



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office No. VIII

# **ANNUAL AUDIT REPORT**

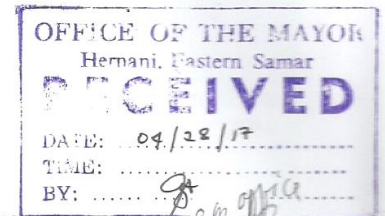
**On The**

**MUNICIPALITY OF HERNANI**  
**Province of Eastern Samar**

**For the Year Ended December 31, 2016**



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



March 17, 2017

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

ACCOUNTING OFFICE

Received by: *[Signature]*  
04/28/17

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, 2016.

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:

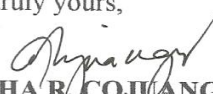
1. Financial Statement balances for Advances for Payroll of P211,735.33 and Advances to Special Disbursing Officer of P185,405.75, included credits for the account for various liquidations despite non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements to the accounting office, thus, both accounts were understated by P2,841,878.00 and P776,046.50, respectively.
2. The Property, Plant and Equipment account balances amounting to P12,204,676.30 is unreliable due to: a) management failure to conduct physical inventory of properties and submit the report on the physical count of PPE; and b) management failure to maintain property ledger cards and reconcile the records of the Accountant and the General Service Officer.
3. The 2016 Annual Investment Program (AIP) did not include the details of PPAs funded out of the 20% Development Fund, causing difficulty in determining the targeted projects of the fund and the timely implementation thereof, thus, there is no reasonable assurance that the targeted constituents were benefitted or timely benefitted from these projects.

4. The LGU incorporated the cost of implementation of GAD activities in its 20% allocation for Development Projects, thereby compromising the 20% Development Fund for other projects that may be funded by it.
5. The Municipality failed to properly manage its solid waste due to: 1) non-preparation of the 10-year Solid Waste Management Plan; and 2) failure to implement closure of its open dumpsite and commence the operation of a controlled dump facility, thus risking the health of its constituents, and adversely affecting the environment.
6. The Management still uses Allotment and Obligation Slip (ALOBS) to certify as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies. Also, the Municipal Budget Officer fails to make use of the revised chart of account in conformity with the Philippine Public Sector Accounting Standards (PPAS), thus, making it difficult for the Municipal Accountant to reconcile of what accounts to be recognized.
7. The Head of Procuring Entity approved contracts totaling P26,280,347.80 to various contractors without its submission of Construction Safety and Health Programs duly approved by the Department of Labor and Employment, thus the safety and health of construction workers were not properly ensured.
8. The Management failed to observe the required net take home pay in the payment of salaries to employees and the non-deduction of GSIS consolidated loan for some employees inconsistent with Section 52 of the 2016 General Appropriations Act (GAA).

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 her team during the audit.

Very truly yours,

  
**EDITHA R. COJUANGCO**  
State Auditor IV  
OIC - 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 P42,926,285.83 from various sources. This year’s collection represented an increase of P4,362,916.24 or 11.31% from that of CY 2015, as follows:

Income Sources	2016	2015	Increase/Decrease	
			Amount	%
Tax Revenue	518,416.25	438,983.59	79,432.66	18.09%
Share from Internal Revenue Collections	41,925,703.00	38,124,386.00	3,801,317.00	9.97%
Service and Business Income	482,166.58	-	∞	∞
<b>Total</b>	<b>42,926,285.83</b>	<b>38,563,369.59</b>	<b>4,362,916.24</b>	<b>11.31%</b>

## B. Appropriations and Expenditures

### a) Appropriations

The municipality appropriated P43,466,490.88 for the current year. There was an increase of P1,362,644.13 or 3.24% from that of last year's appropriations of P42,103,846.75 as presented below:

#### a.1) Appropriations per Program/Project:

Function/ Program/ Projects	2016	2015	Increase/Decrease	
			Amount	%
General Public Services	22,609,276.31	21,439,617.04	1,169,659.27	5.46%
Health Services	3,392,977.84	3,358,083.04	34,894.80	1.04%
Social Welfare Services	583,757.76	576,329.68	7,428.08	1.29%
Economic Services	3,149,271.49	3,189,987.57	-40,716.08	-1.28%
Other Services	13,731,207.48	13,539,829.42	191,378.06	1.41%
<b>Total</b>	<b>43,466,490.88</b>	<b>42,103,846.75</b>	<b>1,362,644.13</b>	<b>3.24%</b>

#### 2) Appropriations per Expense Classification:

Allotment Class	2016	2015	Increase/Decrease	
			Amount	%
Personal Services	24,319,626.62	24,516,783.65	-197,157.03	-0.80%
MOOE	17,620,997.78	15,253,546.31	2,367,451.47	15.52%
Capital Outlay	1,384,885.00	2,190,500.00	-805,615.00	-36.78%
Financial Expense	140,981.48	143,016.79	-2,035.31	-1.42%
<b>Total</b>	<b>43,466,490.88</b>	<b>42,103,846.75</b>	<b>1,362,644.13</b>	<b>3.24%</b>

### b) Expenditures

Expenditures incurred from current appropriations amounted to P37,867,197.49. There was an increase of P3,115,851.61 or 8.97% over that of last year, as shown below:

#### b.1) Expenditures per Program/Project

Function/ Program/ Projects	2016	2015	Increase/Decrease	
			Amount	%
General Public Services	21,879,047.40	18,691,860.19	3,187,187.21	17.05%
Health Services	3,251,333.18	3,301,915.49	-50,582.31	-1.53%
Social Welfare Services	534,308.54	495,484.48	38,824.06	7.84%

Economic Services	3,097,480.03	2,910,958.45	186,521.58	6.41%
Other Services	9,105,028.34	9,351,127.27	-246,098.93	-2.63%
<b>Total</b>	<b>37,867,197.49</b>	<b>34,751,345.88</b>	<b>3,115,851.61</b>	<b>8.97%</b>

b.2) Expenditures per Expense Classification

Expense Classification	2016	2015	Increase/Decrease	
			Amount	%
Personal Services	23,650,130.01	22,553,524.73	1,096,605.28	4.86%
MOOE	13,319,542.51	10,275,726.16	3,043,816.35	29.62%
Capital Outlay	756,543.49	1,779,078.20	-1,022,534.71	-57.48%
Financial Expense	140,981.48	143,016.79	-2,035.31	-1.42%
<b>Total</b>	<b>37,867,197.49</b>	<b>34,751,345.88</b>	<b>3,115,851.61</b>	<b>8.97%</b>

**Financial Position and Performance**

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

	2016	2015	Increase (Decrease)	
			Amount	%
Assets	39,707,893.16	62,198,981.61	-22,491,088.45	-36.16%
Liabilities	19,002,795.88	44,962,091.38	-25,959,295.50	-57.74%
Equity	20,705,097.28	17,236,890.23	3,468,207.05	20.12%
Income	43,544,915.98	39,702,084.99	3,842,830.99	9.68%
Expenses	40,902,184.92	37,339,655.86	3,562,529.06	9.54%

**SIGNIFICANT ACCOMPLISHMENTS OF THE LGU**

The Municipality completed the following projects based on their quarterly report on PPAs:

1. Repair/Rehab of Brgy. Hall (Brgy. San Miguel) 775,367.18
2. Repair/Rehab of Brgy. Hall (Brgy. Carmen) 1,280,000.00
3. Construction of Brgy. Hall (Brgy. Batang) 1,675,500.00
4. Construction of Brgy. Hall (Brgy. 04 Poblacion) 2,342,500.00
5. Construction of Brgy. Hall (Brgy. San Isidro) 2,342,500.00
6. Construction of Brgy. Hall (Brgy. Nagaja) 2,175,000.00
7. Construction of Brgy. Hall (Brgy. Padang) 2,100,000.00
8. Construction of Brgy. Hall (Brgy. Canciledes) 2,342,500.00
9. Construction of Brgy. Hall (Brgy. Garawon) 2,342,500.00

10.	Construction of Brgy. Hall (Brgy. 03, Poblacion)	2,342,500.00
11.	Construction of Brgy. Hall (Brgy. Cacatmonan)	2,067,000.00
12.	Construction of Brgy. Hall (Brgy. 01, Poblacion)	2,342,500.00
13.	Construction of Hernani RHU Building	9,445,000.00
14.	Construction of Brgy. Hall (Brgy. 02, Poblacion)	2,342,500.00
		<b>35,915,367.18</b>

## **SCOPE OF AUDIT**

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Hernani, Eastern Samar for the year ended December 31, 2016. The audit was conducted in accordance with laws and Philippine Public Sector Standards in 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. Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, verification and analysis of account, and such other procedures considered necessary under the circumstances. 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. This year's audit was focused on the selected thrust areas for local government sector and pursuant to Audit Instructions dated July 28, 2016, and on such others that were deemed necessary during the course our actual audit.

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

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

1. Financial Statement balances for Advances for Payroll of P211,735.33 and Advances to Special Disbursing Officer of P185,405.75, included credits for the account for various liquidations despite non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements to the accounting office, thus, both accounts were understated by P2,841,878.00 and P776,046.50, respectively.
2. The Property, Plant and Equipment account balances amounting to P12,204,676.30 is unreliable due to: a) management failure to conduct physical inventory of properties and submit the report on the physical count of PPE; and b) management failure to maintain property ledger cards and reconcile the records of the Accountant and the General Service Officer.

## SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

### Financial and Compliance Audit

1. Financial Statement balances for Advances for Payroll of P211,735.33 and Advances to Special Disbursing Officer of P185,405.75, included credits for the account for various liquidations despite non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements to the accounting office, thus, both accounts were understated by P2,841,878.00 and P776,046.50, respectively.

#### We recommend that the:

- **OIC-Municipal Treasurer submit immediately to the Municipal Accountant all liquidation for the outstanding cash advances;**
  - **Municipal Accountant support the credits made to the accounts with complete documentation and supporting schedules, and submit the same to the audit team;**
  - **Local Chief Executive, OIC-Municipal Treasurer and the Municipal Accountant submit justifications on deficiency;**
  - **Concerned agency officials and employees adhere strictly to the rules and regulations on cash advances.**
2. The Property, Plant and Equipment account balances amounting to P12,204,676.30 is unreliable due to: a) management failure to conduct physical inventory of properties and submit the report on the physical count of PPE; and b) management failure to maintain property ledger cards and reconcile the records of the Accountant and the General Service Officer.

**We recommend that management should: (a) create an Inventory Team to conduct a complete and proper physical count of all properties of the Municipality in accordance with Section 156 of COA Circular No. 92-386, (b) require the Property and Supply Officer to submit RPCPPE every year and to maintain and update the Property Cards and reconcile the records with the Accountant as mandated in Section 119, 120 and 124 of COA Circular No. 2002-003.**

3. The Management still uses Allotment and Obligation Slip (ALOBS) to certify as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies. Also, the Municipal Budget Officer fails to make use of the revised chart of account in conformity with the Philippine Public Sector Accounting Standards (PPSAS), thus, making it difficult for the Municipal Accountant to reconcile of what accounts to be recognized.



**We recommend that management start to use the Obligation Request and direct the Municipal Budget officer to use the revised chart of accounts in conformity with the PPSAS.**

4. The Head of Procuring Entity approved contracts totaling P26,280,347.80 to various contractors without its submission of Construction Safety and Health Programs duly approved by the Department of Labor and Employment, thus the safety and health of construction workers were not properly ensured.

**We recommend that:**

- **The BAC verify, validate and ascertain that all statements made in the contract and documents submitted with it adheres to the guidelines in the Revised Implementing Rules and Regulations of Republic Act 9184.**
  - **The Head of Procuring Entity enters into contract with the winning bidder only if all the documentary requirements are complied with.**
5. The Management failed to observe the required net take home pay in the payment of salaries to employees and the non-deduction of GSIS consolidated loan for some employees inconsistent with Section 52 of the 2016 General Appropriations Act (GAA).

**We recommend management to comply strictly with Section 52 of RA No. 10717 or the General Appropriations Act (GAA) for Fiscal Year 2016 and that they would not act on additional loan applications unless the ₱3,500.00 net take home pay is satisfied.**

#### **20 % Development Fund**

6. The 2016 Annual Investment Program (AIP) did not include the details of PPAs funded out of the 20% Development Fund, causing difficulty in determining the targeted projects of the fund and the timely implementation thereof, thus, there is no reasonable assurance that the targeted constituents were benefitted or timely benefitted from these projects.

**We recommend that:**

- **The Municipal Planning and Development Coordinator (MPDC) and the Municipal Budget Officer formulates the submit a revised Annual Investment Plan (AIP) stating in detail the various priority Programs, Projects and Activities in the 20% Development Fund and responding to the focused areas of the PDP.**
- **The Local Chief Executive ensures the efficient implementation of the PPAs.**

### **Audit of Local Disaster Risk Reduction and Management Fund (LDRRMF)**

The Municipality properly appropriated P2,143,062.20 for its LDRRMF. The Quick Response Fund amounted to P642,918.66 and there were no disbursements from this fund. Appropriations for Mitigation fund amounted to P1,500,143.54 and disbursements from it totaled P423,956.12.

Continuing appropriations of the LDRRMF amounted to P1,756,829.18 for 2015, and P1,262,580.27 for 2014. Disbursements from continuing appropriations of this fund amounted to P389,000.00.

Unexpended balance of the fund totaled P4,349,515.53.

### **Audit of Funds and Activities for Gender and Development (GAD)**

7. The LGU incorporated the cost of implementation of GAD activities in its 20% allocation for Development Projects, thereby compromising the 20% Development Fund for other projects that may be funded by it.

**We recommend the:**

- **Budget Officer to make a separate appropriation for the GAD activities in the Annual Budget and submit written justifications on the deficiency; and,**
- **LCE to issue policies/and or directives that support gender mainstreaming in the policies, plans, PPAs and services of the LGU;**

### **Audit of Environmental Protection and Waste Management Program**

8. The Municipality failed to properly manage its solid waste due to: 1) non-preparation of the 10-year Solid Waste Management Plan; and 2) failure to implement closure of its open dumpsite and commence the operation of a controlled dump facility, thus risking the health of its constituents, and adversely affecting the environment.

**We recommend that management immediately create the 10-year Solid Waste Management Plan in accordance with the provisions of the Solid Waste Management Act of 2000, and promptly implement the same.**

### **Audit of Special Education Fund**

The Municipality had no disbursements from the Special Education Fund for the audit year.

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 March 14, 2017 with officials concerned whose documents were incorporated in this report, where appropriate.

### **Credit Financing/Debt Servicing**

The Municipality has not obtained any loan for CY 2016. They have, however, an outstanding loan balance of P1,665,452.83 representing a loan granted on March 2008 from Development Bank of the Philippines for the Rehabilitation and construction of Carmen-San Isidro-Canciledes FMR and a loan granted by CIIF to augment the operational fund of Coco Oil Mill with an outstanding balance of P4,935,666.00.

### **Compliance with Tax Laws**

For CY 2016, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008. Total taxes withheld from compensation, expanded final VAT and government money payments for the year amounted to P4,378,800.92 and remitted P4,126,533.25. Unremitted balances as of year-end were duly remitted on 2017.

### **Compliance with DAP/PDAF Decision**

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

### **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, 2016 amounted to P2,905,137.62. For details, please see Annex H.

	Beginning Balance (As of January 1, 2016)	This Period January 1 to December 31, 2016		Ending Balance (As of December 31, 2016)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	2,905,137.62	0.00	2,905,137.62
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>2,905,137.62</b>	<b>0.00</b>	<b>2,905,137.62</b>

### **Status of Implementation of Prior Years' Audit Recommendations**

Of the thirteen (13) audit recommendations embodied in the CY 2015 Audit Report, only one (1) was implemented, four (4) were partially implemented and eight (8) was not implemented by management.

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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, 2016, 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 the 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 Financial Statement balances for Advances for Payroll of P211,735.33 and Advances to Special Disbursing Officer of P185,405.75, are understated by P2,841,878.00 and P776,046.50, respectively because it included credits for the account for various liquidations despite non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements to the accounting office; and, the Property, Plant and Equipment account balances amounting to P12,204,676.30 is unreliable due to: a) management failure to conduct physical inventory of properties and submit the report on the physical count of PPE; and b) management failure to maintain property ledger cards and reconcile the records of the Accountant and the General Service Officer.

*Qualified Opinion*

In our opinion, except for the effects or possible 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 Hernani, Eastern Samar as of December 31, 2016, and its Financial Performance and its Cash Flows for the year then ended in accordance with the Philippine Public Sector Accounting Standards.

**COMMISSION ON AUDIT**

By:



**MA. CECILIA B. VILLARETE**

State Auditor III

Team Leader

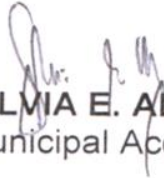
March 15, 2017

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, 2016, 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

Local Government Unit - Hernani  
**Consolidated Statement of Financial Position**  
As at December 31, 2016  
(in PHP)

<b>ASSETS</b>	<i>Note</i>	<b>2016</b>	<b>2015</b>
Current Assets			
Cash and Cash Equivalents	4	23,171,358.57	43,855,039.46
Investment			
Receivables	5	3,450,329.30	3,817,240.72
Inventories			941,080.00
Prepayments and Deferred Charges	6	66,528.99	192,359.50
<b>Total Current Assets</b>		<b>27,503,216.86</b>	<b>48,805,719.68</b>
Noncurrent Assets			
Investments			
Receivables			
Investment Property			
Property, Plant and Equipment	7	12,204,676.30	13,393,261.93
Biological Assets			
Intangible Assets			
<b>Total Non-Current Assets</b>		<b>12,204,676.30</b>	<b>13,393,261.93</b>
<b>Total Assets</b>		<b>39,707,893.16</b>	<b>62,198,981.61</b>
LIABILITIES			
Current Liabilities			
Financial Liabilities		4,023,367.77	2,305,476.00
Inter-Agency Payables	8	3,764,560.15	31,134,866.91
Intra-Agency Payables		931,592.13	243,908.07
Trust Liabilities		5,256,609.83	3,709,486.59
Deferred Credits/ Unearned Income			
Other Payables			
<b>Total Current Liabilities</b>		<b>95,831,685.03</b>	<b>37,393,737.57</b>
Non-current Liabilities			
Financial Liabilities		4,939,666.00	7,481,353.81
Deferred Credits/ Unearned Income		87,000.00	87,000.00
Provisions		-	
Other Payables			
<b>Total Non-Current Liabilities</b>		<b>5,026,666.00</b>	<b>7,568,353.81</b>
<b>Total Liabilities</b>		<b>19,002,795.88</b>	<b>44,962,091.38</b>
<b>NET ASSETS/ EQUITY</b>			
Government Equity		20,705,097.28	17,236,890.23
<b>Total Liabilities and Net Assets/ Equity</b>		<b>39,707,893.16</b>	<b>62,198,981.61</b>



**Consolidated Statement of Financial Performance**

For the Year Ended December 31, 2016

(in Php)

	<i>Note</i>	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Revenue</b>			
Tax Revenue	<i>9</i>	599,546.40	438,983.59
Share from Internal Revenue Collections	<i>10</i>	41,925,703.00	38,124,386.00
Other Share from National Taxes			
Service and Business Income		1,019,666.58	1,138,715.40
Shares, Grants and Donation			
Gains			
Other Income			
<b>Total Revenue</b>		<u><b>43,544,915.98</b></u>	<u><b>39,702,084.99</b></u>
<b>Less: Current Operating Expenses</b>			
Personnel Services	<i>11</i>	23,650,130.01	23,385,952.85
Maintenance and Other Operating Expenses	<i>12</i>	13,907,701.03	9,333,941.07
Non-cash expenses		2,017,129.12	1,801,495.97
Financial Expenses		140,981.48	143,016.79
<b>Total current operating expenses</b>		<u><b>39,183,078.84</b></u>	<u><b>34,664,406.68</b></u>
<b>Surplus (Deficit) from Current Operation</b>			
Add (deduct)			
Transfers, Assistance and Subsidy from			
Transfers, Assistance and Subsidy to		1,186,243.28	2,675,249.18
<b>Surplus (Deficit) for the period</b>		<u><b>2,642,731.06</b></u>	<u><b>2,362,429.13</b></u>

*See accompanying notes to Financial Statements*

Local Government Unit - Hernani  
**Consolidated Statement of Cash Flows**  
As at December 31, 2016  
(in Php)

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
<i>Cash Inflows</i>		
Collection from taxpayers	1,183,429.63	1,046,754.53
Share from Internal Revenue Allotment	41,925,703.00	38,124,386.00
Receipts from business/service income	565,020.00	1,127,030.00
Interest Income	61,903.60	45,715.06
Receipts in Trust	8,478,756.08	79,362,440.18
Other Receipts	3,565,817.54	1,220,549.00
<b>Total Cash Inflows</b>	<b>55,780,629.85</b>	<b>120,926,874.77</b>
<i>Cash Outflows</i>		
Payment of expenses	12,897,601.44	16,669,592.52
Payments to suppliers and creditors	4,679,465.31	5,618,932.26
Payments to employees	16,548,843.24	13,934,756.46
Interest Expense		95,958.98
Other Expenses	128,665.15	57,919,517.11
<b>Total Cash Outflows</b>	<b>75,588,075.76</b>	<b>94,238,757.</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(19,807,445.91)</b>	<b>26,688,117.44</b>
<b>Cash Flows from Investing Activities</b>		
<i>Cash Inflows</i>		
Proceeds from Sale of Non-Current Investments		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Purchase/Construction of Property, Plant and Equipment		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
<i>Cash Inflows</i>		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Payment of loan amortization	876,234.98	604,041.02
<b>Total Cash Outflows</b>	876,234.98	604,041.02
<b>Net Cash Flows from Financing Activities</b>	<b>(876,234.98)</b>	<b>(604,041.02)</b>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<b>(20,683,680.89)</b>	26,084,076.42
<b>Add: Cash at the Beginning of the year</b>	<b>43,855,039.46</b>	<b>17,770,963.04</b>
<b>Cash Balance at the End of the Year</b>	<b>23,171,358.57</b>	<b>43,855,039.46</b>

*See accompanying notes to Financial Statements*

Local Government Unit - Hernani

**Consolidated Statement of Changes in Net Assets/ Equity**

As at December 31, 2016

(in Php)

	<u>Accumulated Surpluses (Deficits)</u>	
	<u>2016</u>	<u>2015</u>
<b>Balance at January 1, 2016</b>	17,236,890.23	16,044,041.37
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	825,475.99	93,000.00
<b>Restated Balance</b>	<b>18,062,366.22</b>	<b>16,137,041.37</b>
<b>Add (Deduct) Changes in net assets/equity during the year</b>		
Adjustment of net revenue recognized directly in net assets/equity		(1,262,429.13)
Surplus (Deficit) for the period	2,642,731.06	2,362,429.13
<b>Total recognized revenue and expenses for the period</b>	<b>2,642,731.06</b>	
<b>Balance at December 31, 2016</b>	<b>20,705,097.28</b>	<b>17,236,890.23</b>

*See accompanying notes to Financial Statements*

**HERNANI, EASTERN SAMAR****Statement of Comparison of Budget and Actual Amounts**

For the Year Ended December 31, 2016

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
<b>Revenue</b>						
A. Local Sources						
1. Tax Revenue						
a. Tax Revenue- Property		125,000.00	125,000.00		100,935.83	24,064.17
b. Tax Revenue – Goods and Services		242,000.00	242,000.00		290,622.73	(48,622.73)
c. Other Local Taxes		12,000.00	12,000.00		126,857.69	(114,857.69)
Total Tax Revenue		379,000.00	379,000.00		518,416.25	(139,416.25)
2. Non-Tax Revenue						
a. Service Income		262,500.00	262,500.00		361,608.95	(99,108.95)
b. Business Income		358,500.00	358,500.00		58,654.03	299,845.97
c. Other Income and Receipts					61,903.60	(61,903.60)
Total Non-Tax Revenue		621,000.00	621,000.00		482,166.58	138,833.42
B. External Sources						
1. Share from the National Internal Revenue Taxes (IRA)		41,861,244.00	41,861,244.00		41,925,703.00	(64,459.00)
2. Share from GOCCs						
3. Other Shares from National Tax Collections						
a. Share from Ecozone						
b. Share from EVAT						

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
<ul style="list-style-type: none"> <li>c. Share from National Wealth</li> <li>d. Share from Tobacco Excise Tax</li> <li>4. Other Receipts <ul style="list-style-type: none"> <li>a. Grants and Donations</li> <li>b. Other Subsidy Income</li> </ul> </li> <li>5. Inter-local Transfer</li> <li>6. Capital /Investment Receipts <ul style="list-style-type: none"> <li>a. Sale of Capital Assets</li> <li>b. Sale of Investments</li> <li>c. Proceeds from Collections of Loans Receivable</li> </ul> </li> <li>C. Receipts from Borrowings</li> </ul>						
<b>Total Revenues and Receipts</b>		<b>42,861,244.00</b>	<b>42,861,244.00</b>		<b>42,926,285.83</b>	<b>(65,041.83)</b>
<b>Expenditures</b>						
<b>General Public Services</b>						
Personnel Services		17,045,611.02	17,045,611.02		16,441,234.99	604,376.03
Maintenance and Other Operating Expenses		4,967,780.29	4,967,780.29		4,848,127.41	119,652.88
Capital Outlay		560,000.00	595,885.00	(35,885.00)	589,685.00	6,200.00
<b>Education</b>						
Personnel Services						
Maintenance and Other Operating Expenses						
Capital Outlay						
<b>Health, Nutrition and Population Control</b>						
Personnel Services		2,910,915.76	3,073,011.76	(162,096.00)	3,073,011.76	
Maintenance and Other Operating Expenses		259,966.08	259,966.08		178,321.42	81,644.66

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Capital Outlay		60,000.00	60,000.00			60,000.00
<b>Labor and Employment</b>						
Personnel Services						
Maintenance and Other Operating Expenses						
Capital Outlay						
<b>Housing and Community Development</b>						
Personnel Services						
Maintenance and Other Operating Expenses						
Capital Outlay						
<b>Social Services and Social Welfare</b>						
Personnel Services		436,115.04	436,115.04		436,115.04	
Maintenance and Other Operating Expenses		87,642.72	87,642.72		86,658.50	984.22
Capital Outlay		60,000.00	60,000.00		11,535.00	48,465.00
<b>Economic Services</b>						
Personnel Services		2,754,888.80	2,754,888.80		2,735,867.23	19,021.57
Maintenance and Other Operating Expenses		274,382.69	274,382.69		245,312.31	29,070.38
Capital Outlay		120,000.00	120,000.00		116,300.49	3,699.51
<b>Other Purposes:</b>						
Debt Service						
Financial Expense		130,000.00	140,981.48	(10,981.48)	140,981.48	
Amortization						
<b>LDRRMF</b>						
Maintenance and Other Operating Expenses		2,057,062.20	2,057,062.20		384,933.12	1,672,129.08
Capital Outlay		86,000.00	86,000.00		39,023.00	46,977.00

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
20% Development Fund						
Maintenance and Other Operating Expenses		7,922,248.80	7,922,248.80		5,525,274.75	2,396,974.05
Capital Outlay		450,000.00	450,000.00			450,000.00
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		1,010,000.00	1,010,000.00		963,900.99	46,099.01
Maintenance and Other Operating Expenses		1,655,000.00	2,051,915.00	396,915.00	2,050,915.00	1,000.00
Capital Outlay		13,000.00	13,000.00			13,000.00
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						
<b>Total</b>		<b>42,860,613.40</b>	<b>43,466,490.88</b>	<b>187,952.52</b>	<b>37,867,197.49</b>	<b>5,599,293.39</b>
<b>Surplus (Deficit) for the period</b>		<b>630.60</b>			<b>5,059,088.34</b>	

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

*Notes to Condensed Financial Statements*

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**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 4<sup>th</sup> 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 5<sup>th</sup> 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 2015.

**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 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

**Note 4 - Cash and Cash  
Equivalents**

	<b>2016</b>
<i>Cash on Hand</i>	513,092.63
Cash-Local Treasury	
<i>Cash in Bank-Local Currency</i>	
Cash in Bank-Local Currency- Current Account	22,658,265.94
<b>Total Cash and Cash Equivalent</b>	<b>23,171,358.57</b>

Cash in banks earns interest based on the prevailing bank deposits rates. The LGU bank balances is composed of P 21,780,379.00, P 70,185.60, and P 807,701.34 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 - Receivable**

	<b>2016</b>
<i>Loans and Receivable Accounts</i>	
Accounts Receivable	502,400.00
<b>Total</b>	<b>502,400.00</b>
<i>Inter-Agency Receivable</i>	
Due from LGU's	802.35
<b>Total</b>	<b>802.35</b>
<i>Intra-Agency Receivable</i>	
Due from Other Funds	1,519,799.58
<b>Total</b>	<b>1,519,799.58</b>
<i>Advances</i>	
Advances for Payroll	211,735.33
Advances to Special Disbursing Officer	185,405.75
Advances for Officers and Employees	24,011.72
<b>Total</b>	<b>421,152.80</b>
<i>Other Receivables</i>	
Due from Officers and Employees	917,096.97
Other Receivables	89,077.60
<b>Total</b>	<b>1,006,174.57</b>

**Note 6 - Inventories**

***Inventory Held for Sale***

Merchandise Inventory  
(Bagsakan)

***Inventory Held for Manufacturing***

Raw Materials Inventory	800,000.00
Finished Goods Inventory	15,000.00
<b>Total</b>	<b><u>815,000.00</u></b>

At December 31, 2016, 815,000.00 of total inventory was carried at fair value less cost sell.

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

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

**Note 7. Property, Plant and Equipment**

	<b>2016</b>	<b>2015</b>
Land	3,008,359.25	3,008,359.25
Land Improvements	2,377,135.36	2,377,135.36
Accumulated Depreciation-Land Improvements		
Net Book Value	<b><u>2,377,135.36</u></b>	<b><u>2,377,135.36</u></b>
Office Buildings	9,870,985.48	9,870,985.48
Accumulated Depreciation-Office Buildings	6,975,164.45	6,030,708.10
Net Book Value	<b><u>2,895,821.03</u></b>	<b><u>3,840,277.38</u></b>
Office Equipment	1,352,118.98	1,271,893.98
Accumulated Depreciation-Office Equipment	1,218,393.98	1,218,393.98
Net Book Value	<b><u>133,725.00</u></b>	<b><u>53,500.00</u></b>
Furniture and Fixtures	1,904,859.00	1,458,629.00
Accumulated Depreciation-Furniture and Fixtures	1,130,308.00	930,308.00
Net Book Value	<b><u>774,551.00</u></b>	<b><u>528,321.00</u></b>
I.T Equipment and Software	2,096,788.32	1,881,888.83
Accumulated Depreciation-I.T Equipment	1,762,388.83	1,476,298.12
Net Book Value	<b><u>334,399.49</u></b>	<b><u>405,590.71</u></b>
Machineries	7,447,312.45	7,447,312.45
Accumulated Depreciation-Machineries	5,241,747.78	4,800,482.72
Net Book Value	<b><u>2,205,564.67</u></b>	<b><u>2,646,829.73</u></b>
Communication Equipment	253,377.00	238,188.00

Accumulated Depreciation-Communication Equipment	238,188.00	224,410.00
Net Book Value	<u>15,189.00</u>	<u>13,778.00</u>
Other Machineries & Equipment	282,421.00	282,421.00
Accumulated Depreciation-Other Machineries & Equipment	13,650.00	13,650.00
Net Book Value	<u>268,771.00</u>	<u>268,771.00</u>
Motor Vehicles	2,866,566.25	2,866,566.25
Accumulated Depreciation-Motor Vehicles	2,729,018.50	2,669,479.50
Net Book Value	<u>137,547.75</u>	<u>197,086.75</u>
Other Property Plant & Equipment	349,162.95	349,162.95
Accumulated Depreciation-Other Property Plant & Equipment	295,550.20	295,550.20
Net Book Value	<u>53,612.75</u>	<u>53,612.75</u>
<b>Total</b>	<b><u>12,204,676.30</u></b>	<b><u>13,393,261.93</u></b>

**Note 8. LIABILITIES**

***Payable Accounts***

Accounts Payable	914,912.10
Due to Officers and Employees	1,224,721.00
Interest Payable	
Other Payables	218,281.84
Loans Payable Domestic	<u>1,665,452.83</u>
	<b><u>4,023,367.77</u></b>

Trade payables are non-interest bearing and are normally settled on 60-days terms. The Loans Payable-Domestic current account composed of Loan Payable Domestic amounting to P 1,665,452.83

***Inter-Agency Payables***

	<b>2016</b>	<b>2015</b>
Due to BIR	502,819.58	641,676.86
Due to GSIS	303,992.17	138,728.94
Due to PAG-IBIG	46,154.20	49,476.98
Due to PHILHEALTH	127,975.23	124,437.73
Due to Other NGA's	1,423,771.18	28,904,588.37
Due to Other GOCC's	12,016.03	12,013.03
Due to LGU's	<u>1,347,831.76</u>	<u>1,263,945.00</u>
<b>Total</b>	<b>3,764,560.15</b>	<b>31,134,866.91</b>

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:

	<b>2016</b>
Implementation in Recovery Assistance (RAY 1) Project Batch 2 Barangay Facilities. Construction of RHU Building (DOH-Region VIII)	190,018.28
Emergency Shelter Assistance (ESA) *Amounting to 33,660,000.00, 130,000.00 of which remain unclaimed beneficiaries in Manila, abroad and double entry.	91,484.85 130,000.00
Philhealth MCP/PFR/TB DOTS	510,708.05
DOLE RO-8 Livelihood Assistance	
Procurement of motorized tractor.	401,560.00
Social Pension (Stipend Fund)	10,000.00
GAPS/ESA	90,000.00
	<b>1,423,771.18</b>
Trust Liabilities	<b>2016</b>
Trust Liabilities-Disaster Risk Reduction and Management Fund	4,349,515.53
Bail Bonds Payable	766,794.30
Guarantee/Security/Deposits Payable	140,300.00
Customer's Deposits Payable	
<b>Total</b>	<b>5,256,609.83</b>

**LOCAL DISASTER RISK REDUCTION MANAGEMENT FUND (LDRRMF)**

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

21.1 Quick Response Fund (30% of the LDRRMF)	1,644,913.85
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21.2 Disaster Preparedness Fund (70% of the LDRRMF)	2,704,601.68
<b>Total</b>	<b><u>4,349,515.53</u></b>

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

***Non-Current Liabilities***

Loans Payable CIIF Domestic	4,939,666.00
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Loans 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.

<b><i>Deferred Credits/Unearned Income</i></b>	<b>2016</b>
Deferred Credits	
Other Deferred Credits	87,000.00
<b>Total</b>	<b><u><u>87,000.00</u></u></b>

**Note 9 - Tax Revenue**

***Tax Revenue-Individual and Corporation***

Community Tax	100,589.63
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***Tax Revenue-Property***

Real Property Tax	64,904.15
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Special Education Tax	81,130.15
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Real Property Tax Transfer	36,031.70
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***Tax Revenue-Goods and Services***

Business Tax	184,433.08
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Tax on Delivery Trucks & Vans	5,600.00
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***Tax Revenue-Others***

Other Taxes	105,600.00
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Fines and Penalties	21,257.69
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***Share from National Taxes***

Share from Internal Revenue Collection	41,925,703.00
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<b>Total</b>	<b><u><u>42,525,249.40</u></u></b>
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**Note 10 - Service and Business Income**

	<b>2016</b>
<b><i>Service Income</i></b>	
Permit Fees	177,046.00
Registration Fees	34,400.00
Clearance and Certificate Fees	41,230.00
Occupation Fees	83,202.95
Fees for Sealing and Licensing of Weights & Measures	4,200.00
<b><i>Business Income</i></b>	
Parking Fees	9,630.00
Slaughterhouse Operation	950.00
Sales Revenue	537,500.00
Sales Discounts	
Garbage Fees	10,950.00
Interest Income	61,903.60
Other Business Income	58,654.03
<b>Total</b>	<b><u>1,019,666.58</u></b>

**Note 11 - Employee Costs**

	<b>2016</b>
<b><i>Personal Services</i></b>	
Salaries and Wages-Regular	13,907,010.68
<b><i>Other Compensation</i></b>	
Personal Economic Relief allowance	1,031,000.00
Representation Allowance	1,281,000.00
Transportation Allowance	1,281,000.00
Clothing/Uniform Allowance	215,000.00
Subsistence Allowance	108,000.00
Laundry Allowance	10,800.00
Productivity Incentive Allowance	60,000.00
Honoraria	
Hazard Pay	162,096.00
Overtime and Night Pay	19,491.31
Year-End Bonus	2,321,174.00
Cash Gift	215,000.00
Other Bonuses and Allowances	155,000.00
<b><i>Personnel Benefit Contribution</i></b>	
Retirement and Life Insurance Premiums	1,668,841.28
Pag-ibig Contribution	51,500.00
Philhealth Contribution	147,843.75
Employees Compensation Insurance	51,472.00
<b><i>Other Personnel Benefits</i></b>	
Terminal Leave Benefits	953,900.99
Other Personnel Benefits	10,000.00
<b>Total</b>	<b><u>3,650,130.01</u></b>

<b>Note 12 - Maintenance and Other Operating Expenses</b>	<b>2016</b>
<i>Travelling Expenses</i>	
Travelling Expenses-Local	3,303,152.92
<i>Training and Scholarship Expenses</i>	
Training Expenses	797,614.50
Scholarship/Grants/Expenses	
<i>Supplies and Materials Expenses</i>	
Office Supplies Expenses	319,262.11
Accountable Forms Expenses	16,400.00
Fuel, Oil and Lubricant Expenses	405,209.31
Other Supplies and Materials	197,647.00
Drugs and Medicines	44,920.00
Food Supplies Expense	4,620.00
Agricultural & Marine Supplies	49,000.00
<i>Utility Expenses</i>	
Electricity Expenses	226,883.37
<i>Communication Expenses</i>	
Telephone Expense	384,000.00
Internet Subscription Expenses	1,000.00
<b>Prizes</b>	46,680.00
<i>Confidential, Intelligence and Extraordinary Expenses</i>	
Confidential Expenses	75,000.00
<b>Total</b>	<b>5,871,389.21</b>

<b>Note 13 - Contracted Services</b>	<b>2016</b>
<i>Professional Services</i>	
Auditing Services	
Other General Services	3,529,822.50
Other Professional Services	129,000.00
<b>Total</b>	<b>3,658,822.50</b>

<b>Note 14 - Repair &amp; Maintenance</b>	
Repair & Maintenance-Land and Land Improvements	518,515.79
Repair & Maintenance-Buildings and Other Structure	37,390.00
Repair & Maintenance-Machinery and Equipment	205,977.50
Repair & Maintenance-Transportation Equipment	249,634.00
Repair & Maintenance-Furniture and Fixtures	2,100.00
Repair & Maintenance-Other Property Plant and Equipment	
Repair & Maintenance-Infrastructure Assets	28,450.00
<b>Total</b>	<b>1,042,067.29</b>

<b>Note 15 - Financial Assistance/Subsidy</b>	
Subsidy to NGAs	
Subsidy to Local Government Units	1,186,243.28
<b>Total</b>	<b><u>1,186,243.28</u></b>
<b>Note 16 - Transfer</b>	
Transfer of Unspent Current Year DRRM	1,719,106.08
Funds to the Trust Fund	
Transfer for Project Equity Share	
<b>Total</b>	<b><u>1,719,106.08</u></b>
<b>Note 17 - Taxes, Insurance Premiums and Other Fees</b>	
Taxes, Duties and Licenses	
Fidelity Bond Premiums	72,521.25
<b>Total</b>	<b><u>72,521.25</u></b>
<b>Note 18 - Other Maintenance and Operating Expenses</b>	
Representation Expenses	847,786.00
Rent/Lease Expenses	63,500.00
Donations	52,260.00
Other Maintenance and Operating Expenses	255,500.00
<b>Total</b>	<b><u>1,219,046.00</u></b>
<b>Note 19 - Financial Expenses</b>	
Interest Expenses	128,665.15
Other Financial Charges	12,316.33
Guarantee Fees	
<b>Total</b>	<b><u>140,981.48</u></b>
<b>Note 20 - Non-Cash Expenses</b>	
<i>Depreciation and Amortization</i>	
Depreciation-Buildings and Other Structure	944,456.35
Depreciation-Machinery and Equipment	741,133.77
Depreciation-Transportation Equipment	59,539.00
Depreciation-Furniture, Fixtures and Books	200,000.00
Inventory Loss (Bagsakan Center Typhoon Yolanda)	72,000.00
<b>Total</b>	<b><u>2,017,129.12</u></b>
Cost of Sale	<u>324,748.70</u>

## PART II – DETAILED FINDINGS AND RECOMMENDATIONS

### A. Financial and Compliance Audit

- 1. Financial Statement balances for Advances for Payroll of P211,735.33 and Advances to Special Disbursing Officer of P185,405.75, included credits for the account for various liquidations despite non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements to the accounting office, thus, both accounts were understated by P2,841,878.00 and P776,046.50, respectively.**

Paragraph 7.1.1 of COA Circular 2009-006, dated September 15, 2009 enumerates the responsibility of the Agency Head and some are as follows,

- a) he shall ensure that the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission;
- b) he shall initiate the necessary administrative and/or criminal action in case of unjustified failure/refusal to effect compliance with the foregoing requirements with subordinate officials;

Further, paragraph 7.2.1 of the same Circular enumerates the responsibility of the Chief Accountant and one of them is emphasized below:

- a) he shall ensure that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month.

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 5<sup>th</sup> 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 5<sup>th</sup> 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)

Additionally, COA Circular 1997-002 sets the rules and regulation on the grant, utilization and liquidation of cash advances, to wit:

4.1.2 No additional cash advances shall be allowed to an official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

4.1.3 A cash advance shall be reported on as soon as the purpose for which it was given has been served.

5.1.1 The AO shall liquidate his cash advance for salaries and wages within five (5) days after each fifteen (15) day/end of the moth pay period

Failure of the AO to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the instruction of other sanctions...

5.2 The AO shall prepare a Report of Disbursements in three (3) copies and submit the same with duly accomplished vouchers/payrolls and supporting documents to the Accountant.

5.7 When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.

5.8 All cash advances shall be fully liquidated at end of each year.

Verification of the Financial Statements accounts and its supporting schedules disclosed that there were various entries which were not found on the

Cash Disbursement Journals but were duly liquidated per General Ledger of the accounts Advances for Payroll and Advances to Special Disbursing Officer.

The Advances to Special Disbursing Officer account showed a total balance per audit of P961,452.25, however the financial statements only showed a balance for this account of P185,405.75, showing a difference of P776,046.50. A summary of this account is shown below:

Advances to Special Disbursing Officer				Balance
Granted			Liquidated	
Date	Ref.	Amount	Amount	
	FS 2015	314,500.94		314,500.94
1/8/2016		28,000.00		342,500.94
3/3/2016	894273	66,000.00		408,500.94
3/21/2016	894403	10,000.00		418,500.94
4/21/2016	894513	4,600.00		423,100.94
	894587	31,000.00		454,100.94
7/14/2016	927796	25,000.00		479,100.94
9/7/2016	928040	115,600.00		594,700.94
9/7/2016	928065	10,000.00		604,700.94
9/7/2016	928089	230,000.00		834,700.94
10/28/2016	928200	11,760.00		846,460.94
11/22/2016	938320	26,600.00		873,060.94
	938368	68,900.00		941,960.94
	938393	19,491.31		<b>961,452.25</b>
		Per 2016 Financial Statements:		185,405.75
		Difference:		<b>776,046.50</b>

Also disclosed during the audit was the non submission of liquidation by the special disbursing officer during the entire year, which caused the accumulation of his unliquidated cash advances up to P961,452.25. The credits to this account

was only made on December but without corresponding entries on the subsidiary records, which render the account balances doubtful.

On the other hand, the Advances for Payroll account showed a total balance per audit of P3,053,613.33, however the financial statements only showed a balance for this account of P211,735.33, showing a difference of P2,841,878.00. This difference in the balance is due to the credits to the account for the liquidations which were also not submitted to the accounting office but still recorded as such. These are:

Particulars	Amount
Wages Casual (July-December)	1,551,188.00
Wages Casual	297,030.00
24th month pay	993,660.00
	<b>2,841,878.00</b>

Also noticed during the audit of this account was the non-submission of the liquidations/payrolls to the accounting office regularly. There were cash advances for payroll granted to a particular month which remained outstanding for several months. A summary of this account is shown in Annex D.

It should be noted that the grant of Cash Advances is not without a limitation and the utilization, liquidation and reporting of the same should be guided by the existing rules and regulations set forth on COA Circular 1997-002. And more importantly, consistent neglect of these guidelines could be a cause of administrative and/or criminal liability, if necessitated under the circumstances.

Further, the understatement of the subjected accounts renders the Financial Statements unreliable.

**We recommend that the:**

- **OIC-Municipal Treasurer submit immediately to the Municipal Accountant all liquidation for the outstanding cash advances;**
- **Municipal Accountant support the credits made to the accounts with complete documentation and supporting schedules, and submit the same to the audit team;**
- **Local Chief Executive, OIC-Municipal Treasurer and the Municipal Accountant submit justifications on deficiency;**

The Municipal Accountant and the OI-Municipal Treasurer committed to comply with the above audit recommendations which the Audit team will monitor regularly.

2. **The Property, Plant and Equipment account balances amounting to P12,204,676.30 is unreliable due to: a) management failure to conduct physical inventory of properties and submit the report on the physical count of PPE; and b) management failure to maintain property ledger cards and reconcile the records of the Accountant and the General Service Officer.**

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.

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.

As of year-end, the Municipality reported a total balance of P12,204,676.30 (net of depreciation) Property, Plant and Equipment accounts with the following breakdown:

	<u>Amount</u>
Land	P 3,008,359.25
Land Improvements	2,377,135.36
Office Buildings	2,895,821.03
Office Equipment	133,725.00
Furniture and Fixtures	774,551.00
I.T. Equipment and Software	334,399.49
Machineries	2,205,564.67
Communication Equipment	15,189.00
Other Machineries and Equipment	268,771.00
Motor Vehicles	137,547.75
Other Property, Plant and Equipment	<u>53,612.75</u>
<b>Total</b>	<b><u>P12,204,676.30</u></b>



The existence of PPE account could not be ascertained due to management's failure to conduct physical inventory of their properties, which is yearly requirement to determine actual existence of the properties. The results of the physical inventory should be reported on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and submitted to the Auditor concerned not later than January 31 of each year. In addition, management did not also maintain PPE Ledger Cards, Real Property Ledger Cards, Property Cards and other related records and documents.

This audit finding is a reiteration of an observation in the audit of CY 2015 accounts. We consider it necessary to reiterate the finding since the PPE account comprises 30.74% of the reported total assets of the LGU. Moreover, management continuously failed to comply with existing regulatory policies on inventory taking, reporting and reconciliation of balances of PPE accounts.

**We recommend that management should: (a) create an Inventory Team to conduct a complete and proper physical count of all properties of the Municipality in accordance with Section 156 of COA Circular No. 92-386, (b) require the Property and Supply Officer to submit RPCPPE every year and to maintain and update the Property Cards and reconcile the records with the Accountant as mandated in Section 119, 120 and 124 of COA Circular No. 2002-003.**

The General Services Officer committed to comply with the audit recommendation and submit to the audit team a copy of the RPCPPE.

- 3. The Management still uses Allotment and Obligation Slip (ALOBS) to certify as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies. Also, the Municipal Budget Officer fails to make use of the revised chart of account in conformity with the Philippine Public Sector Accounting Standards (PPAS), thus, making it difficult for the Municipal Accountant to reconcile of what accounts to be recognized.**

Section 2.0 of the COA Circular 2006-002, dated January 31, 2006, Restatement with amendments of COA Cir. No. 2005-001, the Accounting Policies related to the budget, accounting and disbursement functions in Local Government Units under the New Government Accounting System (NGAS), states that the responsibilities of the Heads of the Requesting Unit, the Budget Unit, and the Accounting Unit and the Treasurer are hereby set forth as follows:

2.1 The Head of the Requesting Unit shall prepare the Obligation Request (ObR) – and the Disbursement Voucher (DV) and certify on the necessity and legality of charges to appropriation and allotment under his direct supervision. He shall certify to the validity, propriety and legality of supporting documents.

2.2 The Head of the Budget Unit shall certify the existence of available appropriation, take charge of budgetary activities as provided under Section 344 and Section 475, respectively, of R.A. 7160, the Local Government Code, and shall maintain the Registries of Appropriations, Allotments and Obligations as prescribed under the Manual on the New Government Accounting System for LGU.

2.3 The Head of the Accounting Unit shall certify the obligation of allotment and completeness of supporting documents in the DV.

Section 2.0 of the COA Circular 2015-009, dated December 1, 2015, the Prescribing the Revised Chart of Accounts for LGU as follows:

2.1 This chart of accounts consist of the general ledger accounts for assets, liabilities and equity, and the revenues and expenditures accounts of the LGUs

2.2 The main features of the revised local government chart of accounts are:

2.2.1 Inclusion of the accounts to comply with the requirements of the Philippine Public Sector Accounting Standards.

2.2.2 Retention of the accounts under the accrual accounting provided in the New Government Accounting System.

2.2.3 Expansion of the account coding system to cover all types of possible transaction and sub-accounts, as necessary.

Audit of the transactions showed that the management still uses the Allotment and Obligation Slip instead of the Obligation Request to certify as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies despite the several revised forms prescribed in recording obligations incurred and disbursed.

Moreover, the Municipal Budget Officer failed to use the revised chart of account in conformity with the Philippine Public Sector Accounting Standards (PPAS), thus, making it difficult for the Municipal Accountant to reconcile of what accounts to be recognized.

**We recommend that management start to use the Obligation Request and direct the Municipal Budget officer to use the revised chart of accounts in conformity with the PPSAS.**

The Municipal Budget Officer commented that the Annual Budget for 2016 was prepared on July 2015 whereby the old chart of accounts was already reflected and the PPSAS was only introduced in 2016. He however committed to adapt the

use of OBR immediately. He also assured that the LGU has been using the new chart of accounts starting January 2017.

We commend management's commitment to comply with the audit recommendation.

4. **The Head of Procuring Entity approved contracts totaling P26,280,347.80 to various contractors without its submission of Construction Safety and Health Programs duly approved by the Department of Labor and Employment, thus the safety and health of construction workers were not properly ensured.**

Section 37.2.2 of the Revised Implementing Rules and Regulations of Republic Act 9184, states that:

*“The procuring entity shall enter into contract with the winning bidder within the same ten (10) day period provided that all the documentary requirements are complied with.”*

Further, Section 37.2.3 of the Revised Implementing Rules and Regulations of Republic Act 9184, enumerates the documents that shall form part of the contract to wit:

- a) Contract Agreement;
- b) Bidding Documents;
- c) Winning bidder's bid, including the Eligibility requirements, Technical and Financial Proposals, and all other documents/statements submitted;
- d) Performance Security;
- e) Credit line in accordance with the provisions of this IRR, if applicable;
- f) Notice of Award of Contract; and
- g) Other contract documents that may be required by existing laws and/or the procuring entity concerned in the Bidding Documents, such as the constructions schedule and S-curve, manpower schedule, construction methods, equipment utilization schedule, **construction safety and health program approved by the Department of Labor and Employment**, and PERT/CPM for infrastructure project.

During our review of the contracts awarded to various contractors totaling P26,280,347.80, we noted that the attached Construction Safety and Health Program were not received nor approved by the Department of Labor and Employment (See Annex E), thus neglects the principles in the implementation of awarded contracts with the end view of guaranteeing that contracts are awarded pursuant to the provisions of the Revised RA 9184 and its implementing rules and regulations, resulting further to the compromised safety and health of its laborers/workers.

**We recommend that:**

- **The BAC verify, validate and ascertain that all statements made in the contract and documents submitted with it adheres to the guidelines in the Revised Implementing Rules and Regulations of Republic Act 9184.**
- **The Head of Procuring Entity enters into contract with the winning bidder only if all the documentary requirements are complied with.**

The BAC Chairman committed to comply with the above recommendations on their future transactions. He cannot however anymore require the Construction Safety and Health Program from the contractors with already completed projects because the DOLE does not anymore approve such document on completed projects.

The audit team will monitor management's compliance with the above audit recommendations

- 5. The Management failed to observe the required net take home pay in the payment of salaries to employees and the non-deduction of GSIS consolidated loan for some employees inconsistent with Section 52 of the 2016 General Appropriations Act (GAA).**

Section 52 of Republic Act No. 10717 or the General Appropriations Act (GAA) for Fiscal Year (FY) 2016, which reads as follows:

*“Deductions from salaries and other benefits accruing to any government employee chargeable against the appropriations for Personal Services may be allowed for the payment of individual employee’s contributions or obligations due to the following:*

- a. The BIR, PHILHEALTH, GSIS AND HDMF;*
- b. Non-stock savings and loan associations and mutual benefits associations duly operating under existing laws which are managed by and/or for the benefit of government employees;*
- c. Associations, cooperatives, provident funds organized and managed by government employees for their benefit and welfare;*
- d. GFIs authorized by law and accredited by appropriate government regulating bodies to engage in lending;*
- e. Licensed insurance companies and*
- f. Thrift banks and rural banks accredited by the BSP.*

*In no case shall the foregoing deductions reduce the employee's monthly take home pay to an amount lower than Three Thousand Five Hundred Pesos (P3,500.00)*

Review of the payrolls of the agency showed that there were still employees receiving a net pay below Three Thousand Five Hundred Pesos (₱3,500.00), see Annex F. The management was lenient in implementing the allowable net take home pay.

Moreover, there were also employees who were not deducted of their monthly amortization for their GSIS consolidated loan which is among the first to be considered before any payment to other authorized lending institutions.

This practice may also affect the performance of the employees with no take home pay at all because they would find other means of livelihood or work to defray their daily expenses.

**We recommend management to comply strictly with Section 52 of RA No. 10717 or the General Appropriations Act (GAA) for Fiscal Year 2016 and that they would not act on additional loan applications unless the ₱3,500.00 net take home pay is satisfied.**

Management committed not to approve additional loan applications of employees/officers until the required net take home pay is satisfied, and to comply always with the provisions of GAA.

## **B. Audit of 20% Development Fund**

- 6. The 2016 Annual Investment Program (AIP) did not include the details of PPAs funded out of the 20% Development Fund, causing difficulty in determining the targeted projects of the fund and the timely implementation thereof, thus, there is no reasonable assurance that the targeted constituents were benefitted or timely benefitted from these projects.**

Section 287 of Republic Act No. 7160 or the Local Government Code of 1991 provides 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...”*

Sections 2.2 of DILG-DBM Joint Memorandum Circular No. 2011-1, dated April 13, 2011 states that,

*"It (The 20% Development Fund) may be utilized to finance the priority development projects and programs, as embodied in the duly approved*

*local development plan that **directly support the Philippine Development Plan**, the Medium-Term Public Investment Program and the Annual Investment Program."*

The same Circular also emphasizes the responsibility of the LCE towards the attainment of the goal of the fund in Section 5.0 thereof, which states that,

*"It is the responsibility of every Municipal Mayor to ensure that the 20% of the IRA is optimally utilized to help achieve desirable socio-economic development and environmental outcomes."*

The 2011-2016 Philippine Development Plan (PDP) adopts a framework of inclusive growth, which is high growth that is sustained, generates mass employment, and reduces poverty. With good governance and anticorruption as the overarching theme of each and every intervention, the Plan translates into specific goals, objectives, strategies, programs and projects all the things that the government wants to accomplish in the medium term.

The PDP intends to pursue rapid and sustainable economic growth and development, improve the quality of life of the Filipino, empower the poor and marginalize and enhance our social cohesion as a nation. The strategic development policy framework thus focuses on improving transparency and accountability in governance, strengthening the macroeconomy, boosting the competitiveness of our industries, facilitating infrastructure development, strengthening the financial sector and capital mobilization, improving access to quality social services, enhancing peace and security for development, and ensuring ecological integrity.

The Philippine Development Plan serves as a guide in formulating policies and implementing development programs from 2011-2016. It should enable us to work systematically to give the Filipino people a better chance of finally finding their way out of poverty, inequality, and the poor state of human development.

During our evaluation of the LGUs Annual Investment Program (AIP) it was observed that it does not include important details of the PPAs of the 20% Development Fund like the Description of the Program, Implementing Office, Schedule of Implementation, Expected output, etc., which renders difficulty not only for the audit team in monitoring the agency's efficiency in the implementation of its PPAs, more so for the respective implementing units of the agency in the setting of its timeline for the implementation of the PPAs which they are responsible. It was further noted that this is presented in lump-sum in AIP.

The non-inclusion of these details in the AIP resulted to the implementing offices' laxity on the implementation of the programs, projects and activities under their responsibility. They were not given target dates when these PPAs are expected to be completed and the activities were not given target/expected outputs, which

would aid the agency and other parties in evaluating the effectiveness of the implemented PPAs.

It was also noted that of the forty-six (46) PPAs included in their 20% Development Fund, twelve (12) of which are PPAs which were not related to the 20% development program. Total allocations for this amounts to P1,760,000.00 or twenty-one (21%) of the total Development Fund. Thus, the areas of development as prioritized in the DILG-DBM Joint Memorandum Circular No. 2011-1 and the other focused areas in the Philippine Development Plan for 2011-2016 were not catered. Continued inclusion of unrelated programs for development projects may result to the suspension or disallowance of the payments in relation to these projects due to the irregularity of disbursements.

Allocation of the LGUs 20% IRA for programs/activities which do not cater the Development Areas of the LGU leaves the priority problems unattended. The LGU did not consider the PDP which prioritizes in giving the Filipino people a better chance of finding their way out of poverty, inequality, and the poor state of human development.

It was further noted during the audit of this fund was that the LGU, in the formulation of the components of the 20% Development Fund, copied only the PPAs of previous years and chose the same PPAs for the 2016 AIP. Interview with the heads of departments revealed that they are not even aware that there are programs which are to be implemented by their office which are included in the budget year's AIP. Resulting to the non implementation of the activities and accomplishment of the targeted results. With this practice, there is no assurance that targeted constituents could timely benefit from these projects.

*(Please see Annex G for detailed list of the PPAs composing the 20% Development Fund )*

**We recommend that:**

- **The Municipal Planning and Development Coordinator (MPDC) and the Municipal Budget Officer formulates the submit a revised Annual Investment Plan (AIP) stating in detail the various priority Programs, Projects and Activities in the 20% Development Fund and responding to the focused areas of the PDP.**
- **The Local Chief Executive ensures the efficient implementation of the PPAs.**

The MPDC commented that his office is a one-man office and he is having difficulty in assessing, monitoring and evaluating the five development sectors of the government. He already requested the LCE to give him at least three (3) staff that would

help him in the planning and formulation of the AIP that would best respond to the needs of the constituents of the Municipality. He however committed to comply with the audit recommendation with best efforts, maximizing the resources he has.

The Audit Team commends MPDC's commitment to comply with the audit recommendation which the team will monitor regularly including LCE's action on this matter.

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

The Municipality properly appropriated P2,143,062.20 for its LDRRMF. The Quick Response Fund amounted to P642,918.66 and there were no disbursements from this fund. Appropriations for Mitigation fund amounted to P1,500,143.54 and disbursements from it totaled P423,956.12.

Continuing appropriations of the LDRRMF amounted to P1,756,829.18 for 2015, and P1,262,580.27 for 2014. Disbursements from continuing appropriations of this fund amounted to P389,000.00.

Unexpended balance of the fund totaled P4,349,515.53.

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

#### **7. The LGU incorporated the cost of implementation of GAD activities in its 20% allocation for Development Projects, thereby compromising the 20% Development Fund for other projects that may be funded by it.**

The 20% appropriation of the Internal Revenue Allotment was intended to finance programs and projects which supports social development, economic development and environmental management and shall partake the nature of investment or capital expenditures.

On the other hand, the localization of the Magna Carta of Women intends to align the efforts of the LGU and the National Government on Gender and Development (GAD) which further aims to pursue women's empowerment and gender equality, promote the general welfare of the women and institute an enabling environment at the local level that will ensure gender-responsive governance.

The two programs of the government focuses on different areas and a separate allocation for the support of both programs. Also, the PCW, DILG, DBM and NEDA issued Joint Memorandum Circular No. 2013-01 which states that:

*"LGUs shall formulate their annual GAD Plan and Budgeting (GPB) within the context of their mandates to ensure gender mainstreaming in their policies, programs and projects. GAD planning and budgeting shall be integrated in the regular activities of the LGU, the cost of implementation of which shall be at least*



*five percent (5%) of their total Annual Budgets. The development, allocation and utilization of the GPB shall be implemented in accordance with this JMC." and,*

*"At least five percent (5%) of the total LGU budget appropriations under the Annual Budget shall correspond to the activities supporting GAD PPAs. The GAD Budget shall be drawn from the LGU's maintenance and operating expenses (MOOE), capital outlay (CO), and personal services (PS)."*

Verification of the sufficiency of allotment for the GAD program disclosed that the allocation for GAD activities was only incorporated in the allocation for the 20% Development projects and not a separate allocation for the purpose. A summary of the GAD activities is shown below:

Program/Activities	Amount
National Health Insurance Program counterpart for indigents	519,540.00
Purchase of Drugs and Medicines	300,000.00
Primary Health Care and Field Health Services	80,000.00
Municipal Nutrition Program	50,000.00
Inter-local Health Zone Fund	66,817.55
Contraceptive Self-Reliance Program	20,000.00
Healthy Start Program	50,000.00
RHU Maintenance cost	30,000.00
Electronic Information Tracking System	50,000.00
Day-Care Operation Support Fund	470,000.00
Emergency Assistance Fund	150,000.00
Differently-Abled Persons Welfare Fund	50,000.00
OSCA Operations Support Fund	50,000.00
Assistance to women in difficult situation	50,000.00
Water Sanitation and Hygiene Support Fund	100,000.00
Youth and Sports Development	180,000.00
Local Council for the protection of children support fund	50,000.00
	<b>2,266,357.55</b>

In the localization of the Magna Carta for Women (MCW), GAD PPAs shall at all times give priority to those that will address emerging and/or continuing issues and concerns on:

- a) Provision of basic services and facilities to protect and fulfill women's human right including their right to protection from all forms of violence;
- b) Women's economic empowerment, including women's participation in economic governance;
- c) Participation in local governance and decision-making; and
- d) other provisions of the MCW.

Also noted during the audit was the inclusion of various programs in the GAD Plan which are not directly responsive to the issues that are prioritized by the MCW.

The incorporation of the GAD Budget in the 20% allocation for development projects compromises a portion of the fund that may be used to fund other priority programs of the fund. Also, the inclusion of various programs in the GAD plan which do not address GAD issues and concerns defeats the purpose of the MCW.

**We recommend the:**

- **Budget Officer to make a separate appropriation for the GAD activities in the Annual Budget and submit written justifications on the deficiency; and,**
- **LCE to issue policies/and or directives that support gender mainstreaming in the policies, plans, PPAs and services of the LGU;**

The MBO commented that the formulation of GAD Plan should not be a separate 5% allocation from the Annual Budget. That's why they incorporated the 5% GAD Budget in the 20% Development Plan. He however committed to refrain from using the 20% allocation for development projects for GAD activities.

The audit team emphasizes that the 5% GAD budget may not be a separate, additional allocation but should be drawn from the LGUs PS, MOOE, and CO allocation. We commend MBOs commitment to comply with the audit recommendation which we will monitor in the future years.

**E. Audit of Environmental Protection and Waste Management Program**

- 8. The Municipality failed to properly manage its solid waste due to: 1) non-preparation of the 10-year Solid Waste Management Plan; and 2) failure to implement closure of its open dumpsite and commence the operation of a controlled dump facility, thus risking the health of its constituents, and adversely affecting the environment.**

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 16. The province, city or municipality, through its local solid waste management boards, shall prepare its respective 10-year solid waste management plans consistent with the national solid waste management framework.”*

*“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 verification of the LGU’s implementation of the Solid Waste Management Act of 2000 disclosed that up to this date, the municipality has not yet developed the 10-year Solid Waste Management Plan. Only the Safe Closure and Rehabilitation Plan (SCRCP) was prepared by the LGU.

During our inspection of the existing dumping area, we have observed that the LGU is still operating an open dumpsite despite the mandate to the Local Government Unit to implement the Solid Waste Management Act of 2000 within its jurisdiction.

The LGU should have closed their open dumpsite by year 2004 and converted it to controlled dumpsite. The transition of the controlled dumpsite to Sanitary Landfill should have been completed by year 2006, however up to this date, even the controlled dumpsite has not been operated.

It is a matter of national policy that dumpsites be closed because of the adverse effects on society and the environment. It is incumbent upon local authorities to adopt better and environmentally sound waste disposal methods by shifting their current practice of open dumping to controlled dumping and transition to sanitary landfilling. The sooner the local government make and implement this decision, the sooner it will enjoy sound waste management disposal, and the less the risks will be to health and lives of their constituents.

**We recommend that management immediately create the 10-year Solid Waste Management Plan in accordance with the provisions of the Solid Waste Management Act of 2000, and promptly implement the same.**

The MPDC commented that they are already on the process of formulating the 10-year SWMP which they will submit as soon as it is approved. The closure of its open dumpsite is also on-going however there has been a delay due to several factors. They however committed that the closure will be complete by the Month of May.

The audit team will monitor LGUs compliance with the recommendations which we will monitor regularly.

#### **F. Audit of Special Education Fund**

The Municipality had no disbursements from the Special Education Fund for the audit year.

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 March 14, 2017 with officials concerned whose documents were incorporated in this report, where appropriate.

#### **G. Credit Financing/Debt Servicing**

The Municipality has not obtained any loan for CY 2016. They have, however, an outstanding loan balance of P1,665,452.83 representing a loan granted on March 2008 from Development Bank of the Philippines for the Rehabilitation and construction of Carmen-San Isidro-Canciledes FMR.

#### **H. Compliance with Tax Laws**

For CY 2016, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008. Total taxes withheld from compensation, expanded final VAT

and government money payments for the year amounted to P4,378,800.92 and remitted P4,126,533.25. Unremitted balances as of year-end were duly remitted on 2017.

**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, 2016 amounted to P2,905,137.62. For details, please see Annex H.

	Beginning Balance (As of January 1, 2016)	This Period January 1 to December 31, 2016		Ending Balance (As of December 31, 2016)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	2,905,137.62	0.00	2,905,137.62
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>2,905,137.62</b>	<b>0.00</b>	<b>2,905,137.62</b>

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

Of the thirteen (13) audit recommendations embodied in the CY 2015 Audit Report, only one (1) was implemented, four (4) were partially implemented and eight (8) was not implemented by management.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
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.	AAR 2015		Implemented	
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	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	AAR 2015		Not Implemented	Management took no action to implement this recommendation. Thus, Reiterated in Part II of this Report.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related records/documents.	law, and to maintain and update the property cards and reconcile the records with the Accountant.				
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	AAR 2015		Not Implemented	Management continued to grant cash advances to the Municipal Treasurer despite his failure to liquidate previous cash advances, Thus, Reiterated in this Report.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	regular and close supervision of all concerned personnel/officers.				
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.	AAR 2015		Partially Implemented	Management submitted some of the required documents, however some of them are still not submitted to the audit team.
Disbursements for Electric bills, Pre-payments for	Stop the practice of charging the Electricity	AAR 2015		Not Implemented	Payment of electricity are still made from



Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>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.</p>				<p>the 20% Development Fund, thus reiterated in this Report.</p>
<p>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.</p>	<p>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</p>	<p>AAR 2015</p>		<p>Not Implemented</p>	<p>Management has not yet closed its open dump site. Thus, the audit observation is reiterated in this Report.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	and projects to be undertaken.				
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/complied. 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.
The existence and validity of Property, Plant & Equipment (PPE) accounts totaling ₱27,517,229.80 as of December 31, 2012, could not be	Create a committee to conduct the annual physical count of all PPE and to prepare and submit the RPCPPE;	AAR, CY 2012, 2011		Not Implemented	Reiterated in Part II of this report

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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 properties subject for disposal.</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 and/or Property Officer to prepare the I &amp; I report of all Unserviceable Properties prior to the conduct of disposal, if any.</p>				
<p>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.</p>	<p>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.</p>	<p>AAR, CY 2012</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
<p>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 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.</p>	<p>Instruct the Municipal Accountant to reclassify the accounts and make necessary adjusting entry to record the same as Advances to Officers and Employees.</p> <p>Adhere strictly to the provisions of COA Circular No. 2003-003 dated July 30, 2003 in the liquidation of the cash advance.</p>	<p>AAR, CY 2012</p>		<p>Partially Implemented</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>	<p>AAR, CY 2009</p>		<p>Not Implemented</p>	<p>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.</p>
<p>Management failed to submit approved copies of</p>	<p>Copies of the perfected contracts/purchas</p>	<p>AAR, CY 2009</p>		<p>Partially Implemented</p>	<p>Only contracts for Infrastructure</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
contracts/purchase order, and notices of deliveries for additional review and evaluation contrary to the mandates of COA Circular No. 2009-001.	e orders should be submitted within five (5) days after the execution/issuance.				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 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.	We recommended strict compliance to Section 23(2), Title I, Book V, 1987 Administrative Code.	AAR, CY 2008	None	Not Implemented	Management committed to process the titling of the Land and Buildings immediately

## **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 Financial Performance
- C.3 Statement of Cash Flows

#### **D Monitoring of Cash Advances Granted to the Disbursing Officer**

#### **E List of Awarded Contracts w/o Construction Safety and Health Programs**

#### **F Audit of Payroll**

#### **G Monitoring of Various Programs/Projects/Activities for its 20% Development Fund**

#### **H Copy of SASDC**

#### **I Copy of Attendance Sheet During the Exit Conference**

LGU-Hernani, Eastern Samar  
Statement of Financial Position  
General Fund  
As at December 31, 2016  
*With comparative figures for 2015*  
**(In Pesos)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	22,293,471.63	43,664,836.25
Investment		
Receivables	2,619,812.26	3,149,177.59
Inventories	815,000.00	941,080.00
Prepayments and Deferred Charges	66,528.99	192,359.50
<b>Total Current Assets</b>	<b>25,749,812.88</b>	<b>47,947,453.34</b>
Noncurrent Assets		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment	12,170,176.30	13,355,761.93
Biological Assets		
Intangible Assets		
<b>Total Non-Current Assets</b>	<b>12,170,176.30</b>	<b>13,355,761.93</b>
<b>Total Assets</b>	<b>37,964,989.18</b>	<b>61,306,215.27</b>
<b>LIABILITIES</b>		
Current Liabilities		
Financial Liabilities		
Inter-Agency Payables	2,136,548.35	2,302,391.25
Intra-Agency Payables	3,394,156.53	30,845,786.72
Trust Liabilities	155,219.56	155,219.56
Deferred Credits/ Unearned Income	4,489,815.53	3,709,486.59
Other Payables	2,650,528.97	
<b>Total Current Liabilities</b>	<b>12,826,268.94</b>	<b>37,012,884.12</b>
Non-current Liabilities		
Financial Liabilities	4,939,666.00	7,481,353.81
Deferred Credits/ Unearned Income		
Provisions		
Other Payables		
<b>Total Non-Current Liabilities</b>	<b>4,939,666.00</b>	<b>7,481,353.81</b>
<b>Total Liabilities</b>	<b>17,823,962.19</b>	<b>44,494,237.93</b>
<b>NET ASSETS/ EQUITY</b>		
Government Equity	20,199,054.24	16,811,977.34
<b>Total Liabilities and Net Assets/ Equity</b>	<b>37,964,989.18</b>	<b>61,306,215.27</b>

LGU-Hernani, Eastern Samar  
Statement of Financial Performance  
General Fund  
For the year ended December 31, 2016  
*With comparative figures for 2015*  
**(In Pesos)**

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Tax Revenue	518,416.25	386,554.74
Share from Internal Revenue Collections	41,925,703.00	38,124,386.00
Other Share from National Taxes		
Service and Business Income	1,019,666.58	1,138,715.60
Shares, Grants and Donation		
Gains		
Other Income		
<b>Total Revenue</b>	<u><b>39,649,656.19</b></u>	<u><b>39,649,656.19</b></u>
<b>Less: Current Operating Expenses</b>		
Personnel Services	23,560,130.01	23,385,952.85
Maintenance and Other Operating Expenses	13,907,701.03	9,319,421.07
Non-cash expenses	2,017,129.12	1,801,495.97
Financial Expenses	140,981.48	143,016.79
<b>Total current operating expenses</b>	<u><b>39,715,941.48</b></u>	<u><b>34,649,886.68</b></u>
<b>Surplus (Deficit) from Current Operation</b>	3,747,844.19	4,999,769.51
Add (deduct)		
Transfers, Assistance and Subsidy from		
Transfers, Assistance and Subsidy to	1,186,243.28	2,675,249.18
<b>Surplus (Deficit) for the period</b>	<u><u><b>2,561,600.28</b></u></u>	<u><u><b>2,324,520.33</b></u></u>



LGU-Hernani, Eastern Samar  
Statement of Cash Flows  
General Fund  
For the year ended December 31, 2016  
*With comparative figures for 2015*  
**(In Pesos)**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
<i>Cash Inflows</i>		
Collection from taxpayers	1,183,429.63	1,046,754.53
Share from Internal Revenue Allotment	41,925,703.00	38,124,386.00
Receipts from business/service income	565,020.00	1,127,030.00
Interest Income	61,903.60	45,715.06
Dividend Income		
Other Receipts	10,292,615.60	79,882,989.18
<b>Total Cash Inflows</b>	<b>54,028,671.85</b>	<b>120,226,874.77</b>
<i>Cash Outflows</i>		
Payment of expenses	12,897,601.44	16,669,592.52
Payments to suppliers and creditors	4,679,465.31	5,604,412.26
Payments to employees	16,548,843.25	13,934,756.46
Interest Expense	128,665.15	95,958.98
Other Expenses	40,269,226.34	56,900,265.32
<b>Total Cash Outflows</b>	<b>74,523,801.49</b>	<b>93,204,985.54</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(20,495,129.64)</b>	<b>27,021,889.23</b>
<b>Cash Flows from Investing Activities</b>		
<i>Cash Inflows</i>		
Proceeds from Sale of Non-Current Investments		
Collection of Principal on loans to other entities		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Purchase of Bearer Biological Assets		
Purchase of Intangible Assets		
Grant of Loans		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
<i>Cash Inflows</i>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization	876,234.98	604,041.02
<b>Total Cash Outflows</b>	<b>876,234.98</b>	<b>604,041.02</b>
<b>Net Cash Flows from Financing Activities</b>	<b>(876,234.98)</b>	<b>(604,041.02)</b>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<b>(21,371,364.62)</b>	<b>26,417,848.21</b>
<b>Add: Cash at the Beginning of the year</b>	<b>43,664,836.25</b>	<b>17,246,988.04</b>
<b>Cash Balance at the End of the Year</b>	<b>22,293,471.63</b>	<b>43,664,836.25</b>

LGU-Hernani, Eastern Samar  
 Statement of Changes in Net Assets/Equity  
 General Fund  
 As at December 31, 2016  
*With comparative figures for 2015*  
**(In Pesos)**

	<u>Accumulated Surpluses (Deficits)</u>	
	<u>2016</u>	<u>2015</u>
<b>Balance at January 1, 2016</b>	16,811,977.34	15,657,037.28
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	825,475.99	93,000.00
<b>Restated Balance</b>	<b>17,637,453.33</b>	<b>15,750,037.28</b>
<b>Add (Deduct) Changes in net assets/equity during the year</b>		
Adjustment of net revenue recognized directly in net assets/equity		(1,262,580.27)
Surplus (Deficit) for the period	2,561,600.91	2,324,520.33
<b>Total recognized revenue and expenses for the period</b>		
<b>Balance at December 31, 2016</b>	<b>20,199,054.24</b>	<b>16,811,977.34</b>

LGU-Hernani, Eastern Samar  
Statement of Financial Position  
Special Education Fund  
As at December 31, 2016  
*With comparative figures for 2015*  
**(In Pesos)**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents		70,185.60
Investment		
Receivables	411,861.37	330,731.22
Inventories		
Prepayments and Deferred Charges		
<b>Total Current Assets</b>	<b>482,046.97</b>	<b>400,916.82</b>
Noncurrent Assets		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment	34,500.00	34,500.00
Biological Assets		
Intangible Assets		
<b>Total Non-Current Assets</b>	<b>34,500.00</b>	<b>34,500.00</b>
<b>Total Assets</b>	<b>516,546.97</b>	<b>435,416.82</b>
<b>LIABILITIES</b>		
Current Liabilities		
Financial Liabilities	3,084.75	
Inter-Agency Payables	7,419.18	3,084.75
Intra-Agency Payables		7,419.18
Trust Liabilities		
Deferred Credits/ Unearned Income		
Other Payables		
<b>Total Current Liabilities</b>	<b>10,503.93</b>	<b>10,503.93</b>
Non-current Liabilities		
Financial Liabilities		
Deferred Credits/ Unearned Income		
Provisions		
Other Payables		
<b>Total Non-Current Liabilities</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Liabilities</b>	<b>10,503.93</b>	<b>10,503.93</b>
<b>NET ASSETS/ EQUITY</b>		
Government Equity, beg.	506,043.04	424,912.89
<b>Total Liabilities and Net Assets/ Equity</b>	<b>516,546.97</b>	<b>435,416.82</b>

LGU-Hernani, Eastern Samar  
 Statement of Financial Performance  
 Special Education Fund  
 As at December 31, 2016  
*With comparative figures for 2015*  
**(In Pesos)**

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Tax Revenue	81,130.15	52,428.80
Share from Internal Revenue Collections		
Other Share from National Taxes		
Service and Business Income		
Shares, Grants and Donation		
Gains		
Other Income		
<b>Total Revenue</b>	<u>81,130.15</u>	<u>52,428.80</u>
<b>Less: Current Operating Expenses</b>		
Personnel Services		14,520.00
Maintenance and Other Operating Expenses		
Non-cash expenses		
Financial Expenses		
<b>Total current operating expenses</b>	<u>0.00</u>	<u>14,520.00</u>
<b>Surplus (Deficit) from Current Operation</b>		
Add (deduct)		
Transfers, Assistance and Subsidy from		
Transfers, Assistance and Subsidy to		
<b>Surplus (Deficit) for the period</b>	<u>81,130.15</u>	<u>37,908.80</u>

LGU-Hernani, Eastern Samar  
Statement of Cash Flows  
Special Education Fund  
For the year ended December 31, 2016  
*With comparative figures for 2015*

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
<i>Cash Inflows</i>		
Collection from taxpayers		
Share from Internal Revenue Allotment		
Receipts from business/service income		
Interest Income		
Dividend Income		
Other Receipts		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Payment of expenses		
Payments to suppliers and creditors		14,520.00
Payments to employees		
Interest Expense		
Other Expenses		
<b>Total Cash Outflows</b>		<b>14,520.00</b>
<b>Net Cash Flows from Operating Activities</b>		<b>(14,520.00)</b>
<b>Cash Flows from Investing Activities</b>		
<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		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Grant of Loans		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
<i>Cash Inflows</i>		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Financing Activities</b>		
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>		<b>(14,520.00)</b>
<b>Add: Cash at the Beginning of the year</b>	<b>70,185.60</b>	<b>84,705.60</b>
<b>Cash Balance at the End of the Year</b>	<b>70,185.60</b>	<b>70,185.60</b>

LGU-Hernani, Eastern Samar  
 Statement of Changes in Equity  
 Special Education Fund  
 As at December 31, 2016  
*With comparative figures for 2015*

	<b><u>Accumulated Surpluses (Deficits)</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Balance at January 1, 2016</b>	424,912.89	387,004.09
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors		
<b>Restated Balance</b>	<b><u>424,912.89</u></b>	<b><u>387,004.09</u></b>
<b>Add (Deduct) Changes in net assets/equity during the year</b>		
Adjustment of net revenue recognized directly in net assets/equity		
Surplus (Deficit) for the period	<u>81,130.15</u>	<u>37,908.80</u>
<b>Total recognized revenue and expenses for the period</b>	<b><u>81,130.15</u></b>	<b><u>37,908.80</u></b>
<b>Balance at December 31, 2016</b>	<b><u>506,043.04</u></b>	<b><u>424,912.89</u></b>

LGU-Hernani, Eastern Samar  
Statement of Financial Position  
Trust Fund  
As at December 31, 2016  
*With comparative figures for 2015*

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current Assets	807,701.34	120,017.61
Cash and Cash Equivalents		
Investment	418,655.67	337,331.91
Receivables		
Inventories		
Prepayments and Deferred Charges		
<b>Total Current Assets</b>	<u>1,226,357.01</u>	<u>457,349.52</u>
Noncurrent Assets		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment		
Biological Assets		
Intangible Assets		
<b>Total Non-Current Assets</b>	<u>0.00</u>	<u>0.00</u>
<b>Total Assets</b>	<u>1,226,357.01</u>	<u>457,349.52</u>
<b>LIABILITIES</b>		
Current Liabilities		
Financial Liabilities	1,139,357.01	
Inter-Agency Payables		370,349.52
Intra-Agency Payables		
Trust Liabilities		
Deferred Credits/ Unearned Income		
Other Payables		
<b>Total Non-Current Liabilities</b>		<u>370,349.52</u>
Non-current Liabilities		
Financial Liabilities		
Deferred Credits/ Unearned Income	87,000.00	87,000.00
Provisions		
Other Payables		
<b>Total Non-Current Liabilities</b>	<u>87,000.00</u>	<u>87,000.00</u>
<b>Total Liabilities</b>	<u>1,226,357.01</u>	<u>457,349.52</u>

LGU-Hernani, Eastern Samar  
Statement of Cash Flows  
Trust Fund  
As at December 31, 2016  
*With comparative figures for 2015*

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
<i>Cash Inflows</i>		
Collection from taxpayers		
Share from Internal Revenue Allotment		
Receipts from business/service income		
Interest Income		
Dividend Income		
Other Receipts	1,751,958.00	700,000.00
<b>Total Cash Inflows</b>	<u>1,751,958.00</u>	<u>700,000.00</u>
<i>Cash Outflows</i>		
Payment of expenses		
Payments to suppliers and creditors		
Payments to employees		
Interest Expense		
Other Expenses	1,064,274.27	1,019,251.79
<b>Total Cash Outflows</b>	<u>1,064,274.27</u>	<u>1,109,251.79</u>
<b>Net Cash Flows from Operating Activities</b>	<u>687,683.73</u>	<u>(319,251.79)</u>
<b>Cash Flows from Investing Activities</b>		
<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		
<b>Total Cash Inflows</b>		
<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		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
<i>Cash Inflows</i>		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<i>Cash Outflows</i>		
Retirement/Redemption of debt securities		
Payment of loan amortization		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Financing Activities</b>		
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<u>687,683.73</u>	<u>(319,251.79)</u>
<b>Add: Cash at the Beginning of the year</b>	<u>120,017.61</u>	<u>439,269.40</u>
<b>Cash Balance at the End of the Year</b>	<u>807,701.34</u>	<u>120,017.61</u>



## ANNEX

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## ANNEX L

LGU-Hernani

Monitoring of Cash Advances Granted to Disbursing Officer

2016

Cash Advances				Balance	Unliquidated Balance per month
Granted		Liquidated			
Date	Ref.	Amount	Amount		
Beginning Balance	FS 2015	208,935.69		208,935.69	
Adjustments to Beginning Balance		20,000.00		228,935.69	
1/12/2016		578,439.83	579,439.01	227,936.51	
		<b>807,375.52</b>	<b>579,439.01</b>		227,936.51
2/15/2016		265,000.00		492,936.51	
2/15/2016		274,269.97		767,206.48	
2/15/2016		308,318.17	847,588.14	227,936.51	
		<b>847,588.14</b>	<b>847,588.14</b>		-
3/2/2016	894272	127,800.00		355,736.51	
3/3/2016	894274	993,660.00		1,349,396.51	
3/7/2016	894336	274,159.86		1,623,556.37	
3/7/2016	894337	334,826.01		1,958,382.38	
3/7/2016	894338	56,160.00		2,014,542.38	
3/7/2016	894339	71,760.00		2,086,302.38	
3/21/2016	894404	130,000.00	1,014,705.87	1,201,596.51	
		<b>1,988,365.87</b>	<b>1,014,705.87</b>		973,660.00
4/15/2016	894459	65,000.00		1,266,596.51	
4/15/2016	894463	127,870.00		1,394,466.51	
4/15/2016	894469	38,640.00		1,433,106.51	
4/15/2016	894476	361,444.76		1,794,551.27	
4/15/2016	894478	281,703.21		2,076,254.48	
4/20/2016	894500	30,240.00		2,106,494.48	

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LGU-Hernani

Monitoring of Cash Advances Granted to Disbursing Officer

2016

Cash Advances				Balance	Unliquidated Balance per month
Granted		Liquidated			
Date	Ref.	Amount	Amount		
4/21/2016	894510	156,680.00	19,026.19	2,244,148.29	
4/25/2016	894522	19,026.19	1,061,577.97	1,201,596.51	
		<b>1,080,604.16</b>	<b>1,080,604.16</b>		-
5/4/2016	894534	410,321.67		1,611,918.18	
5/4/2016	894538	639,430.54		2,251,348.72	
5/6/2016	894540	1,358,176.00		3,609,524.72	
5/16/2016	894551	30,240.00		3,639,764.72	
5/17/2016	894566	38,640.00		3,678,404.72	
	894569	65,000.00	409,412.85	3,333,991.87	
	894580	179,590.00	2,203,516.54	1,310,065.33	
		<b>2,721,398.21</b>	<b>2,612,929.39</b>		108,468.82
6/3/2016	894589	328,264.86		1,638,330.19	
6/3/2016	894590	413,595.30		2,051,925.49	
6/7/2016	894597	65,000.00		2,116,925.49	
6/13/2016	927720	30,240.00		2,147,165.49	
6/22/2016	927737	179,280.00		2,326,445.49	
6/22/2016	927738	38,640.00		2,365,085.49	
6/28/2016	927778	190,370.00	1,245,060.16	1,310,395.33	
		<b>1,245,390.16</b>	<b>1,245,060.16</b>		330.00
7/11/2016	927784	407,960.81		1,718,356.14	

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## ANNEX L

LGU-Hernani

Monitoring of Cash Advances Granted to Disbursing Officer

2016

Cash Advances				Balance	Unliquidated Balance per month
Granted		Liquidated			
Date	Ref.	Amount	Amount		
7/11/2016	927785	351,890.77		2,070,246.91	
7/14/2016	927798	40,480.00		2,110,726.91	
7/14/2016	927806	65,000.00		2,175,726.91	
7/21/2016	927847	27,720.00	893,051.58	1,310,395.33	
		<b>893,051.58</b>	<b>893,051.58</b>		-
8/1/2016	927925	354,290.61		1,664,685.94	
8/1/2016	927926	418,031.75		2,082,717.69	
8/1/2016	927928	28,800.00		2,111,517.69	
8/1/2016	927929	166,430.00		2,277,947.69	
8/1/2016	927935	36,800.00		2,314,747.69	
8/1/2016	927953	65,000.00		2,379,747.69	
8/1/2016	927985	34,020.00	772,322.36	1,641,445.33	
		<b>1,103,372.36</b>	<b>772,322.36</b>		331,050.00
9/7/2016	928020	81,048.00		1,722,493.33	
9/7/2016	928022	175,080.00		1,897,573.33	
9/7/2016	928033	65,000.00		1,962,573.33	
9/7/2016	928034	38,640.00		2,001,213.33	
9/7/2016	928036	423,385.78		2,424,599.11	
9/7/2016	928037	330,706.69	754,092.47	2,001,213.33	
		<b>1,113,860.47</b>	<b>754,092.47</b>		359,768.00

## ANNEX

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## ANNEX L

LGU-Hernani

Monitoring of Cash Advances Granted to Disbursing Officer

2016

Cash Advances				Balance	Unliquidated Balance per month
Granted		Liquidated			
Date	Ref.	Amount	Amount		
10/28/2016	928122	36,800.00		2,038,013.33	
10/28/2016	928123	141,300.00		2,179,313.33	
10/28/2016	928136	28,800.00		2,208,113.33	
10/28/2016	928147	311,762.95		2,519,876.28	
10/28/2016	928148	388,156.09		2,908,032.37	
10/28/2016	928152	65,000.00		2,973,032.37	
10/28/2016	928157	38,800.00	699,919.04	2,311,913.33	
		<b>1,010,619.04</b>	<b>699,919.04</b>		310,700.00
11/22/2016	938282	1,058,845.74		3,370,759.07	
11/22/2016	938283	391,521.67		3,762,280.74	
11/22/2016	938284	336,149.46		4,098,430.20	
11/22/2016	938292	65,000.00		4,163,430.20	
11/22/2016	938294	36,800.00		4,200,230.20	
11/22/2016	938307	32,400.00	1,786,516.87	2,446,113.33	
			105,000.00	2,341,113.33	
		<b>1,920,716.87</b>	<b>1,891,516.87</b>		29,200.00
12/12/2016	938359	396,892.96		2,738,006.29	
12/12/2016	938360	338,000.74		3,076,007.03	
12/12/2016	938362	146,000.00		3,222,007.03	
	938354	36,800.00		3,258,807.03	

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ANNEX L

LGU-Hernani  
 Monitoring of Cash Advances Granted to Disbursing Officer  
 2016

Cash Advances				Balance	Unliquidated Balance per month
Granted		Liquidated			
Date	Ref.	Amount	Amount		
	938391	32,400.00		3,291,207.03	
	938392	34,020.00		3,325,227.03	
	938407	38,640.00		3,363,867.03	
	938434	442,640.00		3,806,507.03	
	938435	128,000.00	880,893.70	3,053,613.33	
		<b>1,593,393.70</b>	<b>880,893.70</b>		<b>712,500.00</b>
		Per 2016 Financial Statements:		<b>211,735.33</b>	
		Difference:		<b>2,841,878.00</b>	

## ANNEX

E

## ANNEX L

Municipality of Hernani  
List of Awarded Contracts without Construction Safety & Health Program duly  
received and approved by DOLE

<b>Name of Contractors</b>	<b>Project</b>	<b>Amount</b>
Daybreak Enterprises	Repair/Rehabilitation of Brgy. Hall Brgy. San Miguel, Hernani E. Samar & Rehabilitation/Improvement of Brgy. Hall Brgy. Carmen, Hernani E. Samar & Construction of Brgy. Hall Brgy Batang Hernani E. Samar	3,700,219.67
Tubigan Builders	Construction of Brgy. Hall Brgy. San Isidro & Brgy 04 Poblacion	4,650,932.00
Pablo S. Labasbas Construction	Construction of Brgy. Hall Brgy. Padang & Brgy. Nagaja	4,245,473.28
Tubigan Builders	Construction of Brgy. Hall Brgy. 01 Poblacion & Brgy. 02 Poblacion	4,648,241.60
D.T. Estaron Eng'g Construction	Construction of Brgy. Hall Brgy. Canciledes & Brgy. 03 Poblacion	4,653,662.50
D.T. Estaron Eng'g Construction	Construction of Brgy. Hall Brgy. Garawon & Brgy. Cacatmonan	4,381,818.75
<b>Total</b>		<b>26,280,347.80</b>

Municipality of Hernani  
 Audit of Payroll  
 CY 2016

Name	Gross Salary	Net Pay October	Undeducted Consolidated Loan	Net Pay November	Undeducted Consolidated Loan	Net Pay December	Undeducted Consolidated Loan
Antipolo, Ramon J.	36,457.00	2,561.88	4,627.92	2,746.29	4,627.92	2,561.88	4,627.92
Gloria, Charito	13,293.00	752.89		752.89		752.89	
Ecleo, Fe	11,335.00	3,376.86	1,847.62	5,311.26	1,847.62	3,376.86	1,847.62
Yabora, Carlo	12,126.00	2,782.74		2,782.74		2,782.74	
Candido, Elizabeth	10,991.00	2,109.69		2,109.69		2,109.69	
Basilan, Exequiel	8,762.00	570.03		570.02		570.03	
Ayon, Carlito	8,762.00	514.78		514.78		514.78	
Macasojot, Edilberto	12,863.00	8,028.11	627.65		627.65	4,794.95	627.65
Candido, Amado	41,627.00	29,498.42	2,017.35		2,017.35	29,498.42	2,017.35
Abella, Adolfo	45,175.00	2,628.00		2,963.08			
Loste, Oda	43,617.00	18,524.00	6,768.86	8,867.16	6,768.86	9,413.60	6,768.86
Nicolas, Alicia	24,328.00			4,172.58	4,337.92	4,172.58	4,518.43
Gilber, Erlinda	22,585.00			4,605.76	4,024.45	5,759.31	4,024.45
Coles, Rufilo	27,341.00			5227.9	4,638.03	5,227.90	4,638.03
Baje, Jacobo	14,650.00			4,539.58	1,505.58	4,539.58	1,505.58

## ANNEX

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## ANNEX F

Municipality of Hernani

**Monitoring of Various Programs/Projects/Activities from its 20% Development Fund**

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No.	Function/Program/Project/ Activity	Appropriation	Target Implementation Dates
	<b>Social Services</b>		
1	National Health Insurance Program counterpart for	519,540.00	January-December
2	Purchase of Drugs and Medicines	300,000.00	January-December
3	Primary Health Care and Field Health Services	80,000.00	January-December
4	Municipal Nutrition Program	50,000.00	January-December
5	Inter-local Health Zone Fund	66,817.55	January-December
6	Contraceptive Self-Reliance Program	20,000.00	January-December
7	Healthy Start Program	50,000.00	January-December
8	Day-Care Operation Support Fund	470,000.00	January-December
9	Emergency Assistance Fund	150,000.00	January-December
10	Differently Abled Persons Welfare Fund	50,000.00	January-December
11	Assistance to women in difficult situation	50,000.00	January-December
12	Water Sanitation and Hygiene Support Fund	100,000.00	January-December
13	Youth and Sports Development	80,000.00	January-December
14	Hernani Educational Assistance Program	50,000.00	January-December
15	Local Council for Protection of Children	50,000.00	January-December
16	Eco-tourism Support Fund	80,000.00	January-December
17	Socialized Housing Project	100,000.00	January-December
18	Socio-Cultural Activities	103,619.46	January-December
19	Land Acquisition and Resettlement Plan	402,271.79	January-December
	<i>subtotal</i>	<b>2,872,248.80</b>	
	<b>Economic Services/ Boosting the competitiveness of our industries</b>		



## ANNEX

G

ANNEX F			
20	Sustained Self-sufficiency programs for rice and corn	200,000.00	January-December
21	Other high value crops production	50,000.00	January-December
22	Municipal Nurseries Construction	50,000.00	January-December
23	Fishery Program	100,000.00	January-December
24	Debt Servicing Cost	1,400,000.00	January-December
	<b>Subtotal</b>	<b>1,800,000.00</b>	
	<b>Environmental Service</b>		
25	Animal Disease Prevention	50,000.00	January-December
26	Improvement of Dumpsite	200,000.00	January-December
27	Coastal Upland Resources	95,000.00	January-December
28	Formulation of LIIC	80,000.00	January-December
29	Land Acquisition and Site Development (public cemetery)	200,000.00	January-December
	<b>Subtotal</b>	<b>625,000.00</b>	
	<b>Others</b>		
30	Maintenance of Cancilides-Nagaja FMR	80,000.00	January-December
31	Maint. Brgy. 03-San Isidro FMR	80,000.00	January-December
32	Maint. Carmen-San-Isidro-Cancilides FMR	80,000.00	January-December
33	Maint. Carmen-Lingsad CIS	75,000.00	January-December
34	KALAHYAN CIDSS Counterpart	1,000,000.00	January-December
	<b>Subtotal</b>	<b>1,315,000.00</b>	
	<b>PPAs included in the 20% DF but are not related to the program</b>		
35	RHU Maintenance Cost	30,000.00	January-December
36	Electronic Information Tracking System	50,000.00	January-December
37	OSCA Operations Support Fund	50,000.00	January-December
38	Maintenance of Municipal Streets and Plaza	140,000.00	January-December
39	Municipal Electrification Program	250,000.00	January-December
40	Intelligence Insurgency Fund	100,000.00	January-December
41	CLUP/CBMS updating	160,000.00	January-December

## ANNEX

G

ANNEX F			
42	Maintenance of Municipal Building	350,000.00	January-December
43	Maintenance of Legislative Building	150,000.00	January-December
44	Maintenance of Public Market	150,000.00	January-December
45	Aid to Barangays	130,000.00	January-December
46	ELA	200,000.00	January-December
	<i>Subtotal</i>	<b>1,760,000.00</b>	
<b>Total</b>		<b>8,372,248.80</b>	


Prepared by:

**Rhoma Leahn C. Miranda**  
SA I/ ATM

Form 6



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

COMMISSION ON AUDIT Annex 6  
 PROVINCE OF EASTERN SAMAR  
 OFFICE OF THE SUPERVISING AUDITOR  
 BY:   
 DATE: 1.17.17  
 Date: January 6, 2016

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

For All Funds Audited  
 For the Period Ending December 31, 2016

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

Attention: Ms. Sylvia E. Almazan  
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, 2016 is **P 2,905,137.62**, 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, 2016)	This Period As of Oct. 1– Dec. 31, 2016		Ending Balance (As of Dec. 31, 2016)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 2,905,137.62			P 2,905,137.62
Notice of Disallowance				-
Notice of Charge				-
<b>Total</b>	<b>P 2,905,137.62</b>			<b>P 2,905,137.62</b>

B. - DETAILS OF SUSPENSIONS, DISALLOWANCES AND CHARGES  
 For the period October 1- December 31, 2016

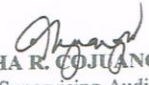
Date	NSSDC No.	PAYEE/PAYOR	AMOUNT			
			Disallowed	Charged	Suspended	Settled
<b>TOTAL</b>						

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.

  
**MA. CECILIA B. VILLARETE**  
 SA III/Audit Team Leader

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



  
**EDITHA R. COJANGCO**  
 OIC- Supervising Auditor