

EXECUTIVE SUMMARY

A. INTRODUCTION

The Lupon Water District (LWD) was formed pursuant to Sangguniang Bayan Resolution No. 158-88-A dated October 24, 1988. On January 31, 1990, Certificate of Conditional Conformance No. 428 was issued by the Local Water Utilities Administration (LWUA).

The operation of the Water District is manned by nineteen (19) employees: seven (7) regular and twelve (12) job order personnel. With 2,738 concessionaires, the District is under Category D pursuant to the Revised Local Water District Manual on Categorization.

B. AUDIT METHODOLOGY

The Commission has been implementing the risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of accounts and operations of the agency.

C. SCOPE OF AUDIT

A comprehensive audit was conducted on the accounts and operations of the Lupon Water District for 2019. The audit consisted of a review of operating procedures, evaluation of the District's programs and projects, interview of concerned government officials and employees, verification, reconciliation, analysis of accounts and such other procedures considered necessary.

D. FINANCIAL HIGHLIGHTS

A comparative financial condition and results of operations for calendar year (CY) 2019 and 2018 is presented below:

	2019	2018	Increase (Decrease)	Percentage
Financial Condition				
Total Assets	53,163,840.64	48,935,526.48	4,228,314.16	8.64%
Total Liabilities	19,001,164.67	19,803,607.55	(802,442.88)	(4.05)%
Total Equity	34,162,675.97	29,131,918.93	5,030,757.04	17.27%

	2019	2018	Increase (Decrease)	Percentage
Results of Operation				
Income	17,275,566.28	15,580,383.84	1,695,182.44	10.88%
Expenses	12,244,809.24	11,358,235.75	886,573.29	7.80%
Net Income	5,030,757.04	4,222,148.09	808,608.95	19.15%

The District had a sound financial position for CY 2019. Its assets have increased by 8.64% from prior year. The increase was attributed to acquisition of property, plant and equipment. The decrease in liability was due to the payment of loan from LWUA.

The 19.15% change in gross income was due to the increase in income from waterworks system. However, expenses increased by 7.80% due to the increase in salaries and wages, repairs and maintenance of property, plant and equipment and payment of utilities. The net effect was an increase in Net Income of 19.15%.

E. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation on the financial statements of the Lupon Water District for CY 2019 due to Management's failure to provide the Revaluation and Appraisal Value of the Property, Plant and Equipment with a carrying amount of Php31,005,969.62 at December 31, 2019 comprising 58.32 percent of the total assets, rendered the fair presentation of the financial statements doubtful.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the other significant audit observations and recommendations which are discussed in an exit conference concluded on February 12, 2020 as presented in detail in Part II of the Report:

1. Due to lack of personnel, Management was not able to conduct complete physical count and maintain stock and ledger cards on supplies inventory rendering the reliability of the inventory account balance of Php709,046.07 doubtful.

We recommended that Management:

- a. Conduct periodic physical inventory count of supplies and submit Report of Physical Count of Inventories (RPCI) not later than July 31 and January 31 of each year for the first and second semester, respectively;
 - b. Direct both the Accounting Unit and the Property Custodian to maintain supplies ledger cards and supplies stock cards respectively for each type of supplies to conduct reconciliation of their balances periodically for early detection of any error and other deficiencies on inventory items.
 - c. Resolve the issue on personnel inadequacy which is the main cause of the non-compliance of proper inventory management.
3. Unserviceable properties amounting to Php272,055.31 were not disposed of and subsequently derecognized, to the disadvantage of the District.

We recommended that Management:

- a. Immediately prepare an Inventory and Inspection Report of Unserviceable Property (IIRUP), and subsequently formulate a plan for its disposal;
- b. Require the Property Officer to dispose the assets in accordance with Section 79 of P.D. No. 1445 to prevent further deterioration and congestion of the storeroom and to generate additional income for the District; and
- c. Require the Accountant to disclose in the Notes to Financial Statements the details of the Unserviceable Assets pending disposal, for the additional information to users of the financial statements.

G. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As at December 31, 2019, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed a balance amounting to Php4,000.00.

Notice	Beginning Balance	This period Jan. 1, 2018 to Dec. 31, 2019		Ending Balance
		NS/ND/NC	NSSDC	
Suspension	0.00	0.00	0.00	0.00
Disallowance	4,000.00	0.00	0.00	4,000.00
Charge	0.00	0.00	0.00	0.00
Total	4,000.00	0.00	0.00	4,000.00

H. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

As at December 31, 2019, the Statement on the Implementation of Prior Years' Audit Recommendations showed the following:

Calendar Year	No. Audit Recommendations	Status of Implementation		
		Fully Implemented	Partially Implemented	Not Implemented
2018	6	3	1	2
Prior years	4	1	2	1
Total	10	4	3	3
Percentage	100%	40%	30%	30%