

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

The Bayugan Water District was organized on August 11, 1982 by virtue of resolution by the Municipal Council of Bayugan under the leadership of Mayor Encendencia. A public hearing was conducted and completion of the certification program was accomplished which eventually led to the issuance of the Certificate of Conformance No. 243 on April 4, 1983.

The Management of the Bayugan Water District is governed by a policy making body whose function shall be to formulate and establish sound operating policies of the water district to maintain its viability and self-sufficiency.

The policy-making body is composed of five (5) representatives from the different sectors of the community with a term of six years, as provided by P.D. 198, appointed by the City Mayor of Bayugan City.

As of December 31, 2012, Bayugan Water District is a Category C District. It has 16 permanent employees and 24 Job Orders. It has 5,338 active connections and 880 inactive connections catering to 37,308 population. The District has a collection efficiency of 92%.

For CY 2012, Bayugan Water District had total assets of P 119,948,594.46, total liabilities of P 91,838,205.96 and equity of P 28,113,617.31.

### **SCOPE OF AUDIT**

A financial and compliance audit was conducted on the accounts and operations of Bayugan Water District for Calendar Year 2012. The audit consisted of verification, reconciliation and analysis of accounts, and such other procedures considered necessary to ascertain the extent of compliance with laws, rules and regulations and budgetary requirements.

### **STATE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

The Auditor rendered a qualified opinion on the financial statements as of December 31, 2012 due to the significant amount of the unreconciled balances of the physical inventory report as of December 31, 2012 for Property, Plant and Equipment and Other Inventories amounting to P 114,789,285.02 and P678,894.80 respectively, against balances per account items in the Accounting books.

## SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

- 1. Hazard Allowance in the total amount of P114,000.00 were granted to officers and employees charged to regular budget and without certification from the Secretary of National Defense or by his authorized representative that the areas of assignment have been determined as strife-torn or embattled in violation of Section 3.1.2 of Budget Circular No. 2005-4 dated July 13, 2005.**

Observe rules and regulations prescribed under DBM Budget Circular No. 2005-4 dated July 13, 2005 and other rules and regulations that maybe issued by DBM.

Require all officers and employees to refund the hazard pay given which was charged to the regular budget and without certification by the Secretary of National Defense that the place of assignment is a strife-torn area.

- 2. Shopping method of procurement was resorted to on the purchases of supplies, materials and equipment totaling P1,664,502.12 instead of procuring from the DBM Procurement Service or availing of alternative mode of procurement goods and infrastructure projects as provided under pertinent sections of the Implementing Rules and Regulations of R.A. No. 9184. Purchases also lacked some supporting documents as prescribed under COA Circular No. 2012-001 dated June 14, 2012.**

Require the District's Supply Officer to consolidate all the quarterly requirements of supplies, materials and equipment of every department/office embodied in the Approved Annual Procurement Plan and finalize the same in the form of the Annual Procurement Program. For procurement of readily available off-the shelf goods, ordinary or regular office supplies and equipment not available in the Procurement Service, involving an amount of not more than P500,000.00, "shopping" as alternative method of procurement may be used as provided under Section 52 of RA 9184. In all instances of procurement, the manner/mode of procurement to be adopted should always be in accordance with the provision of RA 9184 and its Implementing Rules and Regulations

Also, attach all relevant documents to establish validity of claims.

- 3. Accounts Receivable balance per accounting records of P 2,960,307.97 does not tally with the computerized records of the Billing and Collection System of P2,935,350.22 showing a difference of P24,957.75 as of December 31, 2012, casting doubt on the reliability of the Receivable account as reflected in the Balance Sheet . Also, fifty eight percent (58%) of the total Receivable was aged more than 120 days making its collection efficiency at only 91%.**

Reconcile the balances of the Accounts Receivable per accounting records with that of the system generated Aging of Receivables to come up with a reliable balance of the Receivable Account.

Launch an aggressive campaign to improve collection efficiency and ensure the sustainability of the operation of the District.

- 4. The hiring of an Environment Consultant with a contract cost of P75,000.00 failed to comply with the requirements of RA 9184.**

Strictly adhere to the provisions of RA 9184 and its Revised Implementing Rules and Regulations.

- 5. Payments for the three ( 3 ) parcels of land purchased in CY 2012 where the District's structures and facilities are located were not supported by Certificate of Title or legal rights of ownership and other documents in favor of the District, contrary to Section 49 of GAAM Volume I and Section 39, par(2) of PD 1445, thus, the District's ownership of the land may be questionable.**

Exert extra effort to secure and obtain legal documents, such as certificate of title or deed of donation of the sites where the buildings and facilities of the District were already constructed in order to establish the District's ownership of these lands.

Avoid buying lands without proof legal ownership such as Certificate of Title.

- 6. Physical Inventory Report as of December 31, 2012 for Property, Plant and Equipment and Other Inventories amounting to P114,789,285.02 and P678,894.80, respectively did not tally with the balances per account items in the Accounting books of P114,789,694.72 and P 699,007.80 thus, the accuracy of the recorded PPE and Other Inventories accounts was doubtful.**

Direct the Accounting Department and the Supply Office to reconcile immediately the classification of the Inventories and Property, Plant and Equipment without waiting until year-end to reconcile these balances after the actual count, to have reliable balances and fair presentation of the Financial Statements

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the four (4) audit recommendations embodied in the CY 2010-2011 Annual Audit Report, two (2) were not implemented, one (1) was partially implemented and one (1) was unimplemented.