



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

July 12, 2016

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, 2015, 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 the 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 (AAPS) 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
Regional Director



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

July 12, 2016

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, 2015, 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 the 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
Regional Director

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 6,158; of which 4,908 were duly metered, of which 3,833 were billed as of December 31, 2015.

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, 2015, its personnel complement is composed of 15 regular employees and ten on the job order basis.

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

B. FINANCIAL HIGHLIGHTS

I. Comparative Financial Position:

Particulars	2015	2014	Increase/(Decrease)
Assets	P 30,663,352.52	P 30,486,193.42	P 177,159.10
Liabilities	P 20,020,449.18	P 20,835,274.21	P (814,825.03)
Equity	P 10,642,923.34	P 9,650,919.21	P 992,004.13

II. Sources and Application of Funds:

Income	2015	2014	Increase/(Decrease)
Income from Water Works System	P 12,724,431.14	P 12,996,826.64	P (272,395.50)
Other Business Income	250,685.00	397,498.16	(146,813.16)
Fines and Penalties-Business Income	431,181.62	493,701.74	(62,520.12)
Other Income	41,313.52	49,587.80	(8,274.28)
Total Income	P 13,447,611.28	P 13,937,614.34	P (490,003.06)

Expenses	2015	2014	Increase/(Decrease)
Personal Services	P 6,989,760.29	P 6,423,287.16	P 566,473.13
Maintenance and Other Operating Expenses	4,047,916.42	3,811,122.85	236,793.57
Financial Expenses	1,404,219.82	2,521,872.41	(1,117,652.59)
Total Expenses	P 12,441,896.53	P 12,756,282.42	P (314,385.89)
Excess of Income Over Expenses	P 1,005,714.75	P 1,181,331.92	P (175,617.17)

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, 2015.

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. Unserviceable properties of the District amounting to P347,176.34 are still included on the Lapsing Schedule as of December 31, 2015 due to the failure to reconcile the records with the accounting section and to reclassify the same as Other Assets and the non-completion of the physical stock-taking of Irrigation, Water Systems and Structures which included fully depreciated items totaling P7,184,813.99 for CY 2015, thus, resulted to overstatements of the Property, Plant and Equipment account.

We recommended that Management require the personnel concerned of the District to:

- a) Complete the conduct of physical count for all the property, plant and equipment of the District to determine the existence, condition and whereabouts of each item;
 - b) Identify discrepancies between the physical count and booked up PPE, immediately reconcile, and investigate if due to loss; and
 - c) Appropriately reclassify unserviceable, obsolete and fully depreciated assets determined during the physical count to Other Assets account.
2. Ownership of three parcels of land as of December 31, 2015 acquired through purchases with the total value of P1,070,000.00, cannot be ascertained because the land title has not been transferred in the name of Bulan Water District, contrary to Section 449 of the Government Accounting and Auditing Manual (GAAM).

We recommended that Management expedite the immediate application for transfer of ownership of the lands to Bulan Water District.

3. The reported year-end balance of Other Liability in the amount of P345,735.60 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 that the Management require the Sr. Corporate Budget Analyst:

- a.) To inquire from other BWD personnel regarding the details of the Other Liability Accounts. Management should exert efforts to identify the breakdown of the account to ascertain its validity and correctness; and
- b.) To maintain subsidiary ledgers for the Other Liability Accounts to support the balance in the GL.

4. The District granted Essential Supplies Assistance to its permanent employees in the amount of ₱378,000.00 for CY 2015 contrary to Section 2 of Administrative Order (AO) No. 103 dated January 14, 1994.

We recommended that Management:

- a.) Stop the practice of paying the Essential Supplies Assistance.
- b.) Cause the refund of the said assistance.

5. The District granted Year-End Financial Assistance to its Senior Permanent Employees in the amount of ₱68,888.00 for CY 2015 contrary to Section 2 of Administrative Order (AO) No. 103 dated January 14, 1994.

We recommended that Management:

- a) Stop the practice of paying the Year-End Financial Assistance.
- b) Cause the refund of the said assistance.

F. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The financial statements reflected a zero balance for Receivables-Disallowances/Charges for CY 2015. Settlements during the year made by the agency for the disallowance reached ₱3,450.00.

G. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

For the year 2015, the District had seven audit recommendations to implement as validated by the audit team. Of the seven audit recommendations, three were fully implemented, one was partially implemented and three were not implemented.



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Bulan Water District
Bulan, Sorsogon

Report on the Financial Statements

We have audited the accompanying financial statements of Bulan Water District, which comprise the Statement of Financial Position as at December 31, 2015, the Statement of Income and Expenses, the Statement of Government Equity, and Statement of Cash Flows for the year then ended, and a summary of Significant Accounting Policies and Other Explanatory Information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted state accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As discussed in Part II of this report, the correctness of the year-end balance of Property, Plant and Equipment (PPE) of P22,634,761.13 cannot be ascertained due to the presence of fully depreciated and unserviceable properties worth P7,184,813.99 and P347,176.34 respectively, which were not accounted/inventoried.

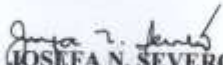
Further, the year-end balance of Other Liability/Guaranty Deposits Payable in the amount of P345,735.60 is unreliable in view of the absence of schedules, subsidiary ledgers and pertinent records relative thereto thus, the validity and correctness of the account could not be ascertained.

Opinion

In our opinion, except for the effects of the any adjustment of the accounts described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Bulan Water District as at December 31, 2015, and its financial performance and its cash flows for the year then end in accordance with generally accepted state accounting principles.

COMMISSION ON AUDIT

By:


JOSEFA N. SEVERO
State Auditor V
Supervising Auditor

July 12, 2016