

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 the Provincial Water Utilities Act of 1973 (PD 198), a legacy program by the late President Ferdinand E. Marcos. It is considered a small category Water District when it started its 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 as **Category C** 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 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 32 barangays out of the 55 barangays in the City of Tangub.

The District is run by a five-member Board of Directors (BOD) composed of the following:

Name	Designation	Term of Office	Sector Represented
Mr. Remus M. Cabrera	Chairman	Jan. 1, 2019 to Dec. 31, 2024	Educational Sector
Mr. Claro E. Vicada Sr.	Vice-Chairman	Jan. 1, 2019 to Dec. 31, 2024	Professional Sector
Ms. Gloria P. Gripo	Secretary	Jan. 1, 2015 to Dec. 31, 2020	Women Sector
Ms. Anecillin S. Del Valle	Member	May 29, 2017 to Dec. 31, 2020	Civic Sector
Ms. Josefina S. Almasa	Member	May 29, 2017 to Dec. 31, 2022	Business Sector

It is headed by General Manager Joel L. Astillero and has a total workforce of 35 personnel consisting of 7 regular, 7 casuals, and 21 job orders.

The Water District is getting financial and technical assistance from the Local Water Utilities Administration (LWUA) by virtue of PD 198.

The audit covered the accounts and operations of the TCWD for CY 2019. It was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), to (a) ascertain the degree of reliance that may be placed on fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit consisted of review of operating procedures, testing the adequacy of the related systems and controls set by management, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees and the applications of other audit procedures considered necessary under the circumstances.

Financial Highlights

Actual financial condition is as follows:

Particulars	2019	2018	Increase/(Decrease)
Total Assets	₱ 70,776,458.62	₱ 73,576,871.67	₱ (2,800,413.05)
Total Liabilities	29,998,098.40	28,136,735.93	1,861,362.47
Total Equity	40,778,360.22	45,440,135.74	(4,661,775.52)

Particulars	2019	2018	Increase/(Decrease)
Total Income	₱ 20,324,142.17	₱ 20,161,811.48	162,330.69
Total Expenditures	23,334,855.31	21,150,294.18	2,184,561.13
Net Loss	(3,010,713.14)	(988,482.70)	(2,022,230.44)

Corporate Operating Budget is as follows:

Particulars	2019	2018	Increase/(Decrease)
Total Income	₱ 30,171,138.91	₱ 27,138,761.78	₱ 3,032,377.13
Total Expenditures	29,462,773.99	26,395,837.75	3,066,936.24
Net Income	708,364.92	742,924.03	34,559.11

Operational Highlights

Particulars	2019	2018	Increase (Decrease)
Total Population Served	35,016	28,545	6,471
Total Active Service Connection	3,914	3,818	96
Total Water Production (m ³)	1,159,579	1,113,528	46,051
Total Water Accounted (m ³)	877,221	852,119	25,102
Non-Revenue Water (NRW)	24%	23%	1%
Total Water Sales Billed	₱ 17,663,723.45	₱ 17,662,248.03	₱ 1,475.42
Actual Collection of Water Sales	₱ 17,870,595.49	₱ 16,694,144.02	₱ 1,176,451.47
Collection Efficiency Ratio	98%	95%	3%

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended December 31, 2019 due to Accounts Receivable of the water district that remained unadjusted which resulted to a variance of ₱885,397.51 casting doubt on the valuation and reliability of the account.

Significant Audit Observations and Recommendations

Other than the basis for qualified opinion, the following are the other significant observations, with the corresponding recommendations, which need immediate action:

1. Failure on timely reconciliation of the Accountable Officer's cashbook with the accounting records and bank statements, net reconciling items amounting ₱329,797.85 that remained unadjusted render the accuracy and reliability of the cash balances of the water district doubtful contrary to the provisions of Section 74 of PD 1445 and COA Memorandum No. 2013-004.

We recommended to management to:

Instruct the Cashier-designate and accounting personnel to strictly enforce periodic reconciliation and timely recognition of all reconciling items in their respective books of accounts and ensure the timely submission of bank reconciliation statements for verification as required;

Strictly determine the unreconciled or unidentified items for proper accountability and disposition, as well as recognize in the books all determined items; and

Be enjoined that monthly bank snapshots be obtained from the depository banks of the water district or avail of their internet banking facilities should receipt of the official bank statements are evidently delayed.

2. Due to consistent incurrence of operating losses for four years, the water district's going concern principle to provide water supply and distribution systems for residents and lands within the city is adversely affected as it continues to use outdated water rates.

We recommended to management to:

Expedite the process on proposal for new water rates adjustment for approval by LWUA in order to address current demand of revenues to be generated to fund current operating costs and expenditures; and

Prepare the annual corporate operating budget using current water rates and continue efforts to maximize revenues and minimize operating expenditures, and should there be any adjustments like additional receipts in the course of the budget year, issue a supplemental COB to cover the additional expenditures.

3. The land account amounting to ₱463,780.00 was not covered by Certificate of Title contrary to the provisions of Section 39 (2) of PD 1445, thereby resulting to inadequacy of supporting documents to prove that the water district is the beneficial owner of the assets concerned.

We recommended to management to appropriate funds the titling of the land and to make representation with the city assessor on the conduct of assessment of the value of donated land to facilitate proper recognition in the books of accounts of the district.

4. GAD Plan and Budget and Accomplishment Report of the water district was not supported with gender analysis tools such as the Harmonized GAD Guidelines to determine the extent of the gender-responsiveness of its programs, activities, and projects, thereby resulting to doubtful attributed amounts.

We recommended to management to:

Prioritize gender mainstreaming efforts in GAD planning and budgeting to be headed by its GAD Focal Point System by using existing gender analysis tools such as the HGDG in the identification, design, implementation, management, and monitoring and evaluation stages of the various PAPs of the District to determine the extent of their gender-responsiveness and amount to be attributed to the GAD budget;

Seek the assistance of an expert or make representation through the Board of Directors to request for training and workshop from accredited institutions;

Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the District, as well as proper charging of the object of expenditures on actual accomplishments;

Make representation with LWUA to obtain information as to the status of the transmitted GAD Plan and Budget and Accomplishment Reports, whether the identified gender issues and corresponding GAD PAPs of the District were appropriate based on the parameters set under the mentioned joint circular and were aligned with the District's mandates, and GAD goals and objectives;

Obtain reviewed GPBs forwarded to and endorsed by PCW, or justification as to the absence of such; and

Submit GAD Accomplishment Report for calendar year 2019 for verification on the activities conducted to determine if the gender issues identified are being addressed.

5. The water district has no existing Disaster Risk Reduction and Management Plan for calendar year 2019 contrary to the provisions of Republic Act No. 10121, thereby adversely affecting better preparedness and lessening costly impact of calamities or disasters.

We recommended to management to have a DRRM plan and provide a specific fund item in their corporate operating budget to implement projects designed to address DRRM activities in accordance with the aforecited law.

Summary of Total Suspension, Disallowances and Charges

Total suspensions at the beginning of the year was ₱641,668.06 with no suspensions issued and settlements totaling ₱594,148.77 were made resulting to ₱47,519.29 balance at year end. Notice of disallowances that amounted to ₱28,845.76 were issued during the year and no charges.

Implementation of Prior Years' Audit Recommendation

Of the twenty-four (24) prior years' audit recommendations, eleven (11) were fully implemented, eight (8) were partially implemented, while five (5) were not implemented. Details are in Part III of the Report.