

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.

An audit of the financial transactions and operations of the Water District (WD) was conducted for Calendar Year (CY) 2017. The audit had the objective of ascertaining the fairness of presentation of the financial statements presented by the WD for the purpose of expressing an opinion thereon. It was also conducted to ascertain the validity, propriety and compliance of its financial transactions and operations to prescribed rules and regulations.

To attain the audit objectives, the audit was conducted in accordance with Philippine Public Sector Standards on Auditing (PPSSA). 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. Due to the voluminous transactions of the WD, the audit was conducted on a test basis, applying the audit procedures and techniques such as vouching, inspections and interviews.

The following are the operational highlights for CYs 2017 and 2016 in terms of service connections, water sales and collections from water bills:

2017	Target	Accomplishment	% of Accomplishment
Service Connections	5,077	4,489	88.42%
Sales	₱ 23,908,333.93	₱ 16,798,969.52	70.26%
Collections from water bills	₱ 22,003,205.70	₱ 16,744,542.66	76.10%

2016	Target	Accomplishment	% of Accomplishment
Service Connections	6,302	4,942	78.42%
Sales	₱ 14,390,000.00	₱ 13,613,318.16	94.60%
Collections from water bills	₱ 14,208,761.00	₱ 13,618,309.42	95.84%

B. Financial Highlights

The following are the financial highlights composed of comparative financial position and results of operations for CYs 2017 and 2016:

I. Comparative Financial Position:

Particulars	2017	2016	Increase/ (Decrease)
Assets	₱ 31,455,226.97	₱ 29,137,108.30	₱ 2,318,118.67
Liabilities	₱ 18,917,569.67	₱ 17,758,515.74	₱ 1,159,053.93
Equity	₱ 12,537,657.30	₱ 11,378,592.56	₱ 1,159,064.74

II. Sources and Application of Funds:

Income	2017	2016	Increase/ (Decrease)
Waterworks Systems Fees	₱ 15,345,454.36	₱ 13,152,943.13	₱ 2,192,511.23
Interest Income	24,106.52	21,883.23	2,223.29
Fine and Penalties-Business Income	685,430.64	473,275.03	212,155.61
Other Business Income	743,978.00	599,980.80	143,997.20
Total Income	₱16,798,969.52	₱ 14,248,082.19	₱ 2,550,887.33

Expenses	2017	2016	Increase/ (Decrease)
Personnel Services	₱ 8,510,825.97	₱ 6,642,442.88	₱ 1,868,383.09
Maintenance and Other Operating Expenses	4,110,615.33	4,084,736.80	25,878.53
Financial Expenses	1,097,927.90	1,043,588.95	54,338.95
Non-Cash Expenses	1,694,668.75	1,660,921.34	33,747.41
Total Expenses	15,414,037.95	13,431,689.97	1,982,347.98
Net Income	₱ 1,384,931.57	₱ 816,392.22	₱ 568,539.35

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because a variance of (₱23.21) million exists between the General Ledger balance of ₱1.58 million and the electronically-generated Aging of Accounts Receivable of ₱(21.63) million, thus, the reliability of the Accounts Receivable account is doubtful.

D. Significant Audit Observations and Recommendations

Financial and Compliance Audit

1. The buildings and other insurable properties of the WD were not insured with the General Insurance Fund of GSIS.

We recommended and Management agreed to comply with the regulation on the insurance of its assets to the GSIS. For the coverage of insurance benefits, application and subsequent renewal of the insurance of the subject properties is highly advised.

2. The WD has yet to implement the Water Safety Plan (WSP) pending its approval for the assurance that the supplied water to its concessioners are of safe quality and to be compliant with the national policy for drinking-water quality management.

We recommended and Management agreed to follow-up the approval of the WSP. We also commended Management for its vigilance and commitment to deliver safe and quality water to its concessionaires through regular undertaking of daily, semi-annual and annual mandatory laboratory tests.

3. The WD was not able to develop policies and plans to address concerns relating to Disaster Risk Reduction and Management (DRRM). Also, it was unable to allocate a portion of its Corporate Operating Budget (COB) for CY 2017 as DRRM Fund.

We recommended and Management agreed to inquire from the NDRRMC and clarify said requirement regarding the implementation of activities for knowledge-building, awareness raising and disaster-preparedness. We also recommended that the WD use that information to develop policies and plans relating to DRRM and allocate a portion from its Corporate Operating Budget (COB) as DRRM Fund to finance for its implementation.

Value-For-Money Audit

4. The WD foregone an aggregate amount of approximate revenue amounting to ₱1.39 million due to the high percentage of Non-Revenue Water (NRW) registered at 29.38 per cent, which is 9.38 per cent higher than the industry average of 20 per cent.

We recommended that Management investigate and verify the causes of the excess NRW in CY 2017. Also, formulate control measures that would minimize the existence of unaccounted water.

5. The WD was not able to conduct periodic performance audit of the water meters being used by its concessionaires to ensure its accuracy, thus, may result to an increase in NRW which shall affect its operational efficiency and financial viability.

We recommended that Management cause the conduct of the periodic performance audit of the water meters being used by its concessionaires after every five years of its utilization, depending on the condition of the operation. Assess the financial capability of the WD to

consider the possibility of allocating funds to establish their own water meter testing facility pursuant to LWUA MC No. 014-10.

E. Summary of Total Suspensions, Disallowances and Charges as of Year-End

The outstanding balances of Notices of Suspension/ Disallowances/ Charges as of December 31, 2017 are as follows:

Particulars	Balance as of January 1, 2017	This Period		Balance as of December 31, 2017
		Issued	Settled	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	79,728.80	0.00	0.00	79,728.80
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 79,728.80	₱ 0.00	₱ 0.00	₱ 79,728.80

F. Status of Implementation of Prior Years' Audit Recommendations

Out of seven prior years' audit recommendations, two were fully implemented, three were partially implemented and two were not implemented during the year.