



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Regional Office VIII  
Candahug, Palo, Leyte

# **ANNUAL AUDIT REPORT**

**ON THE**

**MUNICIPALITY OF HERNANI**

**PROVINCE OF EASTERN SAMAR**

For the Year Ended December 31, 2017



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

May 21, 2018

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

Sir:

Pursuant to Section 2, Article IX-D of the Constitution of the Republic of the Philippines 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, 2017.

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

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

1. The OIC-Municipal Treasurer did not submit duly accomplished payrolls, liquidation reports and report of disbursements totaling P 544,493.03 to the office of the Audit Team, thus, financial statement balances for Advances for Payroll of P 221,505.34 and Advances to Special Disbursing Officer of P 191,885.75 is unreliable.
2. The municipality included in its 20% Development Fund PPAs which are not investment, nor capital expenditures such as administrative expenses, personal services, and maintenance expense, thereby depriving its constituents and the municipality of the socio-economic and environmental benefits which could have resulted if the guidelines on the appropriation and utilization of the fund was followed.
3. The LGU failed to properly manage its solid waste due to (a) non-preparation of the 10-year Solid Waste Management Plan and (b) non-establishment of Material Recovery Facility in all barangays as required in Section 16 and Section 32 of RA 9003, hampers the efficient and effective implementation of the waste segregation and disposal program.

*Received by:*

*Shirley J. [Signature]*  
 MUNICIPAL ACCOUNTS  
 May 28, 2018

*Received by*  
*[Signature]*  
 Maria Nina C. Glavin  
 - 20-18

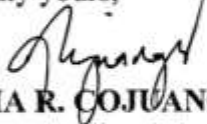
OFFICE OF THE MAYOR	
Hernani, Eastern Samar	
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4. Expenditures on fuel, oil and lubricants amounting to P485,631.99 were paid thru reimbursement, including expenses that were incurred in 2016 amounting to P16,647.00 of which were charged against the current year's appropriation contrary to Section 10 and 48 of 2016 Revised IRR of RA 9184 and 199 of PD 1445, thus, may be deemed doubtful as to their validity and propriety and unnecessarily depleted the current year's budget.
5. The Management failed to appropriate 1% of its Internal Revenue Allotment (IRA) for the strengthening and implementation of the programs, projects and activities of the Local Councils for the Protection of Children (LCPC), but instead was integrated in the different programs of MSWDO and MHSO amounting to P919,446.19, which is not in compliance with the DILG Memorandum Circular No. 2012-120 and Section 15 of RA 9344 and Section 4.0 of the DILG and DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.
6. The Local School Board failed to prepare and furnish Special Education Fund (SEF) budget to the management and also, failure of the Municipal Treasurer to transfer the collected SEF share amounting to P516,581.08 to its depository account, hence, was not utilized thereby defeating the purpose for which it was intended in contrary to Section 5.2 of DepEd-DBM-DILG Joint Circular No. 01, s. 2017, Sections 272 and 310 of Republic Act 7160.

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, BLSF, 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 P124,852,725.20 from various sources. This year’s collection represented an increase of P81,926,439.37 or 190.85% from that of CY 2016, as follows:

Income Sources	2017	2016	Increase/Decrease	
			Amount	%
Tax Revenue	653,283.15	518,416.25	134,866.90	26.02%
Share from Internal Revenue Collections	47,276,799.00	41,925,703.00	5,351,096.00	12.76%
Service and Business Income	1,477,643.05	482,166.58	995,476.47	206.46%
Gants and Donations	75,445,000.00	0.00	75,445,000.00	∞
<b>Total</b>	<b>124,852,725.20</b>	<b>42,926,285.83</b>	<b>81,926,439.37</b>	<b>190.85%</b>

## B. Appropriations and Expenditures

### a) Appropriations

The municipality appropriated P59,938,108.49 for the current year. There was an increase of P16,471,617.61 or 37.89% from that of last year's appropriations of P43,466,490.88 as presented below:

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

Function/ Program/ Projects	2017	2016	Increase/Decrease	
			Amount	%
General Public Services	25,674,172.32	22,609,276.31	3,064,896.01	13.56
Health Services	3,512,000.96	3,392,977.84	119,023.12	3.51
Social Welfare Services	695,242.92	583,757.76	111,485.16	19.10
Economic Services	3,275,169.50	3,149,271.49	125,898.01	4.00
Other Services	26,781,522.79	13,731,207.48	13,050,315.31	95.04
<b>Total</b>	<b>59,938,108.49</b>	<b>43,466,490.88</b>	<b>16,471,617.61</b>	<b>37.89</b>

#### 2) Appropriations per Expense Classification:

Allotment Class	2017	2016	Increase/Decrease	
			Amount	%
Personal Services	28,233,845.81	24,319,626.62	3,914,219.19	16.09%
MOOE	29,272,356.80	17,620,997.78	11,651,359.02	66.12%
Capital Outlay	2,301,905.88	1,384,885.00	917,020.88	66.22%
Financial Expense	130,000.00	140,981.48	-10,981.48	-7.79%
<b>Total</b>	<b>59,938,108.49</b>	<b>43,466,490.88</b>	<b>16,471,617.61</b>	<b>37.89%</b>

## b) Expenditures

Expenditures incurred from current appropriations amounted to P51,155,256.83. There was an increase of P13,288,059.34 or 35.09% over that of last year, as shown below:

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

Function/ Program/ Projects	2017	2016	Increase/Decrease	
			Amount	%
General Public Services	22,117,647.14	21,879,047.40	238,599.74	1.09
Health Services	3,154,578.06	3,251,333.18	-96,755.12	(2.98)
Social Welfare Services	591,548.32	534,308.54	57,239.78	(10.71)
Economic Services	3,165,651.10	3,097,480.03	68,171.07	2.20
Other Services	22,125,832.21	9,105,028.34	13,020,803.87	143.01
<b>Total</b>	<b>51,155,256.83</b>	<b>37,867,197.49</b>	<b>13,288,059.34</b>	<b>35.09</b>

### b.2) Expenditures per Expense Classification

Expense Classification	2017	2016	Increase/Decrease	
			Amount	%
Personal Services	26,044,987.34	23,650,130.01	2,394,857.33	10.13
MOOE	23,537,637.41	13,319,542.51	10,218,094.90	76.72
Capital Outlay	1,470,245.58	756,543.49	713,702.09	94.34
Financial Expense	102,386.50	140,981.48	-38,594.98	-27.38
<b>Total</b>	<b>51,155,256.83</b>	<b>37,867,197.49</b>	<b>13,288,059.34</b>	<b>35.09</b>

## Financial Position and Performance

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

	2017	2016	Increase (Decrease)	
			Amount	%
Assets	144,517,779.44	39,707,893.16	104,809,886.28	263.95
Liabilities	45,546,442.13	19,002,795.88	26,543,646.25	139.68
Equity	98,971,337.31	20,705,097.28	78,266,240.03	378.00
Income	124,852,725.20	43,544,915.98	81,307,809.22	186.72
Expenses	52,025,663.66	40,902,184.92	11,123,478.74	27.20

## **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, 2017. 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 October 12, 2017, 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 non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements totaling P544,493.03 to the office of the Audit Team, thus, financial statement balances for Advances for Payroll of P 221,505.34 and Advances to Special Disbursing Officer of P 191,885.75 is unreliable.

## **SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

### **A. Financial and Compliance Audit**

1. The OIC-Municipal Treasurer did not submit duly accomplished payrolls, liquidation reports and report of disbursements totaling P544,493.03 to the office of the Audit Team, thus, financial statement balances for Advances for Payroll of P 221,505.34 and Advances to Special Disbursing Officer of P 191,885.75 is unreliable.

**We recommended that the Local Chief Executive direct the:**

- a. **OIC-Municipal Treasurer submit immediately to the Municipal Accountant all liquidation for the outstanding cash advances and submit regularly report of disbursements and liquidation;**
- b. **Municipal Accountant support the credits made to the accounts with complete documentation and supporting schedules, and submit the same to the audit team;**
- c. **Concerned Municipal officials and employees to adhere strictly to COA Circular 1997-002.**



2. Expenditures on fuel, oil and lubricants amounting to P485,631.99 were paid thru reimbursement, including expenses that were incurred in 2016 amounting to P16,647.00 of which were charged against the current year's appropriation contrary to Section 10 and 48 of 2016 Revised IRR of RA No. 9184 and 199 of PD No. 1445, thus, may be deemed doubtful as to their validity and propriety and unnecessarily depleted the current year's budget.

**We recommended that the Municipal Mayor require the Municipal Accountant and Municipal Treasurer to refrain from paying expenditures thru reimbursement and prior year's expenses out of the current year's appropriation.**

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

3. The municipality included in its 20% Development Fund PPAs amounting to P6,505,359.80 or 68.80% of the total appropriations of P9,455,359.80, which are not investment, nor capital expenditures such as administrative expenses, personal services, and maintenance expense, thereby depriving its constituents and the municipality of the socio-economic and environmental benefits which could have resulted if the guidelines on the appropriation and utilization of the fund was followed.

**We recommended that the Local Chief Executive direct the:**

- a. **Municipal Planning and Development Coordinator to consider the provisions in DILG-DBM Joint Memorandum Circular No. 2017-1 in the formulation of the LGU's Annual Investment Plan;**
- b. **Mun. Engineer to participate in the formulation of the AIP and include PPAs which are investment or capital expenditures; and,**
- c. **Municipal Budget Officer to appropriate only those PPAs in the 20% Development Fund which are allowed per DILG-DBM Joint Memorandum Circular No. 2017-1.**

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

4. The LGU failed to properly manage its solid waste due to (a) non-preparation of the 10-year Solid Waste Management Plan and (b) non-establishment of Material Recovery Facility in all barangays as required in Section 16 and Section 32 of RA No. 9003, hampers the efficient and effective implementation of the waste segregation and disposal program.

**We recommended that the management finish the preparation of the 10-year Solid Waste Plan and coordinate with the concerned barangays to prioritize and facilitate the establishment of functional MRFs as required under Sections**



**16 and 32 of RA No. 9003, to help achieve an efficient and effective implementation of the waste segregation and disposal program.**

**D. Audit of Special Education Fund**

5. The Local School Board failed to prepare and furnish Special Education Fund (SEF) budget to the management and also, failure of the Municipal Treasurer to transfer the collected SEF share amounting to P516,581.08 to its depository account, hence, was not utilized thereby defeating the purpose for which it was intended in contrary to Section 5.2 of DepEd-DBM-DILG Joint Circular No. 01, s. 2017, Sections 272 and 310 of Republic Act No. 7160.

**We recommended the management to require the LSB to prepare and furnish the municipal budget officer, accountant and treasurer a copy of the SEF Budget as basis for disbursement or certification of availability of funds and for recording purposes.**

**E. Audit of 1% of IRA for the Strengthening of Local Council for the Protection of Children**

6. The Management failed to appropriate 1% of its Internal Revenue Allotment (IRA) for the strengthening and implementation of the programs, projects and activities of the Local Councils for the Protection of Children (LCPC), but instead was integrated in the different programs of MSWDO and MHSO amounting to P919,446.19, which is not in compliance with the DILG Memorandum Circular No. 2012-120 and Section 15 of RA 9344 and Section 4.0 of the DILG and DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.

**We recommended that management to appropriate 1% of its Internal Revenue Allotment (IRA) for programs, projects and activities of the Local Councils for the Protection of Children (LCPC).**

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

The municipality properly appropriated P2,420,089.95 for the LDRRMF of the current year. Prior Years' continuing appropriations totaled P4,219,283.72. Total available appropriations amounted to P6,639,373.67.

For 2017, the municipality utilized P694,939.00 for rentals, trainings and various DRRM supplies. Balances of appropriations amounted to P5,944,939.00. (Annex H)

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

The municipality incorporated the GAD related PPAs in the 20% development fund. Total appropriations amounted to P 1,903,303.74. Utilizations

for the year amounted to P 875,237.74. Balance of appropriations amounted to P1,028,066.00. (Annex I)

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

The Municipality has not obtained any loan for CY 2017. The loan granted on March 2008 from Development Bank of the Philippines for the Rehabilitation and construction of Carmen-San Isidro-Canciledes FMR was already fully paid by December 31, 2017.

#### **I. Compliance with Tax Laws**

For CY 2017, 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 P3,118,223.26 and remitted P3,033,223.26. Unremitted balances as of year-end were duly remitted on 2018.

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

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

#### **K. 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, 2017 amounted to P2,272,537.62. For details, please see Annex J.

	Beginning Balance (As of January 1, 2017)	This Period January 1 to December 31, 2017		Ending Balance (As of December 31, 2017)
		NS/ND/NC	NSSDC	
Notice of Suspension	2,905,137.62	0.00	632,000.00	2,272,537.62
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>2,905,137.62</b>	<b>0.00</b>	<b>632,000.00</b>	<b>2,272,537.62</b>

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

Of the nineteen (19) audit recommendations embodied in the CY 2016 Audit Report, ten (10) was implemented, two (2) were partially implemented and seven (7) 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 comprises the Statement of Financial Position as of December 31, 2017, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Comparison of Budget and Actual Amounts 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, OIC-Municipal Treasurer did not submit duly accomplished payrolls, liquidation reports and report of disbursements totaling P544,493.03 to the office of the Audit Team, thus, financial statement balances for Advances for Payroll of P 221,505.34 and Advances to Special Disbursing Officer of P191,885.75 is unreliable.

*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, 2017, and its Financial Performance and its Cash Flows for the year then ended in accordance with the Philippine Public Sector Accounting Standards.

By:

COMMISSION ON AUDIT

MA. CECILIA B. VILLARETE

State Auditor III

Team Leader

April 13, 2018





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, 2017, 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 Philippine Public Sector Accounting Standards 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, 2017  
(in PHP)

<b>ASSETS</b>	<i>Note</i>	<b>2017</b>	<b>2016</b>
Current Assets			
Cash and Cash Equivalents	4	51,387,785.57	23,171,358.57
Investment			
Receivables	5	5,031,371.45	3,450,329.30
Inventories	6	735,942.00	
Prepayments and Deferred Charges	7	97,936.80	66,528.99
<b>Total Current Assets</b>		<b>57,253,035.82</b>	<b>27,503,216.86</b>
Noncurrent Assets			
Investments	8		
Receivables			
Investment Property		49,512.75	
Property, Plant and Equipment	9	87,215,230.87	12,204,676.30
Biological Assets			
Intangible Assets			
<b>Total Non-Current Assets</b>		<b>87,264,743.62</b>	<b>12,204,676.30</b>
<b>Total Assets</b>		<b>144,517,779.44</b>	<b>39,707,893.16</b>
<b>LIABILITIES</b>	<i>10</i>		
Current Liabilities			
Financial Liabilities		1,854,241.59	4,023,367.77
Inter-Agency Payables	8	33,906,115.93	3,764,560.15
Intra-Agency Payables		-	931,592.13
Trust Liabilities		5,944,434.67	5,256,609.83
Deferred Credits/ Unearned Income			
Other Payables		3,754,649.94	
<b>Total Current Liabilities</b>		<b>45,459,442.13</b>	<b>95,831,685.03</b>
Non-current Liabilities			
Financial Liabilities		-	4,939,666.00
Deferred Credits/ Unearned Income		87,000.00	87,000.00
Provisions		-	
Other Payables			
<b>Total Non-Current Liabilities</b>		<b>87,000.00</b>	<b>5,026,666.00</b>
<b>Total Liabilities</b>		<b>45,546,442.13</b>	<b>19,002,795.88</b>
<b>NET ASSETS/ EQUITY</b>			
Government Equity		98,971,337.31	20,705,097.28
<b>Total Liabilities and Net Assets/ Equity</b>		<b>144,517,779.44</b>	<b>39,707,893.16</b>



Local Government Unit - Hernani

**Consolidated Statement of Financial Performance**

For the Year Ended December 31, 2017

(in Php)

	<i>Note</i>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Revenue</b>			
Tax Revenue	<i>11</i>	653,283.15	599,546.40
Share from Internal Revenue Collections		47,276,799.00	41,925,703.00
Other Share from National Taxes			
Service and Business Income	<i>12</i>	1,477,643.05	1,019,666.58
Shares, Grants and Donation Gains		75,445,000.00	
Other Income			
<b>Total Revenue</b>		<b><u>124,852,725.20</u></b>	<b><u>43,544,915.98</u></b>
<b>Less: Current Operating Expenses</b>			
Personnel Services	<i>13</i>	26,044,987.34	23,650,130.01
Maintenance and Other Operating Expenses	<i>14</i>	16,198,265.49	13,907,701.03
Non-cash expenses	<i>16</i>	1,944,873.38	2,017,129.12
Financial Expenses	<i>15</i>	102,386.50	140,981.48
<b>Total current operating expenses</b>		<b><u>44,290,512.71</u></b>	<b><u>39,183,078.84</u></b>
<b>Surplus (Deficit) from Current Operation</b>			
Add (deduct)			
Transfers, Assistance and Subsidy from			
Transfers, Assistance and Subsidy to		7,735,150.95	1,186,243.28
<b>Surplus (Deficit) for the period</b>		<b><u>72,827,061.54</u></b>	<b><u>2,642,731.06</u></b>

*See accompanying notes to Financial Statements*

Local Government Unit – Hernani  
**Consolidated Statement of Cash Flows**  
As at December 31, 2017  
(in Php)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
<i>Cash Inflows</i>		
Collection from taxpayers	2,301,313.56	1,183,429.63
Share from Internal Revenue Allotment	47,276,799.00	41,925,703.00
Receipts from business/service income	14,482,512.84	565,020.00
Interest Income	-	61,903.60
Receipts in Trust	22,518,613.55	8,478,756.08
Other Receipts	28,646,389.67	3,565,817.54
<b>Total Cash Inflows</b>	<b>115,225,628.62</b>	<b>55,780,629.85</b>
<i>Cash Outflows</i>		
Payment of expenses	14,202,288.39	12,897,601.44
Payments to suppliers and creditors	15,053,605.74	4,679,465.31
Payments to employees	16,127,727.03	16,548,843.24
Interest Expense	102,386.50	
Other Expenses	39,857,741.13	128,665.15
<b>Total Cash Outflows</b>	<b>85,343,748.79</b>	<b>75,588,075.76</b>
<b>Net Cash Flows from Operating Activities</b>	<b>29,881,879.83</b>	<b>-19,807,445.91</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		
<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	1,665,452.83	876,234.98
<b>Total Cash Outflows</b>	1,665,452.83	876,234.98
<b>Net Cash Flows from Financing Activities</b>	<b>- 1,665,452.83</b>	<b>-876,234.98</b>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<b>28,216,427.00</b>	<b>-20,683,680.89</b>
<b>Add: Cash at the Beginning of the year</b>	<b>23,171,358.57</b>	<b>43,855,039.46</b>
<b>Cash Balance at the End of the Year</b>	<b>51,387,785.57</b>	<b>23,171,358.57</b>

*See accompanying notes to Financial Statements*

Local Government Unit - Hernani  
**Consolidated Statement of Changes in Net Assets/ Equity**  
As at December 31, 2017  
(in Php)

	<u>2017</u>	<u>2016</u>
<b>Balance at January 1, 2017</b>	20,705,097.28	17,236,890.23
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	5,439,178.49	825,475.99
<b>Restated Balance</b>	<u>26,144,275.77</u>	<u>18,062,366.22</u>
<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	72,827,061.54	2,642,731.06
<b>Total recognized revenue and expenses for the period</b>	<u>72,827,061.54</u>	<u>2,642,731.06</u>
<b>Balance at December 31, 2017</b>	<u><u>98,971,337.31</u></u>	<u><u>20,705,097.28</u></u>

*See accompanying notes to Financial Statements*

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

For the Year Ended December 31, 2017

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		250,000.00	250,000.00		428,323.47	(178,323.47)
b. Tax Revenue – Goods and Services		400,000.00	400,000.00		257,342.25	142,657.75
c. Other Local Taxes		80,000.00	80,000.00		120,240.00	(40,240.00)
Total Tax Revenue		730,000.00	730,000.00		805,905.72	(75,905.72)
2. Non-Tax Revenue						
a. Service Income		280,000.00	280,000.00		89,712.96	190,287.04
b. Business Income		115,000.00	1,100,445.00	985,445.00	1,009,395.00	91,050.00
c. Other Income and Receipts					40,134.81	(40,134.81)
Total Non-Tax Revenue		395,000.00	1,380,445.00	985,445.00	1,139,242.77	241,202.23
B. External Sources						
1. Share from the National Internal Revenue Taxes (IRA)		47,276,799.00	47,276,799.00		47,276,799.00	
2. Share from GOCCs						
3. Other Shares from National Tax Collections						
a. Share from Ecozone						
b. Share from EVAT						
c. Share from National Wealth						
d. Share from Tobacco Excise Tax						
4. Other Receipts						
a. Grants and Donations						
b. Other Subsidy Income						
5. Inter-local Transfer						
6. Capital /Investment Receipts						
a. Sale of Capital Assets						
b. Sale of Investments						
c. Proceeds from Collections of Loans Receivable						
C. Receipts from Borrowings						
<b>Total Revenues and Receipts</b>		<b>48,401,799.00</b>	<b>49,387,244.00</b>	<b>985,445.00</b>	<b>49,221,947.49</b>	<b>165,296.51</b>

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
<b>Expenditures</b>						
<b>General Public Services</b>						
Personnel Services		19,259,186.14	19,259,186.14		17,702,204.26	1,556,981.88
Maintenance and Other Operating Expenses		5,321,480.30	5,321,480.30		3,559,565.00	1,761,915.30
Capital Outlay		704,000.00	1,093,505.88	(389,505.88)	855,877.88	237,628.00
<b>Education</b>						
Personnel Services						
Maintenance and Other Operating Expenses						
Capital Outlay						
<b>Health, Nutrition and Population Control</b>						
Personnel Services		3,095,500.96	3,095,500.96		2,915,090.70	180,410.26
Maintenance and Other Operating Expenses		285,500.00	285,500.00		161,637.36	123,862.64
Capital Outlay		60,000.00	131,000.00	(71,000.00)		53,150.00
<b>Labor and Employment</b>						
Personnel Services						
Maintenance and Other Operating Expenses						
<b>Housing and Community Development</b>						
Personnel Services						
Maintenance and Other Operating Expenses						
<b>Social Services and Social Welfare</b>						
Personnel Services		463,320.32	463,320.32		463,320.32	
Maintenance and Other Operating Expenses		171,922.60	171,922.60		68,278.00	103,644.60
Capital Outlay		60,000.00	60,000.00		59,950.00	50.00
<b>Economic Services</b>						
Personnel Services		2,928,864.16	2,928,864.16		2,928,864.16	
Maintenance and Other Operating Expenses		226,305.34	226,305.34		139,937.94	86,367.40
Capital Outlay		120,000.00	120,000.00		96,849.00	23,151.00
<b>Other Purposes:</b>						
Debt Service						
Financial Expense		130,000.00	130,000.00		102,386.50	27,613.50
LDRRMF						
Maintenance and Other Operating Expenses		2,320,089.95	2,320,089.95		587,239.00	1,732,850.95
Capital Outlay		100,000.00	100,000.00		97,700.00	2,300.00
20% Development Fund						
Maintenance and Other Operating Expenses		8,905,359.80	16,606,880.79	(7,701,520.99)	14,611,107.17	1,995,773.62
Capital Outlay		550,000.00	784,400.00	(234,400.00)	275,007.20	509,392.80

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Share from National Wealth						
Maintenance and Other Operating Expenses						
Capital Outlay						
Allocation for Senior Citizens and PWD						
Maintenance and Other Operating Expenses						
Capital Outlay						
Others						
Personnel Services		1,687,269.43	2,486,974.23	(799,704.80)		451,466.33
Maintenance and Other Operating Expenses		2,000,000.00	4,340,177.82	(2,340,177.82)		
Capital Outlay		13,000.00	13,000.00			13,000.00
Continuing Appropriations (Capital Outlay)						
General Public Services					6,200.00	(6,200.00)
Education						
Health, Nutrition and Population Control					42,000.00	(42,000.00)
Labor and Employment						
Housing and Community Development						
Social Services and Social Welfare						
Economic Services					28,506.62	(28,506.62)
<b>Total</b>		<b>48,401,799.00</b>	<b>59,938,108.49</b>	<b>(11,536,309.49)</b>	<b>51,155,256.83</b>	<b>8,782,851.66</b>
<b>Surplus (Deficit) for the period</b>					<b>( 1,933,309.34)</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

<b>Note 4 - Cash and Cash Equivalents</b>	<b>2017</b>	<b>2016</b>
<i>Cash on Hand</i>	648,266.06	513,092.63
Cash-Local Treasury		
<i>Cash in Bank-Local Currency</i>		
Cash in Bank-Local Currency-Current Account	50,739,519.51	22,658,265.94
<b>Total Cash and Cash Equivalent</b>	<b>51,387,785.57</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 P50,236,629.54, P70,185.60 and P1,080,970.43 for General Fund, Special Education Fund and Trust Fund, respectively.

<b>Note 5 - Receivable</b>	<b>2017</b>	<b>2016</b>
<i>Loans and Receivable Accounts</i>		
Accounts Receivable	536,405.34	502,400.00
<b>Total</b>	<b>536,405.34</b>	<b>502,400.00</b>
<i>Inter-Agency Receivable</i>		
Due from GOCCs	2,581,529.27	
Due from LGU's	802.35	802.35
<b>Total</b>	<b>2,582,331.62</b>	<b>802.35</b>
<i>Intra-Agency Receivable</i>		
Due from Other Funds	692,927.16	
<b>Total</b>	<b>692,927.16</b>	
<i>Advances</i>		
Advances for Payroll	191,885.75	211,735.33
Advances to Special Disbursing Officer	21,647.01	185,405.75
Advances for Officers and Employees		24,011.72
<b>Total</b>	<b>213,532.76</b>	<b>421,152.80</b>
<i>Other Receivables</i>		
Due from Officers and Employees	917,096.97	917,096.97
Other Receivables	89,077.60	89,077.60
<b>Total</b>	<b>1,006,174.57</b>	<b>1,006,174.57</b>

<b>Note 6 - Inventories</b>	<b>2017</b>	<b>2016</b>
<i>Inventory Held for Sale</i>		
Merchandise Inventory (Bagsakan)		
<i>Inventory Held for Manufacturing</i>		
Raw Materials Inventory	720,942.00	800,000.00
Finished Goods Inventory	15,000.00	15,000.00
<b>Total</b>	<b><u>735,942.00</u></b>	<b><u>815,000.00</u></b>

<b>Note 7 - Prepayments</b>	<b>2017</b>	<b>2016</b>
Advances to Contractors	97,936.80	-
<b>Total</b>	<b><u>97,936.80</u></b>	<b><u>-</u></b>

<b>Note 8 - Investments</b>	<b>2017</b>	<b>2016</b>
Other Investments	49,512.75	-
<b>Total</b>	<b><u>49,512.75</u></b>	<b><u>-</u></b>

At December 31, 2017, 735,942.00 of total inventory was carried at fair value

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.

<b>Note 9. Property, Plant and Equipment</b>	<b>2017</b>	<b>2016</b>
Land	3,142,759.25	3,008,359.25
Land Improvements	2,462,142.56	2,377,135.36
Accumulated Depreciation-Land Improvements		
<b>Net Book Value</b>	<b><u>5,604,901.81</u></b>	<b><u>2,377,135.36</u></b>

Office Buildings	65,658,197.45	9,870,985.48
Accumulated Depreciation-Office Buildings	5,914,557.04	6,975,164.45
Net Book Value	<b><u>59,743,640.41</u></b>	<b><u>2,895,821.03</u></b>
Hospitals & Health Center	9,644,916.29	
Accumulated Depreciation-Hospital & Health Center		
Net Book Value	<b><u>9,644,916.29</u></b>	
Markets	10,045,402.24	
Accumulated Depreciation-Markets	2,025,402.24	
Net Book Value	<b><u>8,020,000.00</u></b>	
Office Equipment	1,435,118.98	1,352,118.98
Accumulated Depreciation-Office Equipment	1,277,118.98	1,218,393.98
Net Book Value	<b><u>158,000.00</u></b>	<b><u>133,725.00</u></b>
Furniture and Fixtures	2,769,394.00	1,904,859.00
Accumulated Depreciation-Furniture and Fixtures	1,380,308.00	1,130,308.00
Net Book Value	<b><u>1,389,086.00</u></b>	<b><u>774,551.00</u></b>
I.T Equipment and Software	2,302,346.32	2,096,788.32
Accumulated Depreciation-I.T Equipment	1,977,288.32	1,762,388.83
Net Book Value	<b><u>325,058.00</u></b>	<b><u>334,399.49</u></b>

I.T Equipment and Software	2,302,346.32	2,096,788.32
Accumulated Depreciation-I.T Equipment	<u>1,977,288.32</u>	<u>1,762,388.83</u>
Net Book Value	<u><b>325,058.00</b></u>	<u><b>334,399.49</b></u>
Machineries	7,447,312.45	7,447,312.45
Accumulated Depreciation-Machineries	<u>5,683,012.84</u>	<u>5,241,747.78</u>
Net Book Value	<u><b>1,764,299.61</b></u>	<u><b>2,205,564.67</b></u>
Communication Equipment	388,287.00	253,377.00
Accumulated Depreciation-Communication Equipment	<u>253,377.00</u>	<u>238,188.00</u>
Net Book Value	<u><b>134,910.00</b></u>	<u><b>15,189.00</b></u>
Medical Equipment	4,750.00	
Accumulated Depreciation-Medical Equipment	<u>                    </u>	<u>                    </u>
Net Book Value	<u><b>4,750.00</b></u>	<u>                    </u>
Other Machineries & Equipment	284,021.00	282,421.00
Accumulated Depreciation-Other Machineries & Equipment	<u>                    </u>	<u>13,650.00</u>
Net Book Value	<u><b>284,021.00</b></u>	<u><b>268,771.00</b></u>
Motor Vehicles	2,866,566.25	2,866,566.25
Accumulated Depreciation-Motor Vehicles	<u>2,729,018.50</u>	<u>2,729,018.50</u>
Net Book Value	<u><b>137,547.75</b></u>	<u><b>137,547.75</b></u>



Other Property Plant & Equipment	299,650.20	349,162.95
Accumulated Depreciation-Other Property Plant & Equipment	<u>295,550.20</u>	<u>295,550.20</u>
Net Book Value	<u><b>4,100.00</b></u>	<u><b>53,612.75</b></u>
<b>Total PPE</b>	<u><b>87,215,230.87</b></u>	<u><b>12,204,676.30</b></u>

<b>Note 10. LIABILITIES</b>	<b>2017</b>	<b>2016</b>
<i>Payable Accounts</i>		
Accounts Payable	810,645.62	914,912.10
Due to Officers and Employees	1,043,595.97	1,224,721.00
Interest Payable		
Other Payables		218,281.84
Loans Payable Domestic		1,665,452.83
	<u><b>1,854,241.59</b></u>	<u><b>4,023,367.77</b></u>

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 0.00.

<i>Inter-Agency Payables</i>	<b>2017</b>	<b>2016</b>
Due to BIR	168,929.07	502,819.58
Due to GSIS	31,038.19	303,992.17
Due to PAG-IBIG	(189.54)	46,154.20
Due to PHILHEALTH	128,287.73	127,975.23
Due to Other NGA's	31,778,784.04	1,423,771.18
Due to Other GOCC's	340,209.64	12,016.03
Due to LGU's	1,459,056.80	1,347,831.76
<b>Total</b>	<u><b>33,906,115.93</b></u>	<u><b>3,764,560.15</b></u>

The first four accounts represents the amount deducted from the salaries of officials and employees and is remitted to the respective government Agencies immediately on the month following the month for which these were deducted.

While the remaining accounts represents balances of funds received by the LGU for specific purposes.

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

	<b>2017</b>
Implementation in Recovery Assistance (RAY 1) Project Batch 2 Barangay Facilities.	190,018.28
Construction of RHU Building (DOH-Region VIII)	(21,773.24)
Emergency Shelter Assistance (ESA)	20,000.00
GAPS/ESA	60,000.00
DA-RO-8 Yolanda Rehab./Construction Program (YRRP)	17,227,839.00
DILG-Assistance to Municipality	14,180,000.00
DSWD-RO-8 Social Pension	72,000.00
DSWD-RO-8 CBLA	50,700.00
	<u><b>31,778,784.04</b></u>
 Trust Liabilities	
Trust Liabilities-Disaster Risk Reduction and Management Fund	5,944,434.67
 Bail Bonds Payable	3,418,096.66
Guarantee/Security/Deposits Payable	140,300.00
Other Payables	196,253.28
<b>Total</b>	<u><b>9,699,084.61</b></u>

**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)	728,281.74
21.2 Disaster Preparedness Fund (70% of the LDRRMF)	1,699,324.06
<b>Total</b>	<u><b>2,427,605.80</b></u>

***Deferred Credits/Unearned Income***

Deferred Credits	
Other Deferred Credits	87,000.00
<b>Total</b>	<u><b>87,000.00</b></u>

**Note 11 - Tax Revenue*****Tax Revenue-Individual and Corporation***

Community Tax 103,458.85

***Tax Revenue-Property***

Real Property Tax 83,775.79

Special Education Tax 104,719.71

Real Property Tax Transfer

***Tax Revenue-Goods and Services***

Business Tax 216,235.99

Tax on Delivery Trucks &amp; Vans 2,575.00

***Tax Revenue-Others***

Other Taxes 120,240.00

Fines and Penalties 22,277.81

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**653,283.15**

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***Share from National Taxes***

Share from Internal Revenue Collection 47,276,799.00

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**Total 47,276,799.00**

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**Note 12 - Service and Business Income****2017*****Service Income***

Permit Fees 204,992.25

Registration Fees 47,250.00

Clearance and Certificate Fees 64,027.96

Occupation Fees

Fees for Sealing and Licensing of Weights &amp; Measures 5,100.00

***Business Income***

Parking Fees 9,760.00

Slaughterhouse Operation 2,200.00

Sales Revenue 81,058.00

Garbage Fees 13,725.00

Interest Income 33,954.84

Other Business Income 1,009,395.00

Municipal Share (Coconut

Cutting) 6,180.00

***Subsidy Income***

Grants &amp; Donations in Kind 75,445,000.00

**Total**

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**76,922,643.05**

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**Note 13 - Employee Costs*****Personal Services***Salaries and Wages-  
Regular

15,170,431.00

***Other******Compensation***Personal Economic Relief allowance  
Representation Allowance  
Transportation Allowance  
Clothing/Uniform Allowance  
Subsistence Allowance  
Productivity Incentive Allowance  
Hazard Pay  
Year-End Bonus  
Cash Gift  
Other Bonuses and Allowances1,014,000.00  
1,239,000.00  
1,239,000.00  
210,000.00  
112,200.00  
210,000.00  
144,856.00  
2,492,027.00  
210,000.00***Personnel Benefit******Contribution***Retirement and Life Insurance Premiums  
Pag-ibig Contribution  
Philhealth Contribution  
Employees Compensation Insurance1,725,958.92  
50,400.00  
143,775.00  
47,831.52***Other Personnel******Benefits***Terminal Leave Benefits  
Other Personnel Benefits2,025,507.90  
10,000.00**Total**26,044,987.34**Note 14 - Maintenance and Other Operating Expenses*****Travelling Expenses***

Travelling Expenses-Local

2,787,125.46

***Training and Scholarship Expenses***

Training Expenses

741,379.00

***Supplies and Materials Expenses***Office Supplies Expenses  
Accountable Forms Expenses  
Fuel, Oil and Lubricant  
Expenses  
Other Supplies and Materials  
Drugs and Medicines  
Agricultural & Marine  
Supplies252,693.44  
66,551.50  
479,171.30  
423,867.21  
294,166.00  
49,934.00***Utility Expenses***

Electricity Expenses

1,309,545.26

Postage and Courier Services	1,150.00
<b><i>Communication Expenses</i></b>	
Telephone Expense	384,000.00
Internet Subscription Expenses	4,895.36
Prizes	203,000.00
Advertising Expenses	17,716.00
Rent Expenses	130,000.00
Representation Expenses	1,009,457.00
<b><i>Confidential, Intelligence and Extraordinary Expenses</i></b>	
Confidential Expenses	50,000.00
<b>Total</b>	<b><u><u>8,204,651.53</u></u></b>

**Contracted Services**

***Professional Services***

Auditing Services	
Other General Services	4,498,362.82
Other Professional Services	53,700.00
<b>Total</b>	<b><u><u>4,552,062.82</u></u></b>

**Repair & Maintenance**

Repair & Maintenance-Land and Land Improvements	1,367,104.10
Repair & Maintenance-Buildings and Other Structure	67,650.00
Repair & Maintenance-Machinery and Equipment	99,314.25
Repair & Maintenance-Transportation Equipment	255,919.04
Repair & Maintenance-Furniture and Fixtures	8,580.00
Repair & Maintenance-Other Property Plant and Equipment	
Repair & Maintenance- Infrastructure Assets	
<b>Total</b>	<b><u><u>1,798,567.39</u></u></b>

**Financial Assistance/Subsidy**

Subsidy to NGAs	
Subsidy to Local Government Units	937,260.00
<b>Total</b>	<b><u><u>937,260.00</u></u></b>

**Transfer**

Transfer of Unspent Current Year DRRM Funds to the Trust Fund	1,735,150.95
Transfer for Project Equity Share	6,000,000.00
<b>Total</b>	<b><u><u>7,735,150.95</u></u></b>

<b>Taxes, Insurance Premiums and Other Fees</b>	
Taxes, Duties and Licenses	68,490.00
Fidelity Bond Premiums	173,175.75
<b>Total</b>	<b>241,665.75</b>

<b>Other Maintenance and Operating Expenses</b>	
Representation Expenses	
Rent/Lease Expenses	
Donations	202,000.00
Other Maintenance and Operating Expenses	183,000.00
<b>Total</b>	<b>385,000.00</b>

<b>Note 15 - Financial Expenses</b>	
Interest Expenses	70,546.72
Other Financial Charges	31,839.78
Guarantee Fees	
<b>Total</b>	<b>102,386.50</b>

<b>Note 16 - Non-Cash Expenses</b>	
<b><i>Depreciation and Amortization</i></b>	
Depreciation-Buildings and Other Structure	964,794.83
Depreciation-Machinery and Equipment	730,078.55
Depreciation-Transportation Equipment	
Depreciation-Furniture, Fixtures and Books	250,000.00
Inventory Loss (Bagsakan Center Typhoon Yolanda)	
<b>Total</b>	<b>1,944,873.38</b>
Cost of Sale	79,058.00

## PART II – DETAILED FINDINGS AND RECOMMENDATIONS

### SIGNIFICANT ACCOMPLISHMENTS OF THE LGU:

The Municipality has the following significant accomplishments for the year:

1. Launched the Canhugas Nature Park
2. Construction of San Isidro Brgy. Road
3. Construction of Nagaja brgy. Road
4. Construction of Brgy. Padang Pathwalk
5. Construction of Carmen Brgy. Road
6. Construction of Poblacion 01, Brgy. Road
7. Construction of Brgy. Batang FMR
8. Construction of Poblacion 03, Drainage canal with cover
9. Concreting of Nagaja-Cancilides FMR
10. Construction of Cancilides Community Learning Center
11. Construction of Garawon Footbridge
12. Construction of Cancilides Brgy. Road
13. Construction of Poblacion 02, Brgy. Road
14. Construction of Garawon Brgy. Road
15. Construction of Poblacion 04, Brgy. Road
16. Construction of Poblacion 4 Brgy. Road

#### A. Financial and Compliance Audit

1. **The OIC-Municipal Treasurer did not submit duly accomplished payrolls, liquidation reports and report of disbursements totaling P544,493.03 to the office of the Audit Team, thus, financial statement balances for Advances for Payroll of P 221,505.34 and Advances to Special Disbursing Officer of P 191,885.75 is unreliable.**

Paragraph 7.1.1 of COA Circular No. 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 No. 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 No. 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 No. 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 No. 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.

Audit of the Advances for Payroll account disclosed that, for the year, total cash advances for payroll granted to the OIC-Mun. Treasurer amounted to P 13,747,069.12, inclusive of beginning balance for 2016 of P 211,735.33. And total submitted payrolls amounted only to P13,083,400.76. Balance for the account, per audit, is P663,668.36, and balance per financial statements is P221,505.34, showing a difference of P442,163.02. (Annex D)

Also, total Advances to Special Disbursing Officer for the year amounted to P1,013,458.02, inclusive of beginning balance for 2016 of P185,405.75 and submitted payrolls/liquidations totaled P 735,492.27, leaving a balance of P277,965.75. However, financial statements only showed a balance for this account of P191,885.75, showing a difference of P 86,080.00. (Annex E)

Also disclosed during the audit was the non-submission of liquidation by the disbursing officer regularly, which caused the accumulation of his unliquidated cash advances up to P544,493.03. Records of the office of the audit team disclosed that the OIC-Municipal Treasurer transmitted his liquidation/payrolls for the entire year only once, on January 9, 2018.

The team emphasizes that this audit observation is a reiteration of prior years' observation. 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 No. 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.

Thus, the accounts Advances for Payroll and Advances to Disbursing Officer is unreliable.

**We recommended that the Local Chief Executive direct the:**

- a. OIC-Municipal Treasurer submit immediately to the Municipal Accountant all liquidation for the outstanding cash advances and submit regularly report of disbursements and liquidation;**
- b. Municipal Accountant support the credits made to the accounts with complete documentation and supporting schedules, and submit the same to the audit team;**
- c. Concerned Municipal officials and employees to adhere strictly to COA Circular 1997-002.**

Management agreed to comply with the audit recommendation, which the audit team will closely monitor monthly.

This is without prejudice to the issuance of Notice of Suspension or Notice of Disallowance.

- 2. Expenditures on fuel, oil and lubricants amounting to P485,631.99 were paid thru reimbursement, including expenses that were incurred in 2016 amounting to P16,647.00 of which were charged against the current year's appropriation contrary to Section 10 and 48 of 2016 Revised IRR of RA No. 9184 and 199 of PD No. 1445, thus, may be deemed doubtful as to their validity and propriety and unnecessarily depleted the current year's budget.**

Section 10 of the 2016 Revised Implementing Rules and Regulations of RA No. 9184 states that all procurement shall be done through competitive bidding.

Section 48 of the same regulation also states that the Alternative Methods of Procurement are (1) Limited Source Bidding, (2) Direct Constructing, (3) Repeat Order, (4) Shopping and (5) Negotiated Procurement.

Furthermore, Section 199 of PD No. 1445 provides: "Accounting for obligation and expenditures – All lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year."

Audit of expenditures disclosed that management resorted to reimbursement on some of their purchases (see Annex F). This method of

procurement is not included in the alternative methods of procurement as stated in Section 10 and 48 of 2016 Revised IRR of RA No. 9184.

Moreover, audit also showed that during the year, expenditures of the municipality pertaining to CY 2016 fuel, oil and lubricants were paid out of the CY 2017 funds. The payment of prior year's expenses out of the current year's appropriation is contrary to Sec. 199 of PD No. 1445 and unnecessarily depleted the current year's budget by P16,647.00. The municipality should have included these in their Accounts Payable as of December 31, 2016.

**We recommend that the Municipal Mayor require the Municipal Accountant and Municipal Treasurer to refrain from paying expenditures thru reimbursement and prior year's expenses out of the current year's appropriation.**

Management agreed to comply with the audit recommendation.

This is without prejudice to the issuance of Notice of Suspension or Notice of Disallowance.

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

- 3. The municipality included in its 20% Development Fund PPAs amounting to P6,505,359.80 or 68.80% of the total appropriations of P9,455,359.80, which are not investment, nor capital expenditures such as administrative expenses, personal services, and maintenance expense, thereby depriving its constituents and the municipality of the socio-economic and environmental benefits which could have resulted if the guidelines on the appropriation and utilization of the fund was followed.**

Section 2, General Policies of the DILG-DBM JMC No. 2017-1, states that pursuant to Section 187 of the Local Government Code, every LGU shall appropriate no less than 20% of its budget for development projects which 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.

Furthermore, the same section also provides that all projects to be funded shall contribute to the attainment of desirable socio-economic development and environmental management outcomes and shall partake the nature of investment or capital expenditures (Underscoring supplied).

Whereas Sections 3.1 to 3.3 enumerated the expenditures chargeable to the 20% Development Fund, while Section 4 itemized the expenditures **not** chargeable to the allocated budget.

The Department of Budget and Management defines Capital Expenditures or Capital Outlays as appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Government, including investments in the capital stock of GOCCs and their subsidiaries (Underscoring supplied, taken from the DBM Glossary of Terms).

For CY 2017, the Local Government Unit properly appropriated a total of P9,455,359.80 in allocation for the various development projects to be undertaken by the municipality. While P7,935,920.99 had been available from continuing appropriations and supplemental budget for the year, resulting to total available appropriations of P 17,391,280.79. Audit of the 20% Development Fund revealed that the municipality disbursed P14,886,114.37 for the year, or 85.59% of the total available appropriations of the 20% DF.

However, the LGU included in the fund various expenditures which are not investment nor capital in nature. Among the various activities charged under the said budget were administrative expenses, maintenance of administrative buildings, support fund for RHU operations and MSWD operations, distribution of medicines, petroleum products for equipment used in agriculture services, distribution of agricultural supplies, among others.

It has to be noted that the 20% Development Fund is that part of the budget which is allocated for PPAs intended to promote social, economic and environmental development. The PPAs to be included in the subject fund are clearly set forth in the DILG-DBM JMC No. 2017-1 which sets the guidelines in the appropriation and utilization of the fund. Hence, administrative expenses and several of the items included in the PPAs for the 20% development fund is irregular, and disallowable in audit. (Annex G)

**We recommended that the Local Chief Executive direct the:**

- a. Municipal Planning and Development Coordinator to consider the provisions in DILG-DBM Joint Memorandum Circular No. 2017-1 in the formulation of the LGU's Annual Investment Plan;**
- b. Mun. Engineer to participate in the formulation of the AIP and include PPAs which are investment or capital expenditures; and,**
- c. Municipal Budget Officer to appropriate only those PPAs in the 20% Development Fund which are allowed per DILG-DBM Joint Memorandum Circular No. 2017-1.**

The LCE committed to coordinate with the MBO, ME and MPDC to comply with the proper appropriation and utilization of the Fund.

This is without prejudice to the issuance of Notice of Suspension or Notice of Disallowance.

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

- 4. The LGU failed to properly manage its solid waste due to (a) non-preparation of the 10-year Solid Waste Management Plan and (b) non-establishment of Material Recovery Facility in all barangays as required in Section 16 and Section 32 of RA No. 9003, hampers the efficient and effective implementation of the waste segregation and disposal program.**

Section 16 of Republic Act No. 9003, otherwise known as The Ecological Solid Waste Management Act of 2000 states that 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.”

And Section 32 provides that there shall be established Materials Recovery Facility (MRF) in every barangay or cluster of barangays. The facility shall be established in a barangay-owned or leased land or any suitable open space to be determined by the barangay through its Sanggunian. For this purpose, the barangay or cluster of barangays shall allocate a certain parcel of land for the MRF. The MRF shall receive mixed waste for final sorting, segregation, composting, and recycling. The resulting residual wastes shall be transferred to a long term storage or disposal facility or sanitary landfill.”

Verification disclosed that despite our prior year’s recommendation, the LGU still failed to prepare the 10-year Solid Waste Plan which should have been prepared year 2001 when this act took effect. According to the concerned officials, that it is still on going and just lack some data for it to be finished.

Moreover, waste segregation is a vital step in reducing the volume of solid waste for collection and disposal. Therefore, establishment of an MRF as mandated in the aforementioned provision of law is very necessary to attain the Municipality’s objective for an efficient collection and disposal of solid wastes generated within its jurisdiction through sorting and recycling. This major activity in solid waste management provides additional measure to mitigate health risks, not to mention the livelihood opportunity it may create for its constituents and the contribution in conserving and protecting the environment.

Our visit to the municipality reveal that only 6 out of the 13 barangays were able to establish an MRF but still were not functional as of December 31, 2017. The inadequate efforts of the barangay officials concerned and the

management in the establishment of functional facilities for waste segregation, compromise the successful implementation of the Municipality's solid waste management program and the attainment of the goals and objectives of the Ecological Solid Waste Management Act.

**We recommended that the management finish the preparation of the 10-year Solid Waste Plan and coordinate with the concerned barangays to prioritize and facilitate the establishment of functional MRFs as required under Sections 16 and 32 of RA No. 9003, to help achieve an efficient and effective implementation of the waste segregation and disposal program.**

During the exit conference, the MPDC submitted the 10-year SWM Plan and committed to implement the same, especially the prioritization of the establishment of the MRFs and the monitoring of waste at source.

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

- 5. The Local School Board failed to prepare and furnish Special Education Fund (SEF) budget to the management and also, failure of the Municipal Treasurer to transfer the collected SEF share amounting to P516,581.08 to its depository account, hence, was not utilized thereby defeating the purpose for which it was intended in contrary to Section 5.2 of DepEd-DBM-DILG Joint Circular No. 01, s. 2017, Sections 272 and 310 of Republic Act No. 7160.**

Section 5.2 of DepEd-DBM-DILG Joint Circular No. 01, s. 2017 states that the Local School Board in each province, city, or municipality shall be responsible for the preparation and approval of the annual budgetary requirements of the public schools based on the DepEd-approved School Improvement Plan (SIP) and Division Education Development Plan (DEDP) in the implementation of Early Childhood Care and Development (ECCD) Program, kindergarten, elementary and secondary, formal and non-formal education programs, chargeable to their respective SEFs.

Section 272 of Republic Act No. 7160 states that the proceeds from the additional one percent (1%) tax on real property accruing to the Special Education Fund (SEF) shall be automatically released to the local school boards: Provided, That, in case of provinces, the proceeds shall be divided equally between the provincial and municipal school boards: Provided, however, That the proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the Local School Board.

And Section 310 states that local accountants and treasurers shall maintain separate books and depository accounts, respectively, for each fund in

their custody or administration under such rules and regulations as the Commission on Audit may prescribe.

Our review of the SEF account shows that the Municipality had no disbursements for the year because the Local School Board failed to prepare and furnish its annual budget to the management as basis for the expenses, thus, defeated the purpose to augment the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development.

Moreover, the SEF Statement of Financial Position shows an accumulated receivable amounting to P516,581.08, an indication that the Municipal Treasurer failed to transfer the SEF share to its depository account.

**We recommended the management to require the LSB to prepare and furnish the municipal budget officer, accountant and treasurer a copy of the SEF Budget as basis for disbursement or certification of availability of funds and for recording purposes.**

Management committed to call all the members of the LSB to discuss the audit observation and comply with related laws, rules and regulations on SEF.

**E. Audit of 1% of IRA for the Strengthening of Local Council for the Protection of Children**

- 6. The Management failed to appropriate 1% of its Internal Revenue Allotment (IRA) for the strengthening and implementation of the programs, projects and activities of the Local Councils for the Protection of Children (LCPC), but instead was integrated in the different programs of MSWDO and MHSO amounting to P919,446.19, which is not in compliance with the DILG Memorandum Circular No. 2012-120 and Section 15 of RA No. 9344 and Section 4.0 of the DILG and DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.**

Section 15, of the Republic Act No. 9344, known as the “Juvenile Justice and Welfare Act of 2006” mandates LGUs to establish their respective Local Councils for the Protection of Children (LCPC) at the City, Municipality and Barangay Levels and allocate 1% of Internal Revenue Allotment for its strengthening and implementation of programs, projects and activities.

DILG Memorandum Circular No. 2012-120 states that all Local Chief Executives and others concerned are hereby enjoined to appropriate in the LGUs Annual Budget one percent (1%) of its internal revenue allotment (IRA) as required by RA No. 9344.



The LGUs may increase allocation for LCPC from the 1% requirement of RA 9344 to ensure that all plans for children are provided with funds and implemented. LGUs are likewise encouraged to outsource funds or to engage in partnership with private organizations, establishment and entities that provide financial assistance for the implementation of LCPC programs, projects and activities. The abovementioned undertakings may likewise be charged against the 20% Development Fund of the LGUs as mandated by Section 287 of the Local Government Code, particularly in the realization of the goals for social development of the community.

Comparison of the Programs, Projects and Activities (PPAs) that can be funded by the 1% IRA for the strengthening of LCPC and the Programs, Projects and Activities conducted by Management is shown below:

<b>The Programs, Projects and Activities (PPAs) that can be funded by the 1% IRA for the strengthening of LCPC are the following:</b>	<b>The Programs, Projects and Activities (PPAs) conducted by Management</b>	<b>Cost Incurred as of December 31, 2017</b>
1. Preparation of : a. Council's Annual Work and Financial Plan prioritized according to needs for integration in the local development plan; b. Local Development Plan for Children (LDPC); c. Local Investment Plan for Children (LIPC); d. Local Code for Children (LCC) for provinces, cities and municipalities while ordinances for children at the barangay level; e. Local State of Children's Report (LCSR); f. Children's Profile; and g. Responsive ordinances and policies consistent with the child-friendly commitments.	Purchase of Drugs and Medicines P300,000.00  Primary Health Care & Field Services 60,000.00  Municipal Nutrition Program 89,446.19  Day Care Operation Support Fund 470,000.00  Total <u>P 919,446.19</u>	P 294,144.00  0.00  20,000.00  467,000.00  <u>P</u> <u>781,144.00</u>
2. Conduct of: a. Advocacy activities on the promotion of the rights and welfare of children; b. Capability building activities for all stakeholders on children; and c. Regular and special meetings of the Council.		
3. Establishment, maintenance and updating date base on children;		

4. Assistance to Children in Need of Special Protection (CNSP) and referral of cases filed against child abusers to concerned agencies/institutions;		
5. Assistance to Children in Need of Special Protection (CNSP) and referral of cases filed against child abusers to concerned agencies/institutions;		
6. Development of advocacy materials on children;		
7. Installation of local information system on children's situation;		
8. Documentation of good practice/s on children;		
<p>9. Monitoring of the enforcement of national and local laws on children and assessment of PPAs on children being undertaken by the LGUs in their respective localities which shall include among others, the following:</p> <ul style="list-style-type: none"> <li>a. Establishment, improvement and maintenance of the standard day care centers, and recruitment of trained day care workers, etc.;</li> <li>b. Elimination of all forms of child abuse;</li> <li>c. HIV/AIDS prevention;</li> <li>d. Implementation of the intervention and diversion programs for CICL as provided for in Section 18 of RA 9344;</li> <li>e. Institutionalization of health and nutrition programs (i.e. immunization, salt iodization, feeding programs, micronutrient supplementation, etc);</li> <li>f. Provision of maternal and post natal care;</li> <li>g. Construction and maintenance of community infrastructure like children's playground, library and youth centers, etc.;</li> <li>h. Strengthening the family through parental care and guidance, family week celebration and parent education;</li> <li>i. Provision of potable water supply;</li> <li>j. Provision of services and programs that respond to the special needs, interest and concerns of children and offer appropriate counselling and guidance to these children and their families; and</li> </ul>		

k. Training/capacity building of service providers for children and LCPC members.		
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Our review of the LGU’s Annual Budget shows that there was no amount appropriated for the strengthening and implementation of the programs, projects and activities of the LCPC equivalent to one percent (1%) of the IRA, but instead was integrated in the different programs of MSWDO and MHSO amounting to P781,144.00 as shown in the table above.

Moreover, LGU failed to create membership in the LCPC which shall be chosen from among the responsible members of the community, including a representative from the youth sector, as well as representatives from the government and private agencies concerned with the welfare of children and the local council shall serve as the primary agency to coordinate with and assist the LGU concerned for the adoption of a comprehensive plan on the delinquency prevention and oversee the proper implementation.

Hence, comparison of the PPAs that can be funded by the 1% IRA for the strengthening of LCPC with the PPAs conducted by Management shows that only several activities were implemented in CY 2017 compared to the PPAs that can be funded by the 1% IRA. Also, most of the fund went to the Day Care Operations Support Fund amounting to P467,000.00 or 59% of the total fund.

**We recommended that management to appropriate 1% of its Internal Revenue Allotment (IRA) for programs, projects and activities of the Local Councils for the Protection of Children (LCPC).**

Management agreed to consider the audit recommendation in its preparation of the Annual Budget for 2019.

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

The municipality properly appropriated P2,420,089.95 for the LDRRMF of the current year. Prior Years’ continuing appropriations totaled P4,219,283.72. Total available appropriations amounted to P6,639,373.67.

For 2017, the municipality utilized P694,939.00 for rentals, trainings and various DRRM supplies. Balances of appropriations amounted to P5,944,939.00. (Annex H)

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

The municipality incorporated the GAD related PPAs in the 20% development fund. Total appropriations amounted to P 1,903,303.74.

Utilizations for the year amounted to P 875,237.74. Balance of appropriations amounted to P 1,028,066.00.

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

The Municipality has not obtained any loan for CY 2017. The loan granted on March 2008 from Development Bank of the Philippines for the Rehabilitation and construction of Carmen-San Isidro-Canciledes FMR was already fully paid by December 31, 2017.

#### **I. Compliance with Tax Laws**

For CY 2017, 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 P3,118,223.26 and remitted P3,033,223.26. Unremitted balances as of year-end were duly remitted on 2018.

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

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

#### **K. 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, 2017 amounted to P2,272,537.62. For details, please see Annex J.

	Beginning Balance (As of January 1, 2017)	This Period January 1 to December 31, 2017		Ending Balance (As of December 31, 2017)
		NS/ND/NC	NSSDC	
Notice of Suspension	2,905,137.62	0.00	632,000.00	2,272,537.62
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>2,905,137.62</b>	<b>0.00</b>	<b>632,000.00</b>	<b>2,272,537.62</b>

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

Of the nineteen (19) audit recommendations embodied in the CY 2016 Audit Report, ten (10) was implemented, two (2) were partially implemented and seven (7) was not implemented by management.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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 payroll, 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.</p>	<p>We recommend that the:</p> <ul style="list-style-type: none"> <li>• OIC-Municipal Treasurer submit immediately to the Municipal Accountant all liquidation for the outstanding cash advances;</li> <li>• Municipal Accountant support the credits made to the accounts with complete documentation and supporting schedules, and submit the same to the audit team;’</li> <li>• Concerned agency officials and employees adhere strictly to the rules and</li> </ul>	<p>AAR 2016</p>		<p>Not Implemented</p>	<p>OIC-MTO still does not submit his Report of Disbursements and supporting documents to the Mun. Accountant regularly. This is reiterated in Part II of this Report.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	regulations on cash advances.				
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.	AAR 2016		Implemented	
The 2016 Annual Investment Program (AIP) did not include the details of PPAs funded out of the 20%	We recommend that: • The Municipal Planning and Development	AAR 2016		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>t 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.</p> <ul style="list-style-type: none"> <li>The Local Chief Executive ensures the efficient implementation of the PPAs.</li> </ul>				
<p>The LGU incorporated the cost of implementation of GAD activities in its</p>	<p>We recommend the:</p> <ul style="list-style-type: none"> <li>Budget Officer to</li> </ul>	<p>AAR 2016</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>20% allocation for Development Projects, thereby compromising the 20% Development Fund for other projects that may be funded by it.</p>	<p>make a separate appropriation for the GAD activities in the Annual Budget and submit written justifications on the deficiency; and,</p> <ul style="list-style-type: none"> <li>• LCE to issue policies/and or directives that support gender mainstreaming in the policies, plans, PPAs and services of the LGU;</li> </ul>				
<p>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</p>	<p>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.</p>	<p>AAR 2016</p>		<p>Implemented</p>	



Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>Philippine Public Sector Accounting Standards (PPAS), thus, making it difficult for the Municipal Accountant to reconcile of what accounts to be recognized.</p>					
<p>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.</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• The BAC to 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.</li> <li>• The Head of Procuring Entity enters into contract with the winning bidder only if all the documentary</li> </ul>	<p>AAR 2016</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	requirements are complied with.				
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.	AAR 2016		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 inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related	We recommend that the Local Chief Executive require the Municipal General Services Officer to submit the Physical Inventory report of the PPE every year as mandated by law, and to maintain and update the property cards and reconcile the records with the Accountant.	AAR 2015		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
records/documents					
<p>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.</p>	<p>We recommend that the Local Chief Executive should immediately require the Municipal Treasurer to submit immediately all Report of Disbursements with its supporting documents to the Audit Team for verification purposes. Henceforth, management should ensure that the provisions of Section 7.2.1(a) of COA Circular No. 2009-006 and Section 347 of RA 7160 are strictly adhered to through regular and close supervision of all concerned personnel/officers.</p>	AAR 2015		Not Implemented	<p>Management continued to grant cash advances to the Municipal Treasurer despite his failure to liquidate previous cash advances, Thus, Reiterated in this Report.</p>
Disbursement Vouchers with the supporting	Direct the LGU officials concerned to	AAR 2015		Partially Implemented	Management submitted some of the

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>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.</p>				<p>required documents, however some of them are still not submitted to the audit team.</p>
<p>Disbursements for Electric bills, Pre-payments for Intelligence Expense and Repairs and Maintenance of Office Buildings totaling P864,583.77 were paid from the LGU's 20% Economic</p>	<p>Stop the practice of charging the Electricity expense, Intelligence Expense, Repairs and Maintenance of administrative offices and other expense items not related to development</p>	<p>AAR 2015</p>		<p>Not Implemented</p>	<p>Various administrative expenses are still appropriate in the 20% DF, thus reiterated in this Report.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
Development Fund, which were not included as allowable priority projects of such fund, thus the objective of the established fund was not totally attained.	projects to the 20% Development Fund, so that the objectives of the Fund could be fully attained.				
Solid waste management in the locality was not implemented by the Municipality contrary to the Ecological Solid Waste Management Act of 2000 or R. A. 9003, thus the objectives of the program was not totally attained.	We recommend that management immediately implement the Ecological Solid Waste Management Act of 2000 by including it in the Annual Budget. Create the Management Solid Waste Management Board and coordinate with the Provincial Solid Waste Management Board for the related programs and projects to be undertaken.	AAR 2015		Not Implemented	Management has not yet closed its open dump site. Thus, the audit observation is reiterated in this Report.
Various disbursements totaling P1,526,377.45 were not adequately supported with	Require the Municipal Treasurer and the OIC Municipal Accountant to submit	CY 2014		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>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.</p>				
<p>The existence and validity of Property, Plant &amp; Equipment (PPE) accounts totaling ₱27,517,229.80 as of December 31, 2012, could not be established due to the failure of management to conduct the annual physical count of its properties, contrary</p>	<p>Create a committee to conduct the annual physical count of all PPE and to prepare and submit the RPCPPE;  Direct the Municipal Accountant to reconcile the PPE account ledger</p>	<p>AAR, CY 2012, 2011</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
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.	balances with that of the RPCPPE; and  Direct the Municipal Accountant and/or Property Officer to prepare the I & I report of all Unserviceable Properties prior to the conduct of disposal, if any.				
The accuracy and reliability of the balance of the Cash in Bank – Local Currency, Current Account (LCCA) in the amount of P5,712,482.08 as of December 31, 2012 could not be ascertained due to the non-preparation of the Bank Reconciliation Statements, contrary to Sections 3.2, 3.3 and 3.4 of COA Circular No. 96-011 dated October 2, 1996.	Instruct the Municipal Accountant to prepare and submit monthly bank reconciliation statements in order to present a reliable balance of the Cash in Bank – LCCA account.	AAR, CY 2012		Implemented	
Intelligence and Confidential Funds granted to Mayor Edgar C. Boco, totaling P76,000.00, were immediately taken up as Intelligence	Instruct the Municipal Accountant to reclassify the accounts and make necessary adjusting entry to record the same	AAR, CY 2012		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
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.	as Advances to Officers and Employees.  Adhere strictly to the provisions of COA Circular No. 2003-003 dated July 30, 2003 in the liquidation of the cash advance.				
The total appropriation for personal services exceeded the budgetary limitations by P3,456,603.90 or 18.09% in violation of adequate budget for maintenance and other operating expenses and needed development project.	The Local Chief Executive should limit the appropriations for personal services to 55% of the total annual income from regular sources of the next the municipality and the community as a whole.	AAR, CY 2009		Not Implemented	Of the 18.09% excess from the limitation, it substantially decreased to 4% for the current year, which represents salary of the MDRRMO which is a mandatory position.
Management failed to submit approved copies of contracts/purchase order, and notices of deliveries for additional review and evaluation contrary to the mandates of COA	Copies of the perfected contracts/purchase orders should be submitted within five (5) days after the execution/issuance.	AAR, CY 2009		Partially Implemented	Only contracts for Infrastructure projects are submitted. POs for other procurement are not submitted to



Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
Circular No. 2009-001.					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 Cash Flows

#### **D Audit Working Paper on Advances for Payroll**

#### **E Audit Working Paper on Advances to Special Disbursing Officer**

#### **F Audit Working Paper on Purchases Through Reimbursement**

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

#### **H Audit Working Paper on Local Risk Reduction Management Fund Utilization**

#### **I Audit Working Paper on Gender and Development Appropriations**

#### **J Copy of SADC**

LGU-Hernani, Eastern Samar  
Statement of Financial Position  
General Fund  
As at December 31, 2017  
*With comparative figures for 2016*  
**(In Pesos)**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	50,236,629.54	22,293,471.63
Investments		
Receivables	1,891,728.92	2,619,812.26
Inventories	735,942.00	815,000.00
Prepayments and Deferred Charges	45,436.89	66,528.99
<b>Total Current Assets</b>	<u><b>53,169,186.66</b></u>	<u><b>25,794,812.88</b></u>
<b>Non-Current Assets</b>		
Investments		
Receivables		
Investment Property	49,512.75	
Property, Plant and Equipment	87,180,730.87	12,170,176.30
Biological Assets		
Intangible Assets		
<b>Total Non-Current Assets</b>	<u><b>87,230,243.62</b></u>	<u><b>12,170,176.30</b></u>
<b>Total Assets</b>	<u><u><b>140,139,980.97</b></u></u>	<u><u><b>37,964,989.18</b></u></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Financial Liabilities	1,851,156.84	2,136,548.35
Inter-Agency Payables	33,204,779.04	3,394,156.53
Intra-Agency Payables	213,246.81	155,219.56
Other Liabilities	825,238.36	
Trust Liabilities	5,944,434.67	4,489,815.53
Mortgage/Bonds/Loans Payable		2,650,528.97
Deferred Credits/Unearned Income	(259,449.31)	
<b>Total Current Liabilities</b>	<u><b>42,038,855.72</b></u>	<u><b>12,826,268.94</b></u>
<b>Non-Current Liabilities</b>		
Financial Liabilities		4,939,666.00
Provision		
Other Payables		
<b>Total Non-Current Liabilities</b>	<u><b>-</b></u>	<u><b>4,939,666.00</b></u>
<b>Total Liabilities</b>	<u><u><b>42,038,855.72</b></u></u>	<u><u><b>17,765,934.94</b></u></u>
<b>NET ASSETS/EQUITY</b>		
Government Equity	<u>98,360,574.56</u>	<u>20,199,054.24</u>
<b>Total Liabilities and Net Assets/Equity</b>	<u><u><b>140,139,980.97</b></u></u>	<u><u><b>37,964,989.18</b></u></u>

LGU-Hernani, Eastern Samar  
Statement of Financial Performance  
General Fund  
For the year ended December 31, 2017  
*With comparative figures for 2016*  
**(In Pesos)**

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Tax Revenue	548,563.44	518,416.25
Share from Internal Revenue Collections	47,276,799.00	41,925,703.00
Other Share from National Taxes Service and Business Income	1,477,643.05	1,019,666.58
Share, Grants and Donations Gains Other Income	75,445,000.00	
<b>Total Revenue</b>	<u><b>124,748,005.49</b></u>	<u><b>43,463,785.83</b></u>
<b>Less: Current Operating Expenses</b>		
Personnel Services	26,044,987.34	23,650,130.01
Maintenance and Other Operating Expenses	16,198,265.49	13,907,701.03
Non-Cash Expenses	1,944,873.38	2,017,129.12
Financial Expenses	102,386.50	140,981.48
<b>Current Operating Expenses</b>	<u><b>44,290,512.71</b></u>	<u><b>39,715,941.64</b></u>
<b>Surplus (Deficit) from Current Operation</b>	<b>80,457,492.78</b>	<b>3,747,844.19</b>
Add (Deduct): Transfers, Assistance and Subsidy from Transfers, Assistance and Subsidy to	7,735,150.95	1,186,243.28
<b>Surplus (Deficit) for the Period</b>	<u><u><b>72,722,341.83</b></u></u>	<u><u><b>2,561,600.91</b></u></u>

LGU-Hernani, Eastern Samar  
Statement of Cash Flows  
General Fund  
For the year ended December 31, 2017  
*With comparative figures for 2016*  
**(In Pesos)**

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
<b>Cash Inflows</b>		
Collection from Taxpayers	2,301,313.56	1,183,429.63
Share from Internal Revenue Allotment	42,276,799.00	41,925,703.00
Receipts from business/service income	14,482,512.84	565,020.00
Interest Income		61,903.60
Other Receipts	22,611,239.83	10,292,615.62
<b>Total Cash Inflows</b>	<b>81,671,865.23</b>	<b>54,028,671.85</b>
<b>Cash Outflows</b>		
Payment of expenses	14,202,288.39	12,897,601.44
Payment to suppliers and creditors	10,053,605.74	4,679,465.31
Payment to employees	16,127,727.03	16,548,843.24
Interest Expense	102,386.50	128,665.15
Other Expenses	11,577,246.83	40,269,226.34
<b>Total Cash Outflows</b>	<b>52,063,254.49</b>	<b>74,523,801.48</b>
<b>Net Cash Flows from Operating Activities</b>	<b>29,608,610.74</b>	<b>(20,495,129.63)</b>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from Sale of Investment Property		
Collection of Principal on loans to other entities		
<b>Total Cash Inflows</b>		
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property		
Grant of Loans		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization	1,665,452.83	876,234.98
<b>Total Cash Outflows</b>	1,665,452.83	876,234.98
<b>Net Cash Flows from Financing Activities</b>	<b>(1,665,452.83)</b>	<b>(876,234.98)</b>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<b>27,943,157.91</b>	<b>(21,371,364.61)</b>
<b>Add: Cash at the beginning of the year</b>	<b>22,293,471.63</b>	<b>43,664,836.25</b>
<b>Cash Balance at the End of the Year</b>	<b>50,236,629.54</b>	<b>22,293,471.64</b>

LGU-Hernani, Eastern Samar  
 Statement of Changes in Net Assets/Equity  
 General Fund  
 As at December 31, 2017  
*With comparative figures for 2016*  
**(In Pesos)**

	<u>2017</u>	<u>2016</u>
<b>Balance at January 1, 2017</b>	20,199,054.24	16,811,977.34
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	5,439,178.49	825,475.99
<b>Restated Balance</b>	<u>25,638,232.73</u>	<u>17,637,453.33</u>
<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	72,722,341.83	2,561,600.91
<b>Total recognized revenue and expenses for the period</b>		
<b>Balance at December 31, 2017</b>	<u><u>98,360,574.56</u></u>	<u><u>20,199,054.24</u></u>

LGU-Hernani, Eastern Samar  
 Statement of Financial Position  
 Special Education Fund  
 As at December 31, 2017  
*With comparative figures for 2016*  
**(In Pesos)**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	70,185.60	-
Investments		
Receivables	516,581.08	411,861.37
Inventories	-	-
Prepayments and Deferred Charges	-	-
<b>Total Current Assets</b>	<u><b>586,766.68</b></u>	<u><b>411,861.37</b></u>
<b>Non-Current Assets</b>		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment	34,500.00	34,500.00
Biological Assets		
Intangible Assets		
<b>Total Non-Current Assets</b>	<u><b>34,500.00</b></u>	<u><b>34,500.00</b></u>
<b>Total Assets</b>	<u><u><b>621,266.68</b></u></u>	<u><u><b>446,361.37</b></u></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Financial Liabilities	3,084.75	3,084.75
Inter-Agency Payables	7,419.18	7,419.18
Intra-Agency Payables	-	-
Deferred Credits/Unearned Income		
<b>Total Current Liabilities</b>	<u><b>10,503.93</b></u>	<u><b>10,503.93</b></u>
<b>Non-Current Liabilities</b>		
Financial Liabilities		-
Other Payables		
<b>Total Non-Current Liabilities</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Total Liabilities</b>	<u><b>10,503.93</b></u>	<u><b>10,503.93</b></u>
<b>NET ASSETS/EQUITY</b>		
Government Equity	610,762.75	506,043.04
<b>Total Liabilities and Net Assets/Equity</b>	<u><u><b>621,266.68</b></u></u>	<u><u><b>516,546.97</b></u></u>

LGU-Hernani, Eastern Samar  
 Statement of Financial Performance  
 Special Education Fund  
 As at December 31, 2017  
*With comparative figures for 2016*  
**(In Pesos)**

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Tax Revenue	104,719.71	81,130.15
Share from Internal Revenue	-	-
Collections	-	-
Other Share from National Taxes	-	-
Service and Business Income	-	-
Share, Grants and Donations	-	-
Gains	-	-
Other Income	-	-
<b>Total Revenue</b>	<u><b>104,719.71</b></u>	<u><b>81,130.15</b></u>
<b>Less: Current Operating Expenses</b>		
Personnel Services	-	-
Maintenance and Other Operating	-	-
Expenses	-	-
Non-Cash Expenses	-	-
Financial Expenses	-	-
<b>Current Operating Expenses</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Surplus (Deficit) from Current Operation</b>	<b>104,719.71</b>	<b>81,130.15</b>
Add (Deduct):		
Transfers, Assistance and		
Subsidy from		
Transfers, Assistance and	-	-
Subsidy to	-	-
<b>Surplus (Deficit) for the Period</b>	<u><u><b>104,719.71</b></u></u>	<u><u><b>81,130.15</b></u></u>



LGU-Hernani, Eastern Samar  
Statement of Cash Flows  
Special Education Fund  
For the year ended December 31, 2017  
*With comparative figures for 2016*

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
<b>Cash Inflows</b>		
Collection from Taxpayers	-	-
Share from Internal Revenue Allotment	-	-
Receipts from business/service income	-	-
Other Receipts	-	-
<b>Total Cash Inflows</b>	<b>-</b>	<b>-</b>
<b>Cash Outflows</b>		
Payment of expenses	-	-
Payment to suppliers and creditors	-	-
Other Expenses	-	-
<b>Total Cash Outflows</b>	<b>-</b>	<b>-</b>
<b>Net Cash Flows from Operating Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from Sale of Investment Property		
Equipment		
Collection of Principal on loans to other entities		
<b>Total Cash Inflows</b>		
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Grant of Loans		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities		
Payment of loan amortization	-	-
<b>Total Cash Outflows</b>	<b>-</b>	<b>-</b>
<b>Net Cash Flows from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Add: Cash at the beginning of the year</b>	<b>70,185.60</b>	<b>70,185.60</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, 2017  
*With comparative figures for 2016*

<b>Balance at January 1, 2017</b>	506,043.04	424,912.89
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	0.00	0.00
<b>Restated Balance</b>	<b>506,043.04</b>	<b>424,912.89</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	104,719.71	81,130.15
<b>Total recognized revenue and expenses for the period</b>		
<b>Balance at December 31, 2017</b>	<b>610,762.75</b>	<b>506,043.04</b>

LGU-Hernani, Eastern Samar  
Statement of Financial Position  
Trust Fund  
As at December 31, 2017  
*With comparative figures for 2016*

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	1,080,970.43	807,701.34
Investments		
Receivables	3,368,024.27	418,655.67
Prepayments and Deferred Charges	52,499.91	-
<b>Total Current Assets</b>	<u><b>4,501,494.61</b></u>	<u><b>1,226,357.01</b></u>
<b>Non-Current Assets</b>		
Investments		
Investment Property		
Property, Plant and Equipment	-	-
Intangible Assets		
<b>Total Non-Current Assets</b>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><b>4,501,494.61</b></u>	<u><b>1,226,357.01</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Financial Liabilities	-	1,139,357.01
Inter-Agency Payables	693,917.71	-
Intra-Agency Payables	791,165.32	-
Other Liabilities	2,929,411.58	
Deferred Credits/Unearned Income		
<b>Total Current Liabilities</b>	<u><b>4,414,494.61</b></u>	<u><b>1,139,357.01</b></u>
<b>Non-Current Liabilities</b>		
Financial Liabilities		-
Deferred Credits/Unearned Income	87,000.00	87,000.00
Provision		
Other Payables		
<b>Total Non-Current Liabilities</b>	<u><b>87,000.00</b></u>	<u><b>87,000.00</b></u>
<b>Total Liabilities</b>	<u><b>4,501,494.61</b></u>	<u><b>1,226,357.01</b></u>
<b>NET ASSETS/EQUITY</b>		
Government Equity	<u>0.00</u>	<u>-</u>
<b>Total Liabilities and Net Assets/Equity</b>	<u><b>4,501,494.61</b></u>	<u><b>1,226,357.01</b></u>

LGU-Hernani, Eastern Samar  
Statement of Cash Flows  
Trust Fund  
As at December 31, 2017  
*With comparative figures for 2016*

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
<b>Cash Inflows</b>		
Collection from Taxpayers	-	-
Receipts from business/service income	-	-
Dividends Income	-	-
Other Receipts	28,553,763.39	1,751,958.00
<b>Total Cash Inflows</b>	<u>28,553,763.39</u>	<u>1,751,958.00</u>
<b>Cash Outflows</b>		
Payment of expenses	-	-
Payment to suppliers and creditors	-	-
Interest Expense	-	-
Other Expenses	28,280,494.30	1,064,274.27
<b>Total Cash Outflows</b>	<u>28,280,494.30</u>	<u>1,064,274.27</u>
<b>Net Cash Flows from Operating Activities</b>	<u>273,269.09</u>	<u>687,683.73</u>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from Sale of Investment Property		
Collection of Principal on loans to other entities		
<b>Total Cash Inflows</b>		
<b>Cash Outflows</b>		
Purchase/Construction of Investment Property		
Grant of Loans		
<b>Total Cash Outflows</b>		
<b>Net Cash Flows from Investing Activities</b>	<u>-</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
<b>Cash Inflows</b>		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
<b>Total Cash Inflows</b>		
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities		
Payment of loan amortization	-	-
<b>Total Cash Outflows</b>	<u>-</u>	<u>-</u>
<b>Net Cash Flows from Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Total Cash Provided by Operating, Investing and Financing Activities</b>	<u>273,269.09</u>	<u>687,683.73</u>
<b>Add: Cash at the beginning of the year</b>	<u>807,701.34</u>	<u>120,017.61</u>
<b>Cash Balance at the End of the Year</b>	<u>1,080,970.43</u>	<u>807,701.34</u>

Municipality of Hernani  
 Audit Working Paper on Advances for Payroll  
 2017

Particulars	Date	Check No.	Cash Advances	Liquidation	Balance
Beginning Balance, 2016			211,735.33		211,735.33
Cash advance salaries and allowances of municipal officials and employees for the month of Jan. 2017	11-Jan-17	938471	308,639.74	308,639.74	211,735.33
Cash advance salaries and allowances of municipal official and employees for the month of Jan. 2017	11-Jan-17	938472	338,069.30	253,296.27	296,508.36
Cash advance for payment of salaries & allowances	17-Mar-17	938603	699,759.09	699,759.09	296,508.36
To cash advance payment for Hazard Pay for the month of July-December 2016	01-Feb-17	938543	81,048.00	81,048.00	296,508.36
Cash advance January 2017 wages of casual employees	21-Mar-17	938700	175,080.00	175,080.00	296,508.36
Cash Advance wages of casual employees for the month of February 2017	21-Mar-17	979516	182,290.00	182,290.00	296,508.36
Cash advance clothing allowance CY 2017	21-Mar-17	979517	210,000.00	210,000.00	296,508.36
Cash advance salaries and allowance	21-Mar-17	979518	350,264.05	350,264.05	296,508.36
Cash advance salaries and allowance	21-Mar-17	979519	294,470.37	294,470.37	296,508.36
CA wages SB casual January 2017	03-Apr-17	979561	31,680.00	31,680.00	296,508.36
CA wages SB casual February 2017	03-Apr-17	979562	32,400.00	32,400.00	296,508.36
CA wages SB casual March 2017	03-Apr-17	979563	37,260.00	37,260.00	296,508.36
CA wages Day Care Worker January 2017	03-Apr-17	979564	38,640.00	38,640.00	296,508.36
CA wages Day Care Worker Febuary 2017	03-Apr-17	979565	36,800.00	36,800.00	296,508.36
CA wages KALAH I staff January 2017	03-Apr-17	979566	130,000.00	130,000.00	296,508.36
Cash advance Salary Differential from Jan-April 2017	11-Apr-17	979580	346,502.09	346,502.09	296,508.36

Municipality of Hernani  
 Audit Working Paper on Advances for Payroll  
 2017

CA wages Day Care Worker March 2017	12-Apr-17	979582	40,480.00	40,480.00	296,508.36
CA wages KALAHI staff January	12-Apr-17	979583	65,000.00	65,000.00	296,508.36
Cash Advance wages of casual employees for the month of March 2017	12-Apr-17	979584	214,930.00	214,930.00	296,508.36
Cash advance Salaries and allowance	24-Apr-17	979630	268,624.79	268,624.79	296,508.36
Cash advance Salaries and allowance	24-Apr-17	979631	347,538.49	347,538.49	296,508.36
To Cash Advance SB casual Wages for the month of January 2017	03-Apr-17	979561	31,680.00	31,680.00	296,508.36
To Cash Advance SB casual Wages for the month of January 2017	03-Apr-17	979562	32,400.00	32,400.00	296,508.36
To Cash Advance SB casual Wages for the month of March 2017	03-Apr-17	979563	37,260.00	37,260.00	296,508.36
To cash Advance wages of Day Care workers for the month of January	03-Apr-17	979564	38,640.00	38,640.00	296,508.36
To cash Advance wages of Day Care workers for the month of February 2017	03-Apr-17	979565	36,800.00	36,800.00	296,508.36
To Cash Advance wages of KALAHI-CIDSS Staff for the Month of January	03-Apr-17	979566	130,000.00	130,000.00	296,508.36
To cash advance wages of day care workers for the month of March 2017	12-Apr-17	979582	40,480.00	40,480.00	296,508.36
To Cash Advance wages of KALAHI-CIDSS Staff for the Month of March 2017	12-Apr-17	979583	65,000.00	65,000.00	296,508.36
Cash Advance wages of casual employees for the month of April 2017	08-May-17	979697	163,260.00		459,768.36
To Cash Advance SB Wages for the month of April 2017	08-May-17	979704	25,920.00	25,920.00	459,768.36
Cash advance Mid-Year Bonus & CY 2017	09-May-17	979711	1,236,971.00	1,236,971.00	459,768.36
CA wages Canhugas staff	08-May-17	979731	73,960.00	73,960.00	459,768.36
CA wages Day Care Worker April 2017	12-May-17	979739	33,120.00	33,120.00	459,768.36
To Cash Advance wages of KALAHI-CIDSS Staff for the Month of April 2017	15-May-17	979749	65,000.00	65,000.00	459,768.36

Municipality of Hernani  
 Audit Working Paper on Advances for Payroll  
 2017

CA monetization of Leave credits	15-May-17	979755	685,054.49	685,054.49	459,768.36
Cash advance salaries and allowance	22-May-17	979793	385,907.83	385,907.83	459,768.36
Cash advance salaries and allowance	22-May-17	979794	439,234.21	439,234.21	459,768.36
Cash Advance wages of casual employees for the month of May 2017	31-May-17	979826	218,190.00	218,190.00	459,768.36
					459,768.36
Cash advance June 2017 Salaries & allowances SB	07-Jun-17	979869	380,344.89	380,344.89	459,768.36
To cash advance Wages of Day care Workers for the month of may 2017	06-Jun-17	979852	40,480.00	40,480.00	459,768.36
To cash advance wages of KALAHÍ-CIDSS staff for the month of May 2017	28-Jun-17	979893	65,000.00	65,000.00	459,768.36
To cash advance wages SB Casuals for the month of May 2017	28-Jun-17	979898	35,200.00	35,200.00	459,768.36
To Cash Advance SB Wages for the Month of June 2017	03-Jul-17	979923	32,000.00	32,000.00	459,768.36
To Cash Advance for the wages of KALAHÍ CIDSS Staff for the month of June 2017	13-Jul-17	979941	74,000.00	74,000.00	459,768.36
To Cash Advance Wages of day care workers for the month of June 2017	07/14/2017	979966	36,800.00	36,800.00	459,768.36
To Cash Advance Wages of casual employees for the month of June 2017	13-Jul-17	979943	203,900.00		663,668.36
To Cash advance salaries & allowances SB office	22-Aug-17	1070094	305,598.98	305,598.98	663,668.36
To Cash advance salaries & allowances of municipal official	22-Aug-17	1070095	378,406.82	378,406.82	663,668.36
To cash advance wages of canhugas nature park staff and personnel for the month of April, May and June 2017	03-Aug-17	1070029	71,470.00	71,470.00	663,668.36
To advance payment of wages of casual employees for the month of July 2017	03-Aug-17	1070033	217,290.00	217,290.00	663,668.36
To cash advance for the wages of KALAHÍ-CIDSS Staff for the Month of July 2017	03-Aug-17	1070052	74,000.00	74,000.00	663,668.36

Municipality of Hernani  
 Audit Working Paper on Advances for Payroll  
 2017


To cash advance Wages of Day CareWorkers for the month of July 2017	18-Aug-17	1070093	35,910.00	35,910.00	663,668.36
To Cash advance SB Wages for the month of July 2017	25-Aug-17	1070106	37,800.00	37,800.00	663,668.36
To Cash advance wages of Day Care Workers	04-Sep-17	1070216	35,910.00	35,910.00	663,668.36
To Cash advance for the wages of KALAH I - CIDSS staff	04-Sep-17	1070231	74,000.00	74,000.00	663,668.36
To Cash advance salaries and allowance of municipal official and employees	05-Sep-17	1070243	367,985.88	367,985.88	663,668.36
To Cash advance salaries and allowances SB office	05-Sep-17	1070244	303,857.19	303,857.19	663,668.36
To Cash advance SB wages for the month of august	12-Sep-17	1070288	37,800.00	37,800.00	663,668.36
To Cash advance SB casual wages for the month of September	06-Oct-17	1070363	36,000.00	36,000.00	663,668.36
To Cash advance wages of day care workers for the month of September 2107	11-Oct-07	1070393	33,120.00	33,120.00	663,668.36
To Cash advance for the wages of KALAH I - CIDSS for the month of September 2017	11-Oct-07	1070394	74,000.00	74,000.00	663,668.36
Cash advance salaries & allowances M.O October 2017	11-Oct-17	1070390	366,577.60	366,577.60	663,668.36
Cash advances salaries & allowances of SBO October 2017	11-Oct-17	1070391	304,267.01	304,267.01	663,668.36
To Cash advance salaries and allowances of municipal official and employees	13-Dec-17	1070624	365,666.43	365,666.43	663,668.36
To Cash advance salaries and allowances ( SB Office ) for the month of Dec. 2017	13-Dec-17	1070625	319,919.54	319,919.54	663,668.36
To Cash advance the wages of KALAH I - CIDSS staff for the month of November 2017	13-Dec-17	1070626	74,000.00	74,000.00	663,668.36
To Cash advance for the payment of wages for casual employees for the month of august 2017	13-Dec-17	1070627	214,570.00	214,570.00	663,668.36
To Cash advance SB wages for the month of November	21-Dec-17	1070640	36,000.00	36,000.00	663,668.36
To Cash advance for the wages of KALAH I - CIDSS for the month of December 2017	21-Dec-17	1070655	74,000.00	74,000.00	663,668.36
To Cash advance wages of day care workers for the month of December 2017	28-Dec-17	1070691	34,960.00	34,960.00	663,668.36



Municipality of Hernani  
 Audit Working Paper on Advances for Payroll  
 2017

To Cash advance payment for hazard pay	28-Dec-17	1070703	144,856.00	144,856.00	663,668.36
To Cash advance labor construction of concrete stair #2 at canhugas nature park	29-Dec-17	1070800	34,460.00	34,460.00	663,668.36
To Advance the payment of wages of casual employees for the month of October 2017	28-Dec-17	1070706	204,800.00	204,800.00	663,668.36
To Cash Advance the payment of wages of casual Employees for the month of November 2017	28-Dec-17	1070707	219,150.00	219,150.00	663,668.36
To Cash Advance of Payment of Wages of casual employees	29-Dec-17	1070793	222,880.00	222,880.00	663,668.36
		TOTALS	<b>13,747,069.12</b>	<b>13,083,400.76</b>	663,668.36
				BALANCE PER PS	221,505.34
				DIFFERENCE	<b>442,163.02</b>

Prepared by:



**Rhoma Leahy C. Miranda**  
SA II/ATM

Reviewed by:



**Ma. Cecilia B. Villarete**  
SA III/ATL

Municipality of Hernani  
 Audit Working Paper on Advances to Special Disbursing Officer  
 2017

Particulars	Date	Check No.	Cash Advances	Liquidation	Balance
Beginning Balance, 2016			185,405.75		185,405.75
CA Honorarium of resource speakers (GAD)	24-Jan-17	938517	25,560.00		210,965.75
CA Honorarium of resource speakers (GAD)	27-Jan-17	938520	67,000.00		277,965.75
Cash advance allowance of athletes of Hernani District	01-Feb-17	938553	14,080.00	14,080.00	277,965.75
To Cash advance payment for tax refund 2016	13-Mar-17	938581	84,461.27	84,461.27	277,965.75
CA catering Services	24-Apr-17	979639	50,000.00	50,000.00	277,965.75
Cash advance for the payment of labor	02-May-17	979665	9,700.00	9,700.00	277,965.75
To cash advance the payment of labor for re-gravelling of Canhugas Nature park access road	28-Jun-17	979907	6,240.00	6,240.00	277,965.75
Cash Advance for the payment of the Fruit Bearing and non-Fruit Bearing Trees	28-Jul-17	1070025	22,060.00	22,060.00	277,965.75
To Cash Advance payment for volleyball prizes	13-Jul-17	979965	3,000.00	3,000.00	277,965.75
To cash advance payment of wages for summer job program	07/25/2017	1070005	34,656.00	34,656.00	277,965.75
To cash advance labor for construction of concrete stair and hauling of material at Canhugas Beach	30-Aug-17	1070195	29,475.00	29,475.00	277,965.75
To Cash Advance for payment labor construction of cottages at Canhugas Nature Park	01-Dec-17	1070582	247,760.00	247,760.00	277,965.75
To Cash Advance wages of laborers for construction of cottages at Canhugas Nature Par for the month of November 2017	15-Dec-17	1070633	33,400.00	33,400.00	277,965.75
To Cash Advance for the payment for wages of casual employees for the month of September 2017	28-Dec-17	1070705	200,660.00	200,660.00	277,965.75
			<b>1,013,458.02</b>	<b>735,492.27</b>	<b>277,965.75</b>
			BALANCE PER FS		191,885.75
			DIFFERENCE		<b>86,080.00</b>

Prepared by:

  
 Rhoma Leahy C. Miranda  
 SA II/ATM

Reviewed by:

  
 Ma. Cecilia B. Villarete  
 SA III/ATL

Municipality of Hernani  
 Audit Working Paper on Purchases through Reimbursement  
 2017

<b>Date</b>	<b>Payee</b>	<b>Particulars</b>	<b>Check</b>	<b>Amount</b>	<b>REMARKS</b>
24/01/2017	Hon. Wilmar S. Candido	Reimbursement of diesel used for official business	938509	9,357.34	
02/02/2017	Maturino V. Diaz	Reimbursement of diesel and gasoline used during police operations	938547	11,667.96	
28/02/2017	Samuel A. Calventos	Payment for reimbursement of diesel/gasoline	938619	7,666.07	
28/02/2017	Maturino V. Diaz	Reimbursement of diesel and gasoline used during police operations	938645	10,467.50	
28/02/2017	Edgar C. Boco	Reimbursement of Fuel (diesel) used by RHU Ambulance	938661	16,458.39	No Attached trip tickets, 2016 receipts paid in 2017 or# 7753 12/21/16 P1,000.00, OR# 24616 12/31/16 P1,000.00, OR# 378547 12/21/16 P500.00
06/03/2017	Wilmar S. Candido	Reimbursement of diesel	938692	8,259.57	12/28/16 378721 P500.00, 12/28/16 216633 P827.00 , 12/26/16 8556 P1000, 12/24/16 8539 P1,000.00

Municipality of Hernani  
 Audit Working Paper on Purchases through Reimbursement  
 2017

<b>Date</b>	<b>Payee</b>	<b>Particulars</b>	<b>Check</b>	<b>Amount</b>	<b>REMARKS</b>
12/04/2017	Edgar C. Boco	Reimbursement of fuel (Diesel)	979581	34,601.43	No attached trip tickets 11/29/16 9429 P500.00, 9/26/16 6981 P500.00, 11/27/16 9337 P500.00, 10/27/16 8152 P500.00, 9/27/16 7010 P500.00, 12/7/16 9737 P500.00, 12/31/16 378823 P600.00, 12/6/16 378194 P1,000.00, 12/24/16 17741 P500.00, 6/29/16 0534 P700.00, 7/19/16 0550 P500.00, 12/19/16 13967 P500.00, 11/24/16 13048 P500.00, 10/25/16 11985 P500.00, 12/20/16 14103 P500.00, 12/6/16 350772 P500.00, 12/9/16 351156 P820.00, 12/21/16 352600 P1,200.00
18/04/2017	Maturino V. Diaz,JR.	Reimbursement of Diesel and gasoline	979613	12,181.48	
24/04/2017	Wilmar S. Candido	Reimbursement of diesel	979659	11,016.76	
22/05/2017	Ramon I. Antipolo,JR.	Reimbursement of diesel & office supplies	979768	11,460.04	
30/05/2017	Miguelito A. Oganía	Reimburse of Diesel	979809	1,400.00	
31/05/2017	Edgar C. Boco	Reimbursement of Fuel	979825	21,643.72	

Municipality of Hernani  
 Audit Working Paper on Purchases through Reimbursement  
 2017

<b>Date</b>	<b>Payee</b>	<b>Particulars</b>	<b>Check</b>	<b>Amount</b>	<b>REMARKS</b>
	Wilmar S.Candido	Reimbursement for the purchased of diesel used for official business	979849	9,937.50	
28/07/2017	Edgar C. Boco	Reimbursement for Fuel	1070024	33,248.04	
03/08/2017	Wilmar S. Candido	To Reimbursement for the purchase of diesel used for official business	1070051	11,622.15	
18/08/2017	Edgar C. Boco	To Reimbursement fuel ( XCS ) used by LGU vehicle ( racal tricycle )	1070072	5,258.35	
30/08/2017	Edgar C. Boco	To Reimbursement for fuel ( Gasoline ) used by LGU vehicle ( Racal Tricycle )	1070196	8,321.00	
07/09/2017	Ramon I. Antipolo Jr.	To Reimbursement for the purchase of oil & lubricants & other miscellaneous	1070262	3,435.54	
07/09/2017	Cesar C. Navarrete	To Reimbursement of diesel and gasoline used during police operations	1070264	10,032.15	
07/09/2017	Ramon I. Antipolo Jr.	To Reimbursement of diesel used for official business	1070269	12,094.41	
18/09/2017	Wilmar S. Candido	To Reimbursement of diesel/fuel used by LGU vehicles	1070299	22,387.77	
02/10/2017	Ramon I. Antipolo, Jr.	To Reimbursement of diesel used for official business	1070328	7,314.00	

Municipality of Hernani  
 Audit Working Paper on Purchases through Reimbursement  
 2017

<b>Date</b>	<b>Payee</b>	<b>Particulars</b>	<b>Check</b>	<b>Amount</b>	<b>REMARKS</b>
04/10/2017	Edgar C. Boco	To Reimbursement for fuel ( Diesel ) used by service vehicle at canhugas nature park	1070352	4,803.74	
11/10/2107	Cesar C. Navarrete	To Reimbursement of diesel and gasoline used during police operations	1070399	14,527.68	
11/10/2107	Adelfo B. Abella	To Reimbursement of photo copy/diesel/office supplies	1070415	3,160.32	
20/10/2017	Edgar C. Boco	To Reimbursement for fuel ( Diesel ) used by LGU vehicles ( RHU & Rescue Ambulance )	1070442	37,231.62	
09/11/2017	Ramon I. Antipolo, Jr.	To Reimbursement of diesel & oil used by LGU vehicle, used for official business	1070481	4,021.37	
29/11/2017	Danilo B. Codillo	To Reimbursement of expenses	1070578	5,448.00	
13/12/2017	Samuel A. Calventos	To Payment of reimbursement of diesel for supervisor/monitoring of concreting	1070619	14,792.75	
21/12/2017	Miguelito A. Oganía	To Reimburse diesel used to pick - up mangrove in lawaan E. samar	1070649	946.43	
28/12/2017	Hon. Edgar C. Boco	To Reimbursement of miscellaneous expenses	1070680	7,829.80	

Municipality of Hernani  
 Audit Working Paper on Purchases through Reimbursement  
 2017

Date	Payee	Particulars	Check	Amount	REMARKS
28/12/2017	Hon. Edgar C. Boco	To Reimbursement for fuel ( Diesel ) used by LGU vehicles	1070708	29,304.39	
29/12/2017	Wilmar S. Candido	To Reimbursement of diesel used for official business	1070733	7,382.15	
29/12/2017	Wilmar S. Candido	To Reimbursement for the purchase of diesel used for official business	1070735	16,274.07	
29/12/2017	Wilmar S. Candido	To Reimbursement of diesel incurred on official business	1070736	14,953.57	
29/12/2017	Edgar C. Boco	To Reimbursement for fuel ( Diesel ) used by LGU vehicles	1070801	45,124.93	
		<b>Total reimbursements</b>		<b>485,631.99</b>	
		<b>Total CY2016 expenses paid in CY 2017</b>			<b>P 16,647.00</b>

Prepared by:

  
 Ma. Cecilia B. Villarete  
 SA III/ATL

Municipality of Hernani  
 Audit Working Paper on Appropriations for 20% Development Fund  
 2017

PROGRAMS/PROJECT/ACTIVITIES		NATURE OF EXPENDITURE		
		PS	MOOE	CAPITAL OUTLAY
<b>1 Gender &amp; Development ( GAD ) Fund</b>	<b>Php 1,903,303.74</b>			
<b>RHU Operation &amp; Services Programs/Projects</b>				
NHIP Counterpart Fund	519,540.00		519,540.00	
Purchase of Drugs & Medicines	300,000.00		300,000.00	
Primary Health Care & Field Health Services	60,000.00		60,000.00	
Municipal Nutrition Program	89,446.19		89,446.19	
Inter - Local Health Zone Fund ( 1% )	66,817.55		66,817.55	
Contraceptive Self - Reliance ( CSR+ ) Program	20,000.00		20,000.00	
Healthy Start Program	10,000.00		10,000.00	
RHU Maintenance Cost	30,000.00		30,000.00	
Electronic Information Tracking System	37,500.00		37,500.00	
Sub - total	<b>1,133,303.74</b>			
<b>Municipal Social Welfare &amp; Development Programs/Projects</b>				
Day - Care Operation Support Fund	470,000.00	470,000.00		



Municipality of Hernani  
 Audit Working Paper on Appropriations for 20% Development Fund  
 2017

PROGRAMS/PROJECT/ACTIVITIES		NATURE OF EXPENDITURE		
		PS	MOOE	CAPITAL OUTLAY
Emergency Assistance Fund			150,000.00	
Differently - Abled Persons Welfare Fund			30,000.00	
OSCA Operations Support Fund			70,000.00	
Assistance to Women in Difficult Situation			50,000.00	
Sub - total			770,000.00	
<b>2 Municipal Agriculture Development Programs/P - Substained self-sufficiency program for Rice and Corn and other food products</b>	<b>Php</b>	<b>705,000.00</b>		
		<b>250,000.00</b>		
Purchase of Certified Rice Seeds		250,000.00	250,000.00	
Maintenance and Operation of 4 wheel drive (4WD) tractor				
Purchase of fuel and lubricants	50,000.00		50,000.00	
Repair and maintenance of the	25,000.00		25000	
<b>Value Crop Production</b>		100,000.00		
Purchase of Assorted Vegetable Seeds and Fruit Beari	50,000.00		50,000.00	

Municipality of Hernani  
 Audit Working Paper on Appropriations for 20% Development Fund  
 2017

PROGRAMS/PROJECT/ACTIVITIES		NATURE OF EXPENDITURE		
		PS	MOOE	CAPITAL OUTLAY
Conduct trainings and seminars on Integrated Pest Management for	50,000.00		50,000.00	
<b>Construction/Establishment of Municipal Nursery</b>		<b>150,000.00</b>		<b>150,000.00</b>
<b>Coastal Resource Management / Trainings</b>		<b>155,000.00</b>	<b>155,000.00</b>	
<b>Purchase of Animal Drugs &amp; Medicines</b>		<b>50,000.00</b>	<b>50,000.00</b>	
<b>3 Human &amp; Echological Security (HES) Fund</b>		<b>Php 2,934,936.60</b>		
Municipal Electrification Support Fund		395,000.00	395,000.00	
Water, Sanitation and Hygiene Support Fund		75,000.00	75,000.00	
Maintenance of Municipal Streets & Plaza		140,000.00	140,000.00	
Intelligence & Anti - Insurgency Fund/PNP Support Fund		100,000.00	100,000.00	
MASA MASID		10,000.00	10,000.00	
Youth & Sport Development Fund		180,000.00	180,000.00	
Construction of MRF @ Pinasuan		200,000.00		200,000.00
CBMS Updating/Validation Support Fund		60,000.00	60,000.00	

Municipality of Hernani  
 Audit Working Paper on Appropriations for 20% Development Fund  
 2017

PROGRAMS/PROJECT/ACTIVITIES		NATURE OF EXPENDITURE		
		PS	MOOE	CAPITAL OUTLAY
CLUP Trainings, Crafting, Updating & Data Gathering			644,936.60	
CDF Formulation			25,000.00	
Local Council for the Protection of Children Support Fund			50,000.00	
Tourism Support Fund			700,000.00	
Land Acquisition & Site Development ( Public Cemetery )			200,000.00	200,000.00
Formulation of Local Investment Incentive Code			80,000.00	
Socialized Housing Project ( GK ) Support Fund			75,000.00	
<b>4 Maintenance of Municipal Building</b>	<b>Php</b>	<b>350,000.00</b>	<b>350,000.00</b>	
<b>5 Maintenance of Legislative Building</b>	<b>Php</b>	<b>150,000.00</b>	<b>150,000.00</b>	
<b>6 Maintenance of Public Market</b>	<b>Php</b>	<b>150,000.00</b>	<b>150,000.00</b>	
<b>7 Maintenance of Canciledes - Nagaja FMR</b>	<b>Php</b>	<b>80,000.00</b>	<b>80,000.00</b>	
<b>8 Maintenance of Brgy. 03 - San Isidro FMR</b>	<b>Php</b>	<b>80,000.00</b>	<b>80,000.00</b>	
<b>Maintenance of Carmen - San Isidro - Canciledes</b>				
<b>9 FMR</b>	<b>Php</b>	<b>80,000.00</b>	<b>80,000.00</b>	

## ANNEX G

Municipality of Hernani  
 Audit Working Paper on Appropriations for 20% Development Fund  
 2017

PROGRAMS/PROJECT/ACTIVITIES	NATURE OF EXPENDITURE			
	PS	MOOE	CAPITAL OUTLAY	
10 Maintenance of Carmen - Lingsad CIS KALAHI - CIDSS:KKB Local Counterpart	Php	75,000.00	75,000.00	
11 Contribution		1,000,000.00		1,000,000.00
12 Debt Servicing Cost		1,400,000.00		1,400,000.00
13 Aid to Barangays		130,000.00	130,000.00	
14 Socio - Cultural Activities Support Fund Human Resource Activity Support Fund ( Team		103,619.46	103,619.46	
15 Building )		56,000.00	56,000.00	
16 Land Acquisition & Resettlement Plan ( LARP ) POPS		100,000.00	100,000.00	
17 Plan		12,500.00	12,500.00	
18 10 - yr. Solid Waste Management Plan		10,000.00	10,000.00	
19 Safe Closure & Rehabilitation Plan of dumpsite		60,000.00	60,000.00	
			470,000.00	6,035,359.80
				2,950,000.00

Prepared by:

  
**Rhoma Leah C. Miranda**  
 SA II/ATM

Reviewed by:

  
**Ma. Cecilia B. Villarete**  
 SA III/ATM

Municipality of Hernani  
 Audit Working Paper on LDRRMF Utilization  
 2017

PPAs		APPROPRIATION	UTILIZATION	BALANCE
<b>QUICK RESPONSE FUND</b>				
1. Purchase of relief goods		728,281.74		
2. Deployment of DANA team in affected areas and accurate data collection and reporting		60,000.00		
	<b>TOTAL</b>	<b>788,281.74</b>		
1. Production of IEC Materials		50,000.00		
2. Conduct of Information Education Campaign and forum of communities in high risk areas		75,000.00	513,259.25	
3. Conduct school and community earthquake, fire drills		75,000.00		
4. Registration and License of radios		250,000.00		
5. Conduct skills training of Wasar and Mosar volunteers		100,000.00		
6. Trainings/meetings of BDRRM/MDRRM sub-committees composition and responsibilities		50,000.00		
7. Training and hiring of ERTs		120,000.00		
8. Information dissemination		50,000.00		
9. WIFI and TV subscription, Cellphone mobile Connectivity		39,500.00		
10. Community planning		70,000.00		
11. Incentives to volunteers in the form of insurance		5,000.00		
12. Regular earthquake , fire, tsunami, typhoon, and evacuation drills and trainings		150,000.00		
13. Purchase of office furniture and installation of fixtures		70,000.00		
14. Coordination with other MDRRMOs, vehicles maintenance and insurance		150,000.00		
15. Purchase of first aid medicines and supplies		10,000.00	145,679.75	
16. Purchase of DRRM equipment and Office equipment		60,000.00		

Municipality of Hernani  
Audit Working Paper on LDRRMF Utilization  
2017

<b>PPAs</b>		<b>APPROPRIATION</b>	<b>UTILIZATION</b>	<b>BALANCE</b>
17. Purchase of diesel, lubricants		100,000.00		
18. Rental of real property for DRRM facilities		36,000.00	36,000.00	
19. Support to MDRRMO operation		144,143.52		
20. Purchase of ERT Uniform		27,164.69		
	<b>TOTAL</b>	<b>1,631,808.21</b>	<b>694,939.00</b>	
	<b>GRAND TOTAL</b>	<b>2,420,089.95</b>	<b>694,939.00</b>	<b>1,725,150.95</b>

Prepared by:

  
**Rhoma Leahh C. Miranda**  
SA II/ATM

Reviewed by:

  
**Ma. Cecilia B. Villarete**  
SA III/ATL

Municipality of Hernani  
 Audit Working Paper on Gender and Development  
 2017

1 Gender & Development ( GAD ) Fund	1,903,303.74	Appropriations			BALANCE
		PS	MOOE	CAPITAL	
<b>RHU Operation &amp; Services</b>					
NHIP Counterpart Fund	519,540.00		519,540.00		
Purchase of Drugs & Medicines	300,000.00		300,000.00		
Primary Health Care & Field	60,000.00		60,000.00		
Municipal Nutrition Program	89,446.19		89,446.19		
Inter - Local Health Zone Fund (	66,817.55		66,817.55		
Contraceptive Self - Reliance (	20,000.00		20,000.00		
Healthy Start Program	10,000.00		10,000.00		
RHU Maintenance Cost	30,000.00		30,000.00		
Electronic Information Tracking	37,500.00		37,500.00		
Sub - total	<b>1,133,303.74</b>				
<b>Municipal Social Welfare &amp;</b>					
Day - Care Operation Support	470,000.00				
Emergency Assistance Fund	150,000.00		150,000.00		
Differently - Abled Persons	30,000.00		30,000.00		
OSCA Operations Support Fund	70,000.00		70,000.00		
Assistance to Women in Difficult	50,000.00		50,000.00		
Sub - total					
<b>TOTAL</b>	<b>1,903,303.74</b>			<b>875,237.74</b>	<b>1,028,066.00</b>

Prepared by:



Rhoma Leah C. Miranda  
SA II/ATM

Reviewed by:



Ma. Cecilia B. Villarete  
SA III/ATL

Municipality of Hernani  
Audit Working Paper on Gender and Development  
2017

Form 6



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

COMMISSION ON AUDIT AUDIT GROUP E.S.-A EASTERN SAMAR PROVINCE	
BY:	<i>[Signature]</i>
DATE:	2017-01-10

Annex 6

Date: January 10, 2017

STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES  
AND CHARGES (SASDC)

For All Funds Audited  
For the Period Ending December 31, 2017

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

Attention: Ms. Sylvia E. Almazan  
Municipal Accountant

Please be informed that the total audit suspensions, disallowances, and charges found in the audit of various transactions of that agency, as of December 31, 2017 is **P2,272,537.62** 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, 2017)	This Period As of Oct. 1 – December 31, 2017		Ending Balance (As of Dec. 31, 2017)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 2,905,137.62	P 00.00	P 632,600.00	P 2,272,537.62
Notice of Disallowance		-		-
Notice of Charge		-		-
<b>Total</b>	<b>P 2,905,137.62</b>	<b>P 0.00</b>	<b>P 632,600.00</b>	<b>P 2,272,537.62</b>

B.

DETAILS OF SUSPENSIONS, DISALLOWANCES AND CHARGES

For the period October 1 – December 31, 2017

Date	NSDC No	PAYEE/PAYOR	AMOUNT			
			Disallowed	Charged	Suspended	Settled
8/18/2016	2016-023-101(15)	RAMON I. ANTIPOLLO				25,200.00
8/18/2016	2016-019-101(15)	RAMON I. ANTIPOLLO				34,960.00
8/18/2016	2016-017-101(15)	RAMON I. ANTIPOLLO				23,760.00
8/18/2016	2016-015-101(15)	RAMON I. ANTIPOLLO				38,640.00
8/18/2016	2016-014-101(15)	RAMON I. ANTIPOLLO				22,680.00
8/18/2016	2016-012-101(15)	RAMON I. ANTIPOLLO				232,140.00
8/18/2016	2016-011-101(15)	RAMON I. ANTIPOLLO				65,000.00
8/18/2016	2016-010-101(15)	RAMON I. ANTIPOLLO				36,800.00





Municipality of Hernani  
 Audit Working Paper on Gender and Development  
 2017

8/18/2016	2016-009-101(15)	RAMON I. ANTIPOLO				21,600.00
8/18/2016	2016-008-101(15)	RAMON I. ANTIPOLO				65,000.00
8/18/2016	2016-007-101(15)	RAMON I. ANTIPOLO				20,520.00
8/18/2016	2016-005-101(15)	RAMON I. ANTIPOLO				34,960.00
8/18/2016	2016-001-101(15)	RAMON I. ANTIPOLO				11,340.00
<b>TOTAL</b>						<b>P 632,600.00</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 provided under Section 28 hereof.

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

  
**EDITHA R. COJUANGCO**  
 OIC – Supervising Auditor

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

CHAR  
 1/25/18