

## EXECUTIVE SUMMARY

### Introduction

Oroquieta City Water District (OCWD) was de-annexed from Misamis Occidental Water District through a Memorandum of Agreement signed on April 15, 2010. It is a Government Owned and Controlled Corporation (GOCC) existing under Presidential Decree No. 198 which began its operations independently on April 16, 2010.

Oroquieta City Water District was created by virtue of the Sangguniang Panlungsod Resolution No. 2009-08-537. Local Water Utilities Administration issued its Certificate of Conformance on September 2, 2009 conforming the identity of the newly formed district, implemented through Misamis Occidental Water District's Interim Board of Directors Resolution No. 01, Series of 2010.

OCWD committed to provide uninterrupted and uncompromised potable water and envisions water for all that is sustainable, reliable, affordable and safe.

The District is classified as a *Category C* Water District effective on March 2012 pursuant to and in compliance with the DBM approved Revised Local Water District (LWD) Manual on Categorization, Re-Categorization (LWD-MaCRO).

It has a manpower compliment of 68 personnel consisting of 39 regular employees and 29 Job Order. It is headed by General Manager (GM) Bless Boyle M. Quimno.

Its policy making function is vested to the Board of Directors composed of the following:

| Name                       | Designation | Term of Office                           | Represented Sector  |
|----------------------------|-------------|--|---|
| Mr. Leocadio A. Digal, Jr. | Chairman    | March 18, 2016-<br>December 31,<br>2018  | <b><i>Civic-oriented Service Clubs</i></b>                          |
| Ms. Yolanda L. Abuton      | Member      | January 1, 2017-<br>December 31,<br>2022 | <b><i>Professional Associations</i></b>                             |
| Mr. Jino M. Anoos          | Member      | January 1, 2017-<br>December 31,<br>2022 | <b><i>Business Sector/Commercial or Financial Organizations</i></b> |
| Mr. Al M. Blanco           | Member      | March 1, 2013-<br>December<br>31,2018    | <b><i>Education Institutions</i></b>                                |
| Mr. Lamberto P. Manon-og   | Member      | December 1,<br>2015-December<br>31, 2020 | <b><i>Women's Organization</i></b>                                  |

The Water District is getting financial and technical assistance from the Local Water Utilities Administration (LWUA) by virtue of PD 198.

The audit covered the accounts and operations of the OCWD for CY 2017. It was conducted in accordance with Philippine Standards on Auditing, to determine the (a) level of assurance that may be placed on the management's assertions on the financial statements; (b) the propriety of transactions as well as compliance with existing rules and regulation as well as management's policies to determine whether the plans, programs, activities for the year were attained in an efficient, economical and effective manner; and (c) extent of the implementation of prior years' audit recommendations.

## FINANCIAL HIGHLIGHTS

The financial condition is as follows:

| <i>Particulars</i> | <i>2017</i>    | <i>2016</i>    | <i>Increase<br/>(Decrease)</i> |
|--------------------|----------------|----------------|--------------------------------|
| Total Assets       | P92,133,612.39 | P85,057,417.97 | P7,076,194.42                  |
| Total Liabilities  | 66,199,053.86  | 38,423,695.01  | 27,775,358.85                  |
| Total Equity       | 25,934,558.53  | 46,633,722.96  | (20,699,164.43)                |

## OPERATIONAL HIGHLIGHTS

| <i>Particulars</i> | <i>2017</i>   | <i>2016</i>   | <i>Increase<br/>(Decrease)</i> |
|--------------------|---------------|---------------|--------------------------------|
| Total Income       | 45,440,713.11 | 42,925,376.83 | 2,515,336.28                   |
| Total Expenditures | 33,713,444.08 | 29,817,268.55 | 3,896,175.53                   |
| Net Income         | 11,727,269.03 | 13,108,108.28 | (1,380,839.25)                 |

| <b>Particulars</b>               | <b>2017</b>       | <b>2016</b>      | <b>Increase<br/>(Decrease)</b> |
|----------------------------------|-------------------|------------------|--------------------------------|
| Total Population Served          | 36,700            | 33,430           | 3,270                          |
| Total Service Connections        | 9,211             | 8,500            | 711                            |
| Active Service Connection        | 7,340             | 6,686            | 654                            |
| Total Water Production (cu.m.)   | 2,081,646         | 2,058,402        | 23,244                         |
| Total Water Accounted (cu.m.)    | 1,437,521         | 1,437,216        | 305                            |
| Non-Revenue Water                | 703,330<br>33.79% | 621,186<br>30.1% | 82,144<br>3.69%                |
| Total Water Sales Billed         | 42,537,395.40     | 40,416,299.45    | 2,121,095.95                   |
| Actual Collection of Water Sales | 42,214,617.81     | 40,395,029.08    | 1,819,588.73                   |
| Collection Efficiency Ratio      | 99.24%            | 99.95%           | 0.79%                          |

## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements for the year ended December 31, 2017. As discussed in Part II of this Report, the Property, Plant and Equipment (PPE) account balances of P79,757,330.42 with a net book value of P52,659,219.06 is unreliable due to the failure of the Inventory Committee to conduct complete physical inventory and prepare the corresponding Report on the Physical Count of Property, Plant and Equipment and the failure of the Property Officer to update Property Cards for all the PPEs, thus, affected the correctness and reliability of the said accounts.

### **SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

**Other than the basis for the modified opinion stated above, the following are the other significant observations with the corresponding recommendations, which need immediate action:**

- 1. The Monthly Reports of Fuel Consumption of government motor transportation were not submitted to the office of the Auditor contrary to pertinent provisions of Section 361 of Government Accounting and Auditing Manual Vol. 1, thus, verification on the reasonableness of fuel and oil consumption could not be facilitated.**

We recommended to the Management to instruct the Acting General Services Officer or equivalent to submit Monthly Report of Fuel Consumption of government motor transportation to the Auditor within the first ten days of the succeeding month.

- 2. The District did not display any information on disasters contrary to National Disaster Risk Reduction and Management Plan (NDRRMP) 2011 to 2028; as a result, the awareness and understanding of disasters by its personnel and concessionaires were not promoted.**

In view of the observation, we recommended to Management and instruct the Department Manager concerned to display information materials like NDCC alert tips charts on customer waiting areas and office bulletin boards.

- 3. The NRW of the District for CY 2017 exceeded by 13.79% the 20 percent maximum allowable non-revenue water prescribed by Local Water Utilities Administration (LWUA) Memorandum Circular (MC) No. 004-10, thus, the desired efficiency level in the operation of the District was not met and resulted with the waste equivalent to 703,330 cubic meters of water and losing the opportunity of earning an estimated revenue of P6,314,022.00.**

We recommended that Management formulate a leakage control program to (a) identify the major causes of water losses thru regular inspection to minimize the non-revenue water to an acceptable level; (b) appropriate an amount for the acquisition of high tech leak detector test to ensure in identifying leaks; (c) check water meters and replace defective ones; (d) identify and penalize concessionaires who do illegal tapping and disconnect their water services.

## STATUS OF AUDIT DISALLOWANCES AND CHARGES

Per Statement of Audit Suspensions, Disallowances and Charges (SASDC) issued as of December 31, 2017, the unsettled audit disallowances amounted to ₱50,340,908.71 with details as follows:

### ***A. Notices of Disallowance/Charge Not Appealed which have become Final and Executory***

| <b>ND No.</b>                  | <b>Subject</b>   | <b>Amount</b> | <b>Status</b>   |
|--------------------------------|--|---------------|---|
| 2012-001(2011)<br>dtd 7/20/12  | Payment of legal services and travelling expenses of Atty. L. Cedo               | 322,750.00    | NFD dtd 6/30/15 & COE dtd 7/15/15 received by the Agency on 8/26/15 |
| 13-01-101-(11)<br>dtd 1/3/2013 | Payment of organization costs  | 1,115,000.00  | -do-  |
| 13-02-101-(11)<br>dtd 1/3/2013 | Payment of organization costs  | 94,050.00     | -do-  |
| 13-03-101-(11)<br>dtd 1/3/2013 | Payment of organization costs  | 224,400.00    | -do-  |
| 13-04-101-(11)<br>dtd 1/3/2013 | Liquidation of cash advances   | 1,088,000.00  | -do-  |
| 13-05-101-(11)<br>dtd 1/3/2013 | Liquidation of cash advances   | 133,117.50    | -do-  |
| 13-06-101-(11)<br>dtd 1/3/2013 | Liquidation of cash advances   | 1,471.22      | -do-  |
| 13-07-101-(11)<br>dtd 1/3/2013 | Liquidation of cash advances   | 2,516.21      | -do-  |
| 13-08-101-(10)<br>dtd 11/25/13 | (NS matured into ND) Payment of Organizational Costs                             | 6,334,232.65  | For issuance of NFD/COE by the previous Audit Team                  |
| 13-09-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Consultancy Fees to PR Consultant                           | 615,000.00    | -do-  |
| 13-10-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Checks issued by the Agency were all acted by the BOD       | 32,966,446.28 | -do-  |
| 13-11-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Payment of Organizational Costs                             | 730,000.00    | -do-  |
| 13-14-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Payment of PY A/P for Organization Costs and debt write-off | 1,119,700.00  | -do-  |
| 13-15-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Liquidation of cash advances                                | 265,522.00    | -do-  |
| 13-16-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Liquidation of cash advances                                | 43,846.00     | -do-  |
| 13-17-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Liquidation of cash advances                                | 12,550.00     | -do-  |

|                                  |   |              |  |
|----------------------------------|---|--------------|--|
| 13-18-101-(11)<br>dtd 11/25/13   | (NS matured into ND) Unliquidated cash advances of Catharine O. Silagon | 2,173,787.00 | -do-                                     |
| 14-001-101-(13)<br>dtd 8/26/14   | Various reimbursements of BOD Yew                                       | 63,865.93    | Issued NFD dtd 4/7/16 & COE dtd 8/15/16  |
| 15-010-101-(2014)<br>dtd 6/04/15 | Payment of BOD Yew Honoraria  | 3,456.00     | Issued NFD dtd 4/7/16 & COE dtd 8/15/16. |
| 15-011-101-(2014)<br>dtd 6/04/14 | Payment of BOD Iyog Honoraria   | 5,760.00     | Issued NFD dtd 4/7/16 & COE dtd 8/15/16. |
| 15-012-101-(2014)<br>dtd 6/04/15 | Payment of BOD Honoraria for Dec. 2015                                  | 5,000.00     | Issued NFD dtd 4/7/16 & COE dtd 8/15/16. |

v

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|--|--------------|-----------------------|--|
|  | <b>Total</b> | <b>P47,320,470.79</b> |  |
|--|--------------|-----------------------|--|

**B. Notices of Disallowance/Charge on Appeal with the Regional Director**

| <b>ND No.</b>                  | <b>Subject</b>  | <b>Amount</b>         | <b>Status</b>                                  |
|--------------------------------|---|-----------------------|--|
| 13-12-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Payment of various personnel benefits    | 1,967,037.92          | Appeal Memo random received by RO on 7/10/2014 |
| 13-13-101-(11)<br>dtd 11/25/13 | (NS matured into ND) Payment of board of directors honorarium | 1,053,400.00          | Appeal Memo random received by RO on 7/10/2014 |
|                                | <b>Total</b>  | <b>P3,020,437.92</b>  |  |
|                                | <b>GRAND TOTAL</b>  | <b>P50,340,908.71</b> |  |

vi

**IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the only 1 audit recommendation for CY 2016 this was fully implemented in CY 2017 while 1 audit recommendation for CY 2015 is partially implemented and 1 was fully implemented. Details are found in Part III of the Report.

vii