 377,829.42	₱ 539,621.76
Impairment Loss – Loans and Receivables	38,767.82	78,302.38
TOTAL NON-CASH EXPENSE	₱ 416,597.24	₱ 617,924.14

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, 2023 were approved by the General Manager, Engr. Isagane J. Sotto.

**PART II -
AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

Part II- AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. 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 P9,115,665.86 in the Financial Statements as of December 31, 2023.**

- 1.1. 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:
 - a. *Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station (Section 5.1).*
 - b. *The Head of the Agency shall create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Units of the agency (Section 5.2).*
 - c. *The members of the Inventory Committee shall be temporarily relieved of all their regular duties to devote their full time in the conduct of the physical inventory taking until, the same is completed (Section 5.3).*
 - d. *The entire inventory taking shall be witnessed by the Commission on Audit (COA) Auditor. The Audit Team Leader and/or any of his/her audit team members may be assigned for the purpose (Section 5.4).*
 - e. *The Inventory Committee shall be responsible for the actual count to ascertain the existence, completeness and condition of all PPEs owned by the government agency (Section 5.8).*
 - f. *In coordination with the Property Division/Unit, the Inventory Committee shall plan/strategize on how to conduct and complete the physical inventory within the prescribed period. It shall prepare a Physical Inventory Plan (PIP) containing, at the least, the specific assignments/duties of the Committee members, the cut-off date and a schedule specifying the dates and locations of the inventory taking activities from start up to the targeted completion of the physical inventory (Section 5.9).*

- g. The Inventory Committee shall submit the approved PIP to the COA Audit Team at least ten (10) calendar days before the scheduled start of inventory taking activities (Section 5.11).*
- h. Property records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPE (Section 5.12).*
- 1.2. Kolambugan Water District's property, plant and equipment (except Land) constitutes 61.58% percent of its total assets with net carrying amount of P9,115,665.86 as of December 31, 2022. However, validation on the district's PPEs on the one-time cleansing of these assets revealed that the agency 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, the agency was not able to come up with the complete reconciled balances to be considered as the correct balances of the water district's PPE.
- 1.3. This observation is a reiteration of prior year's audit observation but not implemented by the District. Upon inquiry with the Accounting Unit, it was revealed that though they conducted a physical count of PPE on December 29, 2023 but it was not for the one-time cleansing as required in the COA Circular No. 2020-006. 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 and Property Custodian.
- 1.4. Physical inventory taking is mandatory to prove the recorded PPE's existence, completeness, and valuation. Through this process the Inventory Committee will be able to determine the real condition of the District's properties. They will be able to determine the real condition of the District's properties. They will be able to identify unserviceable and obsolete properties before finally disposing the same. Moreover, properties that were already missing will be noted to determine early on the person's responsible. Only after the complete physical inventory-taking of the District's reported PPE can one ascertain the correctness of its valuation.
- 1.5. 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.
- 1.6. **We recommended the management to:**
- **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.

- 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:

- 1.7. The management will comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking. The property custodian committed to implement the audit recommendation within this calendar year.

Accounts Receivable

2. **Dormant Accounts Receivable aged ten (10) years and above totaling P58,413.15 were still carried in the books as of December 31, 2023, 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.**

- 2.1. 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:*

a. *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;*

b. *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

- 2.2. As of December 31, 2023, the balance of the Accounts Receivable (AR) per Statement of Financial Position and AR Aging Schedule amounted to P 1,398,051.15. Of this amount, P 401,116.83 or 28.69% were classified as inactive accounts aged 1 day to more than 10 years. Moreover, of this amount, a total of P57,468.40 have been outstanding for more than 10 years including the P944.75 from active accounts, totaling P58,413.15. Details are as follows:

Aging of Accounts Receivable as of December 31, 2023							
	Less than 30 days	Less than a year	1-5 years	6-10 years	more than 10 years	TOTAL	%
ACTIVE	844,533.29	130,380.12	21,076.16		944.75	996,934.32	71.31%
INACTIVE		62,911.03	217,438.85	63,298.55	57,468.40	401,116.83	28.69%
TOTAL	844,533.29	193,291.15	238,515.01	63,298.55	58,413.15	1,398,051.15	100%

- 2.3. This is a reiteration of prior year’s findings. Inquiry with the management revealed that they have already gather documents such as barangay certificate (certifying that they are not living anymore in that place), Death Certificates, and send demand letters to the inactive account concessionaires. Some of these have paid their balance and some haven’t But the management has yet to request write-off to the Audit team.

- 2.4. Keeping long outstanding or dormant receivables in the books of accounts may provide inaccurate information on possible sources of cash should Management consider cash flows from collections of receivables. Inclusion of these dormant accounts totaling P58,413.15 in the books cast doubt on the accuracy and validity of the reported accounts receivable balance amounting to P 1,398,051.42 as of December 31, 2023. The collectability of these is already remote hence, can already be subjected for write-off in accordance with the provisions of COA Circular No. 2016-005.

2.5. We recommended the management to:

- **Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;**
- **Request authority from the Commission on Audit for the write-off of the District’s dormant receivables;**
- **Continuously monitor and implement strategies on how to collect the inactive accounts receivables.**

Management Comment/s:

- 2.6. 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.

B. NON-FINANCIAL AUDIT OBSERVATION

Corporate Operating Budget

3. **The Corporate Operating Budget (COB) of the district for Fiscal Year (FY) 2023 was not submitted for review and evaluation to the DBM contrary to Section 3 of Corporate Budget Circular No. 22 dated December 1, 2013 and was not prepared in accordance with the forms prescribed as required in Corporate Budget Memorandum (CBM) No. 44 dated January 17, 2022.**

- 3.1. Section 6 of Executive Order No. 518 dated January 23, 1979 states that each government-owned or controlled corporation shall prepare an operating budget consisting of: (1) estimates of revenue, (2) estimates of expenditure, and (3) estimates of borrowings. The expenditure estimates shall cover the current operating and capital expenditures. The operating budget of each government-owned or controlled corporation shall be prepared following such procedure and guidelines as may be determined by the President/Minister. They shall be prepared prior to the beginning of the fiscal year and recommended by the Governing Board of the Corporation, for consideration and final approval by the President/Prime Minister

- 3.2. Corporate Budget Circular (CBC) No. 22 dated December 1, 2016 was then issued setting forth the guidelines on the submission of the COB for CY 2017 and thereafter. GOCCs/GFIs are required to prepare and submit their COBs to the DBM prior to the beginning of the ensuing fiscal year but not later than December 31 of the current year. It also provided that the DBM forms prescribed under the Corporate Budget Memorandum or Corporate Budget Call issued annually shall be used in the preparation of the COB. Section 3 of the said Budget Circular provides that:

3.0 General Guidelines and Policies

- 3.1 *GOCCs/GFIs shall prepare and submit their COBs to the DBM prior to the beginning of the ensuing fiscal year but not later than December 31 of the current year. For GOCC/GFIs receiving budgetary support from the national government, release thereof shall depend on the timely submission of their COBs.*

- 3.2 *The COB shall consist of estimates of financing sources and expenditures for current operating and capital outlays. The COB should reflect realistic estimates of receipts from all sources to support the*

level of proposed expenditures clearly supported by assumptions, programs or projects.

- 3.3 *Any increase in the approved principal COB in the course of the budget year as may be warranted by additional corporate receipts shall require submission and approval of a supplemental COB to cover the additional expenditures.*
 - 3.4 *In case a GOCC/GFI submits its principal COB after June 30 of the FY, the same shall no longer be reviewed/evaluated by the DBM. As such, the COB level shall only be up to the extent of last year's approved budget level, net of non-recurring expenses.*
- 3.3. For FY 2023, DBM issued CBM No. 44 dated January 17, 2022 to facilitate the timely formulation and submission of the GOCC's budget proposals. It provides that:
- 4.0 *General Submission Requirements*
 - 4.1 *All Budget Preparation (BP) Forms shall be accomplished consistent with Annex B (BP Guidelines, Forms and Instructions) of this CBM, and submitted via the Online Submission of Budget Proposals System (OSBPS) v2.0, including those forms considered as "Not Applicable" to the GOCC/GFI concerned. Three (3) sets of the hard copies thereof, generated from the OSBPS v2.0 must be submitted to the DBM, duly signed and endorsed by the Department Secretary or the Head of Other Executive Offices (OEOs).*
 - 4.1.1 *It must be emphasized that the hard copy submission must be the same as the encoded data under the OSBPS v2.0. In the event the submitted hard copies of the required BP Forms duly endorsed by the Department/Agency Heads are not consistent with the encoded data under the OSBPS v2.0, the encoded data shall prevail and will be regarded as the official submission of the GOCCs/GFIs.*
 - 4.2 *Strict adherence to the submission deadlines specified in Annex C (Calendar of Activities) of this CBM should be observed.*
- 3.4. The District's COB for CY 2023 was approved through Board Resolution No. 56, series of 2022. Per review, Management had consistently failed to submit its current and prior year COBs to the DBM for review. Further, it was not prepared using the forms prescribed in the annually issued corporate budget call, in this case, CBM No. 44.
- 3.5. Inquiry with management revealed that they have not attempted to submit its COB CY 2023 and CY 2022 to DBM Regional Office No. X because when they submitted their COB CY 2021, the DBM Region X did not accept it and provided no explanation such.

3.6. The non-submission of the COB to the DBM, as well as its non-preparation using the prescribed budget forms, may hinder the proper determination of whether proposed expenditures are in accordance with the guidelines and supported with realistic estimates of receipts, thereby casting doubt that expenses listed were allowable and supportive of government programs.

3.7. **We recommended the management to:**

- **Submit for review their board-approved annual Corporate Budget every year to the Department of Budget and Management, in compliance with the requirement under CBC No. 22 dated December 1, 2016; and**
- **Prepare the COB using the prescribed forms in the annually issued corporate budget call.**

Management Comment/s:

3.8. 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

C. REMITTANCE OF GSIS, PHILHEALTH, AND PAG-IBIG PREMIUMS

4. The Water District complied with the obligation to deduct from officer's and employee's compensation the mandatory employee's contribution and the corresponding employer's share for CY 2023 and remitted the same (1) to the GSIS pursuant to Sections 5 and 6 of RA No. 8291 or the Revised Government Service Insurance Act of 1997 and (2) to the PHIC pursuant to RA No. 10606, an act amending RA No, 7875, otherwise known as the National Health Insurance Act of 1995, as amended, and for other purposes. Furthermore, the District substantially complied with the provisions of Rule VII of IRR 9670 dated July 21, 2009 and HDMF Circular No. 275 dated January 22, 2010.

D. COMPLIANCE WITH TAX LAWS, RULES AND REGULATIONS INCLUDING REMITTANCES TO BIR

5. Taxes withheld from the salaries and benefits of employees, payments for the purchase of materials and services, franchise tax and other related taxes amounting to P495,849.26 for CY 2023, were regularly withheld and remitted to the BIR in compliance with Revenue Regulations No. 2-98 dated April 17, 1998.

E. STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

6. The total audit suspension, disallowances and charges found in the audit of various transactions of the agency as of December 31, 2023 is P0.00, based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by the Commission, as summarized below:

Particulars	Beginning Balance (01/01/2023)	CY 2023 Issuances	CY 2023 Settlement	Ending Balance (12/31/2023)
Notice of Suspension	₱ 0.00	0.00	0.00	₱ 0.00
Notice of Disallowance	₱ 0.00	0.00	0.00	₱ 0.00
Notice of Charge	₱ 0.00	0.00	0.00	₱ 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 2022, 2021, 2020, and 2019 AARs and noted the following:

Status of Implementation	No. of Recommendations	Percentage
Fully Implemented	32	66.67%
Not Implemented (For Implementation)	16	33.33%

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
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, 2023.	We recommended the management to: a) Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances.	Fully Implemented ₀₁
		b) If possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate implementation of the physical count.	Not Implemented ₀₁
AAR 2022 Finding No.2	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, 2023, contrary to COA Circular No. 2016-005 dated December 19, 2016, thereby affecting the accuracy and validity of the reported Accounts Receivable account	We recommended the management to: a) Send demand letters to inactive concessionaires that have been outstanding for more than ten (10) years;	Fully Implemented ₀₂
		b) Request authority from the Commission on Audit for the write-off of the District's dormant receivables;	Not Implemented ₀₂

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	in the Financial Statements as at year-end.	c) Continuously monitor and implement strategies on how to collect the inactive accounts receivables.	Not Implemented ₀₃
AAR 2022 Finding No. 3	The District's NRW as of December 31, 2023 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 (m ³) costing ₱80,627.20.	3.7. We recommended the management to: a) 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 b) Ensure that the NRW level is reduced and shall not exceed the 20 per cent maximum acceptable performance level set by LWUA.	Not Implemented ₀₄ Not Implemented ₀₅
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 (HGDA) 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: a) To fully utilize its GAD budget for GAD-related activities which shall be integrated in its projects and programs; b) To collect and generate sex-disaggregated data and submit a report thereon as mandated by PCW MC No. 2014-05; c) To perform gender analysis using the HGDA 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 d) To attend capacity trainings and seminars to implement GAD concerns as provided under PCW-	Fully Implemented ₀₃ Fully Implemented ₀₄ Fully Implemented ₀₅ Fully Implemented ₀₆

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		NEDA-DBM JC No. 2012-01	
AAR 2022 Finding No. 5	The District reported a net loss amounting to P150,324.70 in CY 2023 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 2023.	Fully Implemented ₀₇
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 Implemented ₀₈
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, 2022 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:	Not Implemented ₀₆
		a) To review, send confirmations letters and examine all long overdue accounts receivables and prepare adjusting journal entry reflecting appropriate Allowance for Impairment - Accounts Receivables;	Management has already asked assistance from a lawyer as to the demand letters.
		b) Through the Accountant, to conduct regular and periodic verification, analysis, and validation of the existence of receivables;	Fully Implemented ₀₉
		c) To set up Allowance for Impairment – Accounts Receivables based on collectability and evaluation of factors such as aging of accounts, collection	Fully Implemented ₁₀

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		<p>experiences of the agency, expected loss experiences and identified doubtful accounts; and</p> <p>d) Upon identification of actual unrealizable receivables, to request for write-off of accounts abiding COA Circular 2016-005 dated December 19, 2016 specifically on items 8.2. To 8.3 in order to achieve fair presentation of financial statements.</p>	<p>Not Implemented⁰⁷</p> <p>Management is still in the process of gathering supporting documents for the request for write-off.</p>
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, 2022.	<p>We recommend the management to:</p> <p>a) Immediately act and comply with the guidelines and procedures set forth by COA Circular No. 2020-006 on inventory taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts to establish its balances.</p> <p>b) If possible, hire an employee to assist in the performance of the inventory-taking, bookkeeping, and accounting for the immediate implementation of the physical count.</p>	<p>Not Implemented⁰⁸</p> <p>The Management has not fully implemented the One-Time Cleansing procedures, thus, reiterated in this report.</p> <p>Fully Implemented¹¹</p>
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 Implemented ¹²

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
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 Implemented ¹³
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: a) To direct the Accountant to prepare the necessary adjusting entries for the current year's erroneous recording of the electricity for the pumping stations to reclassify them to their appropriate accounts as prior years' journal entries have already been closed to Accumulated Surplus/Deficit;	Fully Implemented ¹⁴
		b) Through the Accountant, to prospectively record these transactions in the correct expenses account classification to achieve a fair presentation of financial statements; and	Fully Implemented ¹⁵
		c) To comply with and implement the provisions of COA Circular No. 2015-010 dated December 1, 2015 on the adoption of a Revised Chart of Accounts (RCA) for Government Corporations, including Water Districts.	Fully Implemented ¹⁶
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.	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	Not Implemented ⁰⁹ Management has initiated steps in preparing WSP by referring from other Water Districts as to

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	DOH Administrative Order No. 2014-0027.	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.	Not Implemented ¹⁰ Management 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 2022 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: a) To require the GAD Focal Person to prepare the GAD Accomplishment Report and submit the same within the deadline prescribed by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and COA Circular 2014-001; and b) To copy furnish the Office of the Audit Team Leader within five (5) working days from the end of January of the preceding year as provided on the above cited rules and regulations.	Fully Implemented ¹⁷ Fully Implemented ¹⁸
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	We recommend that Management shall insure all its insurable properties with the GSIS by strictly following the guidelines provided in the	Fully Implemented ¹⁹

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	COA Circular No. 2018-002 dated May 31, 2018.	
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.	Not Implemented ¹¹ The 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.	Fully Implemented ²⁰
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-	We recommended that the accountant obtain and update the list of supporting documents for payroll transactions and ensure that these are completely attached	Fully Implemented ²¹

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	to the disbursement vouchers upon processing.	
AAR 2020 Finding No. 4	Payment of Hazard Pay in the amount of ₱26,250.00 is not in conformity with Section 3.2 of CSC MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 (Revised Interim Guidelines for Alternative Work Arrangements and Support Mechanisms for Workers in the Government During the Period of State of National Emergency Due to COVID-19 Pandemic).	We recommended that the District strictly adhere to the provisions Section 3.2 of CSC MC No. 10, S. of 2020 dated May 7, 2020 as amended by CSC MC No. 18, S. of 2020 dated October 15, 2020 in the grant of Hazard Pay during the time of locally declared ECQ.	Fully Implemented ²²
AAR 2020 Finding No. 5	The District did not adhere to Republic Act No. 656 (Property Insurance Law) to insure their properties valuing ₱10,033,918.19 thus exposing District property to unindemnifiable damage, loss due to fire, earthquake, storm, or other casualty brought by fortuitous events and/or force majeure.	We recommended that adherence to Section 5 of RA 656 to protects the District against any damage or loss properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty. Submit yearly the Property Inventory Form to the Government Service Insurance System and to the Office of the Supervising Auditor/Audit Team Leader every 30 th day of April.	Fully Implemented ²³
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	We recommended that plans, programs, projects, and other activities should be implemented to address this need in compliance with Section 4 of the IRR of RA 10121 and Section 37 of the FY 2020 General Appropriations Act.	Fully Implemented ²⁴

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	change and disaster risk reduction and mitigation.		
AAR 2020 Finding No. 7	Kolambugan Water District did not use gender statistics and sex-disaggregated data and the existing gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects in the prepared GAD Plan and Budget for calendar year 2020, thereby making the attribution of the GAD budget doubtful.	<p>We recommended that management:</p> <p>a) Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the 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.</p>	Fully Implemented ²⁵
		b) Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the 5. District, as well as proper charging of the object of expenditures on actual accomplishments.	Fully Implemented ²⁶
AAR 2020 Finding No. 8	The Agency did not undertake preliminary actions on the development of a Water Safety Plan as required in	We recommended that Management carry out the necessary steps in the preparation and development	Not Implemented ¹² Management has only initiated steps in

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	of a Water Safety Plan this CY 2020 as provided under DOH Administrative Order No. 2014-0027.	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 Implemented ²⁷
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.	Not Implemented ¹³ The 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,	We recommended that physical count of inventory be conducted. Submit to the	Not Implemented ¹⁴

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	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.	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.	The 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 Implemented ²⁸
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.	Not Implemented ¹⁵ Management 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	We recommended that Management start recognizing their accrued income from water sales and to adjust the necessary accounts to reflect	Fully Implemented ²⁹

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
	Accounting Standards (PAS) 1 and PAS 18, thus resulting to understatement of income from water sales and related accounts receivable accounts.	a more accurate and reliable balance in the financial statements.	
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 Implemented ₃₀
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: a) Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDC 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	Fully Implemented ₃₁

Ref.	Audit Observation	Audit Recommendation(s)	Status of Implementation
		<p>workshop from accredited institutions;</p> <p>b) Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the 5. 5.District, as well as proper charging of the object of expenditures on actual accomplishments.</p>	Fully Implemented ₃₂
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.	Not Implemented ₁₆