

EXECUTIVE SUMMARY

A. Introduction

The Agency

The Basey Water District was established in 1977 and was formerly under the management of the local government. It was transferred to the Basey Water District in 1982.

A Sangguniang Bayan Resolution No. 97 was approved in October 31, 1977 creating the Basey Water District (BWD) based on the national policy, the P.D. 198 known as Provincial Water Utilities Act of 1973 favoring local operation and control of water systems; authorizing the formation of local water districts and providing for the governance and administration of such districts; chartering a national administration to facilitate improvement of local water utilities; granting said administration with such powers as are necessary to optimize public service from water utility operations.

On September 6, 1982, the Local Water Utilities Administration awarded the Conditional Certificate of Conformance No. 215 to the Basey Water District.

The personnel complement of BWD as of December 31, 2024, consisted of seven regular employees, one co-terminous, and nine job order (JO) workers, headed by Engr. Ramon A. Ordoño.

The policy making body of BWD, its Board of Directors (BOD), was composed of five members, listed in Table 1.

Table 1. List of Members of the BOD as at December 31, 2024

Name	Sector	Term of Office
Miguel P. Yu	Business	Jan. 1, 2023 – Dec. 31, 2028
Elfa B. Palomo	Women	Jan. 1, 2023 – Dec. 31, 2028
Melsa B. Cabuquit	Civic	Aug. 1, 2024 – Dec. 31, 2026
Marion Reposar	Education	Aug. 1, 2024 – Dec. 31, 2026
Ernesto J. Llego	Professional	Jan. 1, 2019 – Dec. 31, 2024

Pursuant to Commission on Audit (COA) Circular No. 2015-003, dated April 16, 2015, water districts were among those identified, under Annex A thereto, as Government Business Enterprises (GBE), for the purpose of determining the applicable Financial Reporting Framework in the preparation of their financial statements.

Audit Scope and Methodology

The audit covered the review of the accounts and operations of BWD for the years ended December 31, 2024, and December 31, 2023. The audit was conducted to: (a) obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether due to fraud or error and to issue an auditor's report that includes our audit opinion; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and (c) determine the extent of implementation of prior years' audit recommendations.

B. Financial Highlights

The calendar years (CYs) 2024 and 2023 financial conditions, results of operations, budgets versus actual expenditures including the operational highlights are shown in Tables 2 to 4.

Table 2. Financial Conditions and Results of Operations

Particulars	CY 2024	CY 2023
Financial Condition		
Assets	₱ 26,322,831.48	₱ 25,696,720.34
Liabilities	2,892,360.26	4,206,535.29
Equity	23,430,471.22	21,490,185.05
Results of Operation		
Income	8,494,764.13	9,109,176.73
Expenses	7,843,921.87	8,699,159.00
Net Income (Loss)	₱ 650,842.26	₱ 410,017.73

Table 3. Comparative Budget and Actual Expenditures for CY 2024

Particulars	Budget	Actual Expenditures	Favorable Variance
Personal Services (PS)	₱ 6,944,952.30	₱4,235,509.00	₱2,709,443.30
Maintenance & Other Operating Expenses (MOOE)	5,649,714.72	3,078,688.93	2,571,025.79
Capital Outlay (CO)	7,422,141.00	896,498.69	6,525,642.31
Totals	<u>₱20,016,808.02</u>	<u>₱ 8,210,696.62</u>	<u>₱11,806,111.40</u>

Table 4. Comparative Budget and Actual Expenditures for CY 2023

Particulars	Budget	Actual Expenditures	Favorable Variance
PS	₱ 8,238,767.05	₱ 4,945,437.87	₱ 3,293,329.18
MOOE	4,816,257.34	3,267,677.85	1,548,579.49
CO	8,511,221.68	1,301,037.01	7,210,184.67
Totals	<u>₱21,566,246.07</u>	<u>₱ 9,514,152.73</u>	<u>₱ 12,052,093.34</u>

C. State Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the combined financial statements of BWD for the years ended December 31, 2024 and December 31, 2023 due to the exceptions as stated in the Independent Auditor's Report, and as discussed in Part II of the report.

D. Summary of Significant Observations and Recommendations

The details of the foregoing and other audit observations and recommendations are discussed in Part II of this Report. These were communicated to management through Audit Observation Memoranda.

1. The accuracy and reliability of the balance of the Cash in Bank – Local Currency, Current Account and Cash in Bank – Local Currency, Savings Account as of December 31, 2024 of ₱13,178,704.36 and ₱14,493.44, respectively, were doubtful, due to various deficiencies noted.

We recommended that the Management require the Bookkeeper – Designate to:

- a. prepare the necessary journal entries to recognize the identified reconciling items in Table 3 that require adjustment in the books to reflect the correct balance of the Cash in Bank – LCCA account.
 - b. exert utmost efforts to retrieve supporting documents/details of book reconciling items with net amount of ₱228.58, as well as the lacking bank records relating to the reported cash balance at the RBBI of ₱14,493.44, and subsequently prepare the necessary adjusting journal entries, if deemed appropriate;
 - c. perform regular bank reconciliation of all cash in bank accounts of the BWD; and
 - d. make representation with the PDIC and other relevant banking authorities to determine possible recourse for the recovery of funds from the RBBI.
2. The existence and accuracy of the reported balances of the PPE Accounts, with an aggregate carrying value of ₱10,046,496.09 as of December 31, 2024, were doubtful due to various deficiencies noted.

We recommended that the BWD Management require the:

- a. Bookkeeper – Designate:
 1. perform a thorough reconciliation of the variances noted in the balances of the Accumulated Depreciation for PPE Accounts between the amounts reflected in the GL and in the Lapsing Schedule of Depreciation, of ₱5,540,994.57;
 2. prepare adjusting journal entry to reclassify the tangible items, listed in Annex G, with costs below ₱50,000.00 totaling ₱313,165.00 to the appropriate semi-expendable property accounts;
 3. determine the related accumulated depreciation of the misclassified PPE items totaling ₱3,379,201.03 listed in Table 9 and prepare the necessary adjusting

journal entry to reclassify the costs of the PPE items and their corresponding accumulated depreciation to the appropriate accounts;

4. compute and recognize the impairment losses of unserviceable PPEs based on the provisions of PAS 36 – Impairment of Assets;
 5. coordinate with the project in-charge of BWD and require the immediate submission of Certificates of Completion supported with duly inspected Statement of Work Accomplished for all completed projects listed in the Report on GPPA with detailed breakdown of the costs incurred for every project and prepare necessary adjusting journal entries in the books;
 6. prepare and maintain complete SLs, CIPLCs and PPELCs for the PPE and CIP accounts; and
 7. reconcile balances of PPE Accounts with the records maintained by the Property Unit;
- b. Bookkeeper –Designate and the Inventory Committee to reconcile the variances noted in the costs of PPE between the GL and RPCPPE of ₱15,478,215.98;
 - c. Property Officer – Designate to prepare complete PCs for all the PPE accounts;
 - d. Inventory Committee to conduct complete physical count of all PPEs of BWD, and subsequently prepare and submit duly accomplished RPCPPE with costs of PPE reconciled with the Accounting Unit; and
 - e. Disposal Committee to conduct thorough inventory and reassessment of all idle/unused PPEs to determine if they are no longer serviceable and beyond economic repair, what disposal method is the most appropriate, and ensure strict compliance with the procedures and documentary requirements on disposal pursuant to Revised Manual on the Disposal of Government Property.

E. Summary of Total Suspensions, Disallowances and Charges

The balances of audit suspensions, disallowances and charges as per Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2024, are shown in Table 5.

Table 5. Summary of Notices of Suspension, Disallowance and Charges as at December 31, 2024

	Beginning Balance	Issuances for this period January 1, 2023 to December 31, 2024	Ending Balance (As of
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	(January 1, 2023)	(See Below)		December 31, 2024)
		NS/ND/NC	NSSDC	
Notice of Suspension (NS)	₱ 2,000,538.35	₱ 94,560.00	₱ 1,327,828.70	₱ 767,269.65
Notice of Disallowance (ND)	622,482.06	18,252.20	3,264.00	637,470.26
Notice of Charge	0.00	0.00	0.00	0.00
Total	<u>₱ 2,623,020.41</u>	<u>₱ 112,812.20</u>	<u>₱ 1,331,092.70</u>	<u>₱ 1,404,739.91</u>

The details of the composition of the unsettled balances of the Notices of Suspensions and Notices of Disallowance are shown in Part III of the report.

F. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Of the 26 audit recommendations contained in the Annual Audit Reports/Management Letters (AARs/MLs) in CYs 2008-2010, 2013, 2015-2016, 2019, 2021-2022, 10 were fully implemented, and 16 were not implemented. The details are discussed in Part III of the report.