

EXECUTIVE SUMMARY

A. Introduction

Don Carlos Water District (DCWD) was formed on September 15, 1981 under the local government of Don Carlos and was transferred on August 12, 1983 which was approved by the Local Water Utilities Administration (LWUA) under Presidential Decree No. 198.

The operation of the District started on April 1, 1988 and is managed by a General Manager appointed by the Board. The General Manager has full supervision and control over the maintenance, operation and construction of water supply and wastewater disposal and administrative facilities of the District with full power and authority to exercise management prerogatives.

For calendar year 2019, the District is manned with 11 regular employees, and 28 employees under job order status assigned in four different sections. The Board of Directors is composed of five members from five different sectors and is the policy-making body of the District.

As of December 31, 2019, the District is serving a total population of 71,608 with total service connections of 4,225, of which, 3,610 is considered active. The District has been classified as Category D - small water district effective March, 2012 pursuant to LWD - MaCRO.

The audit examination of Don Carlos Water District covers the accounts and operations for calendar year 2019.

Our audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and accordingly included such test of the accounting records and other procedures that are deemed necessary, including an evaluation of the design and operating effectiveness of internal controls.

The team secured copies of financial reports, schedules, and transactions documents which were reviewed, checked and evaluated. Analysis of accounts was also employed and series of interviews were conducted with concerned District personnel. Audit procedures which were deemed necessary were also performed such as tracing/verifying amounts from the transaction documents to financial reports and books of accounts, walk through, checking completeness of documentary requirements, and some other procedures were then employed.

The audit is aimed to:

1. ascertain the fairness of presentation of the Financial Statements;
2. ascertain the propriety of financial transactions and compliance with the prescribed rules and regulations;
3. recommend agency improvement; and
4. determine the extent of implementation of prior year's audit recommendations.

B. Financial Highlights

The comparative figures for calendar years 2019 and 2018 financial data showed an increase in liabilities and expenses. However, the increase in assets and income is way higher, thus resulting to an increase in overall net income as summarized below:

Particulars	2019	2018	Increase (Decrease)
Total Assets	₱ 25,378,932.06	₱ 23,587,471.56	₱ 1,791,460.50
Total Liabilities	12,414,217.69	12,279,730.95	134,486.74
Total Equity	₱ 12,964,714.37	₱ 11,307,740.61	₱ 1,656,973.76

Gross Income	₱ 19,589,996.12	₱ 18,171,667.62	₱ 1,418,328.50
Operating Expenses	17,529,507.95	16,594,271.76	935,236.19
Net Income (Loss)	₱ 2,060,488.17	₱ 1,577,395.86	₱ 483,092.31

C. Independent Auditor's Report on the Financial Statements

A modified-qualified opinion was rendered on the financial statements of Don Carlos Water District as of December 31, 2019 due to (a) the agency's failure to accrue or recognize income at year end its water sales during the most part of the month of December 2019 resulting to an understatement of income and receivable accounts in the financial statements in the total amount of P1,354,773.94 contrary to Philippine Accounting Standards (PAS) 1 and 18.

D. Summary of Significant Audit Observations and Recommendations

The following is the significant observation with the corresponding recommendations, which need immediate action:

The agency failed to accrue or recognize income at year end its water sales during the most part of the month of December 2019 resulting to an understatement of income and receivable accounts in the financial statements in the total amount of P1,354,773.94, contrary to Philippine Accounting Standards (PAS) 1 AND 18.

We recommended that management direct the accounting personnel to: a) draw journal entries to reflect the necessary adjustments to the income and receivable accounts; and b) henceforth ensure the preparation of its financial statements using the accrual basis of accounting

E. Summary of Total Suspension, Disallowances and Charges as of Year-end

As of December 31, 2019 based on the Status of Suspensions, Disallowances and Charges issued to the District after the effectivity of COA Circular No. 2009-006 dated September 15, 2009, prescribing the Rules and Regulations on Settlement of Accounts

(RRSA), total disallowances found in the audit in various transactions amounted to P86,417.57, as shown in the table below.

Particulars	Balance 12/31/2018	CY 2019 Issuances	CY 2019 Settlement	Balance 12/31/2019
Suspensions	₱ 86,417.57	₱ 0.00	₱ 0.00	₱ 86,417.57
Disallowances	20,553.33	0.00	20,553.33	0.00
Charges	0.00	0.00	0.00	0.00
Total	₱ 106,970.90	₱ 0.00	₱ 20,553.33	₱ 86,417.57

F. Status of Prior Years' Audit Recommendations

As to the status of Prior years' audit recommendations, our evaluation disclosed that one (1) recommendation was fully implemented and three (3) were partially implemented as of December 31, 2019.