

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

Pursuant to Presidential Decree No. 198 otherwise known as the Provincial Water Utilities Act of 1973 (as amended), the Tagbina Water District (TWD) was formed by virtue of Municipal Council Resolution in August, 1986 and was awarded the Conditional Certificate of Conformance (CCC) No. 419 on October 25, 1989. Upon its formation, the Tagbina Water District acquired the ownership and management of the water supply systems which formerly under the management of the Municipal Government of Tagbina.

As a small water district, TWD operates and maintain the existing waterworks facilities with five (5) permanent employees, one (1) casual and four (4) contractual/job order workers. The Board of Directors composed of five (5) members were from different sectors: the professional, civic, education, business and women sectors. They have a term of six years as provided by PD 198.

As of December 31, 2012, Tagbina Water District is a Category D District. It has 1,174 active connections with the same total number of service connection catering to several barangays such as Barangay Poblacion, Maglambing, Sta. Juana, Quezon and Tagongon, and some areas in Barangay Poblacion.

For CY 2012, Tagbina Water District had total assets of P15,956,729.56 total liabilities and deferred credits of P 11,913,670.04 and equity of P4,043,059.52.

### **SCOPE OF AUDIT**

A financial and compliance audit was conducted on the accounts and operations of Tagbina Water District for Calendar Year 2012. The audit consisted of verification, reconciliation and analysis of accounts, and such other procedures considered necessary to ascertain the extent of compliance with laws, rules and regulations and budgetary requirements.

### **STATE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

The Auditor rendered a qualified opinion on the financial statements as of December 31, 2012 because of the following:

1. The unreconciled balance of Outstanding Loans Payable account with the subsidiary ledger showing a difference of P2,107,795.38 as discussed in Finding No. 5;
2. The unreconciled balance of Property, Plant and Equipment, and Supplies and Materials Inventories due to incomplete physical inventory taking showing a difference of P181,174.23 and P332,324.03, respectively, as discussed in Finding No. 9;

3. The unreconciled balance of Accounts Receivable-Customers between Accounting records and the Billing Section showing a difference of ₱198,552.87 as discussed in Finding No. 11; and
4. The understatement of asset and income account totaling to ₱182,141.56 due to the dropping/writing-off of dormant Accounts Receivable-Customers from the records as discussed in Finding No. 11.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

1. **The District was unable to monitor and control expenditures incurred for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) resulting to excess of actual expenses against its agency's Corporate Operating Budget by ₱839,584.57, contrary to Section 4 par. (1), (4), (7) and (8) of P.D. 1445, otherwise known as the State Auditing Code of the Philippines, thus, accountability in fiscal management and good governance was not achieved.**

Direct the Accountant to prepare and maintain registries for the approved corporate operating budget for proper monitoring and control over disbursements. Submit the prepared Corporate Operating Budget for approval to the Department of Budget and Management.

2. **Property, Plant and Equipment totaling to an aggregate of ₱16,113,147.34 were not insured with the Government Service Insurance System (GSIS) thus, government property are not protected from damage or loss for any eventuality that may occur.**

Direct the Property Custodian to make a list of all insurable property and apply insurance with the Government Service Insurance System to protect the interest of the government so that in case of loss or damage, there will be recovery of the value of the District's assets.

3. **The District did not prepare Annual Procurement Plan (APP) for CY 2012 pursuant Sections 7.1 and 7.2 of the Revised Implementing Rules and Regulations of Republic Act 9184.**

Strictly adhere and implement the provisions of Section 7 of IRR of Republic Act No. 9184 otherwise procurement or purchases of supplies and property will not be allowed in audit and persons responsible thereof shall be made liable. There should be an approved Annual Procurement Program as basis in the preparation of the budget.

4. **The Shopping method of procurement was resorted to for all the purchases of supplies, materials and equipment totaling ₱557,702.98, instead of Small Value Procurement of goods in violation of Section 53.9 of the Implementing Rules and Regulations of R.A. No. 9184. Purchases**

**also lacked some supporting documents as prescribed under COA Circular No. 2012-001.**

Direct the Property Custodian to consolidate all the quarterly requirements of supplies, materials and equipment of every department/office embodied in the Approved Annual Procurement Plan and procures them through Small Value Procurement pursuant to Section 53.9 of the Implementing Rules and Regulations of R.A. No. 9184.

- 5. The balance of Outstanding Loans Payable amounting to ₱10,340,269.29 did not reconcile with the subsidiary ledgers total of ₱12,448,064.67 showing a difference of ₱2,107,795.38 due to non-monitoring of payments per loan account. The non-reconciliation of records is violation of Section 403 of GAAM, Volume II, thereby casting doubts as to the reliability and proper disclosure of their Loans Payable balances as of December 31, 2012.**

Enhance effort to reconcile the balances of Loans Payable with LWUA to come up with the correct balance of loans to be presented in the Financial Statements.

- 6. The District did not register with the Philippine Government Electronic Procurement System (PHILGEPS) is in violation of Section 8.3.1 of the revised IRR of RA 9184, thereby defeating the objective, features and mandate to fully utilize the Government Electronic Procurement System (G-EPS) and all its available facilities.**

Adhere strictly to the above-cited provision of the IRR-A of 9184 for the District to avail of the prices most advantageous to the Agency.

- 7. The Accounts Receivable –Others account still had a negative balance of ₱35,831.28 as of December 31, 2012 due to the unadjusted erroneous accounting treatment of unaccounted construction materials issued to concessionaires, in violation of Section 112 of PD 1445, thereby pose doubts as to the correctness and accuracy of the account.**

Trace the issued construction materials from the stock ledger cards and if not sufficient, conduct an actual confirmation on the concessionaires of NLIF project, then prepare adjusting entries to take up the errors. Adhere strictly to the provision of Section 112 of PD 1445 in recording government transactions.

- 8. Pre-repair and Post-repair Inspections were not conducted for all repairs done for the maintenance of equipment. Likewise, spare parts spent for the repairs and maintenance of service vehicles, office equipment and water service connections amounting to ₱125,243.00 were not supported with Waste Materials Report, as required under COA Circular 2012-001.**

Direct the Property Custodian to strictly comply with the requirements on Pre-repair and Post-repair of equipment. Also, require him to support all claims for

repairs of equipment with waste materials report and other supporting documents provided under COA Circular 2012-001.

9. **Physical inventory taking of Property, Plant and Equipment, and Supplies and Materials Inventories was incomplete in violation of the provisions of Section 124 of the New Government Accounting System (NGAS) Manual. The recorded Property, Plant and Equipment, ₱16,923,313.56, and Supplies and Materials Inventories, ₱ 332,324.03 did not tally with the balance per count showing a difference of ₱ 181,174.23 and ₱ 332,323.40 respectively. Thus, balances of these accounts presented in the Balance Sheet were doubtful.**

Create an Inventory Committee and also require the Property Custodian to conduct physical inventory taking. Prepare property ledger cards to post all Property, Plant and Equipment. Moreover, direct the Accounting Office to prepare subsidiary ledgers for Supplies and Materials Inventories and Property, Plant and Equipment to support the controlling accounts in the General Ledgers.

10. **Petty Cash Fund was used to pay travel expenses, office supplies expense, spare parts of vehicle, and other regular expenses, contrary to Section 39, Volume I of the National Government Accounting System Manual, COA Circular Nos. 97-002 dated February 10, 1997 and COA Circular No. 96-004, thus expenses are not properly supported with complete documentations and not monitored.**

Instruct the Cashier to use Petty Cash Fund for non-recurring and petty expenses only. Record traveling expenses as cash advances by debiting "Due from Officers and Employees". Require the claimants to submit report of liquidation within thirty (30) days after the travel pursuant to COA Circular No. 96-004. Direct the Cashier to pay spare parts for the repair of vehicles per Disbursement Vouchers and not on a piece-meal basis. Purchase Request should be based on the estimates evaluated during the Pre-Repair Inspection and proper processing in accordance with RA 9184 should be observed. Disbursement Voucher should be accomplished and processed with complete documentation. Procure materials and supplies in accordance with R.A 9184. Use the prescribed forms, such as Request and Issue Voucher, Purchase Request, Purchase Order, Inspection and Acceptance Report, Disbursement Voucher and other necessary supporting document to support payment of expenditures.

11. **Accounts Receivable-Customer balance per accounting records amounting to ₱172,758.39 did not reconcile with the computerized records of the Billing and Collection Section which totaled to ₱371,311.26 showing a difference of ₱198,552.87 as of December 31, 2012, casting doubt on the reliability of the Receivable account.**

**While, seventy-eight percent (78%) of the Accounts Receivable were aged more than 90 days and only twenty-two percent (22%) were aged below**

**90 days making the probability of collecting these accounts doubtful which may result in deficient cash to continue its operation.**

**Also, Accounts Receivable-Customers totaling P182,141.56 which had been dormant for more than ten (10) years and involving 219 concessionaires were dropped/write-off from the records without any authority from the Commission on Audit contrary to COA Circular No. 97-001 dated February 5, 1997 , thereby understating the asset and income account.**

Direct the Accountant to reconcile the balances of the Accounts Receivable per accounting records with that of the system generated Aging of Receivables by the Commercial Section to come up with an accurate and reliable receivable balance in the financial statements. Prepare an adjusting entry to reconcile the subsidiary ledger with the General Ledger balance of Accounts Receivable- Customers. Launch an aggressive campaign to improve collection efficiency and ensure the sustainability of the operations of the District. Prepare an adjusting entry to restore the Accounts Receivable-Customers which were dropped from the records and recovering the amount involved. Initiate/exhaust all means to collect by sending confirmation letter/ demand letter, and statement of accounts to verify the existence of the concessionaires in their indicated address and Request authority to write-off uncollectible/futile accounts from the Commission on Audit following the guidelines under COA Circular No. 97-001 dated February 5, 1997. Direct the Accounting Processor to make necessary adjusting entry to reclassify such inactive accounts to other assets (Non-current) after receipt of such authority.

- 12. Guarantee Deposits payable representing customer's meter deposit amounting to P85,821.75 which have been constant and dormant for more than ten (10) years, are doubtful and unreliable, there being no available substantial supporting documents.**

Direct the accounting officer to coordinate with the supply officer to review, evaluate, analyze, validate, reconcile and dispose the dormant accounts in accordance with the guidelines and procedures prescribed under Executive Order No. 431. If the analysis/review of the accounts is not possible due to the insufficiency or lack of records and documents, the District should request, thru the BOD, to pass a Resolution requesting for the write-off from the Commission on Audit, duly supported by an explanation or extent of account validation and certification or justification why the books of accounts/records and supporting ledgers/documents cannot be located. Prepare adjusting entry recognizing the dormant accounts as other income.

- 13. The District was unable to incorporate Gender and Development (GAD) plans, programs and activities in their Corporate Operating Budget for CY 2012 in pursuant to Joint Circular No. 2004-1 of the DBM, NEDA and the National Commission on the Role of Filipino Women (NCRFW), thus, gender issues and concerns within their sector was not properly addressed.**

Create or develop an effective and operational Annual Gender and Development Plan which will be incorporated in their overall plans, programs and activities every year for them to attend to the gender issues and concerns of the District as required in the aforementioned joint circular.

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT  
RECOMMENDATIONS**

Of the six (6) audit recommendations embodied in the CY 2010-2011 Annual Audit Report, three (3) were implemented, two (2) were partially implemented and one (1) was unimplemented.