

EXECUTIVE SUMMARY

A. INTRODUCTION

The Bansalan Water District (BWD) was created pursuant to the provisions of Presidential Decree No. 198 as amended by PD 768 and 1749, by virtue of SB Resolution No. 50 s. 1977 dated July 12, 1977 and a Conditional Certificate of Conformance No. 57 was issued on June 20, 1978 by the Local Water Utilities Administration (LWUA).

The Water Districts, under the supervision of LWUA, were declared as Government Owned and/or Controlled Corporations with original charter pursuant to Supreme Court decision dated September 13, 1991 (Davao City Water District et al. vs. Civil Service Commission, et al).

On April 4, 2012, LWUA issued a certificate categorizing the Bansalan Water District as a Category “C” Water District effective March 2012.

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 Bansalan Water District for 2017. The audit consisted of 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 comparative statement of financial condition and statement of comprehensive income for CY 2017 and 2016 is presented as follows:

Comparative Statement of Financial Position:

	2017	2016	Increase (Decrease)	Percentage
Financial Condition				
Total Assets	72,201,438.00	63,063,315.58	9,138,122.42	14%
Total Liabilities	21,456,481.51	12,812,286.16	8,644,195.35	67%
Total Equity	50,744,956.49	50,251,029.42	493,927.07	1%

Comparative Statement of Comprehensive Income:

	2017	2016	Increase (Decrease)	Percentage
Comprehensive Income				
Income	25,390,229.70	26,263,133.79	(872,904.09)	-3%
Expenses	24,896,302.63	23,898,635.05	997,667.58	4%
Net Income	493,927.07	2,364,498.74	(1,870,571.67)	-79%

The District's assets have increased by 14% due to the completion of a CIP project: Pump House # 1. The increase in liability was due to the corresponding recognition of loans for the completed project.

The net income of the district decreased by 79% due to the number of disconnection of water meters in 2017 and late reading of meters for December 2017 which was recognized only during January 2018. There was also an increase in Personal Services for 2017.

E. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered an adverse opinion on the fairness of presentation on the financial statements of the Bansalan Water District for calendar year 2017 for the following reasons:

1. Management's failure to provide the Revaluation and Appraisal value of the Property, Plant and Equipment (PPE) with a carrying amount of P52,289,662.89 as at December 31, 2017 rendered the fair presentation of PPE account doubtful.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented are the other significant audit observations and recommendations which are discussed in detail in Part II of the Report:

1. Non-reconciliation on the balances of Loans Payable account between the District's books and LWUA's records from the time of the grant of the loan, showed a net variance of P30,254.33, thus affecting the accuracy and reliability of the account's presentation in the financial statements.

We recommended the following:

- Direct the Accounting Processor to immediately conduct reconciliation of accounts with LWUA to determine the cause of disparity of records;
 - Secure authority from the Board of Directors for any action/s to be taken by the District on their loans; and
 - Effect necessary adjustments, if any, in the books of accounts in order to come up with an accurate and reliable data to be presented in the financial statements.
2. The validity, accuracy and reliability of Property, Plant and Equipment accounts with a net realizable value of P52,880,949.64, or comprising 73% of the total assets of the District, cannot be ascertained due to non-maintenance of subsidiary records.

We recommend Management to direct the Accounting Processor to maintain and update subsidiary records for PPE accounts which should be reconciled with the controlling accounts in the General Ledger regularly.

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

As at December 31, 2017, the Statement of Suspensions, Disallowances and Charges (SASDC) showed the following balances:

Notice	Beginning Balance	This Period		Ending Balance
		Jan. 1, 2017 to Dec. 31, 2017		
		NS/ND/NC	NSSDC	
Suspension	0.00	0.00	0.00	0.00
Disallowance	0.00	894,795.18	0.00	894,795.18
Charge	0.00	0.00	0.00	0.00
Total	0.00	894,795.18	0.00	894,795.18

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

As at December 31, 2017, the Statement on the implementation of prior years' audit recommendations showed the following:

Calendar Year	No. Audit Recommendations	Status of Implementation		
		Fully Implemented	Partially Implemented	Not Implemented
2016	18	10	3	5
Prior years	89	64	2	23
TOTAL	107	74	5	28