EXECUTIVE SUMMARY

A. Introduction

The Metropolitan Tuguegarao Water District was created to serve the water needs of every customer within its area of coverage. Since its formation, MTWD continuously strived to deliver the best service that its customers deserve.

As a result of its efforts, MTWD has been given several awards and citations by various institutions. Among these are the LWUA Hall of Fame (2004) for being an Outstanding Water District for the years 1997, 1998, and 2000; National CSC Pag-asa Award – Group Category (2006); Regional CSC Seal of Frontline Service Excellence (2008); and Regional CSC "The Best Brigada Ahensya" Award (2009).

Behind its success today, MTWD had its share of humble beginnings. Prior to the Water District's birth, Tuguegarao was served by a water system originally built by the Bureau of Public Works in 1924. The original system included three spring sources and a reservoir. Other sources developed were two infiltration wells in 1953 and in 1962, and a deep well in 1964. Several years later, these well sources went out of service when their pumping facilities broke down. Within this period, the management and operation of the water system has already been transferred to the National Waterworks and Sewerage Authority, popularly known as NAWASA on November 18, 1957. In 1963, it was transferred to the provincial government. Ten years later, the municipal government of Tuguegarao took over.

Despite these changes in the management and operation of the water system, the need to provide adequate and potable water in the municipality never ceased. With this goal and by virtue of Municipal Resolution No. 46 on April 6, 1977, the Tuguegarao Water District was born. More than a year later, or on August 1, 1978, Tuguegarao Water District acquired ownership and management over the water system from the municipal government, pursuant to Presidential Decree No. 198, otherwise known as the Provincial Water Utilities Act of 1973. The Local Water Utilities Administration then awarded the TWD with a Conditional Certificate of Conformance on October 4, 1978. This entitled the TWD the rights and privileges of a water district. In its first year of operation, TWD started with 323 water service connections. It continuously grew since then. With all the necessary facilities and infrastructure in place, service connections increased to 40,111 as of December 31, 2017.

TWD has gone a long way since its establishment. It has not only limited its services in the City of Tuguegarao, but to nearby municipalities as well. It merged with then Solana Water District in August 2002, annexed with the Piat Waterworks System in December 2003, and is now known as the Metropolitan Tuguegarao Water District.

MTWD takes pride in its capability of financing its continuing expansion and improvement programs with its internally generated funds. This is affected by its efficient

collection of revenues and fiscal management. With a 24-hour water service, more water is consumed, more connections are installed, and so more revenues are realized.

The present status of the MTWD is indicative of its stability. Behind that stability is a management and staff whose morale is sustained at a level that result in the efficient performance of duties through attendance to trainings, seminars and conferences.

MTWD owes its existence to the people it serves. With its Board of Directors, management, and staff who are dedicated to serve the best interest of the public, MTWD will continue to be a potent force in the growth and development of the City of Tuguegarao, and its neighboring municipalities.

MTWD is classified as Category A water district with 189 personnel consisting of 132 permanent employees, seven casual employees, four temporary and 34 job orders.

A financial and compliance was conducted on the accounts and operations of the Metropolitan Tuguegarao Water District for the year ended December 31, 2017. We also conducted a value for money audit in selected audit areas. 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 Metropolitan Tuguegarao Water District for CYs 2017 and 2016:

Accounts	2017	2016	Increase/ (Decrease)
Assets	P 531,345,163	P 477,869,379	P 53,475,784
Liabilities	62,300,347	60,432,782	1,867,565
Equity	469,044,816	417,436,597	51,608,219
Income	194,312,141	181,595,961	12,716,180
Expense	155,767,392	130,625,951	25,141,441
Net Income	38,544,749	50,970,010	(12,425,261)

Also presented below is the comparative information of the budget and actual expenditure of Metropolitan Tuguegarao Water District for CYs 2017 and 2016:

	2017	**2016**	**Increase/ (Decrease)**
Corporate Operating Budget	P 278,825,600	P 180,896,700	P 97,928,900
Actual Expenditure	155,767,392	130,625,951	25,141,441

C. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Agency because of the following:

a) The reliability and validity of the Construction-in-Progress account totaling to ₱49,341,941.94 could not be ascertained because the Agency did not maintain Subsidiary Ledgers for each project;

b) The validity, accuracy, and reliability of the Cash in Bank Local Currency Current and Cash Equivalent accounts amounting to ₱48,722,165.54 and ₱5,330,045.19, respectively, could not be ascertained due to the: (a) unaccounted/unidentified and unsupported bank reconciling items in the Bank Reconciliation Statements as of December 31, 2017; (b) un-updated balances used in the Cash Reconciliation report; and (c) unrecorded book reconciling items;

c) The balances of the Property, Plant and Equipment accounts could not be ascertained due to the non-reconciliation between the general ledger balance of ₱345,563,375.16 and the Report on the Physical Count of Property, Plant and Equipment of ₱331,924,698.64, showing a net difference of ₱13,638,676.52;

d) The Income from Fines and Penalties due to late payment of water bills were recognized only upon collection from concessionaires and the uncollected income were recognized as Other Unearned Revenue/Income-Penalty, resulting to overstatement of Other Unearned Revenue/Income-Penalty and understatement of Fines and Penalties-Service Income accounts amounting to ₱457,540.00 and ₱6,915,744.00, respectively;

e) The accuracy and reliability of the Customers' Deposits Payable account could not be ascertained because the general ledger balance of ₱12,688,710.72 did not reconcile with the subsidiary records of ₱ 13,629,632.76, showing a difference of ₱ 940,922.04;

f) The balances of the Inventory accounts could not be ascertained due to the non-reconciliation between the general ledger balance of ₱34,234,647.53 and the Report on the Physical Count of Inventory of ₱32,884,494.37, showing a discrepancy of ₱1,350,153.16;

g) Sale of bidding documents to prospective bidders were recorded as Other Deferred Credits-from BAC Related Activities instead of Miscellaneous Income, resulting to misstatement of liability and equity accounts of same amount of ₱832,152.97;

h) The validity of the Restricted Fund account amounting to ₱123,111,862.58 could not be ascertained due to the non-reconciliation of the balance in the books with the balance per report on Status of Water District Reserves of ₱123,892,246.05, having a difference of ₱780,383.47; and

i) The Accounts Receivable account could not be ascertained due to the non-reconciliation between the general ledger balance of ₱8,333,534.22 and the Aging of Accounts Receivables of ₱9,002,304.20, showing a difference of ₱668,769.98.

D. Significant Observations and Recommendations

1. Liquidated damages were not imposed to suppliers who failed to satisfactorily deliver goods within the delivery schedule specified in the contract, thus depriving the Agency of additional income amounting to ₱559,312.55, contrary to Item 3.1 of Annex D of the Revised Implementing Rules and Regulations of RA 9184.

   We recommended that Management ensure that all supplies and materials procured are delivered within the delivery schedule specified in the contract. Also, we recommended that liquidated damages should be imposed to suppliers who failed to deliver within the specified delivery schedule an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the Agency, which shall be deducted from their claims.

2. Accounts Receivables amounting to ₱279,114.57 remained long outstanding or dormant in the books for more than ten (10) years due to unknown whereabouts of the concessionaires and the establishments or houses were already abandoned by the owners.

   We recommended that Management request for write-off from the Commission on Audit the amount which were considered dormant and could no longer be collected following the rules and procedures contained in COA Circular 2016-005 dated December 19, 2016.

3. Non-revenue water consumption is 8% higher than the allowable rate of 20% as prescribed by LWUA, for the past four years due to undetected water leaks. This resulted to the unbilled water of 4,070,949 cubic meters costing ₱43,966,249.20, which is considered revenue losses to the water district.

We recommended that Management conduct periodic inspection of their distribution pipes and water meters so that leakages and defective water meters be immediately attended to in order to minimize revenue losses.

4. Some officers and employees are provided with more than one unit of mobile phone contrary to Annex D of COA Circular No. 2012-003 dated October 29, 2012.

   We recommended that Management should only provide one unit of mobile phone to each entitled official and require the officials and employees who were provided with more than one mobile phone to surrender the excess units to the Property Officer. Also, we recommended that the defective mobile phones and those issued to the officials who are already separated from the Agency should be returned to the Property Officer for proper accounting and disposal. The property officer should not issue the new mobile phone unless the previous ones are surrendered for control purposes.

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 income taxes of employees, and franchise tax and were promptly remitted to the BIR in accordance with tax laws.

F. Compliance with the DBM-approved Corporate Operating Budget (COB)

The Agency has expended within the approved Corporate Operating Budget.

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. General Insurance of government properties with the GSIS

Insurable properties of the Agency were covered with appropriate property insurance with the Government Service Insurance System (GSIS) as required in COA Circular No. 92-390 dated November 17, 1992.

I. Gender and Development

The Agency has allotted ₱21,800,000.00, equivalent to 8% of its annual budget of ₱278,825,600, for GAD purposes and implemented most of its activities in their GAD Plan which is in compliance with the Section 30 General Provisions of the General Appropriations Act (GAA) for FY 2017.

J. Implementation of Water Safety Plan

The Agency has already submitted its Water Safety Plan to the Local Water Utilities Administration for review and approval.

K. Status of Audit Suspensions, Disallowances and Charges as of year-end

The Status of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2017 is presented as follows:

Particular	Beginning Balance	Current year		Ending Balance
		NS/ND/NC	NSSDC	
Suspensions	₱ 1,575,703.98	-	₱1,575,703.98	₱ -
Disallowances	33,878,239.37	-	2,661,339.09	31,216,900.28
Charges	-	-	-	-
Total	₱ 35,453,943.35	₱ -	₱4,237,043.07	₱31,216,900.28

The disallowances presented in the above table do not include disallowances issued in 2008 prior to the implementation of the Revised Rules and Regulations on Settlement of Accounts with a balance of ₱7,087,568.22. Out of the audit disallowances of ₱31,216,900.28, ₱14,056,675.86 were already issued with COE while ₱ 5,063,724.02 were issued with NFD. All other disallowances are currently on appeal.

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

Out of 10 audit recommendations contained in the CY 2016 Annual Audit Report, three recommendations were fully implemented, five were partially implemented and two were not implemented and are reiterated in Part II of this report.