



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

Telefax Nos.: 482-0547; 482-0548

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**OFFICE OF THE REGIONAL DIRECTOR**

September 7, 2017

**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 year ended December 31, 2016, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

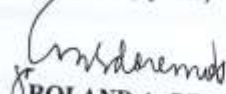
The attached Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, which were discussed with concerned officials and staff of the Water District, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Water District for the year ended December 31, 2016.

We request that the recommendations be promptly 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 attached copy of the Agency Action Plan and Status of Implementation (AAPSI).

We express our appreciation for the support and cooperation extended to our Auditors by the officials and employees of that Water District.

Very truly yours,

  
**ROLAND A. REY**  
Regional Director

Copy furnished:

1. Administrator, LWUA
2. Auditor, LWUA
3. Office of the President
4. Office of the Vice-President
5. President of the Senate
6. Speaker of the House Representatives
7. Chairperson - Senate Finance Committee
8. Chairperson - Appropriations Committee
9. Secretary, Department of Budget and Management
10. Presidential Management Staff, Office of the President
11. National Library
12. University of the Philippines Law Center
13. Commission Central Library  
Commission on Audit, Quezon City
14. File, Regional Director, COA RO5



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**OFFICE OF THE REGIONAL DIRECTOR**

September 7, 2017

**Engr. REY DENNIS L. GILBAS**  
General Manager  
Bulan Water District  
Bulan, Sorsogon

Sir:

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## 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.

In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of PD No.1445, otherwise known as the Government Auditing Code of the Philippines, an audit of the financial transactions and operations of the BWD for Calendar Year (CY) 2016 was conducted.

The audit has the objectives of ascertaining the fairness of presentation of the financial statements presented by the BWD for the purpose of expressing an opinion on these financial statements. It was also conducted to ascertain the validity, propriety and compliance to prescribed rules and regulations of its financial transactions and operations.

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 Water District, 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 2016 and 2015 in terms of service connections, water sales and collections from water bills:

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

2015	Target	Accomplishment	% of Accomplishment
Service Connections	5,845	4,897	83.78%
Sales	P 13,907,450.00	P 13,402,597.76	96.37 %
Collections from water bills	P 13,455,700.00	P 13,612,688.21	101.17%

## B. Financial Highlights

The following are the financial highlights composed of comparative financial position and results of operations for CYs 2016 and 2015:

### I. Comparative Financial Position:

Particulars	2016	2015	Increase/ (Decrease)
Assets	P 29,137,108.30	P 30,663,372.52	P (1,526,264.22)
Liabilities	P 17,758,515.74	P 20,020,449.18	P (2,261,933.44)
Equity	P 11,378,592.56	P 10,642,923.34	P 735,669.22

### II. Sources and Application of Funds:

Income	2016	2015	Increase/ (Decrease)
Waterworks Systems Fees	P 13,152,943.13	P 12,724,431.14	P 428,511.99
Interest Income	21,883.23	36,533.60	(14,650.37)
Fine and Penalties-Business Income	473,275.03	431,181.62	42,093.41
Other Business Income	599,980.80	250,685.00	349,295.80
Total Income	P 14,248,082.19	P 13,442,831.36	P 805,250.83

Expenses	2016	2015	Increase/ (Decrease)
Personnel Services	P 6,642,442.88	P 6,989,760.29	P (347,317.41)
Maintenance and Other Operating Expenses	4,084,736.80	2,481,660.05	1,603,076.75
Financial Expenses	1,043,588.95	1,404,219.82	(360,630.87)
Non-Cash Expenses	1,660,921.34	1,561,476.45	99,444.89
Total Expenses	13,431,689.97	12,437,116.61	994,573.36
Excess of Income Over Expenses	P 816,392.22	P 1,005,714.75	P (189,322.53)

## C. Independent Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of presentation of the financial statements.



#### **D. Significant Audit Observations and Recommendations**

1. The Bulan Water District foregone an aggregate amount of approximate revenue amounting to almost ₱1.39 million due to the high percentage of non-revenue water registered at 29.38 per cent, which was 9.38 per cent higher than the industry average of 20 per cent, contrary to LWUA Resolution No. 444.

We recommended that Management investigate and verify the causes of the excess NRW in CY 2016. Also, formulate control measures that would minimize the existence of unaccounted water.

2. The Monthly Report of Accountability for Accountable Forms (RAAF) was not prepared and accomplished by Accountable Officer (AO) in accordance with the required format contrary to Item 7.0 Chapter IV of the Manual on Government Accounting System (MGAS) for Local Water Districts (LWDs).

We recommended that Management require the Cashier to prepare the Monthly RAAF in accordance with the prescribed format of MGAS for LWDs every end of each month and to submit the same to the Auditor's Office.

3. The Water District was regular in the deduction of premiums and loan amortizations from the salaries of its employees and remitted the same together with the government share to the Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF) and Philippine Health Insurance Corporation (PhilHealth).

We commended the Management for its compliance with the regulations on the remittances of compulsory contributions to the GSIS, HDMF and PhilHealth. We also commended the personnel in charge to continue and closely monitor the deductions for loan amortizations to ensure timely remittance of the same.

4. The Water District has been partially compliant with the RA No. 656 on the insurance of its insurable properties with the GSIS General Insurance Fund (GIF).

We recommended that Management cause the complete insurance of its insurable properties. For continuity of insurance coverage, prompt renewal of the insurance of the subject properties should be made.

5. The Water District was able to prepare Gender and Development (GAD) Accomplishment Report for CY 2016 despite not having an approved GAD Plan and Budget contrary to Section 3 of Joint Circular No. 2012-01 issued by the Philippine Commission on Women (PCW), the National Economic and Development Authority (NEDA), and the Department of Budget and Management (DBM), thus attainment of GAD objectives to address gender issues and concerns within the respective agency mandate was not assured.

We recommended that Management comply with the the guidelines relative to the preparation of Annual GAD Plan and Budget and Accomplishment Report and ensure that GAD activities are implemented in accordance with the approved GAD Plan, utilizing the funds allotted therefore to address gender issues within the Water District in accordance with its mandate.

We also recommended that Management require the Administrative and General Services Officer to:

- a) Prepare the GAD Plan and Budget and GAD Accomplishment Report in accordance with the prescribed format;
  - b) Ensure that the amount to be appropriated for GAD activities should be at least five per cent of the total budget of the Water District and the activities to be undertaken should be those related to its mandate;
  - c) Submit the GAD Plan and Budget to the LWUA for compilation and review, and eventual submission to the PCW for review and to the DBM for approval; and
  - d) Cause and monitor the implementation of the GAD Plan and Budget once approved.
6. The Water District has not completed the preparation and development of Water Safety Plan (WSP) thus prevention, mitigation and preparedness of dealing with risks that threaten the safe quality of drinking water and public health were not properly addressed.

We recommended that Management complete the requirements in complying with the regulations on the development and implementation of WSP. On the other hand, we also commended the Management for its vigilance and commitment to deliver safe and quality water to its concessionaires through regular undertaking of monthly, semi-annual and annual mandatory water laboratory tests.



#### **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, 2016 are as follows:

Particulars	Balance as of January 1, 2016	This Period January to December, 2016		Balance as of December 31, 2016
		Issued	Settled	
Notice of Suspension	P 0.00	P 0.00	P 0.00	P 0.00
Notice of Disallowance	83,191.30	0.00	3,462.50	79,728.80
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b><u>P 83,191.30</u></b>	<b><u>P 0.00</u></b>	<b><u>P 3,462.50</u></b>	<b><u>P 79,728.80</u></b>

#### **F. Status of Implementation of Prior Years' Audit Recommendations**

Out of 10 prior years' audit recommendations, six were fully implemented, two were partially implemented and two were not implemented during the year.