

EXECUTIVE SUMMARY

Introduction

The Tangub City Water District (TCWD) is a Government-Owned and/or Controlled Corporation (GOCC), a public water utility firm established in 1980 through Sangguniang Panlungsod Resolution No. 230 s. 1980. The creation was made possible by the efforts and hard work of the City Officials led by the late City Mayor and Governor Alfonso D. Tan, based on Presidential Decree No. 198 known as the Provincial Water Utilities Act of 1973, a legacy program by the late President Ferdinand E. Marcos. It is considered a small category water district when it started operation from the year 1981 to 2011. It was upgraded to Category “C” Water District when the Local Water Utilities Administration (LWUA) issued a Certificate of Category last April 2, 2012 based on the Revised Local Water District Manual on Categorization, Re-Categorization and other Related Matters (LWD-MaCRO).

TCWD was officially recognized by the Local Water Utilities Administration (LWUA) in August 1981 with the award of the Conditional Certificate of Conformance No. 158. It managed and operated the Tangub City water supply system when it was turned over from the defunct National Waterworks Sanitation Inc. (NAWASA). At present, it is serving thirty two barangays out of the fifty five barangays in the City of Tangub.

The district is run by a five-member Board of Directors representing the Professional, Business, Civic, Education and Women’s Sector who sets the policies based or patterned from LWUA and a General manager who executes and implement the policies being set. It has the mission and vision to provide safe, potable and affordable water pipe supply, operate efficiently in order to satisfy the growing water needs of the City of Tangub and aims to be a progressive and a viable water utility firm and expand its services to other areas that don’t have access to safe and potable water. The TCWD has existing five members of the Board of Directors appointed by the City Mayor, namely:

Mr. Charles D. Tan	- Chairman, Board of Directors
Mr. Remus M. Cabrera	- Vice Chairman
Ms. Gloria P. Gripo	- Secretary
Mr. Richard T. Tan	- Member
Mr. Claro E. Vicada	- Member

The Water District is getting financial and technical assistance from the Local Water Utilities Administration (LWUA), a Government-Owned and/or Controlled Corporation created by virtue of PD 198 which purpose is to provide financial and technical assistance to Local Water Districts.

Vision

Tangub City Water District envisions to deliver reliable and affordable water service, operate efficiently in order to satisfy the growing water needs within our service coverage area, aims to be a progressive and a viable water utility firm and expand our services to other areas that have no access to safe and potable water pipe supply.

Mission

TCWD always strive to provide adequate, safe, potable and affordable water pipe supply to the water consumers in the service coverage area.

Organizational Set up

The District is headed by a General Manager and ably supported by a five-member Board of Directors. It has a total workforce of twenty two (22) personnel complement, twelve (12) regular, ten (10) casual and five (5) job orders during the year.

Operational Highlights

- Rehabilitation of mainline at Barangay Capalaran, Tangub City in March in the amount of P 35,092.08
- Mainline Extension at Barangay Manga Highway, Tangub City in April in the amount of P 17,440.17
- Mainline Extension across the concrete road at Barangay 2, Tangub City in May in the amount of P 4,903.35
- Rehabilitation of distribution pipeline at Barangay Lorenzo Tan, Tangub City in July in the amount of P 146,873.70
- Concrete Break Pressure Chamber in July for P 19,481.20
- Construction of office cabinets and work tables in the amount of P 7,000.00
- Mainline re-routing of line 1 at Banglay, Tangub City in November in the amount of P132,324.37
- Re-routing of mainline at Villaba, Tangub City in November in the amount of P12,616.92

Financial Highlights

The Agency's financial condition is as follows:

Particulars	2012	2011	Increase (Decrease)
Total Assets	68,159,091.70	64,764,198.61	3,394,893.09
Total Liabilities	13,760,815.93	13,712,124.24	48,691.69
Total Equity	54,398,275.77	51,052,074.37	3,346,201.40
Total Income	17,556,602.57	14,141,538.63	3,415,063.94
Total Expenditures	14,191,777.00	12,806,061.94	1,385,715.06

Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the TCWD, Tanguib City, for the Calendar Year 2012. The objectives of the audit were to ascertain the fairness and reliability of the agency's financial position and results of operation as well as the utilization of funds in line with their mandated functions.

The audit foci for the financial and compliance audit are accounts receivables, procurement, and the property, plant and equipment account of the district.

Independent Auditor's Report on the Financial Statements

The Auditor rendered qualified opinion on the fairness of presentation of the financial statements of the Agency because of the significance of the matters discussed in the Bases for Audit Opinion paragraph.

Summary of Significant Observations and Recommendations

The following audit observations and recommendations were discussed with the concerned agency officials in an exit conference conducted last July 30, 2013.

1. Assets listed as "Others" amounting to P 52,959,234.67 under the property, plant and equipment in the balance sheet has no subsidiary ledgers to support the said account, rendering the record of the District's assets account as inaccurate and unreliable.

We have recommended to management to create an inventory and disposal committee who will undertake actual physical inventory of all property of the District and require the Accountant and the Supply Officer to reconcile their records to make them accurate, prepare the inventory and inspection report for equipment subject to disposal and automatically adjust accumulated depreciation to fairly present the financial condition of the District. Moreover, prepare the subsidiary ledgers of the assets listed under the utility plant in service account and distribute the items in "others account" amounting to P52,959,234.67 to the specific asset account.

2. Construction in Progress in the amount of P 15,975,030.94 representing Design and Construction of TCWD Water Supply System was not transferred to the specific asset account although the project was completed and turned over last March 22, 2011 thus, understating the asset account by the same amount and depreciation expense for the asset was not computed. Moreover, payment is not completed yet because the supposed loan from LWUA was not approved, yet no payable was set up for the accrued payable to the contractor, thus liabilities is understated.

We have recommended to management to draw a journal entry voucher - closing the construction in progress account and debiting the specific asset account and compute the depreciation expense and to set up a liability account for the payable to the contractor.

3. Accounts Receivables balance of P 8,878,926.85 is overstated by P 2,468,036.78 or 28%, representing receivables without supporting schedules/list of customers resulting to inaccurate financial condition of the District and misleading the would be users of the financial statements in making their decisions for the District.

We have recommended to management to draw a journal entry voucher to correct the amount of receivables and thereafter be vigilant in the recording of their receivables to make the data in books accurate and to fairly present the financial condition of the district.

4. Other Assets account representing PVC fittings and reducers given by the LWUA without cost is overstated by P312, 599.60 and booked under the property, plant and equipment thus, overstating the property plant and equipment by the same amount and used an account which is not proper.

We have recommended to management to draw a journal entry voucher to correct the account by debiting the fittings and meters account and crediting the other assets account with the balance of inventory taken at year end.

5. The District's water rates have become non responsive due to failure of the management to increase these rates since January 2006, thus deprived the District of the much needed resources and the possible benefits had these been implemented.

We have recommended to management to make representation and follow ups to LWUA for the approval of the proposed rates for immediate implementation to be able to cope up with the needed resources for proper operation of the District.

6. Out of the twenty approved plantilla positions, only twelve were filled up leaving a balance of eight vacant positions resulting to multi-tasking among employees.

We have recommended to management to employ strategies to increase their income and lessen their expenses so they can hire additional employees to perform the jobs necessary and to lessen the workload of employees doing multiple tasks.

7. During the year, the Accountable Officer is not bonded in violation of Section 101 of PD 1445 thus, collections which are government funds were not protected and secured.

We have recommended to management to apply immediately for the required bonds of their accountable officers with the Bureau of Treasury in compliance with the above mentioned rule and in order to protect the funds of the government.

8. The District is renting a space with Tan Industries Inc. at P 17,325 a month since August 2004 which has grown to be not conducive anymore to working environment because the space is inadequate for the personnel and the consumers they served. Moreover, since it is located in the second floor, the aged consumers are having a hard time paying their bills.

We have recommended to management to coordinate with the local government unit, the City Mayor, to provide them with a space, a lot perhaps, where the District can construct a building that will accommodate them and better serve the consumers as well as a vehicle that will help in their mobilization of pipes and fittings ultimately for the good of the consumers.

9. The District has no security guards who could provide safety and security to the employees, in as much as the District is accepting concessioners who are paying and may have complaints thus, lives of the concerned employees as well as the properties of the District are not secured.

We have recommended to management to immediately provide security to give protection to the employees and the property of the District.

10. Canvass Papers used has no space for the supplier to sign, thus authenticity of canvass papers are questionable. Moreover, all disbursement vouchers for purchases has no abstract of canvass thus, evaluation of prices offered is hard to determine.

We have recommended to management to change the canvass papers they are using and to provide space for the supplier to sign and put a date at the time they give their quotations and to prepare the abstract of canvass to show the different prices quoted by the different suppliers for easy evaluation of the prices which are advantageous to the government.

11. The Agency did not submit copy of perfected government contracts, purchase orders and supporting documents within five (5) working days upon approval for review to the Office of the Auditor in violation of COA Circular No. 2009-001 dated February 12, 2009, thus, prompt initial review cannot be made.

We have recommended that management should strictly adhere to the requirements of COA Circular No. 2009-001 dated February 12, 2009.

12. Due to incomplete filling up of the driver's trip tickets, verification of the consumption of gasoline as well as its usage of all the agency vehicles cannot be made in violation of Section 2 of the specific rules and regulation of COA Circular No. 77-61 dated September 26, 1977.

We have recommended to management to require all the drivers to fill up the driver's trip ticket completely and accurately relative to fuel consumption as well as require passengers to sign every time they use the vehicle for audit purposes.

Compliance with Tax Laws

During the year, the Agency remitted to the Bureau of Internal Revenue the total amount of taxes of P 604,986.65 broken down to P 170,189.74 for personal services, franchise P287,328.58 and P 147,468.33 for purchases and contracts.

Implementation of Prior Year's Audit Recommendations

Out of the 15 prior years' audit recommendations, four in 2011, four in 2010 and seven in 2009, nine were fully implemented, four were partially implemented and two remained unimplemented.