

EXECUTIVE SUMMARY

A. Highlights of Financial Operation

Presented below is the comparative information of the financial operation of the Municipality of Cabagan for the year ended December 31, 2011:

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Assets	P35,671,487.38	P13,045,154.61	P 22,626,332.77
Liabilities	12,482,473.78	7,154,568.18	5,327,905.60
Government Equity	23,189,013.60	5,890,586.43	17,298,427.17
Income	P11,696,633.27	P10,254,059.91	P 1,442,573.36
Expenses	8,468,206.10	7,510,702.95	957,503.15
Net Income	3,228,427.17	2,743,356.96	465,070.21

B. Operational Highlights

For CY 2011, the major accomplishments of the water district in line with its programs/projects for the improvement and expansion of water distribution services were as follows:

- Expansions of water lines
- Construction of Canopy at the entrance door of the Office;
- Construction of perimeter fence at ISU pumping station;
- Improvement of the office and its facilities;
- Purchase of vaults, and various equipments.

C. Scope of the Audit

A financial and compliance audit was conducted on the accounts and operations of the Cabagan Water District, Cabagan, Isabela for CY 2011. The audit aimed to ascertain the propriety of disbursements, the reliability of financial reports and the adequacy of accounting records.

The audit was focused on cash management, accounts receivable, property, plant and equipment, accounts payable, and other financial transactions and operations of the agency.

D. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Cabagan Water District, Cabagan, Isabela for the year ended due to unliquidated cash advances amounting to P1.3M.

E. Significant Findings and Recommendations

The following is the summary of significant findings and recommendations in the audit of the accounts and operations of the Cabagan Water District for Calendar Year 2011:

1. The implementation of a project costing P17.8M yielded deficiencies which resulted in the suspension of P726,500.00 and disallowance of P700,066.00.

We recommend that representations be made with the New Cullion Builders to settle the deficiencies noted and reported.

2. Collections were not deposited intact and regularly.

We recommend strict adherence to the abovementioned regulation on the handling of cash.

3. Unliquidated Cash Advances – P1,346,133.60

We recommend that the Manager exert effort and take legal remedies, if necessary in the liquidation/settlement of the outstanding cash advances.

4. Audit of Payroll Fund account disclosed that the Water District incurred expenditures for overtime services in the total amount of P76,406.17 despite prohibitions embodied under Joint Circular No. 2, Series of 2001 of the Civil Service Commission and the Department of Budget and Management.

We recommend that the General Manager direct the Bookkeeper to stop the practice of paying overtime services in lieu of the overtime pay to avoid disallowances in the future.

5. Some employees of the Water District do not render the required eight (8) hours of services a day for five (5) days in a week or a total of forty (40) hours a week in violation to Chapter II, Manual on Leave Administration Course for Effectiveness (LACE).

We recommend that the prescribed office hours be observed by the personnel of the Water District.

E. Status of Implementation of Prior Year's Audit Recommendations

Of the thirteen (13) audit recommendations embodied in the previous Annual Audit Reports, nine (9) were fully implemented, one (1) was partially implemented and three (3) were not implemented.