

EXECUTIVE SUMMARY

Introduction

Tagoloan Water District of Tagoloan, Misamis Oriental was formerly known as Tagoloan Rural Water Sanitation Association (TRWSA). It was first managed by the people of Tagoloan formed into an association. Later, the operation and management of the utility was turned-over to the local government unit of Tagoloan, Misamis Oriental.

The Sangguniang Bayan of Tagoloan, Misamis Oriental, in its 27th Special Session on February 23, 2009, passed Resolution No. 05, s, 2009, forming the Tagogoloan Water District (TWD). The Conditional Certificate of Conformance (CCC) was issued by the Local Water Utilities Administration (LWUA) on April 28, 2009.

The Tagoloan Water District is now under the provisions of P.D. 198 and not under the jurisdiction of any political subdivision.

Financial and Operational Highlights

As of December 31, 2012, the total assets of the TWD reached to P34,604,392.23, its total liabilities amounted to P11,759,002.37, and its equity totaled to P22,845,389.86.

The agency generated total income P1,750,506.00 for the year 2012 showing an increase of P1,431,418.90 or 448.60%, compared to last year's income of P319,087.10.

In the same year, total expenditures reached to P2,893,531.09 registering a decrease of P51,251.16 or 1.74% if compared to prior year's expenses of P2,944,782.25, broken down as follows:

<u>Allotment Class</u>	<u>2012</u>	<u>2011</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>%</u>
Personal Services	P 2,129,972.11	P 2,187,406.79	P (57,434.68)	(2.63%)
MOOE	763,558.98	757,375.46	6,183.52	0.82%
Financial Expenses	0.00	0.00	0.00	0.00%
Total	P 2,893,531.09	P 2,944,782.25	P (51,251.16)	(1.74%)

Scope of Audit

An audit was conducted on the accounts and operations of Tagoloan Water District, Tagoloan, Misamis Oriental for the Calendar Year 2012.

The audit consisted of testing the adequacy of the related systems and controls set by the agency, verification, of the accuracy, legality and completeness of its financial transactions, and the application of the other audit procedures considered necessary under the circumstances.

It was also made to determine whether the district's financial statements present fairly its financial position and results of operations and cash flows, and whether applicable laws, rules and regulations were followed. Further, it was also conducted to determine whether the agency managed and utilized its resources economically, efficiently and effectively in the implementation of its programs, projects and activities.

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of Tagoloan Water District as of December 31, 2012 and the results of its operations and cash flows for the year then ended, as presented in the financial statements accompanying this report.

Summary of Significant Findings and Recommendations

The following are the summary of significant findings and recommendations noted in the evaluation of the agency's operations. The audit findings and recommendations were officially communicated through Audit Observation Memorandum (AOMs). The agency's comments were incorporated in the report.

1. Cash advance was granted even without supporting documents contrary to Section 4 of PD 1445, thus the validity of the claim is not establish exposing government funds to risk of misuse.

We have recommended that in granting cash advances supporting documents should be required.

2. The land where the buildings and facilities of the district were constructed has no certificate of title showing legal rights of ownership; thus, said properties were exposed to risk for possible loss due to encumbrances in the future.

We have recommend to request the intervention of the Board of Directors to obtain the legal documents such as certificate of title or deed of donation of the

sites where buildings and facilities of the district were already constructed in order to protect the said property from any possible loss due to encumbrances in the future.

3. The year-end balance of Property, Plant and Equipment (PPE) and Accumulated Depreciation accounts is overstated by P13,467.25 and P983.10, respectively, due to the inclusion of small items costing ₱10,000 and below, contrary to COA Circular No. 2005-002.

We have recommended that small items totaling P13,467.25 be excluded in the PPE and prepare separate schedule for the small items costing ₱10,000.00 and below as ready reference for dropping the small items from the books of accounts.

Adjust the balances of PPE and Accumulated Depreciation accounts so as to present fairly the said accounts in the financial statements.

Below is the suggested adjusting entry:

Prior Year Adjustment	P12,484.15	
Accumulated Depreciation	983.10	
Property, Plant and Equipment		P13,467.25

4. The agency has written-off the amount of P45,488.62 from the books without following the proper procedure as prescribed in Section 49 and 50 of Volume 1 of NGAS, thus loss of property was not recognized.

We have recommended that the accountable officer:

- Requests for relief from accountability for the items that were stolen.
- Prepares and accomplish the Inventory and Inspection Report of Unserviceable Property for the damaged items.

We have further recommended that the accountant to make adjustment on the write-off that was taken up in the books.

Below is the suggested adjusting entry:

Other Equipment	P454.55	
Other Machineries & Equipment	84,388.89	
Other Property, Plant and Equipment	952.73	
Government Equity		P45,488.62
Accumulated Depreciation – Other Equipment		409.09
Accumulated Depreciation – Other Machineries & Equipment		39,041.45
Accumulated Depreciation – Other PPE		857.45

5. The Monthly Report of Accountability for Accountable Forms (RAAF) for official receipts was not prepared by cashier/collector of Tagoloan Water District contrary to Section 68 of COA Circular No. 2002-002, thereby contributing to the delay in establishing the accountability of accountable officers.

We have recommended to require the Collector to submit within ten days of the succeeding month the required Report of Accountability for Accountable Forms covering CY 2012 , and every month thereafter.

We have also recommended to require the Cashier to verify the Report of Collections and Deposits; and to check the statement of accountable forms as to initial balances on hand, receipts, issues and the ending balances on hand; make a physical count of the accountable forms remaining in the custody of the collector/teller and check the same against the new balances on hand column. Require her to indicate her verification by affixing her signature at the back of the triplicate copy of the last official receipt issued.

Status of Prior Year's Audit Recommendations

Monitoring and evaluation of the actions taken by management relative to the implementation of prior year's audit recommendations disclosed that of the five audit recommendations embodied in the 2011 Annual Audit Report, four were fully implemented and one was not implemented.