

EXECUTIVE SUMMARY

A. INTRODUCTION

Kapalong Water District (KWD), herein referred as “District”, was created operating as a quasi-public utility under a semi-government status, implemented its projects in calculated phases and stages. Transmission and distribution lines, sources, pumping stations and reservoirs multiplied in large proportions as KWD coped with the municipality of Kapalong’s progress. The KWD was formed pursuant to Sangguniang Bayan Resolution No. 87 s. 2009.

The operation of the District is headed by an Acting General Manager, Engr. Edgar C. Vicada appointed by the Board of Directors. The Acting General Manager, subject to the approval of the Board, 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. The District has 1,541 active service connections and serves an estimated population of 7,320 as at December 31, 2019.

B. AUDIT METHODOLOGY

The Commission has been implementing the risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of accounts and operations of the agency.

C. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of the Kapalong Water District for 2019. The audit consisted of a review of operating procedures, evaluation of the District’s programs and projects, interview of concerned government officials and employees, verification, reconciliation, analysis of accounts and such other procedures considered necessary.

D. FINANCIAL HIGHLIGHTS

A comparative financial condition and results of operations for calendar year (CY) 2019 and 2018 is presented as follows:

	2019	2018	Increase (Decrease)	Percentage
Financial Condition				
Total Assets	18,348,541.28	15,282,815.41	3,065,725.87	20.06%
Total Liabilities	7,020,467.81	7,302,139.83	(281,672.02)	-3.86%
Total Equity	11,328,073.47	7,980,675.58	3,347,397.89	41.94%

	2019	2018	Increase (Decrease)	Percentage
Results of Operation				
Income	9,963,352.32	9,507,840.68	455,511.64	4.79%
Expenses	6,344,261.30	7,617,401.69	(1,273,140.39)	-16.71%
Net Income/(Loss)	3,619,091.02	1,890,438.99	1,728,652.03	91.44%

The District's assets increased by 20.06 percent compared to the previous year. The increase was attributed to the increase in Cash and Cash Equivalents. The liabilities decreased by 3.86 percent due to decrease in accounts payable and inter-agency payables account. The equity increased by 41.94 percent is attributed to the increase in net income during the year.

The 4.79 percent increase in gross income is due to the increase in service connections generated during the year. Expenses has decreased by 16.71 percent which is attributed to the decrease in Other Personnel Benefits, Electricity expenses, and Research, Exploration and Development Expenses, thus, resulting in a 91.44 percent increase in net income.

E. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation on the financial statements of the Kapalong Water District for CY 2019 due to Management's failure to provide for the Revaluation and Appraisal Value of the Property, Plant and Equipment amounting to Php8,590,470.86 as at December 31, 2019 comprising 47 percent of the total assets, which rendered the fairness of the account in the financial statements doubtful.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the other significant audit observations and recommendations which are discussed in an exit conference conducted on February 24, 2020 and as presented in detail in Part II of the Report:

1. Unserviceable properties amounting to Php635,932.20 were not disposed and subsequently derecognized contrary to Section 79 of P.D. No. 1445, to the disadvantage of the District.

We recommended that Management:

- a. Require the Property Officer to dispose the assets in accordance with Section 79 of P.D. No. 1445 to prevent further deterioration and congestion of the storeroom and to generate additional income for the District; and
 - b. Require the Accountant to disclose in the Notes to Financial Statements the details of the Unserviceable Assets pending disposal, for the additional information to users of the financial statement.
2. Two (2) parcel of land with an area of 10,000sq.m. and 150sq.m. respectively, acquired through donation and purchase with a total value of Php130,959.97, were not supported with documents of ownership contrary to Section 39 (2) of PD 1445, thus, ownership of the purchased lot remained uncertain, to the disadvantage of the District.

We reiterate prior year's recommendation that Management exert all legal means to secure the Certificates of Land Titles and other legal documents to support the District's claim of ownership over the land in question.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As at December 31, 2019, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed a zero balance.

Notice	Beginning Balance	This Period		Ending Balance
		Jan. 1, 2019 to Dec. 31, 2019		
		NS/ND/NC	NSSDC	
Suspension	0.00	0.00	0.00	0.00
Disallowance	0.00	0.00	0.00	0.00
Charge	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

As at December 31, 2019, the Statement on the implementation of prior years' audit recommendations showed that Eighteen (18) or 46 percent of the total audit recommendations were fully implemented, three (3) or 8 percent partially implemented, and eighteen (18) or 46 percent not implemented as presented below:

Calendar Year	No. Audit Recommendations	Status of Implementation		
		Fully Implemented	Partially Implemented	Not Implemented
2018	12	0	1	11
Prior years	27	18	2	7
Total	39	18	3	18