



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Candahug, Palo, Leyte

ANNUAL AUDIT REPORT

on the

MUNICIPALITY OF HERNANI
Province of Eastern Samar

For the Period Ended December 31, 2015

OFFICE OF THE SUPERVISING AUDITOR
AUDIT GROUP I EASTERN SAMAR
RECEIVED
B. 18. 2016
DATE



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Office of the Supervising Auditor
Audit Group LGS-A – Eastern Samar Province
Capitol Site, Borongan, Eastern Samar

OFFICE OF THE MAYOR
Hernani, Eastern Samar
RECEIVED
DATE: March 18, 2016
TIME: 11:50
BY: [Signature]

March 18, 2016

Hon. Edgar C. Boco
Municipal Mayor
Hernani, Eastern Samar

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the “Government Auditing Code of the Philippines,” and in line with the Commission’s continuing efforts to inform management on how fiscal responsibility has been discharged, we are pleased to transmit the report of our Auditor on the results of her audit on the accounts and operations of the Municipal Government of Hernani, Eastern Samar for the year ended December 31, 2015.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the Local Government Unit (LGU) to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of presentation of the financial statements.

In her report, the Auditor enumerated the following findings, viz:

1. The accuracy, validity and reliability of the Cash in Bank account balances for the General Fund, Trust Fund, Special Education Fund totaling P43,558,897.90 could not be ascertained due to failure of the Municipal Accountant to submit Bank Reconciliation Statements with complete supporting documents.
2. The existence, completeness and accuracy of the Property, Plant and Equipment (PPE) account balance of P13,393,261.93 could not be ascertained due to: (a) the absence of physical inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related records/documents.
3. The Municipal Treasurer was granted a total Cash Advance of P10,628,798 but the corresponding liquidation documents were not submitted to the Audit Team during the entire year, thus the validity, regularity and propriety of the transactions could not be ascertained.
4. Disbursement Vouchers with the supporting documents for the period January to December 2015 for Trust Fund totaling P1,019,251.79, Special Education Fund totaling P14,520.00, Coco Oil Mill totaling P2,363,355.55 and various

March 18, 2016

March 18, 2016
[Signature]

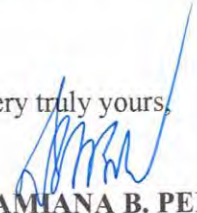
disbursements from General Fund were not submitted for audit, thus, the validity, regularity, and propriety of the transactions could not be ascertained and their impact on the fair presentation of affected accounts in the financial statements could not be determined.

5. Disbursements for Electric bills, Pre-payments for Intelligence Expense and Repairs and Maintenance of Office Buildings totaling P864,583.77 were paid from the LGU's 20% Economic Development Fund, which were not included as allowable priority projects of such fund, thus the objective of the established fund was not totally attained.
6. Solid waste management in the locality was not implemented by the Municipality contrary to the Ecological Solid Waste Management Act of 2000 or R. A. 9003, thus the objectives of the program was not totally attained.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form within 60 days from the receipt hereof.

We acknowledge the cooperation and support extended to our Auditor and his team during the audit.

Very truly yours,


DAMIANA B. PELIÑO
Supervising Auditor

Copy Furnished:

The Sangguniang Bayan, Hernani, E. Samar
The Regional Director, DILG, Region VIII
The Regional Director, DBM, Region VIII
The Regional Director, BLGF, Region VIII
The Regional Director, COA, Region VIII

EXECUTIVE SUMMARY

Introduction

The Municipality of Hernani was founded around the year 1850 by Miguel “Totoy Yadawon” Candido, a settler from Guiuan, Eastern Samar. Formerly called NAG-AS (derived from the name of the river located southeast of the town proper), the settlement is nestled on a flat coastal terrain facing the vast Pacific Ocean.

NAG-AS reached the epochal point of its development when it was made a regular and independent municipality as embodied in a Royal Decree issued by Spanish Governor-General Rafael Echague on the 4th of January 1864. The royal fiat also mandated the change of the old name NAG-AS to HERNANI.

Right after the Philippine-American War, the political status of Hernani was reduced into a barrio under the jurisdiction of Lanag (now Llorente). In 1912, its status as a Municipality was restored but the seat of local government was transferred to Pambujan (now Gen. MacArthur). However, in 1926, the Municipality of Hernani regained back the township by virtue of an Executive Order issued by the American Governor-General Leonard Wood.

Hernani is a 5th class municipality with thirteen (13) barangays. Its vision - *“A prosperous community characterized by enlightened and self-sufficient citizens engaged in diversified livelihood undertakings in an ecologically balanced environment and inspired by a just and efficient local government leadership”*.

HIGHLIGHTS OF FINANCIAL OPERATION

Sources and Application of Funds

A. Income

The municipality collected a total income of P38,563,369.59 from various sources. This year’s collection represented an increase of P3,230,959.32 or 9.14% from that of CY 2014, as follows:

Income Sources	2015	2014	Increase/Decrease	
			Amount	%
Tax Revenue	438,983.59	747,341.08	(308,357.49)	(41.26%)
Share from Internal Revenue Collections	38,124,386.00	33,466,152.00	4,658,234.00	13.92%
Service and Business Income	-	1,118,917.19	(1,118,917.19)	(100.00%)
Total	38,563,369.59	35,332,410.27	3,230,959.32	9.14%

B. Appropriations and Expenditures

a) Appropriations

The municipality appropriated P42,103,846.75 for the current year. There was an increase of P6,135,974.66 or 17.06% from that of last year's appropriations of P45,261,282.96 as presented below:

a.1) Appropriations per Program/Project:

Function/ Program/ Projects	2015	2014	Increase/Decrease	
			Amount	%
General Public Services	21,439,617.04	21,713,218.10	(273,601.06)	(1.26%)
Health Services	3,358,083.04	2,522,287.24	835,795.80	33.14%
Social Welfare Services	576,329.68	506,858.48	69,471.20	13.71%
Economic Services	3,189,987.57	2,584,151.97	605,835.60	23.44%
Other Services	13,539,829.42	8,641,356.30	4,898,473.12	56.69%
Total	42,103,846.75	35,967,872.09	6,135,974.66	17.06%

a.2) Appropriations per Expense Classification:

Allotment Class	2015	2014	Increase/Decrease	
			Amount	%
Personal Services	24,516,783.65	21,869,040.37	2,647,743.28	12.11 %
MOOE	15,253,546.31	9,327,642.02	5,925,904.29	63.53 %
Capital Outlay	2,190,500.00	3,997,189.70	(1,806,689.70)	(45.20%)
Financial Expense	143,016.79	774,000.00	(630,983.21)	(81.52%)
Total	42,103,846.75	35,967,872.09	6,135,974.66	17.06%

b) Expenditures

Expenditures incurred from current appropriations amounted to P34,751,345.88. There was an increase of P3,421,903.20 or 10.92% over that of last year, as shown below:

b.1) Expenditures per Program/Project

Function/ Program/ Projects	2015	2014	Increase/Decrease	
			Amount	%
General Public Services	18,691,860.19	20,363,489.40	(1,671,629.21)	(8.21%)
Health Services	3,301,915.49	2,440,164.04	861,751.45	35.32%

Social Welfare Services	495,484.48	452,157.48	43,327.00	9.58%
Economic Services	2,910,958.45	2,548,471.93	362,486.52	14.22%
Other Services	9,351,127.27	5,525,159.83	3,825,967.44	69.25%
Total	34,751,345.88	31,329,442.68	3,421,903.20	10.92%

b.2) Expenditures per Expense Classification

Expense Classification	2015	2014	Increase/Decrease	
			Amount	%
Personal Services	22,553,524.73	20,970,731.93	1,582,792.80	7.55%
MOOE	10,275,726.16	7,044,765.77	3,230,960.39	45.86%
Capital Outlay	1,779,078.20	2,632,099.80	(853,021.60)	(32.41%)
Financial Expense	143,016.79	681,845.18	(538,828.39)	(79.03%)
Total	34,751,345.88	31,329,442.68	3,421,903.20	10.92%

Financial Position and Performance

The financial condition and performance of the Municipality is presented below:

	2015	2014	Increase (Decrease)	
			Amount	%
Assets	62,198,981.61	30,785,040.46	31,413,941.15	102.04%
Liabilities	44,962,091.38	16,649,207.88	28,312,883.50	170.06%
Equity	17,236,890.23	14,135,832.58	3,101,057.65	21.94%
Income	39,702,084.99	37,794,881.27	1,907,203.72	5.05%
Expenses	37,339,655.86	37,687,785.88	(348,130.02)	(0.92%)

SIGNIFICANT ACCOMPLISHMENTS OF THE LGU

The Municipality completed the following infrastructure projects based on the submitted Quarterly Report on Government Projects/Programs/Activities:

1. Rehabilitation/Construction of Small Scale Irrigation Project/Diversion Dam – Brgy. San Isidro
2. Rehabilitation/Construction of Legislative Building
3. Construction of Municipal Gymnasium
4. Rehabilitation of Hernani Gymnasium (Phase I)
5. Rehabilitation of Hernani Gymnasium (Phase II)

SCOPE OF AUDIT

An audit was conducted on the accounts and operations of the Municipality of Hernani, Eastern Samar for the calendar year 2015. The audit was aimed to ascertain the propriety and validity of disbursements and receipts as well as the reliability of the accounts as presented in the financial statements. The audit consisted of review of operating procedures, verification and analysis of accounts, interview with concerned municipal officials and employees, and such other procedures considered necessary under the circumstances.

Disbursement vouchers and official receipts for General Fund for the period January to December 2015 were verified and examined, except for the (1) Liquidations of the Cash Advances by the Municipal Treasurer; (2) Disbursement Vouchers for Trust Fund from January to December 2015 and (3) Disbursement Vouchers for Special Education Fund from January to December 2015, which were not yet submitted as of the date of this report.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the financial statements due to:

1. The accuracy, validity and reliability of the Cash in Bank account balances for the General Fund, Trust Fund, Special Education Fund totaling P43,558,897.90 could not be ascertained due to failure of the Municipal Accountant to submit Bank Reconciliation Statements with complete supporting.
2. The existence, completeness and accuracy of the Property, Plant and Equipment (PPE) account balance of P13,393,261.93 could not be ascertained due to: (a) the absence of physical inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related records/documents.
3. The Municipal Treasurer was granted a total Cash Advance of P10,628,798 but the corresponding liquidation documents were not submitted to the Audit Team during the entire year, thus the validity, regularity and propriety of the transactions could not be ascertained.
4. Disbursement Vouchers with the supporting documents for the period January to December 2015 for Trust Fund totaling P1,019,251.79, Special Education Fund totaling P14,520.00, Coco Oil Mill totaling P2,363,355.55 and various disbursements from General Fund were not submitted for audit, thus, the validity, regularity, and propriety of the transactions could not be ascertained and their impact on the fair presentation of affected accounts in the financial statements could not be determined.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

A. Financial and Compliance Audit

1. The accuracy, validity and reliability of the Cash in Bank account balances for the General Fund, Trust Fund, Special Education Fund totaling P43,558,897.90 could not be ascertained due to failure of the Municipal Accountant to submit Bank Reconciliation Statements with the supporting documents.

Direct the Municipal Accountant to submit Bank Reconciliation Statement for General Fund and Bank Statements for all funds.

2. The existence, completeness and accuracy of the Property, Plant and Equipment (PPE) account balance of P13,393,261.93 could not be ascertained due to: (a) the absence of physical inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related records/documents.

We recommend that the Local Chief Executive require the Municipal General Services Officer to submit the Physical Inventory report of the PPE every year as mandated by law, and to maintain and update the property cards and reconcile the records with the Accountant.

3. The Municipal Treasurer was granted a total Cash Advance of P10,628,798 but the corresponding liquidation documents were not submitted to the Audit Team during the entire year, thus the validity, regularity and propriety of the transactions could not be ascertained.

We recommend that the Local Chief Executive should immediately require the Municipal Treasurer to submit immediately all Report of Disbursements with its supporting documents to the Audit Team for verification purposes. Henceforth, management should ensure that the provisions of Section 7.2.1(a) of COA Circular No. 2009-006 and Section 347 of RA 7160 are strictly adhered to through regular and close supervision of all concerned personnel/officers.

4. Disbursement Vouchers with the supporting documents for the period January to December 2015 for Trust Fund totaling P1,019,251.79, Special Education Fund totaling P14,520.00, Coco Oil Mill totaling P2,363,355.55 and various disbursements from General Fund were not submitted for audit, thus, the validity, regularity, and propriety of the transactions could not be ascertained and their impact on the fair presentation of affected accounts in the financial statements could not be determined.

Direct the LGU officials concerned to submit immediately all the financial reports with the complete supporting documents. Henceforth all laws, rules, regulations relative to the submission of financial reports should be strictly followed. Otherwise, impose the applicable administrative and penal

sanctions provided for under the cited regulations against the erring officials if warranted under circumstances.

B. 20 % Development Fund

5. Disbursements for Electric bills, Pre-payments for Intelligence Expense and Repairs and Maintenance of Office Buildings totaling P864,583.77 were paid from the LGU's 20% Economic Development Fund, which were not included as allowable priority projects of such fund, thus the objective of the established fund was not totally attained.

Stop the practice of charging the Electricity expense, Intelligence Expense, Repairs and Maintenance of administrative offices and other expense items not related to development projects to the 20% Development Fund, so that the objectives of the Fund could be fully attained.

C. Audit of Local Disaster Risk Reduction and Management Fund (LDRRMF)

The Municipality had appropriated a total of P1,956,219.29 for the current year's LDRRMF. Out of this amount, a total of P586,865.79 was allocated for Quick Response Fund (QRF), while the remaining amount of P1,369,353.50 was under the Mitigation Fund. The LGUs continuing appropriations for the same Fund amounted to P1,262,580.27. Total funds available for its disaster risk management activities amounted to P3,218,799.56. Of the total amount available, the LGU utilized P199,390.11 for Trainings, and Equipment/Supplies.

D. Audit of Funds and Activities for Gender and Development (GAD)

For the year 2015, the Municipality appropriated P770,000.00 of its total budget for Gender and Development (GAD) Activities. Among the GAD related activities/programs adopted were: Daycare Operation Support, Emergency Assistance, Differently-Abled Persons Welfare Assistance, OSCA Operations Support, Assistance to Women in Difficult Situation.

E. Audit of Environmental Protection and Waste Management Program

Solid waste management in the locality was not implemented by the Municipality contrary to the Ecological Solid Waste Management Act of 2000 or R. A. 9003, thus the objectives of the program was not totally attained.

We recommend that management immediately implement the Ecological Solid Waste Management Act of 2000 by including it in the Annual Budget. Create the Management Solid Waste Management Board and coordinate with the Provincial Solid Waste Management Board for the related programs and projects to be undertaken.

The above findings and recommendations were earlier communicated through an Audit Observation Memorandum (AOM) and were discussed, including those of prior years' unimplemented and partially implemented audit recommendations, in an exit conference conducted on February 26, 2016 with officials concerned whose documents were incorporated in this report, where appropriate.

F. Audit of Special Education Fund

The Municipal Accountant reported in the Financial Statements a total of P14,520.00 as disbursements for travelling expenses for the year. However, the validity and propriety of the transaction/s could not be ascertained because disbursement vouchers for the Fund was not yet submitted to the Audit Team as of Report date.

G. Credit Financing/Debt Servicing

The Municipality has not obtained any loan for CY 2015. They have, however, an outstanding loan balance of P7,481,353.81 representing a loan granted on March 2008 from Development Bank of the Philippines for the Construction of San-Isidro-Canciledes-Tutubigan FMR with a balance of P2,541,687.81, and a loan granted by Coconut Industry Investment Fund (CIIF) to augment the operational fund of Hernani Coco Oil Mill with a balance of P 4,935,666.00.

H. Compliance with Tax Laws

For CY 2015, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008 and remitted P2,451,145.21 representing Taxes withheld from compensation, expanded final VAT and government money payments together with a copy of the Summary of Tax Withheld (STW) as support to the Tax Remittance Advice (TRA) duly certified by the Accountant and approved by the Head of Agency or his duly authorized representative.

I. Compliance with DAP/PDAF Decision

The Municipality did not receive any Malampaya Priority Development Assistance Fund (PDAF).

J. Status of Suspensions, Disallowances and Charges

The total audit suspensions, disallowances, and charges issued in the course of audit of various transactions of the Municipal Government of Hernani, Eastern Samar, as of December 31, 2015 amounted to P0.00. For details, please see Annex E.

	Beginning Balance (As of January 1, 2015)	This Period January 1 to December 31, 2015		Ending Balance (As of December 31, 2015)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

K. Status of Implementation of Prior Years' Audit Recommendations

Of the thirteen (13) audit recommendations embodied in the CY 2014 Audit Report, six (6) were implemented, three (3) were partially implemented and four (4) were not implemented by management.

TABLE OF CONTENTS

	Page
Part I	
Financial Statements	
Independent Auditor's Report	1
Statement of Management's Responsibility for Financial Statements	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Financial Performance	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Equity	7
Statement of Comparison of Budget and Actual Amounts	8
Notes to Financial Statements	11
Part II	
Detailed Findings and Recommendations	24
Part III	
Status of Implementation of Prior Years' Audit Recommendations	35
Part IV	
Annexes	



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. VIII
Office of the Audit Team Leader
Team 4, Audit Group LGS-A – Eastern Samar Province
Capitol Site, Borongan City

INDEPENDENT AUDITOR'S REPORT

Hon. Edgar C. Boco
Municipal Mayor
Hernani, Eastern Samar

We have audited the accompanying combined financial statements of the Municipality of Hernani, Eastern Samar which comprise the Statement of Financial Position as of December 31, 2015, and the Statement of Financial Performance, Statements of Changes in Net Assets/Equity, Statement of Comparative Budget and Actual and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

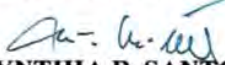
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Bases for Qualified Opinion

As discussed in Part II of this report, the accuracy, validity and reliability of the Cash in Bank account balances for the General Fund, Trust Fund, Special Education Fund totaling P43,558,897.90 could not be ascertained due to failure of the Municipal Accountant to submit Bank Reconciliation Statements with complete supporting documents. The existence, completeness and accuracy of the Property, Plant and Equipment (PPE) account balance of P13,393,261.93 could not be ascertained due to: (a) the absence of physical inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related records/documents. The Municipal Treasurer was granted a total Cash Advance of P10,628,798.53 but the corresponding liquidation documents were not submitted to the Audit Team during the entire year, thus the validity, regularity and propriety of the transactions could not be ascertained. Disbursement Vouchers with the supporting documents for the period January to December 2015 for Trust Fund totaling P1,019,251.79, Special Education Fund totaling P14,520.00, Coco Oil Mill totaling P2,363,355.55 and various disbursements from General Fund were not submitted for audit, thus, the validity, regularity, and propriety of the transactions could not be ascertained and their impact on the fair presentation of affected accounts in the financial statements could not be determined.

Qualified Opinion

In our opinion, except for the effects of the matter/s described in the Bases for Qualified Opinion paragraph, the combined financial statements present fairly, in all material respects, the financial position of the Municipality of Hernani, Eastern Samar as of December 31, 2015 and its Financial Performance and its Cash Flows for the year ended in accordance with Philippine Public Sector Accounting Standards.

By: **COMMISSION ON AUDIT**

CYNTHIA B. SANTOS
State Auditor IV
Team Leader

March 17, 2016

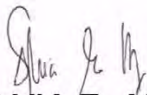



Republic of the Philippines
Province of Eastern Samar
MUNICIPALITY OF HERNANI

STATEMENT OF MANAGEMENT RESPONSIBILITY
For
FINANCIAL STATEMENTS

The Management of the Local Government Unit – **LGU Hernani, Eastern Samar** is responsible for all information and representation contained in the Balance Sheet as of December 31, 2015, and the related Statement of Income and Expenses and Statement of Cash Flows for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

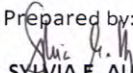
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.


SYLVIA E. ALMAZAN
Municipal Accountant


HON. EDGAR C. BOCO
Municipal Mayor

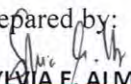
HERNANI, EASTERN SAMAR
Statement of Financial Position
Consolidated All Funds
As at December 31, 2015

	<u>Note</u>	<u>2015</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents		43,855,039.46
Investments		
Receivables		3,817,240.72
Inventories		941,080.00
Prepayments and Deferred Charges		192,359.50
Total Current Assets		<u>48,805,719.68</u>
<i>Non-Current Assets</i>		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment		13,393,261.93
Biological Assets		
Intangible Assets		
Total Non-Current Assets		<u>13,393,261.93</u>
Total Assets		<u>62,198,981.61</u>
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		2,305,476.00
Inter-Agency Payables		31,134,866.91
Intra-Agency Payables		243,908.07
Trust Liabilities		3,709,486.59
Deferred Credits/Unearned Income		
Total Current Liabilities		<u>37,393,737.57</u>
<i>Non-Current Liabilities</i>		
Financial Liabilities		7,481,353.81
Deferred Credits/Unearned Income		87,000.00
Provisions		
Other Payables		
Total Non-Current Liabilities		<u>7,568,353.81</u>
Total Liabilities		<u>44,962,091.38</u>
NET ASSETS/EQUITY		
Government Equity		<u>17,236,890.23</u>
Total Liabilities and Net Assets/Equity		<u>62,198,981.61</u>
General Fund		
Coco Oil Mill Fun		
Trust Fund		
Special Education Fund		

Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Financial Performance
Consolidated All Funds
For the Year Ended December 31, 2015

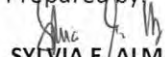
	2015
Revenue	
Tax Revenue	438,983.59
Share from Internal Revenue Collections	38,124,386.00
Other Share from National Taxes	
Service and Business Income	1,138,715.40
Shares, Grants and Donations	
Gains	
Other Income	
Total Revenue	39,702,084.99
Less: Current Operating Expenses	
Personnel Services	23,385,952.85
Maintenance and Other Operating Expenses	9,333,941.07
Non-cash Expenses	1,801,495.97
Financial Expenses	143,016.79
Current Operating Expenses	34,664,406.68
Surplus (Deficit) from Current Operation	5,037,678.31
Add (Deduct):	
Transfers, Assistance and Subsidy From	
Transfers, Assistance and Subsidy To	2,675,249.18
Surplus(Deficit) for the period	2,362,429.13

Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Condensed Cash Flows
For the Year Ended December 31, 2015

	<u>Note</u>	<u>2015</u>
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers		1,046,754.53
Share from Internal Revenue Allotment		38,124,386.00
Receipts from business/service income		1,127,030.00
Interest Income		45,715.06
Dividend Income		
Receipts in Trust		79,362,440.18
Other Receipts		1,220,549.00
Total Cash Inflows		<u>120,926,874.77</u>
<i>Cash Outflows</i>		
Payment of expenses		16,669,592.52
Payments to suppliers and creditors		5,618,932.26
Payments to employees		13,934,756.46
Interest Expense		95,958.98
Other Expenses		57,919,517.11
Total Cash Outflows		<u>94,238,757.33</u>
Net Cash Flows from Operating Activities		<u>26,688,117.44</u>
Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Proceeds from Sale of Investment Property		
Proceeds from Sale/Disposal of Property, Plant and Equipment		
Proceeds from Sale of Non-Current Investments		
Collection of Principal on loans to other entities		
Total Cash Inflows		<u> </u>
<i>Cash Outflows</i>		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Purchase of Intangible Assets		
Grant of Loans		
Total Cash Outflows		<u> </u>
Net Cash Flows from Investing Activities		<u>26,688,117.44</u>
Cash Flows from Financing Activities		
<i>Cash Inflows</i>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
Total Cash Inflows		<u> </u>
<i>Cash Outflows</i>		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization		604,041.02
Total Cash Outflows		<u>604,041.02</u>
Net Cash Flows from Financing Activities		<u>604,041.02</u>
Total Cash Provided by Operating, Investing and Financing Activities		26,084,076.42
Add: Cash at the Beginning of the year		<u>17,770,963.04</u>
Cash Balance at the End of the Year		<u>43,855,039.46</u>

Prepared by:

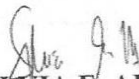

SYLVIA E. ALMAZAN
Municipal Accountant

MUNICIPALITY OF HERNANI
Statement of Changes in Net Assets/Equity
CONSOLIDATED ALL FUNDS
For the Year Ended December 21, 2015

	Accumulated Surplus/(Deficits) 2015
Balance at January 1, 2015	16,044,041.37
Add (Deduct)	
Change in Accounting Policy	93,000.00
Prior Period Errors	16,137,041.37
Restated Balance	
Add (Deduct) Changes in net assets/equity during the year	
Adjustment of net revenue recognized directly in net assets/equity	(1,262,580.27)
Surplus (Deficit) for the period	2,362,429.13
Total recognized revenue and expenses for the period	P 17,236,890.23
Balance at December 31, 2015	

General Fund
Coco Oil Mill Fund
Special Education Fund

Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR

Statement of Comparison of Budget and Actual Amounts

For the Year Ended December 31, 2015

(In thousands of Pesos)

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Revenue						
A. Local Sources						
1. Tax Revenue						
a. Tax Revenue- Property		125,000.00	125,000.00		41,025.48	
b. Tax Revenue – Goods and Services		242,000.00	242,000.00		481,092.22	
c. Other Local Taxes		12,000.00	12,000.00		23,610.80	
Total Tax Revenue		379,000.00	379,000.00		545,728.50	(166,728.50)
2. Non-Tax Revenue						
a. Service Income		262,500.00	262,500.00		281,913.13	
b. Business Income		358,500.00	358,500.00		48,215.06	
c. Other Income and Receipts					16,065.00	
Total Non-Tax Revenue		621,000.00	621,000.00		346,193.19	274,806.81
B. External Sources						
1. Share from the National Internal Revenue Taxes (IRA)		38,124,386.00	38,124,386.00		38,124,386.00	
2. Share from GOCCs						
3. Other Shares from National Tax Collections						
a. Share from Ecozone						
b. Share from EVAT						
c. Share from National Wealth						
d. Share from Tobacco Excise Tax						
4. Other Receipts						
a. Grants and Donations						
b. Other Subsidy Income						
5. Inter-local Transfer						
6. Capital /Investment Receipts						
a. Sale of Capital Assets						
b. Sale of Investments						
c. Proceeds from Collections of Loans Receivable						
C. Receipts from Borrowings						
Total Revenues and Receipts		39,124,386.00	39,124,386.00		39,016,307.69	108,078.31

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Share from National Wealth						
Maintenance and Other Operating Expenses						
Capital Outlay						
Allocation for Senior Citizens and PWD						
Maintenance and Other Operating Expenses						
Capital Outlay						
Others						
Personnel Services		1,300,000.00	1,826,126.13	526,126.13	1,826,126.13	
Maintenance and Other Operating Expenses		945,028.00	1,989,590.00	1,044,562.00	1,975,590.00	14,000
Capital Outlay						
Continuing Appropriations (Capital Outlay)						
General Public Services						
Education						
Health, Nutrition and Population Control						
Labor and Employment						
Housing and Community Development						
Social Services and Social Welfare						
Economic Services						
Total		39,124,385.83	42,103,846.75	2,979,460.92	34,751,345.88	7,352,500.87
Surplus (Deficit) for the period		.17			4,264,961.81	



**Republic of the Philippines
Province of Eastern Samar
MUNICIPALITY OF HERNANI**

Notes to Condensed Financial Statement

Note I - Profile

HERNANI was founded around the year 1850 by a settler from Guiuan, Eastern Samar named *Miguel "Totoy Yadawon" Candido*. Formerly called **NAG-AS** (derived from the named of the river located Southeast of the town proper), the settlement is nestled in a flat coastal terrain facing the vast Pacific Ocean.

NAG-AS reach the epochal point of its development when it was made a regular and independent municipality as embodied in a Royal Decree issued by Spanish Governor-General Rafael Echague on the 4th of January 1864. The royal fiat also mandates to change the old name **NAG-AS** to **HERNANI**.

Right after the Philippine-American War, the political status of Hernani was reduced into a barrio under the jurisdiction of *Lanang* (now Llorente). In 1912, its status as a Municipality was restored but the seat of local government was transferred to *Pambujan* (now Gen. MacArthur). However, in 1926 the Municipality of Hernani regained back the township by virtue of an Executive Order issued by the American Governor-General Leonard Wood.

Hernani then was classified as 5th Class Municipality and maintains three (3) funds General Fund, Special Education Fund and Trust Fund.

Note 2 - Basis for Financial Statements Presentation

The consolidated financial statements of the LGU have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS). The consolidated financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 201X5

Note 3 - Summary of significant accounting policies

3.1 Basis of accounting

The consolidated financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

3.2 Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

The LGU availed of the 5 – year transitional provision for the recognition of Tax Revenue- Real Property and Special Education Tax. For the first year, there will be no change in policy for the recognition of the aforementioned tax revenue.

Revenue from exchange transactions

Rendering of services

The LGU recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred.

3.3 Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is

performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life:

(refer to COA issuances on the prescribed useful life of assets)

Leased assets may consist of vehicles and machinery. The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. The LGU derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

Public Infrastructures were not previously recognized in the books. The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. For the first year of implementation of the PPSAS, the LGU will not recognize the Public Infrastructure in the books of accounts.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.5 Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

3.6 Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Governor, Mayors, Vice-Governors and Vice-Mayors, Sanggunian Members, Committee Officials and Members, Accountants, Treasurers, Budget Officers, General Services and all Chiefs of Departments/Divisions.

3.7 Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the Modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

3.8 Significant judgments and sources of estimation uncertainty

Judgments

In the process of applying the LGU's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Note4. Cash and Cash Equivalents

	<u>2015</u>
Cash on Hand	
Cash- Local Treasury	296,141.56
Cash in Bank – Local Currency	
Cash in Bank-Local Currency-Current Account	43,558,897.90
Total Cash and Cash Equivalent	<u>43,855,039.46</u>

Cash in banks earns interest based on the prevailing bank deposit rates. The LGU bank balances is composed of P 43,368,694.69, P 70,185.60, and P 120,017.61 for General Fund, Special Education Fund and Trust Fund respectively. The figure above is subject to verification due to on process preparation of bank reconciliation statement.

Note 5 - Receivables

Loans and Receivable Accounts	
Accounts Receivable	
	<u>529,920.00</u>
Total	<u>529,920.00</u>

Inter-Agency Receivables	
Due from Local Government Units	<u>802.35</u>
Total	<u>802.35</u>

Intra-Agency Receivables	
Due from Other Funds	<u>1,356,907.17</u>
Total	<u>1,356,907.17</u>

Advances	
Advances for Payroll	208,935.69

Advances to Special Disbursing Officer	314,500.94
Advances for Officers and Employees	400,000.00
Total	<u>923,436.63</u>

Other Receivables

Due from Officers and Employees	917,096.97
<i>Allowance for Impairment</i>	89,077.60
Total	<u>1,006,174.57</u>

Note 6 – Inventories

	<u>2015</u>
<i>Inventory Held for Sale</i>	
Merchandise Inventory	72,000.00
<i>Inventory Held for Manufacturing</i>	
Raw Materials Inventory	800,000.00
Finished Goods Inventory	69,080.00
Total	<u>941,080.00</u>

At December 31, 2015, P941,080.00 of total inventory was carried at fair value less cost to sell.

No inventory items were pledge as security during the current or prior financial year.

The above balances are stated in net recoverable value. Write downs were treated as expense in the current year.

Note 7 - PROPERTY, PLANT AND EQUIPMENT

	2015	2014
Land	<u>3,008,359.25</u>	<u>3,008,359.25</u>
Land Improvements	2,377,135.36	1,301,635.36
Accumulated Depreciation-Land Improvements		
Net Book Value	<u>2,377,135.36</u>	<u>1,301,635.36</u>
Office Buildings	9,870,985.48	9,870,985.48
Accumulated Depreciation-Office Buildings	6,030,708.10	5,381,251.75
Net Book Value	<u>3,840,277.38</u>	<u>4,489,733.73</u>
Office Equipment	1,271,893.98	1,271,893.98
Accumulated Depreciation-Office Equipment	1,218,393.98	1,117,892.62
Net Book Value	<u>53,500.00</u>	<u>154,001.36</u>

Furniture and Fixtures	1,458,629.00	1,088,853.00
Accumulated Depreciation-Furniture and Fixtures	930,308.00	830,308.00
Net Book Value	528,321.00	258,545.00
I.T Equipment and Software	1,881,888.83	1,561,864.63
Accumulated Depreciation-I.T Equipment	1,476,298.12	1,276,298.12
Net Book Value	405,590.71	285,566.51
Machineries	7,447,312.45	7,447,312.45
Accumulated Depreciation-Machineries	4,800,482.72	4,359,217.66
Net Book Value	2,646,829.73	3,088,094.79
Communication Equipment	238,188.00	224,410.00
Accumulated Depreciation-Communication Equipment	224,410.00	224,410.00
Net Book Value	13,778.00	-
Other Machineries & Equipment	282,421.00	282,421.00
Accumulated Depreciation-Other Machineries & Equipment	13,650.00	13,650.00
Net Book Value	268,771.00	268,771.00
Motor Vehicles	2,866,566.25	2,866,566.25
Accumulated Depreciation-Motor Vehicles	2,669,479.50	2,359,206.30
Net Book Value	197,086.75	507,359.95
Other Property Plant & Equipment	349,162.95	349,162.95
Accumulated Depreciation-Other PPE	295,550.20	295,550.20
Net Book Value	53,612.75	53,612.75
TOTALS	13,393,261.93	13,415,679.70

Note 8 – Liabilities

<i>Financial Liabilities</i>	<u>2015</u>
Accounts Payable	317,955.05
Due to Officers and Employees	1,729,384.44
Interest Payable	47,057.81
Other Payables	211,078.70
Loans Payable - Domestic	7,481,353.51
Total	9,786,829.51

Trade payables are non-interest bearing and are normally settled on 60-days terms. The Loans Payable-Domestic account composed of Loan Payable Domestic DBP amounting to P 2,541,687.81, Loan Payable Domestic CIIF P4,939,666.00.

Loan Payable Domestic-DBP refers to the term loan with DBP to finance the LGU Equity Requirement of San Isidro-Canciledes-Tutubigan FMR 6% interest per annum.

Loan Payable CIIF represents the amount release by CIIF to augment the operational fund of Coco Oil Mill P 5,000,000.00, P 64,334.00 of which were been debited to the account for the goods delivered to GRANEX per memorandum of agreement entered into by Coco Oil Mill to CIIF.

<i>Inter-Agency Payables</i>	<u>2015</u>
Due to BIR	641,676.86
Due to GSIS	138,728.94
Due to Pag-IBIG	49,476.98
Due to PhilHealth	124,437.73
Due to NGAs	28,904,588.37
Due to GOCCs	12,013.03
Due to LGUs	1,263,945.00
Total	<u>31,134,866.91</u>

The first four accounts represents the amount deducted from the salaries of officials and employees and is remitted to the respective government agencies immediately on the month following the month for which these were deducted. While the remaining accounts represents balances of funds received by the LGU for specific purposes.

Due to NGA's represents fund balances of the following:

	<u>2015</u>
Implementation in Recovery Assistance (RAY 1) Project Batch 2 Barangay Facilities.	26,470,367.18
Construction of RHU Building (DOH-Region VIII)	428,091.24
*Construction in Progress-Building amounting to 2,534,403.00 will be reflected in 2016 FS as adjusting/correcting entry as it is directly changed to due to NGA's account.	
Emergency Shelter Assistance (ESA)	130,000.00
*Amounting to 33,660.000.00, 130,000.00 of which remain unclaimed beneficiaries in Manila, abroad and double entry.	
DA Animal Dispersal	382,000.00
Philhealth MCP/PFR	498,129.95
DOLE RO-8 Livelihood Assistance Procurement of motorized tractor.	

Certified Seeds & Fertilizers	996,000.00
	<u>28,904,588.37</u>

<i>Trust Liabilities</i>	<u>2015</u>
Trust Liabilities	
Trust Liabilities- Disaster Risk Reduction and Management Fund	3,019,409.45
Bail Bonds Payable	549,777.14
Guarantee/Security/Deposits Payable	140,300.00
Customers' Deposits Payable	
Total	<u>3,709,486.59</u>

Local Disaster Risk Reduction Management Fund (LDRRMF)

Details of the unexpended balance of this fund is broken down as follows:

21.1 Quick Response Fund (30% of the LDRRMF)	415,129.40
21.2 Disaster Preparedness Fund (70% of the LDRRMF)	874,450.87

With the inavailability of the New Account Code 438. Trust Liability DRRM under the NGAS, the above amounts are accounted under the Government Equity Account.

<i>Deferred Credits/Unearned Income</i>	<u>2015</u>
Deferred Credits	
Other Deferred Credits	87,000.00
Total	<u>87,000.00</u>

Note 9 – Tax Revenue

	<u>2015</u>
<i>Tax Revenue – Individual and Corporation</i>	
Community tax	106,279.32
<i>Tax Revenue-Property</i>	
Real Property Tax - Basic	41,025.48
Special Education Tax	52,428.80
<i>Tax Revenue-Goods and Services</i>	
Business Tax	133,887.77
<i>Tax Revenue-Others</i>	
Other Taxes	105,362.22
<i>Share from National Taxes</i>	
Share Internal Revenue Collection	38,124,286.00
Total	<u>38,563,369.59</u>

Note 10– Service and Business Income

	<u>2015</u>
<i>Service Income</i>	
Permit Fees	153,820.88
Registration Fees	52,285.00
Clearance and Certificate Fees	49,822.25
Occupation Fees	159,173.71
Fees for Sealing and Licensing of Weights & M	4,050.00
<i>Business Income</i>	
Parking Fees	9,625.00
Slaughterhouse Operation	1,150.00
Sales Revenue	1,656,950.00
<i>Sales Discounts</i>	(1,023,601.50)
Garbage Fees	11,160.00
Interest Income	45,715.06
Other Business Income	18,565.00
Total	<u>1,138,715.40</u>

Note 11 - Employee Costs

	<u>2015</u>
<i>Personnel Services</i>	
Salaries and Wages – Regular	11,834,235.28
Salaries and Wages- Casual/Contractual	813,428.12
<i>Other Compensation</i>	
Personal Economic Relief allowance	974,000.00
Representation Allowance	1,223,250.00
Transportation Allowance	1,223,250.00
Clothing/Uniform Allowance	205,000.00
Subsistence Allowance	116,250.00
Laundry Allowance	10,800.00
Productivity Incentive Allowance	54,000.00
Honoraria	600.00
Hazard Pay	162,096.00
Overtime and Night Pay	992,362.00
Year-End Bonus	224,000.00
Other Bonuses and Allowances	1,203,660.00
<i>Personnel Benefit Contribution</i>	
Retirement and Life Insurance Premiums	1,328,406.87
Pag-IBIG Contribution	49,100.00
PhilHealth Contribution	140,375.00
Employees Compensation Insurance	45,013.45
<i>Other Personnel Benefit</i>	
Terminal Leave Benefits	1,826,126.13
Other Personnel Benefits	960,000.00
Total	<u>23,385,952.85</u>

Note 12 – Maintenance and Other Operating expenses

	<u>2015</u>
<i>Traveling Expenses</i>	
Traveling Expenses - Local	2,606,210.31
<i>Training and Scholarship Expenses</i>	
Training Expenses	279,830.00
Scholarship/Grants/Expenses	6,000.00
<i>Supplies and Material Expenses</i>	
Office Supplies Expense	215,072.63
Accountable Forms Expense	13,400.00
Fuel, Oil and Lubricant Expenses	702,900.58
<i>Utility Expenses</i>	
Electricity Expenses	310,249.17
<i>Communication Expenses</i>	
Telephone Expenses	379,800.00
Internet subscription Expenses	11,500.00
<i>Confidential, Intelligence and Extraordinary Expenses</i>	
Confidential Expenses	200,000.00
Total	<u>4,724,962.69</u>

Note 13 – Contracted Services

	<u>2015</u>
<i>Professional Services</i>	
Auditing Services	2,340.00
Other General Services	1,976,090.00
Total	<u>1,978,430.00</u>

Note 14 – Repairs and Maintenance

	<u>2015</u>
Repairs and Maintenance -Buildings and Other Structure	359,334.60
Repairs and Maintenance -Machinery and Equipment	5,300.00
Repairs and Maintenance -Transportation Equipment	396,740.00
Repairs and Maintenance - Furniture, Fixtures	10,100.00
Repairs and Maintenance -Other Property, Plant and Equipment	37,960.00
Total	<u>799,434.60</u>

Note 15-Financial Assistance/Subsidy

	<u>2015</u>
Subsidy to NGAs	
Subsidy to Local Government Units	848,500.00
Total	<u>848,500.00</u>

Note 16- Transfers

	<u>2015</u>
Transfers of Unspent Current Year DRRM Funds to the Trust Fund	1,756,829.18
Transfers for Project Equity Share	69,920.00
Total	<u>1,826,749.18</u>

Note 15- Taxes, Insurance Premiums and Other Fees

	<u>2015</u>
Taxes, Duties and Licenses	80,595.00
Fidelity Bond Premiums	47,771.25
Total	<u>128,366.25</u>

Note 17 – Other Maintenance and Operating Expenses

	<u>2015</u>
Representation Expenses	508,776.00
Rent/Lease Expenses	83,500.00
Donations	46,800.00
Other Maintenance and Operating Expenses	1,063,671.53
Total	<u>1,702,747.53</u>

Note 18 - Financial Expenses

	<u>2015</u>
Guarantee Fees	143,016.79
Total	<u>143,016.79</u>

Note 19 –Non-Cash Expenses

	<u>2015</u>
<i>Depreciation and Amortization</i>	
Depreciation-Buildings and Other Structure	649,456.35
Depreciation-Machinery and Equipment	741,766.42
Depreciation-Transportation Equipment	310,273.20
Depreciation-Furniture, Fixtures and Book	100,000.00
Total	<u>1,801,495.97</u>

Note 20 - Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

(in thousands of currency units)	2015
Surplus/(Deficit)	2,362,429.13
Non-cash transactions	
Depreciation	1,801,495.97
Increase in payables	1,281,562.81
Increase in current assets	21,242,505.18
Net Cash from Operating Activities	<u>26,687,993.09</u>

PART II – DETAILED FINDINGS AND RECOMMENDATIONS

A. Financial and Compliance Audit

- 1. The accuracy, validity and reliability of the Cash in Bank account balances for the General Fund, Trust Fund, Special Education Fund totaling P43,558,897.90 could not be ascertained due to failure of the Municipal Accountant to submit Bank Reconciliation Statements with complete supporting documents.**

Section 74 of P.D. 1445 mandates that depositories shall report to the agency head, in such form as he may direct, the condition of the agency account in their books. The agency head shall see to it that reconciliation is made between the balance shown in the report and the balance found in the books of the agency.

Sections 3.2 of COA Circular No. 96-001 dated October 2, 1996 requires that a monthly Bank Reconciliation Statement shall be prepared by the agency accountant, and that all checks issued by the agency per Report of Checks Issued (RCI) shall be compared with the serial numbers and amounts of the checks negotiated/ encashed with the Bank.

Post audit of cash accounts as of December 31, 2015 revealed that the Municipal Accountant did not submit Bank Reconciliation Statements (BRS) for the General Fund. She only submitted BRS for Trust Fund and Special Education Fund. However it was not supported with Bank Statements, rendering difficulty on the verification of the correctness of the submitted report. The following are the funds maintained by the agency with the Land Bank of the Philippines as their government servicing bank, to wit:

Name of Fund	Cash in Bank – Local Currency Balance as of December 31, 2015
General Fund (101)	43,368,694.69
Special Education Fund	70,185.60
Trust Fund	120,017.61
Total	43,558,897.90

It has to be emphasized that cash in bank transactions are some substantial amount and recurring thus, needed to be validated as to accuracy and the reliability of the reported balance of the subject account.

Non submission of monthly Bank Reconciliation Statements with the supporting documents such as paid checks and other documents casts doubts as to the accuracy, validity and reliability of the reported Cash in Bank account balances as December 31, 2015.

The Municipal Accountant explained that the Bank Reconciliation Statement for the General Fund is still pending due to the unreconciled items from prior periods. She however committed to submit the required report within the month.

Direct the Municipal Accountant to submit immediately Bank Reconciliation Statement with complete supporting documents such as Bank Statements, paid checks, etc. henceforth such financial report should be submitted with the reglementary period.

- 2. The Property, Plant and Equipment (PPE) account totaling P13,393,261.93 is unreliable due to: (a) General Services Officer's failure to submit Annual Physical Inventory Report; and (b) failure to maintain updated property ledger cards and to reconcile them with the Accountant's records.**

Sections 119, 120 and 124 of COA Circular No. 2002-003 dated June 22, 2002 requires the maintenance by the General Services Officer of Property Cards per category of property, plant and equipment; the maintenance by the Accountant of the Property, Plant and Equipment Ledger Cards for each category of assets and Real Property Ledger Cards for the land, and the conduct of annual physical count of property, plant and equipment by type which shall be reported on the Report on the Physical Count of Property, Plant and Equipment and submitted to the Auditor concerned not later than January 31 of each year. Likewise, Sections 13, 15 and 44-45, Volume II of the same Manual requires the maintenance of Property, Plant and Equipment Ledger Cards and Real Property Cards.

Furthermore, Section 156 of COA Circular No. 92-386 mandates local chief executive to require the conduct of an annual inventory by office or department through a committee of three (3) consisting of the representative of the local chief executive as chairman and the general services officer and supply accountable officer of the department or office concerned, as members.

The reported Property, Plant and Equipment (PPE) totaling P13,393,261.93 is unreliable due to the following:

- a) General Services Officer's failure to submit Annual Physical Inventory Report for the properties totaling to P13,393,261.93.
- b) General Services Officer's failure to maintain updated property ledger cards and to reconcile them with the records of the Accountant.

Due to the above-mentioned deficiencies, the reported balances of the PPE accounts per the financial statements remain doubtful and unreliable, while their complete physical existence could not be established.

The Municipal Accountant committed to submit the Inventory of PPE within five (5) days from Exit Conference.

We recommend that the Local Chief Executive require the Municipal General Services Officer to submit the Physical Inventory report of the PPE every year as mandated by law, and to maintain and update the property cards and reconcile the records with the Accountant.

3. **The Municipal Treasurer was granted a total Cash Advance of P10,628,798.53 but the corresponding liquidation documents were not submitted to the Audit Team during the entire year, thus the validity, regularity and propriety of the transactions could not be ascertained.**

Section 347 of R.A. 7160 states that: *“Local treasurers, accountants and other local accountable officers shall render their accounts within such time, in such form that the Commission on Audit may prescribe.”*

Further, Section 7.2.1(a) of COA Circular No. 2009-006 dated September 15, 2009 provides that: *“The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:*

- a) *The reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within ten (10) days of the ensuing month;”*

For the entire year, the Municipal Treasurer has not submitted his Report of Disbursements with the supporting documents for all his Cash Advances totaling P10,628,798.53 (Annex D). Further, additional cash advances were continued to be granted to him despite his outstanding unliquidated cash advances.

The granting of additional cash advances to the Municipal Treasurer despite the existence of his unliquidated cash advances resulted to the accumulation of government funds that would bear the risk of loss and misuse.

The Municipal Treasurer explained that there are payrolls which lack signatures of the Municipal Budget Officer which hinders his submission of the same to the Audit Team. He however committed to submit the liquidations within five (5) days from the exit conference.

We recommend that the Local Chief Executive should immediately require the Municipal Treasurer to submit immediately all Report of Disbursements with its supporting documents to the Audit Team for verification purposes. Henceforth, management should ensure that the provisions of Section 7.2.1(a) of COA Circular No. 2009-006 and Section

347 of RA 7160 are strictly followed through regular and close supervision of all concerned personnel/officers.

- 4. Disbursement Vouchers with the supporting documents for the period January to December 2015 for Trust Fund totaling P1,019,251.79, Special Education Fund totaling P14,520.00, Coco Oil Mill totaling P2,363,355.55 and various disbursements from General Fund were not submitted for audit verification, thus, the validity, regularity, and propriety of the transactions could not be ascertained and their impact on the fair presentation of affected accounts in the financial statements could not be determined.**

Section 347, Chapter 4, Title V, Book II of RA 7160 states that “Local treasurers, accountants and other local accountable officers shall render their accounts within such time, in such form, style, and content under such regulations as the Commission on Audit may prescribe.”

Section 100 of PD 1445 mandates that Disbursing Officers in any government agency shall render monthly reports of their transactions pursuant to regulations of the Commission on Audit to be submitted not later than the 5th day of the ensuing month to the Auditor concerned.

Corollary to this, Section 6 of COA Circular No. 95-006 dated May 18, 1995, states the following duties and responsibilities of agency officials:

- a) Accountable officers shall submit the records of receipts, disbursements, expenditures, operations, and all other transactions, together with the supporting documents, to the Chief Accountant in the manner and within the timeframe prescribed in existing rules and regulations (Section 6.03);
- b) Disbursing Officers in particular shall faithfully comply with Section 100 of PD 1445 which require them to render monthly reports of their transactions pursuant to existing auditing regulations not later than the 5th day of ensuing months to the Auditor concerned (Section 6.04); and
- c) The official involved in the daily recording of transactions in the books of accounts shall turn-over the receipts and the disbursements records with all paid vouchers and documents evidencing the transactions to the auditor within ten (10) days from date of receipt of said documents (Section 6.05)

For the entire year, there has been no submission of accounts for Trust Fund, Special Education fund and from their Coco Oil Mill. The Financial Statements for each fund showed total cash disbursements from the Trust Fund,

Special Education Fund and Coco Oil Mill amounting to P1,019,251.79, P14,520.00 and P2,363,355.55, respectively.

Also, various DVs were not submitted to the audit team for the General Fund, the check numbers for these disbursements are as follows:

JAN	699008	699009	699025				
FEB	760814	760814					
MAR	760842	760861	760862	760864	760872	760884	760911
	760891	760896	760898	760899	760900	760908	760913
APRIL	760930	760933	760940	760943	760949	760970	
	760931	760937	760942	760945	760965	761006	
MAY	761087	761088	761089	761095	761103	761104	761105
JUNE	761136	761150	761176	761188	761239		
	761144	761162	761187	761226	761244		
JULY	761250	761267	761271	800803	800816		
	761260	761269	761290	800805	800817		
AUG	800847	800851	800872	800874			
SEPT	800883	800899	801211	801226	801231		
	800889	801210	801214	801230			
OCT	801237	801240	801247	801250	801264		
NOV	801030	801032					
DEC	801091	801092	801093	800925	800997	894113	

The failure of the accountable officers to submit the abovementioned vouchers and supporting documents hindered the Audit Team from verifying the validity, regularity, and propriety of the subject transactions, considering that the total amount of transactions subject of the unsubmitted Disbursement Vouchers and supporting documents is material, their impact on the financial statements may be significant.

The Municipal Treasurer committed to submit the lacking Disbursement Vouchers five (5) days from the Exit Conference.

Direct the LGU officials concerned to submit immediately all the financial reports with the complete supporting documents. Henceforth all laws, rules, regulations relative to the submission of financial reports should be strictly followed. Otherwise, impose the applicable administrative and penal sanctions provided for under the cited regulations against the erring officials if warranted under circumstances.

B. 20 % Development Fund

- 5. Disbursements for Electric bills, Pre-payments for Intelligence Expense and Repairs and Maintenance of Office Buildings totaling P864,583.77**

were paid from the LGU’s 20% Economic Development Fund, which were not included as allowable priority projects of such fund, thus the objectives of the established fund was not totally attained.

Section 287 of RA 7160 of the Local Government Code, states that:

“Each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its annual internal revenue allotment for development projects. Copies of the development plans of local government units shall be furnished the Department of Interior and Local Government.”

Further, the Department of Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint memorandum Circular No. 2011-1 dated April 13, 2011, states that the 20% of the IRA intended for development projects may be utilized for programs and projects that contribute to the attainment of (1) Social Development, (2) Economic Development, and (3) Environmental Management.

Furthermore, the same Circular specifies that the 20% appropriation may be used for the installation and maintenance of street lighting system except payment of electric bills. It also specifically excludes the construction, repair or refinishing of administrative offices to be charged against the said funds.

Verification of accounts disclosed that the LGU used the 20% appropriation for development projects to pay electric bills, pre-payment for Intelligence Expenses and Repairs and Maintenance of Office Buildings showing the following balances per financial statements, and per audited DVs as follows:

	Per Financial Statements	Per Audited DVs
Electric Bills	310,249.17	265,889.92
Intelligence Expense	200,000.00	100,000.00
Repairs and Maintenance-Office Buildings	354,334.60	13,479.29
	864,583.77	379,369.21

The mentioned expenditures does not promote either of the three areas of development that should be prioritized in the 20% Development Fund. Should the components of the 20% IRA have been meticulously planned and disbursed to only include those items that would promote Economic, Social, and Environmental Development, what was due to the public would have been delivered.

Thus, the LGU and its constituents was deprived of the same amount which could have been made available for other development projects of the LGU.

The Municipal Accountant explained that due to lack of other fund source, they have charged the Electric Bill for the street lights, Intelligence Fund and Repairs & Maintenance of the office building to the 20% Development Fund, and it has been their practice in the prior years. However, the Municipal Budget Officer was not present during the Exit Conference to give his comment.

Stop the practice of charging the Electricity expense, Intelligence Expense, Repairs and Maintenance of administrative offices and other expense items not related to development projects to the 20% Development Fund, so that the objectives of the Fund could be fully attained.

C. Audit of Local Disaster Risk Reduction and Management Fund (LDRRMF)

The Municipality had appropriated a total of P1,956,219.29 for the current year's LDRRMF. Out of this amount, a total of P586,865.79 was allocated for Quick Response Fund (QRF), while the remaining amount of P1,369,353.50 was under the Mitigation Fund. The LGUs continuing appropriations for the same Fund amounted to P1,262,580.27. Total funds available for its disaster risk management activities amounted to P3,218,799.56. Of the total amount available, the LGU utilized P199,390.11 for Trainings, and Equipment/Supplies.

D. Audit of Funds and Activities for Gender and Development (GAD)

For the year 2015, the Municipality appropriated P770,000.00 of its total budget for Gender and Development (GAD) Activities. Among the GAD related activities/programs adopted were: Daycare Operation Support, Emergency Assistance, Differently-Abled Persons Welfare Assistance, OSCA Operations Support, Assistance to Women in Difficult Situation.

E. Audit of Environmental Protection and Waste Management Program

- 6. Solid waste management in the locality was not implemented by the Municipality contrary to the Ecological Solid Waste Management Act of 2000 or R. A. 9003, thus the objectives of the program was not totally attained.**

The Ecological Solid Waste Management Act of 2000 or R. A. 9003 was enacted to address the present condition of the solid waste disposal that affects the health condition of the people and the environment which contribute to global warming.

And we quote salient provisions applicable for local government units (LGUs):

*“Section 10. Role of LGUs in Solid Waste Management. – Pursuant to the relevant provisions of RA 7160, otherwise known as the Local Government Code, **the LGUs shall be primarily responsible for the implementation and enforcement of the provisions of this Act within their respective jurisdiction.**”* (Emphasis Supplied)

*“Section 12. City and Municipal Solid Waste Management Board. – Each city or municipality shall form a City or Municipal Waste Management Board that shall **prepare, submit and implement a plan** for the safe and sanitary management of solid waste generated in areas under its geographic and political coverage.”* (Emphasis Supplied)

“Section 20. Establishing Mandatory Solid Waste Diversion. – Each LGU plan shall include an implementation schedule which shows that within five (5) years after effectivity of this Act; the LGU shall divert at least 25% of all solid waste from waste disposal facilities through re-use, recycling, and composting activities and other resource recovery activities: xxx” (Underscoring Supplied)

“Section 21. Mandatory Segregation of Solid Wastes. – The LGUs shall evaluate alternative roles for the public and private sectors in providing collection services, type of collection system, or combination of systems, that best meet their needs: Provided, That segregation of wastes shall primarily be conducted at the source, to include household, institutional, industrial, commercial and agricultural sources: Provided, further, That wastes shall be segregated into the categories provided in Section 22 of this Act.”

“Section 22. Requirements for the Segregation and Storage of Solid Waste. – The following shall be the minimum standards and requirements for segregation and storage of solid waste pending collection:

- (a) There shall be a **separate container for each type of waste** from all sources: Provided, That in the case of bulky waste, it will suffice that the same be collected and placed in a separate and designated area; and*
- (b) The solid waste container depending on its use shall be properly marked or identified for on-site collection as “**compostable**”, “**non-recyclable**”, “**recyclable**” or “**special waste**”, or any other classification as may be determined by the Commission.”*
(Emphasis Ours)

“Section 30. Prohibition on the Use of Non-Environmentally Acceptable Packaging. – No person owning, operating or conducting a commercial establishment in the country shall sell or convey at retail or possess with the intent to sell or convey at retail any products that are placed, wrapped or package in on packaging which is not environmentally acceptable packaging: Provided, That the Commission shall determine a phase out period after proper consultation and hearing with the stakeholders or with the sectors concerned. Xxx” (Underscoring Supplied)

*“Section 37. Prohibition Against the Use of Open Dumps for Solid Waste. – **No open dumps shall be established and operated, nor any practice or disposal of solid waste by any person, including LGUs, which constitutes the use of open dumps for solid waste, be allowed after the effectivity of this Act:** Provided, That within three (3) years after the effectivity of this Act, every LGU shall convert its open dumps into controlled dumps, in accordance with the guidelines set in Section 41 of this Act: Provided, further, That no controlled dumps shall be allowed five (5) years following effectivity of this Act.”* (Emphasis Ours)

Our review of CY 2015 Budget, financial reports and transactions from January to December 2015 disclosed that the municipality did not implement its Solid Waste Management Program for the year due to the following reasons:

1. The LGU is operating in an open dumpsite, and is located near the new GK Village, affecting the village’s water source, which was mandated by the DENR to transfer its dumpsite to another location. Because of this, the planned improvement of the Municipal Dumpsite was not implemented.
2. The Municipal Hall is currently located in a No-Build Zone and is also mandated to transfer to another location, thus the planned construction of public toilet within the Municipal Site was not implemented during the year.

It was also observed, during the Audit Team’s field audit activities, that segregation of waste was not done; no proper dissemination, consultation, or hearing with barangays, households or stakeholders; stores in the locality still use the non-biodegradable plastics for items purchased.

The non-implementation of this Act will affect the health condition of its constituents, adversely affect the environment, and hasten the impact of global warming.

We recommend that management immediately implement the Ecological Solid Waste Management Act of 2000 by including it in the Annual Budget. Create the Management Solid Waste Management Board

and coordinate with the Provincial Solid Waste Management Board for the related programs and projects to be undertaken.

F. Audit of Special Education Fund

The Municipal Accountant reported in the Financial Statements a total of P14,520.00 as disbursements for travelling expenses for the year. However, the validity and propriety of the transaction/s could not be ascertained because disbursement vouchers for the Fund was not yet submitted to the Audit Team as of Report date.

G. Credit Financing/Debt Servicing

The Municipality has not obtained any loan for CY 2015. They have, however, an outstanding loan balance of P7,481,353.81 representing a loan granted on March 2008 from Development Bank of the Philippines for the Construction of San-Isidro-Canciledes-Tutubigan FMR with a balance of P2,541,687.81, and a loan granted by Coconut Industry Investment Fund (CIIF) to augment the operational fund of Hernani Coco Oil Mill with a balance of P 4,935,666.00.

H. Compliance with Tax Laws

For CY 2015, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008 and remitted P2,451,145.21 representing Taxes withheld from compensation, expanded final VAT and government money payments together with a copy of the Summary of Tax Withheld (STW) as support to the Tax Remittance Advice (TRA) duly certified by the Accountant and approved by the Head of Agency or his duly authorized representative.

I. Compliance with DAP/PDAF Decision

The Municipality did not receive any Malampaya Priority Development Assistance Fund (PDAF).

J. Status of Suspensions, Disallowances and Charges

The total audit suspensions, disallowances, and charges issued in the course of audit of various transactions of the Municipal Government of Hernani, Eastern Samar, as of December 31, 2015 amounted to P0.00. For details, please see Annex E.

	Beginning Balance (As of January 1, 2015)	This Period January 1 to December 31, 2015		Ending Balance (As of December 31, 2015)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

**PART III
STATUS OF IMPLEMENTATION OF PRIOR YEARS'
RECOMMENDATIONS**

Of the thirteen (13) audit recommendations embodied in the CY 2014 Audit Report, six (6) were implemented, three (3) were partially implemented and four (4) were not implemented by management.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>Monthly Reports on the Receipt and Utilization of LDRRMF, Disbursement Vouchers, Official Receipts, Journal Entry Vouchers, Liquidation Reports and required financial reports in relation to Local Disaster Risk Reduction and Management Fund for CY 2014 were not submitted by the Municipal Treasurer and Accountant, contrary to A.1 and B, Part V of COA Circular 2014-002 dated April 15, 2014, Section 347 of RA 7160, Section 100 of PD 1445, COA Circular 95-006 dated May 18, 1995, and other pertinent sections of the NGAS Manual for LGUs, thus depriving</p>	<p>Direct the LGU officials concerned to submit immediately the abovelisted reports with complete supporting documents. Henceforth, strictly comply the aforecited provisions of the law and regulations.</p> <p>Management should impose the applicable administrative and penal sanctions provided for by the said provisions against the erring officials if warranted under circumstances.</p>	<p>AAR CY 2014</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
management of timely and relevant audit results to support significant management decisions.					
Various disbursements totaling P1,526,377.45 were not adequately supported with proper documentation contrary to Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012 and RA 9184, thus the validity/legality of the transactions were doubtful.	Require the Municipal Treasurer and the OIC Municipal Accountant to submit immediately the lacking documents to the Audit Team for audit. Henceforth, management should see to it that the provisions of Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012-001 dated June 14, 2014 and RA 9184 be strictly followed/complie d. Likewise, refrain from processing claims which are not supported with complete documentary requirements.	CY 2014		Partially Implemented	Supporting documents for transactions totaling P1,347,947.15 were already submitted to the audit team. Only documents for transaction amounting to P178,430.30 are to be complied with.
Payment of wages of casual/job order employees totaling P196,290.00 were not supported with	Require the OIC-Municipal Accountant to submit immediately the	AAR CY 2014		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>Accomplishment Reports contrary to Section 4 (6) of PD 1445 and COA Memorandum 2012-010 dated October 17, 2012, thus causing difficulty in determining the validity of claims.</p>	<p>Accomplishment Reports for audit. Henceforth, management should see to it that provisions of the cited regulations be strictly followed/complied by full coordination/supervision of the officers/employees. Likewise, refrain from processing claims without complete supporting documents to establish their validity, regularity and propriety.</p>				
<p>Management failed to submit Report of Checks Issued, Report of Disbursements, Report of Collections and Deposits with supporting documents for CY 2014 and to render accounts for July to December 2014 contrary to Section 107 of PD 1445, Section 6, COA Circular No. 95-006, and Section 55 of the NGAs</p>	<p>Require the Municipal Treasurer and the OIC Municipal Accountant to submit immediately all financial reports, Disbursement Vouchers, and Report of Checks Issued. Henceforth management should see to it that the provisions of Section 107, PD 1445 and COA Circular No.</p>	<p>AAR CY 2014</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
Manual for LGUs, thus the validity, regularity, and propriety of the transactions could not be ascertained.	95-006 dated May 18, 1995 and Section 50 of the NGAs Manual for LGUs, be strictly followed/complie d by close supervision and coordination of concerned officers and employees to avoid recurrence of stated adverse observation.				
The Municipal Accountant failed to submit to the Audit Team the financial statements and supporting schedules for CY 2014 contrary to Section 347 of R. A. 7160, Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009, Section 4.1 of COA Circular No. 2010-001 dated March 2, 2010, and Sections 70 and 73, Volume I of the Manual on the New Government Accounting System (NGAS) for Local Government Units.	Require the Municipal Accountant to submit immediately the financial statements and supporting schedules and comply strictly with the provisions of Section 347 of R.A. 7160, Section 7.2.1a of COA Circular No. 2009-006 and Sections 4.1 of COA Circular No. 2010, to avoid the delay on the audit and review of the financial statements.	AAR CY 2014		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>The year-end financial statements and schedules, disbursement vouchers with supporting documents, collection reports and official receipts, and other financial reports representing agency transactions for the period July to December 2013 were not submitted for review, evaluation and audit, contrary to Section 347 of R. A. 7160, Section 122 of P. D. 1445, Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009, Section 4.1 of COA Circular No. 2010-001 dated March 2, 2010, and Sections 70 and 73, Volume I of the Manual on the New Government Accounting System (NGAS) for Local Government Units.</p>	<p>Require the Municipal Accountant and other concerned officials to adhere strictly to the aforecited provisions in the submission of financial reports and statements, and to submit immediately their request for writing off of accountabilities supported with notice of loss and inventory of documents and to file their request for relief from accountability for properties that were lost or destroyed due to the aftermath of the super typhoon Yolanda (Haiyan).</p>	<p>AAR, CY 2013</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>Procurement of construction materials, in the total amount of P52,966.08, for the construction of MDRRMC office was artificially divided into two Purchase Requests and paid in two separate vouchers, apparently to make the transaction qualify under the alternative mode of shopping contrary to Section 54.1 of the Revised IRR of R. A. 9184.</p>	<p>Observe strictly the provisions of R. A. 9184 and its Revised IRR.</p>	<p>AAR, CY 2013</p>		<p>Implemented</p>	
<p>The existence and validity of Property, Plant & Equipment (PPE) accounts totaling ₱27,517,229.80 as of December 31, 2012, could not be established due to the failure of management to conduct the annual physical count of its properties, contrary to Section 124 of the NGAS Manual for LGU, Volume 1, and the possible inclusion in the asset account of unserviceable</p>	<p>Create a committee to conduct the annual physical count of all PPE and to prepare and submit the RPCPPE;</p> <p>Direct the Municipal Accountant to reconcile the PPE account ledger balances with that of the RPCPPE; and</p> <p>Direct the Municipal Accountant</p>	<p>AAR, CY 2012, 2011</p>		<p>Not Implemented</p>	<p>Reiterated in Part II of this report</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
properties subject for disposal.	and/or Property Officer to prepare the I & I report of all Unserviceable Properties prior to the conduct of disposal, if any.				
The accuracy and reliability of the balance of the Cash in Bank – Local Currency, Current Account (LCCA) in the amount of P5,712,482.08 as of December 31, 2012 could not be ascertained due to the non-preparation of the Bank Reconciliation Statements, contrary to Sections 3.2, 3.3 and 3.4 of COA Circular No. 96-011 dated October 2, 1996.	Instruct the Municipal Accountant to prepare and submit monthly bank reconciliation statements in order to present a reliable balance of the Cash in Bank – LCCA account.	AAR, CY 2012		Not Implemented	Reiterated in Part II of this report
Intelligence and Confidential Funds granted to Mayor Edgar C. Boco, totaling P76,000.00, were immediately taken up as Intelligence Expenses (882), instead of recording it as Advances to Officers and	Instruct the Municipal Accountant to reclassify the accounts and make necessary adjusting entry to record the same as Advances to Officers and Employees.	AAR, CY 2012		Partially Implemented	Management alleged that the LCE already refunded/paid the amount disbursed for the Confidential Funds, however, copies of OR were not yet furnished to the Audit Team.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
Employees (148), contrary to COA Circular No. 2003-003 dated July 30, 2003, thus monitoring the utilization of the funds could not be made and may expose the funds to possible misuse.	Adhere strictly to the provisions of COA Circular No. 2003-003 dated July 30, 2003 in the liquidation of the cash advance.				
The total appropriation for personal services exceeded the budgetary limitations by P3,456,603.90 or 18.09% in violation of adequate budget for maintenance and other operating expenses and needed development project.	The Local Chief Executive should limit the appropriations for personal services to 55% of the total annual income from regular sources of the next the municipality and the community as a whole.	AAR, CY 2009		Not Implemented	Of the 18.09% excess from the limitation, it substantially decreased to 4% for the current year, which represents salary of the MDRRMO which is a mandatory position.
Management failed to submit approved copies of contracts/purchase order, and notices of deliveries for additional review and evaluation contrary to the mandates of COA Circular No. 2009-001.	Copies of the perfected contracts/purchase orders should be submitted within five (5) days after the execution/issuance.	AAR, CY 2009		Partially Implemented	Only contracts for Infrastructure projects are submitted. POs for other procurement are not submitted to the office. Management will comply with the recommendation in future transactions.
The validity of Land, Land Improvements and	We recommended strict compliance to Section 23(2),	AAR, CY 2008	None	Not Implemented	Management committed to process the titling

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>Building accounts valued P9,872,463.10 could not be ascertained due to lack of property cards, subsidiary ledgers and certificate of title contrary to Section 23(2), Title I, Book V, 1987 Administrative Code.</p>	<p>Title I, Book V, 1987 Administrative Code.</p>				<p>of the Land and Buildings immediately</p>

ANNEXES

Financial Statements per Fund

A General Fund

- A.1 Statement of Financial Position
- A.2 Statement of Financial Performance
- A.3 Statement of Cash Flows
- A.4 Statement in Net Assets/Equity

B Special Education Fund

- B.1 Statement of Financial Position
- B.2 Statement of Financial Performance
- B.3 Statement of Cash Flows
- B.4 Statement in Net Assets/Equity

C Trust Fund

- C.1 Statement of Financial Position
- C.2 Statement of Cash Flows

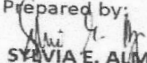
D Cash Advances Granted to the Municipal Treasurer

E Copy of SASDC for December 31, 2015 Duly Received by Management

HERNANI, EASTERN SAMAR
Statement of Financial Position
General Fund
As at December 31, 2015

ASSETS	<u>Note</u>	<u>2015</u>
<i>Current Assets</i>		
Cash and Cash Equivalents		
Investments		43,664,836.25
Receivables		
Inventories		3,149,177.59
Prepayments and Deferred Charges		941,080.00
Total Current Assets		<u>47,947,453.34</u>
<i>Non-Current Assets</i>		
Receivables		
Investment Property		
Property, Plant and Equipment		
Biological Assets		13,355,761.93
Intangible Assets		
Total Non-Current Assets		<u>13,355,761.93</u>
Total Assets		<u>61,306,215.27</u>
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		2,302,391.25
Inter-Agency Payables		30,845,786.72
Intra-Agency Payables		155,219.56
Trust Liabilities		3,709,486.59
Deferred Credits/Unearned Income		
Total Current Liabilities		<u>37,012,884.12</u>
<i>Non-Current Liabilities</i>		
Financial Liabilities		7,481,353.81
Other Payables		
Total Non-Current Liabilities		<u>7,481,353.81</u>
Total Liabilities		<u>44,494,237.93</u>
NET ASSETS/EQUITY		
Government Equity		16,811,977.34
Total Liabilities and Net Assets/Equity		<u>61,306,215.27</u>

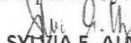
General Fund
 Coco Oil Mill Fund

Prepared by:

SYLVIA E. ALMAZAN
 Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Financial Performance
General Fund
For the Year Ended December 31, 2015

	2015
Revenue	
Tax Revenue	386,554.74
Share from Internal Revenue Collections	38,124,386.00
Other Share from National Taxes Service and Business Income	1,138,715.60
Shares, Grants and Donations Gains	
Other Income	
Total Revenue	39,649,656.19
Less: Current Operating Expenses	
Personnel Services	23,385,952.85
Maintenance and Other Operating Expenses	9,319,421.07
Non-cash Expenses	1,801,495.97
Financial Expenses	143,016.79
Current Operating Expenses	34,649,886.68
Surplus (Deficit) from Current Operation	4,999,769.51
Add (Deduct):	
Transfers, Assistance and Subsidy From	
Transfers, Assistance and Subsidy To	2,675,249.18
Surplus(Deficit) for the period	2,324,520.33
General Fund	
Coco Oil Mill Fund	

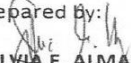
Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Cash Flows-General Fund
For the Year Ended December 31, 2015

	Note	2015
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers		1,046,754.53
Share from Internal Revenue Allotment		38,124,386.00
Receipts from business/service income		1,127,030.00
Interest Income		45,715.06
Dividend Income		
Receipts in Trust		79,362,440.18
Other Receipts		520,549.00
Total Cash Inflows		120,226,874.77
<i>Cash Outflows</i>		
Payment of expenses		16,669,592.52
Payments to suppliers and creditors		5,604,412.26
Payments to employees		13,934,756.46
Interest Expense		95,958.98
Other Expenses		56,900,265.32
Total Cash Outflows		93,204,985.54
Net Cash Flows from Operating Activities		27,021,889.23
Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Proceeds from Sale of Investment Property		
Proceeds from Sale/Disposal of Property, Plant and Equipment		
Proceeds from Sale of Non-Current Investments		
Collection of Principal on loans to other entities		
Total Cash Inflows		_____
<i>Cash Outflows</i>		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Purchase of Intangible Assets		
Grant of Loans		
Total Cash Outflows		_____
Net Cash Flows from Investing Activities		27,021,889.23
Cash Flows from Financing Activities		
<i>Cash Inflows</i>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
Total Cash Inflows		_____
<i>Cash Outflows</i>		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization		604,041.02
Total Cash Outflows		604,041.02
Net Cash Flows from Financing Activities		604,041.02
Total Cash Provided by Operating, Investing and Financing Activities		26,417,848.21
Add: Cash at the Beginning of the year		17,246,988.04
Cash Balance at the End of the Year		43,664,836.25

General Fund
Coco Oil Mill Fund

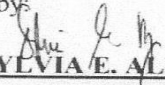
Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

MUNICIPALITY OF HERNANI
Statement of Changes in Net Assets/Equity
GENERAL FUND
For the Year Ended December 21, 2015

	Accumulated Surplus/(Deficits) <u>2015</u>
Balance at January 1, 2015	
Add (Deduct)	15,657,037.28
Change in Accounting Policy	
Prior Period Errors	93,000.00
Restated Balance	<u>15,750,037.28</u>
Add (Deduct) Changes in net assets/equity during the year	
Adjustment of net revenue recognized directly in net assets/equity	(1,262,580.27)
Surplus (Deficit) for the period	2,324,520.33
Total recognized revenue and expenses for the period	
Balance at December 31, 2015	P <u><u>16,811,977.34</u></u>

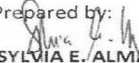
General Fund
Coco Oil Mill Fund

Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

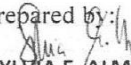
HERNANI, EASTERN SAMAR
Statement of Financial Position
Special Education Fund
As at December 31, 2015

	<u>Note</u>	<u>2015</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents		70,185.60
Investments		
Receivables		330,731.22
Inventories		
Prepayments and Deferred Charges		
Total Current Assets		<u>400,916.82</u>
<i>Non-Current Assets</i>		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment		34,500.00
Biological Assets		
Intangible Assets		
Total Non-Current Assets		<u>34,500.00</u>
Total Assets		<u>435,416.82</u>
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		3,084.75
Inter-Agency Payables		7,419.18
Intra-Agency Payables		
Trust Liabilities		
Deferred Credits/Unearned Income		
Total Current Liabilities		<u>10,503.93</u>
<i>Non-Current Liabilities</i>		
Financial Liabilities		
Deferred Credits/Unearned Income		
Provisions		
Other Payables		
Total Non-Current Liabilities		<u>-0-</u>
Total Liabilities		<u>10,503.93</u>
NET ASSETS/EQUITY		
Government Equity		<u>424,912.89</u>
Total Liabilities and Net Assets/Equity		<u>435,416.82</u>

Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

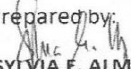
HERNANI, EASTERN SAMAR
Statement of Financial Performance
Special Education Fund
For the Year Ended December 31, 2015

	2015
Revenue	
Tax Revenue	52,428.80
Share from Internal Revenue	
Collections	
Other Share from National Taxes	
Service and Business Income	
Shares, Grants and Donations	
Gains	
Other Income	
Total Revenue	52,428.80
Less: Current Operating Expenses	
Personnel Services	
Maintenance and Other Operating Expenses	14,520.00
Non-cash Expenses	
Financial Expenses	
Current Operating Expenses	14,520.00
Surplus (Deficit) from Current Operation	
Add (Deduct):	
From Transfers, Assistance and Subsidy	
To Transfers, Assistance and Subsidy	
Surplus(Deficit) for the period	37,908.80

Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Cash Flows-Special Education Fund
For the Year Ended December 31, 2015

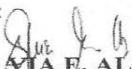
	Note	2015
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers		
Share from Internal Revenue Allotment		
Receipts from business/service income		
Interest Income		
Dividend Income		
Receipts in Trust		
Other Receipts		
Total Cash Inflows		
<i>Cash Outflows</i>		
Payment of expenses		
Payments to suppliers and creditors		14,520.00
Payments to employees		
Interest Expense		
Other Expenses		
Total Cash Outflows		14,520.00
Net Cash Flows from Operating Activities		(14,520.00)
Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Proceeds from Sale of Investment Property		
Proceeds from Sale/Disposal of Property, Plant and Equipment		
Proceeds from Sale of Non-Current Investments		
Collection of Principal on loans to other entities		
Total Cash Inflows		
<i>Cash Outflows</i>		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Purchase of Intangible Assets		
Grant of Loans		
Total Cash Outflows		
Net Cash Flows from Investing Activities		
Cash Flows from Financing Activities		
<i>Cash Inflows</i>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
Total Cash Inflows		
<i>Cash Outflows</i>		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization		
Total Cash Outflows		
Net Cash Flows from Financing Activities		(14,520.00)
Total Cash Provided by Operating, Investing and Financing Activities		
Add: Cash at the Beginning of the year		84,705.60
Cash Balance at the End of the Year		70,185.60

Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

MUNICIPALITY OF HERNANI
Statement of Changes in Net Assets/Equity
SPECIAL EDUCATION FUND
For the Year Ended December 21, 2015

	Accumulated Surplus/(Deficits) 2015
Balance at January 1, 2015	
Add (Deduct)	387,004.09
Change in Accounting Policy	
Prior Period Errors	
Restated Balance	387,004.09
Add (Deduct) Changes in net assets/equity during the year	
Adjustment of net revenue recognized directly in net assets/equity	
Surplus (Deficit) for the period	37,908.80
Total recognized revenue and expenses for the period	
Balance at December 31, 2015	P 424,912.89

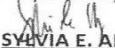
Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Financial Position- Trust Fund
 As at December 31, 2015

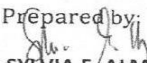
	Note	2015
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents		120,017.61
Investments		
Receivables		337,331.91
Inventories		
Prepayments and Deferred Charges		
Total Current Assets		457,349.52
<i>Non-Current Assets</i>		
Investments		
Receivables		
Property, Plant and Equipment		
Total Non-Current Assets		-0-
Total Assets		457,349.52
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		370,349.52
Inter-Agency Payables		
Intra-Agency Payables		
Trust Liabilities		
Total Current Liabilities		370,349.52
<i>Non-Current Liabilities</i>		
Financial Liabilities		
Deferred Credits/Unearned Income		87,000.00
Other Payables		
Total Non-Current Liabilities		87,000.00
Total Liabilities		457,349.52

Prepared by:


SYLVIA E. ALMAZAN
 Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Cash Flows- Trust Fund
 For the Year Ended December 31, 2015

	Note	2015
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Other Receipts		700,000.00
Total Cash Inflows		<u>700,000.00</u>
<i>Cash Outflows</i>		
Payments		
To suppliers and creditors		xxx
Other Expenses		1,019,251.79
Total Cash Outflows		<u>1,109,251.79</u>
Net Cash Flows from Operating Activities		<u>(319,251.79)</u>
Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Total Cash Inflows		_____
<i>Cash Outflows</i>		
Total Cash Outflows		_____
Net Cash Flows from Investing Activities		_____
Cash Flows from Financing Activities		
<i>Cash Inflows</i>		
Total Cash Inflows		_____
<i>Cash Outflows</i>		
Total Cash Outflows		_____
Net Cash Flows from Financing Activities		_____
Net Increase in Cash		(319,251.79)
Add: Cash at the Beginning of the period		439,269.40
Cash Balance at the End of the period		<u>120,017.61</u>

Prepared by:

SYLVIA E. ALMAZAN
 Municipal Accountant

Municipality of Hernani
Cash Advances Granted to the Municipal Treasurer
 January to December 2015

Particulars	Date	CHECK NO.	Amount
Cash advance salaries & allowances of municipal officials and employees for the month of Jan. 2015.	1/13/2015	699013	446,240.01
Cash advance for payment of travelling expenses while on official travel to Manila.	1/22/2015	699039	21,920.00
Cash advance salaries and allowancies of municipal officials for the month of Feb. 2015.	2/12/2015	699087	239,112.41
Cash advance clothing allowance & PIB CY 2015.	2/12/2015	699088	254,000.00
Cash advance salaries and allowancies of municipal employees for the month of Feb. 2015	2/12/2015	699089	212,329.40
Cash advance for the wages of Kalahi-Cidss staff for the month of Jan. 2015.	2/13/2015	699093	65,000.00
reimbursement expenses while on official travel.	3/9/2015	760849	4,758.00
Cash advance for the wages of kalahi-Cidss staff for the month of Feb. 2015	3/10/2015	760866	65,000.00
Cash advance wages of SB casuals for the month of Feb. 2015	3/10/2015	760868	17,100.00
Cash advance salaries and allowances of municipal officials and employee (SB Office) for the month of March 2015.	3/16/2015	760881	240,127.46

Municipality of Hernani

Cash Advances Granted to the Municipal Treasurer

January to December 2015

Particulars	Date	CHECK NO.	Amount
Cash advance salaries and allowances of municipal officials and employee for the month of March 2015.	3/16/2015	760882	215,615.46
Cash advance for payment of wages of casual employees for the month of Jan. & Feb. 2015.	3/27/2015	760909	189,140.00
Cash advance wages of SB WAGES FOR THE MONTH OF March	4/1/2015	760921	23,760.00
Cash advance for the payment of wages of OCW for the month of January 2015	4/1/2015	760926	36,800.00
Cash advance for communication allowance for the month of January to April 2015	4/10/2015	760973	120,000.00
Cash advance for the wages of KALAHY-CIDSS Staff for the month of March 2015	4/13/2015	760998	65,000.00
Cash advance salaries and allowance of mun employees for the month of April 2015	4/17/2015	761004	220,058.14
Cash advance of salaries & allowancies of mun officials for the month of April 2015	4/17/2015	761008	244,908.92
Cash advance wages of day care workers for the month of Feb. & March 2015	4/22/2015	761038	75,440.00
reimbursement payment on meals for haulers of rice & other relief packs	4/29/2015	761050	3,847.50
salaries and allowances for officials	6/1/2015	761132	256,247.91
salaries and allowances for officials - june	6/1/2015	761149	225,456.19

Municipality of Hernani

Cash Advances Granted to the Municipal Treasurer

January to December 2015

Particulars	Date	CHECK NO.	Amount
Cash advance payment for communication allowance for the month of May to July 2015	7/10/2015	761255	94,500.00
Cash advance payment for monetization of leave credits of municipal officials /7 employees	7/10/2015	761256	1,216,754.72
Cash advance salaries & allowance of mun employees for the month of July 2015	7/10/2015	761257	272,368.79
Cash advance salarie & allowance of municipal officials for the month of July 2015	7/10/2015	761259	236,439.33
Cash advances for nutrition month celebration	8/3/2015	800824	35,000.00
advances to officers and employees	8/14/2015	800832	271,922.96
advances to officers and employees	8/14/2015	800833	267,689.25
other miscellaneous expenses	9/8/2015	800893	30,000.00
Cash advance for salaries and wages - sept	9/10/2015	801212	280,834.45
Cash advance for salaries and wages - sept	9/10/2015	801213	245,229.77
Cash advance payment for inter-town basketball	10/6/2015	801239	30,000.00
reimbursement of meal allowance of basketball players	10/6/2015	801241	20,160.00
payment of prizes for inter-agency basketball	10/6/2015	801245	10,000.00
Cash advance of payment of prizes for game	10/6/2015	801246	25,000.00
Cash advance payment of wages for SPES	10/6/2015	801248	31,920.00
Cash advance for wages	10/9/2015	801280	65,000.00
Cash advance of wages	10/12/2015	801291	36,800.00

Municipality of Hernani

Cash Advances Granted to the Municipal Treasurer

January to December 2015

Particulars	Date	CHECK NO.	Amount
Cash advance salaries & allowances	10/14/2015	801105	268,061.92
Cash advance salaries & allowances	10/14/2015	801106	261,183.20
Cash advance of wages	11/3/2015	801166	122,000.00
Cash advance for payment of meal allowance	11/16/2015	801011	37,800.00
Cash advance hazard pay	11/16/2015	801019	40,524.00
Cash advance for wages	11/16/2015	801020	65,000.00
Cash advance salaries & allowance	11/17/2015	801027	304,536.40
Cash advance communication allowance	11/17/2015	801028	157,500.00
Cash advance salaries & allowance	11/17/2015	801029	317,678.42
Cash advance payment for rice allowance of mun officials	12/1/2015	801042	960,000.00
Cash advance of payments for salary & allowance of mun employees	12/11/2015	801046	315,383.00
Cash advance of payment for salary & allowance of mun. employees	12/11/2015	801047	312,508.92
Cash advance SB wages	12/14/2015	801063	31,680.00
Cash advance SB wages	12/14/2015	801064	28,800.00
wages of daycare workers	12/14/2015	801065	40,480.00
Cash advance wages of daycare workers	12/15/2015	801082	36,800.00
Cash advance for meals allowance & other miscellaneous expenses	12/18/2015	800914	20,000.00
Cash advance for wages of KALAHÍ-CIDSS staff	12/18/2015	800933	130,000.00
Cash advance hazard pay	12/21/2015	800952	121,572.00
Cash advance payment of daycare workers	12/21/2015	800953	34,980.00

Municipality of Hernani
Cash Advances Granted to the Municipal Treasurer
January to December 2015

Particulars	Date	CHECK NO.	Amount
Cash advance SB wages	12/21/2015	800954	27,360.00
Cash advance of casual wages	12/21/2015	800955	378,470.00
Cash advance for payment of PEI of mun. officials & employees	12/21/2015	800956	205,000.00
			10,628,798.53

Prepared By:

Rhoma Leahn C. Miranda
SA I/ATM

Reviewed by:

Cynthia B. Santos
SA IV/ATL

Form 6



Republic of the Philippines
COMMISSION ON AUDIT
 Province of Eastern Samar
 Office of the Supervising Auditor
 Audit Group A

Annex 6

Date: January 6, 2015

**STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES
 AND CHARGES (SASDC)**

For All Funds Audited
 For the Period Ending December 31, 2015

OFFICE OF THE SUPERVISING AUDITOR
 AUDIT GROUP 1 EASTERN SAMAR
RECEIVED
 1/13/15

Hon. Edgar C. Boco
 Municipal Mayor
 LGU, Hernani, Eastern Samar

Attention: Ms. Sylvia E. Almanza
Municipal Accountant

Please be informed that the total audit suspensions, disallowances and charges found in audit of various transactions of that agency, as of December 31, 2015 is P 0.00, based on the Notice of Suspensions (NS)/Notice of Disallowance (ND)/Notice of Charge (NC) issued by this Commission, as summarized hereunder:

A.

	Beginning Balance (As of Sept. 30, 2015)	This Period As of Oct. 1 - Dec. 31, 2015		Ending Balance (As of Dec. 31, 2015)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 0.00			P 0.00
Notice of Disallowance		-		-
Notice of Charge		-		-
Total	P 0.00			P 0.00

B. - DETAILS OF SUSPENSIONS, DISALLOWANCES AND CHARGES
 For the period October 1 - December 31, 2015

NSSDC		PAYEE/PAYOR	AMOUNT			
Date	No.		Disallowed	Charged	Suspended	Settled
TOTAL						

NS/ND/NC issued prior to effectivity of the RSA are not included in the reflected balance but are deemed disallowances/charges which shall continue to be enforced in accordance with these rules as provided under Section 28 hereof.

Cynthia B. Santos
CYNTHIA B. SANTOS
 SA IV/Audit Team Leader

Damiana B. Pelino
DAMIANA B. PELINO
 Supervising Auditor

Copy furnished:
 The Regional Director
 COA Region VIII
 Candahug, Palo Leyte

Received by:
Edgar C. Boco
 Jan 06, 2015