

## EXECUTIVE SUMMARY

### A. Introduction

Sanchez Mira Water District was established on September 22, 1993 by virtue of Sangguniang Bayan Resolution No. 93-73, pursuant to Section 4 of Presidential Decree (PD) No. 198, series of 1973, as amended by PD Nos. 768 and 1479 or otherwise known as the “Local Water District Law” and “Provincial Water Utilities Act of 1973”, respectively. The Agency formally started its operation on September 18, 1998 with more than 300 initial concessionaires. Currently, it is serving fourteen (14) barangays of the Municipality of Sanchez Mira, Cagayan with 1,805 concessionaires as of year end.

The Agency’s primary objective is to supply potable water, which will meet the domestic demands through the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply within the municipality of Sanchez Mira, Cagayan.

The Agency is classified as Category D, with seven permanent employees and one contract of service.

A financial and compliance audit was conducted on the accounts and operations of the Sanchez Mira Water District for the years ended December 31, 2017 and December 31, 2018. The audit consisted of review of operating procedures, interview of concerned government officials and employees, verification, reconciliation and analysis of accounts, and such other procedures considered necessary to ascertain the fairness of presentation of the financial statements and compliance by the agency to laws, rules and regulations, as well as the determination of the economical, efficient and effective utilization of agency resources.

### B. Financial Highlights

Presented below is the comparative information of the financial condition and operation of the Sanchez Mira Water District for CYs 2018 and 2017:

<b>Accounts</b>	<b>2018</b>	<b>2017</b>	<b>Increase/ (Decrease)</b>
Assets	P 33,381,379	P 34,082,754	P (701,375)
Liabilities	28,765,308	29,554,625	(789,317)
Equity	4,616,071	4,528,129	87,942
Income	8,440,879	7,747,575	693,304
Expense	8,351,587	7,714,067	637,520
Net Income	89,292	33,508	55,784

Also presented below is the comparative information of the budget and actual expenditure of Sanchez Mira Water District for CYs 2018 and 2017:

	2018	2017	Increase/ (Decrease)
Corporate Operating Budget	P 7,058,401	P 6,383,677	P 674,724
Actual Expenditure	8,351,587	7,714,067	637,520

### C. Auditor's Opinion on the Financial Statements

We rendered a modified opinion on the fairness of presentation of the financial statements of the Agency because the existence and valuation of Property, Plant and Equipment with a carrying amount of P27,298,806.27 as at December 31, 2018 could not be ascertained due to non-conduct of physical count and non preparation of Report of Physical Count of Property and Equipment. Also, the accuracy and validity of the balance of the Other Assets account amounting to P2,458,250.65 could not be ascertained due to the absence of schedules/ subsidiary ledgers to support the general ledger balance. Further, the Interest and Penalties from the Loans to LWUA totaling to P8,407,140.51 and P12,767,920.73, respectively were not recognized in the books of the agency. Moreover, the total Loans Payable, Interest Payable and Penalty Payable accounts could not be ascertained due to the non-reconciliation of the balances in the general ledger against LWUA records, showing a discrepancy of P807,073.24, P8,407,140.51 and P12,767,920.73, respectively. Furthermore, the Customers' Deposit Payable account amounting to P679,941.92 as at December 31, 2018 was not supported with schedule.

### D. Significant Observations and Recommendations

1. The ledger balance of Customers' Deposits Payable account did not tally with the Special Deposit maintained for the said account by P202,046.21 as at December 31, 2018 contrary to Commercial Practice Manual for Local Water Districts.

We recommended that Management deposit additional funds in the bank to bring the balance in agreement with the Customers' Deposits received from clients pursuant to the provisions of the Commercial Practices Manual for Local Water District.

2. The policy of the Agency for delinquent payment of monthly water bills was not strictly implemented resulting to the accumulation of uncollected receivables amounting to P742,206.56, contrary to Agency Board Resolution No 04, series of 2016.

We recommended that Management revisit their policy with regard to delinquent payment of monthly water bill and strictly enforce its implementation in order to avoid the accumulation of uncollected receivables and intensify collection efforts to minimize loss of government funds.

3. The auditing fee amounting to P40,186.33 for the audit of CY 2015 accounts was not recognized in the book of the agency thus, understating the Auditing Services Expense and the Due to NGAs accounts by the same amount, which is not in accordance with Section 111 and 112 of P.D. No. 1445.

We recommended that Management make the necessary entry to recognize the cost of Auditing Services amounting to P40,186.33 for the audit of CY 2015 accounts. Also, we request for the settlement of the said audit fee.

4. Insurable properties of the Agency were not covered with the appropriate property insurance with the Government Service Insurance System, as required in COA Circular 2018-002 dated May 31, 2018, thus, leaving its properties at risk of total loss without right of indemnification.

We recommended that Management insure all its insurable properties with the GSIS in compliance with the provisions of COA Circular No. 2018-002 dated May 31, 2018.

5. Payment for Communication Expenses totaling to P36,000.00 for the employees were paid in advance contrary to COA Circular 97-002 dated February 10, 1997.

We recommended that Management strictly adhere with COA Circular 97-002.

#### **E. Compliance with Tax Laws**

The Agency has complied with tax laws and appropriately withheld taxes from payment of goods and services, contracts, as well as franchise tax, in accordance with tax laws.

#### **F. Authorized Government Depository Bank**

The Agency maintained all its account from Authorized Government Depository Bank (Land Bank of the Philippines) in compliance with DOF Department Circular No. 01-2017; DOF DC 002-2016 in relation to DOF DC No. 01-2015.

#### **G. Remittances of GSIS, Pag-ibig and Philhealth premiums**

The Agency has complied with the rules on the proper deductions of GSIS, Pag-ibig and Philhealth premiums from the salaries of employees and the timely remittances of these premiums to the GSIS, Pag-ibig and Philhealth in accordance with R.A Nos. 8291, 9679 and 7875, respectively.

## H. Bonding of Accountable Officers

The Agency has complied with the proper bonding of its Accountable Officers for government funds and property in compliance with Treasury Circular No. 02-2009 dated August 6, 2009.

## I. Compliance on the Payments of Allowances and Benefits

The Agency complied with existing rules and regulations on the payment of allowances, benefits and emoluments as well as the payment of PBB including propriety of the grant of allowances and benefits to the governing board and/or district officials/employees.

## J. Gender and Development

The Agency allocated P431,077.00 and P459,647.00 for calendar year 2017 and 2018, respectively, for GAD purposes and utilized all the fund for gender related programs and activities incorporated in the GAD Plan of the Agency.

## K. Summary of total Suspensions, Disallowances and Charges as of year-end

The Status of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2018 is presented as follows:

	Beginning Balance	Current year		Ending Balance
		NS/ND/NC	NSSDC	
Suspensions	P 0.00	P 0.00	P 0.00	P 00.0
Disallowances	6,462,435.00	0.00	96,524.00	6,365,911.00
Charges	0.00	0.00	0.00	0.00
<b>Total</b>	<b>P 6,462,435.00</b>	<b>P 0.00</b>	<b>P 96,524.00</b>	<b>P 6,365,911.00</b>

## L. Status of Implementation of Prior Year's Audit Recommendations

Out of eleven (11) audit recommendations contained in the 2016 Annual Audit Report, two (2) were validated as fully implemented, six (6) were partially implemented and three (3) were not implemented and are reiterated in Part II of this Report.