

EXECUTIVE SUMMARY

A. INTRODUCTION

The Tarragona Water District (TWD) was formed pursuant to Sangguniang Bayan Resolution No.121 dated October 8, 2008. On March 11, 2010, Conditional Certificate of Conformance No. 847 was issued by the Local Water Utilities Administration (LWUA).

The operation of the Water District is headed by an Interim General Manager Joferrando Tagaunsod, appointed and approved by the Board of Directors through Board Resolution No. 01, S. 2014. The interim general manager, subject to the approval of the Board, has full supervision and control over the maintenance, operation and construction of water supply and wastewater disposal and administrative facilities of the District with full power and authority to exercise management prerogatives.

The operation of the Water District started on January 2015. Mayor Nestor L. Uy of the Municipality of Tarragona assigned two (2) job order personnel for maintenance and one (1) cashier. The Interim General Manager, being in concurrent position with the LGU and the two (2) job order personnel are under the payroll of the LGU of Tarragona.

The Tarragona Water District is under Category D, has 460 active service connections and serves an estimated population of 2,300 as at December 31, 2019.

B. AUDIT METHODOLOGY

The Commission has been implementing the risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of accounts and operations of the agency.

C. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of the Tarragona Water District for 2019. The audit consisted of a review of operating procedures, evaluation of the District's programs and projects, interview of concerned government officials and employees, verification, reconciliation, analysis of accounts and such other procedures considered necessary.

D. FINANCIAL HIGHLIGHTS

A financial condition and results of operation for calendar year (CY) 2019 and CY 2018 are presented as follows:

	2019	2018	Increase (Decrease)	Percentage
Financial Condition				
Total Assets	13,375,198.38	5,725,882.62	7,649,315.76	134%
Total Liabilities	8,298.06	0.00	8,298.06	0%
Total Equity	13,366,900.32	5,725,882.62	7,641,017.70	133%
Results of Operation				
Income	2,963,430.37	1,873,332.02	1,090,098.35	58%
Expenses	2,209,230.18	1,030,938.40	1,178,291.78	114%
Net Income	754,200.19	842,393.62	-88,193.43	-10%

The District's assets have increased by 134 percent as compared from previous year. The increase was due to the turn-over of Water Supply System projects of LGU Tarragona to the District. All liabilities were paid before year-end and there were no avilment of loans from LWUA. The equity's increase by 133 percent is attributed to the assets turned over by LGU Tarragona.

The 58 percent increase in gross income is due to the increase in service connections generated during the year. Expenses have also increased by 114percent due to increase in Electricity expense thus, resulting to a decrease in net income by 10 percent.

E. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation on the financial statements of the Tarragona Water District for CY 2019. This is due to Management's failure to provide for the Revaluation and Appraisal Value of the Property, Plant and Equipment amounting to Php11,629,458.63 as at December 31, 2019 comprising 87 percent of total assets, which rendered the fair presentation of the financial statements doubtful.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the other significant audit observations and recommendations which are discussed in an exit conference conducted on February 20, 2020 as presented in detail in Part II of the Report:

1. Properties amounting to Php11,665,501.79 are not insured under the General Insurance Fund of the GSIS contrary to Property Insurance Law, Republic Act No. 656 as amended by P.D. No. 245, and with COA Circular No. 92-390 dated November 17, 1992, precluding the agency to recover from loss caused by man-made or natural calamities.

We recommended Management to:

- a. Apply for insurance of all insurable assets of the District that can be covered by the insurance program of the GSIS to prevent loss of funds in case of damage caused by man-made or natural calamities.
 - b. Allocate in the Corporate Budget the necessary funds for the payment of the insurance premiums in the ensuing years.
2. The agency did not formulate plan and design of project activities that clearly guide them and identifies the fulfillment of objectives for Gender and Development (GAD) specified under PCW, NEDA & DBM Joint Circular 12-001, thereby defying the rules and law against women.

We recommended Management the following:

- a. Identify from your mandated programs, projects that are gender related, place them under GAD classification and sum up the total and the amounts if it reaches to at least 5% of the total budgets, include in it are the salaries and wages of female personnel of your agency.
 - b. The data may be your formulated GAD Plan subject to your monitoring and reporting as required in the Joint Circular No. 12-001.
3. Purchases of supplies and materials amounting Php64,379.95 were directly charged to expense accounts instead of recording the same to Inventory accounts contrary to Section 43 of the NGAS Manual, Volume 1.

We recommended Management the following:

- a. To direct the Accounting personnel to stop the practice of recording/charging regular purchases of supplies and materials outright to the expense accounts; and to maintain on a current basis the Inventory Accounts for all purchases of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period as well as the Supplies Ledger Cards for each kind

of inventory stock which shall contain the details of the Inventory accounts; and

- b. To direct the Supply Officer to conduct inventory of supplies and materials semi-annually and prepare the corresponding Report on the Physical Count of Inventories by type of inventory as of a given date; and maintain updated Stock Cards for inventories to be reconciled with the records of the Accounting Office regularly.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As at December 31, 2019, the Statement of Suspensions, Disallowances and Charges (SASDC) showed the following;

Notice	Beginning Balance	This period		Ending Balance
		Jan. 1, 2019 to Dec. 31, 2019		
		NS/ND/NC	NSSDC	
Suspension	0.00	0.00	0.00	0.00
Disallowance	0.00	0.00	0.00	0.00
Charge	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

As at December 31, 2019, the Statement on the implementation of prior year's audit recommendations showed the following:

Calendar Year	No. Audit Recommendations	Status of Implementation		
		Fully Implemented	Partially Implemented	Not Implemented
2018	8	7	1	0
Prior year	13	3	1	9
Total	21	10	2	9
Percentage	100%	47.62%	9.52%	42.86%