EXECUTIVE SUMMARY

A. Financial Highlights

The Agency's Assets, Liabilities and Equity as of December 31, 2011 were P7,786,281.69, P 2,258,829.55, and P 5,527,452.14 respectively. As noted, Assets increased by 18.33%, Liabilities increased by 31.31% and Equity increased by 18.% . The increase in assets is attributed to the increase in Receivable accounts.

During the year, The District realized a total income of P 3,072,861.52 out of which 95.16% or P 2,924,137.20 represents collections from water bills while expenditures is P 2,071,123.25 having a net income realized of P 1,001,738.27 for the year 2011.

B. Operational Highlights

No major accomplishment of the District for the year 2011 aside from the minimal increased in water connections of 2 concessionaires from 621 active concessionaires for the year 2010 to 623 concessionaires for the year 2011.

C. Scope of the Audit

A Financial and compliance audit was conducted on the accounts and operations of the Angadanan Water District, Angadanan, Isabela from January 1, 2011 to December 31, 2011. The Audit aimed to ascertain the propriety of disbursement, the reliability of financial reports and the adequacy of accounting records.

The Audit was focused on Cash Management, Accounts Receivable, Accounts Payable, Long Term Liabilities, and Property, Plant and Equipment (UPIS).

D. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of Management presentation of the financial statements due to the District failed to conduct physical inventory of its Utility Plant in Service (UPIS) and non maintenance of updated property ledger cards and the non booked up of its lot amounting to P 48,000.00 based on the market value.

E. Summary of Significant Observations and Recommendations

A. Financial and Compliance Audit

1. The Property, Plant and Equipment (UPIS) in the amount of P 3,100,508.71 were not insured under GSIS.

We recommend that management insure its Property, Plant and Equipment (UPIS) with the GSIS to protect the interest of the government so that in case of loss or damage there will be recovery on the part of the district.

2. Individual ledger cards for concessionaires were not maintained by the accounting processor resulting the difficulty in ascertaining the accuracy and validity of Accounts Receivable-Customers amounting to P 6,513,303.11.

   We recommend and Require the Accounting Processor to maintain individual ledger card to facilitate reconciliation between ledgers and the controlling account.

3. The Local Government Unit (LGU) of Angadanan, Isabela has an outstanding obligation to the District amounting to P 109,134.65 as of December 31, 2011 which deprived the District the needed funds to operate effectively.

   We recommend the District should exert more effort to collect not only from the LGU but also from concessionaires whose accounts are still active.

4. Property, Plant and Equipment (UPIS) account amounting to P3,100,508.71 could not be ascertained due to non-conduct of physical inventory during the year.

   We recommend that management should conduct physical count of all PPE owned by the District and prepare the corresponding report. It should reconcile the inventory report with the accounting records to present the real and actual cost of the properties. Subsidiary ledgers indicating the details of each major category should be maintained and record PPEs condition, its whereabouts and other details that are necessary to prove its existence and ownership.

5. Lot owned by the District was not booked up as asset of the district in violation of Section 58 of Presidential Decree No. 1445.

   We recommend the Acting General Manager to instruct the Accounting Processor to record the lot donated by drawing a Journal Entry Voucher (JEV) attaching the various documents affecting the donated lot with the fair market value of P 48,000.00.

F. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 5 Prior Years' Audit Recommendations contained in the 2010 Annual Audit Report, one (1) was implemented, two (2) were partially implemented and two (2) were not implemented and reiterated this year 2011 annual audit report due to its importance.