

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Luna was formerly a territory of the old municipal district of Tawit in the province of Cagayan. Upon the petition of its early settlers, it came into legal existence by virtue of Executive Order No. 200 dated September 6, 1929 issued by the late Governor General Leonard Wood. Pursuant to the said order, the barrios of Malunog, Tumog, Macatel, San Isidro, Bubbon and Tarutog were separated from the municipal district of Tawit which comprised the newly created municipal district of Macatel. Macatel was changed to Luna in honor of the late Filipino hero, General Antonio Luna, one of the greatest Ilocano patriots.

The Municipality is divided into twenty-two (22) regular barangays and one (1) administrative barangay.

Situated in the northernmost part of Apayao, Luna boasts few of the emerging eco-tourism destinations of the province – Lussok Cave and Underground River, Manacota Underground River, Bayugao Falls and the Dupag Rock Formation.

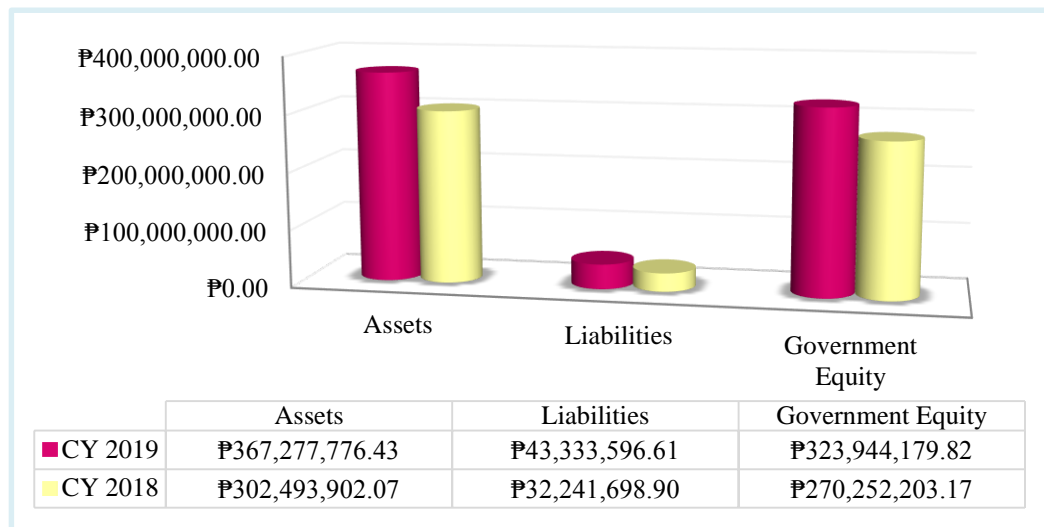
B. Financial Highlights

Luna is greatly dependent on its Internal Revenue Allotment which composed 93.99% of the total revenue. Other sources of funds include local taxes, permits and licenses, service income and other income.

The financial condition and results of operations of the Municipality as compared to that of the preceding year is detailed as follows:

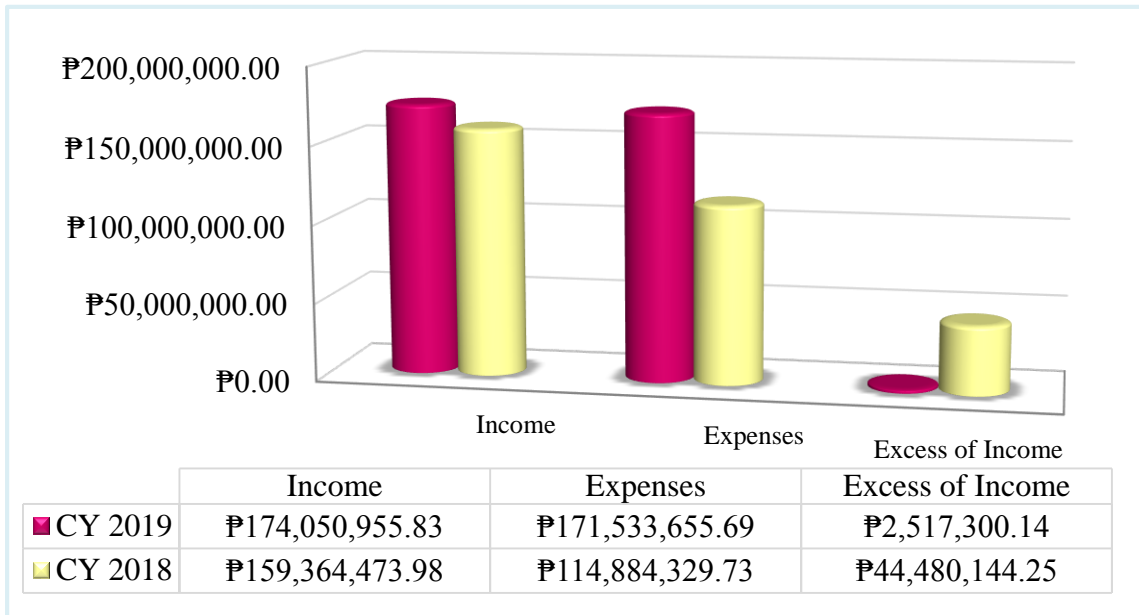
a. Financial Condition

Comparative analysis of the Statement of Financial Position as graphically illustrated showed an increase in Assets, Liabilities and Government Equity.

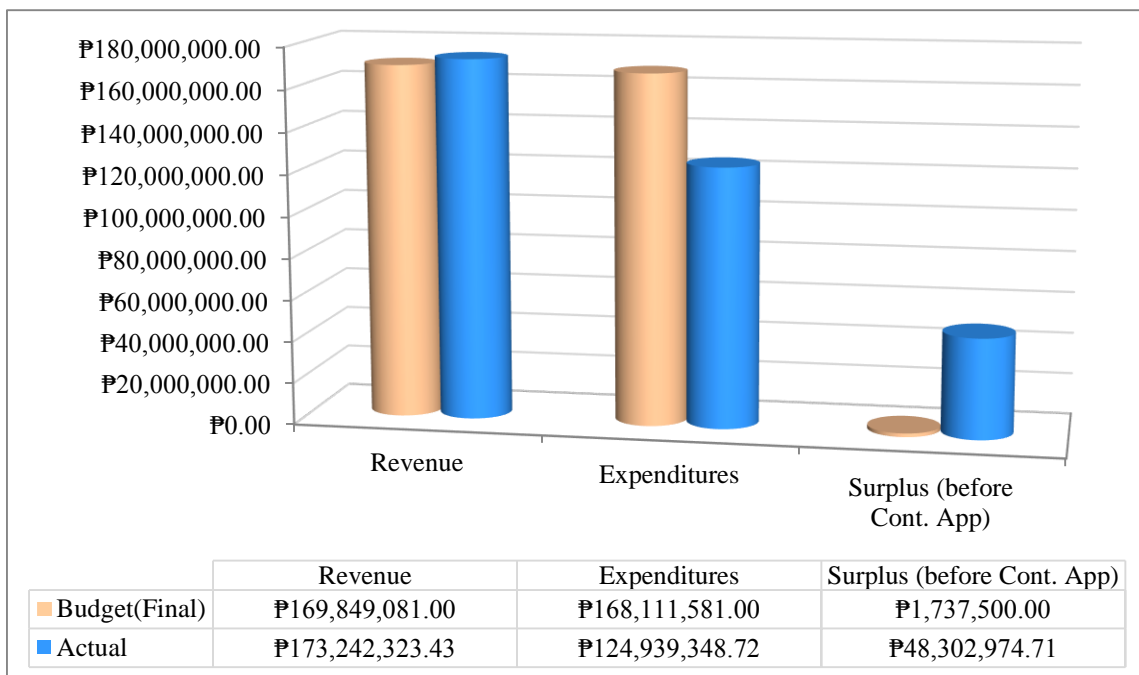


b. Result of Operations

On the other hand, the Statement of Financial Performance exhibits a decrease in net income since the increase in total expenses is more than the increase in total income.



The following graph illustrates the difference of budget and actual amounts during the year, exclusive of the continuing appropriation:



C. Audit Methodology and Scope of Audit

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

Specifically, the objective of the audit is to ascertain the propriety of the financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of the financial records and reports as well as fairness of the presentation of the financial statements. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

D. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality due to the recording of lots owned by the Municipality at assessed value totaling ₱80,739,350.00 rather than its cost or fair value at the time of acquisition and recording Notices of Disallowance that have not become final and executory totaling ₱10,557,462.93.

E. Summary of Significant Observations and Recommendations

We commend Management for duly withholding and remitting the PHIC, GSIS and HDMF premiums and loan payments. However, the following significant observations were noted during the year and corresponding measures were recommended:

1. Lots owned by the Municipality, recorded under the Land account, totaling ₱80,739,350.00 were measured at assessed value contrary to Philippine Public Sector Accounting Standard (PPSAS) 17 – Property, Plant and Equipment and PPSAS 23 - Revenue from Non-Exchange Transactions-(Taxes and Transfers), thereby overstating its assets and government equity by ₱57,573,674.00 as of December 31, 2019 which affected the fair presentation of its financial statements.

We recommended that Management, thru the Municipal Accountant, effect the following adjusting entry to correct the balances in the financial statements:

Prior Period Adjustment	57,573,674.00
Land	57,573,674.00

Breakdown:

<i>Land – Quirino</i>	<i>₱1,476,800.00</i>
<i>Land – Townsite at San Gregorio</i>	<i>(47,264,109.00)</i>

<i>Land- Townsite at Turod</i>	<i>(11,426,365.00)</i>
<i>Total</i>	<i><u>₱(57,573,674.00)</u></i>

2. Notices of Disallowance that have not become final and executory were recorded in the books of the Municipality which resulted in the overstatement of assets and government equity in the amount of ₱10,557,462.93 contrary to Section 7.2.1 (d) COA Circular No. 2009-006 dated September 15, 2009.

We recommended that the Municipal Accountant effect the following adjusting entry to correct the balances in the financial statements.

Prior Period Adjustment	10,557,462.93	
Receivables - Disallowances/Charge		10,557,462.93

3. The Municipality's Property, Plant and Equipment comprises an un-derecognized unserviceable and disposable motor vehicle amounting to ₱1,348,618.92 in violation of the provisions of par. 2, Section 501, Volume 1 of the GAAM and Letter C and D, Section 40, Chapter 10 of the GAM.

We recommended the following to be done by the concerned employees of the Municipality:

- a. That the Disposal Committee act on the disposal of the unserviceable Mitsubishi Strada Vehicle of the Municipality;
- b. That the Property and/or Supply Unit submit the Inventory and Inspection Report of Unserviceable Property (IIRUP) to the Accounting Unit for appropriate adjustments on the PPE account; and
- c. That the Accounting Unit cause the following adjusting entries:

Accumulated Depreciation-Motor Vehicle	276,381.08	
Impairment Loss-Motor Vehicles		1,348,618.92
Motor Vehicles		1,625,000.00

4. The 30% Quick Response Fund (QRF) of the Municipality for CY 2019 includes a project amounting to ₱2,853,200.00 which cannot be charged against the QRF contrary to the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 10121.

We recommended that Management, thru the LDRRMO, adhere with the pertinent provisions of RA No. 10121 and its IRR specifically on the identification of programs/projects/activities charged under the QRF to ensure that it is used as stand-by fund for relief and recovery.

5. Titles of all parcels of land recorded in the books of the Municipality as of December 31, 2019 were not yet transferred to the municipal government contrary to Section 39 of Presidential Decree (PD) 1445 and Section 374 of Republic Act (RA) No. 7160, thus, the interest of the government was not fully safeguarded.

We recommended that the Municipal Assessor and the GSO Designate facilitate the titling of the parcels of land in the name of the Municipality.

6. The Organic Trading Post (OTP) funded by the Department of Agriculture, Regional Field Office Cordillera Administrative Region (DA-RFO-CAR) totaling ₱1,500,000.00 remains non-operational, thereby depriving the LGU and its constituents of the benefits that could have been derived therefrom.

We recommended that Management, thru the Municipal Agriculturist, hasten the procurement of the necessary equipment for the release of the initial capital to immediately operate the OTP.

7. Sand and gravel tax totaling ₱100,197.30 were not deducted from the claims of contractors contrary to the General Provisions of the Provincial Appropriation Ordinance No. 01 series of 2019 of the Province of Apayao, hence contributing in the deprivation of the Province of additional sources of income for its programs, projects and activities.

We recommended that Management collect the un-withheld aggregate taxes from the concerned contractors. Or, if the same were already paid, require the presentation of the corresponding official receipts.

Henceforth, Management, thru the Municipal Engineer and Municipal Accountant impose the withholding of aggregate taxes or the presentation of official receipts, if already paid.

8. The GPB of the Municipality for CY 2019 includes Programs/ Projects/ Activities (PPAs) totaling ₱400,000.00 which cannot be charged against the GAD budget pursuant to Section 36 (a) of Republic Act (RA) No. 9710 otherwise known as “The Magna Carta for Women” dated August 14, 2009.

We recommended that Management, thru the GAD Focal Point System, adhere with the pertinent provisions of RA No. 9710 specifically on the identification of GAD PPAs not only to guarantee that they are addressing specific gender issues and concerns but also to ensure that the cost of implementing these GAD PPAs are under the LGU’s total annual budget appropriation.

F. Settlement of Suspensions, Disallowances and Charges

The balances of suspensions, disallowances and charges as summarized in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2019 are as follows:

Issued	Beginning Balance (Jan. 1, 2019)	Total Issued for CY 2019	Total Settlements for CY 2019	Ending Balance (Dec. 31, 2019)
Notice of Suspension	₱2,815,185.28	₱5,523,611.05	₱5,564,122.67	₱2,774,673.66
Notice of Disallowance	15,314,203.09	2,549,678.00	2,179,248.61	15,684,632.48
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱18,129,388.37	₱8,073,289.05	₱7,743,371.28	₱18,459,306.14

In addition, booked disallowances in the amount of ₱513.25 pertaining to those issued prior to the 2009 Rules and Regulations on the Settlement of Accounts (RRSA) remained unsettled.

We recommended that management require the concerned officials and employees to promptly settle their suspensions and disallowances.

G. Status of Implementation of Prior Years' Audit Recommendations

Of the thirty four (34) audit recommendations embodied in the 2018 Annual Audit Report, nine (9) were fully implemented, twenty (20) were partially implemented and five (5) were not yet implemented.