



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Regional Director
Regional Office No. V
Rawis, Legazpi City

December 8, 2015

THE BOARD OF DIRECTORS

Bulan Water District
Bulan, Sorsogon

Gentlemen:

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the Bulan Water District, Bulan, Sorsogon, for the calendar year ended December 31, 2014, in compliance with Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The report contains the results of the audit which was conducted on a test basis, with primary objective of ascertaining the propriety of financial transactions, the compliance to prescribed rules and regulations, and the fairness of presentation of the financial statements of the District.

The summary of the audit results including the status of implementation of the prior years' audit recommendations and the certificate of the Auditor on the fairness of presentation of the financial statements are laid out in the Executive Summary. For the details of the observations and recommendations, we refer you to Part II of the report.

We request that the recommendations be implemented and we would appreciate being informed of the actions taken thereon within sixty (60) days from receipt hereof, using the prescribed format of the Agency Action Plan and Status of Implementation (AAPSI) attached to this letter.

We express our appreciation for the support and cooperation extended to our Auditors by the officials and employees of the District.

Very truly yours,


ROLAND A. REX
Director IV
Regional Director

Copy furnished:

- Administrator, LWUA
- Auditor, LWUA
- File, Regional Director, COA RO5
- Office of the President
- Office of the Vice-President
- President of the Senate
- Speaker of the House of Representatives
- Chairperson-Senate Finance Committee
- Chairperson-Appropriations Committee
- Secretary of the Department of Budget and Management
- Presidential Management Staff, Office of the President
- National Library (soft copy)
- University of the Philippines (UP) Law Center (soft copy)
- COA Commission Central Library (soft copy)



Republic of the Philippines
COMMISSION ON AUDIT
Office of the Regional Director
Regional Office No. V
Rawis, Legazpi City

December 8, 2015

Engr. REY DENNIS L. GILBAS

General Manager
Bulan Water District
Bulan, Sorsogon

Sir:

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the Bulan Water District, Bulan, Sorsogon for the calendar year ended December 31, 2014, in compliance with Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The report contains the results of the audit which was conducted on a test basis, with primary objective of ascertaining the propriety of financial transactions, the compliance to prescribed rules and regulations, and the fairness of presentation of the financial statements of the District.

The summary of the audit results including the status of implementation of the prior years' audit recommendations and the certificate of the Auditor on the fairness of presentation of the financial statements are laid out in the Executive Summary. For the details of the observations and recommendations, we refer you to Part II of the report.

We request that the recommendations be implemented and we would appreciate being informed of the actions taken thereon within sixty (60) days from receipt hereof, using the prescribed format of the Agency Action Plan and Status of Implementation (AAPSI) attached to this letter.

We express our appreciation for the support and cooperation extended to our Auditors by the officials and employees of the District.

Very truly yours,


ROLAND A. REY
Director IV
Regional Director

Copy furnished:

- Administrator, LWUA
- Auditor, LWUA
- File, Regional Director, COA RO5
- Office of the President
- Office of the Vice-President
- President of the Senate
- Speaker of the House of Representatives
- Chairperson-Senate Finance Committee
- Chairperson-Appropriations Committee
- Secretary of the Department of Budget and Management
- Presidential Management Staff, Office of the President
- National Library (soft copy)
- University of the Philippines (UP) Law Center (soft copy)
- COA Commission Central Library (soft copy)

EXECUTIVE SUMMARY

A. INTRODUCTION

The Bulan Water District (BWD) was formed on May 9, 1975 by virtue of Sangguniang Bayan Resolution No. 23, series of 1975 and maintained as water district by deriving its authority and powers under Presidential Decree (PD) No. 198, otherwise known as the Provincial Water Utilities Act of 1973, as amended by PD No. 768, PD No. 1479 and Republic Act (RA) No. 9286. Its Conditional Certificate of Conformance (CCC) No. 22 was issued on April 20, 1976 by the Local Water Utilities Administration (LWUA) after compliance with the legal requirements, thus qualifying to its technical and financial assistance for expansion of water facilities.

As a government-owned and controlled corporation with original charter, it has the following purposes;

- Acquiring, installing, improving, maintaining and operating water supply and distribution systems for domestic, industrial, municipal and agricultural uses for residents and lands within the boundaries of such districts;
- Providing, maintaining and operating waste water collection, treatment and disposal facilities; and
- Conducting such other functions and operations incidental to water resource development, utilization and disposal within such districts, as are necessary or incidental to said purpose.

It has a total service connection of 6,120; of which 4,911 were duly metered, of which 4,377 were billed as of December 31, 2014.

All powers expressly granted by PD No. 198 as amended by PD No. 768, PD No. 1479 and RA No. 9286, necessary, implied from or incidental to the powers and purposes abovementioned are exercised and performed by the Board of Directors (BOD). It is composed of five members representing sectors for professional, civic, education, business and women under the Chairmanship of Ms. Mary Ann G. Hizo. They are the policy making body of the agency.

The district is categorized as "average" water district. As of December 31, 2014, its personnel complement is composed of 18 regular employees and four on the job order basis.

From July 2010 the Office of the Bulan Water District is under the managerial supervision of Engr. Rey Dennis L. Gilbas.

B. FINANCIAL HIGHLIGHTS

I. Comparative Financial Position:

Particulars	2014	2013	Increase/(Decrease)
Assets	P 30,486,193.42	P 31,112,746.93	P (593,279.34)
Liabilities	P 20,835,274.21	P 22,674,290.73	P (1,839,016.52)
Equity	P 9,650,919.21	P 8,438,456.20	P 1,245,737.18

II. Sources and Application of Funds:

Income	2014	2013	Increase/(Decrease)
Income from Water Works System	P 12,996,826.64	P 13,382,744.39	P (385,917.75)
Other Business Income	397,498.16	589,535.86	(192,037.70)
Fine and Penalties-Business Income	493,701.74	500,843.32	(7,141.58)
Other Income	49,587.80	23,518.44	26,069.36
Total Income	P 13,937,614.34	P 14,496,642.01	P (559,027.67)

Expenses	2014	2013	Increase/Decrease
Personal Services	P 6,423,287.16	P 6,682,062.81	P (258,775.65)
Maintenance and Other Operating Expenses	3,811,122.85	4,119,310.85	(308,188.00)
Financial Expenses	2,521,872.41	2,711,642.02	(189,769.61)
Total Expenses	P 12,756,282.42	P 13,513,015.68	P (756,733.26)
Excess of Income Over Expenses	P 1,181,331.92	P 983,626.33	P 197,705.59

C. SCOPE OF AUDIT

The audit was aimed to ascertain the fairness and reliability of the agency's financial position and the results of its operations. The audit conducted included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit was for the period from January 1 to December 31, 2014.

D. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor issued a qualified opinion on the fairness of the presentation of the financial statements.

E. OBSERVATIONS AND RECOMMENDATIONS

1. The Senior Corporate Budget Analyst did not prepare and submit the Monthly Bank Reconciliation Statement (BRS) for two of its bank accounts, Cash in Bank – Local Currency, Current Account – Allied Bank – Bulan and Cash in Bank – Local Currency, Savings Account – Development Bank of the Philippines – Sorsogon, thus the correctness of the balances of the two accounts amounting to ₱194,820.74 and ₱50,300.00, respectively, cannot be ascertained, contrary to Section 74 of PD No. 1445.

We recommended the following:

- a) Direct the Sr. Corporate Budget Analyst to prepare the monthly BRS for all depository accounts within ten days from receipt of the Bank Statements and immediately make the necessary correction of errors and adjustment of reconciling items (if any) to come up with reliable data pertaining to Cash in Bank balance.
 - b) The Cashier and the Sr. Corporate Budget Analyst should always reconcile their books. It is emphasized that in preparing for the BRS, the basis should be the cashbook balance which is reconciled with the accounting records.
2. Discrepancies totaling ₱431,250.00 exist between the General Ledger (GL) balances maintained by the Accounting Office and the stock cards maintained by the Property Office due to lack of periodic reconciliation of the two records contrary to Section 53 of the Government Accounting and Auditing Manual (GAAM), Volume III, thus casting doubt on the propriety of the balances of Inventory accounts.

We recommended that Management require the Senior Corporate Budget Analyst and the Property Officer to:

- a) Determine the causes of the noted differences and effect adjustment, if warranted; and
 - b) Conduct periodic reconciliation of their records to avoid future variances in their reports.
3. The District granted Essential Supplies Assistance to its permanent employees in the amount of ₱408,000.00 for CY 2014 contrary to Section 2 of AO No. 103 dated January 14, 1994.

We recommended the following:

- a) Management should stop the practice of paying the Essential Supplies Assistance.
 - b) Cause the refund of the said assistance.
4. The District granted Year-End Financial Assistance to its Senior Permanent Employees in the amount of ₱82,741.00 for CY 2014 contrary to Section 2 of AO No. 103 dated January 14, 1994.

We recommended the following:

- a) Management should stop the practice of paying the Year-End Financial Assistance.
 - b) Cause the refund of the said assistance.
5. The reported year-end balance of Other Assets in the amount of ₱262,779.26 was unreliable in view of the absence of schedules, subsidiary ledgers and pertinent records relative thereto thus, validity and correctness of the account could not be ascertained.

We recommended the Management to require:

- a.) The Sr. Corporate Budget Analyst to inquire from other BWD personnel regarding the details of the Other Assets account. Management should exert efforts to identify the breakdown of the account to ascertain the validity and correctness of the account and so as to determine which among the assets are can already be held for sale or disposal.
 - b.) The Sr. Corporate Budget Analyst to maintain subsidiary ledgers for the Other Assets account to support the balance in the GL.
6. Actual BOD expenses for the calendar year 2014 exceeded by ₱164,889.04 over the amount allowable under Executive Order (EO) No. 65 s. 2012. The excess claims by the BOD could have been utilized instead to finance regular operating expenses of the District.

We recommended the following:

- that budget and corresponding expenses for account code 800 for a given year be limited to per diems for a maximum of 24 regular board meetings plus 25% of total per diems to comply with the limitation set under LWUA Memorandum Circular (MC) No. 015-12.

- maintain separate subsidiary ledgers so that expenses of the BOD be monitored to avoid the incurrence of overdraft and above the allocated budget.

- that compliance with the provisions of EO No. 65 as implemented by LWUA MC Nos. 005-12 and 015-12 which states that the aggregate amount of all reimbursable expenses should not exceed 25% of actual per diems received for board meetings be strictly observed.

F. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The balance reflected in the financial statements amounted to P3,450.00 for Receivables-Disallowances/Charges for Calendar Year 2014. Settlements during the year made by the agency for the disallowance reached P16,875.00.

G. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

For the year 2014, the District had five audit recommendations to implement as validated by the audit team. Of the five audit recommendations, four were fully implemented and one was not implemented.