

## 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 63 personnel consisting of 51 regular employees, 12 Job Orders. 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. Lamberto P. Manon-og	Chairman	December 1, 2015- December 31, 2020	Women's Organization
Ms. Yolanda L. Abuton	Member	January 1, 2017- December 31, 2022	Professional Associations
Mr. Jino M. Anoos	Member	January 1, 2017- December 31, 2022	Business Sector/ Commercial or Financial Organizations
Mr. Al M. Blanco	Member	January 1, 2019- December 31, 2024	Education Institutions
Ms. Luzminda Chan	Member	December 1, 2015- December 31, 2020	Civic-oriented Service Clubs

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 2020. It was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), to (a) ascertain the degree of reliance that may be placed on fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement

opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The audit consisted of review of operating procedures, testing the adequacy of the related systems and controls set by management, verification of the accuracy, legality and completeness of its financial transactions, interview with concerned officials and employees and the applications of other audit procedures considered necessary under the circumstances.

### Financial Highlights

Actual financial condition is as follows:

Particulars	2020	2019	Increase/(Decrease)
Total Assets	₱ 95,130,235.33	₱ 83,833,782.67	₱ 11,296,452.66
Total Liabilities	86,931,688.14	77,598,582.78	9,333,105.36
Total Equity	8,198,547.19	6,235,199.89	1,963,347.30

Particulars	2020	2019	Increase/(Decrease)
Total Income	₱ 56,866,852.44	₱ 53,109,595.13	₱ 3,757,257.31
Total Expenditures	51,841,680.25	45,517,500.56	6,324,179.69
Net Income	5,025,172.19	7,592,094.57	(2,566,922.38)

Corporate Operating Budget is as follows:

Particulars	2020	2019	Increase/(Decrease)
Total Income	₱ 67,080,712.83	₱ 61,237,545.03	₱ 5,843,167.80
Total Expenditures	57,611,489.43	57,027,827.97	583,661.46
Net Income	9,469,223.40	4,209,717.06	5,259,506.34

### Operational Highlights

Particulars	2020	2019	Increase/(Decrease)
Total Population Served	43,170	41,355	1,815
Total Service Connections	10,852	10,330	522
Active Service Connection	8,634	8,271	363
Total Water Production (m <sup>3</sup> )	2,440,073	2,291,336	148,737
Total Water Accounted (m <sup>3</sup> )	1,859,447	1,615,423	244,024
Non-Revenue Water	28.8%	29%	(0.2%)
Total Water Sales Billed	₱54,714,885.20	₱50,322,926.22	₱4,391,958.98
Actual Collection of Water Sales	₱51,468,187.24	₱49,907,664.31	₱1,560,522.93
Collection Efficiency Ratio	92.3%	97.63%	(5.33%)

## **Independent Auditor's Report on the Financial Statements**

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements for the year ended December 31, 2020.

### **Significant Audit Observations and Recommendations**

The following are the significant observations, with the corresponding recommendations, which need immediate action:

1. Laxity in enforcement on procedures on the collections and write-off of dormant receivable accounts, Inactive Accounts Receivable totaling ₱3,246,156.18 of the water district remained in the books thereby collection efficiency and reliance on the account balance are adversely affected.

We recommended to management to:

Enforce collection on long outstanding accounts prioritizing those issued with demand letters and prepare all necessary documents for indorsement to appropriate government agency for applicable legal action; and

Enforce completion of the schedule of dormant receivables with complete and proper supporting documents to be submitted to COA for appropriate action on the request of write-off and the corresponding adjustments on the receivable and the related allowance for impairment accounts be recognized in the books.

2. Partial reconciliation and absence of confirmation with LWUA records may cast doubt on the reliability and proper disclosures of the loans payable account of the Oroquieta City Water District totaling ₱73,548,361.72, contrary to Presidential Decree No. 1445.

We recommended to management to strictly enforce reconciliation and obtain confirmation from LWUA on outstanding loan balances as of December 31, 2020 for proper financial statement presentation and disclosure and to prevent incurrence of penalties and surcharges due to inaccurate or misleading information.

3. Absence of Certificates of Title to the land totaling ₱569,392.48, the water district may not be the beneficial owner of said properties as supporting documents have inadequate proof of ownership contrary to the provisions of Section 39 (2) of PD 1445.

We recommended to management to completely process land titling of existing lots and to make representation with the city assessor on the conduct of assessment of the value of donated land to facilitate proper recognition in the books of accounts of the district.

4. The water district expended ₱37,500.00 on airtime spots to radio and television stations in Misamis Occidental with no permits and licenses from the National Telecommunications Commission (NTC) contrary to RA No. 3846 that may result to irregular and illegal expenditure of government funds.

We recommended to management to submit the required NTC permits and licenses of the radio and television stations pursuant to the aforementioned law for validation and decision in audit.

### Summary of Total Suspension, Disallowances and Charges

Per Statement of Audit Suspensions, Disallowances and Charges (SASDC) issued as of December 31, 2020, the unsettled audit disallowances amounted to ₱50,330,148.71 with details as follows:

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

ND No.	Subject	Amount	Status
2012-001(2011) dated 7/20/12	Payment of legal services and travelling expenses of Atty. L. Cedo	322,750.00	NFD dated 6/30/15 and COE dated 7/15/15 received by the Agency on 8/26/15.  Agency already sent demand letters.  These personnel were no longer connected with OCWD
13-01-101-(11) dated 1/3/2013	Payment of organization costs	1,115,000.00	
13-02-101-(11) dated 1/3/2013	Payment of organization costs	94,050.00	
13-03-101-(11) dated 1/3/2013	Payment of organization costs	224,400.00	
13-04-101-(11) dated 1/3/2013	Liquidation of cash advances	1,088,000.00	
13-05-101-(11) dated 1/3/2013	Liquidation of cash advances	133,117.50	
13-06-101-(11) dated 1/3/2013	Liquidation of cash advances	1,471.22	
13-07-101-(11) dated 1/3/2013	Liquidation of cash advances	2,516.21	
13-08-101-(10) dated 11/25/13	(NS matured into ND) Payment of Organizational Costs	6,334,232.65	Issued NFD dated June 19, 2020
13-09-101-(11) dated 11/25/13	(NS matured into ND) Consultancy Fees to PR Consultant	615,000.00	Issued NFD dated June 19, 2020
13-10-101-(11) dated 11/25/13	(NS matured into ND) Checks issued by the Agency were all acted by the BOD	32,966,446.28	Issued NFD dated June 19, 2020
13-11-101-(11) dated 11/25/13	(NS matured into ND) Payment of Organizational Costs	730,000.00	Issued NFD dated June 22, 2020
13-14-101-(11) dated 11/25/13	(NS matured into ND) Payment of PY A/P for Organization Costs and debt write-off	1,119,700.00	Issued NFD dated June 22, 2020
13-15-101-(11) dated 11/25/13	(NS matured into ND) Liquidation of cash advances	265,522.00	Issued NFD dated June 22, 2020

<b>ND No.</b>	<b>Subject</b>	<b>Amount</b>	<b>Status</b>
13-16-101-(11) dated 11/25/13	(NS matured into ND) Liquidation of cash advances	43,846.00	Issued NFD dated June 22, 2020
13-17-101-(11) dated 11/25/13	(NS matured into ND) Liquidation of cash advances	12,550.00	Issued NFD dated June 22, 2020
13-18-101-(11) dated 11/25/13	(NS matured into ND) Unliquidated cash advances of Catharine O. Silagon	2,173,787.00	Issued NFD dated June 22, 2020
14-001-101- (13) dated 8/26/14	Various reimbursements of BOD Yew	63,865.93	Issued NFD dated 4/7/16 and COE dated 8/15/16
15-001- OCWD(2014) dated 6/04/15	Payment of BOD Honoraria for Jan. 2015 for BOD Yew	864.00	Issued NFD dated 8/15/16. Original ND is P3,744.00 but with partial refund or settlement of P2,880.00 as of 12/31/16.
15-002- OCWD(2014) dated 6/04/15	Payment of BOD Honoraria for Feb. 2015 for BOD Yew	864.00	Issued NFD dated 8/15/16. Original ND is P3,744.00 but with partial refund or settlement of P2,880.00 as of 12/31/16.
15-003- OCWD(2014) dated 6/04/15	Payment of BOD Honoraria for March 2015 for BOD Yew	864.00	Issued NFD dated 8/15/16. Original ND is P3,024.00 but with partial refund or settlement of P2,160.00 as of 12/31/16.
15-004- OCWD(2014) dated 6/04/15	Payment of BOD Honoraria for April 2015 for BOD Yew	864.00	Issued NFD dated 8/15/16. Original ND is P3,024.00 but with partial refund or settlement of P2,160.00 as of 3/31/17.
<b>Total</b>		<b><u>P47,309,710.79</u></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) dated 11/25/13	(NS matured into ND) Payment of various personnel benefits	1,967,037.92	Appeal Memorandum received by RO on 7/10/2014
13-13-101-(11) dated 11/25/13	(NS matured into ND) Payment of board of directors honorarium	1,053,400.00	Appeal Memorandum received by RO on 7/10/2014
<b>Total</b>		<b><u>3,020,437.92</u></b>	
<b>GRAND TOTAL</b>		<b><u>P50,330,148.71</u></b>	

There were no audit suspensions issued during the year resulting to zero balance at year-end, while ₱5,760.00 were settled from disallowances. No notice of charge was issued and settled during year, thus zero balance.

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

All of the three (3) prior year's audit recommendations were partially implemented. Details are found in Part III of the Report.