

EXECUTIVE SUMMARY

Highlights of Financial Operation

During the year, the Water District had increased its net income by ₱115,124.61, from ₱275,080.68 in 2010 to ₱390,205.29 in 2011 or an increase of 41.85%. Total expenditures for the year 2011 amounted to ₱7,853,481.33, showing a decrease of ₱632,415.11 or -7.45% lower than last year's ₱1,812,828.81.

The Water District's assets, liabilities and residual equity as of year end 2011 amounted to ₱22,248,580.98, ₱15,867,035.14, and ₱6,381,545.84, respectively, which assets reduced by -0.38% , liabilities decreased by -6.28% while residual equity increased by 18.11% from last year's assets, liabilities and residual equity of ₱22,334,088.87, ₱16,930,895.33, and ₱5,403,193.54, respectively.

Scope of Audit

The audit covered the accounts and operations of Zarraga Water District, Zarraga, Iloilo for the year ended December 31, 2011. The audit was conducted to determine the reliability of the Water District's accounts in order to express an opinion on the fairness of presentation of the financial statements as well as to determine whether or not the Water District's transactions were made in accordance with existing laws, rules and regulations

Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the financial position of the Zarraga Water District, Zarraga, Iloilo as of December 31, 2011 and the results of its operations and cash flows for the year then ended.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

- 1. Failure to conduct physical inventory of properties amounting to ₱19,543,097.74 (net) as of December 31, 2011 and prepare a report thereon pursuant to Section 490 of the Government Accounting and Auditing Manual, Volume I rendered the existence, validity and correctness of the Property, Plant and Equipment accounts doubtful.**

We recommend that a committee be created to conduct the physical inventory of all property, plant and equipment.

We likewise recommend that all inventory reports be prepared on the prescribed form and certified correct by the members of the committee.

Furthermore, the inventory records should be reconciled with the accounting records to prove the accuracy of the district's assertions as stated in the financial statements.

2. **Disbursements for personnel benefits and other expenses were not in conformance with applicable laws and regulations resulting in total disallowance of ₱134,000.00**

We recommend that management comply with provisions of Section 168, Title IV, Volume I of the GAAM and other regulations when disbursing funds of the District. It should require the refund of disallowed payments from liable personnel. It should be consistent in effecting completeness of documents prior to payments of all claims in compliance with Section 4.6 of Presidential Decree No. 1445.

Status of Implementation of Prior Year's Audit Recommendations

Of the twenty-seven (27) recommendations embodied on the previous years' report, only 2 were implemented, and 4 were partially implemented.