

## EXECUTIVE SUMMARY

### A. Introduction

The Viga Water District was formed by virtue of the Sangguniang Bayan Resolution No. 98-232 of the Municipality of Viga, Catanduanes. As a water district, it has the corporate powers and authority granted under Presidential Decree (PD) No. 198, otherwise known as the Provincial Water Utilities Act of 1973, as amended by PD No. 768 and PD No. 1479. It was granted Conditional Certificate of Conformance (CCC) No. 570 by the Local Water Utilities Administration (LWUA) after it has complied with the legal requirements of PD No. 198.

An audit of the financial transactions and operations of the Water District (WD) for Calendar Year (CY) 2017 was conducted. Its objective is to ascertain the fairness of presentation of the financial statements presented by the WD for the purpose of expressing an opinion on these financial statements. It was also conducted to ascertain the validity, propriety and compliance to prescribed rules and regulations of its financial transactions and operations.

To attain the audit objectives, the audit was conducted in accordance with the Philippine Public Sector Standards on Auditing (PPSSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Due to the voluminous transactions of the WD, the audit was conducted on a test basis, applying the audit procedures and techniques such as vouching, inspections and interviews.

As of December 31, 2017, the WD's 668 active service connections remained the same compared to last year.

### B. Financial Highlights

|  | CY 2017        | CY 2016        | Increase/<br>(Decrease) |
|--|----------------|----------------|-------------------------|
| <b>Comparative Financial Position:</b> |                |                |                         |
| Assets                                 | ₱ 5,637,434.96 | ₱ 4,728,006.48 | ₱ 909,428.48            |
| Liabilities                            | 617,420.72     | 560,418.00     | 57,002.72               |
| Equity                                 | 5,020,014.24   | 4,167,588.48   | 852,425.76              |

|  | CY 2017             | CY 2016             | Increase/<br>(Decrease) |
|--|---------------------|---------------------|-------------------------|
| <b>Comparative Results of Operation:</b> |                     |                     |                         |
| Total Income                             | ₱ 3,719,903.31      | ₱ 3,384,039.29      | ₱ 335,864.02            |
| Expenses                                 |                     |                     |                         |
| Personnel Services                       | 1,900,029.47        | 1,814,227.20        | 85,802.27               |
| MOOE                                     | 623,864.84          | 673,776.20          | (49,911.36)             |
| Non-Cash Expenses                        | 351,674.12          | 443,550.10          | (91,875.98)             |
| Total Expenses                           | ₱ 2,875,568.43      | ₱ 2,931,553.50      | ₱ (55,985.07)           |
| Net Income (Loss)                        | ₱ <b>844,334.88</b> | ₱ <b>452,485.79</b> | ₱ <b>391,849.09</b>     |

### C. Independent Auditor's Report on the Financial Statements

The auditor rendered an unmodified opinion on the fairness of presentation of the financial statements for CY 2017.

### D. Significant Audit Observations and Recommendations

#### *Financial and Compliance Audit*

1. The WD allocated the amount of ₱130,000 instead of the required ₱422,167 or 50 per cent of the WD's Net Income as reserve for expansion and improvement of its physical facilities, which is not in compliance with Section 41 of PD No. 198.

We reiterated our recommendation that Management comply with the requirement of law regarding disposition of income.

2. The WD did not prepare its Water Safety Plan (WSP) for the year contrary to the Department of Health (DOH) Administrative Order (AO) No. 2014-0027 issued on September 4, 2014. However, it was regular in its obligation of submitting its water samples for bacteriology tests for the assurance that the supplied water to its concessionaires are of safe quality.

We recommended that Management comply with the regulations on the development and implementation of WSP as required by the DOH. For continuity of assurance of safe water quality, strict implementation of the WSP should be undertaken.

3. The WD did not prepare the Gender and Development (GAD) Program and Accomplishment Report on activities related to GAD for CY 2017, which is not compliant with Section 30 of the General Provisions of General Appropriations Act (GAA) for Fiscal Year 2017.

We reiterated our recommendation that Management comply with the Provisions of the GAA for Fiscal Year 2017 specifically Section 30 and General Guidelines of Joint Circular No. 2004-1 of the Department of Budget and Management, National Economic and Development Authority and National Commission on the Role of Filipino Women.

*Value-For-Money Audit*

4. Outstanding receivable accounts accumulated to ₱339,606 as of December 31, 2017, or an increase of ₱52,612 from previous year's balance of ₱286,994 which is not in accordance with the Board of Directors' Resolution No. 04-010 dated April 15, 2004 or the policy in enforcing collection of receivables of the Water District.

We reiterated our recommendation that Management exert effort to maximize collection of overdue accounts and strictly enforce disconnection policy.

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

There were no Suspensions, Disallowances and Charges as of year-end.

**F. Status of Implementation of Prior Year's Audit Recommendations**

Out of the five prior year's audit recommendations, none was fully implemented, one or 20 per cent was partially implemented and four or 80 per cent was not implemented.